
IPSEN
Innovation for patient care
2008
REGISTRATION
DOCUMENT

SUMMARY

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

IPSEN
Innovation for patient care

Société anonyme with a share capital of €84,059,683
Registered office: 65 quai Georges Gorse – 92650 Boulogne-Billancourt
419 838 529 R.C.S. Nanterre

2008 REGISTRATION DOCUMENT

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

Pursuant to the provisions of its general regulation, in particular article 212-13, the *Autorité des marchés financiers* (AMF) has registered this registration document on 17/04/09. 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 23 May 2007 under number R07-0076, for the 2006 financial year and on 29 April 2008 under number R08-042for the 2007 financial year, for the following financial information: financial information prepared under IFRS (International Financial reporting Standard): the management discussion and analysis, historical and consolidated financial statements (including the auditors'reports).

GENERAL INTRODUCTORY COMMENTS

In this registration document, unless stated otherwise, the terms "Company" and "Ipsen" refer to Ipsen SA 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 13. 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 4 – "Risk factors" of this registration document arise. In addition, attainment of the targets and forecasts implies the success of the strategy presented in section 6.1.1.2 of Chapter 6 – "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 4.1, 4.2, 4.3, 4.4 and 4.5 of this registration document (presented in decreasing order of importance among paragraphs 4.1, 4.2, 4.3 and 4.4) 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 4 – "Risk factors" of this registration document.

1 PERSONS RESPONSIBLE

1.1 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Mr. Jean-Luc Bélingard, Chairman and Chief Executive Officer of Ipsen.

1.2 ATTESTATION OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

"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 26 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 in accordance with the practice and professional standards applicable in France, and that they have read the document as a whole.

Past and forward-looking financials presented in this registration document have been the object of reports from the statutory auditors and are presented on pages 246, 265, 266 and 267 of this registration document."

The statutory auditors have issued a report on the financial statements for the financial year ended 31 December 2008 which is presented in chapter 20.2.3 of this registration document. Without qualifying their opinion, the statutory auditors, in their report on the individual financial statements for the financial year ended 31 December 2008, draw the reader's attention to the changes in accounting methods following the first application of the CRC recommendation 2008-17 concerning employee stock option plans and bonus share plans.

Jean-Luc Bélingard,
Chairman and Chief Executive Officer

1.3 PERSON RESPONSIBLE FOR FINANCIAL INFORMATION

Claire Giraut
Chief Financial Officer

David Schilansky
Investor Relations Officer

Ipsen
65, quai Georges Gorse
92650 Boulogne-Billancourt cedex
Phone: +33 (0)1 58 33 50 00
Fax: +33 (0)1 58 33 50 01
investor.relations@ipsen.com

www.ipsen.com

1.4 INDICATIVE FINANCIAL REPORTING TIMETABLE

4 May 2009:	First-quarter 2009 sales
4 June 2009:	Annual general meeting
28 August 2009:	First half 2009 sales and results
29 October 2009:	Nine-month 2009 sales

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AUDITORS

2.1 STATUTORY AUDITORS

Deloitte & Associés

Represented by M. Christophe Perrau
185, avenue Charles de Gaulle
B.P. 136
92524 Neuilly-sur-Seine Cedex

First appointed at the Annual General Meeting of 10 April 2002. Current term ends at the conclusion of the Annual General Meeting held to approve the financial statements for the year ending 31 December 2009.

KPMG Audit

Department of KPMG S.A.
Represented by Catherine Porta
1, cours Valmy
92923 Paris-La Défense Cedex

First appointed at the Annual General Meeting of 18 June 2005. Current term ends at the conclusion of the annual general meeting held to approve the financial statements for the year ending 31 December 2010.

2.2 ALTERNATE AUDITORS

B.E.A.S.

Represented by M. Alain Pons
7-9, villa Houssay
92524 Neuilly-sur-Seine Cedex

First appointed at the Annual General Meeting of 10 April 2002. Current term ends at the conclusion of the Annual General Meeting held to approve the financial statements for the year ending 31 December 2009.

M. Jean-Paul Vellutini

1, cours Valmy
92923 Paris-La Défense Cedex

First appointed at the Annual General Meeting of 18 June 2005. Current term ends at the conclusion of the Annual General Meeting held to approve the financial statements for the year ending 31 December 2010.

2.3 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)	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
Audit												
Statutory audit, certification, review of separate and consolidated financial statements												
Issuer	137	130	121	23%	26%	22%	192	188	364	27%	29%	32%
Fully consolidated subsidiaries	456	329	420	77%	67%	78%	439	366	619	63%	57%	55%
Other work and services directly related to the statutory audit												
Issuer												
Fully consolidated subsidiaries		33		0%	7%	0%		15		0%	2%	0%
Sub-total	**593**	**492**	**541**	**100%**	**100%**	**100%**	**631**	**569**	**983**	**90%**	**88%**	**87%**
Other services provided by the network to fully consolidated subsidiaries												
Legal, fiscal and payroll							69	73	147	10%	12%	13%
Other												
Sub-total	**0**	**0**	**0**	**0%**	**0%**	**0%**	**69**	**73**	**147**	**10%**	**12%**	**13%**
Total	**593**	**492**	**541**	**100%**	**100%**	**100%**	**700**	**642**	**1 130**	**100%**	**100%**	**100%**

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SELECTED FINANCIAL INFORMATION

3 SELECTED FINANCIAL INFORMATION

Underlying [1] Group sales grew by a strong 8.2% year-on-year (excluding the sales of the US acquisitions consolidated by the Group, the sales of Ginkor Fort®, divested on 1 January 2008, and excluding foreign exchange impacts) This performance was ahead of the Group's growth target of 6.5% to 7.5% set in February 2008.

Consolidated Group sales reached €971.0 million for the full year 2008, up 5.5% year-on-year. This positive development was fuelled by a strong growth in the Group's endocrinology and neurology franchises, up 23.7% and 12.5% respectively over the period.

Other revenues reached €67.1 million in 2008, down 8.4% year-on-year owing to the absence of the royalties that the Group expected to receive from Bayer under a licensing agreement now the subject of litigation.

Total revenues stood at €1,038 million, up 4.5% year-on-year.

Research & development expenses stood at €182.9 million in 2008, or 18.8% of sales, compared with €184.7 million or 20.1% of sales last year when significant expenditure was incurred to prepare for the FDA inspections in connection with the filings of Dysport® and Somatuline® Depot in the United States. Excluding foreign exchange impacts, R&D expenses grew by 4.5% year-on-year.

Operating profit amounted to €180.1 million, representing 18.5% of sales, including only royalty payments made by Bayer on its sales of Kogenate® through to the end of May 2008, without prejudice to the amounts that the Group considers actually due by Bayer. The Group expected to receive an additional amount of €25 million from Bayer when it published its full year 2008 operating margin objectives in February 2008 and updated in August 2008.

The Group's effective tax rate in 2008 reached 17.4% of net profit from continuing operations excluding net losses from associates, a strong improvement compared with a reported effective tax rate of 25.3% a year ago.

Net loss from associates amounted to €(10.8) million and solely comprised the Group's share of the net losses of Tercica Inc., through to the end of the third quarter of 2008. Tercica Inc. has been accounted globally in the Group's financial statements since 1 October 2008.

Consolidated net profit (attributable to the equity holders of Ipsen SA) reached €147.2 million, stable compared with €150.6 million in 2007.

Net cash generated by operating activities grew sharply to €203.4 million in 2008, compared with €176.0 million a year earlier. At 31 December 2008, the Group's net cash position stood at €66.2 million, compared with €217.8 million at 31 December 2007, notably following the acquisition of the Tercica Inc. shares that the Group did not already own.

Total milestones received in cash by the Group but not yet recognised as revenues in its consolidated income statement amounted to €165.7 million, compared with €218.7 million in 2007. This decline was principally attributable to the elimination from the consolidated financial statements of the deferred revenues previously recognised under the licence granted in 2006 by the Group to Tercica Inc. for Somatuline® Depot, after the full acquisition of the company by the Group in October 2008.

(1) "Underlying Group sales growth" is defined as consolidated Group sales growth at constant currency, excluding the consolidated sales of the US acquisitions of endocrinology and neurology operations and excluding Ginkor Fort® sales which was sold as of 1 January 2008.

(in million euros)	2008	2007	% change 2007/2006
Profit & loss account items			
Sales	971.0	920.5	5.5%
Other revenue	67.1	73.3	(8.4%)
Total revenues	1,038.1	993.8	4.5%
Operating income	180.1	208.9	(13.8%)
Operating margin (as % of sales)	18.5 %	22.7 %	
Consolidated profit (attributable to equity holders of Ipsen S.A.)	**147.2**	**150.6**	**(2.3%)**
Earnings per share – fully diluted (in euros)	1.75	1.79	
Average number of shares:			
Non-diluted	*83,925,348*	*83,875,853*	
Fully diluted	*84,015,122*	*83,972,411*	
Balance sheet items			
Intangible assets	163.9	89.2	
Other non-current assets	125.9	185.3	
Other non-current liabilities	217.7	221.0	
Cash flow statement items			
Cash flow from operating activities	203.4	176.0	
Net cash, end of period (1)	**66.2**	**217.8**	

(1) Net cash: Cash and cash equivalents minus overdrafts and bank loans and other financial liabilities plus or minus derivative financial instruments.

Since its first quotation on a financial market, the Group has guided on sales and total revenues growth, as well as operating result, expressed in percentage of total consolidated sales.

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RISK FACTORS

The Group carries on business in an environment which is undergoing rapid change and which poses a number of risks for the Group, some of which are outside its control. Investors are advised to give careful consideration to all the risks set out below (and presented in decreasing order of importance among paragraphs 4.1, 4.2, 4.3 and 4.4) and to all the information contained in this registration document. The risks and uncertainties set out below are not the only ones facing the Group. Other risks and uncertainties of which the Group is not currently aware or which it does not consider to be significant could also have a negative impact on its business, its financial situation or its results.

The Group has set-up, within its Finance department, an "Insurance and Risk management" function, reporting directly to the General Secretary. This function is described in paragraph 16.4.3.4 of the report relating to the organisation of the board activities as well as in section 16.4.1 of this registration document.

4.1 RISKS RELATED TO THE GROUP AND ITS STRUCTURE

4.1.1 Dependence on products

The Group relies on two products, Decapeptyl® and Tanakan®, for a substantial part of its sales.

Décapeptyl®. In 2008, this product generated sales of €247.8 million, representing around 25.5% of the Group's consolidated sales. Due to this high percentage of its consolidated sales, the Group is exposed to significant risks which could arise from factors such as the development of competing products or generic products, the adoption of unfavourable regulatory decisions or the filing of claims in relation to defects or side effects connected with this product. If the Group had to deal with any of these difficulties, this could potentially have a significantly unfavourable impact on its business, its financial situation or its results. The formulations of Decapeptyl® marketed by the Group include a daily formulation, a one-month formulation and a three-month formulation. Pursuant to the terms of the agreement with Debiopharm, the Group will have access to future sustained-release formulations of Decapeptyl® developed by Debiopharm, among which a 6-month sustained release formulation that has completed phase III clinical trials and for which Debiopharm filed a marketing authorization in 2008. Some of the Group's competitors are also developing sustained-release formulations in excess of three months, some of which are already marketed in the United States and in Europe. Eligard 45 mg is now marketed in 7 countries (Germany, France, Spain, Ireland, Netherlands, Portugal, and Belgium), and Enantone 30 mg which is marketed in France since September 2008. In addition look-a-like drugs arrived on the GnRH analogue market during 2007, namely Leuprone® and Leupro®, in one-month and three-month formulations which were launched in Germany in August 2007. These drugs did not receive marketing approval in other European countries in 2008. Nonetheless, the fact that these formulations are marketed in territories in which Decapeptyl® is marketed, could affect the sales and results of the Group.

Tanakan®. In 2008, this product generated sales of €109.2 million, 57.8% of which was generated in France (i.e. 11.2 % of the Group's consolidated sales). On 25 October 2006, the French Health Minister announced that vasodilators, including Tanakan®, would continue to be reimbursed at a rate of 35% by the medical insurance bodies. The price of Tanakan® was reduced by 10% at the request of the regulatory authorities on 1 July 2007.

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

The Group is dependent on the setting of prices for medicines and is vulnerable to the possible withdrawal of certain products from the list of reimbursable products by governments or by the relevant regulatory authorities in the countries where it does business.

In general terms, the Group is faced with uncertainties regarding the fixing of prices for all its products, because over the last few years the prices of medication have been under severe pressure for a number of reasons, including the following:

- the tendency of governments and the suppliers of medical care to recommend the use of generic medication in several countries by means of laws relating to generic substitution, which authorise or require pharmacists issuing medication, wherever possible, to substitute a less expensive generic medication for a medication from the original pharmaceutical laboratory;
- the price controls exercised by governments in numerous countries;
- other restrictive measures which limit increases in the costs of medical services; and
- parallel imports which enable wholesalers to make use of differences in market prices by buying medication at lower prices in certain markets to sell them in other markets at higher prices.

The commercial success of the Group's products depends in part on the proportion of their price that is reimbursed to patients by private medical insurance companies, medical insurance bodies or public health service programs.

The continued sale of a drug through the OTC channel after its delisting does not necessarily prevent a contraction in its sales, the key factor being whether patients themselves agree to bear the cost of their treatment. Based on events following the delisting of other drugs in France, as well as in other European countries, products affected by such measures usually show a decline in their sales.

As a result, assuming that a drug marketed by the Group, sales of which contribute a significant portion of its sales, were to be delisted, this measure would be liable to have an unfavourable impact on the Group's business activities, financial condition and earnings. This said, the Group would nonetheless retain the option of entering into an agreement with a partner to market through the OTC channel the drugs that had been delisted, which may curb the adverse impact of any delisting on its business activities, financial condition and earnings.

For example, Ginkor Fort®'s price was cut by 15% in February 2006. Ginkor Fort® generated sales of €11.8 million in France in 2008. On 25 January 2006, the French authorities announced that the level of reimbursement of all members of the veinotonic class of drugs including Ginkor Fort® would be reduced from 35% to 15% as from 1 February 2006 until 31 December 2007. These drugs were then withdrawn from the list of reimbursable drugs as from 1 January 2008. Ipsen transferred marketing authorizations of Ginkor Fort® for France, Monaco and Andorra to GTF Group as from 1 January 2008.

4.1.3 Use of dangerous substances

The Group uses dangerous substances to carry on its business and any claim relating to the improper handling, storage or treatment of these substances could be costly.

The Group's Research and Development programs, its pre-clinical and clinical trials and its manufacturing and distribution business involve the controlled storage, handling, use and processing of dangerous substances, toxins, chemical and biological agents and radioactive molecules. Therefore, the Group is exposed not only to environmental risks linked to the contamination of the environment 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 manufacturing activities.

The Group is subject to laws and regulations governing the use, manufacture, 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 the laws and regulations in force, the risk of accidental contamination or occupational disease linked to handling dangerous substances cannot be completely eliminated. Hence, the Group's Health, Safety and Environment Quality Control Department strives to set up procedures to apply prevention 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 limit of insurance cover taken out by the Group, or even not be covered at all. The Group might be unable to maintain insurance coverage on satisfactory terms, or to obtain any insurance. The Group could incur substantial costs in order to comply with current or future environmental or health and safety laws and regulations.

4.1.4 Uncertainty on the approval of products which are currently being developed

A number of products that the Group is developing are still at the very first stages of development and the Group cannot be certain that these products will be approved by the competent regulatory authorities and that they will be successfully marketed.

If the products that the Group is developing are not approved during clinical and pre-clinical trials or if they are not approved by the regulatory authorities, this would have a negative impact on the growth of the Group. Of the 25 principal development programs that the Group is currently pursuing, six are at the pre-clinical trials stage, three are at phase I of clinical trials and sixteen are at phase II or phase III of clinical trials or in the regulatory process. Several years can elapse before a product is approved and it may be that the Group will fail to launch some of its new products on the market. A new product can also appear to be promising at a preparatory stage of development or after clinical trials but never be launched on the market or be launched on the market but fail to sell. This can happen for various reasons including:

- products can prove to be ineffective or to cause side effects which outweigh their therapeutic benefits during pre-clinical or clinical trials;
- the Group could fail to devise adequate and satisfactory clinical trials during pre-clinical trials or at the very beginning of clinical trials;
- the Group could fail to obtain licences from the competent regulatory authorities to allow it to conduct the necessary clinical trials or could be obliged to repeat trials to comply with regulations in different jurisdictions;
- the Group could fail to obtain the necessary licences from the competent regulatory authorities to sell its products on certain markets or on any markets;
- it could prove to be too costly or difficult to manufacture new products on a large scale;
- the marketing of certain products could be prohibited due to the existence of intellectual property rights belonging to third parties;
- the Group could be unable to find a distributor to market its products, or its partners in the context of jointly developed products could decide not to market its products;
- the Group's products could fail to obtain the support of the market;
- the Group's competitors could develop more effective products or products which, for other reasons, obtain more support from the market;
- new products could render the Group's products obsolete; and
- the Group could fail to sell its products at prices which would enable it to realise a satisfactory return on its investment.

4.1.5 Dependence on intellectual property rights held by third parties

In order to manufacture and market several of its products, including four of its main products, the Group depends on intellectual property rights held by third parties.

Intellectual property rights (particularly patents, know-how and trademarks) are covered by licence agreements granted to the Group by third parties that are the owners of those rights or are authorised to licence their use under a sub-licence. Four of the Group's main products, Decapeptyl® (sales of which represent about 25.5% of consolidated sales for 2008), Dysport® (sales of which represent about 14.7% of consolidated sales for 2008), Somatuline® (sales of which represent about 12.4% of consolidated sales for 2008) and Tanakan® (sales of which represent about 11.2% of consolidated sales for 2008), are manufactured and marketed under licence from third parties. Although the Group currently has good relations with these third parties and has taken the necessary steps to protect its interests in the contracts entered into for this purpose, 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 observed. 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 contracts at a level which is at least as advantageous as the contracts already concluded. In addition, the development and sale of certain products in the future could depend on the terms of the licences. 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 the same patents or by such third parties in respect to other patents (see, for instance, section 6.1.1.3.2. in the Intellectual Property section with respect to NutropinAq®).

4.1.6 Dependence on third parties to ensure the success of the Research and Development portfolio

The Group is dependent on the support of third parties to ensure the success of its Research and Development portfolio and its inability to secure such support or any shortcoming in its control of 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 know-how 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 that it manages to obtain and on the performance of those partners in carrying out their obligations pursuant to these collaboration agreements.

The Group could find itself unable to maintain collaboration agreements in force on acceptable terms or could be unable to conclude new collaboration agreements on satisfactory commercial terms. Insofar as the Group is unable to maintain or conclude 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 of limiting or delaying its development in other areas. In addition, the Group's partners could fail to fulfil their obligations or to perform them in a satisfactory manner, and this would give rise to delays and lead to expenses for the Group.

4.1.7 Dependence on third parties to develop and market certain products

The Group depends on third parties to develop and market some of its products, which generates substantial royalties for the Group, but these third parties could behave in ways which cause damage 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 important collaboration agreements, in particular with Medicis, Bayer and Roche. The royalties received by the Group from some of these partners contribute substantially to the Group's operating results and cash flow. When the Group markets its products pursuant to collaboration agreements, it exposes itself to the risk that certain decisions, such as the preparation of budgets and promotional strategies, are controlled by its partners and that the decisions taken by the Group's partners have a negative impact on the conduct of the Group's business pursuant to those agreements. The Group cannot be certain that its partners will fulfil their obligations and it might 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 the products marketed in collaboration with the Group. Finally, even if it had the means of obtaining redress against its partners in the event that they caused it damage, the Group is not in a position to ensure that its partners have sufficient insurance coverage to cover the whole of their liability in respect to their business, whether as regards third parties or as regards the Group. If they did not have sufficient coverage, the Group could be obliged to bear a substantial part of the damage thus caused, directly or indirectly, and this could have a negative impact on its business, its financial situation or its results.

A default by any of the Group's partners or tough competition could result in some of the Group's products (for example BIM 51077 (Taspoglutide), Reloxin®, or Azzalure®) (i) having their development program delayed or stopped, (ii) not being approved by the 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 sales lower than expected. Such situations could have a negative impact on the business of the Group, its financial situation or its results.

4.1.8 Dependence on public authorities to obtain regulatory approvals

Certain products of the Group of biological origin are made of active ingredients, stocks of which can only be renewed if regulatory approvals are obtained. When the Group manufactures new batches of such active ingredients or alters the process of production thereof, it has to obtain new regulatory approvals for such batches prior to marketing the products containing any such ingredients. The Group plans the studies it considers necessary to obtain these approvals well in advance. It cannot guarantee, however, that the work carried out in this context 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 licences in time. In the event that the Group failed to obtain such new approvals or only obtained them significantly later than anticipated, it could find itself out of stock of products containing such active ingredients.

Such a lack of stock could have a significantly unfavourable impact on the marketing of the products in question, and this could have a negative impact on the business, the financial situation or the results of the Group.

4.1.9 Risks connected to the intellectual property rights of the Group

The collaboration between the Group and third parties exposes the Group to the risk that the third parties concerned might claim the benefit of intellectual property rights in respect to the Group's inventions or might not ensure the confidentiality of the Group's unpatented technology.

The Group provides the third parties with which it collaborates (including universities and other public or private entities) with information and data in various forms relating to the research, development, manufacture and marketing of its products. Despite the precautions taken by the Group with regard to these entities, in particular of a contractual nature, they (or certain of their members) could claim ownership of intellectual property rights arising from the trials carried out by their employees or any other intellectual property right relating to the Group's products. In addition, where their own intellectual property rights are concerned, these entities could refuse to grant licences to the Group on terms acceptable to it. The Group also depends on unpatented technology, methods, know-how and data which it considers to be industrial secrets. Their protection is, in particular, ensured by the conclusion of confidentiality agreements between the Group and its employees and consultants and some of its subcontractors. The Group cannot be certain that these agreements or any other type of protection for its industrial secrets will be effective or that in the event of their breach, satisfactory means of redress will be available.

4.1.10 Risks connected to the amount of funds required to finance the Group's operations and investments

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

The Group requires substantial funds for its operations. Its future capital requirements will depend on several factors, including, in particular:

- the continuous progress of its Research and Development programs and the extent of those programs;
- the scope and results of the pre-clinical and clinical trials conducted by the Group;
- the time and expense involved in obtaining regulatory licences;
- the ability of the Group to keep existing collaboration agreements in force and to conclude new collaboration agreements;
- the costs connected with increases in manufacturing capacity and effective marketing;
- the costs associated with the creation of new establishments;
- the costs associated with the Group's international development, particularly in the U.S.;
- the volumes of sales and royalties in respect of the Group's current and future products;
- the expenses connected with the preparation, filing, conduct and enforcement of claims relating to patents and other intellectual property rights; and
- the expenses connected with obtaining and maintaining the licences necessary for the use of patented technology.

Although the Group considers that it has sufficient cash flow to finance its current business, it might need to raise additional funds to develop its business, whether through increases in its share capital, borrowing, entering into collaboration

agreements, participating in sponsored research programs, or by any other means. The Group cannot be certain that it will be able to raise the funds it may possibly require on satisfactory terms. If it proved unable to do so, it might have to delay, reduce or abandon expenditure on certain Research and Development programs, seek to obtain finance by means 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 might reduce the profit obtained by the Group from the products concerned. In addition, insofar as the Group increased its share capital by issuing new shares, the shareholdings of the Group's existing shareholders would be diluted.

4.1.11 Risks connected to the Group's international business

The Group engages in business throughout the world, including in countries other than member states of the European Union and the United States, and, in particular, in China, Russia and other countries of Central and Eastern Europe. The risks incurred by the Group which are specific to its international business are numerous and include, in particular:

- risks associated with unexpected changes in the area of regulations, and in particular in fiscal regulations or regulations regarding trade and tariffs;
- risks associated with the difficulties to construe or implement certain specific regulations;
- risks associated with limitations on the repatriation of profits;
- risks associated with variations in exchange rates;
- risks associated with the deferral of validity of various intellectual property rights;
- risks associated with various employment regulations;
- risks associated with political or economic changes affecting a given region or country;
- risks associated with increased difficulties of recruitment of personnel and management of operating entities abroad;
- risks associated with the non respect by the employees of ethic principles set forth by the Group (see section 16.4 of this registration document on internal audit); and
- the absence of an international agreement on regulatory standards.

4.1.12 Dependence on certain management executives and scientists

The Group's success depends in large part on certain essential management executives and scientists. The departure of such personnel could damage the competitiveness of the Group and compromise its ability to achieve its objectives. In addition, the Group is convinced that its continued expansion in sectors and business requiring additional expertise and resources (such as marketing, clinical trials and regulatory licences) will require the recruitment of new management executives and scientific officers. The Group may not be able to attract or retain the necessary management executives and science officers.

4.1.13 Dependence on its production tool

The Group is dependent on its production tool in order to maintain and develop its sales. On several of its sites, some production equipment is critical and unique. If a production site were to suffer a breakdown, this could result in production being interrupted for 3 to 24 months while a part or the whole device is replaced, followed by its requalification and validation, or having to use a sub-contractor. Any such business interruption could have a negative impact on the business of the Group, its financial situation or its results.

Depending on the products concerned, returning to prior sales levels could prove difficult, which could have a negative impact on the business of the Group, its financial situation or its results.

Furthermore, the Group uses dangerous and inflammable substances and powders which could lead to an explosion or a fire on several of its production sites. Handling, storing or using these substances could cause part or all of one of the production sites to be destroyed. This could result in the production being interrupted for anything up to 36 months. Depending on the site and the products affected, a return to prior sales levels could prove difficult.

4.1.14 Risks connected with the Group's acquisitions

The Group's strategy includes acquiring companies which may enable or facilitate access to new drugs, new research projects, or new geographic markets, or enable it create synergies with its existing activities. The Group could be unable to identify appropriate target companies, to complete acquisitions under satisfactory terms (particularly pricewise), or to integrate newly acquired companies or activities efficiently, in reaching its operational objectives, or expected cost reductions, or synergies. Furthermore, the Group could find itself unable to obtain financing for these acquisitions under favourable terms, and could be required to finance these acquisitions using cash that had been allocated for other purposes linked to the Group's current activities. The Group could also suffer difficulties or delays in integrating the acquired companies, particularly as regards a possible incompatibility of their systems and procedures (particularly accounting systems and procedures) or difficulties as regards company policy and culture, the fact of certain employees leaving the company or the assuming of the companies' liabilities and expenses, namely large uninsured disputes. If the Group was hampered in carrying out its external growth policy, such a situation could affect its ability to meet its financial objectives and increase its market shares, which could have a negative impact on the Group's business, financial situation, results or its outlook.

4.2 RISKS LINKED TO THE PHARMACEUTICAL INDUSTRY

4.2.1 Risks connected with competition on the market

The Group carries on business in well-established markets where developments are rapid and competition is intense. The Group's competitors include, in particular, the large international pharmaceutical groups whose size, experience and capital resources are greater than those of the Group. Consequently, the Group cannot be certain that its new products:

- will be able to obtain the necessary regulatory approvals or be present on the market more rapidly than its competitors' products;
- will be able to compete consistently with safer, more effective or less expensive products marketed by certain large competing 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 compete effectively with other products used to treat the same pathologies.

New developments are expected in the pharmaceutical industry and in public and private research facilities. Apart from 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 could do in the case of 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 the research, development and marketing of such products.

Details on the competitive environment of the Group's main products are presented in section 6.1.1.3. of this registration document.

4.2.2 Risks connected to Research and Development failures

The Group invests very substantial sums in Research and Development in order to remain competitive, and are unable to recover these investments if the clinical trials of the Group's products are not as successful as anticipated or if such products do not receive the necessary regulatory authorizations.

The Group must invest large sums in Research and Development to remain competitive.

In order to remain competitive in the pharmaceutical industry where competition is very strong, the Group must devote substantial resources every year to Research and Development in order to perfect new products. Even if the efforts of the Group's Research and Development bear fruit, its competitors could develop more effective products or could successfully introduce a larger number of new products to the market. In 2008, the Group spent €182.9 million in Research and Development, which represents around 18.8 % of Group consolidated sales. The Group's current investments in respect of the launch of new products and the research and development of future products could give rise to higher costs without a proportionate increase in the Group's revenues.

The Research and Development process is a lengthy one and there is a substantial risk that a product may not succeed.

The Research and Development process usually lasts between eight and twelve years from the date of the discovery to the launch of the product on the market. This process involves several stages at each of which there is a substantial risk that the Group will fail to achieve its objectives and be forced to abandon its efforts in respect of a product in which it has invested significant sums. Thus, in order to develop a product which is viable from a commercial point of view, the Group must demonstrate, by means of pre-clinical and clinical trials, that the molecules are effective and not dangerous to human beings. The Group cannot be certain that favourable results obtained during pre-clinical trials will be confirmed subsequently during clinical trials, or that the results of clinical trials will be sufficient to demonstrate the safe and effective nature of the product concerned so that the administrative authorization necessary for it to be marketed can be obtained.

After the Research and Development stage, in a number of countries the Group must invest substantial additional resources to obtain the necessary governmental authorizations, without any guarantee that they will be obtained.

The Group must obtain and retain the necessary regulatory authorizations for its medicines from the regulatory authorities of the European Union, the United States and other regulatory authorities, before a given product can be sold on the market concerned. The presentation of the application for marketing authorization to an authority does not guarantee that it will grant a marketing authorization for the product concerned. Every authority can impose its own requirements, including the requirement to conduct clinical studies locally, and can delay or refuse to grant the marketing authorization applied for even if the product has already been authorized in other countries. In the Group's main markets, the marketing authorization procedure for new products is complex and lengthy. The time it takes to obtain the necessary marketing authorization varies from country to country but in general it is between six months and two years from the date of the application. In addition, if a marketing authorization is granted, it may include limitations as to the use for which the product may be marketed, or the requirement to carry out further trials subsequent to the registration of the product. A marketed product is also subject to constant monitoring after the initial authorization is granted. The subsequent discovery of problems which were unknown at the time of the application for marketing authorization or failure to comply with regulatory requirements can result in restrictions being placed on the marketing of the product concerned or its withdrawal from the market, as well as legal penalties. In addition, the Group is subject to rigorous official inspections regarding the manufacture, labelling, distribution and marketing of its products. All these factors can increase the costs connected with the development of new products and increase the risk that new products cannot be marketed successfully.

4.2.3 Dependence on third parties to manufacture certain products

Although the Group currently manufactures the active substances for several of its products, it subcontracts the manufacturing of certain of these active ingredients to third parties or purchases these products directly from its partners or its partners' sub-contractors. The Group therefore exposes itself to the risk of a failure of its sources of supply if its suppliers experience financial difficulties or cannot manufacture a sufficient quantity of such products. If a failure of its supplies occurred due to difficulties experienced with its sub-contractors, 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 have a negative impact on the business of the Group, its financial situation or its results.

4.2.4 Risks connected with failure of supplies and other disruptions

The marketing of certain products by the Group has been and could be affected by a failure of supplies and by other disruptions.

Such difficulties can be both of a regulatory nature (the need to correct certain technical problems in order to make production sites conform to the applicable regulations) or of a technical nature (the difficulties of obtaining supplies of satisfactory quality) and they are likely to result in a very noticeable reduction in the volume of production of the products concerned and in the quantity of products delivered. This situation can result in a significant reduction in sales in relation to one or more given products.

Consequently, the Group cannot guarantee that it will manage to ensure the supply of these stocks in the future. If difficulties of this nature persist for a certain period of time in relation to one or more given products, they can also have a negative impact on the Group's sales and thus on its profitability and results.

4.2.5 Dependence on the intellectual property rights of the Group

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

Consequently, the Group cannot be certain:

- that it will develop other patentable inventions;
- that the patents which are currently the subject of applications will be granted;
- that the patents which are granted to it or which are the subject of a licence granted to it will not be challenged and judged to be invalid or unenforceable;
- that the protection afforded by a patent will be sufficiently broad to exclude competitors; or
- that other persons will not claim rights including ownership rights over patents and other intellectual property rights owned by the Group or which are the subject of a licence granted to it.

At 31 December 2008, the Group held 2, 674 patents 1,745 of which were issued in European countries and 239 in the United States. At the same date, the Group had 1,586 applications for patents being considered, including 160 in Europe, 40 international applications and 211 in the United States (in the majority of cases, each international application comprises numerous national applications and one European application upon expiry of the 30-month priority period). The Group cannot guarantee the level of protection that will be afforded to its patents if it seeks to assert its rights and if its rights are challenged in court or in other proceedings. In addition, the legal costs incurred in order to assert the validity of patents could be very substantial.

4.2.6 Risks connected with infringement of the Group's patents

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

In addition, in view of the development of the pharmaceutical industry, more and more patents are being issued, including some which apply to all therapeutic areas, and there is a growing risk that the Group's business and its use of certain technologies could involve the infringement of patents belonging to third parties. This risk is inherent in the business of any pharmaceutical laboratory and, when it occurs, it is usually resolved by licence agreements or cross-licence agreements.

In this context, 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 is likely to cover NutropinAq® according to the interpretation of its claims. Genentech filed its opposition to this European patent belonging to Pharmacia and the Opposition Division of the European Patent Office amended this patent so 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. 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 royalties to Pharmacia.

Given that applications for patents are not generally published until eighteen months after the date of the priority application (or even in certain cases on the date of issue of the patents), the Group cannot guarantee that third parties have not been the first to invent certain products or to file applications for patents for inventions which are the subject of patent applications by the Group and which are in the process of receiving approval. In addition, in the United States, patents can be issued according to the date of the invention, which can enable a party to benefit from a patent in respect of an invention even though it was not the first to file its application. If the Group found itself unable to patent its technology, it could be obliged to obtain licences from third parties to use their patents, to terminate certain activities or to obtain alternative technologies.

4.2.7 Risks connected with counterfeit 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. The counterfeit products would not be approved by the competent regulatory authorities and could be dangerous. Insofar as the counterfeit products were sold as those of the Group, its reputation could be affected and the confidence of patients in the Group's products could be undermined. In addition, the Group's products could be withdrawn from the market in the event of sales of counterfeit products. If the confidence of patients or of prescribers of the Group's products was damaged or if the Group was forced to withdraw products from the market, the sales and the results of the Group could be reduced.

4.2.8 Risks connected with product liability

The business of the Group exposes it to the risk of product liability, and its insurance coverage could be insufficient to protect it against such a risk should the need arise. Product liability constitutes a substantial commercial risk for the Group and one which could increase if the business of the Group expands into new markets and continues to grow in the United States (where the costs associated with product liability claims can be particularly burdensome). Considerable sums in damages have been awarded in certain countries against pharmaceutical companies due to 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 large claims based on product liability. Although the Group is not currently involved in substantial proceedings arising from product liability, which include claims for damages as a result of the use of its products, it is possible that such proceedings could be commenced in the future. Although the Group has insurance policies to cover the risk of potential claims based on product liability, if a claimant won his case in a claim against the Group based on such liability, this could have a negative impact on the business of the Group, its financial situation or its results.

Insurance coverage in the pharmaceutical industry is becoming more and more expensive and it is impossible to predict the cost that product liability insurance could represent in the future, or to be certain that it will always be possible to obtain such insurance. The Group may be unable to obtain or to retain insurance coverage on acceptable terms and the insurance available to the Group may not provide adequate protection against the potential risks. If the Group was unable to take out an insurance policy at a reasonable price or was unable to make adequate provisions to protect itself against potential claims based on product liability, it could be exposed to substantial risks and could be unable to market its products at the appropriate time or at competitive price levels.

The Group faces the risk of product claims relating to their safety, notably for its products in the area of neurology (marketed under the brand names Dysport® and Apokyn®) that may cause, or may appear to cause, serious adverse side effects or potentially dangerous drug interactions if misused or improperly prescribed. The Group is subject to pharmacovigilance obligations that require us to report to regulatory authorities if our products are associated with a serious adverse event including patient death or serious injury. These adverse events, among others, could result in additional regulatory constraints, such as additional requests from the regulatory authorities during reviews of applications filed for marketing approvals in various countries which could delay the launch time of our products in new markets, the performance of costly post-approval clinical studies or revisions to our approved labelling, limit the indications or patient population for the Group's products or could even lead to the withdrawal of a product from the market. Such events could harm the sales of the product and therefore have a material negative impact on the Group's financial situation. Furthermore, any adverse publicity associated with such an event could cause consumers to seek alternatives to the Group's products, which may cause sales to decline, even if the Ipsen product at stake is ultimately determined not to have been the cause of the reported serious adverse event.

4.2.9 Environmental risks

Environmental liabilities and the costs of compliance could have a negative impact on the results of the Group.

Environmental laws in various countries impose actual and potential obligations on the Group as regards the repair of environmental damage or the clean-up of contaminated sites. These obligations could be applied to sites for which the Group is or was the owner, to sites where it carries or carried on its business or to sites where waste from its business has been deposited. These environmental obligations could considerably reduce the Group's operating results. The Group could be involved in judicial or administrative proceedings arising from disputes about the environment. If these proceedings had an outcome which was unfavourable to the Group this could have a substantial negative impact on its results. Stricter laws relating to the environment, safety and health and more rigorous enforcement measures than those currently in force could generate considerable liabilities and costs for the Group and could make the Group's handling, manufacture, use, reuse or processing of substances or pollutants subject to more rigorous inspection measures than those currently observed. Consequently, compliance with these laws could involve considerable capital expenditure as well as other costs and liabilities which would affect the business and results of the Group. If any of the Group's production units were closed for reasons connected with the application of laws relating to the environment, the Group could suffer temporary interruptions in the production of some of its products and a certain amount of time could elapse before the Group could obtain the necessary regulatory authorizations to reopen and recommence operation of its reserve production lines. If this situation persisted for a long time, interruptions of this nature could have a negative impact on the Group's sales.

Significant investments to ensure the health and safety of employees working at the Group's different sites who handle dangerous substances could lead the Group to incur large expenditure or externalise certain activities with specialised partners.

4.2.10 Risks connected with products sold for unauthorised uses and from generic medication

The Group must deal with or may have to deal with competition from (i) generic products, (ii) products which, although they are not strictly identical to the Group's products or which have not demonstrated their bioequivalence, may obtain a marketing authorization for indications similar to those of the Group's products pursuant to the bibliographic reference regulatory procedure (well established medicinal use) before the patents protecting its products expire, in particular Tanakan® and (iii) products sold for unauthorised uses when the protection afforded by patent law to the Group's products and those of its competitors expires. Such a situation could result in the Group losing market share which could affect its current level of growth in sales or profitability. To avoid such situations or to reduce their impact, the Group could bring legal actions against the counterfeiters in order to protect its rights.

Because the producers of generic products do not have to incur the costs associated with the various stages of the process of development of medicines to prove that their products are not dangerous and are fit for their intended purpose, they can sell their products at prices that are lower than the prices at which the Group sells its products, having incurred those costs. 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 growth in sales or profitability.

4.3 LEGAL RISKS

4.3.1 The majority shareholder in the Company owns a significant percentage of the equity and of the voting rights in the Company

Mayroy, the main shareholder of the Company, at 31 December 2008 held almost 73.42% of the capital and 85.05% of the voting rights in the Company, allowing it to control the vote of the resolutions at General Meetings and might have a material adverse effect on the price of the Company's shares. This concentration of capital and voting rights held by a single shareholder and the possibility for such shareholder, to freely dispose of all or part of its shareholding in the Company might have a material adverse effect on the price of the Company's shares.

4.3.2 The Company's share price may fluctuate

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

- changes in the Group's financial performance or of its competitors from one year to another;
- the announcement by the Company or one of its partners of the success or failure of a Research and Development program of the Company or of a third party in partnership with the Company;
- the announcement by the Company of the success or failure of the commercial launch of a new product;
- announcements made by competitors or announcements concerning the pharmaceutical industry;
- announcements regarding changes in the Group's management or key personnel.

In the last few years, the financial markets have experienced significant volatility that, at times, has had no relationship to the financial performance of listed companies. Market volatility, as well as general economic conditions, may affect the Company's share price.

4.3.3 Judicial and administrative proceedings

In the normal course of its business activities, the Group is a party or may be a party to judicial and administrative proceedings. In connection with some of these proceedings, financial claims are or may be brought against the Group. These claims are provisioned in accordance with IFRS accounting standards (a description of these provisions can be found in chapter 20, section 24.1 of this registration document). These provisions amounted to €30.5 million at 31 December 2008. These provisions are estimated on the basis of the most likely assumptions on the reporting date. The Group's main legal disputes include:

- A claim brought by a service provider concerning the calculation of its remuneration. The court ruled against the Group at first instance in 2007, and the Group appealed against that decision. The case is currently ongoing before the Court of Appeal. In 2008 the Group booked a provision in respect of this case.
- On 8 December 2008, the Administrators of the Tulane Educational Fund (Tulane University) and Dr David H. Coy filed a case in Louisiana (U.S.) against Biomeasure (based in Milford, MA, U.S.) a subsidiary of the Ipsen Group, claiming that Biomeasure had failed to fulfill its contractual obligations and that Dr David H. Coy invented some of the patents relating to the GLP-1 analogue which the Group transferred to Roche Holding AG via a licence agreement in July 2006. Biomeasure is currently assessing the risk in respect of this case.
- On 31 December 2008, the Group brought a case against Bayer Healthcare LLC for non fulfilment of its contractual obligations, acting in bad faith, and unjust enrichment in respect of the exclusive licence agreement entered into a number of years ago by the Group and Bayer for the manufacture and distribution of Kogenate® and associated antihaemophilic products. The Group claims that this licence is not due to expire until June 2009. The case was filed with the Supreme Court of California, County of Alameda on 24 November 2008 and notified on 31 December 2008.
- The Group is involved in arbitration proceedings brought by one its partners, which contends that the Group unlawfully terminated the contracts linked to the distribution of one of the Group's products. On 12 November 2007, the arbitrator ordered specific performance of the contract for a period of 10 years.

The Company has booked a provision of €10.5 million for potential tax disputes linked to differences arising out of an increase in certain taxes specific to the pharmaceutical industry. In addition, the Group has booked a provision of €5.3 million to cover the potential consequences of a tax reassessment received in 2008 in respect of an ongoing tax audit involving a number of the Group's French companies. The Group will challenge the validity of the reassessment. The tax audit will continue in 2009 and could lead to additional reassessments.

The Group believes that the amount of provisions set aside for these risks, litigation and disputes either known or currently in progress are sufficient for its consolidated financial position not to 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 actions, claims or government investigations which could prevent or delay its products being marketed or affect its operations, its profitability, its cash flow and have a negative impact on the business of the Group, its financial situation or its results.

4.4 FINANCIAL RISKS

4.4.1 Market risks

Financial risks are managed by the Group essentially within the framework of the control procedures set up at the level of financial management within the Group, in collaboration between the subsidiaries concerned and the Group's specialised departments which arrange and manage such matters. The Group essentially uses traditional and low-risk instruments to cover its exposure to exchange and interest rate fluctuations. The financial impact of market risks is described in note 26.2.1 to the consolidated financial statements at 31 December 2008 in paragraph 20.1 of this registration document.

4.4.2 Exchange rate risk

In 2008, approximately 61% of the Group's consolidated sales were generated in the eurozone. A 10% increase or decrease of the euro against the U.S. dollar and the pound sterling (the two main currencies in which the Group operates) would only impact sales by plus or minus 1%. This impact was calculated for companies with the euro as their functional currency, but who generate sales in other currencies, and companies whose functional currency is not the euro and which generate sales in that same currency. That sensitivity could increase in 2009 due to the consolidation of Tercica and Vernalis in the United States.

Potential exchange rate risk exposure is estimated by each subsidiary and then transferred to the Group's specialised teams for appraisal. Exchange rate hedging transactions carried out on behalf of subsidiaries and the management of intragroup exchange rate risk are centralised within the Group's treasury department which mainly uses traditional hedging instruments (OTC transactions, futures, foreign exchange swaps, multi currency credit lines).

Regarding billing fluctuations, the Group hedges the majority of its subsidiaries' trade receivables (micro-hedging on invoices) to cover exchange rate variations.

4.4.3 Interest rate risk

As regards the hedging of interest rate risk, the Group applies a prudent policy adapted to the profile of its business. At 31 December 2008, the Group had no long-term debt which required interest rate hedging. The financial impact of interest rate risk is described in note 26.1 to the consolidated financial statements at 31 December 2008 described in paragraph 20.1 of this registration document.

4.4.4 Liquidity risk and counterparty risk

The Group's policy is to diversify its business counterparties so as to avoid the risks associated with excessive concentration and to make a quality based decision in choosing these counterparties. It controls the credit risk arising from financial instruments by dealing only with first-class counterparties. At 31 December 2008, the Group's net cash position stood at €239.6 million, 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 A1 (Standard & Poors) and P1 (Moody's). Derivative instruments are negotiated with first-class banking counterparties.

Further detailed analysis is provided in chapter 10 of this registration document.

4.4.5 Risks connected with the global financial crisis

The Group's business over the course of 2008 was not significantly affected by the current global financial crisis. Nonetheless, the Group is present in certain geographical areas whose currency or inflation rate could be affected by the current crisis, which could cause an erosion of market share of some of the Group's products compared with competitors who operate in the local currency, or may be detrimental to the Group's margins in these areas where the Group's drugs are billed in local currencies. 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 objectives.

4.5 INSURANCE COVERAGE

The Group has insurance coverage against the risks to which it is exposed, which includes product liability insurance. This coverage, which is provided by external insurers, encompasses the Group's worldwide risks.

Product liability insurance covers all the products manufactured, 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 the applicable local regulations. Furthermore, a specific policy covers all product recall expenses.

The Group maintains insurance coverage for all aspects of its activities in general, including business interruption, as well as environmental liability.

All the Group's policies carry certain restrictions, which are customary for policies of this type, such as deductibles and exclusions for court judgments to pay punitive damages.

As part of product liability claims, the plaintiff may seek to obtain punitive damages and, if such a judgement is issued, the Group's insurance policies may not cover the corresponding amounts. In such circumstances, the Group may not have sufficient financial resources to comply with these court judgments.

Insurance coverage is becoming increasingly expensive in the pharmaceutical industry and it is impossible to predict the future cost of product liability coverage and to guarantee that it will always be possible to arrange such insurance.

In order to determine the level of guarantees, the Group has attempted to assess the Maximum Forseeable loss in terms of Property damages and Business Interruption. On these foundations, the Group has carried, from January 1, 2008, its Maximum coverage of Property Damages and Business Interruption to €450 million per event.

The Group believes the restrictions on its insurance coverage are reasonable and prudent given the Group's business activities and the risks with which it is confronted.

Base on the Company's pro forma 2008 consolidated financial statements prepared according to IFRS, the total cost of the insurance premiums paid by the group came to 0.95% of total revenues and 1.02% of sales.

Since 1 January 2006, the Group covers the cost of part of its civil liability programme by setting up a captive reinsurance company. This move will help to mitigate the high level of volatility seen in the insurance market for this risk. The Group's captive insurance company, which is domiciled in Luxembourg, retains €10 million per claim in each insurance year.

5 COMPANY AND THE GROUP

5.1 HISTORY AND DEVELOPMENT OF THE COMPANY AND OF THE GROUP

5.1.1 Name

Name: Ipsen.

5.1.2 Registration details

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

5.1.3 Date of incorporation and term

The Company's business sector NAF code is 7010Z – Administration of Companies.

The Company was incorporated on 28 July 1998 for a fixed period of ninety-nine years from its date of registration at the Trade and Companies Registry, thereby expiring on 18 August 2097 unless extended or wound up earlier.

5.1.4 Registered office, legal form and applicable law

Registered office: 65 quai Georges Gorse – 92650 Boulogne-Billancourt

Telephone: +33 1 58 33 50 00

The Company is a French *société anonyme* with a Board of Directors organised and existing under the laws of France and governed notably by the provisions of Book II of the *Code de commerce*.

5.1.5 Significant milestones in the development of the Group's business

The Group's history can be traced back to 1929, when Doctor Henri Beaufour set up Laboratoires Beaufour in Dreux for the launch of Romarène®, a naturally occurring pro-duct 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 Ginkor®, 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.

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 1992, the Group initiated 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. At 31 December 2003, the Group employed almost 400 personnel in China.

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

In December 2001 and January 2002, the Group launched Somatuline® Autogel® in the United Kingdom and in France. This launch was then extended to various other countries, strengthening the Group's position vis-à-vis Novartis, its principal rival in this product segment.

In 2004, the Group launched NutropinAq® in 12 European countries and Decapeptyl® in Germany.

In 2005, the Group inaugurated the BioProcess Sciences Research Center at its campus near Boston. This biotechnology facility complements the Research and Development centre's activities already present at the same location. The new facility houses a team of biotechnologists specialising in the development processes specific to genetic engineering, industrial development, analysis and formulation of proteins, production, quality assurance and quality control. The same year, the Group reorganised its operations by transferring to the Company all the assets and operational holdings hitherto held by Mayroy, its majority shareholder and sold assets belonging to its Spanish subsidiary to Faes Farma. The assets were used to promote and sell primary care products, with the exception of Tanakene®, which remains within the Group.

In December 2005, the shares in the Company were listed on the Eurolist by Euronext™.

In June 2006, The Group received its first marketing authorization for its botulinum toxin in aesthetic medicine indications in Western Europe with Germany.

In July 2006, the Canadian Health Authorities granted marketing authorization for Somatuline® Autogel® for the treatment of acromegaly. This is Somatuline®'s first marketing authorization obtained in North America.

In addition since 2002, the Group has forged a number of partnerships to enrich its Research and Development portfolio and extend its product range (a detailed description of these partners is presented in Chapter 22 of this registration document). Noteworthy agreements include the following:

- an agreement with Genentech in September 2002 for the Group to market worldwide (except in North America, Mexico and Japan) a growth hormone under the NutropinAq® brand name;
- an agreement with Novartis in March 2003 for the Group to market two products (Nisis® and Nisisco®) used in the treatment of cardiovascular conditions;
- an agreement with Spirogen (a UK biotechnology company) in May 2003 for the development of a new chemical entity in oncology and concerning access to technologies and compounds belonging to Spirogen;
- an agreement with Teijin (a Japanese conglomerate) in July 2003 to develop and market in Japan molecules belonging to the Group (endocrinology) and to develop and market in Europe a product for the treatment of hyperuricaemia belonging to Teijin (Febuxostat);
- an agreement with Sterix, a UK company acquired by the Group in February 2004, enabling the Group to expand its Research and Development portfolio in oncology;
- an agreement with Auxilium in March 2004 for the Group to market worldwide (except in North America, Mexico and Japan) a testosterone gel under the Testim® brand name;
- an agreement in November 2004 with Genentech concerning the Research and Development of sustained-release formulations of recombinant growth hormones using Genentech's, the Group's or third-party technological platforms;
- an agreement with Pfizer in November 2005 to promote Artotec®, a non-steroidal anti-inflammatory, in France for an initial two-year period beginning 1 January 2006;
- an agreement with Medicis in March 2006, to develop, sell and market certain formulations of the botulinum toxin for use in aesthetic medicine indications in the United States, Canada and Japan;
- an agreement with Roche in July 2006, to develop and market an anti-diabetic molecule invented and patented by the Group, the BIM 51077 (a GLP-1 analogue) after Roche exercised an option which it had since October 2003. These rights are granted to Roche worldwide with the exception of Japan where they are shared with Teijin (the Company's Japanese partner) and in France where the Group may chose to exercise co-marketing rights;
- an agreement with GTx Inc. in September 2006 to develop and market Acapodène® for all its indications, except from breast cancer, by the Group, in the European Union, Switzerland, Norway, Iceland, Liechtenstein and the Community of Independent States (CIS).

In 2007, the Group accelerated its development through multiple partnerships in different therapetuic areas:

- In January 2007 an agreement with MSD, 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 taken in weekly dosages and is used in the treatment of post-menopausal osteoporosis for patients at risk with low vitamin D levels.
- In February 2007 an agreement with Galderma to develop, promote and distribute the Group's botulinum toxin type A product for aesthetic indications in Europe and certain other territories.
- In august 2007, the Group signed an agreement with GTF Group to transfer the marketing authorizations of Ginkor Fort® for France, Monaco and Andorra by 1 January 2008.
- In september 2007, bioMérieux and the Group signed an agreement by which bioMérieux will develop a companion test for a new breast cancer drug (BN83495) undergoing clinical evaluation.
- In November 2007, the Group and Celera entered into a research collaboration to develop biomarker and pharmaco-genomic tests for growth failure patients.
- In September 2007, the Group announced that Radius had granted Novartis an option to obtain an exclusive worldwide license (except Japan) to develop and commercialize all formulations of BA058. In the event that Novartis exercises

the option to license BA058, Novartis would assume the global (except Japan) clinical development, manufacturing, and marketing of BA058 and all associated costs.

- In October 2007, the Group exclusively in-licensed know-how and new patent applications for the commercialization rights of Decapeptyl®, among which a 6 month sustained release formulation, in the world excluding North America, and some other countries (Sweden, Israel, Iran and Japan).
- In December 2007, the Group extended its alliance with Erasmus University Medical Center Rotterdam (Erasmus MC) Moreover, Erasmus Research Institute for Neuroendocrinology (ERINE), which was established recently within the Internal Medicine Department of Erasmus MC has concluded a collaboration agreement in order to identify and progress therapeutic concepts and innovative products within the fields of endocrinology, diabetes and metabolism.

In 2008, Ipsen and the Salk Institute signed a Memorandum of understanding to form the Ipsen Life Sciences Programme at the Salk Institute, aimed at advancing knowledge in the field of proliferative and degenerative diseases.

Adenuric® (febuxostat) received marketing authorisation in the European union. This new product represents the first major breakthrough for the treatment of gout in over 40 years.

Ipsen entered a new stage in its expansion in the USA with three major acquisitions:

- Tercica Inc. in endocrinology;
- Vernalis plc. and the US rights to Apokyn® in neurology;
- All active substances related to oBI-1 from octagen in haematology.

These operations are part of Ipsen's strategy to establish a direct presence in North America, thereby extending the Group's international influence, its global portfolio of specialised products and its growth prospects.

5.1.6 The Ipsen Foundation

The mission of *La Fondation Ipsen,* created in 1983 under the patronage of *La Fondation de France,* is to contribute to the development and dissemination of scientific knowledge. The long-standing action of *La Fondation Ipsen* is aimed at furthering interaction between researchers and clinical practitioners, exchanges which are essential owing to the extreme specialisation of these professions. The ambition of *La Fondation Ipsen* is not to offer definitive knowledge, but rather to initiate reflection on the major scientific issues of the forthcoming years. For each of its activities, *La Fondation Ipsen* gathers together international partners from the academic and scientific community to present, with complete autonomy, the major issues it has decided to address and to review the current state of scientific knowledge.

5.1.6.1 Medicine and Research Conferences

La Fondation Ipsen brings together eminent experts in the context of Medicine and Research Seminars. These annual international gatherings are dedicated to emerging themes in several different areas of medicine and biology:

- **Alzheimer's disease** – Since 1987, this theme has been the subject of 23 conferences. The last one took place in Paris, on April 28 2008, on the theme of intracellular traffic and neurodegenerative disorders;
- **Neurosciences** – This series of conferences, which began in 1990, serves to define the major emerging themes in this area, from molecular biology to cognitive sciences. The 16th conference in this series was held in Paris (France), on 18 February 2008, with the following title: "Neurobiology of "Umwelt" How living beings perceive the world";
- **Endocrinology** – This series, initiated in 2002, aims to study endocrine interactions and their implications in body function. The 8th conference in this series was held on 1 December 2008, on the theme "IGF: local repair and survival factors";
- **Vascular tree** – This series, initiated in 2004, aims to explore the different steps leading to the development of the vascular system, its growth in harmony with the other organs, its physiology, its degeneration, death and potential for regeneration. The last conference in this series, dedicated to the relationships between oxygen metabolism and the vessels, was held on 27 October 2008.
- **Cancer** – In 2008, the 4th conference in the series was dedicated to the relationships between metabolism and cancer. The top specialists in the world, including several Nobel Prize laureates, gathered together in Costa Rica, from 8 to 12 March 2008.

5.1.6.2 Other international events

La Fondation Ipsen has established a number of partnerships with international institutions or organisations, bringing together experts from various disciplines, including the World Health Organization (WHO), the *Fondation Nationale de Gérontologie* (FNG) and Harvard University.

Three new partnerships were initiated in 2007, with:

- The Salk Institute (La Jolla) and the *Nature* journal – This partnership consists of a series of annual meetings dedicated to biological complexity. In January 2008, this focused on the relationships between genes, neuron networks and behaviour.
- Cell Press and Massachusetts General Hospital – series: "Exciting Biologies". The second meeting in this series took place in Chantilly (France), from 16 to 18 September, 2008, and focused on the biology of the mind.
- The *Nature* journal – In 2008, four meetings based on the theme "Emergence and Convergence" took place in the United States in Houston (31 March), Chicago (29 September) and Durham (8 December), and in France in Paris (6 June).

5.1.6.3 International publications

La Fondation Ipsen publishes reference works after the conferences, distributed by international publishers as part of different English-language collections:

- Research and Perspectives in Alzheimer's disease;
- Research and Perspectives in Neurosciences;
- Research and Perspectives in Longevity;
- Research and Perspectives in Endocrinology;
- "WHO/*Fondation Ipsen*" Collection;
- "Mind and Brain" Collection.

Furthermore, since 1986, *La Fondation Ipsen* has published a periodical dedicated to Alzheimer's disease, *"Alzheimer Actualités"* (202 editions published). It also publishes reports from the Medicine and Research seminars focusing on decrypting the vascular tree and cancer.

5.1.6.4 Awards to encourage research

La Fondation Ipsen awards prizes for pioneering research in 4 areas:

- **Neurosciences** – In 2008, an international jury chaired by Prof. Wolf Singer (Max Planck Institute, Frankfurt) awarded the *19th Neuronal Plasticity Prize* to Prof. Jean-Pierre Changeux (Institut Pasteur, Paris), Prof. Peter Kalivas (University of South Carolina, Charleston), and Prof. Eric Nestler (University of Texas, Dallas) for their work on the molecular bases of addiction.
- **Longevity** – In 2008, this prize was awarded to Prof. Gerald McLearn (Pennsylvania State University, University Park) for his work on the role of genetic factors in cognitive ageing in longevity.
- **Neuropsychology** – The *Jean-Louis Signoret Prize* was awarded to Elizabeth Warrington (National Hospital for Neurology & Neurosurgery, London) in 2008, for her work on semantic memory.
- **Endocrinology** – In 2008, the international jury chaired by Iain Robinson (National Institute for Medical Research, London) selected Prof. Ronald Evans (Salk Institute, La Jolla) for his pioneering work on the mechanisms of expression for genes involved in endocrine regulation.

5.2 INVESTMENTS

During 2008, acquisitions of non-current assets by the Group net of disposals amounted to €67.9 million, compared with €84.0 million in the same period of 2007.

In 2008, acquisitions of non-current assets included:

- € 33.8 million in acquisitions of intangible assets, including milestone payments in conjunction with the acquisition of patents and licences, and investments in renewing certain information systems. They also included the purchase of Apokyn® licences and the purchase from Octagen Corp. of all its rights to OBI-1, as part of the Group's acquisitions in the United States.
- €61.4 million in property, plant and equipment to maintain and improve the Group's asset base, including in particular €20.0 million on the Wrexham facility (new packaging unit for Dysport®), and €8.2 million on the Dublin facility. The Group also invested €5.5 million in relocating its Paris operations to the new head office in Boulogne-Billancourt.

Proceeds from the disposal of property, plant & equipment and intangible assets amounting to €27.3 million, mainly from the disposal of Ginkor Fort® and the sale of land not used in the Group's operating activities.

The Group also allocated €213.3 million corresponding to the acquisition of shares in Tercica Inc. less the cash and cash equivalents acquired, which amounted to €68.3 million, as part of the Group's acquisitions in the United States ; and €1.8 million net investment in financial assets, comprising the acquisition of an interest in Vernalis Plc., partly offset by the disposal of the Group's interest in Octagen Corp. (see chapter 6.3.2 of this registration document).

The Group's capital expenditure commitments at 31 December 2008 amounted to €6.1 million (see note 20.1.29.4.1).

6 OVERVIEW OF THE GROUP'S BUSINESS

6.1 PRINCIPAL ACTIVITIES

6.1.1 Type of Company operations and principal business activities

6.1.1.1 General presentation of the Group

Ipsen is an international pharmaceutical group founded in 1929, which currently markets more than 20 drugs. The Group's product portfolio includes pharmaceutical products marketed around the world to specialists working in its targeted therapeutic areas (oncology, endocrinology, neurology and haematology), which are its primary areas of development. The Group also markets products in other therapeutic areas in which it boasts longstanding expertise (gastroenterology, cardiovascular and cognitive disorders). To a great extent, these are composed of primary care products in France.

In both its targeted therapeutic areas and in primary care, the Group has a diversified portfolio of leading medicines that have demonstrated a good safety profile.

In 2008, the Group posted consolidated sales of €971.0 million (including 42.4% outside the Major Western European Countries, i.e. Germany, Spain, France, Italy and the United Kingdom), consolidated operating profit of €180.0 million and consolidated net profit, Group share of €147.6 million, determined in accordance with IFRS. At 31 December 2008, the Group had 4,277 employees in more than 30 countries.

The Group's development strategy is based on a complementary combination of products in the targeted therapeutic areas, which are growth drivers, and primary care products, which help finance its Research and Development activities. This strategy is supported by the active development of international partnerships in marketing and Research and Development activities.

In 2008, the Group spent 18.8% of its consolidated sales on Research and Development activities which, to a large extent, focus on the discovery and development of innovative medicinal products in its targeted therapeutic areas with the aim of fulfilling unmet medical needs.

The Group believes it is one of the few pharmaceutical companies among its peers capable of integrating the full spectrum of technologies required to develop complex and innovative products. These technologies include peptide engineering, protein engineering, medicinal chemistry and advanced drug delivery systems.

6.1.1.1.1 The Group's products

Specialist care

In 2008, specialist care drugs accounted for 57.0% of the Group's consolidated sales. The Group offers the following drugs in its targeted areas:

Oncology (25.5% of 2008 consolidated sales)

- *Decapeptyl®,* a peptide formulation for injection that is mainly used in the treatment of advanced prostate cancer.

Endocrinology (16.5% of 2008 consolidated sales)

- *Somatuline® and Somatuline® Autogel®,* are sustained-release formulations for injection of a somatostatin analogue peptide, used primarily in the treatment of acromegaly.
- *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.

Neurology (14.9% of 2008 consolidated sales)

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

Primary care

In 2008, primary care drugs generated 39.5% of the Group's consolidated sales (54.7% of which were generated in France). The principal drugs are as follows:

Gastroenterology (18.8% of 2008 consolidated sales)

- *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 (11.5% of 2008 consolidated sales)

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

Cardiovascular (7.9% of 2008 consolidated sales)

- *Nisis® and Nisisco®,* oral formulations notably containing valsartan, used in the treatment of arterial hypertension.
- *Ginkor Fort®,* an oral formulation containing three active substances including a standardised extract from the leaves of the Ginkgo biloba tree used in the treatment of venous insufficiency of the lower limbs and acute haemorrhoid episodes. The marketing authorizations for Ginkor Fort® were transferred by Ipsen to GTF on 1 January 2008.

6.1.1.1.2 Strong commitment to Research and Development

Most of the Group's Research and Development activities are focused on its targeted therapeutic areas, and particularly on:

- the discovery and development of new products, especially in oncology and endocrinology, medical fields in which the Group had eight drugs in clinical trials at 31 December 2008;
- life cycle management programs for products already on the market, which include both the development of new formulations, alone or with other molecules, and the extension of indications or product registrations in new geographical areas.

The Group's Research and Development programs are based on the following four technological platforms:

- *peptide engineering* focuses on the modification through synthesis of derivatives of naturally occurring neuropeptide hormones;
- *protein engineering* aims to improve the therapeutic properties of naturally occurring proteins through the selective modification of amino acid sequences;
- *medicinal chemistry* focuses on the discovery of enzyme inhibitors for the treatment of cancer and neuro-degenerative conditions, and also on the search for non-peptide ligands (molecules that attach in preference to one or more receptors) for neuro-peptide hormonal receptors; and
- *advanced drug delivery systems* aims to create and develop innovative formulations for new or existing products in order to optimize the efficacy of the active substances while improving patient quality of life and facilitating the use of the products by healthcare professionals.

6.1.1.1.3 The Group's competitive edge

The Group believes that it has the following competitive advantages:

- *an appropriate portfolio mix of products* in the targeted therapeutic areas and primary care products;
- *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");
- *proven expertise in cutting-edge technologies,* such as medicinal chemistry, peptide engineering, protein engineering, medicinal chemistry and advanced drug delivery systems, which can be employed together at an early stage of development. In addition, the Group has a biotechnology development and production facility in the United States (Boston);
- *the geographic proximity of its four integrated technological platforms* based in the United States (Boston) and in Europe (Paris, Barcelona 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 Genentech, Roche, Teijin and Novartis;
- *an effective management team* boasting considerable experience of working with the world's leading pharmaceutical companies and a cross-divisional organization structure thanks to its multi-disciplinary Portfolio Management Teams, which are responsible for devising the Group's Research and Development and partnership.

6.1.1.2 Group strategy

For several years, the Group has implemented a strategy of profitable growth in targeted therapeutic areas offering it expansion opportunities. Clinical development costs are lower, the risk/benefit ratio is more favorable and implementation of a sales network is more feasible in the treatment of certain serious illnesses in which therapeutic needs remain largely unmet.

Within this framework, the Group uses its technological and sales expertise, as well as its financial strength to pursue the following strategies:

- *a strategy of growth* in its targeted therapeutic areas (oncology, endocrinology and neurology) in which the Group intends to become a force to be reckoned with by marketing innovative treatments fulfilling unmet medical needs;
- *an optimization strategy* for its primary care products (gastroenterology, cardiovascular and cognitive disorders), while making, where necessary, selective investments in product life cycle management programs, partnerships and Research and Development;
- *a geographical expansion strategy* in the most promising markets, with an active program of securing marketing approval for its flagship products in targeted therapeutic areas, especially in the United States (Dysport® and Reloxin®);
- *a partnerships strategy* across all its therapeutic areas. The goal of this policy is, where necessary, to enable the Group to (i) secure resources for programs, the development costs of which it does not want to bear on its own or to broaden its expertise by calling on partners with complementary capacities or technologies, (ii) maximize the profitability of its distribution network by securing the right to market products belonging to third parties in certain countries, including France, where the Group already boasts strong sales coverage, and (iii) maximize benefits by granting licences on products developed by its research units, but which it does not regard as being part of its core business; since 2002, the Group has entered into over ten major agreements;
- *a monitoring and rapid response strategy* in other therapeutic areas in which the Group develops and markets products based on its expertise (in terms of both Research and Development and marketing) and the opportunities that arise; for instance, the Group is developing OBI-1, a recombinant molecule used in the treatment of haemophilia resistant to human factor VIII.

6.1.1.3 Detailed presentation of the Group's products

6.1.1.3.1 General data

Twenty products are currently marketed by the Group, seven of which each generated sales of over €50 million in 2008.

The following table presents consolidated sales by therapeutic area.

(in thousand euros)	31 December 2008	31 December 2007	% change
Oncology	247,789	235,164	5.4%
Endocrinology	160,458	129,855	23.7%
Neurology	144,841	128,699	12.5%
Specialist care	**553,087**	**493,718**	**12.0%**
Gastroenterology	182,488	171,852	6.2%
Cognitive disorders	109,233	119,347	(8.5%)
Cardiovascular	77,273	95,245	(18.9%)
Other pharmaceutical products	14,104	6,630	112.7%
Primary care	**383,098**	**393,074**	**(2.6%)**
Total drug sales	**936,185**	**886,792**	**5.6%**
Drug related sales	**34,837**	**33,683**	**3.4%**
Group sales	**971,022**	**920,475**	**5.5%**

The Group's principal product Decapeptyl®, generated 25.5% of consolidated sales in 2008. The Group's four best-selling products, namely (Decapeptyl®, Dysport®, Somatuline® and Tanakan®) represented 63.8% of consolidated sales during the same year.

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

Name of product	Therapeutic area (1)	Principal therapeutic indications (2)
Targeted therapeutic areas		
Decapeptyl®	Oncology	Advanced metastatic prostate cancer; uterine fibroids; endometriosis; precocious puberty; female sterility (in vitro fertilization).
Somatuline®	Endocrinology	Acromegaly; neuroendocrine tumours.
NutropinAq®	Endocrinology	Growth failure in children due to growth hormone deficiency, to Turner syndrome or to chronic renal insufficiency and growth hormone deficiency in adults.
Increlex®	Endocrinology	Long-term treatment of growth failure in children and adolescents with severe primary insulin-like growth factor-1 deficiency (severe primary IGFD-1) .
Dysport®	Neurology	Motor disorders and muscular spasticity (cervical dystonia; cerebral palsy; blepharospasms and hemifacial spasms).
Apokyn®	Neurology	Treatment of "off" episodes (re-emergence of Parkinson's disease symptoms) associated with advanced Parkinson's disease, namely when the therapeutic effects of the conventional treatment (L-Dopa) diminish.
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.
Ginkor Fort®	Cardiovascular	Venous insufficiency of the lower limbs; acute haemorrhoid episodes.
Adrovance®		Treatment of post-menopausal osteoporosis for patients at risk with low vitamin D levels.
Nisis® and Nisisco®	Cardiovascular	Hypertension.

(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 2007 and 2008 of consolidated sales by therapeutic area and a breakdown of sales generated by the Group's ten top-selling products.

	31 December 2008		31 December 2007	
	in thousand euros	As a percentage	in thousand euros	As a percentage
Oncology	247,789	25.5%	235,164	25.5%
Decapeptyl®	*247,778*	*25.5%*	*235,141*	*25.5%*
Endocrinology	160,458	16.5%	129,855	14.1%
Somatuline®	*120,636*	*12.4%*	*103,622*	*11.3%*
NutropinAq®	*32,485*	*3.3%*	*23,688*	*2.6%*
Increlex®	*5,253*	*0.5%*	*193*	*ns*
Neurology	144,841	14.9%	128,699	14.0%
Dysport®	*142,489*	*14.6%*	*128,699*	*14.0%*
Apokyn®	*2,352*	*0.2%*	–	–
Specialist care	**553,087**	**56.9%**	**493,718**	**53.6%**
Gastroenterology	182,488	18.8%	171,852	18.7%
Smecta®	*93,190*	*9.6%*	*88,889*	*9.7%*
Forlax®	*53,788*	*5.5%*	*51,843*	*5.6%*
Cognitive disorders	109,233	11.2%	119,347	13.0%
Tanakan®	*109,233*	*11.2%*	*119,347*	*13.0%*
Cardiovascular	77,273	7.9%	95,245	10.3%
Nisis® and Nisisco®	*57,700*	*5.9%*	*53,694*	*5.8%*
Ginkor Fort®	*14,314*	*1.5%*	*36,891*	*4.0%*
Other pharmaceutical products	14,104	1.4%	6,630	0.7%
Adrovance®	*9,543*	*0.9%*	*2,609*	*0.3%*
Primary care	**383,098**	**39.4%**	**393,074**	**42.7%**
Total drug sales	**936,185**	**96.4%**	**886,792**	**96.3%**
Drug related activities	**34,837**	**3.6%**	**33,684**	**3.7%**
Group sales	**971,022**	**100.0%**	**920,475**	**100.0%**

6.1.1.3.2 Targeted therapeutic areas

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

Oncology

Decapeptyl®

Decapeptyl® is a peptide formulation for injection that was initially developed and continues to be used mainly in the treatment of advanced metastatic prostate cancer. Additional indications developed subsequently include the treatment of uterine fibroids (a benign tumour of muscle tissues in the uterus), endometriosis (proliferation of endometrial tissue, the mucous membrane that lines the uterine wall outside the reproductive tract) prior to surgery or when surgery is not deemed appropriate, as well as early-onset puberty and female infertility (in vitro fertilization). Decapeptyl® is available in monthly or quarterly sustained-release formulations, as well as a daily formulation.

Active substance

The active substance in Decapeptyl® is triptorelin, a decapeptide analogue of GnRH (Gonadotrophin Releasing Hormone), a hormone secreted by the hypothalamus, which initially stimulates the release of pituitary gonadotrophins (hormones produced by the pituitary gland), which in turn control hormonal secretions by the testes and ovaries.

Indications

Prostate cancer. Decapeptyl® is mainly indicated in the treatment of metastatic or locally advanced prostate cancer. In this indication, Decapeptyl® temporarily increases the concentration of testosterone and dihydro testosterone, but continuous administration paradoxically leads to a reduction in plasmatic testosterone concentration. After two to three weeks' 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 fertilization. Decapeptyl is used in association with gonadotrophines, to induce ovulation in view of an in vitro fertilization 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.

Marketing

Decapeptyl® was initially launched in France during 1986. At 31 December 2008, Decapeptyl® had marketing authorizations in over 60 countries, including 25 in Europe. Decapeptyl® was launched in the United Kingdom in late 2003 and in Germany during 2004 (under the Pamorelin® brand).

In 2008, 59.0% of Decapeptyl® sales were generated in the Major Western European Countries.

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

Rival products vary depending on their therapeutic indications, the main ones being Enantone® (Takeda/Wyeth/Abbott), Zoladex® (Astra-Zeneca), Eligard® (Astellas), Somavert® (Pfizer) and, for in vitro fertilization, Cetrotide® (Serono). This is likely to change over the coming years, with new rival products extending their geographic reach (Leuprone and Leupro by Sandoz and Hexal) marketed in Germany since August 2007 and with the likely arrival of Leuprorelin (Enantone) and Goserelin (Zoladex) analogues. Some competitors (Enantone and Eligard) are also developing sustained-release formulations for treatment durations of over 3 months. A 6-month formulation of Eligard 45 mg is now marketed in 7 countries (Germany, France, Spain, Ireland, Netherlands, Portugal, and Belgium), and a 6-month formulation of Enantone 30mg which is marketed in France since September 2008. Ipsen and its partner Debiopharm submitted a marketing authorization application for 6 month triptoreline, 22.5 mg, in Europe, in September 2008.

Intellectual property

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

The pamoate formulations of Decapeptyl® (which represented 63.7% of Decapeptyl®'s total sales in 2008 vs. 65.2% in 2007), are protected by patents until 2010 and are composed of monthly and quarterly administration formulations. The acetate formulations of Decapeptyl® (which represented 36.3% of Decapeptyl®'s total sales in 2008 vs. 34.8% in 2007) are no longer protected by patents since 2001, with the exception of Italy, where an additional certificate of protection expired in November 2007. These formulations include daily and monthly administration formulations. The 6-month formulation of Decapeptyl® is covered by an international Patent Cooperation Treaty application (expiration date 2028 if delivered).

Research and development

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

- under the aegis of the International Breast Cancer Study Group, the Group is participating in a study of the treatment of pre-menopausal breast cancer comparing the standard treatment regimen with a hormone therapy combining Decapeptyl® with oestrogen-suppressing agents, such as Aromasin®, which is marketed by Pfizer. Hormone therapy for cancer offers a better tolerated option than traditional chemotherapy and is particularly suitable for long-term treatment;
- sustained-release formulations over a period of six months.

In addition, the Group has exclusively in-licensed from Debiopharm know-how and new patent applications for the commercialization rights of Decapeptyl®, in the world excluding North America, and some other countries (namely Sweden and Israel), and the semi-exclusive license for Iran and Japan. This agreement further enables the Group to access future sustained-release formulations of Decapeptyl® developed by Debiopharm, among which a 6 month sustained-release formulation, which filed for marketing authorization with the European regulatory authorities in September 2008.

Endocrinology

Somatuline®

Somatuline® and Somatuline® Autogel® are sustained-release formulations for injection containing Lanreotide, a somatostatin analogue (a hormone that inhibits the release of growth hormone). Somatuline® was initially developed and continues to be used mainly in the treatment of acromegaly, a disorder caused by the over-production of growth hormone or prolactin due to a benign tumour of the anterior pituitary gland. This product subsequently underwent further development in the treatment of symptoms associated with neuroendocrine tumours (particularly of a carcinoid type).

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 represents 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 with no excipient other than water 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.

Active substance

The active substance in Somatuline® and Somatuline® Autogel® is Lanreotide, which inhibits the growth and secretion of several endocrine, exocrine and paracrine functions. It is particularly effective in inhibiting the secretion of growth and digestive hormones.

Indications

Acromegaly. Somatuline® is used primarily in the treatment of acromegaly when circulating levels of growth hormone remain high despite surgery or radiotherapy. Somatuline® inhibits

growth hormone release and thus controls the disorder and relieves the symptoms associated with elevated levels of this hormone.

Neuroendocrine tumours. Somatuline® also treats the symptoms associated with neuroendocrine tumours, particularly of a carcinoid type, by inhibiting the over-production of hormones secreted by these tumours.

Marketing

Somatuline® was initially launched in France in 1995. At 31 December 2008, Somatuline® and Somatuline® Autogel® were recorded in almost 60 countries and were marketed in more than 45 countries (including 26 in Europe) for the treatment of acromegaly and neuroendocrine tumours and in more than 45 countries for the treatment of acromegaly alone. On 30 August 2007, the FDA approved Somatuline® Depot (lanreotide) Injection 60, 90 and 120 mg in the United States.

In 2008, 63.3% of the sales generated by Somatuline® and Somatuline® Autogel® were generated in the Major Western European Countries. Somatuline® Autogel® accounted for 90.2% of total sales of this product vs. 88.9% at 31 December 2007.

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

Somatuline® Autogel®'s main rivals are (i) Sandostatin® LAR Depot (a somatostatin analogue called octreotide) developed by Novartis in the treatment of acromegaly and neuroendocrine tumours and (ii) Somavert®, a growth hormone antagonist developed by Pfizer, used only in acromegaly. Sandostatin® LAR Depot and Somavert® are already available in several countries including the United States where Somatuline® Depot was launched at the end of 2007. A number of companies, including Ambrilia Biopharma, Indevus, QLT and Camurus are all carrying out research and development on octreotide sustained-release formulations. In addition, Novartis is developing a product called pasireo for the treatment of acromegaly, neuroendocrine tumours and Cushing's disease.

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 Group holds patents to the Somatuline® Autogel® formulation, which are set to expire in 2015 in Europe and in the United States. The patent protecting the active substance expired in 2006 in the United States and in December 2005 in Europe. In Belgium, France, Italy, Luxembourg and the United Kingdom additional certificates of protection remain valid until 2009.

Research and development

The FDA accepted the filing of the New Drug Application (NDA) for Somatuline® in the treatment of acromegaly on 29 December 2006. This acceptance signified the start of the review process of the NDA with a "Prescription Drug User Fee Act" goal date set for 30 August 2007. On 30 August 2007, the FDA approved Somatuline® Depot (lanreotide) Injection 60, 90 and 120 mg in the United States.

Additional phase III and IV clinical trials of Somatuline® Depot are planned in the treatment of neuroendocrine tumours in the United States. A protocol was presented to the FDA in view of initiating a phase III pivotal trial to register Somatuline® Depot in the treatment of neuroendocrine tumours.

The Group is also pursuing the development of longer sustained-release formulations. Development of these new formulations are currently at the pre-clinical stage, since a phase I trial with the first candidate formulation proved unsuccessful.

In Japan, the Group's partner, Teijin, started phase II trials of Somatuline® Autogel® at the beginning of 2007 in the symptomatic treatment of acromegaly. These trials have now been completed and are due to be pursued by phase III trials in 2009.

NutropinAq®

Active substance

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

Indications

NutropinAq® is prescribed for (i) the long-term treatment of children with growth failure owing to inadequate endogenous growth hormone secretion; (ii) the long-term treatment of growth failure associated with Turner's syndrome; (iii) the treatment of prepubertal children with growth failure associated with chronic renal insufficiency ahead of kidney transplantation; and (iv) the treatment of adults with growth hormone deficiency of either childhood or adult-onset.

Marketing

In September 2002, Genentech, a U.S. company specialized in biotechnology, granted the Group exclusive marketing rights for NutropinAq® worldwide outside North America, Mexico, Canada and Japan. Genentech has pioneered the development of growth hormone and is currently the leading player in the United States market.

At 31 December 2008, the Group had marketing authorizations for more than 33 countries. The product has been launched in over 25 countries across Europe since 2004.

Growth hormones are prescribed by paediatric and adult endocrinologists.

Five companies currently market recombinant growth hormones: Pfizer (Genotropin®), Eli Lilly (Humatrope®), Novo Nordisk (Norditropin®), Serono (Saizen®) and Ferring (Zomacton®). Omnitrope® (Sandoz), a biosimilar product to Pfizer's Genotropin®, has recently been introduced on the market. A substantial number of developments currently focus on sustained-release formulations (weekly injections) which should increase the acceptance of the treatment by the children and their parents. To the Company's best knowledge, LG Life Sciences has the most advanced project.

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

Intellectual property

NutropinAq® is covered by a European patent owned by Genentech which expires on 29 July 2013. A European patent (EP 587.858) belonging to Pharmacia is likely to cover NutropinAq® according to the interpretation of its claims. Genentech filed its opposition to this European patent belonging to Pharmacia and the Opposition Division of the European Patent Office amended this patent so 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. The terms of Pharmacia's patent's main claim were partially restored but the final claims are unlikely to 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 a compensatory royalty to Pharmacia.

Research and development

The Group has filed NutropinAq® for registration in order to extend the drug's indications to the treatment of growth failure in children where the source of growth failure is unknown. After numerous work sessions and reviews of the dossier by the European Medicines Agency throughout 2007, the Group decided to withdraw its application in order to re-evaluate the product's development in this indication.

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 mg and 20 mg – have been developed by Genentech, some of which, including the 10mg form, would be administered by a disposable pen, and could be available for the Group in the future.

Furthermore the Group is pursuing Research and Development projects under the agreement signed with Genentech in November 2004 that aim to develop a sustained-release formulation for recombinant growth hormone.

Increlex®

In October 2006, Tercica Inc. granted Ipsen the exclusive licence to develop and market Increlex® worldwide except for the United States, Japan, Canada, the Middle East and Taiwan.

Active substance

The main active substance of Increlex® is recombinant human insulin-like growth factor-1 (IGF-1). IGF-1 is the principal hormonal mediator of statural 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 its normal stature. In children with this disorder, low IGF-1 levels are often due to growth hormone resistance associated with mutations in GH receptors, post-GH receptor signalling pathways, or to defects in IGF-1 gene expression. As such, these children cannot be expected to respond adequately to exogenous GH treatment. Some individuals may also have a range of metabolic disorders, including lipid abnormalities, decreased bone density, obesity and insulin resistance.

Marketing

Increlex® is marketed in the United States by Tercica Inc. since the beginning of 2006. Increlex® was granted orphan drug exclusivity by the EMEA on 5 April 2006 and was granted marketing authorization in the European Union on 9 August 2007. Increlex® is marketed by the Group in the most of the European countries.

Intellectual property

Pursuant to the agreements between Tercica Inc. and Genentech and Tercica Inc., Genentech and Insmed, Tercica Inc. holds the exclusive rights in the United States to a genetic engineering process for producing IGF-I until December 2018. In Europe, Tercica Inc. holds a licence for Genentech's patent on mecasermin for the treatment of growth hormone resistance. The patent is valid until March 2015.

Research and development

Increlex®'s first indication was approved in August 2007 by the EMEA, for the treatment of severe primary insulin-like growth factor-1 deficiency in children and adolescents.

This disorder is characterized by a very low endogenous production of IGF-1 despite normal 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) do not enable children to achieve normal height, meaning that these children suffer from severe growth failure and short stature in comparison with children of the same age and the same sex (height standard deviation score of less than 3).

Other indications are currently undergoing clinical evaluation, firstly primary IGF-1 deficiency in less severe forms where the level of IGF-1 is lower than – 2 standard deviations and the child presents growth failure (lower than – 2 standard deviations). In this indication, Increlex® used alone or in conjunction with rhGH could present a new therapeutic option.

The scientific community is particularly interested in the use of Increlex® in the treatment of disorders other than growth failure in children. The Group could evaluate Increlex®'s potential in other therapeutic areas, including with adults.

Neurology

Dysport®

Dysport®, which acts to block acetylcholine release, hence reducing muscular spasm was initially developed for the treatment of motor disorders and various forms of muscular spasticity, including cervical dystonia (a chronic condition in which the neck is twisted or deviated), spasticity of the lower limbs (heal) in children with cerebral palsy, blepharospasm (involuntary eye closure) and hemifacial spasm. It was later developed for the treatment of a wide variety of neuromuscular disorders and aesthetic medicine.

Active substance

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.

Indications

Dysport® is used for these therapeutic Indications and namely for the treatment of:

- *Cervical dystonia.* Dysport® treats all forms of cervical dystonia;
- *Cerebral palsy in children.* Dysport® treats spasticity of the leg muscles in children with cerebral palsy. Cerebral palsy is a motor disorder resulting from damage to the brain that generally occurs at birth.
- *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 characterized by the contraction of the muscles on one side of the face, which can lead to disfigurement.

Marketing

Dysport® was originally launched in the United Kingdom in 1991. At 31 December 2008, Dysport® had marketing authorizations in 75 countries. In 2008, 40.4% of Dysport® sales were generated in the Major Western European Countries.

In March 2006 the Group signed an agreement with Medicis, granting the latter the exclusive right to develop, sell and market certain formulations of the botulinum toxin for use in aesthetic medicine indications in the United States, Canada and Japan under a brand other than Dysport®, which could be Reloxin®.

In addition, in February 2007, Ipsen granted Galderma the right to develop, promote and distribute the Group's botulinum toxin type A product for aesthetic indications in Europe and certain other territories (these agreements are presented in detail in section 22.1.3.3 of this registration document).

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

Dysport®'s main rival is Botox® (Allergan). A weaker competitor is NeuroBloc®/Myobloc® (Elan), a botulinum toxin type B in liquid form. In the future it would appear that other competing botulinum toxins type A will be available such as Quick Star/Estetox (Lanzhou Biologics Institute, China), which has received marketing authorization in some Asian and Latin America countries. Furthermore, Xeomin® (Merz) was launched in 2005 in Germany and in 2006 in Mexico and it seems that it has started phase III clinical trials in the United States. In addition Medy-tox, Inc. launched Neuronox in South Korea in 2006. It would appear that Mentor, acquired by Johnson&Johnson, has started phase III clinical trials in the United States for its pure botulinum toxin Puretox® for aesthetic indications.

Intellectual property

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

Research and development

On 31 January 2008 the FDA accepted the filing of the Group's Biologics Licence Application (BLA) for Dysport® in the United States to treat patients with cervical dystonia. On 29 December 2008 the FDA issued a Complete Response Letter for the BLA for Dysport®. The FDA did not request any new clinical studies evaluating the efficacy or safety of Dysport® prior to approval. The Complete Response Letter requests additional information, including the finalization of the Risk Evaluation and Mitigation Strategy (REMS) and of the draft labelling, as well as a Safety Update Report. Based on the information identified in the FDA's end of review complete response letter, Ipsen submitted the information to FDA during the first quarter of 2009. Furthermore, the FDA confirmed in its Establishment Inspection Report that the manufacturing process for Ipsen's botulinum toxin type A in its Wrexham (Wales) facility is in compliance with current Good Manufacturing Practices (CGMPs). The FDA issued no Form 483 observation.

Medicis and Ipsen worked together to address the concerns cited by the FDA regarding the BLA for the treatment of frown lines. Ipsen submitted a new application on 17 March 2008 which was validated by the FDA on 19 May 2008. On 7 January 2009, the FDA provided notification that the Prescription Drug User Fee Act action date for Reloxin® Biologics License Application in aesthetic indications (glabellar lines) had been extended to 13 April 2009. The FDA did not issue any specific request on the occasion of this extension. Furthermore, FDA confirmed in its Establishment Inspection Report that the manufacturing process for Ipsen's botulinum toxin type A in its Wrexham (Wales) facility is in compliance with current Good Manufacturing Practices (CGMPs). This extension follows the BLA submitted for Reloxin with the FDA in January 2008.

The Group decided, in conjunction with its partner Galderma, to optimize the product's profile by including in its marketing authorization application, the full results of clinical studies in the product's efficacy and safety carried out by its partner Medicis in the United States and then submitted a new application in Europe at the beginning of 2008. On 2 February 2009, Ipsen and Galderma announced that Azzalure® (botulinum toxin type A), had received the collective green light from 15 European countries' Health Authorities for the granting of national marketing authorizations. On 12 March 2009, Azzalure received a marketing authorization in the UK from the Medicines and Healthcare products Regulatory Agency (MHRA) for the temporary improvement in the appearance of moderate to severe glabellar lines seen at the frown (vertical

lines between the eyebrows), in adult men and women aged 65 years and under, when the severity of these lines has an important psychological impact on the patient. The treatment will be commercially available in the UK by the end of the second quarter 2009.

Apokyn®

Apokyn®, a apomorphine hydrochloride injection is a substitute for dopamine which is deficient in Parkinson's disease patients.

Apokyn® is the only therapy available for treating advanced Parkinson's disease patients in the U.S. who experience the severe "on/off" motor fluctuations (re-emergence of Parkinson's disease symptoms) that are unresponsive to other oral Parkinson's disease therapies. Parkinson's disease is a condition that results from selective degeneration of an area of the brain called the *substantia nigra,* which is located towards the base of the brain in the basal ganglia. Normally these nerve cells release dopamine – a chemical that transmits signals between nerve cells (called a neurotransmitter). This central signalling pathway is essential for the fine control of movement and posture, and breakdown results in the symptoms of Parkinson's disease, namely tremor, rigidity, slow movements and postural instability. Muscle rigidity can become so severe as to result in "freezing" also referred to as "off" episodes, when patients are rendered immobile. Treatment using Apokyn® is used in addition to other conventional oral Parkinson's disease therapies and is injected by the patient to treat the off-episodes.

Active substance

Apomorphine hydrochloride is a substitute for dopamine which is deficient in Parkinson's disease patients.

Indications

Apokyn® is used in its therapeutic indication.

Apokyn® was granted orphan drug status by the FDA for treating advanced Parkinson's disease patients in the U.S., who experience the severe "on/off" motor fluctuations that are unresponsive to other oral Parkinson's disease therapies.

Marketing

Apokyn® was initially launched by the U.S. subsidiary of Vernalis plc upon approval by the FDA (April 2004). In June 2008, Ipsen entered into an agreement with Vernalis Plc. involving the acquisition of the U.S. subsidiary Vernalis Pharmaceuticals Inc ("Vernalis Inc."), and acquired the rights to market Apokyn® in the United States. This transaction brings Ipsen an established and highly experienced neurology commercial team, who are in contact with neurology specialist physicians.

Intellectual property

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

6.1.1.3.3 Primary care products

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

Gastroenterology

Smecta®

Smecta® is an oral formulation of pharmaceutical clay devised and developed by Ipsen. It 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 or colonic disorders.

Active substance

Smecta®'s active substance is diosmectite, a natural clay processed for therapeutic use.

Marketing

At 31 December 2008, Smecta® had marketing authorizations in over 70 countries. In 2008, around two thirds of Smecta® sales were generated in equal proportions in France and China, the product's main markets.

In 2008, the positive results of 3 trials (2 on children, 1 on adults) strengthened Smecta®'s dossier.

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

The drug's main rivals are: Imodium® and Arestal® (Janssen Cilag), Ercéfuryl® (Sanofi-Aventis), Ultralevure® (Biocodex) and Tiorfan® (Bioproject Pharma).

Intellectual property

Smecta® was protected by a patent which expired in 1995.

Research and development

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

Forlax®

Forlax® is a macrogol of high molecular weight, an oral laxative devised and developed by Ipsen. It is used in the treatment of constipation for both adults and children.

Active substance

Forlax®'s active substance is Macrogol 4000, a linear polyethylene glycol polymer.

Marketing

At 31 December 2008, Forlax® had marketing authorizations in over 60 countries. In 2008, 80.5 % of Forlax®'s sales were generated in the Major Western European Countries.

Forlax® is prescribed primarily by general practitioners, gastro-enterologists, gynaecologists, gerontologists and paediatricians.

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

On 10 October 2008, the French Agence Française de Securité Sanitaire des Produits de Santé informed the Group that it had granted a marketing authorization to a generic product of Forlax® in France.

Intellectual property

Forlax® has never been protected by a patent.

Cognitive disorders

Tanakan®

Tanakan® is an oral formulation of EGb 761®, extracted from the leaves of the *Ginkgo biloba* tree (dioecious tree in the *Ginkgoaceae* family) using a standardised process that ensures a consistent composition of the various pharmacologically active substances. It was initially developed in the treatment of various neurological disorders, mainly the treatment of age-related cognitive impairment, neurosensorial disorders such as vertigo, tinnitus, acute or chronic hearing difficulties and retinal disorders.

Active substance

The active substance in Tanakan®, EGb 761®, is extracted from *Ginkgo biloba* leaves cultivated under controlled conditions in specially designed plantations. It contains natural substances with antioxidant, neuroprotective and vasoactive properties (i.e. it increases the diameter of capillary vessels and hence improves microcirculation).

Indications

Age-related cognitive disorders. Tanakan® is indicated in the treatment of the pathological decline in age-related cognitive functions, such as impaired intellectual capacities, together with memory and attention disorders.

Pathophysiological deficiency. Tanakan® is also indicated in the treatment of a number of cognitive deficiencies of degenerative origin (such as Alzheimer's disease), mainly of a vascular or combined type.

Cochleovestibular disorders. Tanakan® is indicated in the treatment of symptoms of vertigo (such as equilibrium and instability disorders) and tinnitus (such as buzzing or whistling in the ears), and acute or chronic hearing impairment.

Retinal deficit. Tanakan® is also used in the treatment of visual impairment and vision disorders of vascular origin.

Marketing

At 31 December 2008, Tanakan® had been approved for use in over 60 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 2008, 57.8% of Tanakan®'s sales were generated in France.

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

On 25 October 2006, the French Health Minister announced that vasodilators, including Tanakan®, would continue to be reimbursed at a rate of 35% by the medical insurance bodies. The Minister asked the Economic Committee for Health Products to introduce a price reduction of up to 20% for all these drugs as of the end of January 2007. On 15 June 2007, a 10% price cut in Tanakan® in France was published in the *Official Journal.*

The main rival drugs 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® is 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®.

Research and development

The Group is currently investigating EGb 761®, the Ginkgo biloba extract in Tanakan®, in the treatment of neurodegenerative disorders, such as Alzheimer's disease. A detailed description of this clinical trial is provided in section 11.1.3.4 of this registration document.

Cardiovascular

Ginkor Fort®

Active substance

Ginkor Fort® is an oral formulation containing three active substances, namely troxerutin A (a vasoactive rutin analogue, a flavonoid of plant origin), heptaminol chlorhydrate and a standardised *Ginkgo biloba* extract. It is used in the treatment of vascular conditions, of venous insufficiency of the lower limbs and of acute haemorrhoid episodes.

Marketing

This product was initially launched as Ginkor® in France in 1972 and subsequently changed its name to Ginkor Fort® in France during 1989.

Ginkor Fort® is prescribed primarily by general practitioners and the following specialists: gastroenterologists, gynaecologists, phlebologists (vein specialists) and dermatologists.

Ginkor Fort®'s price was cut by 15% in February 2006. The French government published a decree in the *Official Journal* on 25 January 2006 cutting the reimbursement rate for all members of the veinotonic class of drugs (which includes Ginkor Fort®) from 35% to 15% from 1 February 2006 to 31 December 2007. These drugs were withdrawn from the list of reimbursable drugs as from 1 January 2008. On 23 August 2007, the Group and GTF announced that they had signed an agreement to transfer the marketing authorizations of Ginkor Fort® to GTF for France, Monaco and Andorra by 1 January 2008. Ipsen also granted to GTF the right to exclusively licence all Ginkor Fort® trademarks with a possible transfer of these rights upon termination of the licence (a detailed description of this agreement is provided in section 22.2 of this registration document).

In 2008, the Group generated €14.3 million in sales with GTF.

Ginkor Fort® is prescribed primarily by general practitioners and the following specialists: gastroenterologists, gynaecologists, phlebologists (vein specialists) and dermatologists.

The drug's principal rivals in this area are: Daflon® (Servier), Endotélon® (Sanofi-Aventis) and Veinamitol® (Negma-Lerads).

Intellectual property

The *Ginkgo biloba* extract contained in Ginkor Fort® is covered by two patents granted to Schwabe and Indena. The Group holds licences to use these patents, entitling it to manufacture, use and sell products containing *Ginkgo biloba* extracts.

Nisis® and Nisisco®

In 2003, the Group added Nisis® and Nisisco®, two anti-hypertensive products, to its portfolio by signing an agreement with the Swiss group Novartis, to market the products in France, Andorra and Monaco.

Active substance

Nisis® is an oral formulation containing valsartan, while Nisisco® contains valsartan and hydrochlorothiazide. The products are used in the treatment of arterial hypertension. The active substance in Nisis® and Nisisco® is valsartan, a synthetic angiotensin II antagonist compound.

Marketing

Nisis® and Nisisco® were initially launched in France by Sanofi-Aventis. Following the contracts entered into with Novartis and Sanofi-Aventis in March 2003, the Group holds marketing authorizations and has marketed Nisis® and Nisisco® in France since May 2003. In 2008, these two products generated sales of €57.7 million.

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

The main drugs competing with Nisis® and Nisisco® in this area are class C9C and C9D specialties: Aprovel® and Coaprovel® (BMS-Sanofi), Cozaar®, Hyzaar® and Fortzaar® (Merck), Tareg® and Cotareg® (Novartis), Atacand® and Hytacand® (Astra-Zeneca) Kenzen® and Cokenzen® (Takeda).

Intellectual property

Novartis holds a European patent to the compound carrying the DCI valsartan (synthetic angiotensin II antagonist). This patent is complemented in France by an additional certificate protecting valsartan until 12 May 2011. Two European patent applications covering galenic formulations of valsartan and valsartan/hydrochlorothiazide are currently being assessed. The former was granted on 22 September 2004 and will expire on 18 June 2017.

Adrovance®

Active substance et indications

On 30 January 2007, MSD granted Ipsen the marketing rights in France for Adrovance®, for the treatment of postmenopausal 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 2008, Adrovance® generated €9.5 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 treatment of post-menopausal osteoporosis for patients at risk with low vitamin D levels.

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

■ 6.1.1.4 Marketing and distribution

The Group markets its products in the targeted therapeutic areas to specialists, including decision-makers with influence over the opinion of their peers. The Group also markets numerous primary care products.

In 2008, the Group's consolidated sales came to €971.0 million, 57.6% of which were generated in the Major Western European Countries. The following table shows a geographical analysis of consolidated sales for each of the stated periods.

	31 December 2008		31 December 2007	
	in thousand euros	%	in thousand euros	%
Major Western European countries	559,513	57.6%	564,262	61%
Rest of Europe	236,238	24.3%	208,121	23%
Rest of the world	175,271	18.1%	148,092	16%
Group sales	**971,022**		**920,475**	

At 31 December 2008, of the 1,738 people comprising the Group's sales force, 978 staff were employed outside the Major Western European Countries, i.e. 40.6% of the Group's workforce. A geographical analysis of the Group's workforce by job category and by therapeutic area is provided in Chapter 17 of this registration document on Employees.

6.1.1.5 Manufacturing

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

The Group's principal manufacturing process has three stages: the primary manufacture of the principal active substances, the incorporation of these constituents into secondary formulations and the related conditioning. Each stage of the manufacturing process takes place in strictly controlled conditions and is subject to the applicable national and international legislation. All the Group's manufacturing facilities comply with Good Manufacturing Practices (GMP), in line with the relevant directives. Manufacturing facilities 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 the FDA. On 1 December 2008, the FDA confirmed in its Establishment Inspection Report that the manufacturing process for Dysport® in its Wrexham (Wales) facility is in compliance with the Current Good Manufacturing Practices.

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

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

Each of the Group's manufacturing facilities focuses on a particular technology to maximize its operational efficiency. For instance, the Dublin site (Ireland) is devoted to the purification and formulation of proteins, while the Dreux plant (France) specializes in the manufacture 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 secure access to the requisite quantities and quality of raw materials needed to manufacture naturally occurring products in the *Ginkgo biloba* range, the Group produces a large proportion of the *Ginkgo biloba* leaves that it uses on its own plantations (in China, France and the United States). It thereby minimizes its exposure to any significant risk deriving from the availability of raw materials and the volatility of their prices.

6.1.2 Significant new products or services launched on the market in 2008

When the Group acquired the U.S. subsidiary of Vernalis plc., it also acquired the development and marketing rights in the U.S., Canada, Puerto Rico and Mexico, of Apokyn® (apomorphine) in subcutaneous injection and subcutaneous perfusion forms. Apokyn® is used for the treatment of "off" episodes associated with advanced Parkinson's disease.

Apokyn® is currently registered in the United States in the conventional subcutaneous injection form.

6.2 PRINCIPAL MARKETS IN WHICH THE GROUP OPERATES

6.2.1 General data

The pharmaceutical industry is highly competitive. In recent years, the pharmaceutical sector has undergone increasing vertical and horizontal integration. In addition, the way pharmaceuticals are marketed is currently undergoing significant change in markets across Europe and the United States, with reduced flexibility in price-setting, tighter cost-control measures and the impact of healthcare cost management initiatives, particularly concerning the selection of products and the setting of selling prices.

Against this backdrop, the Group has to compete with other companies to develop and secure marketing authorizations for new pharmaceutical specialities in the therapeutic areas it has targeted, as well as for specific products producing comparable therapeutic results to those produced by the drugs marketed by the Group. The Group also competes with other pharmaceutical groups to find suitable partners to ensure growth in its Research and Development portfolio and in its portfolio of products already on the market.

A number of the companies that compete with the Group to develop and secure marketing authorizations for new compounds are significantly larger than the Group and, accordingly, are able to devote more resources to Research and Development, as well as to marketing, which may give them the advantage of being able to offer a broader range of products and having a larger sales force. Some of these companies have a stronger presence in markets in which 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. From a marketing standpoint, this strategy has prompted the Group to concentrate its efforts on influential physicians, primarily specialists, who are responsible for drug prescriptions or who may prompt similar prescriptions by other doctors. By forging a strong reputation with these key specialists in highly specific and specialized fields, the Group believes it is able to conduct its marketing activities selectively and cost-effectively, thereby alleviating the need for it to run a large sales force. This said, the Group will have to continue competing with larger companies which market products in the same therapeutic areas.

Once they reach the market, the Group's products have to 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. In the United States for example, the Group submitted a marketing authorization application for Dysport® in 2007. The Group is still awaiting approval from the FDA. Once Dysport® is approved it will compete with Botox® (Allergan), another botulinum toxin, which is already well established in the U.S. market. In certain cases, the Group hopes to harness synergies between its technological platforms by using its research into new delivery systems for highly refined active substances that are practical for patients to give its existing and new products competitive advantages. For instance, Somatuline® faces competition from Novartis' Sandostatin®, 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 rivals. The cost of these products may be significantly lower than the original products they are replicating, because the pharmaceutical companies manufacturing them do not incur the corresponding Research and Development costs. The Group is also exposed to the risk of the creation and sale of counterfeit versions of its products being manufactured by third parties.

In addition to the competition facing its products, the Group also has to compete with other companies when recruiting scientists and other highly experienced employees. The Group believes that its internal human resources policy is highly competitive and is instrumental in fostering a positive working environment which, coupled with its Research and Development reputation, enhances its appeal to suitably qualified candidates.

6.2.2 Geographical breakdown of sales of the Group's main drugs

The sales referred to in section 6.2.2 are established in line with IFRS accounting standards.

6.2.2.1 Products in the Group's targeted therapeutic areas

6.2.2.1.1 Oncology

The following table shows the geographical breakdown of the sales recorded by Decapeptyl® during the financial year ended 31 December 2008:

	2008	
	In thousand euros	As a percentage
Major Western European countries (1)	146,292	59.0%
Rest of Europe	66,078	26.7%
Rest of the world	35,409	14.3%
Total	**247,778**	**100.0%**

(1) i.e.: Germany, Spain, France, Italy and United Kingdom.

6.2.2.1.2 Endocrinology

The following table shows the geographical breakdown of the sales recorded by Somatuline® during the financial year ended 31 December 2008:

	2008	
	In thousand euros	As a percentage
Major Western European countries (1)	76,761	63.6%
Rest of Europe	30,767	25.5%
Rest of the world	13,108	10.9%
Total	**120,636**	**100.0%**

(1) i.e.: Germany, Spain, France, Italy and United Kingdom.

6.2.2.1.3 Neurology

The following table shows the geographical breakdown of the sales recorded by Dysport® during the financial year ended 31 December 2008:

	2008	
	In thousand euros	As a percentage
Major Western European countries (1)	57,516	40.4%
Rest of Europe	42,190	29.6%
Rest of the world	42,783	30.0%
Total	**142,489**	**100.0%**

(1) i.e.: Germany, Spain, France, Italy and United Kingdom.

6.2.2.2 Primary care products

6.2.2.2.1 Cognitive disorders

During the financial year ended 31 December 2008, 57.8% of the sales recorded by Tanakan® were generated in France.

6.2.2.2.2 Cardiovascular

During the financial year ended 31 December 2008, 82.4% of the sales recorded by Ginkor Fort® were generated in France, Monaco and Andorra.

6.3 EXCEPTIONAL EVENTS THAT INFLUENCED THE INFORMATION GIVEN IN SECTIONS 6.1 AND 6.2

6.3.1 Governmental measures

On 25 January 2006 the French authorities decided to withdraw Ginkor Fort® from the list of reimbursable drugs as from 1 January 2008.

On 16 October 2008, the French *Agence Française de Securité Sanitaire des Produits de Santé* informed the Group that it had granted a marketing authorization to a generic product of Forlax® in France.

6.3.2 Partnerships

Botulinum toxin type A – Reloxin®

On 17 March 2008 – Ipsen and Medicis announced that Ipsen had submitted a new Biologics Licences Application, for Reloxin® the Group's botulinum toxin type A, in aesthetic indications (glabellar lines) to the U.S. Food and Drug Administration's Division of Dermatology and Dental Products, within the Center for Drug Evaluation and Research.

This BLA submission by Ipsen is intended to address the concerns cited by the FDA when it declined to file the Reloxin BLA in January 2008, which Medicis had submitted in late 2007. Subject to approval of the BLA by the FDA, Medicis intends to commercialize Reloxin® in the U.S. in accordance with the long-standing arrangement between Medicis and Ipsen. Changes from the original BLA submission relate primarily to sponsorship and ownership of the filing. The substantive elements of the original submission remain unchanged.

On 19 May 2008 – Ipsen and Medicis announced that the FDA had accepted the filing of Ipsen's Biologics License Application ("BLA") for Reloxin®, its botulinum toxin type A in aesthetic use (glabellar lines) in the United States. This acceptance signifies the start of the review process of the dossier.

In accordance with the agreement between the two parties, Medicis paid Ipsen $25 million in connection with the announcement. Subject to approval of the BLA by the FDA, Medicis will pay to Ipsen a further $75 million and will commercialize Reloxin® in the United States.

On 7 January 2009 – Ipsen announced that the FDA provided notification that the Prescription Drug User Fee Act action date for Reloxin® Biologics License Application in aesthetic indications (glabellar lines) had been extended to 13 April 2009. The FDA did not issue any specific request on the occasion of this extension. Furthermore, the FDA confirmed in its Establishment Inspection Report that the manufacturing process for Ipsen's botulinum toxin type A in its Wrexham (Wales) facility is in compliance with current Good Manufacturing Practices (CGMPs).

BIM 51077 (GLP-1) - Taspoglutide

On 10 June 2008 – Ipsen announced that Roche and Ipsen's investigational diabetes drug taspoglutide has been shown to be generally well-tolerated and efficacious for the treatment of patients with type 2 diabetes, resulting in significant improvements in glucose control and weight loss after only eight weeks of treatment.

Taspoglutide, the first human once weekly glucagon-like peptide-1 (GLP-1) analogue originating from Ipsen's research, is a compound similar to the natural hormone GLP-1 which has a key role in blood sugar regulation.

Based on these promising phase II results, presented at the American Diabetes Association (ADA) in San Francisco, U.S., Roche has made the decision to move taspoglutide into phase III clinical trials. The program started in the second half of 2008.

In 2006, Roche exercised its licensing option for taspoglutide from Ipsen and acquired exclusive worldwide rights to develop and market taspoglutide, except in Japan where these rights are shared with Teijin and in France where Ipsen may elect to retain co-marketing rights.

Decapeptyl® – 6-month formulation

On 12 February 2008 – Ipsen announced that its partner Debiopharm had presented the results of a phase III study with its new 6-month formulation of Decapeptyl®, a luteinizing hormone releasing hormone agonist (LHRHa) for the treatment of advanced prostate cancer. The results presented show similar efficacy and safety to the already marketed 1- and 3-month formulations of triptorelin.

This multicentre, open, non-comparative, phase III study on the efficacy and safety of two consecutive injections at a six-month interval of triptorelin 6-month formulation in 120 patients with advanced prostate cancer, showed that 97.5% of patients achieved castrate levels of serum testosterone 28 days after the first injection and that 93% of the patients maintained serum testosterone levels below castrate level (defined as < 1.735 nmol/L or 50 ng/dL) from week 8 to 48.

These efficacy and safety results are similar to those obtained previously with repeated administrations of the 1- and 3-month formulations of triptorelin in previous studies. Furthermore, local tolerance is good with only 6% of the patients treated reporting spontaneously injection site adverse events.

Pursuant to the terms of the agreement published on 31 October 2007, Ipsen exclusively in-licensed from Debiopharm know-how and new patent applications for the commercialization rights of Decapeptyl® (triptorelin pamoate) in the world excluding North America, and some other countries (Sweden, Israel, Iran and Japan).

On 25 September 2008 – Ipsen announced the start of the filing process in Europe of the 6-month sustained release formulation of Decapeptyl®, a luteinizing hormone releasing hormone agonist (LHRHa) developed by Debiopharm for the treatment of locally advanced or metastatic hormone-dependent prostate cancer. On 31 October 2007, Ipsen exclusively in-licensed from Debiopharm the know-how and new patent applications for the commercialization rights of the new 6-month formulation of Decapeptyl® (triptorelin pamoate) in the world excluding North America, and some other countries (Sweden, Israel, Iran and Japan).

Toremifene Citrate (Acapodene®)

On 25 February 2008 – Ipsen announced that GTx Inc., from which it licensed the European rights for toremifene citrate 80 mg in September 2006, presented the results of the first phase III study evaluating the efficacy and safety of toremifene citrate 80 mg daily, on multiple side effects of androgen deprivation therapy (ADT) in advanced prostate cancer patients.

On the basis of these positive results, Ipsen intends to file toremifene citrate 80 mg for this indication in the European Union during 2009.

Androgen deprivation therapy using either luteinizing hormone releasing hormone or surgical castration is the most common treatment for advanced prostate cancer and have clearly demonstrated their efficacy. However, their impact on testosterone and oestrogen levels could result in a decrease of bone mineral density (BMD) potentially leading to osteoporotic fractures, and other adverse effects such as lipid changes, gynecomastia and hot flashes.

Ginkor Fort®

On 1 January 2008 – Ipsen entered into an agreement with GTF Group to transfer the marketing authorizations of Ginkor Fort® for France, Monaco and Andorra. Ipsen also granted GTF the right to exclusively licence all Ginkor Fort® trademarks with a possible transfer of these rights upon termination of the licence.

This agreement is in line with Ipsen's strategy to focus on targeted therapeutic areas (oncology, endocrinology, neurology and haematology) and optimize its portfolio of primary care products in the context of the withdrawal of all veinotonic drugs from France's list of reimbursable medicines by 1 January 2008.

Under the agreement, GTF will pay Ipsen €10.6 million. Other milestone payments will be added following the evolution of the market for this product class in 2008.

Ipsen will supply the finished product to GTF for an initial period of five years, with a possible renewal, and will continue to market the product outside France, Monaco and Andorra.

Acquisition of all OBI-1 related assets from Octagen

On 5 June 2008 – Ipsen and Octagen entered into an Asset Purchase Agreement pursuant to which Ipsen will, upon closing, acquire all of Octagen's assets related to OBI-1 and get full control over OBI-1's clinical development.

Emory University (Atlanta, GA, USA) licensed its OBI-1 patents to Octagen (Wilmington, Delaware, USA), who in turn granted a worldwide, exclusive sublicense to Ipsen in 1998.

OBI-1 is a biotech drug being developed to treat haemophilia and fully produced by Ipsen at its recombinant manufacturing sites located in Milford (Massachusetts, USA) and Wrexham (Wales, UK).

Prior to the above transaction, Octagen was responsible for the pre-clinical and clinical development of OBI-1 and sublicensed certain rights to Ipsen in connection with the manufacturing, regulatory activities and commercialization of OBI. In that context, Ipsen had agreed to make certain milestone payments to Octagen and to pay royalties based on OBI-1 future net sales. At the same time, Ipsen had purchased 21.45% of Octagen's share capital.

Pursuant to the Asset Purchase Agreement, upon closing, Ipsen made an upfront payment of $10.5 million (€5.7 million at the closing date) to Octagen. Also Ipsen will make future additional milestone payments contingent on the product being allowed into phase III, and later on receipt of marketing approvals in the U.S. and Europe, potentially totalling up to $26.0 million. In addition, Ipsen shall pay, once the product is marketed and for a defined duration, a low to mid single digit royalty on its net sales in each country, on an upward sliding scale depending on certain sales thresholds.

Immediately following the completion of the acquisition of all of the assets related to OBI-1, Ipsen also redeemed its stake in Octagen.

On 17 July 2008 – Ipsen announced that following the announcement made on 5 June 2008 it had completed the purchase of all of the assets related to OBI-1, upon approval of its shareholders. Accordingly Ipsen paid Octagen an upfront milestone of $10.5 million, and redeemed its stake in Octagen.

Acquisition of the U.S. subsidiary of Vernalis plc, and of the North American rights for Apokyn®

On 5 June 2008 – Ipsen announced that it had reached an agreement with UK-based Vernalis (R&D) Limited and Vernalis Plc. to acquire its U.S. subsidiary Vernalis Pharmaceuticals, Inc. ("Vernalis Inc."), and the rights to develop and market Apokyn® in the U.S.

This transaction brings Ipsen an established and highly experienced neurology commercial team, who already market Apokyn® (apomorphine HCl) in the U.S. to neurology specialty physicians, many of which are potential prescribers for Dysport®. Ipsen filed for marketing approval for Dysport® (botulinum toxin type A) with the Food and Drug Administration, which was accepted in January 2008, for the treatment of cervical dystonia. In this context, this transaction gives Ipsen in a timely manner the U.S. commercial and managed care expertise as well as the infrastructure platform from which to market Dysport® once the FDA has granted market approval. The acquisition of Vernalis Inc. is therefore strategically important for Ipsen, representing a significant step forward in building a global specialist care business with a direct presence in neurology in North America, the word's largest pharmaceutical market, and in further globalizing its specialist care business.

On 1 July 2008 – Following shareholder approval of Vernalis Plc, Ipsen announced that it had completed the acquisition of the rights to Apokyn®, and Vernalis' U.S. Commercial Operations. The subscription by Ipsen of 35,253,134 new ordinary shares at £0.05 (5 pence) each in the capital of Vernalis Plc., as part of the Purchase arrangements, was also completed at that date.

Merger agreement with Tercica Inc.

On 5 June 2008 – Ipsen announced that a subsidiary of Ipsen had entered into a definitive merger agreement by which it would acquire all of the remaining approximately 44.9 million fully diluted shares of Tercica not owned by the Ipsen group for $9.0 per share in cash, for a total purchase price of approximately $404 million. Ipsen and its subsidiaries owned approximately 25.3% of the outstanding shares of the U.S. biopharmaceutical company focused on endocrinology.

In connection with the agreement, Ipsen also committed to exercise its warrants to purchase Tercica common stock for a total exercise price of $37 million and to convert all of its outstanding convertible notes into Tercica common stock; following such exercise and conversion, Ipsen and its subsidiaries would then own approximately 42.7% of Tercica's common stock assuming no further exercise of stock options. Ipsen intended to finance this transaction through a combination of existing internal financial resources and bank loan financing already in place.

The proposed cash offer represents, with full certainty to Tercica Inc.'s shareholders, a 104% premium to Tercica's closing price on 4 June 2008 and a premium of 74% and 49% to the volume-weighted average closing share price during the last three months and six months respectively.

Tercica's Board of Directors, following the unanimous recommendation and approval of Tercica's Special Committee, who was advised by independent legal and financial advisors, approved the merger agreement and recommended that Tercica stockholders vote to approve the merger.

Ipsen negotiated an arms-length agreement with the Tercica Special Committee, that was subjected to the affirmative vote of the holders of the majority of the Tercica shares outstanding on the record date as well as customary regulatory approvals.

On 23 July 2008 – Ipsen announced that it had subscribed for additional shares of common stock of Tercica Inc. on 22 July 2008, fully exercised the warrant issued by Tercica Inc. in October 2006 and fully converted the convertible notes, issued by Tercica Inc. in October 2006 and September 2007.

In connection with Tercica's issuance of 590,580 shares of its common stock to Genentech Inc. on 11 July 2008, pursuant to a Common Stock Purchase Agreement between Tercica and Genentech, Inc. dated 6 July 2007, Tercica issued 410,831 shares of its common stock to Ipsen pursuant to the terms of the Common Stock Purchase Agreement entered into between Tercica and Ipsen for an aggregate purchase price of approximately $3.66 million, at a price per share of $8.92 (being the consolidated closing bid price of Tercica's common stock on 21 July 2008, as reported on NASDAQ).

Moreover, as previously announced on 5 June 2008, on 22 July 2008 Ipsen exercised its Tercica warrant in full, resulting in the issuance of 4,948,795 shares of Tercica common stock, at a price per share of $7.41, for an aggregate cash exercise price of approximately $36.67 million.

On 22 July 2008, Ipsen also converted its outstanding Tercica convertible notes, in full, resulting in an issuance of 10,774,806 shares of Tercica common stock.

Due to the exercise of the warrant, the conversion of the Tercica convertible notes and Ipsen's subscription for additional shares, the Ipsen Group owned approximately 42.6% of the outstanding Tercica common stock (assuming no further exercise of stock options).

On 17 October 2008 – Ipsen announced that the stockholders of Tercica, Inc. voted to approve Ipsen's previously announced acquisition of Tercica at a special meeting of shareholders held on 16 October 2008 in Brisbane, California. The requisite number of votable shares were cast in favour of the transaction. Following the meeting, the closing was completed, the merger certificate was filed and the merger became effective as of 16 October 2008.

6.4 EXTENT OF THE COMPANY'S DEPENDENCE ON PATENTS OR LICENCES, INDUSTRIAL, COMMERCIAL OR FINANCIAL CONTRACTS OR NEW MANUFACTURING PROCESSES

The extent of the Group's dependence on patents, licences, industrial, commercial or financial contracts or new manufacturing processes are described in Chapter 4 – Risk Factors of this registration document, particularly in sections 4.1.5, 4.1.6, 4.1.7, 4.1.9, 4.1.10, 4.1.11, 4.1.13, 4.2.3 , 4.2.4, 4.2.5 and 4.2.6.

6.5 ELEMENTS ON WHICH THE COMPANY'S STATEMENTS CONCERNING ITS COMPETITIVE POSITION ARE BASED

The Group's competitive position is predominantly presented sections 6.1 and 6.2 of this registration document, in which the Group identifies its principal competitors. IMS, which specializes in processing pharmaceutical industry sales data from right around the world, supplies data (notably including IMS – MIDAS/ Ex-manufacturers), which makes it possible to calculate market share. Further information can be obtained from the www.imshealth.com website. The Group does not provide market share data, but considers that the data supplied by third parties is unlikely to provide a perfect picture of the sales actually recorded by the Group and its competitors. In addition, the sales figures of the Group's competitors may be obtained directly from the relevant companies.

6.6 REGULATIONS

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

6.6.1 Regulatory approval

In the European Union, there are currently three methods of securing marketing authorization for drugs. The centralized procedure, the decentralized procedure and the mutual recognition procedure. With the centralized procedure, an application for marketing authorization is filed directly with the EMEA (based in London), which covers all the countries in the European Union. This procedure is obligatory for all biotechnology products or for products in the following therapeutic areas: oncology, virology, neuro-degenerative disorders and diabetes. It is optional for other new chemical entities, which can also use the decentralized procedure or the mutual recognition procedure. With the decentralized procedure, an application for marketing authorization is filed simultaneously in all member states in which the company intends to market the drug. The assessment is led by a state chosen as a benchmark member state and the decision to grant marketing authorization in each member state in question is made simultaneously. With the mutual recognition procedure, authorization is granted in one European Union country and the beneficiary then requests mutual recognition of this decision to cover the other European Union countries. This procedure is used when the product is registered in a single member state of the European Union, and when the company is seeking to extend registration of an existing product to other countries. A national authorization system remains in place for local registrations limited to just one country.

For all health products in Europe, national agencies such as the AFSSAPS in France conducts (scientific and medical-economic) assessments and checks (on laboratories and advertising) and inspects production facilities. It monitors the safety profile of all products on the market (post-marketing surveillance, blood surveillance, equipment checks, monitoring of medical devices and cosmetics monitoring). The national agencies also participate in EMEA's pan-European evaluation and control systems.

In the United States, the FDA regulates and controls clinical trials, authorizations, manufacturing, labelling and conditioning of drugs developed or marketed in the United States. The process of applying for marketing authorization for a drug from the FDA is similar to that adopted in other countries. A New Drug Application (NDA) can be filed only after the efficacy and safety profile of the relevant drug have been proven through intensive testing on animals and in-depth clinical trials on humans.

The authorization procedure may take between six months and four years in the United States and varies in the European Union depending on the quality of the evidence produced, the degree of control exercised by the competent regulatory body, the efficacy of examination of the dossier and the type of product.

Once marketing authorization has been granted for a given territory, the new drug may be prescribed by doctors in the relevant region. Subsequently, the holder of the marketing authorization has to submit reports from time to time to the regulatory authorities listing any cases of undesirable reactions. For certain drugs, the regulatory authorities may require additional (phase IV) trials to evaluate the long-term effects of the drug or to compile information about its use in specific circumstances.

The regulatory authorities also require compliance with research, clinical and production standards.

Manufacturing facilities outside the United States producing products imported into the U.S. market must also be approved by the FDA on a product-by-product basis and are subject to periodic inspections by the FDA.

Another domain requiring administrative authorizations is linked to the European Integrated Pollution Prevention and Control Directive as set out in section 8.2.1 of this registration document. These applications for marketing authorization can be very lengthy (lasting several months), and may be the cause of delays in receiving marketing approval.

6.6.2 Good manufacturing practices

In addition to securing regulatory approval for its products, all the Group's manufacturing sites must be GMP-compliant. The term GMP (Good Manufacturing Practice) is used internationally to describe a set of standards and procedures that manufacturers of therapeutic products must adopt to ensure that they are suitable for use by humans. One of the fundamental tenets of GMP is that the quality of a product cannot be tested solely using one batch, but must be verified at each stage of the manufacturing process. Quality directives include stipulations related to the methods, plants and controls used to design, manufacture, condition, label and store drugs, including guidelines concerning the installation and maintenance of the equipment used in the manufacturing process. In most countries, GMP compliance represents a basic criterion taken into consideration when new pharmaceutical facilities are authorized to start up. All the Group's manufacturing facilities comply with Good Manufacturing Practices (GMP) required in the place in which they operate and for the markets they serve.

6.6.3 Price-setting and control

Regulations 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 in most of the countries in which the Group operates, particularly in Western Europe, where state-controlled healthcare systems (with the reimbursement by the state of a portion of healthcare costs) are the norm. 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 category, analysis of the cost/benefit ratio of drugs prescribed and efforts to promote growth in the generic drugs market. In addition, when a product's price is set, the national authority takes into account the price of the same product in other countries.

In certain European countries, governments also influence drug prices indirectly by controlling the national healthcare systems, which have to pay a large proportion of the costs of these products. In France, for instance, a government agency sets the price of reimbursable drugs taking into account the product's scientific value, as well as the agreements struck between the government authorities and pharmaceutical groups. The price set for a drug depends on the benefits it produces in terms of an improvement in medical performance and innovation and on an economic analysis comparing it with existing treatments.

In addition, a multi-year agreement in France between companies and the Economic Committee for Health Products 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 no. 2004-810 of 13 August 2004 instituted a French Supreme Health Authority responsible for evaluating and classifying the health benefits expected or produced by medical procedures, services and products. This committee will from time to time issue opinions on the Group's drugs, the health benefits of which were described as insufficient. For example, Bedelix® is no longer reimbursed since 1 March 2006 and Ginkor Fort® since 1 January 2008.

On 25 October 2006, the French Health Minister announced that vasodilators, including Tanakan®, would continue to be reimbursed at a rate of 35% by the medical insurance bodies. On 15 June 2007, a 10% price cut in Tanakan® in France was published in the *Official Journal.*

In addition, the social security finance act determines the sales-based contribution rate levied annually on pharmaceutical laboratories. This contribution was set at 1.76% in 2006, 1% in 2007 and remains at 1.0% for 2008. This contribution, which is not tax deductible, trimmed the Group's operating profit in 2008 by €3.1 million (compared with €3.4 million in 2007).

7

CORPORATE STRUCTURE OF THE GROUP

7.1 MOTHER-SUBSIDIARIES RELATIONSHIP

Ipsen SA is acting as an holding company with regards to its affiliated companies and has no operational activities. Some senior managers are employed by Ipsen SA under the conditions and the invoicing provisions set forth in Chapter 20.2.7.2. €12.5 million have been invoiced by Ipsen SA in 2008 with regards to these senior managers. The Group comprises 45 affiliates which are consolidated as set forth in Chapter 20.1.31.

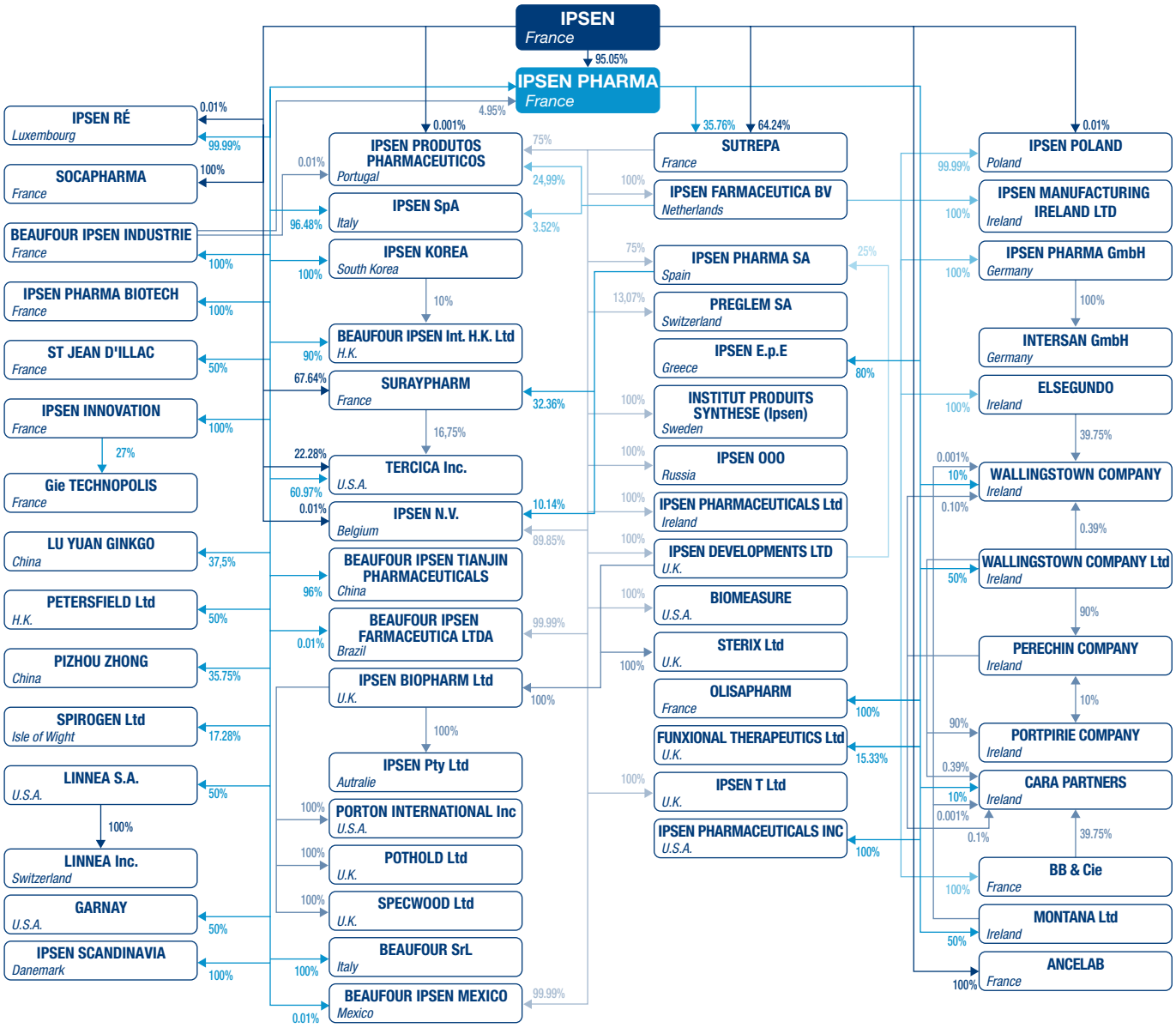
These companies are either research and development, manufacturing, management or commercialization entities. They own the assets they are exploiting in the frame of their activities and Chapter 20.1.4.3 presents such assets by geographical areas.

As indicated in Chapter 18.1, Ipsen SA is controlled by a company incorporated in Luxembourg, Mayroy. Description of this company and its shareholding is to be found in Chapter 18.

7.2 ORGANISATIONAL STRUCTURE

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

Group Organization chart at 31 December 2008



Ipsen Pharmaceuticals Inc. merged into Tercica Inc. as of 1 January 2009.

7.3 ACQUISITIONS AND RESTRUCTURING

Except for the legal restructuring in France described below, Ipsen did not proceed any significant restructuring during the financial year ending 31 December 2008.

7.3.1. Acquisition of foreign companies

In July 2008, Ipsen acquired all Vernalis Pharmaceuticals Inc. shares, US-based company, and subscribed a share in Vernalis Plc, UK-based company. Chapter 6.3.2. of this registration document presents the detail of these acquisitions.

On 16 October 2008, acquired the remaining shares of Tercica Inc., US-based company. Chapter 6.3.2. of this registration document presents the detail of these acquisitions.

7.3.2. Merger

In November 2008, the Group simplified its structure by merging Beaufour Ipsen Pharma into S.C.R.A.S., renamed Ipsen Pharma, with retroactive effect on 1 January 2008.

This merger is an internal reorganisation of Ipsen and aims at simplifying the organisational structure and rationalizing the financial and accounting flows between these companies.

The reorganisation had no impact on the Group's overall scope of business.

The merger is treated as a business combination of entities under common control. Accordingly, the assets and equity holdings were merged at their net book value as recorded in the financial statements on 31 December 2007.

Alain Auvray and Gérard Varona were appointed valuing auditors by order of the President of Commercial Court of Paris dated 10 April 2008.

The valuing auditors concluded that:

- the assets merged had not been overvalued and accordingly were at least equal to the amount of the capital increase made by the company receiving the contribution plus the transfer premium;
- the conversion parity was fair.

7.3.3. Spin-off

In December 2008, the Group spun-off Ipsen Pharma into Sofarm, renamed Ipsen Innovation, with a retroactive effect on 1 January 2008.

This spin-off is an internal reorganisation of Ipsen and aims at consolidating all the research activities of the Group in France in one legal entity.

The assets transferred are treated as a business combination of entities under common control. Accordingly, the assets and equity holdings were transferred to the Company at their net book value as recorded in the financial statements on 31 December 2007.

Alain Auvray and Gérard Varona were appointed valuing auditors by order of the President of Commercial Court of Paris dated 10 July 2008.

The valuing auditors concluded that:

- the assets transferred had not been overvalued and accordingly were at least equal to the amount of the capital increase made by the company receiving the contribution;
- the transfer premium was fairly valued.

8 PROPERTY, PLANT AND EQUIPMENT

8.1 INDUSTRIAL SITES, REAL ESTATE PROPERTIES AND EQUIPMENT

The Company's registered office and its administrative offices are located in France. The Group's operational headquarters are located in France and the United Kingdom. The Group owns or leases Research and Development facilities across Europe (France, Spain and the United Kingdom) and in the United States (Boston).

The Group currently manufactures the majority of active substances in its main products and of products that seem highly promising in terms of its future growth at its primary manufacturing facilities. Primary manufacturing plant produce active substances, where the Group processes its raw materials, which chiefly comprise natural clays, natural plant extracts, *Ginkgo biloba* and solid phase peptides respectively.

The secondary manufacturing plant is in a variety of locations where dosage formulations are manufactured and packaged, and where protein products are purified and formulated.

In addition to its research capability, primary and secondary manufacturing facilities, the Group manages, either on its own or with partners, five plantations and leaf-drying plants in France, China and the United States. Sites of Cork, Locarno, Saint-Jean-d'Illac and Garnay are owned through Joint Ventures.

The Group operates the following industrial and agricultural sites:

Location	Principal products	Specialisation
Dreux (France)	All primary care finished products	High-volume oral formulations, 1,118 million sachets, 738 million tablets, 313 million dry powder capsules, 74,3 million packs, 243 hundred litres of solution. Analytical development and production of medicinal products for clinical trials.
Signes (France)	Décapeptyl® Somatuline®	Sustained-release peptide formulations for injection.
L'Isle-sur-la-Sorgue (France)	Semi-finished Smecta®	API plant, manufacturing more than 3,000 tonnes of therapeutic clay per year, used for gastroenterology products.
Wrexham (United Kingdom)	Dysport®	Industrialisation and preparation of bulk active substances (BAS), purification and formulation of protein-based biological products.
Dublin (Ireland)	Triptoreline (Decapeptyl®) Lanreotide (Somatuline®)	API plant, solid phase peptide synthesis.
Cork (Ireland)	EGb 761®	Standardised plant extract from *Ginkgo biloba* leaves.
Tianjin (China)	Smecta®	Local market supply for China. The site operates as a joint venture with local partners.
Locarno (Switzerland)		Extracts from natural plant sources (including *Ginkgo biloba*) and related synthetic chemistry for the pharmaceutical and cosmetic industries.
Captieux (France)	*Ginkgo biloba* leaves	Plantation and leaf-drying facility.
Saint-Jean-d'Illac (France)	*Ginkgo biloba* leaves	Plantation and leaf-drying facility.
Garnay (United States)	*Ginkgo biloba* leaves	Plantation and leaf-drying facility.
Lu Yuan (China)	*Ginkgo biloba* leaves	Leaf-drying facility set up in 1996, operated in conjunction with local partners.
Zhong Da (China)	*Ginkgo biloba* leaves	Leaf-drying facility operated in conjunction with local partners.

The Group owns all its land, building and equipment with the exception of:

- in Cork (Ireland), the land on which the plant has been built. While the Group owns the building and equipment, it has a 100-year lease for this land;
- in Lu Yuan and Zhong Da (China), the lands on which the leaf-drying facilities have been built. The Group has an "occupancy right" in accordance with the law in China. The Group owns the buildings and equipments.

8.2 ENVIRONMENTAL ISSUES

8.2.1 Environmental regulations

The Group's activities, particularly the manufacturing facilities that it operates in Western Europe, as well as in China, are regulated by the applicable environmental legislation.

In Western Europe, all the Group's manufacturing facilities are located in countries belonging to the European Union (except for the Locarno plant in Switzerland). In the European Union, the environmental legislation covering industrial companies has become much more extensive since the beginning of the 1980s. Production facilities are covered by EC directive 96/61 of 24 September 1996 on integrated pollution prevention and control. This directive introduced a formidable array of specific operating formalities (declaration or filing for authorisation to operate) and covers all the environmental issues potentially facing an industrial plant (waste management, environmental discharges, use, handling and storage of toxic and/or hazardous substances, etc.). This directive has now been enacted into national legislation in every EU member state, and its provisions must be observed at each of the Group's facilities located in these countries.

Furthermore, the European Parliament adopted directive 2004/35 on 21 April 2004 on environmental responsibility related to the prevention and remediation of environmental damage. This directive has implemented an original liability system in which initiatives are to be taken solely by an independent authority that has yet to be created. This directive, which is not yet transposed into national law in EU countries, will merely complement the existing civil liability framework in the event of soil or water pollution with which the Group's facilities must already comply.

In addition, the REACH Regulation (Registration, Evaluation, Authorisation and Restriction of Chemicals) was formally adopted in December 2006 by the Council of Environment Ministers. The aim is to improve the protection of human health and the environment while enhancing innovative capability and competitiveness of the EU chemicals industry. REACH has entered into force on 1 June 2007. The Group has analysed the requirements of this regulation in order to make sure that the impact is minor on Ipsen's activities.

Besides, the Group operates regulatory surveillance on Directives which are currently under review, especially those regarding energy efficiency and greenhouse gasses.

The Group also has a manufacturing facility in Switzerland. Swiss environmental regulations are similar to those in force in the European Union.

In Western Europe, the Group has all the requisite authorisation for its business activities and conforms to the regulations applicable to its Operations and its manufacturing facilities.

Given its increasing integration with worldwide international trade channels, China has for several years been developing a specific framework of environmental regulations. The manufacturing facilities operated by the Group in China are thus subject to a set of regulations in these areas. The manufacturing facilities operated by the Group in China hold the authorisations and permits required for their Operations and comply with all the applicable environmental regulations.

In this highly regulated framework, the major preoccupation for the Head of Global Quality, Environment, Health and Safety (QEHS) is to comply with legislation. Therefore, the Head of Global QEHS has focussed on the establishment of Global Environment, Health and Safety (EHS) Standards so that each site ensures the conformity to applicable legal requirements of its activities and installations.

8.2.2 Environmental impacts of the Group's activities

8.2.2.1 Consumption of energy resources, water, raw materials and discharges into water, air and soil

Energy consumption

The Group's energy consumption totalled 134,378,267 kWh in 2008, compared with 127,067,245 kWh in 2007, representing an increase of 5.75%.

This increase in energy consumption is to put in perspective with a rise in production volumes totalling more than 8.33% in sales volumes. This energy efficiency was the result of deliberate efforts to reduce consumption at most plants.

The Tianjin facility has recorded a significant decrease of 10.05% in its energy consumption between 2007 and 2008 and this in spite of an increase of 2.43% of its production. This result is due to the implementation of energy management programmes. The Dreux plant posted a slight increase of 6.49% in its energy consumption and this whilst production rose by 12.41% and new production lines were put into service, Energy consumption at the Dublin and Wrexham sites has increased more than the production volumes between 2007 and 2008. These increases are in both cases due to the building and the implementation of new facilities (new lyophilisation building in Dublin, Unit 12 in Wrexham). The site of Signes has decreased its energy consumption in 2008 by 7.53% despite of the increase in production by 7.63%. This energy saving is mainly due to the implementation of new production process less energy-guzzling.

The ratio of energy consumption to sales remains stable with a value of 138.0 kWh per thousand euros in 2007 and 2008.

Consumption by energy source:

Electricity	44.4%
Gas	44.2%
Fuel oil	11.4%

The distribution between the different energy sources becomes stabilised in comparison with 2007. The fuel oil consumption analysis is to be brought together with the legal status of the sites. In manufacturing sites totally owned by Ipsen, only Tianjin and Signes use fuel oil. Current projects to replace fuel oil with less polluting energy are in place. In Tianjin fuel oil installations have been replaced by gas equipment, hence the fuel oil consumption has decrease by 46.10% between 2007 and 2008. In parallel, the Signes facility has decreased its fuel oil consumption by 30.48% in 2008.Three Joint Venture sites out of the 4 use fuel oil. Locarno remains the principal facility still using fuel oil, accounting for 76% of the Joint Venture's fuel oil consumption in 2008.

In 2008, most of the sites reinforced employee awareness-raising campaigns in an aim to develop exemplary behaviour as regards energy consumption.

Water consumption

The Group's water consumption came to 2,004,878 m^3 in 2008, representing a rise of 26.58% on the 1,583,872 m^3 recorded in 2007. The supply of water for 2008 is 73% from well water origin.

This increase results mainly from dryer weather conditions, which require longer period of irrigation on the 2 plantation facilities of the Group. Hence, the plantation facilities of Saint-Jean-d'Illac and Garnay have recorded significant increases of their water consumptions between 2007 and 2008, respectively 49.43% and 20.85%. These two sites account for 73% of the Group's water consumption.

Besides, the Isle-sur-la-Sorgue facility recorded an increase of 12.49% for this indicator due to both the growth of production volume by 7.40% and the implementation of new manufacturing processes. This site alone contributes to 18.94% of the Group's water consumption. Two manufacturing facilities (Wrexham and Tianjin) improved their water consumption thanks to awareness programmes on water conservation.

The ratio of water consumption to sales posted an unfavourable rise of 19.77% to 2.06 m^3 per thousand euros in 2008.

Solid and liquid waste

The Group produced 20,300 tonnes of waste in 2008, versus 17,936 tonnes in 2007, representing an increase of 13.18%, whilst progression of production volume of 8.33% over the same period.

This evolution is to be put in perspective with technical constraints of production on the Cork facility. This site represents 62.51% of the Group's waste volume and has recorded an increase of 13.69% in comparison to 2007. This rise is mainly explained by a low concentration of the raw materials in active ingredient: therefore, the same volume of finished product requires more raw material hence more waste volumes.

Production of solid wastes has increased in 2008 (12.69%) at the Group level where the sites of Cork, Locarno, and Isle-sur-la-Sorgue were responsible for 86.94% of the total. These sites have respectively faced with increase of 9.89% in Cork, 6.83% in Locarno and 20.68% in Isle-sur-la-Sorgue. These trends are due to the changes into raw materials composition and implementation of new processes. Indeed the new production system in Isle-sur-la-Sorgue has generated an increase of waste volume due to the destruction of tests' production.

Concerning liquid wastes, the Group shows an unfavourable variance with an increase of 14.47%. This is because of the weak concentration of raw materials in Cork site which has generated 16.29% more waste. A project is currently ongoing to reclassify ammonium sulphate in fertilizer and then reduce Cork wastes within the next years. The ammonium sulphate currently accounts for 91% of the Cork's liquid waste volume.

Despite the global increase of wastes volume, part of recycling remains stable at 83.38%. Recycling stays at the main level for managing wastes in comparison with incineration and landfills.

Significant efforts are underway and/or being developed by the majority of facilities to reuse a larger proportion of their waste. For instance, more and more organic waste is being composted in Cork, paper and cardboard recycling is developed in Tianjin and in Isle-sur-la-Sorgue.

Lastly, plants are increasingly implementing policies to optimise waste treatment by seeking new recycling methods helping to increase the percentage of waste reused.

Group's waste treatment mix during 2008 was as follows:

Recycling	83.4%
Incineration	12.8%
Landfills	3.7%

There has therefore been an ongoing significant effort for several years to increase waste recycling and treatment.

Hence, despite unfavourable factors in terms of waste production, the implementation of efficient measures has allowed the ratio of waste to sales to remain stable between 2007 and 2008 with 0.02 tons of waste per thousand euros.

Atmospheric emission

The Group has made ongoing efforts over the past few years in this area, scrapping the use of fuel oil in Dublin, Dreux and the objective to reduce then abandon fuel oil consumption in Tianjin. All contribute to the decrease in sulphur dioxide tonnages following the discontinuation of our reduction in the use of fuel oil.

To this end, the Group stepped up its efforts by the implementation objectives of quantifying its CO_2 emissions. For the French facilities, this initiative to set "Carbon Balance" is realised in the framework of the LEEM (French Union for the Pharmaceutical industry). Concerning the other sites, the objective is to carry out a "Carbon Balance".

Furthermore, no major odour problems were encountered across any of our facilities.

Liquid effluents

Group-wide effluent volumes increased by 9.35% to 473,693 m^3 in 2008, compared with 433,192 m^3 in 2007.

The Isle-sur-la-Sorgue and Dreux facilities respectively account for 76.04% and 11.60% of the Group's effluent volumes respectively. The Isle-sur-la-Sorgue site unfavourably increase by 14.57% on this indicator explained on the one hand by a rise in production by 7.40% and on the other by the discharge of volumes produced during testing operations of the new dryer equipment. In the context of increase in production volumes, the Dreux facility has reduced its effluent volumes by 13.76%.

The effluent to sales ratio posted a slight increase of 4.26% between 2007 and 2008.

Noise

At the time of testing the implementation of the new drying equipment Isle-sur-la-Sorgue facility noise complaints were raised by the neighbourhood. Having anticipated consequences of such tests on the surrounding environment, the management has quickly resolved the problem.

Soil pollution

The Group attaches a very high level of importance to the issue of the impact of its Operations on the soil in and around its plants.

The previous practice of spreading discharges on a limited area of the Cork facility (no longer used) may have contributed to the presence of ammonium sulphate in higher-than-average concentrations in certain locations. This issue is monitored on a regular basis by the local environmental authorities (EPA), which have confirmed the steady decline in this modest contamination without any other action.

To mitigate such risks, the Group conducts preventative measures, such as storing all potentially hazardous products in secondary containment areas.

■ 8.2.2.2 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 affect the health of its employees or that of neighbouring communities. The preservation of biological equilibriums, conservation of natural habitats and protection of protected species are monitored carefully.

The measures taken to curb impacts on biological equilibria, natural habitats and protected plant and animal species are embedded in the Group's general environmental protection program and are, more specifically, reflected in the significant reduction in sulphur dioxide emissions and in much slower growth in effluent discharges, water consumption and waste production than in the Group's sales.

■ 8.2.2.3 Environmental certification

Environmental protection remains a constant priority for the Group, which is pursuing a bold policy for its manufacturing facilities to implement management system compliant with the environmental norms ISO 14001.

Under this policy, the Group's activities, particularly its manufacturing facilities in Western Europe and in China, comply with the environmental requirements applicable under the legislation.

The Group's commitment to environmental protection is embodied in its achievement in July 2004 of ISO 14001 version 2004 certification for the Isle-sur-la-Sorgue facility following audit. This year, a follow-up audit was carried out and has shown no gap. Meanwhile, the Wrexham plant secured in 2008 the Green Dragon Level 3 certification from the local environmental authorities, demonstrating the success of its initiatives.

In addition, the Cork plant in Ireland which embarked in 2005 on a process of ISO 14001 version 2004 certification was accredited current to the 2008 exercise.

The Tianjin plant was awarded an environment certificate by the local environmental authorities in December 2005 and has embarked upon an ISO 14001 certification process. In 2008, a variety of actions were taken to move towards certification.

■ 8.2.2.4 Spending on the prevention of environmental impacts and on regulatory compliance

Since environmental protection remains a permanent priority for the Group, it regularly invests in this area.

The principal investments made during 2008 linked to environmental protection were as follows:

- Improvement of the recycling cooling water system at Isle-sur-la-Sorgue facility.
- Building of a new waste water treatment plant at Tianjin facility.
- Building of a new neutralisation station for water effluent at Signes facility.

In addition to this expenditure, the Group maintained campaigns during 2008 at most of its facilities to raise users' awareness about energy consumption.

■ 8.2.2.5 Internal management resources for environmental issues

Responsibility for environmental protection at each manufacturing plant is assigned to a person identified by name. In 2008, 23 staff were involved in this organisation across the Group as a whole. This organisation functionally reports to the Head of Global Quality, Environment, Health & Safety assisted by 2 persons also at the corporate level.

Accidental pollution measures were implemented in Group's manufacturing facilities.

■ 8.2.2.6 Provisions and guarantees for environmental risks, compensation and litigation

Regular surveys of environmental risks are carried out and proactive policies are implemented to mitigate these risks. As a result, the Group does not have significant exposure to liability for environmental damage or, more generally, for remediation of environmental damage caused by its operations.

Besides, during 2004, 2005, 2006, 2007 and 2008, no ruling or compensation payments in respect of environmental damage caused by one of the Group's manufacturing facilities were brought to the Group's attention.

9 REVIEW OF THE FINANCIAL POSITION AND RESULTS

Review of full year 2008 results

Underlying Group sales grew by a strong 8.2% year-on-year (excluding the sales of the US acquisitions consolidated by the Group, the sales of Ginkor Fort®, divested on 1 January 2008, and excluding foreign exchange impacts) This performance was ahead of the Group's growth target of 6.5% to 7.5% set in February 2008.

Consolidated Group sales reached €971.0 million for the full year 2008, up 5.5% year-on-year. This positive development was fuelled by a strong growth in the Group's endocrinology and neurology franchises, up 23.7% and 12.5% respectively over the period.

Other revenues reached €67.1 million in 2008, down 8.4% year-on-year owing to the absence of the royalties that the Group expected to receive from Bayer under a licensing agreement now the subject of litigation.

Total revenues stood at €1,038 million, up 4.5% year-on-year.

Research & development expenses stood at €182.9 million in 2008, or 18.8% of sales, compared with €184.7 million or 20.1% of sales last year when significant expenditure was incurred to prepare for the FDA inspections in connection with the filings of Dysport® and Somatuline® Depot in the United States. Excluding foreign exchange impacts, R&D expenses grew by 4.5% year-on-year.

Operating profit amounted to €180.1 million, representing 18.5% of sales, including only royalty payments made by Bayer on its sales of Kogenate® through to the end of May 2008, without prejudice to the amounts that the Group considers actually due by Bayer. The Group expected to receive an additional amount of €25 million from Bayer when it published its full year 2008 operating margin objectives in February 2008 and updated in August 2008.

The Group's effective tax rate in 2008 reached 17.4% of net profit from continuing operations excluding net losses from associates, a strong improvement compared with a reported effective tax rate of 25.3% a year ago.

Net loss from associates amounted to €(10.8) million and solely comprised the Group's share of the net losses of Tercica Inc., through to the end of the third quarter of 2008. Tercica Inc. has been accounted globally in the Group's financial statements since October 1, 2008.

Consolidated net profit (attributable to the equity holders of Ipsen SA) reached €147.2 million, stable compared with €150.6 million in 2007.

9.1. SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE PERIOD

9.1.1 Partnerships

■ 9.1.1.1 Ginkor Fort®

On 1 January 2008 – Ipsen announced that it had signed an agreement with GTF Group to transfer the marketing authorisations of Ginkor Fort® for France, Monaco and Andorra. Ipsen also granted to GTF the right to exclusively licence all Ginkor Fort® trademarks with a possible transfer of these rights upon termination of the licence.

This agreement is in line with Ipsen's strategy to focus on targeted therapeutic areas (oncology, endocrinology and neuromuscular disorders) and optimise its portfolio of primary care products in the context of the withdrawal of all veinotonic drugs from France's list of reimbursable medicines by 1 January 2008. Under the agreement, GTF paid to Ipsen €10.6 million. Other milestone payments will be added following the evolution of the market for this product class in 2008. Ipsen will supply the finished product to GTF for an initial period of five years, with a possible renewal, and will continue to market the product outside France, Monaco and Andorra.

■ 9.1.1.2 Ipsen Life Sciences Program

On 11 January 2008 – Ipsen and The Salk Institute for Biological Studies announced that they will be signing a memorandum of understanding setting the framework for the creation of the Ipsen Life Sciences Program at The Salk Institute. The mission of the partnership is to advance knowledge in the field of proliferative and degenerative diseases through fundamental and applied biology research.

The Ipsen Life Sciences Program will, for a period of up to five years, sponsor three categories of research programs through targeted, core and innovation grants. Ipsen will provide funding for targeted research programs carried out at The Salk Institute by researchers in the field of proliferative diseases with a particular emphasis on novel therapeutic concepts for the treatment of pituitary adenomas. Core grants will support basic research on the contribution of chronic inflammation to malignant diseases such as cancer, loss of cognitive functions, movement disorders and metabolic syndromes. Innovation grants will fund the exploration of advanced scientific concepts.

9.1.1.3 Decapeptyl®

On 12 February 2008 – Ipsen announced that its partner Debiopharm presented the results of a phase III study with its new 6-month formulation of Decapeptyl®, a luteinizing hormone releasing hormone agonist (LHRHa) for the treatment of advanced prostate cancer. The results presented show similar efficacy and safety to the already marketed 1- and 3-month formulations of triptorelin.

This multicenter, open, non-comparative, phase III study on the efficacy and safety of two consecutive injections at a six-month interval of triptorelin 6-month formulation in 120 patients with advanced prostate cancer, showed that 97.5% of patients achieved castrate levels of serum testosterone 28 days after the first injection and that 93% of the patients maintained serum testosterone levels below castrate level (defined as < 1.735 nmol/L or 50 ng/dL) from week 8 to 48. These efficacy and safety results are similar to those obtained previously with repeated administrations of the 1- and 3-month formulations of triptorelin in previous studies. Furthermore, local tolerance is good with only 6.7% of the patients treated reporting spontaneously site injection adverse events.

On 31 October 2007, Ipsen exclusively in-licensed from Debiopharm know-how and new patent applications for the commercialization rights of Decapeptyl® (triptorelin pamoate) in the world excluding North America, and some other countries (Sweden, Israel, Iran and Japan).

9.1.1.4 Acapodene®

On 25 February 2009 – Ipsen announced that GTx Inc. from which it licensed the European rights for Acapodene® (toremifene citrate 80 mg) in September 2006, presented the results of the first phase III study evaluating the efficacy and safety of toremifene citrate 80 mg daily, on multiple side effects of androgen deprivation therapy (ADT) in advanced prostate cancer patients. On the basis of these positive results, Ipsen intends to file toremifene citrate 80 mg for this indication in the European Union before year-end 2008. Androgen deprivation therapy using either luteinizing hormone releasing hormone or surgical castration is the most common treatment for advanced prostate cancer and have clearly demonstrated their efficacy. However, their impact on testosterone and oestrogen levels could result in a decrease of bone mineral density (BMD) potentially leading to osteoporotic fractures, and other adverse effects such as lipid changes, gynecomastia and hot flashes.

9.1.1.5 SJG-136

On 2 June 2008 – Ipsen and Spirogen Ltd. announced that final results from a Phase I clinical trial of the DNA sequence recognizing minor groove binder SJG-136 sponsored by the US National Cancer Institute (NCI) under a Cooperative Research and Development Agreement (CRADA) with Ipsen were presented at the American Society of Clinical Oncology (ASCO) annual meeting in Chicago by Dr. Igor Puzanov from Vanderbilt-Ingram Cancer Center (Nashville, USA).

SJG-136 is a small molecule which spans six base pairs of DNA and is currently undergoing clinical development in refractory solid tumours and haematological malignancies under the CRADA with the NCI.

In May 2003, Ipsen signed a partnership agreement with Spirogen Ltd. This partnership comprises among other a development and licensing agreement covering the development and marketing by the Group of a patented anti-cancer drug, SJG-136. Pursuant to the SJG-136 development and licensing agreement, Ipsen holds an exclusive worldwide license on Spirogen's patents and expertise related to the manufacture, use and sale of SJG-136 and its analogue or replacement compounds.

9.1.1.6 Taspoglutide, investigational diabetes drug

On 10 June 2008 – Ipsen announced that Roche and Ipsen's investigational diabetes drug taspoglutide has been shown to be generally well-tolerated and efficacious for the treatment of patients with type 2 diabetes, resulting in significant improvements in glucose control and weight loss after only eight weeks of treatment 1, 2, Taspoglutide, the first human once weekly glucagon-like peptide-1 (GLP-1) analogue originating from Ipsen's Research, is a compound similar to the natural hormone GLP-1 which has a key role in blood sugar regulation. Based on these promising Phase II results, presented at the American Diabetes Association (ADA) in San Francisco, U.S., Roche has made the decision to move taspoglutide into Phase III clinical trials with the programme anticipated to start in the second half of 2008.

The Phase II studies showed that the safety profile of taspoglutide, which originates from Ipsen's research, supports the move into Phase III, 1, 2 with the most common adverse event reported being mild-to-moderate nausea. These events were dose-dependent and in most cases, resolved spontaneously while continuing on therapy.

Roche exercised its licensing option for taspoglutide from Ipsen in 2006 and acquired exclusive worldwide rights to develop and market taspoglutide, except in Japan where these rights are shared with Teijin and in France where Ipsen may elect to retain co-marketing rights.

9.1.1.7 Alzheimer foundation

On 13 November 2008 – Ipsen announced that it would participate in the development of the Foundation for the scientific cooperation on Alsheimer's disease and related discorders in France.

Created by decree on 27 June 2008, the Foundation is responsible for carrying out the research set out in the French Alzheimer's Plan (2008-2010).

9.1.2 Registration of new products

9.1.2.1 Adenuric®

21 February 2008 – Ipsen announced that the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMEA) provided a positive opinion for Adenuric® (febuxostat) 80 mg and 120 mg tablets for the treatment of chronic hyperuricaemia in gout and recommended it for marketing authorisation. The CHMP recommendation will now be forwarded to the European Commission for final marketing approval, which typically occurs within 60 to 90 days. Following marketing approval, Adenuric® will become, since 1964, the first significant treatment alternative for chronic hyperuricaemia available to gout patients.

Adenuric® is to be indicated for the treatment of chronic hyperuricaemia for conditions in which urate deposition has already occurred (including a history, or presence of, tophus and/or gouty arthritis). The detailed recommendations for the use of this product will be described in the Summary of Product Characteristics (SPC), to be made available after the medication receives marketing authorisation from the European Commission.

Once the product receives its marketing authorisation and its price is agreed, Febuxostat will be marketed by Ipsen in France under the brand name Adenuric®. Outside France, the commercialisation of the product will be partnered.

5 May 2008 – Ipsen announced that the European Commission granted marketing authorisation for Adenuric® (febuxostat) for the treatment of chronic hyperuricaemia in gout. Adenuric® thus pioneers the first major treatment alternative for gout, a severe debilitating disease, for more than 40 years.

9.1.3 Application for marketing authorisation

9.1.3.1 Dysport®

On 31 January 2008 – Ipsen announced that the Food and Drug Administration (FDA) has accepted the filing of its BLA for Dysport® in the United States to treat patients with cervical dystonia. This acceptance signifies the start of the review process of the dossier.

On 30 September 2008 – Ipsen announced that the U.S. Food and Drug Administration (FDA) provided notification that the Prescription Drug User Fee Act (PDUFA) action date for Dysport® (botulinum toxin of type A) Biologics License Application (BLA) for the treatment of patients with cervical dystonia has been extended to no later than 28 December 2008. This regulatory decision will not impact the anticipated company launch plan timing.

The FDA has not requested additional safety or clinical studies for review.

In accordance with first-cycle review of new therapies, the FDA requested a Risk Communication Plan in order to ensure safe use of the product in treating patients. The Agency has therefore extended the PDUFA action date to no later than December 28, 2008, in order to finalize the review of those items.

On 29 December 2008 – Ipsen announced that the US Food and Drug Administration (FDA) issued a Complete Response Letter for its Biologics License Application (BLA) for its Botulinum toxin Type A, Dysport®. The application, submitted by the Group in December 2007, seeks approval to market Dysport® for the treatment of cervical dystonia. The Group is now actively preparing to launch the product, once approved by the FDA, and as soon as reimbursement coverage is adequate.

The FDA has not requested any new clinical studies evaluating the efficacy or safety of Dysport® prior to approval. The Complete Response Letter requests additional information, including the finalization of the Risk Evaluation and Mitigation Strategy (REMS) and of the draft labelling, as well as a Safety Update Report. Based on the information identified in the FDA's end of review complete response letter, Ipsen expects to submit the information to FDA during the first quarter of 2009.

Furthermore, FDA has confirmed in its Establishment Inspection Report that the manufacturing process for Dysport® in its Wrexham (Wales) facility is in compliance with cGMPs [(1)]. The FDA issued no Form 483 observation. The Wrexham site gathers the manufacturing, product formulation, packaging and testing activities for the entire production of botulinum toxin type A currently marketed in 73 countries under the brand name Dysport®.

9.1.3.2 Reloxin®

On 17 March 2008 – Ipsen and Medicis announced that Ipsen has submitted a Biologics License Application ("BLA") for the botulinum toxin type A, Reloxin® [(1)], in aesthetic indications (glabellar lines) to the U.S. Food and Drug Administration's ("FDA") Division of Dermatology and Dental Products, within the Center for Drug Evaluation and Research.

This BLA submission by Ipsen is intended to address the concerns cited by the FDA when it declined to file the Reloxin® BLA in January 2008, which Medicis had submitted in late 2007. Standard response timeframe from the FDA is expected approximately 10 months following receipt of the Reloxin® submission. Subject to approval of the BLA by the FDA, Medicis intends to commercialize Reloxin® in the U.S. in accordance with the long-standing arrangement between Medicis and Ipsen. Changes from the original BLA submission relate primarily to sponsorship and ownership of the filing. The substantive elements of the original submission remain unchanged.

(1) The proposed name for the product in the U.S. aesthetic market is Reloxin®, and it is called Dysport® for medical and aesthetic markets outside the U.S.

On 19 May 2008 – Ipsen and Medicis announced that the Food and Drug Administration ("FDA") has accepted the filing of Ipsen's Biologics License Application ("BLA") for Reloxin®, its botulinum toxin type A in aesthetic use (glabellar lines) in the United States. This acceptance signifies the start of the review process of the dossier.

In accordance with the agreement between the two parties, Medicis paid to Ipsen $25 million in connection with the announcement made today. Subject to approval of the BLA by the FDA, Medicis will pay to Ipsen a further $75 million and will commercialize Reloxin® in the U.S.

On 7 January 2009 – Ipsen announced that the U.S. Food and Drug Administration (FDA) provided notification that the Prescription Drug User Fee Act (PDUFA) action date for Reloxin® (botulinum toxin of type A) Biologics License Application (BLA) in aesthetic indications (glabellar lines) has been extended to 13 April 2009. The FDA did not issue any specific request on the occasion of this extension. Furthermore, FDA has confirmed in its Establishment Inspection Report that the manufacturing process for Ipsen's botulinum toxin type A in its Wrexham (Wales) facility is in compliance with current Good Manufacturing Practices (CGMPs).

9.1.4 Government measures

On 25 January 2006 the French authorities decided to withdraw Ginkor Fort® from the list of reimbursable drugs as from 1 January 2008.

On 16 October 2008, 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 Forlax® in France.

9.1.5 Liquidity agreement / Share repurchase programme

■ 9.1.5.1 Share repurchase programme

The Annual Shareholder's Meeting held on 4 June 2008 authorised the Board for a period of 18 months to purchase the Company's shares within the limit of 10% of registered capital, adjusted where necessary to take into account capital increases or reductions which may be carried out over the duration of the share repurchase programme.

This authorisation replaces the authorisation granted to the Board at the Annual Shareholder's Meeting held on 6 June 2007.

The Company had entered into a liquidity contract with a financial institution to purchase a maximum of 246,667 Ipsen shares which was reached on 30 June 2008, thus terminating the agreement.

■ 9.1.5.2 Liquidity agreement

In accordance with an amendment to the liquidity agreement signed on 19 February 2007, Ipsen allotted an additional €1.0 million to the liquidity account with Natixis Securities. At 31 December 2008, the Company held 78,296 shares for a total amount of €2.1 million and had €1.5 million made available in cash.

9.1.6 Ipsen enters the SBF 120 index

On 3 January 2008 – Ipsen announced that with effect from 24 December 2007, it has entered the SBF 120 index. The SBF 120 index groups together the 120 largest companies by market capitalization and by trading volumes on Euronext Paris and serves as a reference for index funds and as a benchmark for measuring performance of portfolios invested in French equities. This decision was taken by the NYSE Euronext Indices Steering Committee.

9.1.7 Acquisition of all OBI-1 related assets from Octagen

■ 9.1.7.1 Presentation of transactions

On 5 June 2008 – Ipsen and Octagen announced that they had entered into an Asset Purchase Agreement pursuant to which Ipsen will, upon closing, acquire all of Octagen's assets related to OBI-1 and get full control over OBI-1's clinical development.

Emory University (Atlanta, GA, USA) licensed its OBI-1 patents to Octagen (Wilmington, Delaware, USA), who in turn granted a worldwide, exclusive sublicense to Ipsen in 1998.

OBI-1 is a biotech drug being developed to treat haemophilia and fully produced by Ipsen at its recombinant manufacturing sites located in Milford (Massachusetts, USA) and Wrexham (Wales, UK).

Prior to the transaction, Octagen was responsible for the pre-clinical and clinical development of OBI-1 and sublicensed certain rights to Ipsen in connection with the manufacturing, regulatory activities and commercialization of OBI-1. In that context, Ipsen had agreed to make certain milestone

payments to Octagen and to pay royalties based on OBI-1 future net sales. At the same time, Ipsen had purchased 21.45% of Octagen's share capital.

Pursuant to the Asset Purchase Agreement, upon closing of the deal, Ipsen made an upfront payment of $10.5 million (€5.7 million at the closing date) to Octagen. Also Ipsen will make future additional milestone payments contingent on the product being allowed into Phase III, and later on receipt of marketing approvals in the U.S. and Europe, potentially totalling up to $26.0 million. In addition, Ipsen shall pay, once the product is marketed and for a defined duration, a low to mid single digit royalty on its net sales in each country, on an upward sliding scale depending on certain sales thresholds.

Immediately following the completion of the acquisition of all of the assets related to OBI-1, Ipsen redeemed its stake in Octagen.

On 17 July 2008 – Ipsen announced that following the announcement made on 5 June 2008 it had completed the purchase of all of the assets related to OBI-1. Ipsen paid accordingly to Octagen an upfront milestone of $10.5 million, and redeemed its stake in Octagen.

■ 9.1.7.2 Financial impact

In accordance with the terms of the agreement, which subjected the agreement to the approval of Octagen Corporation's shareholders, and which was granted on 17 July 2008, Ipsen acquired all OBI-1 related assets for $10.5 million (€5.7 million at the closing date) and sold its stake in Octagen for $2.2 million (€1.4 million).

Costs directly linked to this transaction totalled €0.6 million.

9.1.8 Acquisition of the U.S. subsidiary of Vernalis plc, and of the North American rights for Apokyn®

■ 9.1.8.1 Presentation of the transactions

On 5 June 2008 – Ipsen announced that it had reached an agreement with UK-based Vernalis (R&D) Limited and Vernalis Plc. to acquire its US subsidiary Vernalis Pharmaceuticals, Inc. ("Vernalis Inc."), and the rights to develop and market Apokyn® in the US.

This transaction brings Ipsen an established and highly experienced neurology commercial team, who already market Apokyn® (apomorphine HCl) in the US to neurology specialty physicians, many of which are potential prescribers for Dysport®. Ipsen filed for marketing approval for Dysport® (botulinum toxin type A) with the Food and Drug Administration, which was accepted in January 2008, for the treatment of cervical dystonia. In this context, this transaction gives Ipsen in a timely manner the US commercial and managed care expertise as well as the infrastructure platform from which to market Dysport® once the FDA has granted market approval. The acquisition of Vernalis Inc. is therefore strategically important for Ipsen, representing a significant step forward in building a global specialist care business with a direct presence in neurology in North America, the word's largest pharmaceutical market, and in further globalizing its specialist care business.

Ipsen and Vernalis Plc have also agreed to negotiate a joint venture to raise funding for the development of a selection of Ipsen's neurology pipeline projects. If this does not proceed, Ipsen will make a payment of $1.0 million to Vernalis.

On 1 July 2008 – Following Vernalis Plc shareholder approval, Ipsen completed its purchase of Apokyn® and Vernalis' US Commercial Operations. The subscription by Ipsen for 35,253,134 new ordinary shares of £0.05 (5 pence) each in the capital of Vernalis, as part of the Purchase arrangements, was also completed at that date.

■ 9.1.8.2 Financial impact

In accordance with the terms of the agreement, which subjected the agreement to the approval of Vernalis Plc.'s shareholders, and which was granted on 1 July 2008, Ipsen announced that it had completed the acquisition of the rights to Apokyn®, and Vernalis' US Commercial Operations, and had acquired a stake in Vernalis Plc.

Consequently, on 1 July 2008, Ipsen acquired all Vernalis Inc. shares for a total of $1.4 million (€0.8 million) and subscribed 35,253,134 new ordinary shares at the price of £0.0726 (7.26 pence) per Vernalis Plc share for a total of £2.6 million (€3.2 million) and acquired the rights to develop and market Apokyn® for a total of $13.9 million (€9.0 million after amortization) including the commitments to carry out post-marketing authorisation studies for Apokyn® ($9.6 million i.e. €7.0 million). This intangible asset was subject to amortization of €0.1 million based on an estimated useful life of 10 years.

As this transaction was effective as from 1 July 2008, this company is consolidated in the Group's financial statements as from that date.

The cost directly linked to these transactions is estimated at €0.9 million, included in the cost of acquisition of the shares as at 31 December 2008.

As the planned joint venture with Vernalis Plc. has been abandoned, Ipsen paid $1.0 million (€0.7 million) in December 2008 in compliance with the agreement is recorded under equity holding in Vernalis Inc.

Pending full evaluation of assets and liabilities by the Group, the Goodwill arising from the acquisition of Vernalis Inc. was determined provisionally. As required by IFRS 3, those provisional values will be adjusted within twelve months of the acquisition date.

9.1.9 Merger agreement with Tercica Inc.

9.1.9.1 Presentation of the transactions

On 5 June 2008 – Ipsen announced that a subsidiary of Ipsen had entered into a definitive merger agreement by which it would acquire all of the remaining approximately 44.9 million fully diluted shares of Tercica not owned by the Ipsen Group for $9.0 per share in cash, for a total purchase price of approximately $404 million. Ipsen and its subsidiaries currently own approximately 25.3% of the outstanding shares of the U.S. biopharmaceutical company focused on endocrinology.

In connection with the agreement, Ipsen also committed to exercise its warrants to purchase Tercica common stock for a total exercise price of $37 million and to convert all of its outstanding convertible notes into Tercica common stock; following such exercise and conversion, Ipsen and its subsidiaries will then own approximately 42.6% of Tercica's common stock assuming no further exercise of stock options. Ipsen intended to finance this transaction through a combination of existing internal financial resources and bank loan financing already in place.

The proposed cash offer represents, with full certainty to Tercica Inc.'s shareholders, a 104% premium to Tercica's closing price on 4 June 2008 and a premium of 74% and 49% to the volume-weighted average closing share price during the last three months and six months respectively.

Tercica's Board of Directors, following the unanimous recommendation and approval of Tercica's Special Committee, who was advised by independent legal and financial advisors, has approved the merger agreement and recommended that Tercica stockholders vote to approve the merger.

Ipsen has negotiated an arms-length agreement with the Tercica Special Committee that will be subject to the affirmative vote of the holders of a majority of the Tercica shares outstanding on the record date as well as customary regulatory approvals.

On 23 July 2008 – Ipsen announced that it had subscribed for additional shares of common stock of Tercica Inc. and exercised in full the warrant issued by Tercica in October 2006, and converted in full the convertible notes, issued by Tercica in October 2006 and September 2007.

In connection with Tercica's issuance of 590,580 shares of its common stock to Genentech, Inc. on 11 July 2008, pursuant to a Common Stock Purchase Agreement between Tercica and Genentech, Inc. dated 6 July 2007, Tercica issued 410,831 shares of its common stock to Ipsen pursuant to the terms of the Common Stock Purchase Agreement entered into between Tercica and Ipsen for an aggregate purchase price of approximately $3.66 million, at a price per share of $8.92 (being the consolidated closing bid price of Tercica's common stock on 21 July 2008, as reported on NASDAQ).

Moreover, as previously announced on 5 June 2008, on 22 July 2008 Ipsen exercised its outstanding Tercica warrant, in full, resulting in the issuance of 4,948,795 shares of Tercica common stock, at a price per share of $7.41, for an aggregate cash exercise price of approximately $36.67 million.

On 22 July 2008, Ipsen also converted its outstanding Tercica convertible notes, in full, resulting in an issuance of 10,774,806 shares of Tercica common stock.

As a result of the exercise of the Tercica warrant, conversion of the Tercica convertible notes and Ipsen's subscription for additional shares, the Ipsen Group now owns approximately 42.6% of the outstanding Tercica common stock assuming no further exercise of stock options.

On 17 October 2008 – Ipsen announced that stockholders of Tercica, Inc. voted to approve Ipsen's previously announced acquisition of Tercica at a special meeting of shareholders held on 16 October 2008 in Brisbane, California. The requisite number of votable shares were cast in favour of the transaction. Following the meeting, the closing was completed, the merger certificate was filed and the merger became effective as of 16 October 2008.

9.1.9.2 Financial impact

At 22 July 2008, due to the exercise of the warrant for a total of $36.7 million (€23.1 million), the conversion of the Tercica convertible notes for an amount of €62.5 million and Ipsen's subscription for additional shares for $3.7 million (€2.3 million) the Ipsen Group held approximately 42.6% of the outstanding Tercica common stock.

As a result of the shareholder's voting in favour of the acquisition at the extraordinary shareholders' meeting on 16 October 2008, Ipsen completed the merger and acquired the remaining shares for a total of €239 million.

As this transaction was completed on 16 October 2008, Tercica Inc. is consolidated in the Group's financial statements for the last three months of the year. Its net profits are consolidated using the equity method based on a 25.3% interest for the first 6 months of the year and a 42.6% interest for the third quarter of 2008.

The total costs directly linked to these transactions are estimated at €6.7 million, and are included in the cost of acquisition of shares at 31 December 2008.

9.1.10 Update on litigation

On 29 January 2009 – Ipsen reported its sales for the fourth quarter and full year 2008 and has provided an update on Bayer Healthcare LLC and the University of Tulane disputes.

■ 9.1.10.1 Dispute with Bayer healthcare LLC

On 31 December 2008 – The Group has sued Bayer Healthcare LLC for breach of contract, breach of the covenant of good faith and fair dealing, and unjust enrichment in connection with the parties' long-standing exclusive license to manufacture and sell Kogenate® and related anti-hemophilic drugs, which the Group believes runs until June 2009. The complaint was filed in the Superior Court of the State of California in the County of Alameda on 24 November 2008 and service has been effective as of 31 December 2008.

■ 9.1.10.2 Dispute with Tulane University

On 8 December 2008 – An affiliate within the Ipsen Group, Biomeasure (Milford, MA, USA) has been served a complaint in Louisiana by the University of Tulane of New Orleans (United States) and Dr. David H. Coy alleging breach of contract by Biomeasure and that Dr. David H. Coy is an inventor of some of the GLP-1 analogue patents that the Group licensed out to Roche Holding AG in July 2006. Biomeasure is currently evaluating the matter.

9.2. ANALYSIS OF RESULTS

9.2.1. Comparison of consolidated sales for the fourth quarter and full year of 2008 and 2007

Underlying(1) Group sales grew by a strong 8.2% year-on-year (excluding the sales of the US acquisitions consolidated by the Group, the sales of Ginkor Fort®, divested on 1 January 2008, and excluding foreign exchange impacts).

Consolidated Group sales reached €971.0 million for the full year 2008, up 5.5% year-on-year. This positive development was fuelled by a strong growth in the Group's endocrinology and neurology franchises, up 23.7% and 12.5% respectively over the period.

■ Sales by geographical region

Group sales by geographical region for the fourth quarter and full year 2008 and 2007 were as follows:

(in thousand euros)	12 months		
	2008	2007	% change
France	334,106	353,894	(5.6%)
Spain	57,929	55,604	4.2%
Italy	69,908	65,312	7.0%
Germany	54,332	48,026	13.1%
United Kingdom	43,238	41,426	4.4%
Major Western European countries	**559,513**	**564,263**	**(0.8%)**
Other European countries	**236,238**	**208,121**	**13.5%**
Asia	84,850	77,988	8.8%
North America	11,220	420	nm
Other countries in the rest of the world	79,202	69,684	13.7%
Rest of the world	**175,271**	**148,091**	**18.4%**
Group Sales	**971,022**	**920,475**	**5.5%**

For the full year 2008, sales generated in the Major Western European countries amounted to €559.5 million, down 0.8% year-on-year (full year 2007, €564.3 million). Excluding the sales of Ginkor Fort®, sales in this region were up 3.3% year-on-year, fuelled by strong sales in Germany, Italy, the United Kingdom and Spain. This good performance was offset by negative foreign exchange impacts in the United Kingdom (where growth in local currency reached 21.1%) and by a decrease in Tanakan® sales in France following a 10% price cut implemented on 1 July, 2007 in an increased competitive environment. Sales in this region in the full year 2008 represented 57.6% of total sales compared with 61.3% a year earlier.

(1) Underlying Group sales growth is defined as consolidated Group sales growth at constant currency, excluding the consolidated sales of the US acquisitions of endocrinology and neurology operations and excluding Ginkor Fort® sales which was sold as of 1 January 2008.

France – For the full year 2008, sales reached €334.1 million, down 5.6% year-on-year (full year 2007, €353.9 million), driven by the good performances notably of Adrovance®, NutropinAq®, Nisis® & Nisisco®, Somatuline® and Forlax®. This good performance was more than offset by the divestment of Ginkor Fort® as well as by the price cut on Tanakan®. The weight of France in the Group's consolidated sales continued to decline, representing 34.4% of total Group sales against 38.4% a year earlier.

Spain – For the full year 2008, sales reached €57.9 million, up 4.2% year-on-year (full year 2007, €55.6 million) fuelled by strong sales growth notably of Somatuline® and NutropinAq® despite an increased competitive environment for Decapeptyl®. The weight of Spain in the Group's consolidated sales remained stable year-on-year, at 6.0% of total Group sales.

Italy – For the full year of 2008, sales reached €69.9 million, up 7.0% year-on-year (full year 2007, €65.3 million) fuelled by strong sales of NutropinAq® and Somatuline®.

Germany – For the full year 2008, sales reached €54.3 million, up 13.1% year-on-year (full year of 2007, €48.0 million) fuelled by strong sales of Decapeptyl®, Somatuline®, Dysport® and Increlex®. The weight of Germany in the Group's consolidated sales represented 5.6% of total Group sales against 5.2% a year earlier.

United Kingdom – For the full year 2008, sales reached €43.2 million, up 4.4% year-on-year (full year 2007, €41.4 million) or up 21.1% excluding foreign exchange impacts, fuelled by strong sales of Decapeptyl®, NutropinAq®, Dysport® and Somatuline®.

For the full year 2008, sales reached €236.2 million, up 13.5% (full year 2007, €208.1 million) mainly driven by strong growth of Dysport® in Russia, Greece, Poland and Czech Republic, as well as Somatuline® in the Netherlands, Nordic countries and Romania, Tanakan® in Russia and Eastern European countries, as well as Nutropin® in Romania. Over the same period, sales in this region represented 24.3% of total consolidated Group sales, against 22.6% a year earlier.

Sales by therapeutic area and by product

The following table shows sales by products, regrouped by therapeutic areas for the fourth quarter and full year 2008 and 2007:

	12 months		
(in thousand euros)	2008	2007	% change
Oncology	247,789	235,164	5.4%
of which Decapeptyl® (1)	*247,778*	*235,141*	*5.4%*
Endocrinology	160,458	129,755	23.7%
of which Somatuline® (1)	*120,636*	*103,622*	*16.4%*
NutropinAq® (1)	*32,485*	*23,688*	*37.1%*
Increlex® (1)	*5,253*	*193*	*nm*
Neurology	144,841	128,699	12.5%
of which Apokyn® (1)	*2,352*	*–*	*nm*
of which Dysport® (1)	*142,489*	*128,699*	*10.7%*
Specialist care	**553,087**	**493,618**	**12.0%**
Gastroenterology	182,488	171,852	6.2%
of which Smecta®	*93,190*	*88,889*	*4.8%*
Forlax®	*53,788*	*51,843*	*3.8%*
Cognitive disorders	109,233	119,347	(8.5%)
of which Tanakan®	*109,233*	*119,347*	*(8.5%)*
Cardiovascular	77,273	95,245	(18.9%)
of which Nisis® and Nisisco®	*57,700*	*53,694*	*7.5%*
Ginkor Fort®	*14,314*	*36,891*	*(61.2%)*
Other primary care products	14,104	6,731	109.6%
of which Adrovance®	*9,543*	*2,609*	*265.8%*
Primary care	**383,098**	**393,174**	**(2.6%)**
Total drug sales	**936,185**	**886,792**	**5.6%**
Drug-related sales	**34,837**	**33,684**	**3.4%**
Group sales	**971,022**	**920,475**	**5.5%**

(1) Peptide- or protein-based products.

For the full year 2008, **specialist care products** sales reached €553.1 million, up 12.0% year-on year or up 13.9% excluding foreign exchange impacts. Sales of specialty care products represented 57.0% of the Group's consolidated sales, against 53.6% a year earlier.

- **In the oncology franchise** – For the full year 2008, sales of Decapeptyl® were up 5.4%, notably driven by strong sales in China, Germany, Algeria and the United Kingdom, despite a certain slow down of growth in the Middle East, Poland and Spain.
- **In endocrinology** – For the full year 2008, sales in endocrinology represented 16.5% of total Group sales, against 14.1% a year earlier.

  Somatuline® – For the full year 2008, Somatuline® sales amounted to €120.6 million, up 16.4% year-on-year (or up 18.8% excluding foreign exchange impacts), fuelled by strong growth in Spain, Germany, Nordic countries, France and Italy and by the successful launch of Somatuline® Depot in the United States, as the Group booked the sales of the product to Tercica Inc. and in-market sales once the closing of the transaction has been effective for a total amount of €4.9 million.

  NutropinAq® – For the full year 2008, sales of NutropinAq® amounted for €32.5 million, up 37.1% year-on-year driven by strong performances in all countries, especially in France, Italy, Spain and Romania.

  Increlex® – For the full year of 2008, sales of Increlex® reached €5.3 million of which €3.5 million in the United States, a sharp increase compared with 2007, which did not include any US sales.
- **In the neurology franchise** – For the full year 2008, sales in neurology represented 14.9% of total Group sales, against 14.0% a year earlier.

  Dysport® – For the full year 2008, sales of Dysport® amounted to €142.5 million, up 10.7% year-on-year (up 14.9% excluding foreign exchange impacts), fuelled by the good performances in Russia, Ukraine, Poland, Czech Republic and France and by the start of the distribution agreement in aesthetic indications with Galderma in Brazil.

  Apokyn® – Following the closing of the acquisition of its North American neurology commercial platform and the rights to market Apokyn® in the United States in July 2008, the Group booked €2.4 million in sales for the full year 2008.

Primary Care products – For the full year 2008, sales of Primary Care products reached €383.1 million, down 2.6% year-on-year (full year of 2007, €393.2 million), representing 39.5% of the Group's consolidated sales, against 42.7% a year earlier. Excluding the sales of Ginkor Fort®, sales of Primary care products for the full year grew by 3.5% year-on-year. For the full year 2008, sales of Primary Care products made in France represented 59.1% of total Primary Care products sales, against 63.9% a year earlier.

- **In gastroenterology,** sales reached €43.6 million, up 6.0% year-on-year (fourth quarter 2007, €41.1 million).

  Smecta® – For the full year 2008, sales of Smecta® amounted to €93.2 million, up 4.8% year-on-year. Sales of Smecta® outside of France reached 68.3% of total sales for 2008, compared with 67.1% a year earlier.

  Forlax® – For the full year 2008, sales of Forlax® amounted to €53.8 million, up 3.8% year-on-year. Sales in France represented 75.6% of total sales of the product over the period, versus 76.0% a year ago. The Group will monitor its sales of Forlax® in 2009 in an increased competitive environment in France.
- **In the cognitive disorders area** – For the full year 2008, sales of Tanakan® amounted to €109.2 million, down 8.5% year-on-year, impacted by the price reduction in France enforced on july 1, 2007 and despite a solid 12.9% growth outside France. Sales of Tanakan® in France represented 57.8% of total Tanakan® sales compared with 65.8% a year earlier.
- **In the cardiovascular area** – For the full year 2008, sales reached €77.3 million, down 18.9% year-on-year mainly due to the divestment of Ginkor Fort® as of January 2008.

  Nisis® and Nisisco® – For the full year 2008, sales reached €57.7 million, up 7.5% year-on-year.

  Ginkor Fort® (divested in January 2008) – For the full year 2008, sales reached €14.3 million.
- **Other primary care products** – For the full year 2008, other primary care products sales reached €14.1 million, with sales of Adrovance® reaching €9.5 million.

Drug-related sales (active ingredients and raw materials) – For the full year 2008, drug related sales amounted to €34.8 million, up 3.4% year-on-year. This growth was mainly driven by sales of Ginkgo biloba extract in Germany and other active ingredients in Switzerland.

9.2.2. Comparison of the consolidated income statement for 2008 and 2007

	31 December 2008		31 December 2007		% change
	(in thousand euros)	% of sales	(in thousand euros)	% of sales	
Sales	**971,022**	**100.0%**	**920,475**	**100.0%**	**5.5%**
Other revenues	67,090	6.9%	73,282	8.0%	(8.4%)
Total revenues	**1,038,112**	**106.9%**	**993,757**	**108.0%**	**4.5%**
Cost of goods sold	(219,928)	(22.6%)	(199,025)	(21.6%)	10.5%
Research & development expenses	(182,921)	(18.8%)	(184,739)	(20.1%)	(1.0%)
Selling, general and administrative expenses	(444,299)	(45.8%)	(401,481)	(43.6%)	10.7%
Other operating income and expenses	(8,257)	(0.9%)	368	nm	nm
Restructuring costs	(2,620)	(0. 3%)	8	nm	nm
Impairment losses	–	nm	–	nm	nm
Operating income	**180,087**	**18.5%**	**208,888**	**22.7%**	**(13.8%)**
– Income from cash and cash equivalents	21,425	2.2%	11,541	1.3%	–
– Cost of gross financial debt	(4,348)	(0.4%)	(1,950)	(0.2%)	–
Cost of net financial debt	**17,077**	**1.8%**	**9,591**	**1.0%**	**78.1%**
Other interest income and expense	(5,156)	(0.5%)	(2,855)	(0.3%)	–
Income tax	(33,320)	(3.4%)	(54,478)	(5.9%)	(38.8%)
Share of loss/profit from associated companies	(10,847)	(1.1%)	(8,764)	(1.0%)	–
Net profit/loss from continuing operations	**147,841**	**15.2%**	**152,382**	**16.6%**	**(3.0%)**
Net profit/loss from discontinued operations	(172)	0.0%	(1,313)	(0.1%)	–
Consolidated net profit	**147,669**	**15.2%**	**151,069**	**16.4%**	**(2.3%)**
– Equity holders of Ipsen S.A.	147,164		150,611		–
– Minority interests	505		458		–

■ Other revenues

In 2008, *other revenues* reached €67.1 million, down 8.4% year on year (2007: €73.3 million).

Other revenues break down as follows:

(in thousand euros)	31 December 2008	31 December 2007	2008/2007 change	
			in value	%
Breakdown by revenue type				
– Royalties received	20,168	49,767	(29,599)	(59.5%)
– Milestone payments – licensing agreements	38,911	17,349	21,562	124.3%
– Other (co-promotion revenues, recharging)	8,011	6,166	1,845	29.9%
Total	**67,090**	**73,282**	**(6,192)**	**(8.4%)**

- The **royalties received** primarily comprise payments under the Kogenate® licence, which totalled €18.8 million in 2008, down from €47.6 million a year earlier. The Group and Bayer are currently in dispute over the expiry date of a licensing agreement signed in 1985 giving rise to payment of royalties. The Group believes that it is in possession of documentation showing that licensing agreement expires at the end of the second quarter of 2009. For its part, Bayer stopped making these royalty payments from May 2008 onwards. As part of this dispute, Bayer has also not met its contractual obligation of sending the Group its statements of royalties due in respect of the 2nd and 3rd quarters of 2008, based on which the Group would have been able to estimate its royalty payments to be recorded in respect of the 2008 financial year. Accordingly, the Group was able to record in its financial statements for 2008 only the royalties

actually paid by Bayer, irrespective of the amounts that it considers to be actually payable by Bayer pursuant to the 1985 licensing agreement.

- **Milestone payments** relating to licensing agreements represent primarily recognition of payments received over the life of partnership agreements. As at 31 December 2008, they amounted to €38.9 million, up €21.6 million year-on-year. This strong increase was chiefly attributable to the recognition of an income of €18.8 million on the divestment of Ginkor Fort® signed in August 2007. This milestone includes recognition over the period of part of the initial milestone payment received at signing of the agreement, plus an estimate of the additional variable amount, linked to the performance of the veinotonics market in France in 2008. As in 2007, this line also included in 2008 the milestone payments under the agreements with Medicis on Reloxin®, with Roche on taspoglutide (a GLP-1 analogue), as well those related to agreements with Tercica Inc. on Somatuline® prior to the acquisition of this company by the Group in October 2008.
- **Other revenues** amounted to €8.0 million in 2008, up 29.9% compared with 2007. This increase is primarily due to a commission collected after the renewal of one of the Group's co-promotion agreements.

Cost of goods sold

In 2008, the *cost of goods sold* totalled €219.9 million, representing 22.6% of sales compared with 21.6% in 2007. The Group's acquisitions in North America did not have a material impact on this ratio, and the increase in sales and productivity efforts made by the Group during 2008 did not offset the negative effects linked to certain inventory write-downs recorded over the same period.

In addition, since February 2008, the costs generated by one of the Group's active ingredient production sites, previously reported as R&D costs (since the unit's production was used solely for R&D purposes), are gradually reclassified as cost of goods sold, its production being now partly for commercial purposes. This reclassification, which has no impact on the Group's operating profit has led to a decline in both the R&D ratio stated as a percentage of sales and in the Group's gross margin. The increase in the cost of goods sold during 2008 amounted to €2.2 million, net of a €1.3 million increase of inventories.

Excluding perimeter impacts (US acquisitions and reclassification), the cost of goods sold would have been €216.0 million in 2008, i.e. 22.4% of sales.

Research & Development expenses

A comparison of Research & Development expenses for the years 2008 and 2007 is presented in the following table:

(in thousand euros)	31 December 2008	31 December 2007	2008/2007 change	
			in value	%
Breakdown by expense type				
– Drug-related research & development (1)	(163,160)	(152,619)	(10,541)	6.9%
– Industrial development (2)	(15,988)	(26,380)	10,392	(39.4%)
– Strategic development (3)	(3,773)	(5,740)	1,967	(34.3%)
Total	**(182,921)**	**(184,739)**	**1,818**	**(1.0%)**

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

Research & development expenses stood at €182.9 million in 2008, or 18.8% of sales, compared with €184.7 million or 20.1% of sales in 2007 which included substantial costs incurred in preparation for inspections by the FDA (Food and Drug Administration) for the registration of Dysport® and Somatuline® Depot in the United States. Excluding foreign exchange impacts, principally related to the US dollar and pound sterling, two currencies in which the Group incurs significant research and development expenses, this line item increased by 4.5% year-on-year.

- **Drug-related research and development expenses** increased by 6.9% year-on-year (or by 11.1% excluding foreign exchange impacts), while industrial development costs declined by 39.4% compared with 2007 for the reasons outlined below. The principal R&D projects conducted over the period focused on the clinical development programmes for Somatuline® and its potential successor BIM-23A760, Dysport®, the sulfatase inhibitor BN-83495 and the pursuit of the GuidAge® clinical trials for Tanakan®, as well as the preclinical development of BIM-28131 (Ghrelin agonist). In 2007, major projects included the preparation for submission of the Dysport® and Somatuline® Depot registration dossiers to the FDA in the United States.
- In terms of **industrial development,** 2008 was marked by the finalisation of the preparation for the inspections carried out by the FDA in connection with the filings of Dysport®

and Somatuline® Depot in the United States. The Group had incurred particularly high industrial development expenses in 2007 in connection with these filings. Moreover, as explained above, industrial development expenses have been reduced by the reclassification as cost of goods sold in 2008 of €3.5 million previously considered as R&D expenses. Lastly, industrial development costs were reduced by €3.5 million during 2008 owing to the fact that a significant proportion of these costs is denominated in pound sterling.

Selling, general and administrative expenses

A comparison of selling, general and administrative expenses for the years 2008 and 2007 is presented in the following table:

(in thousand euros)	31 December 2008	31 December 2007	2008/2007 change	
			in value	%
Breakdown by expense type				
Royalties paid	(38,339)	(34,723)	(3,616)	10.4%
Taxes and sales tax	(9,631)	(10,686)	1,055	(9.9%)
Other sales and marketing expenses	(310,430)	(275,643)	(34,787)	12.6%
Selling expenses	**(358,400)**	**(321,052)**	**(37,348)**	**11.6%**
General and administrative expenses	**(85,899)**	**(80,429)**	**(5,470)**	**6.8%**
Total	**(444,299)**	**(401,481)**	**(42,818)**	**10.7%**

Selling, general and administrative expenses rose by 10.7% year-on-year. Excluding the impact of US acquisitions and the foreign exchange impacts, the increase was 6.8% year-on-year, significantly lower than the sales growth rate on a comparable basis and excluding 2008 and 2007 sales of Ginkor Fort®, which was divested to a partner on 1 January 2008. Taking into account perimeter and foreign exchange impacts, selling and general administrative expenses represented 45.8% of sales in 2008 compared with 43.6% in 2007.

- **Selling expenses** rose by 11.6% year-on-year to €358.4 million, representing 36.9% of sales, compared with €321.1 million representing 34.9% of sales in 2007. Excluding the impact of North American acquisitions and foreign exchange impacts, selling expenses represented 35.2% of sales in 2008 compared with 34.7% in 2007.
  - *Royalties paid* to third parties on sales of products marketed by the Group amounted to €38.3 million, up 10.4% year on year, supported by growth in sales of the corresponding products.
  - *Taxes and sales tax* were down 9.9% to €9.6 million, due to a particular sales tax being reclassified as a deduction from gross sales.
  - *Other sales and marketing expenses* (i.e. marketing and sales force costs) were up 12.6% year-on-year to €310.4 million. Excluding the impact of US acquisitions and the currency effect, these expenses rose by 6.7% year-on-year to €291.3 million or 30.2% of sales, compared with €272.9 million or 29.9% of sales in 2007. This increase, which is significantly lower than the sales growth in rate on a comparable basis and excluding 2007 and 2008 Ginkor Fort® sales, reflects productivity gains and the Group's selective allocation of resources despite investment in new product launches in 2008 (Increlex® and Adrovance®).
- **General and administrative** expenses rose by 6.8% year-on-year to €85.9 million. Excluding the impacts of its US acquisitions, the increase was 3.8% year-on-year, reflecting the Group's efforts to contain growth in these expenses.

Other operating income and expenses

Other operating income and expenses amounted to a net expense of €8.3 million compared with a non-material amount in 2007. The net expense included €5.9 million in costs linked to the moving of the Group's head office to Boulogne-Billancourt (France) – mainly the resulting cost of temporary vacant premises during 2008 – and €4.0 million in non-recurring expenses relating to the Group's US acquisitions. These non-recurring items were partly offset by €1.7 million in income from the disposal of a plot of land.

Restructuring costs

The Group reorganized its newly acquired US operations in 2008, incurring restructuring costs of €2.6 million.

Impairment losses

No impairment charge was recognised in either 2008 or 2007.

Operating profit

As a result of the above, the Group's operating profit for 2008 amounted to €180.1 million, representing 17.3% of total revenues and 18.5% of sales. These figures do not include any items relating to the allocation of goodwill arising on the Group's North American acquisitions, which should be allocated when the Group will publish its 2009 mid-year interim financial statements.

Furthermore, as mentioned above, operating profit for 2008 only included royalties actually paid by Bayer on its Kogenate® sales until end of May 2008 irrespective of the amounts the Group believes are contractually payable by Bayer under its 1985 licensing agreement. The Group expected to receive a further €25 million from Bayer when it published its operating margin objective in February 2008 and updated it in August 2008.

Standalone operating profit (i.e. before restructuring costs and non-recurring items relating to the North American acquisitions) amounted to €207.7 million, yielding a 21.6% operating margin (in % of sales), while in 2007 the Group incurred no non-recurring items.

Segment reporting: Operating profit by geographical region

In compliance with IAS 14 "Segment Reporting", the Group's primary reporting format is presented according to geographical segment, since Ipsen operates in a single business segment, i.e. drug research and development, production and sales.

Sales, revenues and operating income for 2008 and 2007 are presented in the following table by geographical region:

	31 December 2008		31 December 2007		% change 2008/2007	
	(in thousand euros)	%	(in thousand euros)	%	(in thousand euros)	%
Major Western European countries						
Sales	559,513	100.0%	564,262	100.0%	(4,749)	(0.8%)
Revenues	588,002	105.1%	571,228	101.2%	16,774	2.9%
Operating income	229,449	41.0%	216,619	38.4%	12,830	5.9%
Other European countries						
Sales	236,238	100.0%	208,121	100.0%	28,116	13.5%
Revenues	236,343	100.0%	208,121	100.0%	28,221	13.6%
Operating income	94,453	40.0%	79,109	38.0%	15,344	19.4%
Rest of the world						
Sales	175,271	100.0%	148,092	100.0%	27,179	18.4%
Revenues	178,276	101.7%	150,182	101.4%	28,093	18.7%
Operating income	36,016	20.5%	53,710	36.3%	(17,694)	(32.9%)
Allocated total						
Sales	971,022	100.0%	920,475	100.0%	50,547	5.5%
Revenues	1,002,620	103.3%	929,531	101.0%	73,089	7.9%
Operating income	359,918	37.1%	349,438	38.0%	10,480	3.0%
Non-allocated total						
Revenues	35,492	3.4%	64,226	6.5%	(28,734)	(44.7%)
Operating income	(179,831)	(99.9%)	(140,550)	(67.3%)	(39,281)	27.9%
Ipsen Total						
Sales	971,022	100.0%	920,475	100.0%	50,547	5.5%
Revenues	1,038,112	106.9%	993,757	108.0%	44,355	4.5%
Operating income	180,087	18.5%	208,888	22.7%	(28,801)	(13.8%)

In the major Western European countries, sales slightly decrease by 0.8% year-on-year to €559.5 million, mainly due to the disposal of Ginkor Fort® as of 1 January 2008 and to the Tanakan® price cut enforced in July 2007. Total revenues grew by 2.9% to €588.0 million, benefiting from an income of €18.8 million on the disposal of Ginkor Fort® and from a commission received upon renewal of one of the Group's co-promotion agreements. Operating profit therefore increased by 5.9% to €229.4 million, representing 41.0% of sales, compared with €216.6 million or 38.4% of sales in 2007.

- **In other European countries** (other Western European countries and Eastern European countries), sales increased by 13.5% year on year. Operating profit increased by 19.4% over the period to €94.5 million, up from €79.1 million in 2007, representing 40.0% and 38.0% of sales respectively. This positive performance reflects fast and profitable growth in the various countries in this region, particularly Russia.
- **In the rest of the world,** where most of the Group's products are marketed by third-party distributors and agents, except in certain countries where Ipsen has a direct presence,

sales were up sharply by 18.4% year-on-year. However, operating profit fell by 32.9% to €36.0 million, compared with €53.7 million in 2007, due mainly to the impacts of full consolidation of the Group's US acquisitions in the second half of 2008. Excluding the North American acquisitions, sales and operating profit would have grown by 12.9% and 12.3% respectively in 2008.

- **Non-allocated operating loss** totalled €(179.8) million compared with a loss of €(140.6) million in 2007. The non-allocated operating loss includes:
  - In 2008, revenues of €35.5 million, down sharply from €64.2 million in 2007, directly due to a strong decrease in Kogenate® royalties following the dispute with Bayer described above. The non-allocated operating loss also includes €13.2 million in milestones from Medicis for Reloxin®, from Roche for taspoglutide and from Galderma for Azzalure®.
  - Research & development expenses of €(164.4) million, compared with €(161.4) million in 2007.
  - Non-allocated selling, general and administrative expenses of €(46.7) million compared with €(43.7) million a year before.
  - Other operating expenses of €(4.3) million, mainly comprising the cost of relocating the Paris operations to Boulogne-Billancourt (France). This compares with other operating income of €0.4 million in 2007.

Cost of net financial debt and other financial income and expenses

In 2008, financial income rose by 77.0% year-on-year to €11.9 million, compared with €6.7 million in 2007. This sharp growth stemmed mainly from the impacts of the Group's US acquisitions, which generated net financial income of €6.0 million in 2008 compared with €1.6 million in 2007. This sum comprises €9.6 million in respect of accelerated recognition of interest on Tercica Inc. convertible bonds, offset by a €(5.8) million charge relating to the change in fair value of Tercica Inc. bonds and warrant as well as the positive foreign exchange impacts arising upon conversion of these instruments.

Excluding these items, financial income would have amounted to €5.9 million in 2008, compared with €5.1 million in 2007.

Income tax

In 2008, the Group's effective tax rate amounted to 17.4% of net profit from continuing operations before tax and before share of loss from associated companies, compared with 25.3% a year earlier. The effective tax rate in 2008 benefited from the positive effect of the new research tax credit system calculation methods applicable in France from 1 January 2008. This positive impact (expressed as percentage of net profit from continuing operations) also benefited from the consolidation of losses incurred by the newly-acquired North American companies in the third and fourth quarters of 2008, which reduced net profit from continuing operations. Excluding the impact of the US companies, the effective tax rate would have stood at 20.9%.

Share of loss/profit from associated companies

This item includes the Group's share of Tercica Inc.'s results for the first nine months of 2008. Tercica Inc. has been wholly-owned by the Group since 17 October 2008 and its results for the final quarter of 2008 were therefore fully consolidated by the Group.

Net profit/loss from continuing operations

As a result of the above, net profit from continuing operations amounted to €147.8 million in 2008 compared with €152.4 million in 2007.

Net profit/loss from discontinued operations

Discontinued operations contributed a loss of €(0.2) million for 2008 compared with €(1.3) million a year earlier.

Consolidated net profit

As a result of the above, consolidated net profit came to €147.7 million (€147.2 million attributable to equity holders of Ipsen S.A.), compared with €151.1 million (€150.6 million attributable to equity holders of Ipsen S.A.) in 2007. Consolidated net profit represented 14.2% of revenues in 2008, compared with 15.2% a year earlier.

Milestones received in cash but not yet recognised as revenues

In 2008, total milestones received in cash by the Group but not yet recognised as revenues in its consolidated income statement amounted to €165.7 million, compared with €218.7 million in 2007. The decrease is mainly due to the elimination in the consolidated financial statements of deferred revenues previously recognised under the licence granted in 2006 by the Group to Tercica Inc. for Somatuline® Depot, after the full acquisition of the company by the Group.

These payments will be recognised in the Group's income statement as revenues going forward as follows:

(in million euros)	Milestones received in cash but not yet recognised as revenues in the periods ending:	
	31 December 2008	31 December 2007
Total	**165.7**	**218.7**
These will be recognised as revenue in the future as follows:		
In 2008	19.5	22.4
In 2009 and beyond	146.2	196.3

10 CASH FLOW AND CAPITAL FOR YEARS ENDING 31 DECEMBER 2008 AND 31 DECEMBER 2007

Net cash generated by operating activities grew sharply to €203.4 million in 2008, compared with €176.0 million a year earlier.

10.1 CASH FLOW STATEMENT

(in thousand euros)	31 December 2008	31 December 2007
– Cash flow before variation in working capital requirements	196,515	214,254
– (Increase) / decrease in working capital requirements for operations	6,894	(38,284)
• Net cash flow generated by operating activities	**203,409**	**175,970**
– Other items	(290,204)	(129,677)
– Deposits paid	(1,012)	(4,601)
– Variation in cash securities held for sale	6,000	(6,000)
• Net cash flow used in investment activities	**(285,216)**	**(140,278)**
• Net cash flow used in financing activities	**78,957**	**(76,818)**
• Net cash flow provided by discontinued activities	**732**	**1,285**
Increase / (decrease) in cash flow for the year	**(2,118)**	**(39,841)**
Cash and cash equivalents at beginning of the year	**240,907**	**283,743**
Impact of foreign exchange variations	(1,464)	(2,995)
Cash and cash equivalents at the end of the year	**237,325**	**240,907**

Net cash flow from operating activities

During 2008, cash flow from operations before changes in working capital amounted to €196.5 million, compared with €214.3 million in 2007. The decrease was mainly due to Bayer stopping its royalty payments pending the outcome of its dispute with the Group, and to the US acquisitions.

Working capital requirements for operating activities fell by €6.9 million in 2008 having increased by €38.3 million during 2007. The decrease was due to the following items:

- Inventories increased by €12.6 million compared with an increase of €9.0 million in 2007, reflecting not only growth in business, but also the build up of consignment stocks toward the end of 2008 in some countries due to local operating constraints. Trade receivables rose by only €4.3 million reflecting a reduction in payment delays by public hospitals in some Western European countries, coupled with an active receivables collection policy. In 2007, trade receivables had increased by €25.4 million, mainly due to the introduction in France of direct sales of some products to pharmacies. Trade payables increased by only €1.2 million, compared with an increase of €5.1 million in 2007. The contained increase in 2008 against a background of business growth was achieved mainly by adapting the Group's procedures to changes in regulations on supplier payment periods in France.
- Other current liabilities net of current assets increased by €23.8 million in 2008 compared with an increase of €29.5 million the previous year. In 2008, the Group recognised deferred revenue of €41.1 million in connection with its partnerships with Roche, Galderma and Recordati. In addition, other operating assets decreased in 2008 as the Group did not recognise the receivable relating to royalties payable by Bayer in the final quarter due to the pending dispute. In 2007, these royalties amounted to €10.9 million. These items were partly offset by the recognition in the income statement of €24.1 million mainly in respect of partnerships and, to a lesser extent, the change in other operating receivables and payables, including €6.6 million relating to an increase in net VAT receivables and €2.0 million of net liabilities arising from newly consolidated subsidiaries in 2008.

Net cash flow used in investment activities

In 2008, net cash flow from investing activities was principally affected by the Group's North American acquisitions. It comprises two main components, one reflecting net cash flows relating to investments in the strict sense, and one reflecting other investment activities.

1. Net cash flow from investing activities in the strict sense represented €290.2 million in 2008 compared with €129.7 million in 2007. This mainly comprised:

- Acquisitions of property, plant and equipment and intangible assets, net of disposals, amounting to €67.9 million in 2008, compared with €84.0 million in 2007.
  - In 2008, acquisitions of property, plant & equipment totalled €61.4 million, mostly consisting of capital expenditure required to maintain the Group's industrial

facilities, as well as certain investment in capacity, such as €20.0 million for the new Dysport® secondary production plant at the Wrexham site in the United Kingdom and €8.2 million for the Dublin site (Ireland). The Group also invested €5.5 million in relocating its Paris operations to the new head office in Boulogne-Billancourt.

– During 2008, acquisitions of intangible assets amounted to €33.8 million, including some milestone payments relating to the acquisition of patents or licences, and investments in renewing certain information systems. They also included the purchase of Apokyn® licences and the purchase from Octagen Corp. of all its rights to OBI-1, as part of the Group's acquisitions in the United States.

– Proceeds from the disposal of property, plant & equipment and intangible assets amounting to €27.3 million, mainly stemming from the divestment of Ginkor Fort® and the sale of a plot of land.

- A net investment in financial assets of €1.8 million, comprising the acquisition of an interest in Vernalis Plc., partly offset by the disposal of the Group's interest in Octagen Corp.
- The impact of changes in the scope of consolidation amounting to €214.7 million, mainly comprising €213.3 million for the acquisition of shares in Tercica Inc. less the corresponding cash and cash equivalents acquired, which amounted to €68.3 million.
- A decrease of €5.1 million in working capital requirements for investing activities against a €7.5 million increase in 2007, mainly due to the recognition of a net receivable on the disposal of Ginkor Fort®, and the payment in 2008 of amounts due to non-current assets suppliers recorded at the end of 2007.

2. Net cash flow from other investing activities amounted to €5.0 million in 2008, mainly from the sale of guaranteed capital investment products. This compares with a net outflow of €(10.6) million in 2007, partly due to the purchase of the products referred to above and partly to the payment of guarantee deposits by the Group.

Net cash flow from financing activities

Financing activities provided net cash inflow of €79.0 million in 2008, compared with a cash outflow of €76.8 million in 2007. The net cash inflow in 2008 included a drawdown of €148.9 million on the new €300.0 million syndicated loan arranged in June 2008 for the acquisition of Tercica Inc. shares, partly offset by a €55.0 million dividend payment to the Group's shareholders compared with €50.4 million in 2007, and by the repayment of €7.9 million of bank loans and short-term credit facilities. The Group also spent €9.3 million on its share buyback programme, compared with €24.8 million in 2007.

Net cash flow from discontinued operations

In 2008, discontinued operations generated net cash of €0.7 million, resulting from the decrease in working capital requirements relating to the Group's primary care business in Spain, which was sold in October 2005. This compares with a figure of €1.3 million in 2007.

10.2. ANALYSIS OF NET CASH (1) FOR THE YEARS 2008 AND 2007

(in thousand euros)	31 December 2008	31 December 2007
Cash in hand	26,839	25,617
Short-term investments	211,144	195,859
Interest-bearing deposits	1,601	25,592
Cash and cash equivalents	**239,584**	**247,068**
Securities held for sale (2)	–	6,000
Total cash	**239,584**	**253,068**
Bank overdrafts liabilities	(2,259)	(6,161)
Closing net cash and cash equivalents	**237,325**	**246,907**
Non-current		
Short-term debt	148,941	4,379
Other financial liabilities	13,803	16,449
Current		
Short-term debt	4,000	5,375
Financial liabilities	4,346	3,831
Debt	**171,090**	**30,034**
Derivatives	11	(908)
Net cash (1)	**66,224**	**217,781**

At 31 December 2008, the Group had a net cash position (1) of €66.2 million, compared with €217.8 million a year earlier.

On 30 June 2008, the Group terminated bilateral loan agreements worth €275.6 million that it had signed in June 2005. In June 2008, Ipsen S.A. signed for a 5-year credit facility totalling €300.0 million with a banking syndicate. This multicurrency, multilender facility requires Ipsen S.A.'s guarantee for use by some of its subsidiaries. It was used to fund the Group's acquisitions in the United States and the business's general financial needs. At the borrower's initiative, this credit line is available for withdrawal on a short-term basis for periods of 1 to 12 months so it can be best adapted to cash flow needs. The total withdrawal must always be lower than the credit facility maximum which diminishes over time as follows:

- 4 June 2009 €262.5 million
- 4 June 2010 €225.0 million
- 4 June 2011 €187.5 million
- 4 June 2012 €150.0 million
- 4 June 2013 –

In addition to the customary contractual clauses, the loan agreement requires the Group to comply with various financial covenants on a consolidated basis on each reporting date. The covenants include a maximum ratio of net debt to equity and a maximum ratio of net debt to EBITDA (3). The maximum ratios are as follows:

- Net debt to equity: 1
- Net debt to EBITDA: 3

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

At 31 December 2008, the Group had a net cash position and therefore the net debt to equity and net debt to EBITDA ratios were not relevant. The amount drawn down on the syndicated loan facility at 31 December 2008 was €150.0 million (€148.9 million after taking account of issuance costs).

(1) Net cash: cash, cash equivalents and securities held for sale minus bank overdrafts, bank borrowings and other financial liabilities plus or minus derivative financial instruments.
(2) "Securities held for sale" correspond to shares in mutual funds held for trading which the Group intends to sell in the near future. They are included in the calculation of the Group's net cash position.
(3) EBITDA: earnings before interest, tax, depreciation and amortisation.

11 RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES

11.1 RESEARCH AND DEVELOPMENT

The Group's Research and Development activities are focused on the discovery and development of new molecules as well as on programs relating to life cycle management for products already marketed by the Group (development of new formulations or extensions of indications and product registrations in new geographical areas). The Group's significant Research and Development effort is complemented by an active partnership policy.

The Group's Research and Development programs are based on four technological platforms:

- **Peptide engineering** focuses on the modification through synthesis of derivatives of naturally occurring neuropeptide hormones. This research is conducted by the Boston Research and Development center (United States).
- **Protein engineering** aims to improve the therapeutic properties of naturally occurring proteins through the selective modification of their sequences. This research is conducted by the Boston Research and Development center (United States) together with university research centres.
- **Medicinal chemistry,** which focuses on the discovery of enzyme inhibitors involved in the biosynthesis of steroid hormones and mitochondrial protective agents. Medicinal chemistry research is conducted at Bath University (United Kingdom).
- **Advanced drug delivery** which aims to create and develop innovative formulations for new chemical entities or products already marketed by the Group in order to optimize the efficacy of the active substances while improving patient quality of life and facilitating the use of the products by healthcare professionals. These research activities are conducted at the Group's research center in Barcelona (Spain).

Integration of these platforms drives the discovery of innovative products for the treatment of very serious diseases which may be life-threatening, in the Group's targeted therapeutic areas.

One of the best examples of this approach is the proprietary, patented formulation of Somatuline® Autogel®, a product that illustrates the Group's ability to combine the results of its research in peptides with advanced drug delivery technologies.

Group research efforts are based on a profound understanding of physiopathological mechanisms (biological processes that distinguish between healthy and therapeutic conditions) involved in the genesis of the disease. Based on this knowledge the Group identifies hormones such as peptides, proteins which regulate important biological processes or, for steroid hormones, enzymes responsible for their biosynthesis. These natural substances (which are endogenous to the body), are valid targets for the discovery of innovative drugs. The Group has found that products of natural origin (plant, animal or human) often prove to be the most beneficial starting point from which to develop new products that are both effective and well tolerated by patients.

At 31 December 2008, 817 employees were assigned to Research and Development activities (compared with 708 at 31 December 2007 and 700 at 31 December 2006).

In 2008, the Group spent €182.9 million in Research and Development (compared with €184.7 million in 2007 and €178.3 million in 2006), which represents 18.8% of the Group's consolidated sales (compared with 20.0% in 2007 and 20.7% in 2006).

11.1.1 Research and Development facilities

The Group has established an international network of Research and Development centres, located in areas providing access to considerable expertise in academic research and to employees skilled in technology and development processes. Thanks to its Research and Development programs, as well as the geographical location of its Research and Development facilities, the Group can recruit talented scientists, making it highly competitive in pharmaceutical research compared with other similarly-sized groups.

11.1.1.1 The Paris Research and Development center (France)

The Paris Research and Development center (Institut Henri Beaufour) specializing in medicinal chemistry was opened in 1969. New facilities were built more recently in 1996, with a research team comprising chemists, biologists and pharmacologists essentially working on a better understanding of molecular, pharmacological, pharmacodynamic and pharmacokinetic properties of new chemical or biological entities which may be candidates for development in the fields of oncology, endocrinology and neurology. The Group's preclinical and clinical development team defines the global development strategy and co-ordinates clinical trials and analyses clinical and preclinical data. The main objective of the clinical development teams is to execute or commission execution of clinical trials complying strictly with the regulatory standards and able to provide high-quality and extensive data about the efficacy and safety of using the Group's products.

Analytical development and production of medicinal products for clinical trials are carried out at the Group site located in Dreux (France).

11.1.1.2 The Boston Research and Development center (Massachusetts, United States)

The Boston Research and Development center (Albert Beaufour Research Institute) specializes in protein and peptide research. This center carries out peptide synthesis and the expression of recombinant proteins for therapeutic use. The center's expertise is focused on hormone-dependent pathophysiological mechanisms in which neuropeptides and growth factors are involved. The Group also has a clinical research and development team dedicated to the coordination of the Group's clinical research in North America and regulatory activities with the FDA in the United States.

11.1.1.3 The London Development and Registration center (United Kingdom)

Located near London, which is home to the European Medicines Agency (EMEA), the Development and Registration center is in charge of clinical development, organizing international clinical trials and regulatory affairs and filing dossiers and registration applications with the international regulatory authorities to ensure that the Group obtains the necessary approvals to market its products in the shortest possible time.

Successful registration requires the consolidation, on a Group level, of all regulatory data necessary for a dossier.

11.1.1.4 The Barcelona Research and Development center (Spain)

The Barcelona Research and Development center specialized in pharmacokinetics (Ipsen Pharma) is a research center specialized in creating and developing innovative formulations. Its main objective is to determine optimum methods for the delivery of highly potent medicinal products. Its teams were, for instance, behind the development of the Somatuline® Autogel® formulation, which releases the active substance, without any excipient other than water, over a period of at least 28 days. Somatuline® Autogel® is now the Group's third best-selling product, with net sales of €120.6 million in 2008. This research is key to achieving the Group's aim to provide patients with better quality of life by supplying them with therapeutic solutions and formulations which offer greater patient comfort. The Barcelona center employs researchers, together with scientists and technicians specializing in drug delivery systems, and is supported by a pharmacokinetics department integrated with the worldwide clinical development group.

11.1.2 Research activities: technological platforms, a key focus for the Group

The process of developing a molecule or a new compound through to its approval by the regulatory authorities may take between eight and twelve years and can usually be divided up into five distinct stages: the pre-clinical stage and phase I, II, III and IV clinical trials.

During the pre-clinical stage, which usually lasts two to four years, the Group's research scientists study the effects of innovative drug candidates on cell systems or organs in isolation, in vitro or in animal models, to gain a better understanding of their pharmacological and toxicological properties. An analysis of the results of these studies helps to determine whether the compound meets the therapeutic objectives laid down. On completion, further development through clinical trials must be subject to the approval of the competent regulatory authorities, as well as ethics committees.

The Group is currently pursuing the pre-clinical development of several innovative compounds. The following table and comments provide a summary of the Group's principal development programs currently in progress.

Development pipeline	Indications
New molecules in oncology	
Angiomates	Anticancer agent: anti-tubulin/anti-angiogenic
BIM 46187	Anticancer agent : G-Protein signal
CDC25 Phosphatase inhibitors	Anticancer agent (cell cycle)
New molecule in endocrinology	
Ghrelin agonist (BIM 28131)	Regulating food intake and the gastro-intestinal function and treating cachexia
MSH Agonist for the MC4 receptor	Metabolic disorders (Obesity)
11ßHSD enzyme inhibitors	Treatment of metabolic syndromes
NutropinAq®	New formulation
GIP	Treatment of metabolic disorders and diabetes

11.1.2.1 Research programs in oncology

The Group's technology programs in peptide engineering and medicinal chemistry enable it to explore and develop new approaches in cancer treatment under hormonal control, such as (i) key enzyme inhibitors in the biosynthesis of steroids, (ii) growth factors, notably including prolactins, Growth Hormone Releasing Hormone, Mullerian Inhibiting Substance and (iii) enzymes regulating cell cycles (notably phosphatases) and (iv) factors involved in the transduction of the intracellular signal and angiogenesis. These research programs are conducted internally with assistance from university and industry specialists.

Angiomates (STX 140). The Angiomates refer to a family of small molecules (steroids) acquired through the acquisition of Sterix which are multitargeted anticancer agents, exhibiting both antiproliferative (killing cancer cells) and antiangiogenic properties (inhibiting the blood vessels network supporting the tumour) or cytotoxic. These molecules will target the treatment of hormone-dependent tumours and possibly some hematological malignancies.

BIM 46187. BIM 46187 is an innovative anti-tumour compound that acts on cellular signals by the receptors attached to G-Protein (the most common form of receptors for neuropeptide hormones and neurotransmitters). BIM 46187 may be used either alone or in combination with other cancer therapies in the treatment of solid tumours, such as lung and prostate cancer.

CDC25 phosphatases inhibitors. These new molecules target key enzymes, CDC25 phosphatases, which regulate the cell division cycle. It has been demonstrated that these enzymes are abnormally high in a large number of tumours. These inhibitors are currently under pre-clinical evaluation.

11.1.2.2 Research programs in endocrinology

In pituitary disorders, the Group is involved in several programs, chiefly in pituitary adenomas, such as acromegaly and neuroendocrine tumours.

The Group is also exploring the role of certain peptide hormones **(ghrelin, MSH/MC4)** in regulating food intake and the gastrointestinal function with the priority objective of treating obesity (MC4) and cachexia (ghrelin) (lack of appetite), which are often the causes of functional disorders in the elderly, cancer patients and patients with chronic illnesses.

The Group is continuing to pursue the programs it initiated in **11ßHSD enzyme** inhibitors with a view to developing a therapy for the related metabolic syndromes associated with obese patients, which principally manifests itself in the form of greater cardiovascular risks.

In conjunction with Asterion, the Group is currently pursuing pre-clinical research to develop sustained release formulations of growth hormone antagonists to replace daily injections of growth hormone in children and adults.

The Group is pursuing its pre-clinical investigations for NutropinAq® (growth hormone developed by its partner Genentech) to identify the sustained-release formulations which could eliminate daily injections of growth hormone in children and adults.

11.1.2.3 Research programs in neurology

The Group's research programs in neurology mainly focus on the development of new botulinum toxin formulations.

In neurodegenerative conditions, the Group has synthesised several original classes of chimeric compounds, i.e. compounds capable of performing several pharmacological activities simultaneously and used to protect mitochondria (intracellular organelles responsible for the production of energy) in connection with neurodegenerative conditions, such as Parkinson's and Huntington's disease or amyotrophic lateral sclerosis.

11.1.3 Molecules in clinical development: a thriving portfolio

The purpose of clinical trials is to establish proof that the drug candidate is safe to use and effective in humans. If results are positive, in the various phase I, II and III trials, they are compiled into a registration dossier, which is submitted to the regulatory authorities for them to decide whether or not to issue marketing authorization.

The four phases of clinical trials are as follows:

- **Phase I.** The purpose of phase I is to conduct a short-term assessment on healthy volunteers (or on patients in oncology) of the safety profile of the drug candidate based on dosage administered to healthy volunteers (or to patients in oncology) and to establish a preliminary pharmacokinetic (absorption, metabolism, distribution, elimination) pharmaco-dynamic profile. These results combined with those of pre-clinical trials help to verify the drug's tolerance profile and to confirm the dosage and optimum treatment regimen maximizing efficacy while minimizing side effects.
- **Phase II.** The purpose of phase II is to assess on patients the pharmacological properties of the drug candidate and identify the therapeutic index (ratio between the active and toxic dose) in one or more of the administered dosages identified during phase I. At this stage, if the drug candidate's therapeutic efficacy and its tolerance profile are confirmed, a decision may be taken to hold phase III trials.

- **Phase III.** Phase III trials represent the final stage of clinical trials conducted before an application for marketing authorization is filed. These trials are normally conducted on a much larger number of patients than are used for phase II trials, and their purpose is to provide reliable clinical and statistical data regarding their tolerance and efficacy in clearly targeted diseases.
- **Phase IV.** Phase IV trials are generally held once a drug is on the market. They are intended to check and, if need be, document in greater detail a drug's efficacy and safety.

The forecast dates of applications for marketing authorization in the table below are those stated in the Group's current Research and Development program, which is likely to be revised owing to a large number of relevant factors, many of which are highly unpredictable. Accordingly, the Group may not meet these dates for various reasons, including delays in clinical trials, therapeutic failures, failure to secure regulatory approval, the occurrence of a technical or administrative event beyond the Group's reasonable control and other reasons described in Chapter 4 "Risk Factors" of this registration document.

The portfolio of molecules in development includes:

Development pipeline	Indications	Development stage and forecast date of marketing authorization
New molecules pipeline		
BIM23A760	Symptomatic treatment of pituitary and neuroendocrine tumours	Phase II
BIM 51077 / R1583	Type II diabetes	Phase III – Partnership with Roche
BN 83495 (STX 64)	Post-menopausal breast cancer expressing estrogenic receptors	Phase I
Elomotecan (BN 80927)	Advanced metastatic cancer	Phase I
Diflomotecan (BN 80915)	Advanced metastatic cancer	Phase II
Acapodene®	Treatment of side effects from LHRH-a based androgen-deprivation therapy	Phase III completed
OBI-1	Hemostase	Phase II completed
Product life-cycle management programs		
Decapeptyl®	Combined hormone therapy for premenopausal breast cancer	Phase III
Decapeptyl®	6 month sustained-release formulation	Regulatory review
Somatuline® Autogel®	Asymptomatic neuroendocrine tumours	Phase III
Somatuline® Autogel®	Co-administration with pegvisomant	Phase III
Increlex®	Primary IGF-I deficiency in less severe cases	Phase III
Association rhGH + IGF-I	Growth failure	Phase II
Association rhGH + IGF-I	GH deficiency in adults	Phase II
Tanakan®	Mild cognitive impairment related to age	Phase III
Dysport®	Cervical dystonia	United States: regulatory review
Reloxin® and Azzalure®	Aesthetic medicine	Azzalure® (Europe): collective green light from 15 European countries' Health Authorities (in partnership with Galderma) Reloxin® (United States): regulatory review (in partnership with Medicis)

■ 11.1.3.1 Development programs in Oncology

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

It is participating in three phase III studies conducted under the auspices of the International Breast Cancer Study Group in the treatment of breast cancer in premenopausal women, comparing the conventional treatment methods with hormone therapy combining Decapeptyl® with estrogen suppressant agents, such as Aromasin®, marketed by Pfizer. These trials are due to take place until 2015. The results could lead to therapeutic recommendations for breast cancer in premenopausal women expressing hormonal receptors, being reviewed.

Pursuant to the terms of its agreement with Debiophram, Ipsen exclusively in-licensed from Debiopharm know-how

and new patent applications for the commercialization rights of Decapeptyl® in the world excluding North America, and some other countries (Sweden, Israel, Iran and Japan). It further enables Ipsen to access future sustained-release formulations of Decapeptyl® developed by Debiopharm, among which a 6 month sustained release formulation that has completed phase III clinical trials. Debiopharm filed for registration in 2008.

Acapodene®. The Group has acquired the rights in Europe, Switzerland, Norway, Iceland, Lichtenstein & the Commonwealth of Independent States from the U.S. biotech company GTx Inc. for the development & marketing of Acapodene® (toremifene citrate) for all indications except breast cancer. Phase III (two indications) clinical trials for Acapodene®, Selective Estrogen Receptor Modulator (SERM), developed in line with a new strategy of estrogen receptor modulation have been completed. The first indication involves the treatment of side effects from LHRH-a based androgen-deprivation therapy in the treatment of advanced prostate cancer (80 mg). The second indication involves preventing prostate cancer in men with a High grade prostatic intraepithelial neoplasia (HGPIN) (20 mg). The Group detains the marketing rights for the first indication and an option for the second one.

BN 83495 (STX 64). BN 83495 and similar molecules acquired through the acquisition of Sterix, are selective inhibitors of the sulphatase enzyme involved in a key stage of the biosynthesis of estrogens, one of the principal factors contributing to breast cancer in post-menopausal women. A phase I clinical trial in patients with breast cancer has been completed and the results demonstrated the inhibition of the sulphatase enzyme at the dosages tested in tumour biopsies. An additional phase I clinical trial is currently being conducted and aims to determine the optimal dose of BN 83495 for postmenopausal patients with advanced breast cancer expressing hormonal receptors.

BN 2629 (SJG-136). BN 2629, a product originating from Spirogen, is a synthetic molecule that has demonstrated during pre-clinical studies its ability to block the anarchic cellular proliferation process characteristic of cancerous diseases. This product is being studied in three phase I studies of different administration regimens in patients with metastatic tumours resistant to certain types of chemotherapy conducted by two renowned institutions, namely Cancer Research in the United Kingdom and the National Cancer Institute in the United States. The Group is pursuing ex vivo research using this molecule in leukaemia resistant to other treatments.

The Group is looking for a partner with which to continue the development of a patented class of cytotoxic agents:

Diflomotecan. Diflomotecan is a cytotoxic agent (cell killer) that inhibits the topoisomerase 1 enzyme. Two phase II clinical trials in lung cancer have been completed, but failed to achieve their safety and efficacy targets in this indication for the dosages and drug administration regimens tested. During phase I clinical trials, diflomotecan showed high oral bioavailability, low gastrointestinal toxicity and no cumulative haemotoxicity. Investigations into other indications are due to be carried out.

Elomotecan. Elomotecan is a cytotoxic (cell killer) inhibitor of topoisomerase 1 and topoisomerase 2 enzymes, intended for the treatment of certain types of advanced metastatic cancer (colon, breast and prostate). Elomotecan is currently undergoing phase I clinical trials.

Development of these cytotoxic agents was carried out in conjunction with Roche under the licensing and partnership agreement entered into in December 2002. The Group and Roche terminated this partnership in May 2005.

■ 11.1.3.2 Development programs in endocrinology

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

- a phase III clinical trial of Somatuline® Autogel® is being conducted in Europe in the treatment of asymptomatic neuroendocrine tumours and other trials are planned in the United States in the treatment of neuroendocrine tumours;
- a phase III clinical trial of Somatuline® Autogel® in co-administration with pegvisomant in the treatment of acromegaly is being conducted in Europe;
- in Japan, the Group's partner Teijin is currently finalizing a phase II clinical trial of Somatuline® Autogel® for the treatment of acromegaly;
- the Group envisages securing additional marketing authorizations for Somatuline® Autogel® shortly, in Russia and Brazil for the treatment of acromegaly and neuroendocrine tumours.

BIM 23A760. The Group has synthesised a new chimeric compound combining a somatostatin analogue and a dopamine agonist to achieve synergic therapeutic effects in disorders such as acromegaly and neuroendocrine tumours. The Group is currently studying this molecule whose spectrum of activity is wider than that of somatostatin analogues and hopes that it will not only improve the symptomatic treatment of acromegaly and neuroendocrine tumours but will also reduce the size of tumours, thereby eliminating certain limits in treatments currently available.

BIM 51077 (taspoglutide) is an analogue of peptide hormone GLP-1 (Glucagon Like Peptide-1), which is covered by a partnership option with Roche. A detailed description of this partnership is provided in section 22.1.2.4 of this registration document. In Japan, the Group's partner, Teijin, is conducting a phase I clinical trial in sustained-release formulations.

■ 11.1.3.3 Development programs in neurology

Botulinum toxin type A

Medical use (Dysport®):

On 31 January 2008, the FDA accepted the filing of the Group's BLA for Dysport® in the United States to treat patients with cervical dystonia. After an initial extension of the Prescription Drug User Fee Act date (from 29 September 2008 to 28 December 2008), the FDA issued a Complete Response Letter in response to the Group's Biologics License Application for Dysport®. The Group re-submitted the application to the FDA in the first quarter of 2009.

Cosmetic use (Reloxin® and Azzalure®):

In February 2007 – Ipsen granted Galderma the right to develop, promote and distribute the Group's botulinum toxin type A product for aesthetic indications in Europe and certain other territories. Galderma will market this product under its own brand name Azzalure®. On 2 February 2009, Azzalure® received the collective green light from 15 European countries' Health Authorities for the granting of national marketing authorizations.

On 17 March 2008 – Ipsen and Medicis announced that Ipsen had submitted a Biologics License Application for the botulinum toxin type A, Reloxin®, in aesthetic indications (glabellar lines) to the U.S. Food and Drug Administration's Division of Dermatology and Dental Products, within the Center for Drug Evaluation and Research.

On 19 May 2008 – Ipsen and Medicis announced that the FDA had accepted the filing of Ipsen's Biologics License Application for Reloxin®, its botulinum toxin type A in aesthetic use (glabellar lines) in the United States.

In accordance with the agreement between the two parties, Medicis paid Ipsen approximately $25 million in connection with the announcement. Subject to approval of the BLA by the FDA, Medicis will pay Ipsen a further $75 million and will commercialize Reloxin® in the United States.

On 7 January 2009 – The FDA provided notification that the Prescription Drug User Fee Act action date for Reloxin® Biologics License Application in aesthetic indications (glabellar lines) had been extended to 13 April 2009. The FDA did not issue any specific request on the occasion of this extension.

■ 11.1.3.4 Other development programs

Tanakan®. The Group is endeavouring to validate the clinical benefits of EGb 761®, the extract of Ginkgo biloba present in Tanakan® in the treatment of age-related cognitive impairment, either with or without dementia and predementia.

The Group is the sponsor of four studies in Europe:

- the GuidAge study assessing the effectiveness of EGb 761® in the prevention of Alzheimer's disease in patients of more than 70 years of age with a spontaneous memory complaint; 2,800 patients were recruited by September 2004 and their treatment will continue for five years. The results of this study are likely to be available in 2010;
- a study evaluating the efficacy of EGb 761® on platelet APP in patients with mild to moderate Alzheimer's disease;
- a study evaluating the effect of EGb 761® on cerebral glucose metabolism, evaluated by FDG-PET scan (in conjunction with the CEA), in patients suffering from memory loss and patients with Alzheimer's disease;
- a study evaluating the effect of EGb 761® on the mitochondrial metabolic functions in children suffering from Friedreich's ataxia, a rare genetic disorder.

If the GuidAge trial is successful, its results may be used for the purpose of securing an indication for EGb 761® in the prevention of Alzheimer's disease in patients over 70 with spontaneous memory impairment.

OBI-1. The Group also boasts longstanding expertise in haemostasis (blood coagulation). The Group's research has enabled it to establish partnerships with Emory University (United States) and Octagen, in order to develop a recombinant version of porcine factor VIII using its protein engineering platform. OBI-1 is produced at the biotechnology unit in Boston. This product (OBI-1) is intended for the treatment of congenital or acquired haemophilia resistant to human factor VIII. Phase I and II clinical trials have been conducted with OBI-1 in the United States. The Group is currently working together with the FDA to define the phase III protocol.

Adenuric® (febuxostat). Within the framework of the partnership established in July 2003 with the Japanese group Teijin, the Group signed a specific agreement to develop Febuxostat, a drug intended for the treatment of symptomatic hyperuricaemia, in Europe (a detailed description of this agreement is provided in section 22.1.2.5 of this registration document). Febuxostat is a new chemical entity, a nonpurine selective inhibitor of xanthine oxidase which degrades puric and pyrimidine bases in uric acid. In October 2006, the Group filed Adenuric for registration with the EMEA, and the Committee for Medicinal Products for Human Use delivered a positive opinion on 21 February 2008 for Adenuric® (febuxostat) in 80 mg and 120 mg tablet form for the treatment of chronic hyperuricaemia in gout patients and recommended it for marketing authorization.

11.2 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.

11.2.1 Patents

The Group considers that protection of its patented technologies and products is essential to the success of its activities. At 31 December 2008, the Group held 2,674 patents 1,745 of which were issued in European countries and 239 in the United States (in the majority of cases, each international application comprises numerous national applications and one European application upon expiry of the 30-month priority period).

At the same date, the Group had 1,586 applications for patents being considered.

European and international patent applications designate by definition a large number of countries and will give rise to patents at a later date. In reality, many of these applications will give rise to patents issued in those countries which are determined as important for the Group. Therefore the 160 European and 40 international patent applications will give rise to significantly more than the 189 national patents issued.

In countries in which the Group is seeking legal protection through patents, the duration of legal protection afforded to an individual product is generally 20 years from the date on which the Group's patent application is filed. This period of protection may be extended in certain countries, particularly in the European Union and in the United States. The protection granted, which may also vary from country to 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 afforded legal protection. The Group conducts ongoing checks to protect its inventions and to act against any infringement of its patents and commercial brands.

The following table shows the expiry dates of the patents currently held by the Group covering its principal products. The Group enjoys protection through intellectual property rights under licensing agreements for products and compounds that were patented by other companies.

Product	Patent holder	Patent expiry date
Target areas		
Oncology		
Decapeptyl® – pamoate formulation – acetate formulation	Debiopharm	2010 (Europe/United States) Syntex patent now expired
Decapeptyl® 6-month formulation	Debiopharm	2028 (if patent application granted)
Toremifene Citrate – HGPIN indication – ADT side-effect indication	University of Tennessee Research Corporation GTx	2019 (Europe) 2022 (Europe)
Diflomotecan	Ipsen	2016 (Europe/United States)
BN 80927	Ipsen	2016/2018 (Europe) and 2016 (United States)
BN 2629 (SJG-136)	Spirogen	2019 (Europe/United States)
BN 83495 (STX 64)	Ipsen (Sterix)	2017 (Europe/United States)
STX 140	Ipsen (Sterix)	2017 (Europe/United States)

Product	Patent holder	Patent expiry date
Endocrinology		
Somatuline® Autogel®	Ipsen	2015 (Europe [1]) and United States)
Somatuline®	Tulane University	2005 (Europe [2]) and 2009 (Europe [3])
BIM 23A760	Ipsen	2024 (if patent application granted)
NutropinAq®	Genentech	2013 (Europe)
Increlex® – Medical use – Formulation – Manufacturing process	 Genentech Genentech Genentech	 2015 (Europe) and 2014 (United States) 2017 (United States) 2018 (United States)
GH + IGF-1 Combination – Medical use (growth stimulation)	 Genentech	 2011 (Europe)
BIM 51077	Ipsen	2019
BIM 51182	Ipsen	2019
BIM 28131	Ipsen	2023 (if patent application granted)
Neurology		
Dysport® [5]	–	No patent filed
Apokyn®	–	No patent
Primary care		
Smecta® – Active substance – Process – New aroma formulation	 Ipsen Ipsen	 Patent expired 2025 (if patent application granted) 2028 (if patent application granted)
Forlax®	–	No patent filed
Tanakan® [4]	Schwabe Indena	2009/2010 (Europe) 2009 (Europe) and 2014 (United States)
Ginkor Fort® [4]	Schwabe Indena	2009/2010 (Europe) 2009 (Europe) and 2014 (United States)
Nisis® and Nisisco® – Active substance – Oral formulation	 Ciba Geigy/Novartis	 2011 2017
Exforge – Active substance – Oral formulation	 Ciba Geigy/Novartis	 2011 2017
Adenuric® (febuxostat)	Teijin	– active substance: 2011 – polymorph form: 2019 (if new patent application granted) – solid composition: 2023 (if new patent application granted)
Other therapeutic areas		
Neurology		
BN 82451	Ipsen	2020 (Europe/United States)
Haematology		
OBI-1: – active substance – formulation	 Emory University Ipsen	 2016 (Europe) and 2016 (United States) 2023 (if new patent application granted)

(1) An application for a supplementary protection certificate has been granted in Austria, Belgium, Spain, Greece, Luxembourg, Sweden and Portugal (expiry date 2016) and is currently pending in Denmark. Similar applications were submitted and rejected in France and the United Kingdom.
(2) Except in Belgium, France, Italy, Luxembourg and the United Kingdom.
(3) Belgium, France, Italy, Luxembourg and the United Kingdom, where an extension until 2009 has been secured via a supplementary protection certificate.
(4) Schwabe and Indena hold patents to EGb 761®, the active substance in Tanakan® and to the *Ginkgo biloba* extract, one of the active substances in Ginkor Fort®.
(5) There is no patent which protects the indications and the formulation which are currently marketed, but patent applications have been made for the botulinum toxin.

Expiry of the patent protecting a product may result in fierce competition owing to the emergence of generic products and, especially in the United States, in a very sharp reduction in sales of a product that used to have patent protection. In certain circumstances, 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 certain countries, some of the Group's products may also qualify for a marketing exclusivity period of five to ten years. This exclusivity period is independent of the protection granted by patent legislation and may also protect a product from competition from generic products, even when the initial patent has expired. Some of the Group's products, including certain acetate formulations of Decapeptyl®, Dysport®, Smecta® and Forlax®, have never been or are no longer protected by patents. However patents protecting the composition and/or the manufacturing process and/or the drug application may still be valid for some of these products.

11.2.2 Brands and trademarks

The protection of brands and trademarks varies from country to country. In certain countries, this protection is based primarily on use, while in others it is solely derived from registration. Rights related to brands may be secured under national trademarks, international registrations or EU-wide trademarks. Registrations are generally granted for a period of ten years and may be renewed an unlimited number of times, although, in certain cases, the brand name must be used continuously to secure continued registration.

The Group notably holds trademarks in respect of the names of the products that it uses commercially. These trademarks qualify for the protection of pharmaceutical products contained in class five of the international classification of products and services.

Registrations protect product names in Latin script, as well as product names in local script (Cyrillic, Chinese characters, etc.).

The Group's principal products, namely Decapeptyl®, Somatuline® (and Somatuline® Autogel®), Dysport®, Tanakan®, Ginkor Fort®, Smecta® and Forlax®, trademarked by the Group at 31 December 2008, are set forth in the following table.

Brands and trademarks	Number of registrations and applications
Decapeptyl®	76 (1)
Somatuline®	135
Autogel®	134
Dysport®	175
Tanakan®	136
Ginkor Fort®	95
Smecta®	150
Forlax®	138

(1) Including 64 brands and trademarks held by the Group and 12 brands and trademarks held under licence from Debiopharm.

The Group also holds registrations for the names of its component companies, as well as the logo and slogan forming the Group's graphics charter.

The Group defends its trademark rights by filing oppositions against the registration of identical or similar trademark applications and initiates, where appropriate, legal proceedings to have its rights recognized.

11.2.3 Domain names

As of 31 December 2008, the Group held 588 domain names (reserved or currently being reserved).

12

INFORMATION ON TRENDS

12.1 TECHNICAL AND REGULATORY SITUATION IN FRANCE

In France, the rate of contributions based on the sales recorded by pharmaceutical companies was 1.76% in 2006, and 1% en 2007 and 2008.

Further to the assessment of its medical rendered service, Ginkor Fort® was withdrawn from the list of reimbursable medicines on 1 January 2008. In this context, Ipsen transferred to GTF the marketing authorizations of Ginkor Fort® for France, Monaco and Andorra from 1 January 2008.

Conventional agreements between Ipsen and the Comité Economique des Produits de Santé (institution in charge of economic regulation for healthcare products in France) let to price reductions of 5.15% for Nisis® and Nisisco® on 1 July 2006, of 7% for Artotec® on August 1, 2006, of 10.17% for Adrovance on 10 October 2007.

On 25 October 2006, The French Health Minister announced that vasodilators, including Tanakan®, would continue to be reimbursed at a rate of 35% by the medical insurance bodies. A price reduction of 10% was applied on 1 July 2007.

12.2 OTHER MEASURES INTRODUCED TO REDUCE PUBLIC HEALTH SPENDING

Group sales continue to be impacted by the measures taken over the past years by the governments of the countries where it operates, particularly in Europe, in an aim to control public health spending (see sections 4.1.2 and 9.1.3 of this registration document). The Group foresees that this trend of reducing public health spending will continue in Europe in the foreseeable future.

12.3 PRODUCT TRENDS

- **Upon FDA's acceptance of the Reloxin® filing, Medicis plans to commercialize Reloxin® (botulinum toxin product Type A) in the United States, in accordance with the agreement between the parties.**

  31 January 2008 – Ipsen announced that the Food and Drug Administration (FDA) has accepted the filing of its BLA for Dysport® in the United States to treat patients with cervical dystonia. This acceptance signifies the start of the review process of the dossier.

  17 March 2008 – Ipsen and Medicis announced that Ipsen had submitted a Biologics License Application ("BLA") for the botulinum toxin type A, Reloxin® (1), in aesthetic indications (glabellar lines) to the U.S. Food and Drug Administration's ("FDA") Division of Dermatology and Dental Products, within the Center for Drug Evaluation and Research. This BLA submission by Ipsen is intended to address the concerns cited by the FDA when it declined to file the Reloxin® BLA in January 2008, which Medicis had submitted in late 2007. Standard response timeframe from the FDA is expected approximately 10 months following receipt of the Reloxin® submission. Subject to approval of the BLA by the FDA, Medicis intends to commercialize Reloxin® in the U.S. in accordance with the long-standing arrangement between Medicis and Ipsen. Changes from the original BLA submission relate primarily to sponsorship and ownership of the filing. The substantive elements of the original submission remain unchanged.

  19 May 2008 – Ipsen and Medicis announced that the Food and Drug Administration ("FDA") has accepted the filing of Ipsen's Biologics License Application ("BLA") for Reloxin®, its botulinum toxin type A in aesthetic use (glabellar lines) in the United States. This acceptance signifies the start of the review process of the dossier.

  7 January 2009 – Ipsen announced that the U.S. Food and Drug Administration (FDA) provided notification that the Prescription Drug User Fee Act (PDUFA) action date for Reloxin® (botulinum toxin of type A) Biologics License Application (BLA) in aesthetic indications (glabellar lines) has been extended to 13 April 2009.

- **Upon FDA's acceptance of the Reloxin® filing, Ipsen plans to commercialize Dysport® (botulinum toxin product Type A) in the United States.**

  31 January 2008 – Ipsen announced that the Food and Drug Administration (FDA) has accepted the filing of its BLA for Dysport® in the United States to treat patients with cervical dystonia. This acceptance signifies the start of the review process of the dossier.

  30 September 2008 – Ipsen announced that the U.S. Food and Drug Administration (FDA) provided notification that the Prescription Drug User Fee Act (PDUFA) action date for Dysport® (botulinum toxin of type A) Biologics License Application (BLA) for the treatment of patients with cervical dystonia has been extended to no later than 28 December 2008. This regulatory decision will not impact the anticipated company launch plan timing.

  29 December 2008 – Ipsen announced that the US Food and Drug Administration (FDA) issued a Complete

(1) The proposed name for the product in the U.S. aesthetic market is Reloxin®, and it is called Dysport® for medical and aesthetic markets outside the U.S.

Response Letter for its Biologics License Application (BLA) for its Botulinum toxin Type A, Dysport®. The application, submitted by the Group in December 2007, seeks approval to market Dysport® for the treatment of cervical dystonia. The Group is now actively preparing to launch the product, once approved by the FDA, and as soon as reimbursement coverage is adequate.

The FDA has not requested any new clinical studies evaluating the efficacy or safety of Dysport® prior to approval. The Complete Response Letter requests additional information, including the finalization of the Risk Evaluation and Mitigation Strategy (REMS) and of the draft labelling, as well as a Safety Update Report. Based on the information identified in the FDA's end of review complete response letter, Ipsen expects to submit the information to FDA during the first quarter of 2009.

- **The Group announced the start of the filing process in Europe of the 6-month sustained release formulation of Decapeptyl®, a luteinizing hormone releasing hormone agonist (LHRHa) developed by Debiopharm for the treatment of locally advanced or metastatic hormone-dependent prostate cancer.**

  12 February 2008 – Ipsen announced that its partner Debiopharm presented the results of a phase III study with its new 6-month formulation of Decapeptyl® (1), a luteinizing hormone releasing hormone agonist (LHRHa) for the treatment of advanced prostate cancer. The results presented show similar efficacy and safety to the already marketed 1- and 3-month formulations of triptorelin.

  25 September 2008 – Ipsen announced the start of the filing process in Europe of the 6-month sustained release formulation of Decapeptyl®, a luteinizing hormone releasing hormone agonist (LHRHa) developed by Debiopharm for the treatment of locally advanced or metastatic hormone-dependent prostate cancer.

- **Progress of Adenuric® dossier (febuxostat) 80 mg and 120 mg tablets for the treatment of chronic hyperuricaemia in gout.**

  21 February 2008 – Ipsen announced today that the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMEA) provided a positive opinion for Adenuric® (febuxostat) 80 mg and 120 mg tablets for the treatment of chronic hyperuricaemia in gout and recommended it for marketing authorisation.

  5 May 2008 – Ipsen announced that the European Commission granted marketing authorisation for Adenuric® (febuxostat) for the treatment of chronic hyperuricaemia in gout.

- **1 July 2008** – Ipsen announced that, following shareholder approval of Vernalis plc, Ipsen has completed its purchase of Apokyn® and Vernalis' US Commercial Operations. The subscription by Ipsen for 35,253,134 new ordinary shares of £0.05 (5 pence) each in the capital of Vernalis, as part of the Purchase arrangements, has also been completed today.

- **17 July 2008** – Ipsen announced that, following the announcement made on 5 June 2008 and the shareholder approval of Octagen Corporation, it has completed the purchase of all of the assets related to OBI-1. Ipsen paid accordingly to Octagen an upfront milestone of $10.5 million. Immediately following the effective transfer of all of the assets related to OBI-1, Ipsen will redeem its stake in Octagen.

- **16 October 2008** – 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 Forlax® in France.

12.4 PRODUCTIVITY DRIVE

In 2008, the Group decided to step up its efforts to increase its efficiency by launching two productivity programs covering most of the Group's activities:

- The first programme focuses on the purchasing performance the Research and Development, Manufacturing, Sales and Support Services departments. It aims at the definition and implementation of category specific purchasing policies such as *Clinical Research Organisations,* print, conference management, travels and expenses, marketing studies, transportation, mobile telephony, packaging... This program has started to deliver savings as, for example, €0.7 million were saved on marketing agency and print costs. This amount represents a 12.8% saving of addressable spend.

- The second programme focuses on continually improving the teams' efficiency and aim at operational excellence. The Group is implementing Lean Six Sigma to improve project and team management while shortening cycle times. From Development to Manufacturing, 28 people are dedicated to the programme. For example, a cycle time reduction project has been launched on the production of Forlax®. First results are expected during the course of 2009.

(1) Triptorelin formulations are mainly sold as Decapeptyl®, Diphereline® and Pamorelin®.

13 EARNINGS FORECASTS AND ESTIMATES

13.1 RESULTS FORECAST

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 section 9.1.4 of this registration document, and currently known. These targets and forecasts 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. These forecasts are determined at constant exchange rate and exclude any possible external growth assumptions, which may alter these parameters. In addition, the operating margin objectives do not include any items resulting from purchase price accounting impacts related to the group's recent transactions in North America realised during 2008.

When preparing its targets, the Group's management used the same accounting rules it adopted for its IFRS-compliant financial statements.

Amid the tough and uncertain macroeconomic conditions prevailing in early 2009, the Group has noted that drug sales remain robust in most of the countries where it operates, notably in the United-Sates, the Major Western European countries and China, in line with its expectations.

However, the Group has noted a slow start to its sales since the beginning of 2009 in some Eastern European countries, where distribution channels have been disrupted by the steep decline of their local currencies against euro. Furthermore, certain other Western European countries, such as Greece and Belgium, are experiencing a difficult start to the year. These trends have been accentuated for the Group by some temporary destocking of some of its distributors in China and Poland.

The Group does not exclude that this slowdown might be temporary over 2009, however its first quarter of 2009 sales should come significantly below expectations.

The Group's 2009 sales will therefore be adversely impacted depending on the magnitude and the length of the difficulties encountered in these Eastern European countries, which represented approximately 10% of its consolidated sales and approximately 20% if its growth in 2008.

Following these events, the Group has already implemented actions necessary to foster the recovery of a stabilised business flow in these countries as soon as possible, while at the same time actively protecting its margins.

Nevertheless, in line with its financial discipline policy, and based on a forecast of recording around €45 million in other revenues [1] during 2009, the Group will strive to reach its adjusted operating margin target of around 14.0% (in percentage of sales) for the full year 2009 prior to any accounting implications in connection with the purchase accounting of its acquisitions in North America. This adjusted operating margin target is in line with the objective of 15.0% announced in June 2008 when the Group expected to receive €11 million in royalty payments from Bayer during 2009 under a licensing agreement now the subject of litigation.

Lastly, given the acquisitions that the Group has made in North America, based on information available and notice of tax reassessments received to date, the Group expects to post an effective tax rate of between 18.0% and 20.0% of net profit from continuing operations before tax in 2009.

The Group's business over the course of 2008 was not significantly affected by the current global financial crisis. Nonetheless, the Group is present in certain geographical areas whose currency or inflation rate could be affected by the current crisis, which could cause an erosion of market share of some of the Group's products compared with competitors who operate in the local currency, or may be detrimental to the Group's margins in these areas where the Group's drugs are billed in local currencies. 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 objectives.

The forecasts and 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 4 of this registration document arose. Furthermore, achieving these targets is contingent upon the success of the Group's business strategy presented in section 6.1.1.2 of this registration document. Ipsen does not undertake to meet or give any guarantee that it will meet the targets presented in Chapter 13.

(1) Defined as the total of milestones payments received under licence agreements, royalties received from third parties and other revenues (including for example co-promotion revenues).

13.2 STATUTORY AUDITORS' REPORT ON THE PROFIT FORECASTS

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

Ipsen S.A.

Registered office: 65, quai Georges Gorse – 92650 Boulogne-Billancourt Cedex

Share capital: €84,059,683

Statutory Auditors' Report on the Profit Forecasts

Year ended December 31, 2008

To the Chairman of the Board of Directors,

In our capacity as Statutory Auditors and in accordance with Commission Regulation (EC) n°809/2004, we have prepared this report on the profit forecasts of Ipsen S.A. included in section 13 of its Registration Statement for the year ended December 31, 2008.

These forecasts and underlying significant assumptions were prepared under your responsibility, in accordance with the requirements of Commission Regulation (EC) n°809/2004 and the CESR's recommendations on forecasts.

It is our responsibility, on the basis of our procedures, to express, in accordance with the terms specified in Appendix, item 13.2 of Commission Regulation (EC) n°809/2004, our conclusions on the appropriateness of the preparation of these forecasts.

We conducted our work in accordance with professional auditing standards generally accepted in France. Our work included an assessment of the procedures implemented by management to prepare the forecasts, as well as the performance of procedures to obtain assurance about whether the accounting policies applied are consistent with those used for the preparation of the historical financial information of Ipsen S.A.. They also involved collecting information and explanations we deemed necessary in order to obtain reasonable assurance about whether the forecasts are appropriately prepared on the basis of the specified assumptions.

We remind you that, as this concerns forecasts, which are uncertain by nature, actual results may sometimes differ significantly from the forecasts presented and so, we do not express any conclusion as to the potential realization of these forecasts.

In our opinion:

- The forecasts have been properly prepared on the basis indicated,
- The accounting basis used for the purposes of these forecasts is consistent with the accounting policies applied by Ipsen S.A..

This report has been prepared solely for the purpose of filing the Registration Statement, for the year ending December 31, 2008, with the French Financial Markets Authority, or AMF *(Autorité des Marchés Financiers)*, and may not be used for any other purpose.

Paris La Défense and Neuilly sur Seine, March 20, 2009

The Statutory Auditors

KPMG Audit
A division of KPMG S.A.
Catherine Porta
Partner

Deloitte & Associés
Christophe Perrau
Partner

14 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

14.1 MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BOARDS

14.1.1 Composition of the Board of Directors

The members of the Board of Directors of the Company are:

Name	Office	Elected	Terms ends
Jean-Luc Bélingard	Chairman and Chief Executive Officer	04/06/2008	AGM held to approve the 2010 financial statements
Anne Beaufour	Director	04/06/2008	AGM held to approve the 2010 financial statements
Henri Beaufour	Director	04/06/2008	AGM held to approve the 2010 financial statements
Alain Béguin	Director	04/06/2008	AGM held to approve the 2010 financial statements
Hervé Couffin	Director	04/06/2008	AGM held to approve the 2010 financial statements
Antoine Flochel	Director	04/06/2008	AGM held to approve the 2010 financial statements
Gérard Hauser	Director	04/06/2008	AGM held to approve the 2010 financial statements
Pierre Martinet	Director	04/06/2008	AGM held to approve the 2010 financial statements
René Merkt	Director	04/06/2008	AGM held to approve the 2010 financial statements
Yves Rambaud	Director	04/06/2008	AGM held to approve the 2010 financial statements
Klaus-Peter Schwabe	Director	04/06/2008	AGM held to approve the 2010 financial statements

Antoine Flochel was appointed Vice Chairman of the Board of Directors at the Board Meeting held on 4 June 2008 for the duration of his term as a Director, at the AGM to be held in 2011 to approve the 2010 financial statements.

Anne Beaufour and **Henri Beaufour** are brother and sister. No further family relationship exist among the other members of the Company's Board of Directors.

Upon the proposal of the appointments and governance committee, the Board of Directors, on 22 January 2009, considered that **Pierre Martinet, Gérard Hauser, Hervé Couffin** and **Yves Rambaud** are independent directors within the meaning of the Board Charter described in section 16.1.1.6 of this registration document.

The following table shows other directorial, managerial and supervisory positions or partnership positions held by Directors in non-Group companies during the past five years:

Directors	Office	Company	Date
Jean-Luc Bélingard	Director	Celera Corporation (United States)	1993 to date
	Director	Lab. Corp. of America (United States)	1995 to date
	Director	NicOx (France)	2003 to date
	Director	Exonhit Therapeutics (France)	from 1999 to 2006
	Director	bioMérieux (France)	December 2006 to date
	Managing Director	Mayroy (Luxembourg)	from 2002 to 2005
Anne Beaufour	Director	Mayroy (Luxembourg)	1998 to date
	Managing Director	Mayroy (Luxembourg)	December 2005 to date
	Legal Manager	SCI du 47, Henri-Heine (France)	2000 to date
	Legal Manager	SCI Dreux Châteaudun (France)	2000 to date
	Legal Manager	SCI de la Fraternité (France)	2000 to date
	Legal Manager	Beech Tree (Luxembourg)	2001 to date
	Legal Manager	FinHestia (Luxembourg)	2003 to date
Henri Beaufour	Legal Manager	Camilia (Luxembourg)	2003 to date
	Legal Manager	Beech Tree (Luxembourg)	2003 to date
	Legal Manager	FinHestia (Luxembourg)	2003 to date
	Director	Mayroy (Luxembourg)	March 2009 to date
Alain Béguin	Legal Manager	Beech Tree (Luxembourg)	2003 to date
	Permanent Representative Beech tree	Mayroy's Board of Directors	December 2006 to date
	Legal Manager	SCI du 43, rue de Montmorency (France)	2002 to date
	Legal Manager	SCI d'Andigné VIII (France)	2002 to date
	Chairman	Alain Béguin Consultant (France)	2000 to date
Hervé Couffin	Chairman	Callisto SAS (France)	2005 to date
	Managing Partner	HC Conseil SARL (France)	2005 to date
	Permanent Representative	HC Conseil (on Antargaz's Board of Directors)	January 2006 to date
	Director	Carbone Lorraine (France)	1996 to date
	Director	CFTP (Tunisia)	2004 to date
	Advisor	Bouygues Telecom (France)	1999 to 2006
	Advisor	Neuf Cegetel (France)	2003 to 2006
	Director	Mayroy (Luxembourg)	2002 to September 2005
	Director	Gerflor (France)	Until 2005
	Member of Executive Committee	PAI Partners (France)	1998 to 2004
	Director	Ceva Santé Animale (France)	Until 2003
	Director	Neuf Cegetel (France)	2006 to 2008
Antoine Flochel	Director	Mayroy (Luxembourg)	1998 to date
	Managing Director and Chairman of the Board	Mayroy (Luxembourg)	December 2005 to date
	Legal Manager	Beech Tree (Luxembourg)	2003 to date
	Legal Manager	VicJen Finance (France)	July 2005 to date
	Partner	PwC Corporate Finance (France)	1998 to June 2005
	Member of the Advisory Board	Baigo Capital GmbH (Germany)	2007 to date
	Member of Supervisory board	New challenger SAS (France)	2007 to date
	Advisor	Financière Althea IV SAS (France)	2007 to date
	Legal Manager	VicJen Investissements (Belgium)	December 2007 to date
	Legal Manager	SCI Financière Cled	December 2008 to date

Directors	Office	Company	Date
Pierre Martinet	Chairman	IFIL France SAS (France)	2007 to date
	Director	Exor Group SA (Luxembourg)	2007 to date
	Director	Cushman & Wakefield (United States)	2007 to date
	Director	Sequana Capital SA (France)	2005 to date
	Director	Arjo Wiggins Appleton Ltd (GB)	2005 to date
	Chairman	Financière de Construction de Logement SAS (France)	2005 to 2007
	Director	Exor Finance Ltd	2004 to 2007
	Director	Adriatique B.V. (The Netherlands)	2002 to 2006
	Director	Old Town (Luxembourg)	2000 to date
	Director and Vice President	Exor USA (United States)	2000 to date
	Member of the Supervisory Board	Cartier SA (France)	1981 to date
	Member of the Supervisory Board	Worms & Cie (France)	Until 2005
	Director	Long Pond B.V. (The Netherlands)	Until 2005
	Member of the Supervisory Board	Club Méditerranée (France)	Until 2004
	Director	Société Foncière Lyonnaise (France)	Until 2004
	Director and Managing Director	Exor SA (France)	Until 2004
	Director	Adriatique SA (France)	Until 2003
	Legal Manager	Château Margaux SCA (France)	Until 2003
	Director	Banijay	May 2008 to date
Gérard Hauser	Chairman and Chief Executive Officer	Nexans (France)	October 2000 to date
	Director	Alstom (France)	11 March 2003 to date
	Director	Faurecia (France)	22 July 2003 to date
	Director	Aplix (France)	2001 to date
	Director	Electro Banque (France)	2000 to 18 November 2005
	Chairman of the Supervisory Board	Stromboli	April 2008 to date
René Merkt	Director	A. Dewavrin Fils, Brig-Glls (Switzerland)	To date
	Director	Assor S.A., Geneva (Switzerland)	Until 2007
	Director	Asunpar S.A., Geneva (Switzerland)	To date
	Director	Bruxinter S.A., Geneva (Switzerland)	To date
	Director	Canon S.A., Geneva (Switzerland)	To date
	Director	COGES Corraterie Gestion SA, Geneva (Switzerland)	To date
	Director	De Wey & Cie S.A., Fribourg (Germany)	To date
	Director	Eden Holding S.A., Montreux (Switzerland)	2004 to date
	Director	Etrea S.A., Meyrin, Geneva (Switzerland)	To date
	Director	Exbasa S.A., Geneva (Switzerland)	To date
	Director	Fimaser Invest S.A., Geneva (Switzerland)	To date
	Director	Fitral S.A., Geneva (Switzerland)	Corporation revoked in 2006
	Director	GIV Gesellschaft für Industrie, Geneva (Switzerland)	Corporation revoked in 2006
	Director	Galderma Pharma S.A., Lausanne (Switzerland)	Until 28 August 2007
	Director	Gerber & Goldschmidt A.G., Zoug (Switzerland)	To date
	Director	Homic S.A., Geneva (Switzerland)	2000 to date
	Director	Holcos S.A., Geneva (Switzerland)	To date
	Director	Hôtels Intercontinental, Geneva (Switzerland)	To date
	Director	Inyourmind Music S.A., Fribourg (Germany)	2001 to date

Directors	Office	Company	Date
	Director	L'Oréal Suisse S.A., Geneva (Switzerland)	To date
	Director	L'Oréal Produits de luxe Suisse S.A., Renens (Switzerland)	To date
	Director	Laboratoires de spécialités scientifiques sérums et vaccins, S.A., Meyrin, Geneva (Switzerland)	To date
	Director	Matt Fashion S.A., Geneva (Switzerland)	2000 to date
	Director	Mafsa S.A., Villars s/ Ollon (Switzerland)	To date
	Director	Mining & Chemical Products S.A., Geneva (Switzerland)	Corporation revoked in 2006
	Director	Novagraaf Intern. S.A., Vernier, Geneva (Switzerland)	2002 to 10 October 2007
	Director	OM Pharma, Meyrin, Geneva (Switzerland)	To date
	Director	Park Plaza Hôtel A.G., Zurich (Switzerland)	To date
	Director	Participante S.A., Fribourg (Germany)	To date
	Director	Renalco S.A., Geneva (Switzerland)	To date
	Director	S.I. Grands Espaces, Lens (France)	To date
	Director	Sisley S.A., Bachenbülach (Switzerland)	To date
	Director	S.A. Hôtelière Montreux (Switzerland)	2004 to date
	Director	Société de Gestion Fiduciaire S.A, Geneva (Switzerland)	2002 to date
	Director	Villa Toscane Holding S.A., Montreux (Switzerland)	2004 to date
	Director	Welding Engineers Ltd, Geneva (Switzerland)	Until 2006
	Director	Italfarmaco S.A., Fribourg (Germany)	Until 2004
	Director	Cie Aramayo S.A., Geneva (Switzerland)	Until 2004
	Director	Beckman Coulter Int. S.A., Geneva (Switzerland)	Until 2003
	Director	Beckman Coulter Eurocenter S.A., Geneva (Switzerland)	Until 2003
	Director	Novafin Financière S.A., Geneva (Switzerland)	Until 2003
	Director	Synchem S.A., Geneva (Switzerland)	Until 2003
Yves Rambaud	Director	Mayroy (Luxembourg)	2003 to August 2005
	Director	Géodis (France)	2003 to date
	Director	Société Métallurgique Le Nickel SLN (France)	1985 to 2006
Klaus-Peter Schwabe	Director	Mayroy (Luxembourg)	1998 to date
	Legal Manager	Extracta Beteiligungs GmbH (Germany)	1980 to date
	Legal Manager	Irexan Verwaltungs GmbH (Germany)	1986 to date
	Legal Manager	Dr W. Schwabe Familienstiftung Verwaltungs GmbH (Germany)	1993 to date
	Legal Manager	Dr Schwabe Pharma Verwaltungs GmbH (Germany)	1994 to date
	Legal Manager	A. Marggraf Arzneimittel GmbH (Germany)	2006 to date
	Legal Manager	Wallingstown Company Ltd (Ireland)	1980 to date
	Legal Manager	FinHestia SARL (Luxembourg)	2003 to date
	Legal Manager	Finvestan SARL (Luxembourg)	2005 to date
	Legal Manager	Luisenhof GmbH (Germany)	2006 to date
	Legal Manager	Carolabad Immobiliengesellschaft (Germany)	1995 to date

For the purposes of their appointments as executive officers, directors are domiciled at the Company's head office.

To the best of the Company's knowledge 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.

The resumes of the members of Board of Directors are shown below:

Jean-Luc Bélingard

Jean-Luc Bélingard, 60, is Chairman and Chief Executive Officer of the Company. From 1999 to 2001, he was a member of the Executive Board and CEO of BioMérieux-Pierre Fabre, a French healthcare conglomerate, where he was responsible for the group's worldwide pharmaceuticals diagnostics and cosmetics activities. In 1982, Jean-Luc Bélingard joined the Roche Group, where he held several positions including head of the diagnostics division. He was also a member of the executive committee in Switzerland. Jean-Luc Bélingard is also Director and Chairman of the compensation committee of the Laboratory Corporation of America, NC (United States) Director of Celera Corporation, CT (United-States), Director and member of the Compensation Committee of NicOx (France) and foreign trade advisor to the French government. Jean-Luc Bélingard is Delegate General and spokesman for G5, an association encompassing the primary French pharmaceuticals companies, namely Sanofi-Aventis, Servier, Pierre Fabre and Ipsen. He graduated from the HEC business school in 1971 and was awarded an MBA from Cornell University (United States) in 1974. Jean-Luc Bélingard was appointed to the Board of Directors of Inserm (France) at the beginning of 2006, as well as to the Board of Directors of BioMérieux (France).

Anne Beaufour

Anne Beaufour, 45, holds a bachelor's degree in geology (University of Paris Orsay). She has been a director of Mayroy (Luxembourg) since 1998, legal manager of Beech Tree SARL (Luxembourg) since 2001 and legal manager of FinHestia SARL (Luxembourg) since 2003. Anne Beaufour has been a director of the Company since 1998.

Henri Beaufour

Henri Beaufour, 44, holds a bachelor of arts degree (Georgetown, University Washington DC, United States). Since 2003, he has been legal manager of Camilia Holding (Luxembourg), Beech Tree SARL (Luxembourg) and FinHestia SARL (Luxembourg) and since 2009 he has been director of Mayroy (Luxembourg).

Alain Béguin

Alain Béguin, 61, joined the Group in 1975 as Head of Exports for Laboratoires Beaufour. Subsequently, he was general secretary of Laboratoires Beaufour, deputy CEO of SCRAS and general secretary of the Group until 1999. Previously, he worked for Bank of America. Alain Béguin is currently secretary of Mayroy's board of directors and co-legal manager of Beech Tree SARL, as well as working for an asset management organisation consultancy.

Hervé Couffin

Hervé Couffin, 57, is Chairman and chief executive officer of Callisto, a consultancy advising management teams on LBOs, and sits on the board of directors of several other companies (Carbone Lorraine, 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.

Antoine Flochel

Antoine Flochel, 44, is currently legal manager of VicJen Finance and VicJen Investissements and Vice-Chairman of the Company's Board of Directors. He is a managing director and chairman of the board of Mayroy and legal manager of Beech Tree. He worked for Coopers & Lybrand Corporate Finance (now PricewaterhouseCoopers Corporate Finance) from 1995 to 2005 and was made a partner in 1998. Antoine Flochel is a graduate of the IEP (institute of political studies) in Paris, holds a law degree and a postgraduate degree in economics of Paris Dauphine University, as well as an MSc in finance from the London School of Economics.

Gérard Hauser

Gérard Hauser, 67, has been Chairman and CEO of Nexans since June 2001. 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 and holds a law degree. He was lecturer at the IEP. Gérard Hauser is also director of Alstom, Faurecia, Aplix.

Pierre Martinet

Pierre Martinet, 59, joined the Group in September 2005 as a director. He is Chairman of IFIL France, director of Sequana Capital (previously Worms & Cie), as well as at the Exor group. From 1990 to 1992, he was a member of Perrier's executive team, where he notably oversaw the group's withdrawal from non-core activities and acquisitions. 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, a *Chevalier de l'Ordre national du Mérite,* graduated from the Paris ESC business school and from the Columbia Graduate School of Business.

René Merkt

René Merkt, 75, was called to the Bar of Geneva in 1955. He specialises in business law and financial issues. René Merkt is currently the director of several companies, including OM Pharma SA and L'Oréal (Switzerland) SA. René Merkt is a graduate of the University of Geneva and holds the Bellot medal for 50 years' professional service as a lawyer.

Yves Rambaud

Yves Rambaud, 74, was Chairman and Chief Executive Officer of Eramet from 1991 to 2002. He also participated in the management of Le Nickel from 1971 to 1991. Yves Rambaud is a graduate of the École Polytechnique and the École des Mines de Paris.

Klaus Peter Schwabe

Dr Klaus Peter Schwabe, 67, is the Chairman of Dr. Willmar Schwabe Familenstiftung, 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.

14.1.2 Composition of the Board committees

The Strategic Committee	
Chairman	Mr. Jean-Luc Bélingard
Members	Mrs. Anne Beaufour
	Mr. Henri Beaufour
	Mr. Antoine Flochel
	Mr. Hervé Couffin
Audit committee	
Chairman	Mr. Yves Rambaud
Members	Mr. Alain Béguin
	Mr. Pierre Martinet
The Appointments and Governance Committee	
Chairman	Mrs. Anne Beaufour
Members	Mr. Alain Béguin
	Mr. Hervé Couffin
The Compensation Committee	
Chairman	Mr. Antoine Flochel
Members	Mr. Yves Rambaud
	Mr. Gérard Hauser

14.1.3 Composition of the executive management

Jean-Luc Bélingard is the Chief Executive Officer of the Company and Chairman of the Board of Directors. He was appointed at the Board of directors' meeting on 4 June 2008.

14.1.4 Composition of the Executive Committee

Name	Office	Location	Joined the Group
Jean-Luc Bélingard	Chairman and Chief Executive Officer	Registered office	2001
Eric Drapé	Executive Vice-President, Manufacturing and Supply Organisation	Registered office	2007
Claire Giraut	Executive Vice-President, Chief Financial Officer	Registered office	2003
Frédéric Babin	Executive Vice-President, Human Resources	Registered office	2008
Christophe Jean	Executive Vice-President, Chief Operating Officer	Registered office	2002
Jacques-Pierre Moreau	Executive Vice-President, Chief Scientific Officer	United States	1976
Stéphane Thiroloix	Executive Vice-President, Corporate Development	Registered office	2007

The following table shows other directorial, managerial and supervisory positions or partnership positions held by members of the executive committee in non-Group companies over the past five years:

Committee Members	Office	Company	Date
Jean-Luc Bélingard	Director	Celera Corporation (United States)	1993 to date
	Director	Lab. Corp. of America (United States)	1995 to date
	Director	Exonhit Therapeutics (France)	1999 to 2006
	Director	Nicox (France)	2003 to date
	Director	bioMérieux (France)	from December 2006 to date
	Managing Director	Mayroy (Luxembourg)	from 2002 to December 2005
Frédéric Babin	–	–	–
Eric Drapé	Director	Novo Nordisk Engineering SA (France)	2004 to date
	Director	Novo Nordisk Pharmaceutical Industries Inc. (United States)	2004 to 2007
	Director	Novo Nordisk Delivery technology Inc. (United States)	2005 to 2007
Claire Giraut	–	–	–
Christophe Jean	Supervisory Board member	Exonhit Therapeutics (France)	from October 2006
Jacques-Pierre Moreau	Director	Dr Reddy's Laboratories (India)	2007 to date
Stéphane Thiroloix	Director	DBV Technologies (France)	September 2007 to date

To the best of the Company's knowledge, none of the members of the Company's 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.

Below are the resumes of the Executive Committee members:

Jean-Luc Bélingard

See section 14.1.1 of this registration document.

Frédéric Babin

Frédéric Babin joined the Company in March 2008 as Executive Vice-President, Human Resources and replace Mr. Alain Haut. He holds a Master of Business Law (Paris-Assas II) and a post graduate diploma of Labour Law. Frédéric Babin started his career at Pasteur Vaccins where he took part in setting up a joint venture with the Mérieux Institute to form the Pasteur Mérieux Sérum & Vaccins company. He also was Head of Human Resources for Europe at the Hill-Rom US company specialising in hospital beds and EVP Human Resources at Air Liquide Group. He was EVP Human Resources for other industry sectors such as the car industry where he worked for the English car components manufacturer Wagon.

Eric Drapé

Eric Drapé joined the Company in May 2007 as Executive Vice-President, Manufacturing and Supply Organisation. He spent the prior 16 years at Novo Nordisk, serving since 2004 as Senior Vice President of the company's Diabetes Finished Products. Prior to this post, he was Vice President of Product Supply at Chartres (France) and before that, Vice President of Quality International Operations and Quality Support. Eric Drapé completed his Doctorate in Pharmacy in 1986 at Université Paris XI and finished his DESS (Analytical Control of Drugs) in 1987. He also received his MBA in 1999 from the Scandinavian International Management Institute in Copenhaguen. Since 2007, Eric Drapé is member of European Advisory Board of FM Global.

Claire Giraut

Claire Giraut joined the Company in early 2003 as Chief Financial Officer. In 2002, she was a member of the Executive Board of the Technip Group, an engineering group, and Chief Financial Officer of its offshore division after Technip's acquisition of Coflexip Stena Offshore, an oil services company listed on the Nasdaq and the *Premier Marché* in Paris. From 1997 to 2001, she was Chief Financial Officer, Group Head of Communications and a member of the Executive Committee of Coflexip Stena Offshore. Before that, she was Chief Financial Officer of the Serete Group, an engineering company which she first joined in 1986 and where she subsequently held various positions in finance. She began her career with the Sanders food group in 1978. Claire Giraut graduated in 1978 from the Institut National Agronomique in Paris.

Christophe Jean

Christophe Jean was appointed Group Vice-President, Operations in May 2003. A Harvard graduate, he joined the pharmaceuticals industry with Ciba-Geigy, where he held several positions in sales and marketing (Brazil and Sweden) and international management. He was then appointed financial controller and information systems controller at the head office and was also a member of the pharmaceuticals executive committee. When Ciba-Geigy merged with Sandoz to create Novartis, Christophe Jean was appointed head of Europe, the Middle East and Africa region. In 2000, he became Chairman and CEO of Pierre Fabre Médicaments. He joined the Group in September 2002, initially in charge of creating the strategic planning and strategic marketing departments.

Jacques-Pierre Moreau

Jacques-Pierre Moreau, Executive Vice-President, Chief Scientific Officer since June 1997, is responsible for the Group's research and development programmes in Paris, London, Barcelona and Boston. Before that, he was Vice-President, Research from April 1994 and has been a member of the Executive Committee since that date. In October 1976, Jacques-Pierre Moreau founded Biomeasure Incorporated, based near Boston, and has been its Chairman and CEO since then. He was also responsible for establishing Ipsen Manufacturing Ireland Ltd. (former Kinerton Ltd.) in Ireland in March 1989, a wholesale manufacturer of active substances, of which he is a Director. Mr. Moreau has a degree in biology from the University of Orléans and a PhD in biochemistry. He has also conducted post-doctorate research at the École polytechnique. He has published over 50 articles in scientific journals and has invented or co-invented 30 patents. He is a regular speaker at scientific conferences. Since 2007 Jacques-Pierre Moreau has been a director and member of the Compensation Committee of Dr Reddy's laboratories, based in India et listed on the NYSE.

Stéphane Thiroloix

Stéphane Thiroloix joined the Company in April 2007 as Executive Vice-President, Corporate Development. He graduated from HEC Business School. After joining Roussel-Uclaf (which became Hoechst Marion Roussel and now Sanofi-Aventis) in 1987, he held various executive positions at a Corporate Level, in France, in South Africa, in Mexico and in Australia, where he was General Manager. He later became Vice-President and Sales Director at SmithKline Beecham (now GlaxoSmithKline), then Vice-President and Director of French Operations and ultimately Vice-President and Director, European Business Development and Marketing Alliances. He joined Bristol-Myers Squibb in September 2002 as Vice-President, French Operations, and was promoted Vice-President Europe and General Manager, France in January 2004.

14.2 CONFLICTS OF INTEREST INVOLVING DIRECTORS AND EXECUTIVE OFFICERS

Dr. Klaus Peter Schwabe, who is a director of the Company, 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 18.3.1 and 22.2.1 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 best of the Company's knowledge, 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.

To the best of the Company's knowledge, 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.

To the best of the Company's knowledge, the persons indicated in section 14.1.1 of this registration document have not entered into any agreement restricting the sale of their shareholding in the Company.

14.3 DIRECTORS' AND EXECUTIVE OFFICERS' DIRECT INTERESTS IN THE COMPANY AND THE GROUP AT 31 DECEMBER 2008

As stipulated on article 13 of the articles of association, each director must hold at least one share of the Company.

Name	Office	Number of shares (1)	% of share capital	Number of voting rights	% of share capital & voting rights
Jean-Luc Bélingard	Chairman-Chief Executive Officer	22,001	NS	22,002	NS
Anne Beaufour	Director	1	NS	2	NS
Henri Beaufour	Director	1	NS	2	NS
Alain Béguin	Director	2,194	NS	4,388	NS
Hervé Couffin	Director	1,201	NS	2,402	NS
Antoine Flochel	Director	3,000	NS	6,000	NS
Gérard Hauser	Director	1,347	NS	2,694	NS
Pierre Martinet	Director	2,132	NS	4,264	NS
René Merkt	Director	2,666	NS	5,332	NS
Yves Rambaud	Director	1,401	NS	1,402	NS
Klaus-Peter Schwabe	Director	1	NS	2	NS
Total		**35,945**	**0.04%**	**48,490**	**0.03%**

(1) Source: Individual accounts of Company shareholders.

Certain directors hold an indirect shareholding in the Company or have the power to influence its decisions, as stated notably in section 18.3 of this registration document.

14.4 TRANSACTIONS INVOLVING COMPANY STOCK COMPLETED IN 2008 BY DIRECTORS AND EXECUTIVE OFFICERS

To the best of the Company's knowledge, the members of the Board of Directors and their affiliates made the following disclosures in the course of 2008 concerning their transactions involving Company stock.

Name	Jacques-Pierre MOREAU
Position	Member of Executive Committee
Name and position of the affiliate	–
Description of securities	Shares
Total number of financial investment sold	32,670
Weighted average price	€40
Total amount of the sales	€1,306,800
Total number of financial instruments acquired (1)	32,670
Weighted average price	€38.26
Total amount of acquisitions (1)	€1,249,954.20

(1) Exchange of stock options.

Name	René MERKT
Position	Director
Name and position of the affiliate	–
Description of securities	Shares
Total number of financial investment sold	–
Weighted average price	–
Total amount of the sales	–
Total number of financial instruments acquired	7,500
Weighted average price	€32.09
Total amount of acquisitions	€240,663.80

Name	Gérard HAUSER
Position	Director
Name and position of the affiliate	–
Description of securities	Shares
Total number of financial investment sold	–
Weighted average price	–
Total amount of the sales	–
Total number of financial instruments acquired	234
Weighted average price	€31.76
Total amount of acquisitions	€7,433

Name	Yves RAMBAUD
Position	Director
Name and position of the affiliate	–
Description of securities	Shares
Total number of financial investment sold	–
Weighted average price	–
Total amount of the sales	–
Total number of financial instruments acquired	1,007
Weighted average price	€26.30
Total amount of acquisitions (1)	€26,492.10

(1) Exchange of stock options.

Name	Christophe JEAN
Position	Member of Executive Committee
Name and position of the affiliate	–
Description of securities	Shares
Total number of financial investment sold	–
Weighted average price	–
Total amount of the sales	–
Total number of financial instruments acquired	427
Weighted average price	€34.36
Total amount of acquisitions	€14,774.20

15 COMPENSATION AND BENEFITS

15.1 GLOBAL AMOUNT OF COMPENSATION AND BENEFITS PAID TO COMPANY OFFICERS

15.1.1 Compensation of the Chairman and Chief Executive Officer

The basis of the compensation paid to Mr. Jean-Luc Bélingard in his capacity as an executive officer of the Company was decided upon by the Board of Directors at its meetings on 15 September 2005, 16 March 2006, 21 June 2006, 16 March 2007, 26 February 2008 and 27 February 2009. The following table summarises all the compensation, options and bonus shares allotted to the Chairman and Chief Executive Officer:

Summary of the compensation, options and shares allotted to each executive officer

(in euros)	Financial year ending 31 December 2007	Financial year ending 31 December 2008
Jean-Luc Bélingard		
Compensation due in respect of the financial year (1)	1,310,340	1,357,625
Value of options allotted during the financial year	–	–
Value of shares allotted during the financial year	433,290	–
Total	**1,743,360**	**1,357,625**

(1) Excluding expatriate bonus.

The following table sets out the different components of the compensation paid to the Chairman and Chief Executive Officer:

(in euros)	Financial year ending 31 December 2007		Financial year ending 31 December 2008	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Jean-Luc Bélingard				
Fixed compensation (1)	630,006	731,485	630,006	740,340
Variable compensation (2)	443,000	370,000	495,000	443,000
Exceptional compensation	–	–	–	–
Directors' fees	70,000	70,000	70,000	70,000
Benefits in kind (3)	167,334	167,334	162,619	162,619
Total	**1,310,340**	**1,338,819**	**1,357,625**	**1,415,959**

(1) The amounts due exclude any expatriate bonus. The amounts paid include:
- for the financial year 2007, fixed compensation of €630,006 and an expatriate bonus of €101,479;
- for the financial year 2008, fixed compensation of €630,006 and an expatriate bonus of €110,334;

(2) The Board of Directors set the target bonus as follows:
- for 2007, at its meeting on 16 March 2007, at €375,000 within a range between €0 and €563,000, and fixed his 2006 bonus at €370,000. The 2006 bonus was paid in 2007;
- for 2008, at its meeting on 26 February 2008, at €450,000 within a range between €0 and €675,000, and fixed his 2007 bonus at €443,000. The 2007 bonus was paid in 2008;
- for 2009, at its meeting on 27 February 2009, at €450,000 within a range between €0 and €675,000, and fixed his 2008 bonus at €495,000.

(3) Benefits in kind consisted of company accommodation and a company car.

The target bonus is paid on the basis of qualitative and quantitative performance criteria determined annually by the Board of Directors. At its meeting on 27 February 2009, the Board of Directors set the following performance criteria for his bonus in respect of the financial year 2009: two thirds of this bonus is based on the achievement of levels of sales, operating profit, cashflow generated by the business and diluted earnings per share. The remainder of the bonus is based on qualitative criteria relating to corporate governance, the continuation of the Group's establishment in the United States, the mobilisation of Research and Development assets and operational management in the context of the economic crisis.

The following table sets out the main terms and conditions of the payments and pension regime applicable to the Chairman and Chief Executive Officer:

	Employment contract [1]		Additional pension regime [2]		Payments or benefits due or liable to become due upon termination or change of duties [3]		Payments in relation to a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Mr. Jean Luc Bélingard Chairman and Chief Executive Officer Date of renewal of appointment: Shareholders' Meeting and Board Meeting on 4 June 2008. Date of end of appointment: Ordinary Shareholders' Meeting 2011	X		X		X			X

(1) At its meeting on 27 February 2009, the Board of Directors decided to maintain both Mr. Jean-Luc Bélingard's employment contract and his company office until the renewal of his appointment in 2011.

(2) Jean-Luc Bélingard has the benefit of an additional pension commitment in force within the Company which involves the payment on retirement of a pension calculated by reference to the number of years of service shown by the date in his employment contract, namely 1 January 1995, applied at a rate of 0.6% per year to the part of his compensation below 8 PASS (the Annual Social Security Ceiling – the PASS for 2008 being €33,276) and at a rate of 1% to the part of his gross compensation (including bonuses) in excess of 8 PASS in the last twelve months in office. At its meeting on 27 February 2009, the Board of Directors amended the percentage rate for the calculation of this pension, to 1%. This rate is now applied to the compensation for the last 36 months in office.

(3) Mr. Jean-Luc Bélingard also has the benefit of a severance payment clause subject to certain conditions (see Section 15.4 of this registration document). At its meeting on 27 February 2009, the Board of Directors amended the severance payment clauses in the following way in accordance with the AFEP/MEDEF recommendations:
- the severance payment will only be due in the event of a forced departure associated with a change of control or strategy;
- the amount of the severance payment will be reduced to the equivalent of twenty-four months' compensation in respect of his employment contract and company office, compared to thirty months previously;
- the performance condition applicable to the payment is now the achievement of an operating margin of 12.5% in the last three years preceding his departure.

In addition, the Company's Board of Directors has allotted bonus shares to Mr Jean-Luc Bélingard (see Sections 15.2 and 21.1.4.2 of this registration document) as well as stock options (see Sections 15.3.2 and 15.3.3 of this registration document).

In accordance with the law of 30 December 2006, the Board of Directors at its meetings on 12 December 2007, 22 January 2009 and 27 February 2009, set the number of shares that Mr. Jean-Luc Bélingard must retain at the equivalent of 20% of the net capital gain that would be realised upon the sale of the bonus shares allotted on 12 December 2007, 22 January 2009 and 27 February 2009.

15.1.2 Compensation of non-executive officers

The amount of directors' fees allotted to members of the Company's Board of Directors is set out in the following table:

Directors	Directors' fees paid during the financial year ending 31 December 2007	Directors' fees paid during the financial year ending 31 December 2008
Anne Beaufour	€85,000	€85,000
Henri Beaufour	€50,000	€50,000
Alain Béguin	€65,000	€65,000
Hervé Couffin	€65,000	€65,000
Antoine Flochel	€150,000	€150,000
Gérard Hauser	€50,000	€50,000
Pierre Martinet	€50,000	€50,000
René Merkt	€35,000	€35,000
Yves Rambaud	€100,000	€100,000
Klaus-Peter Schwabe	€50,000	€50,000
Total	**€700,000**	**€700,000**

Half of the directors' fees were paid in 2008 and the other half in the 1st quarter of 2009.

In respect of the financial year 2007, the company Mayroy (see Section 18.1 of this registration document) paid directors' fees in an amount of €25,000 to Klaus-Peter Schwabe, and in an amount of €50,000 each to Anne Beaufour and Antoine Flochel in respect of their appointment as a director of Mayroy. The directors' fees were paid in 2008.

With the exception of the directors' fees referred to above, the other company officers do not receive any compensation or benefits in kind.

15.2 BONUS SHARES OF THE COMPANY ALLOTTED TO COMPANY OFFICERS

Some of the Company's company officers, and certain Group employees, are the holders of Ipsen Bonus Shares (described in Section 21.1.4.2 of this registration document). No bonus shares were allotted to the Company's company officers during the financial year ending 31 December 2008.

The following table sets out all the Ipsen Bonus Shares granted to the Company's company officers as at 27 February 2009:

	Date of allotment of entitlement to shares	Date of definitive allotment of shares	Number of shares to be retained [2]	Number of shares granted
Jean-Luc Bélingard	06/12/2005	06/12/2007 [1]	nm	11,000
	12/12/2006	12/12/2008 [1]	nm	11,000
	12/12/2007	12/12/2009	Equivalent of 20% of the net capital gain realised upon sale	11,000
	22/01/2009	22/01/2011	Equivalent of 20% of the net capital gain realised upon sale	30
	27/02/2009	27/02/2011	Equivalent of 20% of the net capital gain realised upon sale	11,000
Total				**44,030**

(1) At its meetings on 12 December 2007 and 12 December 2008, the Board of Directors formally recognised that the suspensive conditions governing the definitive allotment of the bonus shares had been satisfied.
(2) In accordance with the legislative provisions and with the decisions of the Board of Directors of 12 December 2007, 22 January 2009 and 27 February 2009.

The following table sets out all the Bonus Shares acquired during the financial year ending 31 December 2008:

	Date of the plan	Number of shares acquired	Conditions of acquisition
Jean-Luc Bélingard	12/12/2006	11,000 [1]	Achievement of sales and operating profit targets

(1) At its meeting on 12 December 2008, the Board of Directors formally recognised that the suspensive conditions governing the definitive allotment of the bonus shares had been satisfied.

15.3 STOCK OPTIONS GRANTED TO COMPANY OFFICERS

15.3.1 Mayroy Options

Some of the Company's company officers, and certain Group employees, are the holders of stock options (the "Mayroy Options") in respect of shares in Mayroy, the Company's parent company. The following table sets out all the Mayroy Options granted to members of the Company's Board of Directors as at 31 December 2008:

	Exercise price [1]	Exercise periods [2]	Number of Mayroy Shares covered by Mayroy Options	Number of Mayroy Options exercised
Jean-Luc Bélingard	€24.44	From 05/12/2006 to 25/03/2014	496,800	0
Total			**496,800**	**0**

(1) Average exercise price per share, in euros.
(2) Since the Mayroy Options were allotted under several plans, their exercise dates vary. The dates given indicate the beginning and end of the first and last exercise periods, respectively.

In the event that the Mayroy Options become exercisable, the liquidity mechanism offered to the holders of such options by the Mayroy Agreement described in Section 18.3.2 of this registration document would enable company officers of the Company holding such options to be allotted, by Mayroy, a maximum number of 600,392 existing shares of the Company currently owned by Mayroy, in exchange for the Mayroy shares subscribed by them upon the exercise of such options.

15.3.2 Ipsen Options

Some of the Company's company officers, and certain Group employees, are the holders of stock options (the "Ipsen Options") in respect of shares in the Company.

No stock options were allotted to the Company's company officers during the financial year ending 31 December 2008.

No stock options were exercised by a company officer of the Company during the financial year ending 31 December 2008.

The following table sets out all the Ipsen Options granted to company officers of the Company as at 31 December 2008:

	Nature of the options	Exercise price (1)	Exercise periods	Number of Ipsen shares covered by Ipsen Options	Number of Ipsen Options exercised
Jean-Luc Bélingard	Subscription options	€33.21	From 12 December 2010 to 12 December 2018	133,333	0
	Purchase options	€35.86	From 12 December 2011 to 12 December 2018	133,333	0
	Purchase options	€38.73	From 12 December 2012 to 12 December 2018	133,334	0
Total				**400,000**	**0**

(1) Average exercise price per share, in euros.

15.4 AGREEMENTS ENTERED INTO BY THE GROUP WITH ITS SENIOR EXECUTIVES OR KEY SHAREHOLDERS

In the context of the liquidity mechanism relating to the Mayroy Options described in Section 18.3.2 of this registration document, the Company has entered into an agreement with Société Générale Bank & Trust (SGBT) and Mayroy, the purpose of which is to appoint SGBT to manage the Mayroy Options liquidity mechanism. This agreement was approved by the Company's Board of Directors on 26 September 2005.

Pursuant to this agreement, the Company has, in particular, undertaken to provide Mayroy and SGBT with all the information in its possession necessary to implement the liquidity mechanism, and to ensure that the liquidity mechanism runs smoothly on behalf of Group employees holding Mayroy Options.

The Company has also undertaken in this agreement to pay SGBT's expenses and fees, and to indemnify Mayroy against losses of any kind that it might suffer due to the Company sending SGBT incorrect information pursuant to its obligations.

This agreement remained in force in 2008.

At its meeting on 15 September 2005 prior to the Stock Market floatation, the Board of Directors approved the benefit of the additional pension commitment in the Company and the severance payment allocated to the Chairman and Chief Executive Officer. This payment is the equivalent of 30 months' compensation in respect of the company office plus salary. This agreement was ratified by the General Meeting of Shareholders on 2 June 2006.

In accordance with the law of 30 December 2006, the Board decided at its meeting on 12 December 2007 to make Mr. Jean-Luc Bélingard's severance payment subject to the following performance condition:

- the maintenance of the Group's recurring operational margin of at least 10% in the last three years preceding his departure.

This agreement was approved by the General Meeting of Shareholders on 4 June 2008.

At its meeting on 27 February 2009, the Board of Directors amended the severance payment clause in the following way in accordance with the AFEP/MEDEF recommendations:

- the severance payment will only be due in the event of a forced departure associated with a change of control or strategy;
- the amount of the severance payment will be reduced to the equivalent of twenty-four months' compensation in respect of his employment contract and company office, in addition to the payment provided by the Company's collective agreement.

In accordance with the law of 30 December 2006, the Board decided at its meeting on 27 February 2009 to make Mr. Jean-Luc Bélingard's severance payment subject to the following performance condition:

- the maintenance of the Group's average operating margin at 12.5% in the last three years preceding his departure.

This agreement will be submitted for the approval of the next General Meeting of Shareholders on 4 June 2009.

15.5 LOANS AND GUARANTEES GRANTED TO EXECUTIVE OFFICERS

None.

16 OPERATION OF THE COMPANY'S GOVERNING BODIES

16.1 ORGANISATION OF THE COMPANY'S GOVERNING BODIES

16.1.1 Organisation of the Board of Directors

■ 16.1.1.1 Members of the Board of Directors

Subject to the derogations provided by law, the Board of Directors comprises not less than three and not more than eighteen members, elected by the Ordinary General Meeting of Shareholders.

Directors must own at least one share in the Company. A Director who does not own the requisite number of shares on the date of his election or who ceases to own the requisite number of shares during his term of office, and who fails to remedy the position within three months, will automatically be deemed to have resigned from office.

Should one or more seats on the Board of Directors become vacant between two General Meetings, either through death or resignation, the Board of Directors may appoint temporary replacements under the conditions provided by law. However, if the number of Directors falls below the minimum legal requirement, the Directors still in office, or failing that the Statutory Auditors, must immediately call an Ordinary General Meeting of shareholders to bring the Board back up to strength. Temporary appointments made by the Board of Directors will be subject to ratification by the next General Meeting. If the temporary appointments are not approved by the General Meeting, the resolutions adopted and actions taken by or with the support of such Directors will nevertheless still be valid. A Director elected to replace another will only remain in office for the remainder of his predecessor's term.

Directors are elected for a term of three years, and their duties come to an end upon the conclusion of the Ordinary General Meeting of shareholders called to approve the financial statements for the previous financial year ended which is held in the year in which the term of office of the said Director expires. Outgoing Directors may always stand for re-election.

■ 16.1.1.2 Chairman of the Board of Directors

The Board of Directors shall elect a Chairman from among its members, for a term that may not exceed his term as a Director. The Chairman must be a natural person, failing which the appointment will be null and void. The Chairman may stand for re-election and may be removed by the Board of Directors at any time.

In the event of the Chairman's temporary unavailability or death, the Board of Directors may appoint another Director to take his place for a limited but renewable period in the event of temporary unavailability, and until a new Chairman is elected, in the event of death.

The Chairman chairs the Board's meetings and organises and manages its work. He reports to the General Meeting on the work of the Board of Directors and executes its decisions. The Chairman is responsible for ensuring that the Company's governing bodies function correctly and that the Directors are capable of performing their duties.

The Board of Directors may also appoint a Deputy Chairman from among its members, who must be a natural person, and who chairs meetings of the Board in the absence of the Chairman. Otherwise, in the absence of the Chairman, meetings of the Board of Directors are chaired by the oldest Director present.

■ 16.1.1.3 Board meetings

The Board of Directors meets as often as required in the interests of the Company. Meetings are called by the Chairman.

If the Board has not met for a period of over two months, at least one third of its members, and the Chief Executive Officer if he is not also the Chairman, may ask the Chairman to call a meeting to discuss a particular agenda. The Chairman may not refuse to call a meeting under these circumstances.

Should he fail to do so, and only in such a case, the Chief Executive Officer, one of the Deputy Chief Executive Officers or at least two Directors may call a Board meeting and set the agenda.

Notice of meetings may be issued by any means in writing (e.g. by letter, fax, telex or electronic mail), not less than fifteen days before the date of the meeting, except in emergencies when the notice may be issued by any means until the day before the meeting. Notices of meetings may, however, be issued verbally and without a period of notice if all members of the Board so agree.

Meetings take place either at the Company's registered office or in any other place indicated in the notice of meeting.

An attendance register is kept and signed by those Directors attending the Board meeting.

■ 16.1.1.4 Quorum and majority

The Board of Directors can only validly transact business if at least half of its members are present. Decisions are taken by a majority of the Directors present or represented. In the event of a split vote, the Chairman has a casting vote.

Directors attending meetings via videoconferencing or other electronic means are deemed to be present for the purposes of calculating the quorum and majority, within the limits and under the conditions provided by law. This option cannot be used in the case of the decisions referred to in Articles L.232-1 and L.233-16 of the *Code de commerce.*

■ 16.1.1.5 Powers

The Board of Directors is responsible for defining and implementing the Company's strategic objectives.

Subject to the powers expressly reserved to General Meetings of Shareholders and within the limits of the Company's corporate object, the Board of Directors is competent to consider any matters affecting the proper running of the Company, and can take decisions governing any matters concerning it.

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 can prove that the third party knew the act was *ultra vires* or could not fail to have known this given the circumstances, on the understanding that the mere publication of the Company's Articles of Incorporation is not sufficient to constitute such proof.

The Board of Directors shall carry out such controls and verifications as it deems fit.

All the Directors must receive the information necessary for them to perform their duties, and they may obtain any documents they consider necessary from the Company's executive management.

16.1.1.6 Board Charter

By a decision dated 22 January 2009, the Board of Directors amended its internal charter adopted on 12 December 2007, the purpose of which was to set out the role and manner of operation of the Board, in accordance with the legal provisions, the Company's Articles of Incorporation and the rules of corporate governance applicable to listed companies. The main provisions of the Board Charter are described below.

16.1.1.6.1 Role of the Board

The Board of Directors is responsible for governing the Company within the framework of its legal obligations and the obligations set out in its Articles of Incorporation:

- the Board of Directors regularly reviews the strategic objectives and guidelines of the Company and Group, its investment, asset sale or internal restructuring projects and the Group's general human resources policy, and in particular its policy on employee compensation, profit-sharing and incentive schemes. It conducts an annual performance appraisal of the Company's senior executives and is consulted on new executive appointments;
- it approves acquisitions or sales 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;
- it is informed by its Chairman and its committees of all material events concerning the Group's and the Company's business dealings, financial structure and cash position;
- it is responsible for communications with shareholders and the general public, particularly through its supervision and control of the information provided by the Company. In this respect, the Board is responsible for defining the Company's communications policy, particularly as regards the frequency of publication of financial information relating to the Group;
- it 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.

16.1.1.6.2 Members of the Board of Directors

Directors must devote the appropriate time and attention to their duties and are expected to attend meetings of the Board and any committees of which they are a member.

The annual report indicates any directorships and partnerships, and managerial and supervisory positions held by Directors, and indicates the level of attendance of each member at committee and Board meetings.

Directors should be chosen for the skills and experience they can offer the Company and the Group in their business operations.

Directors are deemed to be independent if they satisfy the following criteria on the date the assessment is made:

- they are 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 *Code de commerce*;
- they are neither executive officers, nor closely related to an executive officer of a company in which a Group entity holds an executive office, either directly or indirectly;
- they are 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;
- they (i) do not represent a shareholder that owns, (ii) are not members of an entity that directly or indirectly owns, and (iii) do not directly or indirectly own, more than five percent of the Company's share capital or voting rights.

The meaning of executive officer and close relationship with an executive officer are defined in Article L. 621-18-2 of the *Code monétaire et financier.*

The Board shall determine at least annually which Directors satisfy these independence criteria, and shall present its conclusions to the shareholders (i) at each General Meeting called to approve the financial statements, and (ii) at General Meetings called to elect new Directors or ratify Directors appointed by the Board.

Directors may attend training sessions on specific areas of the Company, its business activities and industrial sector, arranged on the Company's own initiative or at the request of the Board of Directors.

Before accepting office, Directors should familiarise themselves with any general or specific obligations imposed upon them. In particular, they should familiarise themselves with the law governing the Company, its Articles of Incorporation and all the provisions of the Board Charter.

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 from the relevant vote of the Board except where an ordinary business agreement on normal terms and conditions is involved.

Directors are required to contribute to the determination of the Company's and Group's strategic objectives, and to exercise control over their implementation. They should exercise careful and effective oversight of the Company's and Group's management.

Directors have a general duty of discretion as regards the deliberations of the Board and its committees. The same applies to all non-public information and documents provided to them at meetings or otherwise in the context of their functions on the Board or its committees, or in the context of participation in their deliberations. This duty of discretion does not end with their term of office.

Directors undertake to comply with all stock market regulations designed to prevent any market abuse prejudicial to the interests or image of the Company or the Group.

Directors must 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 their new obligations and duties on a regular basis.

16.1.1.6.3 Operation 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 or by the Company's Articles of Incorporation.

Once a year, the Board discusses its method of operation in an executive session and appraises the performance of the Group's executive team, including the Chief Executive Officer, but not in their presence. The Board may call in an outside consultant to conduct an appraisal.

The Appointments and Governance Committee prepares the executive session in coordination with the Vice-Chairman of the Board of Directors or a Director specially appointed for that purpose.

16.1.1.6.4 Resources of the Board of Directors

The Board of Directors may establish temporary or permanent specialised committees comprising between three and six Directors, including a Committee Chairman whom it also appoints. These committees report to the Board on their work and submit their recommendations and proposals.

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 ask to see any reports, documents and research prepared by the Group and may commission any external technical reports at the Company's expense, subject to the usual confidentiality undertakings.

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.

Similarly, the Directors may, together or individually, ask the Chairman for any information that appears to them to be necessary, provided this does not breach any confidentiality rules.

The Directors are sent 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.

Every year, the annual report contains a review of the work and operation of the Board and its committees during the previous financial year.

16.1.1.6.5 Permanent Board committees

The Board has set up four permanent committees: a Strategic Committee, an Audit Committee, a Compensation Committee and an Appointments and Governance Committee. The role and work of these committees as defined in the Board Charter is described in Section 16.3 of this registration document.

16.1.2 Executive management

16.1.2.1 The Chief Executive Officer

16.1.2.1.1 Appointment and removal of the Chief Executive Officer

If the Board of Directors decides to split the roles of Chairman of the Board and Chief Executive Officer, it shall appoint the Chief Executive Officer, fix his term of office and determine any restrictions on his powers.

The Chief Executive Officer may be removed at any time by the Board of Directors. If the Chief Executive Officer is not the Chairman, his removal may give rise to damages if there were no proper grounds for the decision.

The Chief Executive Officer is subject to the provisions of Article L.225-94-1 of the *Code de commerce* on simultaneously holding more than one of the offices of Chief Executive Officer, member of the Executive Board, sole executive officer, director or member of the Supervisory Board of a *Société Anonyme* with its registered office in France.

If the Chairman is also the Chief Executive Officer, the provisions concerning the Chief Executive Officer also apply to him.

16.1.2.1.2 Powers

The Chief Executive Officer has the widest powers to act at all times and in all circumstances in the name of the Company, within the limits of the Company's corporate object and subject to those powers expressly reserved by law to General Meetings and to the Board of Directors.

The Chief Executive Officer represents the Company in its dealings with third parties. The Company is bound by the Chief Executive Officer's acts even if the acts are *ultra vires* the corporate object, unless the Company can prove that the third party knew the act was *ultra vires* or could not fail to have known this given the circumstances, on the understanding that the mere publication of the Company's Articles of Incorporation is not sufficient to constitute such proof.

■ 16.1.2.2 Deputy Chief Executive Officers

On a proposal from 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 fixed at five.

The scope and term of the powers granted to Deputy Chief Executive Officers are determined by the Board of Directors in agreement with the Chief Executive Officer.

With respect to third parties, Deputy Chief Executive Officers have the same powers as the Chief Executive Officer.

Deputy Chief Executive Officers may be removed by the Board of Directors at any time on a proposal from 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.

16.1.3 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 in implementing the Board's decisions. The members of the Executive Committee are as follows: Mrs Claire Giraut, and Messrs Jean-Luc Bélingard, Eric Drapé, Christophe Jean, Frédéric Babin, Jacques-Pierre Moreau and Stéphane Thiroloix.

16.2 SERVICE CONTRACTS WITH MEMBERS OF THE COMPANY'S GOVERNING BODIES

On the date of registration of this registration document, the Company is not aware of any service contract between the Company or any of its subsidiaries and any of the members of the Board of Directors or of the Company's management.

16.3 BOARD COMMITTEES

16.3.1 Rules common to all committees

- Committee members are personally appointed from among the Directors for the duration of their term of office as Director. They may not appoint a proxy to attend meetings on their behalf. They may be replaced or removed at any time by the Board of Directors. Their term of office is renewable. A Director may be a member of several committees.
- The Chairman of each committee is appointed by the Board of Directors from among the members of the committee.
- Subject to any special rules applicable to them, each committee decides the frequency of its meetings. Meetings are held at the Company's registered office or at any other place stipulated by its Chairman, who also convenes meetings and draws up their agenda.
- A quorum of at least half the members is required for committees to transact business. Members may take part in meetings by any means permitted by law or by the Articles of Incorporation.
- The Chairman of a committee may invite all the members of the Board of Directors or any other person to attend one or more of its meetings in a consultative capacity, but only committee members may vote on items on the agenda.
- Minutes of each committee meeting are prepared by the secretary of the Board of Directors, under the responsibility of the committee's Chairman. The minutes are circulated to all committee members. The Chairman reports to the Board of Directors on the committee's work under the terms and conditions determined by the Board.
- Committees make proposals and recommendations and give opinions in their field of expertise.

  For this purpose, they may conduct or commission any external reports or research to assist them in their work, at the Company's expense.

  Committees report on their work to each meeting of the Board of Directors.

The Company's annual report contains a summary of the activity of each committee.

- Fees paid to committee members and their Chairmen are set by the Board of Directors and deducted from the total amount of Directors' fees approved by the shareholders.
- 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 Charter.

16.3.2 The Strategic Committee

- 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 comprises not less than three and not more than six Directors, including the Chairman of the Board, who is also the Chairman of the Committee.
- 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.

16.3.3 The Audit Committee

- 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;
  - to examine the annual and interim financial statements, together with budgets and forecasts, prior to their presentation to the Board of Directors;
  - to control the quality of and compliance with procedures, and to evaluate information received from management, internal committees and internal and external auditors;
  - to monitor the efficacy of internal control and risk management systems;
  - to 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;
  - to 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;
  - to examine the annual statement of substantial litigation.
- The Audit Committee comprises three Directors including two who are independent according to the criteria referred to in Section 16.1.1.6.2 of the registration document. They are appointed from 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 meets at least four times a year. Meetings are convened by the Committee's Chairman.
- 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.

16.3.4 The Appointments and Governance 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;
  - to give an opinion on the appointment or replacement of the Chief Executive Officer and Deputy Chief Executive Officers if required;
  - to 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;
  - to give an opinion on the independent members of the Board of Directors.
- The Appointments and Governance Committee is composed 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 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.

16.3.5 The Compensation 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;
  - 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 Compensation Committee comprises three members including two who are independent according to the criteria referred to in Section 16.1.1.6.2 of the registration document. 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 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.

16.4 CHAIRMAN'S REPORT

The Company meets the legal requirements concerning internal control and follows the principles of corporate governance.

The Company has an internal control system covering both operational and financial processes. The Chairman of the Board of Directors has prepared a report on the preparation and organisation of the work of the Board and on the internal control procedures put in place by the Company.

16.4.1 Chairman's report on the preparation and organisation of the work of the Board and on the internal control procedures put in place by the Company

To the Shareholders,

Chairmen of the Boards of Directors of listed companies are subject by law to an obligation to prepare a report attached to the report of the Board of Directors:

- on the composition of the Board, on the preparation and organisation of its work, on any limitations placed on the powers of the Chief Executive Officer and on any special conditions relating to the participation of shareholders in General Meetings;
- on the internal control and risk management procedures put in place by the Company.

This report also sets out the principles and rules established to determine the compensation and benefits of any nature paid to company officers.

It was approved by the Board of Directors on 27 February 2009 and was sent to the Statutory Auditors.

At the outset, you are informed that in accordance with the provisions of Article L. 225-100-34 of the *Code de commerce,* any matters liable to have an impact in the event of a public offering are dealt with in the Board's report.

All the information appearing below relating to the preparation and organisation of the work of the Board and on the internal control procedures put in place by the Company relates to those procedures put in place during the financial year ending 31 December 2008.

1. Corporate governance

With regard to the Corporate Governance Code and in accordance with the decision of the Board of Directors dated 12 December 2008, the Company refers to the AFEP/MEDEF recommendations on the corporate governance of listed companies dated October 2003 as supplemented by the recommendations on the compensation of the executive company officers of listed companies published in January 2007 and October 2008, now consolidated in the AFEP MEDEF Corporate Governance Code and available on the website at www.medef.fr.

In accordance with Article L.225-37 of the *Code de commerce,* the Chairman's report sets out the provisions of the Afep/Medef Corporate Governance Code which have not been applied, as well as the reasons for this.

The Company does not apply the AFEP MEDEF recommendations as regards:

- the staggering of appointments. The Appointments and Governance Committee will include this item on the agenda of one of its meetings in 2009 and make a recommendation to the Board on this subject;
- the proportion of independent members of the Appointments and Governance Committee, which is one third and not the majority thereof, having regard to the presence of a controlling shareholding of the Company;
- the independence criteria relating to members of the Board (cf. 16.1.1.6.2). The Afep/Medef criterion relating to the fact of not having been a member of the Board of the Company for more than 12 years is not taken into account as one of the independence criteria, since the Board takes the view that it is not relevant.

Otherwise, the Board of Directors decided on 27 February 2009 to comply with the AFEP/MEDEF recommendations as regards severance payments and the additional pension regime for the benefit of Mr. Bélingard. The Board also decided to maintain both his employment contract and company office until the renewal of his appointment in 2011.

1.1 The Board of Directors and its committees

1.1.1 Composition of the Board

On 27 February 2009, the Board of Directors was composed of eleven members. The term of office of all the Company's Directors will expire at the end of the General Meeting of Shareholders called to approve the financial statements for the year ending 31 December 2010.

The members of the Board of Directors are:

Names	Office	Last re-election
Jean-Luc Bélingard	Chairman and Chief Executive Officer	04/06/2008
Anne Beaufour	Director	04/06/2008
Henri Beaufour	Director	04/06/2008
Alain Béguin	Director	04/06/2008
Hervé Couffin	Director	04/06/2008
Antoine Flochel	Director	04/06/2008
Gérard Hauser	Director	04/06/2008
Pierre Martinet	Director	04/06/2008
René Merkt	Director	04/06/2008
Yves Rambaud	Director	04/06/2008
Klaus-Peter Schwabe	Director	04/06/2008

Antoine Flochel was appointed Vice-Chairman of the Board of Directors at the Board meeting on 4 June 2008.

Of the members of the Board, Messrs Pierre Martinet, Gérard Hauser, Hervé Couffin and Yves Rambaud are independent Directors as defined by the Company's Board Charter described in Section 16.1.1.6 of this registration document.

All appointments held by the Directors in companies other than Group subsidiaries are listed in Section 14.1.1. of this registration document.

1.1.2. Preparation of the work of the Board

The Chairman makes every effort to provide members of the Board, in advance, with all the information or documents necessary for them to prepare properly for its meetings.

The draft annual financial statements are therefore sent to the Directors three days before the meeting of the Board called to approve them.

1.1.2.1 Meetings of the Board

The Board of Directors met ten times in 2008.

In accordance with the provisions of the Company's Articles of Incorporation, Directors receive notice of meetings by letter at least fifteen days in advance.

The attendance register shows that the percentage attendance at each of the Board's meetings in 2008, in person or by proxy, was as follows:

- 24 January 2008: 100% of the Directors;
- 26 February 2008: 90% of the Directors;
- 31 March 2008: 81% of the Directors;
- 13 May 2008: 100% of the Directors;
- 4 June 2008: 90% of the Directors;
- 27 June 2008: 81% of the Directors;
- 28 August 2008: 100 % of the Directors;
- 29 September 2008: 81% of the Directors;
- 13 November 2008: 90% of the Directors;
- 12 December 2008: 100% of the Directors.

As required by Article L. 823-17 of the *Code de commerce,* the Company's Statutory Auditors were invited to attend the Board meetings held to approve the annual and interim financial statements, as follows:

- the meeting of 26 February 2008 called to approve the parent company and consolidated financial statements for the financial year ending 31 December 2007;
- the meeting of 28 August 2008 called to approve the Company's interim financial statements for the six months ending 30 June 2008;
- the meeting of 27 February 2009 called to approve the parent company and consolidated financial statements for the financial year ending 31 December 2008.

During the 2008 financial year, the Board of Directors discussed the following matters, among others:

- concerning finances: approval of the interim and annual financial statements, examination of the management forecast documents and review of the 2009 budget;
- concerning the system of compensation: examination of the compensation of the Chairman and Chief Executive Officer, allotment of stock options and bonus shares to certain employees and examination of the proposed allotment of stock options and bonus shares in 2009;
- concerning strategy: examination of the Group's acquisition plans and analysis of the development of the Research and Development portfolio;
- concerning organisation: re-election of the Chairman and Vice-Chairman, analysis of the independence of Directors, assessment of the operation of the Board and adoption of the AFEP/MEDEF recommendations.

All meetings of the Board in 2008 were chaired by the Chairman, Jean-Luc Bélingard.

1.1.2.2 Organisation and operation of the specialised committees assisting the Board of Directors

At its meeting on 22 January 2009, the Board of Directors amended the Board Charter adopted on 12 December 2007, which set out the role and manner of operation of the Board in compliance with the law, the Company's Articles of Incorporation and the corporate governance rules applicable to listed companies.

In adopting the Charter, the Board created four permanent committees:

- A Strategic Committee, whose principal role 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 kinds;
- An Audit Committee, whose principal role is to examine the parent company and consolidated financial statements, together with budgets and forecasts, prior to their presentation to the Board, to monitor the quality of and compliance with internal control and risk management procedures, and to assess information received from management, internal committees and internal and external auditors;
- An Appointments and Governance Committee, whose principal role is to make proposals to the Board of Directors on the re-election, replacement or appointment of new Directors, to prepare the annual assessment of the Board of Directors, and to issue an opinion on the list of independent Directors;
- A Compensation Committee, whose principal role is to make proposals to the Board of Directors on all components of the compensation paid to the Group's company officers, members of its executive management and senior executives.

The members of these four permanent committees are as follows:

- the Strategic Committee: Jean-Luc Bélingard (Chairman), Anne Beaufour, Henri Beaufour, Antoine Flochel and Hervé Couffin;
- the Audit Committee: Yves Rambaud (Chairman), Alain Béguin and Pierre Martinet;
- the Appointments Committee: Anne Beaufour (Chairman), Alain Béguin and Hervé Couffin;

- the Compensation Committee: Antoine Flochel (Chairman), Yves Rambaud and Gérard Hauser.

During the year 2008 the permanent committees met as follows:

- the Strategic Committee met on 26 March 2008, 4 June 2008, 27 August 2008 and 12 December 2008. All meetings were attended by all the members of the Committee. The agenda for these meetings particularly covered the Group's acquisition strategy and the development of the Research and Development portfolio;
- the Audit Committee met on 19 February 2008, 26 February 2008, 7 May 2008, 27 August 2008, 9 October 2008, 7 November 2008, 1 December 2008 and 16 December 2008. All its members were present at these meetings, with the exception of one absence from the meeting on 1 December 2008. The agenda for these meetings mainly dealt with review of the annual and interim financial statements and budget;
- the Appointments and Governance Committee met on 24 January 2008 and 4 June 2008. All members were present at these meetings. The agenda mainly dealt with analysis of and recommendations regarding the assessment of the Board and re-election of the Chairman and Vice-Chairman;
- the Compensation Committee met on 20 February 2008, 31 March 2008, 29 September 2008 and 11 December 2008. All members were present at these meetings. The agenda related mainly to stock option plans and the allotment of bonus shares, examination of the compensation of the Chairman and Chief Executive Officer and of the members of the Executive Committee, and examination of the AFEP/MEDEF recommendations.

1.1.2.3 Minutes of Board meetings

The minutes of Board meetings are prepared after the meeting to which they relate and are always submitted to the Board for approval at its next meeting. Once approved by the Board, they are signed and transcribed into the Company's minute book.

1.1.2.4 Assessment of the Board

The Board of Directors has carried out an assessment of the manner in which it operates.

It carried out a self-assessment of the manner in which it operates at its meeting on 22 January 2009. The conclusion of that assessment was that the operation of the Board and its specialised Committees was very satisfactory. The Directors particularly emphasised the continued improvement in the prioritisation of subjects, the quality of the documentation provided, the attendance of management where appropriate, and the greater amount of time allowed for discussions.

■ 2. The Company's executive management and restrictions on the powers of the Chief Executive Officer

At its meeting on 4 June 2008, the Board of Directors decided not to split the offices 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.

At its meeting on 4 June 2008, the Board appointed Jean-Luc Bélingard as Chief Executive Officer for the same term as his term as a Director of the Company.

The Board has not appointed any Deputy Chief Executive Officers.

■ 3. Principles and rules governing the compensation of company officers

3.1 Directors' fees

The General Meeting on 19 September 2005 set the maximum annual amount of directors' fees at €900,000, until decided otherwise by a subsequent General Meeting.

In accordance with the Articles of Incorporation and its Board Charter, the Board of Directors distributes this compensation between its members in its discretion, taking into account (i) membership of the Board, (ii) the actual participation of each Director at meetings of the Board and its committees, and (iii) any tasks that may be entrusted to the Directors.

3.2 Compensation paid to company officers

The compensation policy with regard to company officers and their individual compensation are decided by the Board of Directors on a proposal from the Compensation Committee, in the absence of the company officers concerned.

The Board of Directors also refers to the AFEP/MEDEF recommendations of January 2007 and October 2008 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 reevaluation 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 1/3 of total compensation.

The individual elements of Mr. Bélingard's compensation are described in Section 15 of this registration document.

3.2.3 Options and bonus shares

3.2.3.1 1 Allotment policy

Company officers benefit from stock option plans and bonus shares under plans approved by the Board of Directors on a proposal from the Compensation Committee, the characteristics of which are described in Section 15 of this registration document.

3.2.3.2 Particular terms governing the exercise of options

The Board has also 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.

3.2.3.3 Retention policy

At its meetings on 12 December 2007, 22 January 2009 and 27 February 2009, the Board of Directors set the number of shares to be retained at the equivalent of 20% of the net capital gain that would be realised upon the sale of the bonus shares allotted on 12 December 2007, 22 January 2009 and 27 February 2009.

3.2.4 Payments, benefits and compensation granted to company officers upon a termination or change of their functions

3.2.4.1 Pension commitment

Company officers have the benefit of an additional pension commitment in force within the Company, which involves the payment on retirement of a pension calculated by reference to the number of years of service (subject to a minimum 5 years) shown by the date in the employment contract, namely 1 January 1995, applied at a rate of 0.6% per year to the part of the compensation below 8 PASS (the Annual Social Security Ceiling – the PASS for 2008 being €33,276) and at a rate of 1% to the part of gross compensation (including bonuses) in excess of 8 PASS, applied to the compensation for the last 36 months in office, in accordance with the decision of the Board of Directors dated 27 February 2009.

3.2.4.2. Severance payment

In accordance with the decision of the Board of Directors dated 27 February 2009, company officers benefit from a severance payment in an amount of twenty-four months' compensation in respect of their company office and employment contract, in addition to the payment provided by the Company's collective agreement, subject to the following condition:

- maintenance of the Group's average operating margin at a rate of 12.5% in the last three years preceding departure.

The severance payment is only due in the event of a forced departure associated with a change of control or strategy.

■ 4. Participation in General Meetings

All shareholders have the right to attend General 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 General 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.

■ 5. Internal control

5.1 Scope of internal control

The Group's internal control rules apply to all subsidiaries (hereinafter "the Subsidiaries") of the Company under exclusive control within the meaning of IFRS. The Company and its Subsidiaries are together referred to as the "Group".

5.2 Basis for preparation of the report

This report describes the internal control system put in place by the Group. It has been prepared with the assistance of the Finance Department based on existing procedures within the Company. These procedures were identified through interviews with the Company's key managers and consultation on the available documentation concerning the issues under review.

5.3 Internal control objectives

Internal control is a function 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:

- completion and optimisation of operations, including the effectiveness of operations and protection of the Company's assets;
- reliability of the financial statements;
- compliance with all applicable laws and regulations.

Internal control is designed to provide reasonable assurance about these matters but cannot provide absolute assurance that the objectives will be met.

To meet its internal control objectives, the Group's executive management has set out the following general guidance.

5.3.1. Control environment

The Group aims to improve continuously its internal control environment and regularly adapts its organisation to follow the evolution of operational goals which seek to achieve its economic objectives.

The human resources process development aims to support management and any staff member in adapting to changes implemented in accordance with this evolution.

The new information systems implementation, notably Enterprise Resources Planning (ERP) and the informatics governance, contribute to physical security and to the quality of available data for improvement of business management.

At the same time, the Group is setting up operational methods and procedures dedicated to relevant users through its new intranet functionality. Local managements are in charge of applying, adapting and supplemementing if necessary Group and local procedures. Through this, they contribute to setting up an internal control environment throughout the Group's various entities.

5.3.2. Risk assessment

The risk management processes described hereafter have been defined among others in line with elements described in the COSO II standard.

5.3.2.1. Risk identification and analysis

Risks are identified and analysed:

- Through a risk mapping process applied to operational risks. Risk mapping was initiated in 2006 in most of the Group's industrial sites as a first step in implementing risk management, and continued throughout 2007 and 2008. It has also been extended to the Group's Corporate Development division to cover pharmacovigilance activities. This exercise has allowed the Group to identify and prioritise the risks of each of the entities concerned, using impact, likelihood and control effectiveness assessments based on the analysis of existing control measures. For each risk in each entity, an employee has been designated to follow up on corrective actions. The process and all related information is coordinated by the Group's Insurance and Risk Management department. In 2009, implementation of the risk mapping process will continue at the Group's industrial sites and within the Corporate Development division.
- Through different approaches implemented in the Group's business units and corporate division, as described in sections 5.3.2 and 5.3.3 of this report. In 2007 the Group carried out an assessment of the legal risks likely to arise from its business. This assessment was carried out by the Legal Affairs and Insurance and Risk Management departments. A multi-year action plan was drawn up based on the mapping of identified risks. This action plan is described in section 4.4.2.2 below.

IPSEN's main risks are described in Section 4 of this report. They fall into four categories:

- Risks related to the Group and its structure, outlined in section 4.1;
- Risks linked to the pharmaceutical industry, outlined in section 4.2;
- Legal risks, outlined in section 4.3;
- Financial risks, outlined in section 4.4.

Financial risk management hedges the following risks:

- Foreign exchange risk:

  The potential exposure to foreign exchange risk is first estimated by the subsidiaries 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 regular hedging tools (foreign exchange spot, foreign exchange forward, foreign exchange swap, multi-currencies loan).

  In the light of invoicing flows, the Group essentially hedges its subsidiary customers' debts (micro-hedging upon invoices) to prevent currency rate changes. In the light of purchasing flows, the Group might hedge some of the annual purchases on the basis of budgets. In respect of the 2008 acquisitions in the USA, the Group has also hedged the foreign exchange risk on Euro versus Dollar parity from the agreement dates until payments are due.

  In accordance with its treasury charter, investment of the Group's excess cash is made exclusively in Euro products.

- Rate risk:

  Due to its positive treasury position and its current non exposure to net debt the Group has not set up hedging operation on rates in 2008.

- 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 2008 the Group had a net 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, with particular regard to the choice of custodians and managers of UCITS' selected;

  – and the methods of monitoring the performance and position of the Group's cash flow.

  In order to reinforce its liquidity, particularly within the context of acquisitions made in the USA in 2008, the Group set up a multi-currency credit line of 300 million euros in October 2008 with a syndicate of French banks. Half of this is repayable in one payment at the end of five years and half is depreciable via the straight-line method at the end of the first four years. Within this credit line, and in addition to standard contractual clauses, the Group has undertaken to maintain a maximum level of 1 for the Net Debt/Shareholder's Equity ratio and 3 for the Net Debt/Operating Profit before Depreciation and Provisions ratio at the end of each financial period at the consolidated accounts level. In the event of default, the banks would be likely to request advance repayment of the credit line. As the Group had a net cash position as at 31 December 2008, these ratios are not currently required. The Group's Audit Committee will focus part of its work during the financial year on examining the management tools and procedures of Group Treasury.

  In accordance with its treasury charter, the Group's centralised Treasury selects investment options for its cash in the light of, in particular, the ratings of their managers and custodians. It also ensures that it does not hold more than a given percentage of a money market fund, and that each line does not represent more than a given percentage of its total investment exposure. It oversees the selection of banking establishments with which it subscribes to foreign exchange derivatives.

  Within the scope of its commercial operations, the Group Management Control sees that the credit limits applicable to its international customers are respected (notably distributors and agents), in particular upon recording of new orders. It also monitors the overall progress of average payment deadlines of its subsidiaries.

  Within the scope of its partners 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 seeking to improve continuously financial risk management, the Financial department has set up an accounting closing process based on three major elements. These elements are :

  – the pre-closing meetings to indentify beforehand potential risks being supported by the affiliates' financial managers and Group controlling;

  – the control of information provided by affiliates for consolidation by the Group accounting department to ensure compliance of financial translations;

  – permanent files maintained to follow up the evolution of risk for the next accounting period.

The Group audit committee attends the pre-closing meeting with the external auditors and analysis meetings for half-yearly and year end accounts.

5.3.2.2. Risk treatment and transfer

Risk management and control activities carried out throughout the Group are described in section 4.4. "General internal control and risk management structure".

5.3.3. Control activities

Internal control activities consist of procedures and control rules designed to ensure that risks are taken into account and Group management directives are properly applied.

5.3.4. Information and communication

Information and communication activities allow the Group to identify, collect and communicate the relevant information required to assume relevant responsibilities and to take informed decisions.

5.3.5. Oversight

This involves the periodic assessment of controls, through oversight activities conducted by management, particularly within the Executive Committee and its special committees.

5.4 General internal control and risk management structure

The Group's business operations all fall within the same sector and are vertically integrated. Its operations, as presented below, are managed on a decentralised basis with autonomous business units which have real decision-making and executive power but which operate within the Group's overall strategic guidance.

The Group's business activities are:

- *pharmaceutical research and development;*
- *manufacturing;*
- *marketing* and sales activities, organised geographically by country or groups of countries, depending on their size and development maturity stage.

The central support functions are:

- executive management;
- strategic planning;
- strategic *marketing;*
- finance, including Corporate Counsel, investor relations, taxation, internal audit and the Group information technology department;
- *business development;*
- legal affairs;
- Quality & Environment, Health and Safety
- intellectual property;
- human resources;
- information department;
- public affairs and corporate communications
- supply chain and purchasing.

The *Business Units* are governed by three types of process.

- operating processes, which are the key processes involved in the Group's business activities: discovering, developing and registering drugs; manufacturing drugs and managing the *supply chain;* promoting and marketing the drugs in their various markets;
- management processes, which are the responsibility of the Group's executive management and concern the Group's organisation and strategic planning, preparation, communication and oversight;
- support processes, which help optimise and control operating processes and protect the Group's assets: finance, human resources, public affairs and corporate communications, legal affairs and administration.

As the Group operates globally, this may create the risks described in section 4.1.11 of this registration document. These risks are managed within the Business Units with support and control functions operated at administrative level.

5.4.1 General internal control structure

5.4.1.1 Board of Directors and its permanent committees

The role of the Board of Directors and its permanent committees, together with the organisation and operation of executive management, is presented in the first part of this report.

The Board of Directors carried out a self-assessment at its meeting on 22 January 2009. This evaluation concluded that the Board of Directors and its committees operate satisfactorily. The Directors highlighted in particular the continuous improvement in prioritization of topics, the quality of documents presented, relevant attendance of management and the level of discussion time made available.

5.4.1.2 Executive Committee

The Executive Committee is responsible for managing the Company's day-to-day operations and for co-ordinating the Group's various scientific, legal, financial, commercial and strategic initiatives.

Chaired by the Chairman and Chief Executive Officer, its role is to monitor the Group's strategy and its performance, to

review its financial position and treasury forecasts, to review and authorise transactions submitted to it in relation to the risks described in the section 4.1.10 and 4.4 of this registration document and to set targets for operating departments and support functions. The Executive Committee is also responsible for providing the Board of Directors with information and recommendations on subjects concerning the Group's strategy and business activities.

The Executive Committee assesses the situation relating to key management and scientists as regards the Group's reliance on key individuals (risk described in section 4.1.12 of this registration document).

The Executive Committee is also responsible for establishing consistent management policies throughout the Group and assisting the Chairman in implementing the Board's decisions.

The members of the Executive Committee are:

- Chairman and Chief Executive Officer: Jean-Luc Bélingard;
- Chief Financial Officer: Claire Giraut;
- Executive Vice-President, Human resources: Frédéric Babin;
- Executive Vice-President, Operations: Christophe Jean;
- Chief Scientific Officer: Jacques-Pierre Moreau;
- Executive Vice-President, *Corporate Development:* Stéphane Thiroloix;
- Executive Vice-President, Manufacturing and Supply Organisation: Eric Drapé.

The Executive Committee typically meets twice a month.

Minutes are drafted after each of the meetings and distributed to Committee members and internally to those employees who are involved in the issues concerned.

The Executive Committee is assisted by technical committees whose roles are described hereafter.

5.4.1.3 Management Committee

This committee was set up in 2007 under the aegis of the Chairman and the Executive Committee. It met five times in 2008. This committee is comprised of members from the Executive Committee and the Group's main executives. Its four missions are: (i) to ensure that the Executive Committee's decisions are effectively carried out, (ii) to support the Executive Committee in communicating information internally on projects which have been submitted to it, (iii) to promote exchanges between Group departments and (iv) to monitor the Group's operational performance.

5.4.1.4 Portfolio Management Teams (PMTs)

The PMTs report into the Executive Committee and are responsible for defining the Group's strategy in its therapeutic areas (primary care, endocrinology, oncology, neurology and haematology), and for coordinating its flawless execution. They are cross-functional teams and are composed of representatives from the Group's various business activities. A leader is appointed for each of them, reporting into the Executive Committee. As far as the design of the Group's strategy is concerned, their work focuses on assessing the needs of markets and patients and on acquiring scientific knowledge in the therapeutic areas concerned, for both the present situation and for provisional research and development projects, to identify and judge external growth opportunities within the Group's strategic priorities.

5.4.1.5 5 Strategic Product Planning Committee (SPPC)

The SPPC reports to the Executive Committee. Its role is to manage Ipsen's development portfolio and to review opportunities for external growth.

The Committee is composed of representatives from across the Group's business activities and the main support functions (finance, legal affairs, intellectual property, drug development, marketing and *business development*).

In development, based on data presented, the SPPC endorses progress at key decision stages of development projects. It reviews and approves the commitment of significant investments within the Codir-validated plan. Whenever necessary, the SPPC approves changes to such investments based on the data presented to it.

In business development, based on data presented, the SPPC reviews the strategic and financial balance of the projects submitted by the PMTs and prepares the Codir briefings for decisions on external growth opportunities.

The SPPC aims to strengthen and differentiate the Group's product portfolio and thus enhance its overall profile, in particular as regards the main products which are described in section 4.1.1 of this registration document.

The SPPC reports regularly on its activities to ensure that its mission is being fulfilled and that its objectives are being met. Minutes are prepared after each meeting and sent to its members and to the Group Chairman. The SPPC's activities and decisions are also presented to the Executive Committee. Twice a year, SPPC members carry out a formal assessment. This assessment includes a presentation of quantitative and qualitative performance indicators such as the evolution of the Group's R&D portfolio, the main points of decisions made and the frequency of meetings.

5.4.1.6 Financial Communications Preparation Committee (FCPC)

The purpose of this committee is to prepare the information released in regular financial communications and to formulate and update drafts submitted for the Executive Committee's approval. It is required by the financial department to participate in drafting and validating the main documents and publications used by the Group in its relations with the markets.

The permanent members of this committee, which is overseen by the Chief Financial Officer, represent the Group's principal functions.

5.4.1.7 The Corporate Disclosure Committee

The role of this committee is 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.

This committee has four members, namely the Chief Financial Officer, the Chief Legal Officer, the Chief Communications Officer and the Chief Medical Officer. Other staff may attend, if needed. It meets as required and provides the Executive Committee with the information it needs to make decisions.

5.4.1.8 Management of partnership agreements

The Executive Committee creates cross-functional teams to oversee the main projects conducted under partnership agreements, and to manage the corresponding risks as described in sections 4.1.6 and 4.1.7 of this registration document. Each team is headed by an Alliance Manager and comprises representatives of the different business activities concerned, as well as support functions.

The teams provide a central contact point for each partnership. Their role is to ensure that the Group's partnerships take place in the best possible conditions and in accordance with the terms of the agreement. They are also responsible for co-ordinating work and meetings between the parties.

A central database contains all information relating to the various partnerships.

During 2008, the partnership management organisation has been re-structured. Three managers dedicated to the monitoring and leadership of partnerships have been nominated for Europe, Japan and North America areas. They report to the Corporate business development function.

5.4.1.9 Group Strategic Planning

The Group Strategic Planning department reports to the Group Vice-President, Operations. Its role is to co-ordinate the Group's four-year plan and conduct research on the Group's organisational structure, business operations and acquisitions. The Group Strategic Planning department also takes into account, in coordination with Operations, the competitive positioning of the Group in the market in which it operates, notably in the context of risks connected with competition in the market and the environnemental risks described in sections 4.2.1 of this registration document. It makes recommendations to the Group Executive Committee.

5.4.1.10 Operations Committees

The Research Operating Committee is chaired by the Group's Chief Scientific Officer. This committee is comprised of operational and support functional managers. It meets at least once a month for decision-making regarding organisational, budget and technical matters related to research and innovation projects and partnerships and to come to decisions in fundamental changes in processes or tools.

The Corporate Development Committee is chaired by the Executive Vice-President Corporate Development. It comprises the heads of operating functions as well as support functions (pharmaceutical development, pre-clinical & clinical development, global regulatory affairs and business development, corporate legal affairs, human resources and financial controlling). Translational research and corporate strategic marketing functions attend this committee on an ad hoc basis. It meets twice a month to manage the Group's projects and partnerships and to decide the organisational changes required by the Group's strategy.

The Development Committee (pre-clinical and clinical) is chaired by the VP Drug Development and Chief Medical Officer, and comprises the operational and functional managers involved in Drug Development projects. The Development Committee meets on a monthly basis to examine the planning and execution of pre-clinical and clinical development programs, in compliance with technical, regulatory and ethical standards and ensure effective management of the risks described in sections 4.1.4, 4.1.6 and 4.2.2 of this registration document.

The Manufacturing Executive Team is headed by the Group Vice-President, *Manufacturing* and comprises the heads of the Group's manufacturing facilities and functional managers. This governance device assesses the performance of group manufacturing sites with respect to budget targets, to review current projects and significant issues relating to industrial plants or manufactured products, and specificaly the dependence risks towards third parties for product lmanufacturing and other risks of shortages and disruption described in sections 4.2.3 and 4.2.4 of this registration document.

Meeting on a monthly basis, the MET also contributes to internal communications, transferring information between the Executive Committee and the Group's various industrial sites.

The Operations Committee is headed by the Group Vice-President, Operations. It is composed of the heads of each of the key operating *Business Units* responsible for product marketing, as well as representatives of the support functions.

It meets once a month to review the Group's performance in terms of sales and product promotion in the various local and regional markets, as well as the main operating procedures applicable before their implementation. Such committees are organised regionally for Business Units.

5.4.1.11 Code of Ethical Conduct and the Ethics Committee

On 1 July 2005, at the initiative of the Executive Committee, the Group implemented a code of conduct (hereinafter "the Code of Ethical Conduct") governing all Group employees. It sets out the general principles underlying the professional conduct required of all Group employees (competition law, prevention of conflicts of interest, relations with third parties, gifts and entertainment, financial statements and fraud prevention) and summarises the key existing legal provisions governing relations between the Group and third parties.

Concomitantly, the Executive Committee has put in place an Ethics Committee independent of the Group's hierarchy to give employees who so desire the option of notifying the committee of any matter or presumed irregularity or infringement of the Code of Ethical Conduct. The Ethics Committee has the power to investigate matters reported to it and presents its conclusions directly to the Group's Executive Committee. This committee has been notified of one issue at the end of 2008, related to a company law matter. An investigation is currently in process.

This committee's activity report for 2007 was presented by its chairman to the Executive Committee at the beginning of 2008. This report confirmed the Ethics Committee's roles in terms of advice, assistance and investigation.

The Ethics-related actions deployed internally aim to address the four following missions:

- Training Group employees in company values and the principles of ethics.

- Ensuring effective transmission of the Code of Ethical Conduct throughout the Group so that there is general ethical awareness to ensure that ethical values and principles are applied.
- Advising on, assisting with and investigating notifications for every employee.
- Providing evolutionary proposals or recommendations necessary in ethics.

Following the mapping of legal risks described in section 4.3 above, the Group Legal Affairs department has implemented an action plan called the Ethics and Compliance programme, split into four fundamental items:

- Protecting Innovation by respecting intellectual property rights and confidentiality;
- Patient Care with medical excellence, quality product and quality product information;
- Compliance with commercial law and competition law;
- Integrity of practices towards patients, healthcare professionals, public authorities, public officials, shareholders and employees.

The Ethics and Compliance program is made of two components:

- The creation and the deployment of training targeted by function for all employees who have been identified as exposed to risk situations. This training started in 2007 to address anti trust laws and continued in 2008 with anti bribery measures related to civil servants and on relationships with healthcare professionals. The Group is planning to carry on theses training activities in 2009.
- The organization of meetings to address questions arising from a discussion guide that sets out in detail the principles of the Code of Ethical Conduct. These meetings take place within each Group operational unit at management level cascaded through management lines. This initiative was launched in December 2007 and will be repeated every year. Around one hundred meetings took place in 2008 throughout the Group, allowing managers the opportunity to address principles set out in the Code of Ethical Conduct.

5.4.2 Central internal control

5.4.2.1 Quality, Environment, Health & Safety

The Group has two quality departments whose role is to support the needs of the entire Group in research and development and manufacturing.

The *International Quality Assurance* department reports to the Research and Development department. Its role is to ensure that the principles of good laboratory practice ("GLP") and good clinical practice ("GCP") are followed in the development and testing of the Group's new products through to the clinical trials conducted to support their registration.

The *Global Quality* department reports to the manufacturing Business Unit. Its role is to establish quality systems that comply with good manufacturing practice ("GMP") both for products in clinical development and those that are already registered.

These departments have set up protocols for checking and auditing their operations. The role of these protocols is to ensure that all regulations and related procedures established by the Group are properly applied, and to report their conclusions to senior Company management. Qualitative criteria are assessed using predetermined indicators in all areas of quality.

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.

The Group has a corporate function responsible for Environment, Health & Safety. At the end of 2007 this was reinforced by the creation of a Groupe EHS Director to provide strategic EHS direction to Ipsen companies worldwide. The Group establishes EHS strategy, policy, standards, advocacy and governance processes, assuring alignment, consistency and compliance across Ipsen. In 2008, the function continued to harmonise site EHS management systems, together with the creation of Global EHS Standards.

5.4.2.2 Legal Affairs department

The Group Legal Affairs department is responsible for managing the Group's legal risks, notably the judicial and administrative proceedings as described in section 4.3.3 of this registration document. It plays a support, optimisation and control role in drawing up contractual terms between the Group and third parties. The Group Legal Affairs department has implemented a referral procedure setting out the areas in which and the way in which the Legal Affairs department is to be consulted by all Group companies before they enter into any agreement.

It is also responsible for managing all litigation and disputes involving Group companies and for designing and implementing the Group's ethics program.

5.4.2.3 Intellectual Property department

The Intellectual Property department is responsible for (i) protecting the Group's intangible assets, including its inventions, brands and trademarks, logos, domain names and know-how, and (ii) protecting and enhancing the value of the Group's Intellectual Property portfolio by strengthening its position with respect to third parties notably in the context of the risks described in sections 4.1.5, 4.1.9, 4.1.12, 4.2.5 and 4.2.6 of this registration document.

It plays an intelligence, information and advisory role for management and all Group companies, particularly by providing strategic information to help determine the Group's Intellectual Property policy.

5.4.2.4 Information department

The role of the Information department is to determine the framework of the information systems and to develop, implement, operate and control all information technology solutions used within the Group. To ensure that this environment is coherent and sustainable, the information systems department organises the management and functioning to ensure that the portfolio of information technology projects are in line with the Group's priorities, by managing resources used and guaranteeing the security and the quality of the information systems.

Performance is assessed with regard to compliance with the pharmaceutical industry's regulatory requirements for applications involved in the security, efficiency and quality of products and, also as regards information systems management, due to external or internal audits and of compliance with the internal rules set out by coordinators in the Group's subsidiaries.

Amoung others,in 2008, actions have been related to the setting up of a new framework for IT cost management in the context of deploying the ERP system, execution of a major program of Information Security awareness and training dedicated to the Company's staff and the strengthening of Quality and Validation procedures and methods.

5.4.2.5 Public Affairs and Corporate Communications department

The Public Affairs and Corporate Communications department is responsible for defining and overseeing the Group's communications strategy implementation. It defines the schedule of priority communication campaigns and generally maintains the coherence and checks the accuracy and relevance of information released and disseminated both internally and outside the Group.

Rules of conduct have been drawn up and brought to the attention of all employees and specific presentations are made to certain groups of employees.

5.4.3 Other components of the internal control framework implemented in operational processes

5.4.3.1 Pharmacovigilance

As part of the Drug Development Department, Pharmacovigilance is headed by the Chief Medical Officer. Its objective is to monitor the risk of undesirable side effects resulting from the use of products being developed and marketed by the Group.

Pharmacovigilance also ensures that the Group meets its regulatory obligations in respect of the following three activities in all territories where it operates.

Pharmacovigilance includes:

- gathering undesirable side effects and any 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 drugs use.

5.4.3.2 Environment, Health, Safety (EHS)

Each manufacturing plant and research and development site has its own EHS department responsible for setting out internal EHS rules and ensuring that site operations comply with safety regulations as described in section 4.1.8 of this registration document. These EHS departments set up safety action plans for personnel safety and environmental protection to deal with the risks linked to the use of dangerous substances as described in section 4.1.3 of this registration document. After a series of EHS audits in 2006 and site reviews in 2008 by Group EHS, sites implemented EHS action plans and have worked to align and implement common best EHS practices, including management reviews and related Global Standards. The principal areas of improvement concerned maintenance of vigilance regarding of occupational accidents, education on chemical risk and the Group's environmental footprint.

5.4.3.3 Logistics & supply

The logistics function is responsible for providing effective logistics flows and information systems with the aim of securing and optimising the supply of goods from the manufacturing plants to the Group's markets, notably in the context of the risks described in section 4.2.4 of this registration document.

Through the plan to re-engineer relations between manufacturing plants and operational markets implemented in 2006, the Group has harmonised and formalised its industrial management structure. With this new organisation, procedures and information systems the Group has improved coordination between sales forecasting, industrial production, finished goods availability and stock level management.

A purchasing programme (Value Improvement Programme) whas started in 2008 to optimise global purchasing categories. The main objectives are to reduce costs as well as optimizing the number of suppliers. This multi-year program includes process harmonization, skills and training, and responsibilities wihthin the different activities. Operational modes have been defined as well as KPIs. The Group has set up and tested a monthly reporting of cost reductions and expenditure optimisation per purchase categories and country.

Moreover, an operational excellence funtion was created in 2008 aimed at the analysis and improvement of the Group's operational processes. Its objective is to generate significant productivity benefits through a manufacturing and process optimisation method called "Lean Six Sigma".

5.4.3.4 Insurance and Risk Management

The Insurance and Risk Management function is the responsibility of the administrative department which reports to the Group's Finance department. Its role is to:

- identify and reduce risks, notably product liability as described in section 4.2.8, environmental risks set out in section 4.1.13 and dependence on its production tool set out in section 4.2.9 of this registration document, by assisting the implementation of appropriate prevention actions and by reviewing the follow-up of local action plans;
- provide technical support to the Group's operational departments in mapping risks and managing documents;
- arbitrate whether residual risks should be transferred to the insurance department;
- negotiate and monitor the Group's insurance policies as well as manage the risks as described in section 4.5 of this registration document;
- provide technical support to the Group's companies in negotiating and monitoring local insurance policies, ensuring that the Group's activities are adequately covered by these insurance policies;
- process claims;
- monitor the Group's legal commitments and their impact in terms of liability.

A report is transmitted to the Executive Committee annually which shows claims trends and premium budgets, risk

management measures based on their assessment and control, and the renewal of cover. Operational and financial managers are informed annually of existing insurance cover and procedures.

5.4.3.5 Audits

The pharmaceutical industry is highly 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 to the manufacture of active substances and drugs, and their promotion in the market. Furthermore, the Group's manufacturing plants and information systems are regularly inspected by regulatory agencies.

The Group's EHS (Environment, Health & Safety) and Quality departments in both Research & Development and Manufacturing conduct audits of the activities under their responsibility to ensure that they comply with applicable regulations and Ipsen's internal standards. To support this, the Group created in 2008 a corporate role, Head of Change and Assessment, to manage all QEHS GMP related audits.

Ipsen has completed a series of EHS audits on its production and R&D sites in Europe and the USA. Following on from this, a Group audit process was established to assess EHS regulatory compliance and alignment with Global Standards. This programme will become effective during the course of 2009.

The annual internal audit plan has been set up by the internal audit department and around fifteen audits, either assessing or advising in business areas and the Group's functional processes, have been carried out. Follow–up audits related to previous years' assessments have been achieved. Following the audits, remedial plans were implemented to increase the efficiency of processes and to strengthen internal control. Memoranda have been communicated to the Audit Committee. Action plan implementation has been included in managers' annual objectives for 2009.

The annual Group internal audit programme is established on the basis of a strategic and budget risk analysis, the main objectives and the current projects. It is set by Finance direction, discussed by the Executive Committee and then validated by the Audit Committee. In 2008, internal audit undertook in conformity with the audit plan about fifteen assessment and advice assignments, including previous audit follow-ups covering the Group's operational division and functional processes. If the need arose, improvement action plans were set up to ijmplement the conclusions, which were aimed at improvement and efficiency increases in processes and internal control reinforcement. Conclusions were formalised in detailed reports provided to audited entities and their operational management. Summary memoranda were submitted to Executive Committee members involved and forwarded to Audit Committee members.

5.5 Financial reporting procedures

5.5.1 Objectives and participants

The Group Finance Department is responsible for internal control over financial reporting. The key objectives are:

- 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;
- reviewing monthly 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.

5.5.2 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. Sales trends, consolidated debt, investment and workforce figures are reconciled with the periodic monitoring carried out by the Group's financial control and treasury departments.

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 comply with the Group's accounting policies.

It also verifies that the financial and accounting information reported externally by the Group is fair and comprehensive.

By the end of 2008, the new ERP was implemented in Spain, Italy, Germany, Belgium and at the affiliate located on the East Coast of the USA. It was also implemented at the start of 2009 in the French affiliates managed under the accounting entity located at the Group's headquarters. The new systems are contributing to optimisation of financial processes and activity management. In coming years, the Group is planning to deploy this system in other industrial affiliates and to integrate production activity.

5.5.3 Periodic letter of representation

At the end of each year, the finance departments 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 comply with all applicable laws and regulations. The treasury situation is evaluated and communicated to the Executive Committee on a weekly basis and performances are analysed on a monthly basis.

In 2008, the Group's treasury convention was updated in terms of investment splitting. Intercompany treasury agreements have been reviewed in line with the evolution of subsidiary legal entities. Implementing a decision of the Audit Committee, investment products permitted by the convention have also been reviewed.

5.5.4 Financial controlling

Financial Controlling is organised on the basis of the Group's business activities. It issues instructions for preparing budgets and forecasts. It controls the quality of information received in the monthly reporting and as part of the Group's budget, forecasts and plan preparation.

The Financial Controlling department also analyses the Group's actual performance and any variances against forecasts.

It identifies and quantifies the risks and opportunities involved in budget and forecast information and advises the operational Group managers on financial matters. Within the Finance department, the Financial Controllers report to the Group Auditor.

5.5.5 Authorisation of capital expenditure

This procedure is designed to assess the appropriateness of capital expenditure plans independently from the budget and forecasting process, and to obtain the information and authorisations required to commit expenditures. A summary is prepared to centralise all conclusions relevant to the decision-making process at the appropriate level.

This procedure is implemented in all the Group's manufacturing plants.

5.5.6 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.

5.5.7 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 does not take any positions which are not directly linked to the Group's operational or financial activities. The cash position is evaluated weekly and reported to the Executive Committee. Detailed performances are reported monthly.

In 2008, due to the financial market situation, the Treasury charter has been updated to adapt the Group's investment policy, in particular the products and counter-parties auhtiorised. The treasory intra-Group and extra-Group conventions have been updated to align them with the Group's legal organisation evolution.

5.5.8 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 the case may be.

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.

16.4.2 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 Ipsen S.A.

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

Ipsen S.A.

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

Share capital: €84,059,683

Statutory Auditors' report, prepared in accordance with Article L.225-235 of French Commercial Law *("Code de commerce")*, on the Report prepared by the Chairman of the Board of Directors of Ipsen S.A.

Year ended December 31, 2008

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 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 December 31, 2008.

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, particularly in terms of the corporate governance measures.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information;
- 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 other disclosures.

We conducted our work in accordance with French professional standards.

Information on the internal control 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 procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control 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 existing documentation;
- obtaining an understanding of the work performed in the preparation of this information and 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 procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board 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, March 4, 2009

The Statutory Auditors

KPMG Audit	Deloitte & Associés
A division of KPMG S.A.	
Catherine Porta *Partner*	Christophe Perrau *Partner*

17 EMPLOYEES

17.1 HUMAN RESOURCES

At 31 December 2008, the Group had 4,277 employees worldwide. Of these 4,277 employees, 817 were assigned to Research and Development activities, 1,738 to sales, 1,119 to manufacturing and supply chain functions and 603 to administration and support services.

With 3,821 employees at 31 December 2006 and 3,886 at 31 December 2007, the Group's workforce saw a modest increase of 10.1% during 2008.

17.1.1 Geographical analysis

At 31 December 2008, close to 37% of the Group's 4,277 employees and notably 56% 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.

	Sales	Manufacturing and supply	Research and Development	Administration and other	Total
At 31 December 2008					
Major Western European countries [1]	758	899	609	419	**2,685**
Other European countries	362	139	50	83	**634**
Rest of the world [2]	618	81	158	101	**958**
Total	**1,738**	**1,119**	**817**	**603**	**4,277**
At 31 December 2007					
Major Western European countries [1]	773	887	563	397	**2,620**
Other European countries	340	124	40	83	**587**
Rest of the world [2]	443	64	105	67	**679**
Total	**1,556**	**1,075**	**708**	**547**	**3,886**
At 31 December 2006					
Major Western European countries [1]	782	870	572	389	**2,613**
Other European countries	328	119	30	86	**563**
Rest of the world [2]	420	61	98	66	**645**
Total	**1,530**	**1,050**	**700**	**541**	**3,821**

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

17.1.2 Structure and trends in Group's workforce

The following tables provide an insight into the structure and recent trends in the Group's workforce. As illustrated by these tables, the Group's efforts to provide stable employment enabled the Group to maintain a high level of permanent jobs at 31 December 2008 and the size of the workforce increased by 391 employees between 31 December 2007 and 31 December 2008.

The important variations are mainly due to American employees integration, as Ipsen takes a new step forward in expanding in the USA by entering unto three major transactions : in endocrinology, an agreement has been signed to take control of our American partner Tercica Inc., in neurology, Ipsen has acquired the US subsidiary matology, the Group has acquired all OBI-1 assets from Octagen. These deals come within Ipsen's strategy of building a fully fledge presence in North America, thus significantly enhancing the Group's geographic footprint, global speciality portfolio and growth profile.

17.1.2.1 Overall trends in Group's workforce

	31/12/2008	31/12/2007	31/12/2006
Major Western European countries [1]	2,685	2,620	2,613
Other European countries	634	587	563
Rest of the world [2]	958	679	645
Total	**4,277**	**3,886**	**3,821**

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

17.1.2.2 Analysis of the workforce by type of employment contract

(As a percentage)	31/12/2008	31/12/2007	31/12/2006
Permanent	88%	97%	97%
Non-permanent	12%	3%	3%

17.1.2.3 Analysis of the workforce by employment category

	Exempt staff	Non-exempt staff	Sales force [1]
At 31 December 2008	1,404	1,479	1,394
At 31 December 2007	1,094	1,695	1,097
At 31 December 2006	1,087	1,659	1,075

(1) "Field" sales force.

Between 2006 and 2008, the number of exempt staff increased significantly (+29%). The number of non-exempt staff decreased (–11%).

17.1.2.4 Recruitments within the Group

	31/12/2008			31/12/2007			31/12/2006		
	Total	Of which		Total	Of which		Total	Of which	
		Perm.	Fixed term		Perm.	Fixed term		Perm.	Fixed term
Major Western European countries [1]	**419**	343	76	**353**	249	104	**357**	253	104
Other European countries	**186**	162	24	**182**	163	19	**142**	132	10
Rest of the world [2]	**254**	130	124	**187**	182	5	**196**	194	2
Total	**859**	**635**	**224**	**722**	**594**	**128**	**695**	**579**	**116**

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

17.1.2.5 Termination of employees within the Group

	Redundancie, dismissals	Resignations, end of fixed-term contracts, seasonal contracts	Retirements, deaths
2008 financial year			
Major Western European countries (1)	67	192	24
Other European countries	44	86	0
Rest of the world (2)	35	128	5
Total	**146**	**406**	**29**
2007 financial year			
Major Western European countries (1)	75	245	18
Other European countries	16	140	1
Rest of the world (2)	21	127	2
Total	**112**	**512**	**21**
2006 financial year			
Major Western European countries (1)	85	278	24
Other European countries	27	97	0
Rest of the world (2)	9	155	0
Total	**121**	**530**	**24**

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

17.1.3 Group's human resources policy

17.1.3.1 Group's values

"Vision, Mission and Values" are Ipsen's cultural references. In a context of growth, it should help to support our growth, focus company projects, formalise organisational changes already initiated for some time, better serve our customers, to reinforce the sense of belonging to the Group and value its ethical dimension.

- One vision: Innovation for patient care.
- One mission: An innovation driven international specialty pharmaceutical group.
- Five values:
  - Commitment: we recognise our patients, prescribers, regulatory authorities, payers, business partners, suppliers, shareholders, and our employees are the heart of everything we do and we are committed to meeting their needs and expectations.
  - Drive: we create new opportunities by nurturing innovation and welcoming change. We deliver agreed objectives and quality work on time. We demonstrate a competitive spirit, resilience, flexibility, compliance and drive to succeed.
  - Teamwork & Respect: we work together as one Group and share our knowledge across hierarchies, functions, businesses and countries. Our diversity and mutual respect strengthen our performance. We encourage individual and team development, foster expertise and reward success.
  - Value creation: we invest in our future through a strategy of clarity, consistency and market intelligence. We pursue competitive growth, profitability and business performance. We are all accountable custodians of company assets.
  - Ethics: we earn the trust of others by consistent honesty, truthfulness and acting responsibly. We adhere to the highest standards of business, social responsibility, personal integrity and safety.

17.1.3.2 Group's employment policy

Group's employment policy aims at attracting and maintaining a suitably qualified, well trained and highly motivated workforce to perform, as efficiently as possible, the various tasks and roles inherent to the Group's business activities.

17.1.3.2.1 Career development

Internal promotion is one of the key ways to motivate employees and their supervisors (5% of employees had a promotion in 2008). Accordingly, opportunities to change jobs, switch functions and to move to new locations are regularly offered to Group's employees on the jobs forum of the Group's intranet site, prior to or at the same time as they are advertised externally. In 2008, 338 job vacancies (excluding medical sales representatives) were published internally (32% for administration and support services, 30% for Research and Development, and 38% for MSO).

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

17.1.3.2.2 Use of temporary personnel

The main reason for using temporary personnel is the replacement of absent employees. It is concentrated primarily in manufacturing and supply chain departments where

absenteeism is important, while it is vital to keep production going at all times. Even so, only limited use is made of temporary staffing, since it accounted for only 301 full-time equivalents during 2008 for all Group's units, i.e. 7% of the workforce. In addition, Group's sales units use external medical sales representatives and services, specifically in France.

17.1.3.2.3 Integration of disabled workers

Disabled workers accounted for 1,03 % of the total number of Group's employees at 31 December 2008.

Ipsen wants to be exemplary about the insertion of disabled workers. In that way, a number of measures facilitating the insertion of disabled workers have been implemented for a few years. Moreover, in 2007, Ipsen initiated a diagnostic on the development of the employment of handicapped people at the France level. On the Beaufour Ipsen Industrie site in Dreux, a Professional Insertion Contract has been implemented (in collaboration with different local partners), for handicapped temps. Thanks to a progressive training, they will acquire a qualification of packaging operator. Scras Siège committed to with "Cap Emploi" to work on personalised integration of employees with a serious handicap.

In 2008 Ipsen signed an unanime agreement about the integration of disabled workers: the PHARE agreement, with the trade unions recognized within the ICN; This agreement has been validated by the Local Department of Work. A special dedicated team is going to be organized around this project to hire 18 disabled workers before the end of 2010.

Furthermore, several Group companies work with disabled workers centers for outsourcing jobs (Beaufour Ipsen Industrie in Dreux and Beaufour Ipsen Pharma in Paris, for instance).

17.1.3.2.4 Equal opportunities

The Group endeavours to ensure that all its employees adhere to its policy of non-discrimination. The Group's employment policy is based on objective criteria and individual merit. Employees are thus given equal opportunities without any discrimination on the basis of race, colour, religion, gender, disability, family situation, sexuality, age, nationality or ethnic background.

The average age of employees in the Group is: 39.

Certain Group companies have an official 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). Beaufour Ipsen Industrie in Dreux has implemented a Diversity Chart.

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

In this way, in 2008, some negotiations about Equal opportunities have been open at the UES level.

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

	31/12/2008		31/12/2007		31/12/2006	
(As a percentage)	Male	Female	Male	Female	Male	Female
Exempt	16%	17%	14%	14%	14%	14%
Non-exempt	13%	22%	18%	26%	18%	26%
Field sales force	14%	18%	11%	17%	12%	16%
Total	**43%**	**57%**	**43%**	**57%**	**44%**	**56%**

17.1.3.3 Working hours

The way working hours are organised varies considerably from country to country and depends upon professional category (fixed working hours, flexible working hours, individualised working hours, autonomous exempt employees, hourly contracts, daily contracts, annual contracts, etc.).

17.1.3.3.1 Full-time working hours

Working hours of Group companies are in line with practices and local legislation as shown in the following table:

Country	Weekly working hours (in hours)
Spain	40.0
United States	40.0
Greece	40.0
Italy	39.0
Ireland	39.0
Germany	37.5
United Kingdom	37.5
France	35.0

17.1.3.3.2 Reduction of working hours in France

In France, the reduction of legal working time down to 35 hours created an opportunity to reconsider working time organisation.

For instance, the calculation of working hours on an annualised basis with additional vacation being granted was the most frequently adopted solution for non-exempt personnel, with exempt employees mainly switching to a system of a set number of days per year.

Working hours are organised in various ways among Group's French companies. In general, the shorter working week led to an additional 13 days' leave per year per employee, all categories combined. Medical sales representatives were alone in benefiting from an additional 22 days' leave in accordance with customary pharmaceutical industry practice for this type of function. The UES Ipsen France Management and social partners have started in 2008 a negotiation about harmonisation of the 35-hour working week on all French sites.

17.1.3.3.3 Absenteeism

The following table shows the absenteeism rates by function during the 2006, 2007 and 2008 financial years:

	2008 financial year	2007 financial year	2006 financial year
Manufacturing and supply chain	3.4%	3.9%	3.6%
Sales	3.0%	4.0%	3.0%
Administration and other	2.4%	1.7%	2.7%
Research and Development	1.3%	2.2%	1.9%
Total	**2.7%**	**2.9%**	**2.8%**

17.1.3.4 Group's compensation and benefits policy

17.1.3.4.1 Compensation and benefits

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

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

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

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

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

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

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

	2008	2007	2006
Exempt	3.19%	4.97%	4.62%
Non-exempt	2.98%	3.77%	3.70%

The Median trend accorded to Ipsen employees in France in 2008 is 3.49% (except promotion).

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

(in thousand euros)	31/12/2008	31/12/2007	31/12/2006
Gross salaries and wages	202,882	179,410	166,353
Employer social security contributions	74,869	69,754	66,256
Total	**277,751**	**249,164**	**232,609**
Consolidated sales	971,022	920,475	861,676
As a % of consolidated sales	**28.6%**	**27.07%**	**26.99%**

17.1.3.4.2 Employee savings plan

Only French companies benefit from a profit-sharing agreement. Amounts recorded in accounts are shown in the following table:

(in thousand euros)	31/12/2008	31/12/2007	31/12/2006
Employee profit sharing	9,974	11,013	10,059

A description of this employee profit-sharing agreement is provided in section 17.2.1 of this registration document.

The Group also set up a corporate savings plan for employees of French companies, which is described in section 17.2.1 of this registration document.

Lastly, when the Company's shares were admitted for trading on Eurolist by Euronext™, the Group offered employees of French companies the opportunity of becoming shareholders through a dedicated mutual fund. Employees subscribing to the offer received special terms (discount of 20% plus some matching contributions by the Group).

17.1.3.5 Collective bargaining within the Group

17.1.3.5.1 Employee representation

Employees are represented at 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, employees' representation is now organised within the framework of an Economic and Social entity, with a unique Central Works Council for all employees in France. This Economic and Social entity model allows to perpetuate the central negotiation model in place since 2004 within the Group in France, which continue at the Economic and Social entity Ipsen France level within the ICN which gather Central trade unions representatives of the Economic and Social entity.

The frequency of meetings between management and employee representatives also depends on the applicable local legislation, i.e. bimonthly in the United Kingdom and in France, monthly for the ICN and bimonthlt for the CEE. in France.

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. In France, since 2006, to safeguard equal wage and promotion opportunities, employee representatives have the opportunity of a specific interview with their line and human resources managers. A specific agreement was reached in 2006 in relation to employees who are Medical Sales Representatives, for them to maintain their variable compensation opportunities while they exercise their employee representative activities.

17.1.3.5.2 Collective bargaining agreements

Where there are relevant local regulations, the Group applies collective bargaining agreements or industry agreements for the pharmaceutical sector. In addition, companies negotiate specific agreements according to their individual characteristics, requests of employee representatives, union organisations, and legal obligations.

Management continues its policy to develop the social dialogue and to negotiate favourable agreements for its employees. Accordingly, in France, management and social partners have reached an agreement in relation to the rights of employees' representatives, in order to allow them to use appropriate means to exercise their duty in the best possible conditions. In addition to time credits and training, intranet usage has been granted in order to ease communication between the representatives and the employees. In addition, in 2007, management and social partners have reached an agreement to update the Time Saving Account *(Compte Epargne Temps)* which exists for French sites' employees.

In 2008, the PHARE agreement (Disabled workers Plan to help their recruitment an their employment) has been signed, so has been a NAO agreement about compensation signed unanimous by the trade unions.

17.1.3.6 Professional training within the Group

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

In 2008, the Group devoted €2,75 million to continuous professional training, representing 1.0% of its total payroll costs. Spending excluding salaries and wages, travel and accommodation expenses broke down as follows:

Type of training

(in thousand euros)	2008	2007	2006
Team and personnel management	287	268	325
Employee efficiency and development	654	186	233
Business and technical expertise	982	1,162	1,380
Language training	434	387	509
Health, safety and environment	160	147	138
Quality procedures	148	167	277
Office and messaging applications	83	182	338
Total	**2,748**	**2,499**	**3,200**

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

	2008	2007	2006
Number of hours of training	113,179	135,378	113,823

A Group-wide framework (IDEA: Ipsen Development and Education Academy) has been implemented to facilitate the learning and development initiatives within the Group.

IDEA continues to evolve to support the philosophy and culture of company and the development of employees by encompassing:

- Integration of new employees, using a common standard implemented at local level and complemented by a specific programme for managers; During 2009 the integration materials will be enhanced to enable new employees to better understand the Ipsen Group and their role within it;
- Management and Leadership development, which aims to raise the performance of supervisors and managers to a level which guarantees the consistency of management practices within the Group and supports the availability of skilled manager to satisfy the longer term strategic needs of the Group;
- Interpersonal skills and Change Management development programmes, to foster professionalism and prepare employees for the realities of a rapidly changing environment;
- Support for priority Group and Division initiatives to meet strategic requirements, as defined in the Group Training Plan.

The Group Training Plan defines the investment in learning and development, to satisfy the strategic needs at a Group level; the requirements of local sites; and the development of individual employees.

The Individual Performance Appraisal Process (IPAP), encourages the identification of the support required to enhance job performance, including short term training needs. During 2009 the introduction of a Professional and Personal Development process (PPDP), will facilitate regular discussions between employees and their managers, regarding mid to long term development, to meet personal and business goals.

The learning and development elements from both IPAP and PPDP will be consolidated into the Group Training Plan, to ensure the consideration of individual development in conjunction with business needs.

■ 17.1.3.7 Health and safety within the Group

Ipsen believes passionately in Environment, Health and Safety (EHS). The Group's EHS policy is based upon the following principles signed by JL Bélingard in 2005:

- "we respect people, property and the environment;
- all our sites and personnel operate in a safe and responsible manner;
- we comply fully with all local environmental, Health and Safety legislation and this is supported by compliance with our Global EHS Standards;
- EHS and loss prevention are integral to all projects, business processes, planning and decision-making;
- we evaluate and report on all EHS incidents and issues so that they may be corrected;
- we promote a culture of continuous improvement in EHS performance;
- our business practices, EHS and loss prevention strategies optimally utilise resources and prevent pollution to ensure the long-term sustainable development of Ipsen and the global environment;
- we take into account a lifecycle management and product stewardship approach such that EHS requirements are a key for the selection of suppliers, contractors and business partners;

- as individuals we are all responsible for our own safety and environment together with those of our colleagues, key stake-holders and neighbours."

The Group's policy in this area is focused on compliance with local health and safety legislation and a governance aligned on all the sites.

The policy defined by the Management is cascaded on each site by the site Director. The management, together with all personnel, is strongly involved in the daily management of EHS concerns and the integration of the orientations proposed by Corporate EHS. Thus, every individual, by their own actions and behaviour, contributes to the success of this approach.

In addition, to reinforce this prevention policy, the Global EHS Committee, which includes representatives of R&D, MSO sites and Corporate, regularly meets in order to share experiences and to review best practices in order to EHS lead activities. In 2008, this committee met 3 times. Four Global Standards describing the EHS management system were created giving requirements and good practices specific to Ipsen. An Environment, Health and Safety Management Manual was also created and describes the organisation and management system necessary for environmental protection, and for the respect of employee Health and Safety. This organisation is based on a dynamic approach of prevention and with an aim of a continuous improvement of EHS performances.

Health, Safety and Working Conditions Committees (CHSCT) in France, and their equivalent in other countries, meet regularly and are associated with action plans and projects relating to health and safety of the personnel on sites.

Raising awareness and training continue to be a priority on each site. They are essential to give everyone the opportunity to recognise the risks and impacts in their activities and understand their role and their responsibilities.

In 2008, the Group carried on its training programme based on EHS risks and impacts of the sites. The required regulatory training, such as for the prevention of the fire risk or for the prevention of accidents and incidents (first-aid worker training), were performed on all the sites. In addition, EHS training for newcomers was reinforced on the sites of Signes, les Ulis and Dreux.

Other programmes more specific to the sites' activities were delivered such as awareness of chemical risks at les Ulis with training on good weighing practices as well as information on operation of laboratory hoods. At Dreux, the chemical risks prevention programme delivered training on the handling of Carcinogens, Mutagens and Teratogens. A more specific risk to Wrexham is biological risk which required training on Legionella and on biological handling in the laboratories.

To prevent explosion risks on the sites of les Ulis and Dreux, training on the risks related to explosive atmospheres (ATEX) and training on pressurised equipment were given. The site of Dreux also carried out training for the prevention of risks related to physical activity and ergonomics (PRAPE). This type of training was deployed at Signes which continued its efforts to reduce the risk of muscular stain disorders. Ergonomic experts were consulted so that specific equipment meeting ergonomic requirements could be put in place in different sectors. On the Signes site there was a one-day event on risk prevention with each participant receiving a specific booklet and a resources conservation awareness week to take a first approach in term of sustainable development. Beyond the general or specific training, the site of Wrexham implemented public awareness campaigns on well-being and relaxation and information sessions on major cancers.

In order to make all personnel aware of their responsibilities, certain sites developed publicity campaigns on the management system in particular at les Ulis, Dreux and Barcelona. Other sites have a different approach such as for example, at Isle on Sorgue, where there is a system of sponsorship which makes it possible to develop personnel competencies, or at Dublin, where the operators have training on risks assessment to understand EHS issues.

Many investments were carried out to improve health and safety for the employees of the Group. The integration of EHS functions into the Business means that the installation of new equipment or new construction projects requires a detailed evaluation of EHS impacts, such as for example the current projects in Barcelona and Dreux.

At the Group level, one of the main objectives for the year 2008 was to improve the methodology for categorisation of chemical risk for all Ipsen products. In terms of health (occupational diseases), this will optimize the protective systems related to handling by the Ipsen employees of active products or toxic products at the time of research and manufacture. In term of environmental impacts (contamination of the environment), it will make it possible to define a comprehensive strategy to move in the direction of green chemistry and sustainable development.

By daily taking care of the health and the safety of the personnel and while encouraging good practices and the implementation of preventive actions, the EHS group forms an integral part of the Group's sustainable development and Corporate Social Responsibility (CSR) approach.

■ 17.1.3.8 The Group's social initiatives

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

The scope of the Group's actions also extends beyond its business. For several years, the Group has donated drugs to TULIPE, the French pharmaceutical industry's charitable association set up originally in 1982. Ipsen has inaugurated in 2007 a "2nd Chance Foundation" center. This Foundation aims at helping people who lived in high misery to get back to an active life. It offers humane and financial support to carry out this project. Ipsen wanted to be involved in such project by setting up a centre at Dreux to give more practical help to award winners of the Foundation. In China, the Group gave a support after the earthquake of the Sichuan region in May 2008. Ipsen Mexico supports the "Candy Foundation"

which is offering a reduced treatment cost for Child Cerebral Palsy to families with limited resources. Ipsen Portugal makes a donation every year to a charity association for disabled children.

17.1.3.9 Use of outsourcing by the Group

During the 2008 financial year, the Group spent €32 million on outsourcing, compared with €31 million in 2007 and €24 million in 2006.

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

17.2 EMPLOYEE INCENTIVE SCHEMES

17.2.1 Incentive scheme and profit-sharing plans

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

Under the profit-sharing agreement dated 23 May 2006, which covers the Group's French subsidiaries, amounts set aside for the special profit-sharing reserve are calculated using an alternative method rather than the benchmark method provided by French law. For the year ended 31 December 2008, the amount set aside to the profit-sharing reserve was €10.865.581 representing a rate of à 12.54%. The profit-sharing reserve represented a rate of 12.76% for 2007 and 13.56% for 2006.

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.

During 2005, the Group also set up the Ipsen Action corporate mutual fund to hold the shares subscribed by employees of the Group's French subsidiaries as part of the share offering reserved for employees carried out in connection with the admission of the Company's shares for trading on Eurolist by Euronext™.

17.2.2 Stock options

Certain Group employees hold Ipsen options (described in section 21.1.4.1 of this registration document). The number of Ipsen options allotted to the ten Group employees (excluding members of the Board of Directors) to whom have been allotted the highest number of Ipsen options is shown in the following table:

	Number of shares corresponding to the Ipsen options	Number of Ipsen options exercised	Exercise price (in euros) (1)	Exercise period (2)
1	141,000	–	33.89	From 06/12/2009 to 12/12/2018
2	141,000	–	33.89	From 06/12/2009 to 12/12/2018
3	120,000	–	39.55	From 30/05/2011 to 12/12/2017
4	110,000	–	34.68	From 06/12/2009 to 12/12/2018
5	90,000	–	39.72	From 30/05/2011 to 12/12/2017
6	40,000	–	34.68	From 29/09/2012 to 29/09/2018
7	14,500	–	26.07	From 06/12/2009 to 29/09/2018
8	12,750	–	34.68	From 29/09/2012 to 29/09/2018
9	12,150	–	24.41	From 06/12/2009 to 29/09/2018
10	10,000	–	22.20	From 06/12/2009 to 06/12/2015

(1) Average weighted price per share in euros.
(2) The Ipsen 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.

17.2.3 Ipsen Bonus Shares

Since 22 January 2009, all employees of Ipsen Group hold 30 Ipsen Bonus Shares or 30 restricted units (described in section 21.1.4.2. of this registration document).

Certain Group employees hold additional Ipsen Bonus Shares previously allotted (described in section 21.1.4.2 of this registration document). The number of Ipsen Bonus Shares allotted to the ten Group employees (excluding members of the Board of Directors) allotted the highest number of Ipsen Bonus Shares is shown in the following table:

	Number of Ipsen Bonus Shares allotted	Number of Ipsen Bonus Shares definitively allotted (1)	Period of final allotment of the Ipsen Bonus Shares (2)
1	13,030	–	From 30/05/2009 to 27/02/2011
2	12,030	6,000	From 06/12/2007 to 27/02/2011
3	11,530	5,500	From 06/12/2007 to 27/02/2011
4	9,030	–	From 06/12/2009 to 27/02/2013
5	8,030	–	From 30/05/2009 to 27/02/2011
6	3,280	–	From 29/09/2010 to 22/01/2011
7	3,330	–	From 22/01/2011 to 27/02/2011
8	1,530	–	From 06/12/2009 to 22/01/2013
9	1,230	–	From 29/09/2010 to 22/01/2011
10	780	–	From 29/09/2012 to 22/01/2013

(1) On 12 December 2007 and 12 December 2008, the Board of Directors approved the fulfilment of the performance conditions attached to the final allotment of 35,000 Ipsen Bonus Shares.
(2) The Ipsen Bonus Shares were granted under several bonus shares plans with different allotment periods. The allotment periods indicated correspond to the opening date of the first allotment period and the closing date of the last allotment period.

17.2.4 Mayroy stock options

Certain Group employees hold Mayroy Options. The number of Mayroy Options allotted to the ten Group employees (excluding members of the Board of Directors) allotted the highest number of stock options is shown in the following table:

	Number of shares corresponding to the Mayroy Options	Number of Mayroy Options exercised at 31 December 2007	Exercise price (in euros) (1)	Exercise period (2)
1	195,100	6,300	13.77	From 10/11/2004 to 13/02/2014
2	138,550	5,150	12.34	From 10/11/2004 to 13/02/2014
3	138,400	4,200	14.75	From 10/11/2004 to 13/02/2014
4	62,500	–	27.20	From 18/12/2007 to 13/02/2014
5	62,500	–	27.20	From 18/12/2007 to 13/02/2014
6	41,350	–	14.33	From 31/05/2005 to 13/02/2014
7	25,150	700	15.86	From 31/05/2005 to 13/02/2014
8	21,200	600	15.54	From 31/05/2005 to 13/02/2014
9	21,100	550	16.58	From 31/05/2005 to 13/02/2014
10	21,100	550	16.58	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.

If the Mayroy Options become exercisable, the liquidity mechanism available to holders of Mayroy Options under the Mayroy Understanding, as described in section 18.3.2 of this registration document, requires Mayroy to exchange the Mayroy shares obtained upon exercise of the options for existing shares in the Company currently held by Mayroy. The table below shows the maximum number of shares in the Company that may be allotted to the ten employees listed above under the liquidity mechanism:

Maximum number of Mayroy shares that may be allotted after the exercise of the Mayroy Options	Maximum number of shares in the Company that may be held pursuant to the liquidity mechanism
195,100	236,033
138,550	167,645
138,400	167,427
62,500	75,533
62,500	75,533
41,350	49,972
25,150	30,422
21,200	25,645
21,100	25,521
21,100	25,521

17.2.5 Tercica Inc. stock options

Due to the acquisition of Tercica Inc by the Group occurred on 16 October 2008, the options previously held by Christophe Jean have been vested prior to the acquisition.

18

MAIN SHAREHOLDERS

18.1 IDENTIFICATION OF THE SHAREHOLDERS

18.1.1 Ownership of the Company's share capital and voting rights

At 31 December 2008, to the best of the Company's knowledge, ownership of the Company's share capital and voting rights was as follows:

	Share Capital		Net voting rights	
	Number	%	Number	%
Mayroy	61,718,155	73.42%	122,682,165	85.05%
Directors	35,945	0.04%	48,490	0.03%
FCPE Ipsen Actions	200,448	0.24%	400,896	0.28%
Treasury shares	984,963	1.17%	0.00	0.00%
Others registred shareholders	204,392	0.24%	204,699	0.14%
Free Float	20,915,780	24.89%	20,915,780	14.50%
Total	**84,059,683**	**100.0%**	**144,252,030**	**100.0%**
Theorical voting rights			**145,236,993**	

To the best of the Company's knowledge, certain Directors hold less than 5 % of the share capital and/or voting rights of the Company indirectly by companies held by them.

Mayroy is a "société anonyme" organised and existing under the laws of the Luxembourg. On the date of registration of this registration document, its share capital was owned as follows:

(i) 66.64% by Beech Tree SARL, including 18.21% directly and 48.43% indirectly by its wholly-owned subsidiary Camilia Holding (17.70%), its 91%-owned subsidiary FinHestia (13.92%) and its subsidiary Bee Master Holding (16.81%), in which it holds all the A shares, which themselves give rights to all the Mayroy shares.

Beech Tree SARL, Camilia Holding, FinHestia and Bee Master Holding are collectively referred to as the "The Beech Tree Group".

Beech Tree SARL is 33.1% owned by Anne Beaufour, 33.1% by her brother Henri Beaufour, and 33.8% by Altawin, a Luxembourg société anonyme whose ultimate shareholder is a first trust, the trustee of which is a company belonging to the Barclays Group and the beneficiaries are Anne and Henri Beaufour and theirs descendants.

None of the three shareholders control Beech Tree SARL, which in the absence of any shareholders' agreement, is governed only by its Articles of Incorporation.

Shareholders' resolutions are passed by a simple majority of the share capital for ordinary business and three-quarters majority for alterations to the Articles of Incorporation and any resolutions affecting Mayroy's share capital or Beech Tree SARL's holding in Mayroy. Resolutions taken by the Management Committee, which has seven members including two nominated by Anne Beaufour, two by Henri Beaufour and three by Altawin, are passed by simple majority for ordinary business and three-quarters majority for all resolutions affecting Mayroy's share capital or Beech Tree SARL's holding in Mayroy. Altawin also has an exit right via the exchange of its shares for Mayroy shares in the event of major continuing disagreement over Beech Tree SARL's management or strategy;

(ii) 6.30% by Blue Hill Trust, a second trust whose the trustee is a company belonging to the Barclays Group and the beneficiaries are Anne and Henri beaufour and theirs descendants;

(iii) 4.78% by Finvestan, a company controlled by the Schwabe family, which also holds 9% of FinHestia;

(iv) 15.38% by Opera Finance Europe SARL, which is controlled by Véronique François born Beaufour sister of Anne and Henri Beaufour;

(v) 6.84% by Bee Master Holding II, a *"société anonyme"* organised and existing under the laws of Luxembourg whose ultimate shareholder is a third trust whose trustee is Appleby Trust (Cayman) Ltd and whose beneficiaries are Véronique françois born Beaufour and her descendants;

(vi) 0.02% by Group employees;

(vii) 0.01% each by Anne Beaufour, Henri Beaufour and Véronique François born Beaufour, so 0.03% overall.

Under the terms of Mayroy's Articles of Incorporation, Beech Tree SARL, Bee Master Holding, Camilia Holding, FinHestia, Blue Hill Trust, Opéra Finance, Bee Master Holding II, Anne, Véronique and Henri Beaufour who are class A or class E shareholders, have pre-emptive rights should a shareholder propose to sell shares other than to a shareholder of the same class, or in the event of an internal reclassification of shares, or to obtain class D shares via the exercise of stock options or to exchange D shares for Company shares.

The class B shareholders, that is Finvestan (Schwabe family), also have the right to one seat on the Board for as long as it holds at least 4% of the share capital.

18.1.2 Changes in the ownership of the share capital and voting rights over the past three financial years

At the end of the past three financial years, ownership of the Company's voting rights and share capital was as follows:

Ownership of the share capital

Shareholders	31/12/2008	31/12/2007	31/12/2006
Mayroy	73.42%	73.60%	73.93%
Directors	0.04%	0.03%	0.02%
Employees	0.24%	0.25%	0.27%
Treasury shares	1.17%	0.81%	0.04%
Others registered shareholders	0.24%	0.24%	nm
Free Float	24.89%	25.07%	25.74%
Total	**100.0%**	**100.0%**	**100.0%**

Ownership of voting rights

Shareholders	31/12/2008	31/12/2007	31/12/2006
Mayroy	85.05%	85.15%	84.66%
Directors	0.03%	0.02%	0.01%
Employees	0.28%	0.14%	0.16%
Treasury shares	0.00%	0.00%	0.00%
Others registered shareholders	0.14%	0.14%	nm
Free Float	14.50%	14.55%	15.17%
Total	**100.0%**	**100.0%**	**100.0%**

18.2 VOTING RIGHTS OF SHAREHOLDERS

At ordinary and extraordinary general meetings of the Company, shareholders are entitled to as many votes as they hold shares or proxies, without limitation.

However, double voting rights are granted to all fully paid-up registered shares that have been registered in the name of the same shareholder for at least two years. The double voting rights cease ipso jure if the shares are converted to bearer shares or transferred to another registered holder, save in the case of transfers arising upon inheritance, division of estate between divorcing spouses or gifts inter vivos to a spouse or other person of an eligible degree of relationship.

Mayroy holds 85.05% net voting rights owning 122,682,165 voting rights: 60,964,010 shares with double voting rights and 754,145 shares with simple voting rights.

18.3 SHAREHOLDERS' AGREEMENTS

18.3.1 Shareholders' agreements

■ 18.3.1.1 Agreements between shareholders of the Company

To the best Company's knowledge, no agreements exists between shareholders of the Company.

18.3.1.2 Agreements between shareholders of Mayroy

On 17 December 2003, the Beech Tree Group on the one hand and certain members of the Schwabe family (the "Schwabe Family Members") on the other, entered into a shareholder's agreement the purpose of which is to preserve a stable controlling ownership structure over Mayroy. On October 26, 2007, Blue Hill Trust enters into this agreement.

This Agreement requires Bee Master Holding, FinHestia and Finvestan to make lock-up undertakings in respect of their Mayroy shares, and prevents Beech Tree SARL and Camilia Holding from selling their Mayroy shares without first giving Bee Master Holding, FinHestia and Finvestan 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 majority representation of the parties on Mayroy's Board of Directors, including one person nominated by Finvestan.

On 5 September 2008, this agreement, with an initial term expiring on 31 December 2008, has been reconducted for a term expiring on 30 June 2011.

This agreement constitutes an agreement to act in concert between the shareholders and Mayroy, both signatories to the agreement.

18.3.2 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 those 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 will be 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 987,245 shares at 31 December 2008.

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 1,193,105 representing 1.41% of the Company's share capital.

18.3.3 Parties acting in concert

Certain directors of the Company (Anne Beaufour, Henri Beaufour, Alain Béguin, Antoine Flochel, René Merkt, and Klaus-Peter Schwabe) and Mayroy are presumed to act in concert.

18.4 UNDERTAKINGS/AGREEMENTS LIKELY TO CAUSE A CHANGE OF CONTROL OF THE COMPANY

None.

18.5 INFORMATION LIKELY TO HAVE AN IMPACT IN CASE OF TAKE OVER BID

In compliance with article L 225-100-3 of the *Code de Commerce,* the following information may have have an impact in case of takeover bid:

- Ownership of the share capital of the Company: see section 18.1 of this registration document.
- Restrictions of the Articles of Incorporation on the voting rights, transfer of shares or agreements whose the Company has knowledge in compliance with article L 233-11: None.
- Direct or indirect interests in the share capital of which the Company has knowledge in compliance with articles L 233-17 and L 233-12 of the Code de Commerce: see section 18.3 of this registration document.
- Shareholders of any share conferring control and description of this control: see section 18.3.2.1 of this registration document.
- The control mechanisms provided for in an employee shareholding system, if one exists, if the controlling rights are not exercised by the latter: see section 18.1 of this registration document.
- Agreements between shareholders of which the Company is aware that these are likely to cause restrictions on transfers of shares and the exercise of voting rights: see section 18.3.1.2 of this registration document.
- Specific provisions governing the election and replacement of members of the Board of Directors or Directoire and the amendment of the Articles of Incorporation of the Company: None.
- Powers of the Board of Directors or Directoire and specifically the issuance of shares or share repurchases: see section 26.1.2.6 and 26.2.2.6 of this registration document.
- The agreements entered into by the Company that are amended or that expire in the event of a change of control of the Company, unless this disclosure, with the exception of those situations in which disclosure is required by law, would have a material negative impact on its interets: None.
- The agreements providing for compensations for the members of the Board of Directors or the Directoire or the employees if they resign or are dismissed without real, serious cause or if their employment ends as a result of a takeover bid: None.

19. RELATED PARTY TRANSACTIONS

With the exception of (i) the contract concerning the liquidity of the Mayroy Options described in section 18.3.2 of this registration document and (ii) the agreements entered into with the Schwabe group described in section 22.2.1 of this registration document, (iii) this information regarding related parties as described in section 20.29 of this registration document, there are no other agreements between the Group and related parties.

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

20.1. 2008 CONSOLIDATED FINANCIAL STATEMENTS

20.1.1. Consolidated income statement

(in thousand euros)	Notes	31 December 2008	31 December 2007	31 December 2006
Sales of goods	4.2.2	971,022	920,475	861,676
Other revenues	4.2.3	67,090	73,282	83,581
Revenue	**4.2.1**	1,038,112	**993,757**	**945,257**
Cost of goods sold		(219,928)	(199,025)	(181,377)
Research and development expenses		(182,921)	(184,739)	(178,348)
Selling expenses		(358,400)	(321,052)	(307,795)
General and administrative expenses		(85,899)	(80,429)	(75,220)
Other operating income and expenses	7	(8,257)	368	(8,223)
Restructuring costs	8	(2,620)	8	190
Impairment losses	6.1	–	–	(7,265)
Operating income	**4.1**	**180,087**	**208,888**	**187,219**
Investment income		21,425	11,541	7,974
Cost of financing		(4,348)	(1,950)	(2,142)
Net finance cost	**9.1**	**17,077**	**9,591**	**5,832**
Other financial income and expense	9.2	(5,156)	(2,855)	(5,707)
Income taxes	10.1	(33,320)	(54,478)	(40,891)
Share of loss/profit from associated companies		(10,847)	(8,764)	(1,666)
Net profit from continuing operations		**147,841**	**152,382**	**144,787**
Net loss from discontinued operations	11	(172)	(1,313)	(290)
Consolidated net profit		**147,669**	**151,069**	**144,497**
– Attributable to shareholders of Ipsen		147,164	150,611	144,006
– Minority interests		505	458	491
Basic earnings per share, continuing operations *(in € per share)*	22.3.1	1.76	1.81	1.72
Diluted earnings per share, continuing operations *(in € per share)*	22.4.1	1.75	1.81	1.72
Basic earnings per share, discontinued operations *(in € per share)*	22.3.2	(0.00)	(0.02)	(0.00)
Diluted earnings per share, discontinued operations *(in € per share)*	22.4.2	(0.00)	(0.02)	(0.00)
Basic earnings per share *(in € per share)*	22.3.3	1.75	1.80	1.71
Diluted earnings per share *(in € per share)*	22.4.3	1.75	1.79	1.71

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

20.1.2. Consolidated balance sheets - Before allocation of net profit

(in thousand euros)	Notes	31 December 2008	31 December 2007	31 December 2006
ASSETS				
Goodwill	12	351,736	189,013	188,836
Other intangible assets	13	163,911	89,169	68,203
Property, plant & equipment	14	237,860	221,891	198,186
Equity investments	15	2,650	1,457	1,825
Investment in associated companies	15.2	–	40,948	50,832
Non-current financial assets	17	3,810	25,883	12,583,
Other non-current assets	17	8,039	55,632	18,018
Deferred tax assets	10.2	111,439	61,393	64,025
Total non-current assets		**879,445**	**685,386**	**602,508**
Inventories	18.2.1	115,944	87,111	78,947
Trade receivables	18.1	217,845	216,214	191,702
Current tax assets	18.1	49,509	26,569	2,665
Other current assets	18.2.2	63,652	53,753	43,700
Current financial assets	18.2.2	2,528	96	901
Securities held for sale	19	–	6,000	–
Cash and cash equivalents	20.2	239,584	247,068	285,459
Total current assets		**689,062**	**636,811**	**603,374**
Assets of discontinued operations		1,333	725	8,391
TOTAL ASSETS		**1,569,840**	**1,322,922**	**1,214,273**
EQUITY & LIABILITIES				
Share capital	22.1	84,060	84,044	84,025
Additional paid-in capital and consolidated reserves		680,216	582,557	506,244
Net profit for the period		147,164	150,611	144,006
Foreign exchange differences		(44 535)	(17,350)	(7,789)
Equity – attributable to shareholders of Ipsen	**22.2**	**866,905**	**799,862**	**726,486**
Minority interests		1,580	1,247	1,419
Total shareholders' equity		**868,485**	**801,109**	**727,905**
Retirement benefit obligation	5.3.3.2	11,530	10,038	9,299
Long-term provisions	23	27,181	14,981	11,421
Bank loans	24.1	148,941	4,379	6,286
Other financial liabilities	24.1	13,803	16,449	15,313
Deferred tax liabilities	10.2	36,404	3,932	2,371
Other non-current liabilities	18.2.3	142,560	192,043	172,270
Total non-current liabilities		**380,419**	**241,822**	**216,960**
Short-term provisions	23	8,952	6,598	5,323
Bank loans	24.1	4,000	5,375	6,973
Financial liabilities	24.1	4,346	3,831	2,251
Trade payables	18.1	103,835	104,181	100,269
Current tax liabilities	18.1	36,315	12,327	27,215
Other current liabilities	18.2.3	156,345	136,234	114,824
Bank overdrafts		2,259	6,161	1,716
Total current liabilities		**316,052**	**274,707**	**258,571**
Liabilities of discontinued operations		4,884	5,284	10,837
TOTAL EQUITY AND LIABILITIES		**1,569,840**	**1,322,922**	**1,214,273**

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

20.1.3. Consolidated statement of cash flows

(in thousand euros)	Notes	31 December 2008	31 December 2007	31 December 2006
Consolidated net profit		**147,669**	**151,069**	**144,497**
Net profit from discontinued operations	11	172	1,313	290
Share of loss/profit from associated companies	15.4.	10,847	8,764	1,666
Net profit from continuing operations before share from associated companies		**158,688**	**161,146**	**146,453**
Non-cash and non-operating items				
– Depreciation, amortisation, provisions and impairment losses	6.2	50,649	41,226	49,940
– Change in fair value of derivative financial instruments	25.5	2,474	(1,929)	1,562
– Net gains or losses on disposal of non-current assets	16	(24,744)	(252)	(877)
– Share of government grant released to profit and loss		(94)	(97)	(112)
– Exchange differences		(1,432)	3,905	694
– Change in deferred taxes	10.1.1	948	394	(34,227)
– Share-based payment expense	5.2	6,585	7,562	3,282
– Gain or loss on disposals of treasury shares [1]		(724)	545	221
– Other non-cash items		4,165	1,754	690
Cash flow from operating activities before changes in working capital		***196,515***	***214,254***	***167,626***
– (Increase)/decrease in inventories		(12,576)	(9,026)	(4,644)
– (Increase)/decrease in trade receivables		(4,294)	(25,395)	(27,419)
– (Decrease)/increase in trade payables		1,176	5,087	(7,121)
– Net change in income tax liability		(1,261)	(38,456)	33,051
– Net change in other operating assets and liabilities		23,849	29,506	166,142
Change in working capital related to operating activities	18.1 (A)	***6,894***	***(38,284)***	***160,009***
NET CASH PROVIDED BY OPERATING ACTIVITIES		**203,409**	**175,970**	**327,635**
Acquisitions of property, plant & equipment	14.1	(61,447)	(58,672)	(40,630)
Acquisitions of intangible assets	13.1	(33,762)	(26,483)	(41,217)
Proceeds from disposal of intangible assets and property, plant & equipment		27,272	1,160	3,044
Acquisition of investments in non-consolidated companies	15.1 (A)	(3 224)	(698)	(15)
Acquisitions of investments in associated companies		–	(2,129)	(63,082)
Convertible note subscriptions	17 (A)	–	(44,386)	(20,966)
Proceeds from disposal of investment securities		1,410	–	–
Payments to post-employment benefit plans	5.3.3.5	(1,904)	(5,026)	(4,226)
Impact of changes in the scope of consolidation		(214,669)	8	–
Change in cash securities held for sale		6,000	(6,000)	–
Cash flows related to investing activities	17 (A)	1,265	(944)	(1,028)
Deposits paid	17 (A)	(1 012)	(4,601)	–
Change in working capital related to investing activities	18.1 (B)	(5,145)	7,493	5,796
NET CASH USED BY INVESTING ACTIVITIES		**(285,216)**	**(140,278)**	**(162,324)**

(in thousand euros)	Notes	31 December 2008	31 December 2007	31 December 2006
Additional long-term borrowings	24.1 (A)	148,941	1,900	–
Repayment of long-term borrowings	24.1 (B)	(6,521)	(2,170)	(31,824)
Net change in short-term borrowings	24.1 (C)	(1,375)	(1,584)	(89)
Treasury shares [1]	1.5	(9,284)	(24,758)	(1,294)
Dividends paid by Ipsen	22.6	(55,027)	(50,389)	(50,407)
Dividends paid by subsidiaries to minority interests		(215)	(631)	(358)
Deposits received		174	–	–
Change in working capital related to financing activities	18.1 (C)	2,264	814	464
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES		**78,957**	**(76,818)**	**(83,508)**
Impact of operations due to be sold or discontinued		732	1,285	647
CHANGE IN CASH AND CASH EQUIVALENTS		**(2,118)**	**(39,841)**	**82,450**
Opening cash and cash equivalents	20.1.1	**240,907**	**283,743**	**200,564**
Impact of exchange rate fluctuations		(1,464)	(2,995)	729
Closing cash and cash equivalents	20.1.2	**237,325**	**240,907**	**283,743**

(1) See Statement of change in equity.
The accompanying notes form an integral part of these consolidated financial statements.

20.1.4. Statement of changes in equity

(in thousand euros)	Share capital	Share premiums	Consolidated reserves	Treasury shares	Net profit for the period	Cumulative translation reserve	Equity - attributable to equity holders of Ipsen	Equity attributable to minority interests	Total equity
Balance at 1 January 2008	**84,044**	**708,994**	**(100,385)**	**(26,052)**	**150,611**	**(17,350)**	**799,862**	**1,247**	**801,109**
Income and expenses recognised directly in equity[1]	–	–	2,200	–		–	2,200	–	2,200
Net profit for the period	–	–	–	–	147,164	–	147,164	505	147,669
Total recognised income and expenses for the period	**–**	**–**	**2,200**	**–**	**147,164**	**–**	**149,364**	**505**	**149,869**
Allocation of net profit for the prior period	–	–	151,008	–	(150,611)	(397)	–	–	–
Capital increase	16	–	(16)	–	–	–	–	–	–
Dividends	–	–	(55,027)	–	–	–	(55,027)	(215)	(55,242)
Change in foreign exchange differences	–	–	–	–	–	(26,788)	(26,788)	49	(26,739)
Share-based payments	–	–	9,671	–	–	–	9,671	–	9,671
Own share purchases[2]	–	–	–	(46,938)	–	–	(46,938)	–	(46,938)
Own share disposals[2]	–	–	(724)	37,654	–	–	36,930	–	36,930
Other changes[3]	–	–	(169)	–	–	–	(169)	(6)	(175)
Balance at 31 December 2008	**84,060**	**708,994**	**6,558**[3]	**(35,336)**	**147,164**	**(44,535)**	**866,905**	**1,580**	**868,485**

(1) The amount of €2.2 million corresponds to the change in the fair value after tax of exchange rate hedging instruments used for hedging future procurement of raw materials in foreign currencies. The hedging relationship is formally documented in accordance with IAS 39.
(2) As per the liquidity contract signed with Natexis Bleichroder, a subsidiary of Natixis, and the share repurchase programme (see note 1.5).
(3) Including the impact of the restructuring program in the reserves.

Legal restructuring program in 2005	3,995
Recognition in 2006 of deferred tax assets in respect of one of the items accounted for under the restructuring program	15,205
Impact in 2007 of the change in the tax rate on deferred taxes	(2,106)
Impact of the restructuring program in the reserves	**17,094**

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

(in thousand euros)	Share capital	Share premiums	Consolidated reserves	Treasury shares	Net profit for the period	Cumulative translation reserve	Equity - attributable to equity holders of Ipsen	Equity attributable to minority interests	Total equity
Balance at 1 January 2007	**84,025**	**708,994**	**(201,456)**	**(1,294)**	**144,006**	**(7,789)**	**726,486**	**1,419**	**727,905**
Income and expenses recognised directly in equity [1]	–	–	(2,106)	–	–	–	(2,106)	–	(2,106)
Net profit for the period	–	–	–	–	150,611	–	150,611	458	151,069
Total recognised income and expenses for the period	**–**	**–**	**(2,106)**	**–**	**150,611**	**–**	**148,505**	**458**	**148,963**
Allocation of net profit for the prior period	–	–	144,006	–	(144,006)	–	–	–	–
Capital increase	–	–	–	–	–	–	–	–	–
Dividends	–	–	(50,389)	–	–	–	(50,389)	(631)	(51,020)
Change in foreign exchange differences	–	–	–	–	–	(9,561)	(9,561)	1	(9,560)
Share-based payments	–	–	7,562	–	–	–	7,562	–	7,562
Own share purchases [2]	–	–	–	(59,891)	–	–	(59,891)	–	(59,891)
Own share disposals [2]	–	–	545	35,133	–	–	35,678	–	35,678
Other changes [3]	19	–	1,453	–	–	–	1,472	–	1,472
Balance at 31 December 2007	**84,044**	**708,994,**	**(100,385)** [4]	**(26,052)**	**150,611**	**(17,350)**	**799,862**	**1,247**	**801,109**

(1) See comments in note 10.2.
(2) As per the liquidity contract signed with Natexis Bleichroder, a subsidiary of Natixis, and the share repurchase programme (see note 1.5).
(3) This item primarily involves change in stock options of associated companies and capitalisation of reserves following the allotment of bonus shares in 2005 (see note 5.4.3).
(4) Including the impact of the restructuring program in the reserves.

Legal restructuring program in 2005	3,995
Recognition in 2006 of deferred tax assets in respect of one of the items accounted for under the restructuring program	15,205
Impact in 2007 of the change in the tax rate on deferred taxes	(2,106)
Impact of the restructuring program in the reserves	**17,094**

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

(in thousand euros)	Share capital	Share premiums	Consolidated reserves	Treasury shares	Net profit for the period	Cumulative translation reserve	Equity - attributable to equity holders of Ipsen	Equity attributable to minority interests	Total equity
Balance at 1 January 2006	**84,025**	**708,994**	**(288,403)**	**–**	**119,230**	**(4,080)**	**619,766**	**1,334**	**621,100**
Income and expenses recognised directly in equity [1]	–	–	15,205	–	–	–	15,205	–	15,205
Net profit for the period	–	–	–	–	144,006	–	144,006	491	144,497
Total recognised income and expenses for the period	**–**	**–**	**15,205**	**–**	**144,006**	**–**	**159,211**	**491**	**159,702**
Allocation of net profit for the prior period	–	–	118,674	–	(119,230)	556	–	–	–
Dividends	–	–	(50,407)	–	–	–	(50,407)	(358)	(50,765)
Change in foreign exchange differences	–	–	–	–	–	(4,265)	(4,265)	(48)	(4,313)
Share-based payments	–	–	3,282	–	–	–	3,282	–	3,282
Own share purchases [2]	–	–	–	(3,853)	–	–	(3,853)	–	(3,853)
Own share disposals [2]	–	–	221	2,559	–	–	2,780	–	2,780
Other changes	–	–	(28)	–	–	–	(28)	–	(28)
Balance at 31 December 2006	**84,025**	**708,994**	**(201,456) [3]**	**(1,294)**	**144,006**	**(7,789)**	**726,486**	**1,419**	**727,905**

(1) See comments note 10.2.
(2) As per the liquidity contract signed with Exane.
(3) Including the impact of the restructuring program in the reserves.

Legal restructuring program in 2005	3,995
Recognition in 2006 of deferred tax assets in respect of one of the items accounted for under the restructuring program	15,205
Impact of the restructuring program in the reserves	**19,200**

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

20.1.5. Notes to the consolidated financial statements

Note 1 Significant events and transactions during the period

1.1 Partnerships

1.1.1 Ginkor Fort®

On 1 January 2008 – Ipsen transferred marketing authorisations of Ginkor Fort® for France, Monaco and Andorra to GTF Group. Ipsen also granted GTF the right to exclusively licence all Ginkor Fort® trademarks with a possible transfer of these rights upon termination of the licence.

This agreement is in line with Ipsen's strategy to focus on targeted therapeutic areas (oncology, endocrinology and neuromuscular disorders) and optimise its portfolio of primary care products in the context of the withdrawal of all veinotonic drugs from France's list of reimbursable medicines by 1 January 2008.

Under the agreement, GTF will pay Ipsen €10.6 million. Other milestone payments will be added following the evolution of the market for this product class in 2008.

This transaction resulted in the recognition of income of €18.8 million for the financial year 2008 (see note 4.2.3).

Ipsen will supply the finished product to GTF for an initial period of five years, with a possible renewal, and will continue to market the product outside France, Monaco and Andorra.

1.1.2 Life Sciences Program

On 11 January 2008 – Ipsen and The Salk Institute for Biological Studies, announced that they would be signing a memorandum of understanding setting the framework for the creation of the Ipsen Life Sciences Program at The Salk Institute. The mission of the partnership is to advance knowledge in the field of proliferative and degenerative diseases through fundamental and applied biology research.

The Ipsen Life Sciences Program will, for a period of up to five years, sponsor three categories of research programs through targeted, core and innovation grants. Ipsen will provide funding for targeted research programs carried out at The Salk Institute by researchers in the field of proliferative diseases with a particular emphasis on novel therapeutic concepts for the treatment of pituitary adenomas.

Core grants will support basic research on contribution of chronic inflammation to malignant diseases such as cancer, loss of cognitive functions, movement disorders and metabolic syndromes. Innovation grants will fund exploration of advanced scientific concepts.

1.1.3 Decapeptyl®

On 12 February 2008 – Ipsen announced that its partner Debiopharm had presented the results of a phase III study with its new 6-month formulation of Decapeptyl®, *a luteinizing hormone releasing hormone agonist* (LHRHa) for the treatment of advanced prostate cancer. The results presented show similar efficacy and safety to the already marketed 1- and 3-month formulations of triptorelin.

This multicentre, open, non-comparative, phase III study on the efficacy and safety of two consecutive injections at a six-month interval of triptorelin 6-month formulation in 120 patients with advanced prostate cancer, showed that 97.5% of patients achieved castrate levels of serum testosterone 28 days after the first injection and that 93% of the patients maintained serum testosterone levels below castrate level (defined as < 1.735 nmol/L or 50 ng/dL) from week 8 to week 48.

These efficacy and safety results are similar to those obtained previously with repeated administrations of the 1- and 3-month formulations of triptorelin in previous studies. Furthermore, local tolerance is good with only 6.7% of the patients treated reporting spontaneously injection site adverse events.

Pursuant to the terms of the agreement published on 31 October 2007, Ipsen obtained the exclusive licence for the know-how and the new patent applications for the commercialisation rights of Decapeptyl® (triptorelin pamoate) in the world excluding North America, and some other countries (Sweden, Israel, Iran and Japan).

1.1.4 Acapodene®

On 25 February 2008 – Ipsen announced that GTx Inc., from which it licensed the European rights for Acapodene® (toremifene citrate 80mg) in September 2006, presented the results of the first phase III study evaluating the efficacy and safety of toremifene citrate 80mg daily, on multiple side effects of androgen deprivation therapy (ADT) in advanced prostate cancer patients.

On the basis of these positive results, Ipsen intends to file toremifene citrate 80 mg for this indication in the European Union before year-end 2009.

Androgen deprivation therapy using either luteinizing hormone releasing hormone or surgical castration is the most common treatment for advanced prostate cancer and have clearly demonstrated their efficacy. However, their impact on testosterone and oestrogen levels could result in a decrease of bone mineral density (BMD) potentially leading to osteoporotic fractures, and other adverse effects such as lipid changes, gynecomastia and hot flashes.

1.1.5 SJG-136

On 2 June 2008 – Ipsen and Spirogen Ltd. announced that final results from a Phase I clinical trial of the DNA sequence recognizing minor groove binder SJG-136 sponsored by the US National Cancer Institute (NCI) under a Cooperative Research and Development Agreement (CRADA) with Ipsen were presented at the American Society of Clinical Oncology (ASCO) annual meeting in Chicago by Dr. Igor Puzanov from Vanderbilt-Ingram Cancer Center (Nashville, USA).

SJG-136 is a small molecule which spans six base pairs of DNA and is currently undergoing clinical development in refractory solid tumours and haematological malignancies under the CRADA with the NCI.

In May 2003, Ipsen signed a partnership agreement with Spirogen Ltd. This partnership comprises among other a development and licensing agreement covering the development and marketing by the Group of a patented anti-cancer drug, SJG-136. Pursuant to the SJG-136 development and licensing agreement, Ipsen holds an exclusive worldwide license on Spirogen's patents and expertise related to the manufacture, use and sale of SJG-136 and its analogue or replacement compounds.

1.1.6 Taspoglutide, investigational diabetes drug

On 10 June 2008 – Ipsen announced that Roche and Ipsen's investigational diabetes drug taspoglutide has been shown to be generally well-tolerated and efficacious for the treatment of patients with type 2 diabetes, resulting in significant improvements in glucose control and weight loss after only eight weeks of treatment.

Taspoglutide, the first human once weekly glucagon-like peptide-1 (GLP-1) analogue originating from Ipsen's Research, is a compound similar to the natural hormone GLP-1 which has a key role in blood sugar regulation.

Based on these promising Phase II results, presented at the American Diabetes Association (ADA) in San Francisco, U.S., Roche has made the decision to move taspoglutide into Phase III clinical trials. The programme was anticipated to start in the second half of 2008.

In 2006, Roche exercised its licensing option for taspoglutide from Ipsen and acquired exclusive worldwide rights to develop and market taspoglutide, except in Japan where these rights are shared with Teijin and in France where Ipsen may elect to retain co-marketing rights.

1.1.7 Alzheimer Foundation

On 13 November 2008 – Ipsen announced that it would participate in the development of the Foundation for the scientific cooperation on Alzheimer's disease and related disorders in France. Created by decree on 27 June 2008, the Foundation is responsible for carrying out the research set out in the French Alzheimer's Plan (2008-2012).

At 31 December 2008 the company's participation in the Foundation resulted in the recognition of an expense of €2.0 million.

■ 1.2 Registration of new products

1.2.1 Adenuric®

On 21 February 2008 – Ipsen announced that the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMEA) published a positive opinion for Adenuric® (febuxostat) 80 mg and 120 mg tablets for the treatment of chronic hyperuricaemia in gout and recommended the product for marketing authorisation. The CHMP recommendation will now be forwarded to the European Commission for final marketing approval, which typically occurs within 60 to 90 days. Following marketing approval, Adenuric® will become, since 1964, the first significant treatment alternative for chronic hyperuricaemia available to gout patients.

Adenuric® is to be indicated for the treatment of chronic hyperuricaemia for conditions in which urate deposition has already occurred (including a history, or presence of, tophus and/or goutyarthritis). The detailed recommendations for the use of this product will be described in the Summary of Product Characteristics (SPC), to be made available after the medication receives marketing authorisation from the European Commission.

Once the product receives its marketing authorisation and its price is agreed, Febuxostat will be marketed by Ipsen in France under the brand name Adenuric®. Outside France, the commercialisation of the product will be partnered.

On 5 May 2008 – Ipsen announced that the European Commission had granted marketing authorisation for Adenuric® (febuxostat) for the treatment of chronic hyperuricaemia in gout, a severe debilitating disease. Adenuric® thus pioneers the first major treatment alternative for gout, for more than 40 years.

■ 1.3 Application for marketing authorisation

1.3.1 Dysport®

On 31 January 2008 – Ipsen announced that the Food and Drug Administration (FDA) had accepted the filing of its BLA for Dysport® in the United States to treat patients with cervical dystonia.

On 30 September 2008 – Announced that the U.S. Food and Drug Administration (FDA) provided notification that the Prescription Drug User Fee Act (PDUFA) action date for Dysport® (botulinum toxin of type A) Biologics License Application (BLA) for the treatment of patients with cervical dystonia was extended to no later than 28 December 2008.

The FDA has not requested additional safety or clinical studies for review.

In accordance with first-cycle review of new therapies, the FDA requested a Risk Communication Plan in order to ensure safe use of the product in treating patients. The Agency has therefore extended the PDUFA action date to no later than 28 December 2008, in order to finalize the review of those items.

On 29 December 2008 – Ipsen announced that the US Food and Drug Administration (FDA) issued a Complete Response Letter for its Biologics License Application (BLA) for its Botulinum toxin Type A, Dysport®. The application, submitted by the Group in late 2007, seeks approval to market Dysport® for the treatment of cervical dystonia. The Group is now actively preparing to launch the product, once approved by the FDA, and as soon as reimbursement coverage is adequate.

The FDA has not requested any new clinical studies evaluating the efficacy or safety of Dysport® prior to approval. The Complete Response Letter requests additional information, including the finalization of the Risk Evaluation and Mitigation Strategy (REMS) and of the draft labelling, as well as a Safety Update Report. Based on the information identified in the FDA's end of review complete response letter, Ipsen expects to submit the information to FDA during the first quarter of 2009.

Furthermore, the FDA has confirmed in its Establishment Inspection Report that the manufacturing process for Dysport® in its Wrexham (Wales) facility is in compliance with the Current Good Manufacturing Practices. The FDA issued no Form 483 observation. The Wrexham site gathers the manufacturing, product formulation, packaging and testing activities for the entire production of botulinum toxin type A currently marketed in 73 countries under the brand name Dysport®.

1.3.2 Reloxin®

On 17 March 2008 – Ipsen and Medicis announced that Ipsen had submitted a Biologics License Application ("BLA") for the botulinum toxin type A, Reloxin®, in aesthetic indications (glabellar lines) to the U.S. Food and Drug Administration's

("FDA") Division of Dermatology and Dental Products, within the Center for Drug Evaluation and Research.

This BLA submission by Ipsen is intended to address the concerns cited by the FDA when it declined to file the Reloxin® BLA in January 2008, which Medicis had submitted in late 2007. Standard response timeframe from the FDA is expected approximately 10 months following receipt of the Reloxin® submission. Subject to approval of the BLA by the FDA, Medicis intends to commercialize Reloxin® in the U.S. in accordance with the long-standing arrangement between Medicis and Ipsen. Changes from the original BLA submission relate primarily to sponsorship and ownership of the filing. The substantive elements of the original submission remain unchanged.

On 19 May 2008 – Ipsen and Medicis announced that the Food and Drug Administration ("FDA") had accepted the filing of Ipsen's Biologics License Application ("BLA") for Reloxin®, its botulinum toxin type A in aesthetic use (glabellar lines) in the United States. This acceptance signifies the start of the review process of the dossier.

In accordance with the agreement between the two parties, Medicis paid Ipsen approximately $25 million in connection with the announcement. Subject to approval of the BLA by the FDA, Medicis will pay to Ipsen a further $75 million and will commercialize Reloxin® in the U.S.

On 7 January 2009 – Ipsen announced that the U.S. Food and Drug Administration (FDA) provided notification that the Prescription Drug User Fee Act (PDUFA) action date for Reloxin® (botulinum toxin of type A) Biologics License Application (BLA) in aesthetic indications (glabellar lines) had been extended to 13 April 2009. The FDA did not issue any specific request on the occasion of this extension. Furthermore, the FDA has confirmed in its Establishment Inspection Report that the manufacturing process for Ipsen's botulinum toxin type A in its Wrexham (Wales) facility is in compliance with Current Good Manufacturing Practices (CGMPs).

■ 1.4 Government measures

On 25 January 2006 – the French authorities decided to withdraw Ginkor Fort® from the list of reimbursable drugs as from 1 January 2008.

On 16 October 2008 – the *Agence Française de Securité Sanitaire des Produits de Santé ("AFSSAPS")* informed the Group that it had granted a marketing authorisation to a generic product of Forlax® in France.

■ 1.5 Share repurchase programme / Liquidity agreement

1.5.1 Share repurchase programme

The Annual Shareholder's Meeting held on 4 June 2008 authorised the Board for a period of 18 months to purchase the Company's shares within the limit of 10% of registered capital, adjusted where necessary to take into account capital increases or reductions which may be carried out over the duration of the share repurchase programme.

This authorisation replaces the authorisation granted to the Board at the Annual Shareholder's Meeting held on 6 June 2007.

The Company had entered into a liquidity contract with a financial institution to purchase a maximum of 246,667 Ipsen shares which was reached on 30 June 2008, thus terminating the agreement.

1.5.2 Liquidity agreement

In accordance with an amendment to the liquidity agreement signed on 19 February 2007, Ipsen allotted an additional €1.0 million to the liquidity account with Natixis Securities. At 31 December 2008, the Company held 78,296 shares for a total amount of €2.1 million and had €1.5 million made available in cash.

■ 1.6 Ipsen enters the SBF 120 index

On 3 January 2008 – Ipsen announced that with effect from 24 December 2007, it has entered the SBF 120 index. SBF120 index groups together the 120 largest companies by market capitalization and by trading volumes on Euronext Paris and serves as a reference for index funds and as a benchmark for measuring performance of portfolios invested in French equities. This decision was taken by the NYSE Euronext Indices Steering Committee

■ 1.7 Acquisition of all OBI-1 related assets from Octagen

1.7.1 Presentation of transactions

On 5 June 2008 – Ipsen and Octagen announced that they had entered into an Asset Purchase Agreement pursuant to which Ipsen will, upon closing, acquire all of Octagen's assets related to OBI-1 and get full control over OBI-1's clinical development.

Emory University (Atlanta, GA, USA) licensed its OBI-1 patents to Octagen (Wilmington, Delaware, USA), who in turn granted a worldwide, exclusive sublicense to Ipsen in 1998.

OBI-1 is a biotech drug being developed to treat haemophilia and fully produced by Ipsen at its recombinant manufacturing sites located in Milford (Massachusetts, USA) and Wrexham (Wales, UK).

Prior to the transaction, Octagen was responsible for the pre-clinical and clinical development of OBI-1 and sublicensed certain rights to Ipsen in connection with the manufacturing, regulatory activities and commercialization of OBI-1. In that context, Ipsen had agreed to make certain milestone payments to Octagen and to pay royalties based on OBI-1 future net sales. At the same time, Ipsen had purchased 21.45% of Octagen's share capital.

Pursuant to the Asset Purchase Agreement, upon closing of the deal, Ipsen made an upfront payment of $10.5 million (€5.7 million at the closing date) to Octagen. Also Ipsen will make future additional milestone payments contingent on the product being allowed into Phase III, and later on receipt of marketing approvals in the U.S. and Europe, potentially totalling up to $26.0 million. In addition, Ipsen shall pay, once the product is marketed and for a defined duration, a low to mid single digit royalty on its net sales in each country, on an upward sliding scale depending on certain sales thresholds.

Immediately following the completion of the acquisition of all of the assets related to OBI-1, Ipsen redeemed its stake in Octagen.

On 17 July 2008 - Ipsen announced that following the announcement made on 5 June, 2008 it had completed the purchase of all of the assets related to OBI-1. Ipsen paid accordingly to Octagen an upfront milestone of $10.5 million, and redeemed its stake in Octagen.

1.7.2 Financial impact

In accordance with the terms of the agreement, which subjected the agreement to the approval of Octagen Corporation's shareholders, and which was granted on 17 July 2008, Ipsen acquired all OBI-1 related assets for $10.5 million (€5.7 million at the closing date) and sold its stake in Octagen for $2.2 million (€1.4 million) generating a capital gain of €1.4 million.

Costs directly linked to this transaction totalled €0.6 million.

■ 1.8 Acquisition of the U.S. subsidiary of Vernalis plc, and of the North American rights for Apokyn®

1.8.1 Presentation of the transactions

On 5 June 2008 – Ipsen announced that it had reached an agreement with UK-based Vernalis (R&D) Limited and Vernalis Plc. to acquire its US subsidiary Vernalis Pharmaceuticals, Inc. ("Vernalis Inc."), and the rights to develop and market Apokyn® in the US.

This transaction brings Ipsen an established and highly experienced neurology commercial team, who already market Apokyn® (apomorphine HCl) in the US to neurology specialty physicians, many of which are potential prescribers for Dysport®. Ipsen filed for marketing approval for Dysport® (botulinum toxin type A) with the Food and Drug Administration, which was accepted in January 2008, for the treatment of cervical dystonia. In this context, this transaction gives Ipsen in a timely manner the US commercial and managed care expertise as well as the infrastructure platform from which to market Dysport® once the FDA has granted market approval. The acquisition of Vernalis Inc. is therefore strategically important for Ipsen, representing a significant step forward in building a global specialist care business with a direct presence in neurology in North America, the word's largest pharmaceutical market, and in further globalizing its specialist care business.

Ipsen and Vernalis Plc have also agreed to negotiate a joint venture to raise funding for the development of a selection of Ipsen's neurology pipeline projects. If this does not proceed, Ipsen will make a payment of $1.0 million to Vernalis.

On 1 July 2008 – Following Vernalis Plc shareholder approval, Ipsen completed its purchase of Apokyn® and Vernalis' US Commercial Operations. The subscription by Ipsen for 35,253,134 new ordinary shares of £0.05 (5 pence) each in the capital of Vernalis, as part of the Purchase arrangements, was also completed at that date.

1.8.2 Financial impact

In accordance with the terms of the agreement, which subjected the agreement to the approval of Vernalis Plc.'s shareholders, and which was granted on 1 July 2008, Ipsen announced that it had completed the acquisition of the rights to Apokyn®, and Vernalis' US Commercial Operations, and had acquired a stake in Vernalis Plc.

Consequently, on 1 July 2008, Ipsen acquired all Vernalis Inc. shares for a total of $1.4 million (€0.8 million) and subscribed 35,253,134 new ordinary shares at the price of £0.0726 (7.26 pence) per Vernalis Plc share for a total of £2.6 million (€3.2 million) and acquired the rights to develop and market Apokyn® for a total of $13.9 million (€9.0 million after amortization) including the commitments to carry out post-marketing authorisation studies for Apokyn® ($9.6 million i.e. €7.0 million). This intangible asset was subject to amortization of €0.1 million based on an estimated useful life of 10 years.

As this transaction was effective as from 1 July 2008, this company is consolidated in the Group's financial statements as from that date.

The cost directly linked to these transactions is estimated at €0.9 million, included in the cost of acquisition of the shares as at 31 December 2008.

As the planned joint venture with Vernalis Plc. has been abandoned, Ipsen paid $1.0 million (€0.7 million) in December 2008 in compliance with the agreement is recorded under equity holding in Vernalis Inc.

Pending full evaluation of assets and liabilities by the Group, the Goodwill arising from the acquisition of Vernalis Inc. was determined provisionally. As required by IFRS 3, those provisional values will be adjusted within twelve months of the acquisition date.

■ 1.9 Merger agreement with Tercica Inc.

1.9.1 Presentation of the transactions

On 5 June 2008 – Ipsen announced that a subsidiary of Ipsen had entered into a definitive merger agreement by which it would acquire all of the remaining approximately 44.9 million shares of Tercica (on a fully diluted base) not owned by the Ipsen Group for $9.0 per share in cash, for a total purchase price of approximately $404 million. Ipsen and its subsidiaries currently own approximately 25.3% of the outstanding shares of the U.S. biopharmaceutical company focused on endocrinology.

In connection with the agreement, Ipsen also committed to exercise its warrants to purchase Tercica common stock for a total exercise price of $37 million and to convert all of its outstanding convertible notes into Tercica common stock; following such exercise and conversion, Ipsen and its subsidiaries will then own approximately 42.6% of Tercica's common stock assuming no further exercise of stock options. Ipsen intended to finance this transaction through a combination of existing internal financial resources and bank loan financing already in place.

The proposed cash offer represents, with full certainty to Tercica Inc.'s shareholders, a 104% premium to Tercica's closing price on 4 June 2008 and a premium of 74% and 49% to the volume-weighted average closing share price during the last three months and six months respectively.

Tercica's Board of Directors, following the unanimous recommendation and approval of Tercica's Special Committee, who was advised by independent legal and financial advisors, has approved the merger agreement and recommended that Tercica stockholders vote to approve the merger.

Ipsen has negotiated an arms-length agreement with the Tercica Special Committee that will be subject to the affirmative

vote of the holders of a majority of the Tercica shares outstanding on the record date as well as customary regulatory approvals.

On 23 July 2008 – Ipsen announced that it had subscribed for additional shares of common stock of Tercica Inc. and exercised in full the warrant issued by Tercica in October 2006, and converted in full the convertible notes, issued by Tercica in October 2006 and September 2007.

In connection with Tercica's issuance of 590,580 shares of its common stock to Genentech, Inc. on 11 July 2008, pursuant to a Common Stock Purchase Agreement between Tercica and Genentech, Inc. dated 6 July 2007, Tercica issued 410,831 shares of its common stock to Ipsen pursuant to the terms of the Common Stock Purchase Agreement entered into between Tercica and Ipsen for an aggregate purchase price of approximately $3.66 million, at a price per share of $8.92 (being the consolidated closing bid price of Tercica's common stock on 21 July 2008, as reported on NASDAQ).

Moreover, as previously announced on 5 June 2008, on 22 July 2008 Ipsen exercised its outstanding Tercica warrant, in full, resulting in the issuance of 4,948,795 shares of Tercica common stock, at a price per share of $7.41, for an aggregate cash exercise price of approximately $36.67 million.

On 22 July 2008 – Ipsen also converted its outstanding Tercica convertible notes, in full, resulting in an issuance of 10,774,806 shares of Tercica common stock.

As a result of the exercise of the Tercica warrant, conversion of the Tercica convertible notes and Ipsen's subscription for additional shares, the Ipsen Group now owns approximately 42.6% of the outstanding Tercica common stock assuming no further exercise of stock options.

On 17 October 2008 – Ipsen announced that stockholders of Tercica, Inc. voted to approve Ipsen's previously announced acquisition of Tercica at a special meeting of shareholders held on 16 October 2008 in Brisbane, California. The requisite number of votable shares were cast in favour of the transaction. Following the meeting, the closing was completed, the merger certificate was filed and the merger became effective as of 16 October 2008.

1.9.2 Financial impact

At 22 July 2008, due to the exercise of the warrant for a total of $36.7 million (€23.1 million), the conversion of the Tercica convertible notes and Ipsen's subscription for additional shares for $3.7 million (€2.3 million) the Ipsen Group held approximately 42.6% of the outstanding Tercica common stock.

As a result of the shareholder's voting in favour of the acquisition at the extraordinary shareholders' meeting on 16 October 2008, Ipsen completed the merger and acquired the remaining shares for a total of €239 million.

As this transaction was completed on 16 October 2008, Tercica Inc. is consolidated in the Group's financial statements for the last three months of the year. Its net profits are consolidated using the equity method based on a 25.3% interest for the first 6 months of the year and a 42.6% interest for the third quarter of 2008.

The total costs directly linked to these transactions are estimated at €6.7 million, and are included in the cost of acquisition of shares at 31 December 2008.

Pending full evaluation of assets and liabilities by the Group, the Goodwill arising from the acquisition of Tercica Inc. was determined provisionally. As required by IFRS 3, those provisional values will be adjusted within twelve months of the acquisition date.

Note 2 Changes in the scope of consolidation

2.1 Merger of Beaufour Ipsen Pharma S.A.S. and SCRAS – Ipsen Pharma contributed assets to Ipsen Innovation

In the context of the Group's aim to streamline its legal, administrative and regulatory structure, the Shareholders' Meeting held on 28 November 2008 approved both the merger of Beaufour Ipsen Pharma and SCRAS with retroactive effect as from 1 January 2008 and the new name of the company (Ipsen Pharma SAS).

Thereafter, Shareholders' Meetings of Ipsen Pharma SAS and Ipsen Innovation (former Sofarm) held on 30 December 2008 approved the contribution of the Research division by Ipsen Pharma SAS to Ipsen Innovation in accordance with the partial contribution of assets with retroactive effect as from 1 January 2008.

These internal legal restructuring operations had no impact on the Group's consolidated financial statements.

2.2 Acquisitions

2.2.1 Vernalis Inc.

With effect from 1 July 2008, Ipsen entered into an agreement with Vernalis Plc. involving the acquisition of 100% of the share capital of the US subsidiary Vernalis Pharmaceuticals Inc. ("Vernalis Inc.") for a total of $1.4 million (€1 million) (see note 1.3).

This company is fully consolidated in the Group's financial statements as from that date

2.2.2 Vernalis Plc.

With effect from 1 July 2008, Ipsen entered into an agreement with Vernalis Plc. for the purchase of a 9.71% stake in the share capital of Vernalis Plc. for £2.6 million (€3.2 million) (see note 1.3).

In accordance with the Group's consolidation methods (see note 3.4), Vernalis Plc. is excluded from the Group's scope of consolidation.

This stake holding is recognised under equity investments.

2.2.3 Tercica Inc.

In accordance with the merger agreement announced in June 2008, on 22 July 2008 Ipsen formerly subscribed to new Tercica Inc. ordinary shares, fully exercised the warrant issued by Tercica Inc. in October 2006 and fully converted the convertible notes, issued by Tercica Inc. in October 2006 and September 2007 (see note 1.4).

On 16 October 2008, Ipsen acquired the remaining Tercica Inc. shares (39,331,335 shares), thereby owning 100% of Tercica Inc.'s share capital for a total of $372.6 million (€239 million) (see note 1.4).

As this transaction was effective as from 16 October 2008, this company is accounted for using the equity method until 30 September 2008 and then fully consolidated for the fourth quarter of 2008. 30 September 2008 was decided upon as the consolidation date as the transactions carried out between 1 October and 16 October 2008 were not material.

Note 3 Principles and accounting methods and declaration of conformity

Preliminary remarks:

- All amounts are expressed in thousands of euros, unless stated otherwise;
- The closing date of consolidated financial statements is 31 December of every 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 statements were approved by the Board of Directors on 27 February 2009.

3.1 Basis of accounting

The main accounting methods used to prepare the consolidated financial statements are described below. Unless otherwise stated, these methods were used systematically for all the 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 2008 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union on the date of preparation.

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_fr.htm.

3.1.1 Amendments to previously published standards and coming into force in 2008

The Group applied all amendments, standards and interpretations which came into force as from 1 January 2008 and adopted by the European Union. These include the amendments to IAS 39 – Financial instruments: recognition and measurement and IFRS 7 – Financial instruments: disclosures, in respect of the reclassification of financial assets.

These texts did not have a material impact on the Group's consolidated financial statements.

3.1.2 Standards and amendments adopted by the European Union and not adopted prospectively by the Group

- IFRS 2 (Amendment relating to the vesting conditions and cancellations);
- IFRS 8 (Operating segments);
- IAS 1 (Presentation of Financial Statements (revised version));
- IAS 23 (Borrowing costs (revised version)).

The possible impact of these texts is currently being estimated. At present, it appears that their application should not result in any major changes for the Group.

- Amendments to IAS 1 – IAS 32 (Amendment relating to puttable financial instruments and obligations arising on liquidation);
- Amendments to IFRS 1 – IAS 27 (Cost of investments in subsidiaries, jointly controlled entities or associates).

3.1.3 Interpretations adopted by the European Union and not adopted prospectively by the Group

- IFRIC 11 (Group and treasury share transactions);
- IFRIC 13 (Customer Loyalty Programmes);
- IFRIC 14 (IAS19 - The Limit on a Defined Benefit Asset and Minimum Funding Requirements).

The possible impact of these texts is currently being estimated. At present, it appears that their application should not result in any major changes for the Group.

3.1.4 Standards, amendments and interpretations not yet adopted by the European Union and not adopted prospectively by the Group

- IFRS 1 (First-time Application of IFRS (revised version));
- IFRS 3 (Business Combinations (revised version));
- IAS 27 (Consolidated and Separate Financial Statements (revised version));
- Amendment to IAS 39 (Reclassification of financial assets: transition and effective date, and exposures qualifying for hedge accounting);
- IFRIC 12 (Service Concession Arrangements) ;
- IFRIC 15 (Agreements for the Construction of Real Estate);
- IFRIC 16 (Hedges of a Net Investment in a Foreign Operation);
- IFRIC 17 (Distributions of Non-cash Assets to Owners).

3.1.5 Reminder of first-time adoption of IFRS applied by the Group

In respect of the first-time application of IFRS in 2005, the IFRS standards as adopted by the European Union and in force as from 31 December 2005 were applied with retroactive effect as from 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 not to restate retrospectively business combinations prior to 1 January 2004;
- **Property, plant & equipment**: the Group chose not to revalue property, plant & equipment at their fair value in the balance sheet drawn up on 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 through equity all cumulative actuarial gains and losses at the opening IFRS balance sheet date;
- **Share-based payments**: in accordance with the option provided by IFRS 2, the Group has elected to apply this standard only to the plans that were granted after 7 November 2002 and that had not vested at 1 January 2005;
- **Financial instruments**: despite the fact that the regulator allowed companies to apply IAS 32 and IAS 39 as from 1 January 2005, the Group applied them as from 1 January 2004.

3.2 Measurement bases used in preparing the financial statements

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

3.3 Use of estimates

In order to prepare its financial statements, the Group is required to make certain estimates and assumptions with respect to the value of assets and liabilities, income and expense items, and information given in the notes to the financial statements.

Management has made these estimates and assumptions on the basis of its past experience and other factors deemed reasonable. Amounts appearing in subsequent financial statements may differ materially from these estimates should the assumptions change or if actual conditions are different, particularly given the severe downturn in the current economic and financial environment which may weaken some of our partners and make it difficult to estimate future outlook.

The principal material estimates made by management concern employee benefits, goodwill, intangible assets, derivatives and provisions.

3.4 Consolidation methods

Subsidiaries over which the Group exercises exclusive control are fully consolidated.

Companies controlled jointly with a limited number of outside partners are proportionately consolidated.

Companies over which the Group exercises significant influence are accounted for using the equity method.

If the accounting methods used by the subsidiaries, associated companies and joint venture companies do not comply with those used by the Group, the necessary changes are made to the financial statements of those companies to make them compatible with the Group's accounting principles, as described in note 3.

Investments in companies which are not consolidated even though they meet the above conditions are recognised as equity investments.

The following principles are applied in deciding whether a subsidiary should be excluded from the scope of consolidation:

- companies which might have been accounted for using the equity method: the thresholds are determined by reference to the company's relative contribution to consolidated equity, results and goodwill;
- companies which might have been wholly or proportionately consolidated: the thresholds are determined by reference to

the company's relative contribution to consolidated revenue, operating income, equity and total assets.

Given the particularly exhaustive nature of the Group's scope of consolidation, 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 scope of consolidation has to date never exceeded 1.5% of any of the consolidated aggregates referred to above.

3.5 Business combinations

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 net assets acquired 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 net assets 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.

3.6 Segment reporting

Segment reporting is based on the Group's internal organisation structure which reflects the various levels of risks and rewards to which it is exposed.

Geographical area is the basis on which the Group reports its primary segment information, as defined by IAS 14.

The breakdown used is as follows:

- Major Western European countries: France, Italy, Spain, United Kingdom and Germany;
- Rest of Europe: all other countries in Western and Eastern Europe;
- Rest of the world: all countries outside Europe.

The Group's business activities all fall within the same area, that is research, development, manufacture and sale of pharmaceutical products for human healthcare. It also sells active ingredients and raw materials used in its pharmaceutical products and provides research and development services in human healthcare.

Accordingly, the Group does not produce secondary segment information.

3.7 Conversion of financial statements into 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 reporting date. Their income statements and statements of cash flows are translated at the average rate for the year.

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 reporting 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 disposal profit or loss.

3.8 Conversion of foreign currency transactions

Receivables and payables denominated in foreign currencies are initially translated at the exchange rates prevailing on the transaction date, and then revalued at the closing rates prevailing on the reporting date. Any resulting gains or losses are recognised in profit or loss. Income statement and cash flow items are translated at the rates prevailing on the transaction date.

The exchange losses and profits on foreign currency transactions 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.

3.9 Exchange differences with respect to intra-group transactions and cash flows

Exchange differences arising from elimination of foreign currency transactions between fully consolidated companies:

- are transferred to the cumulative translation reserve under shareholders' equity and to minority interests for the non-Group share, to eliminate their impact on consolidated results;
- exchange differences arising from foreign currency cash flow movements between fully consolidated companies are

accounted for under a separate line item in the consolidated statement of cash flows.

3.10 Intangible assets (excluding Goodwill)

Intangible assets are accounted for at cost, less cumulative amortisation and any impairment loss.

Intangible assets with a finite useful life are amortised over a period corresponding to their estimated useful lives defined 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 to carry the project through, Group's intention to carry the project through, 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.

Generally, brands and trademarks are not amortised.

Software licences are amortised on a straight-line basis for the duration of their useful lives (from 1 to 10 years).

3.11 Property, plant & equipment

Property, plant and equipment items are accounted for at acquisition cost or production cost as applicable less cumulative amortisation and any impairment loss.

Subsequent costs are included in the asset's carrying amount, 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.

They are depreciated on a straight-line basis over the assets' estimated useful lives as follows:

- Buildings, fixtures and fittings . . . . . 10 to 50 years
- Industrial plant & equipment . . . . . 5 to 10 years
- Other property, plant and equipment. . . . . 3 to 10 years

Land is not amortised.

Residual values and the duration of the assets' useful lives are revised and, if applicable, adjusted at each closing of the balance sheet.

The carrying amount of an asset is depreciated immediately to bring it back to its recoverable amount when the asset's carrying amount is greater than its estimated recoverable amount (see note on Impairment of assets).

Losses or profits on asset disposals are determined by comparing the disposal gain to the carrying amount of the disposed asset.

3.12 Leases

3.12.1 Finance leases

Assets acquired under finance leases are recognised on the balance sheet when the lease contract transfers substantially all the risks and rewards incidental to ownership to the Group. Criteria used to assess whether a contract should be classified as a finance lease include:

- the term of the lease compared with the estimated useful life of the asset,
- total future lease payments compared with fair value of the asset financed,
- whether or not ownership of the asset is transferred at the end of the lease term,
- existence of a purchase option favourable to the lessee,
- type of asset leased.

Leased assets recognised on the balance sheet are depreciated over the shorter of their estimated useful lives or the term of the lease contract.

3.12.2 Operating leases

Operating leases are lease contracts that are not classified as finance leases. Rental payments are recognised as expenses when they are incurred.

3.13 Financing costs

Financing costs are recognised in profit or loss in the period in which they are incurred.

3.14 Impairment of assets

Goodwill and intangible assets with an indefinite useful life 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. Annual impairment testing is carried out during the final quarter of the year.

For the purposes of impairment tests, as 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, regardless of whether or not other assets and liabilities of the acquired company are allocated to these units or groups of units.

Other non-current assets are also tested for impairment when events or changed circumstances indicate that an asset may be impaired.

Impairment testing consists of comparing an asset's carrying amount 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 an asset or cash-generating unit and its ultimate disposal.

Fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

When tests indicate an impairment loss, the carrying amount of the asset is reduced to its recoverable amount.

Property, plant and equipment items are tested for impairment whenever there is an indication that an asset may be impaired.

When the recoverable amount of an asset (or group of assets) is lower than its carrying amount, an impairment loss is recognised in profit or loss and deducted in priority from the goodwill allocated to that asset.

Impairment losses on goodwill are not reversible.

3.15 Government grants

Government grants received by the Group are treated as deferred income and recognised in profit or loss over the estimated useful lives of the assets financed by the grants.

3.16 Financial assets

Financial assets, excluding cash and derivative financial assets, are classified in one of the four following categories:

- Financial assets at fair value through profit or loss;
- Loans and receivables;
- Held-to-maturity investments;
- Available-for-sale financial assets.

Financial assets are classified upon initial recognition according to the Group's intention at the time of acquisition.

3.16.1 Financial assets at fair value through profit or loss

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 designated as at fair value through profit or loss. Derivative instruments are also treated as held for transaction purposes, unless they are qualified as hedges.

Such assets are measured at fair value and any changes are recognised in profit or loss.

Assets in this category are designated as current assets.

3.16.2 Loans and receivables

Loans and receivables are non-derivative financial assets with a payment, which is fixed or can be determined, not listed on an active market. They are included in current assets, except those that mature more than 12 months after the balance sheet closing date.

Loans and receivables are measured at amortised cost using the effective interest method. The carrying amount 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 carrying amount, an impairment loss is recognised in profit or loss.

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 recognizes an impairment of trade receivables which takes into account the Group's hedging instruments (Coface type credit insurance).

3.16.3 Held-to-maturity investments

These are financial assets that the Group has the positive 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 carrying amount, an impairment loss is recognised in profit or loss.

3.16.4 Available-for-sale financial assets

These are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. 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 recognised in profit or loss. Exchange differences on non-monetary assets denominated in foreign currencies are recognised directly in equity.

This category principally comprises 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.

3.16.5 Determination of fair value

For investments in listed equity instruments, fair value is the quoted market price. For investments in unlisted equity instruments, fair value is determined by reference to recent market transactions or using a valuation technique that provides reliable estimates of prices obtained in actual market transactions.

For investments in non-consolidated and unlisted companies, fair value is based on the Group's share in each company's equity on the reporting date.

If it is not possible to reasonably estimate the fair value of an asset, it is measured at cost. These assets are tested for impairment to determine their recoverable amount.

3.17 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 carrying amount 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 the conditions for classifying an asset as held for sale have been met or the operation has been sold.

3.18 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.

3.19 Securities held for sale

This category comprises 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.

3.20 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 through profit or loss: they are measured at fair value and any changes are recognised in profit or loss. Given the nature of these assets, their fair value is generally similar to their carrying amount.

3.21 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 expensed in personnel costs 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 profit and loss 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.

3.22 Employee benefits

3.22.1 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;
- provisions taken in the balance sheet.

For State-managed plans and other defined contribution plans, the Group recognises the contributions in profit or loss when they become payable, as its constructive obligation is limited to the agreed amount of contributions.

For defined benefit plans, the Group's obligation 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 accounted for separately to build up the final obligation.

The final amount of the obligation is then discounted. The main assumptions used to calculate the obligation are:

- discounting rate,
- inflation rate,
- future salary increases,
- employee turnover.

The Group's obligation 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 obligation 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 obligation 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 obligation externally, including the deferred portion of actuarial gains and losses. If the plan's assets exceed its estimated obligation, 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.

3.22.2 Other employee benefits

In some countries, employees are entitled to awards for long service. The Group recognises a provision in the balance sheet to cover its obligation in this respect.

3.23 Provisions

Provisions are recognised in accordance with IAS 37 to cover all obligations 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 reporting date.

In the case of restructurings, an obligation is recognised 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 obligation. The provision increase resulting from the restatement at historical value is recognised in financial expenses.

■ 3.24 Financial liabilities

Loans are recognised 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 recognised as loans in the balance sheet and are amortised in net financial income/expenses over the term of the loans.

■ 3.25 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 recognised 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 recognised directly in equity. The ineffective portion is recognised in profit or loss;
- fair value hedges and financial instruments not designated as hedges: changes in fair value are recognised in profit or loss.

Market value is the price quoted by independent financial institutions.

■ 3.26 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.

Rebates and discounts granted to customers are recognised at the same time as the sale of the goods and are deducted from the value of the sale.

■ 3.27 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.

■ 3.28 Deferred taxes

Deferred taxes are recognised 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 recognised only if there is convincing evidence that sufficient taxable profit 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 scope of consolidation.

■ 3.29 Earnings per share

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.

■ 3.30 Treatment of changes in the scope of consolidation 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 4 Segment reporting

Segment reporting is based on the Group's internal organisation structure which reflects the various levels of risks and rewards to which it is exposed.

Geographical area is the basis on which the Group reports its primary segment information, as defined by IAS 14.

The breakdown used is as follows:

- Major Western European countries: France, Italy, Spain, United Kingdom and Germany;
- Rest of Europe: all other countries in Western and Eastern Europe;
- Rest of the world: all countries outside Europe.

The Group's business activities all fall within the same area, that is research, development, manufacture and sale of pharmaceutical products for human healthcare. It also sells active ingredients and raw materials used in its pharmaceutical products and provides research and development services in human healthcare.

Accordingly, the Group does not produce secondary segment information.

4.1 Operating income by geographical area (based on the location of customers)

(in thousand euros)	31 December 2008		31 December 2007		31 December 2006	
	Amount	%	Amount	%	Amount	%
Major Western European countries	229,449	64%	216,619	62%	215,829	65%
Rest of Europe	94,453	26%	79,109	23%	71,516	22%
Rest of the world	36,016	10%	53,710	15%	42,309	13%
Total allocated	**359,918**	**100%**	**349,438**	**100%**	**329,654**	**100%**
Unallocated	(179,831)	–	(140,550)	–	(142,435)	–
Total	**180,087**	**–**	**208,888**	**–**	**187,219**	**–**

Unallocated operating income includes expenses and income that is not attributable to a specific geographical area, principally other operating income and expenses, most research and development expenses, and unattributable Group expenses.

4.2 Total Revenue

4.2.1 Total revenue by geographical area (based on the location of the customers)

(in thousand euros)	31 December 2008		31 December 2007		31 December 2006	
	Amount	%	Amount	%	Amount	%
Major Western European countries	588,001	59%	571,228	62%	564,528	65%
Rest of Europe	236,343	24%	208,121	22%	184,800	21%
Rest of the world	178,276	18%	150,182	16%	125,202	14%
Total allocated	**1,002,620**	**100%**	**929,531**	**100%**	**874,530**	**100%**
Unallocated	35,492	–	64,226	–	70,727	–
Total	**1,038,112**	**–**	**993,757**	**–**	**945,257**	**–**

Within total revenue, only sales of goods and co-promotion income have been allocated. Other revenue (see note 4.2.3) has not been allocated, as it does not lend itself to this type of analysis.

4.2.2 Sales by geographical area (based on the location of the customers)

(in thousand euros)	31 December 2008		31 December 2007		31 December 2006	
	Amount	%	Amount	%	Amount	%
Major Western European countries	559,513	58%	564,262	61%	551,674	64%
Rest of Europe	236,238	24%	208,121	23%	184,800	21%
Rest of the world	175,271	18%	148,092	16%	125,202	15%
Total	**971,022**	**100%**	**920,475**	**100%**	**861,676**	**100%**

4.2.3 Other revenue

(in thousand euros)	31 December 2008	31 December 2007	31 December 2006
Royalties received (1)	20,168	49,767	41,650
Milestone payments received(2)	38,911	17,349	20,199
Research and development expenses billed back to partners	1,026	2,087	10,548
Co-promotion income	6,985	4,079	11,184
Total	**67,090**	**73,282**	**83,581**

(1) Royalties received mainly include royalties for the Kogenate® licence, which totalled €18.8 million in 2008, compared with €47.6 million for the previous year. A dispute is currently ongoing between Ipsen and Bayer over the expiry date of a licence agreement signed in 1985 and which generates royalties payments. The Group maintains that it holds documents which show that the licence agreement terminates at the end of the second quarter of 2009. However, Bayer ceased paying the royalties at the end of May 2008. This dispute also covers the fact that Bayer has not fulfilled its contractual obligation to send Ipsen the statements of royalties due for the 2nd and 3rd quarters of 2008, which the Group would have used to estimate the royalties to be recorded for the financial year 2008. As a result, the Group was only able to recognise the royalties actually paid by Bayer in 2008 in its 2008 financial statements, without regard to the amount which it considers are due by Bayer pursuant to the licence agreement signed in 1985.

(2) The milestone payments relating to licensing agreements represent primarily the recognition of payments received over the life of partnership agreements. In 2007, this income mainly comprised milestones in relation to the Reloxin® agreement with Medicis®, the Somatuline® agreement with Tercica and the taspoglutide (GLP-1 analogue) agreement with Roche. At 31 December 2008, these payments totalled €38.9 million, up €21.6 million compared with the previous year. This sharp increase is mainly due to the recognition of €18.8 million in proceeds arising from the transfer of Ginkor Fort® marketing authorisations to GTF signed in August 2007. This income includes the recognition over the period of the milestone payment made at the time of the signature of the agreement, and the Group's estimate of an additional amount linked to the changes in the veinotonic drug market in France in 2008.

4.3 Balance sheet items by geographical area (based on the location of the assets)

(in thousand euros)	31 December 2008				
	Major Western European countries	Rest of Europe	Rest of the world	Eliminations	Total
Goodwill (*)	143,819	18,708	189,209 (*)	–	351,736
Property, plant & equipment	173,169	37,690	27,001	–	237,860
Inventories	70,445	25,526	19,973	–	115,944
Trade receivables	209,357	28,341	25,554	(45,407)	217,845
Total segment assets	**596,790**	**110,265**	**261,737**	**(45,407)**	**923,385**
Trade payables	116,502	17,051	15,689	(45,407)	103,835
Total segment liabilities	**116,502**	**17,051**	**15,689**	**(45,407)**	**103,835**

(*) Goodwill allocated to the segment Rest of the world comprises the provisional Goodwill relating to Tercica Inc. (€159.2 million) and Vernalis Inc. (€3.5 million).

(in thousand euros)	31 December 2007				
	Major Western European countries	Rest of Europe	Rest of the world	Eliminations	Total
Goodwill (*)	143,819	18,708	26,486	–	189,013
Property, plant & equipment	167,111	31,305	23,475	–	221,891
Inventories	62,960	1,977	22,174	–	87,111
Trade receivables	203,521	29,494	10,053	(26,854)	216,214
Total segment assets	**577,411**	**81,484**	**82,188**	**(26,854)**	**714,229**
Trade payables	107,858	9,297	13,880	(26,854)	104,181
Total segment liabilities	**107,858**	**9,297**	**13,880**	**(26,854)**	**104,181**

(*) Goodwill recognized by the Group (see note 12.1 for details) is allocated by geographical area proportionally to the revenue generated in each area at the date the business combination was completed.

(in thousand euros)	31 December 2006				
	Major Western European countries	Rest of Europe	Rest of the world	Eliminations	Total
Goodwill (*)	143,819	18,708	26,309	–	188,836
Property, plant & equipment	144,069	28,999	25,118	–	198,186
Inventories	56,778	20,387	1,782	–	78,947
Trade receivables	178,771	26,886	10,891	(24,846)	191,702
Total segment assets	**523,437**	**94,980**	**64,100**	**(24,846)**	**657,671**
Trade payables	105,344	11,029	8,742	(24,846)	100,269
Total segment liabilities	**105,344**	**11,029**	**8,742**	**(24,846)**	**100,269**

(*) Goodwill recognized by the Group (see note 12.1 for details) is allocated by geographical area proportionally to the revenue generated in each area at the date the business combination was completed.

4.4 Other information

(in thousand euros)	31 December 2008				
	Major Western European countries	Rest of Europe	Rest of the world	Unallocated	Total
Capital expenditure	(47,010)	(10,514)	(3,921)	(33,762)	(95,207)
Depreciation, amortisation and provision charges (excluding financial)	35,335	3,615	4,033	6,711	49,694
Share-based payment expense with no impact on cash flow	–	–	–	6,585	6,585

(in thousand euros)	31 December 2007				
	Major Western European countries	Rest of Europe	Rest of the world	Unallocated	Total
Capital expenditure	(49,942)	(6,123)	(2,607)	(26,483)	(85,155)
Depreciation, amortisation and provision charges (excluding financial)	30,164	3,518	2,339	4,038	40,059
Share-based payment expense with no impact on cash flow	–	–	–	7,562	7,562

(in thousand euros)	31 December 2006				
	Major Western European countries	Rest of Europe	Rest of the world	Unallocated	Total
Capital expenditure	(34,441)	(3,927)	(2,262)	(41,217)	(81,847)
Depreciation, amortisation and provision charges (excluding financial)	32,569	2,741	620	12,628	48,558
Share-based payment expense with no impact on cash flow	–	–	–	3,282	3,282

Note 5 Personnel costs

5.1 Employees

The Group employed 4,277 employees at year end 2008 (3,886 at year end 2007 and 3,821 at year end 2006).

In 2008, the average number of employees was 4,082 (3,854 in 2007 and 3,811 in 2006).

The following table shows movements in the number of employees by function:

Functions	31 December 2008	31 December 2007	31 December 2006
Sales	1,738	1,556	1,530
Production	1,119	1,075	1,050
Research and Development	817	708	700
Administration	603	547	541
Total	**4,277**	**3,886**	**3,821**

The following table shows a geographical breakdown of employees:

Geographical area	31 December 2008	31 December 2007	31 December 2006
Major Western European countries	2,685	2,620	2,613
Rest of Europe	634	587	563
Rest of the world	958(*)	679	645
Total	**4,277**	**3,886**	**3,821**

(*) The increase in 2008 of the number of employees in the area Rest of the world is mainly due to the acquisitions in North America.

5.2 Personnel costs

The following table shows a breakdown of personnel costs, which are split in the income statement between the cost of goods sold, selling, general and administrative expenses and research and development expenses:

(in thousand euros)	31 December 2008	31 December 2007	31 December 2006
Wages and salaries	(202,882)	(179,410)	(166,353)
Social security charges and payroll taxes	(74,869)	(69,754)	(66,256)
Sub-total	**(277,751)**	**(249,164)**	**(232,609)**
Employee Benefits expenses (note 5.3.3.4)	**(3,728)**	**(3,855)**	**(4,051)**
Annual accounting expenses associated with share-based payment (note 5.4)	(6,326)	(7,312)	(3,282)
Social security charges on share-based payment	(259)	(250)	–
Sub-total share-based payment expense	**(6,585)**	**(7,562)**	**(3,282)**
Employee profit-sharing	(9,974)	(11,013)	(10,059)
Total	**(298,038)**	**(271,594)**	**(250,001)**

The average rate of employer social security contributions was 36.9% of gross payroll in 2008 (38.9% in 2007 and 39.8% in 2006).

The Group's French subsidiaries have an employee profit-sharing agreement as required by law. Employees may invest their entitlement either in an interest-bearing savings account with the company or in an employee share ownership plan managed by an investment company.

5.3 Employee benefits

5.3.1 Benefit plans

5.3.1.1 Post-retirement benefits

In some companies, employees are entitled to supplemental pension benefits during their retirement or to end-of-career compensation payable on the date of retirement. The main countries concerned are France, the United Kingdom, Ireland, Spain and Italy. In France, a limited number of employees also benefit from an additional top-up pension plan.

These plans are either defined contribution or defined benefit plans.

Under defined contribution plans, the Group has no constructive obligation other than payment of the agreed contributions. These payments are recognised as expenses when they are incurred.

5.3.2 Other long-term benefits

Some employees, mainly those in France, are entitled to long-service awards.

5.3.3 Measurement and recognition of liabilities

The Group's obligation in respect of employee benefits is calculated by an external actuary using the actuarial models and assumptions that apply locally in the countries concerned.

Some liabilities are covered by financial assets held in funds invested with insurance companies (plan assets).

Surplus plan assets are recognised on the balance sheet under non-current financial assets.

Unfunded liabilities and plan deficits are recognised on the balance sheet under retirement benefit obligation.

5.3.3.1 Assumptions used

The main actuarial assumptions used at 31 December 2008 are:

	Europe (excluding UK)	United Kingdom	Asia – Pacific – Africa
Discount rate	5.64%	6.25%	9.00%
Expected return on plan assets	5.36%	7.30%	6.00%
Expected return on reimbursements rights	nm	nm	nm
Expected salary increases	According to age	5.30%	9.75%
Future pension increases	nm	3.30	nm
Average remaining working lives of employees (years)	18.43	15.30	8.75

The main actuarial assumptions used at 31 December 2007 are:

	Europe (excluding UK)	United Kingdom	Asia – Pacific – Africa
Discount rate	5.06%	6.00%	7.80%
Expected return on plan assets	5.16%	7.30%	6.00%
Expected return on reimbursements rights	nm	nm	nm
Expected salary increases	According to age	5.00%	7.25%
Future pension increases	nm	3.30%	nm
Average remaining working lives of employees (years)	18.46	15.80	10.00

The main actuarial assumptions used at 31 December 2006 are:

	Europe (excluding UK)	United Kingdom	Asia – Pacific – Africa
Discount rate	4.13%	5.00%	7.60%
Expected return on plan assets	4.55%	7.20%	6.00%
Expected return on reimbursements rights	nm	nm	nm
Expected salary increases	According to age	5.00%	7.25%
Future pension increases	nm	3.00%	nm
Average remaining working lives of employees (years)	19.10	16.30	10.00

5.3.3.2 Breakdown of retirement benefit obligation recognised on the balance sheet

(in thousand euros)	31 December 2008	31 December 2007	31 December 2006
Post- employment benefits	**8,187**	**6,797**	**6,158**
– Pension plans	8,187	6,797	6,158
– Other plans	–	–	–
Other long-term benefits	**– 3,343**	**– 3,241**	**– 3,141**
Total	**– 11,530**	**– 10,038**	**– 9,299**

5.3.3.3 Reconciliation of assets and liabilities carried on the balance sheet

(in thousand euros)	31 December 2008			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Breakdown of net amount carried in the balance sheet				
– Present value of funded liabilities	45,603	–	218	45,821
– Present value of unfunded liabilities	1,111	–	3,154	4,265
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				
– Past service costs	1,914	–	–	1,914
– Net actuarial losses or (gains)	9,930	–	–	9,930
– Restriction of assets recognised	–	–	–	–
– Fair value of reimbursement rights recognised as an asset	–	–	–	–
Total unrecognised items (b)	**11,844**	**–**	**–**	**11,844**
Net obligation (a – b)	**4,377**	**–**	**3,343**	**7,720**
Amount presented in the balance sheet:				
Retirement benefit obligation	8,187	–	3,343	11,530
Non-current financial assets	3,810	–	–	3,810
Net obligation	**4,377**	**–**	**3,343**	**7,720**

(in thousand euros)	31 December 2007			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Breakdown of net amount carried in the balance sheet				
– Present value of funded liabilities	48,893	–	250	49,143
– Present value of unfunded liabilities	1,378	–	3,019	4,397
Sub-total	**50,271**	**–**	**3,269**	**53,540**
Fair value of plan assets	39,949	–	28	39,977
Net liabilities (a)	**10,322**	**–**	**3,241**	**13,563**
Unrecognised items				
– Past service costs	2,247	–	–	2,247
– Net actuarial losses or (gains)	5,323	–	–	5,323
– Restriction of assets recognised	–	–	–	–
– Fair value of reimbursement rights recognised as an asset	–	–	–	–
Total unrecognised items (b)	**7,570**	**–**	**–**	**7,570**
Net obligation (a – b)	**2,752**	**–**	**3,241**	**5,993**
Amount presented in the balance sheet:				
Retirement benefit obligation	6,797	–	3,241	10,038
Non-current financial assets	4,045	–	–	4,045
Net obligation	**2,752**	**–**	**3,241**	**5,993**

(in thousand euros)	31 December 2006			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Breakdown of net amount carried in the balance sheet				
– Present value of funded liabilities	49,907	–	258	50,165
– Present value of unfunded liabilities	1,855	–	2,919	4,774
Sub-total	**51,762**	**–**	**3,177**	**54,939**
Fair value of plan assets	35,735	–	36	35,771
Net liabilities (a)	**16,027**	**–**	**3,141**	**19,168**
Unrecognised items				
– Past service costs	755	–	–	755
– Net actuarial losses or (gains)	11,492	–	–	11,492
– Restriction of assets recognised	–	–	–	–
– Fair value of reimbursement rights recognised as an asset	–	–	–	–
Total unrecognised items (b)	**12,247**	**–**	**–**	**12,247**
Net obligation (a – b)	**3,780**	**–**	**3,141**	**6,921**
Amount presented in the balance sheet:				
Retirement benefit obligation	6,158	–	3,141	9,299
Non-current financial assets	2,378	–	–	2,378
Net obligation	**3,780**	**–**	**3,141**	**6,921**

5.3.3.4 Reconciliation of expenses in the income statement

(in thousand euros)	31 December 2008			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Current service cost	3,313	–	382	3,695
Contributions from plan members	(214)	–		(214)
Interest costs	2,779	–	160	2,939
Expected return on plan assets	(2,327)	–	(1)	(2,328)
Expected return on reimbursement rights	–	–	–	–
Past service costs recognised	333	–	8	341
Actuarial losses (gains) recognised	135	–	(230)	(95)
Losses (gains) on curtailments and settlements	–	–	–	–
Change in asset ceiling	-	–	–	–
Total net expenses	**4,019**	**–**	**319**	**4,338**
– of which operating expenses	3,568	–	160	3,728
– of which financial expenses	451	–	159	610

(in thousand euros)	31 December 2007			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Current service cost	3,712	–	365	4,077
Contributions from plan members	(225)	–	–	(225)
Interest costs	2,428	–	130	2,558
Expected return on plan assets	(1,947)	–	(1)	(1,948)
Expected return on reimbursement rights	–	–	–	–
Past service costs recognised	240	–	–	240
Actuarial losses (gains) recognised	450	–	(175)	275
Losses (gains) on curtailments and settlements	(461)	–	(51)	(512)
Change in asset ceiling	–	–	–	–
Total net expenses	**4,197**	**–**	**268**	**4,465**
– of which operating expenses	3,717	–	138	3,855
– of which financial expenses	480	–	130	610

(in thousand euros)	31 December 2006			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Current service cost	3,413	–	331	3,744
Contributions from plan members	(223)	–	–	(223)
Interest costs	1,993	–	108	2,101
Expected return on plan assets	(1,558)	–	(1)	(1,559)
Expected return on reimbursement rights	–	–	–	–
Past service costs recognised	56	–	–	56
Actuarial losses (gains) recognised	483	–	(26)	457
Losses (gains) on curtailments and settlements	31	_	(15)	16
Change in asset ceiling	–	–	–	–
Total net expenses	**4,195**	**–**	**397**	**4,592**
– of which operating expenses	3,760	–	291	4,051
– of which financial expenses	435	–	106	541

5.3.3.5 Movements in net liability carried on the balance sheet

(in thousand euros)	31 December 2008			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Opening net liability	**2,752**	**–**	**3,241**	**5,993**
Exchange differences	(154)	–	27	(127)
Change in scope of consolidation	–	–	–	–
Charge for the year (note 5.3.3.4)	4,019	–	319	4,338
Transfers (from) / to plan assets	–	–	-	-
Contributions paid by employer	(1,906)	–	2	(1,904)
Reimbursement excess paid by employer	–	–	–	–
Benefits paid from reimbursement rights	–	–	–	–
Benefits paid from internal reserve	(334)	–	(246)	(580)
Effect of reimbursement rights recognised in charge	–	–	–	–
Change in asset ceiling	–	–	–	–
Closing net liability	**4,377**	**–**	**3,343**	**7,720**

(in thousand euros)	31 December 2007			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Opening net liability	**3,780**	**–**	**3,141**	**6,921**
Exchange differences	(62)	–	(12)	(74)
Change in scope of consolidation	–	–	–	–
Charge for the year (note 5.3.3.4)	4,197	–	268	4,465
Transfers (from) / to plan assets	–	–	–	–
Contributions paid by employer	(5,028)	–	2	(5,026)
Reimbursement excess paid by employer	203	–	–	203
Benefits paid from reimbursement rights	–	–	–	–
Benefits paid from internal reserve	(338)	–	(158)	(496)
Effect of reimbursement rights recognised in charge	–	–	–	–
Change in asset ceiling	–	–	–	–
Closing net liability	**2,752**	**–**	**3,241**	**5,993**

(in thousand euros)	31 December 2006			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Opening net liability	**3,994**	**–**	**2,880**	**6,874**
Exchange differences	36	–	(16)	20
Change in scope of consolidation	–	–	–	–
Charge for the year (note 5.3.3.4)	4,195	-	397	4,592
Transfers (from) / to plan assets	–	–	–	–
Contributions paid by employer	(4,152)	–	9	(4,143)
Benefits paid from reimbursement rights	–	–	–	-
Benefits paid from internal reserve	(293)	–	(129)	(422)
Effect of reimbursement rights recognised in charge	–	–	–	–
Change in asset ceiling	_	–	–	–
Closing net liability	**3,780**	**–**	**3,141**	**6,921**

5.3.3.6 Movements in defined benefit plan obligations

(in thousand euros)	31 December 2008			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Opening balance	**50,271**	**–**	**3,268**	**53,540**
Exchange differences	(2,015)	–	26	(1,989)
Change in scope of consolidation	–	–	–	–
Current service cost	3,313	–	382	3,695
Social security charges on service cost	–	–	(108)	(108)
Interest cost	2,779	–	160	2,939
Settlements/curtailments	–	–	–	–
Benefits paid from plan assets	(4,587)	–	–	(4,587)
Benefits paid from reimbursement rights	–	–	–	–
Benefits paid from internal reserve	(334)	–	(246)	(580)
Actuarial gains and losses generated in the year	(2,713)	–	(117)	(2,831)
Past service cost	–	–	7	7
Transfers	–	–	–	–
Closing balance	**46,714**	**–**	**3,372**	**50,086**

(in thousand euros)	31 December 2007			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Opening balance	**51,768**	**–**	**3,171**	**54,939**
Exchange differences	(642)	–	(6)	(648)
Change in scope of consolidation	–	–	–	–
Current service cost	3,712	–	365	4,077
Social security charges on service cost	–	–	–	–
Interest cost	2,428	–	130	2,558
Settlements/curtailments	(588)	–	(51)	(639)
Benefits paid from plan assets	(1,185)	–	(9)	(1,194)
Benefits paid from reimbursement rights	–	–	–	–
Benefits paid from internal reserve	(338)	–	(158)	(496)
Actuarial gains and losses generated in the year	(6,616)	_	(173)	(6,789)
Past service cost	1,732	–	–	1,732
Transfers	–	–	–	–
Closing balance	**50,271**	**–**	**3,269**	**53,540**

(in thousand euros)	31 December 2006			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Opening balance	**42,613**	**–**	**2,906**	**45,519**
Exchange differences	196	–	(17)	179
Change in scope of consolidation	–	–	–	–
Current service cost	3,413	–	331	3,744
Social security charges on service cost	–	–	–	–
Interest cost	1,993	–	108	2,101
Settlements/curtailments	–	–	–	–
Benefits paid from plan assets	(489)	–	–	(489)
Benefits paid from reimbursement rights	-	–	–	–
Benefits paid from internal reserve	(293)	–	(129)	(422)
Actuarial gains and losses generated in the year	146	–	(28)	118
Past service cost	4,189	–	–	4,189
Transfers	–	–	–	–
Closing balance	**51,768**	**–**	**3,171**	**54,939**

5.3.3.7 Movements in plan assets

(in thousand euros)	31 December 2008			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Opening balance	**39,949**	**–**	**28**	**39,977**
Exchange differences	(2,023)	–	–	(2,023)
Change in scope of consolidation	–	–	–	–
Contributions from plan members	214	–	–	214
Expected return on plan assets	2,327	–	1	2,328
Settlements/curtailments	–	–	–	–
Transfers (from) / to unrecognised assets	–	–	–	–
Contributions paid by employer	1,906	–	(2)	1,904
Reimbursement excess paid by employer	–	–	–	–
Benefits paid from plan assets	(4,587)	–	–	(4,587)
Gains and losses generated in the year	(7,293)	–	2	(7,291)
Past service cost	—	–	–	–
Closing balance	**30,493**	**–**	**29**	**30,522**

(in thousand euros)	31 December 2007			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Opening balance	**35,735**	**–**	**36**	**35,771**
Exchange differences	(545)	–	–	(545)
Change in scope of consolidation	–	–	–	–
Contributions from plan members	225	–	–	225
Expected return on plan assets	1,947	–	1	1,948
Settlements/curtailments	–	–	–	–
Transfers (from) / to unrecognised assets	–	–	–	–
Contributions paid by employer	5,028	–	(2)	5,026
Reimbursement excess paid by employer	(203)	–	–	(203)
Benefits paid from plan assets	(1,185)	–	(9)	(1,194)
Gains and losses generated in the year	(1,053)	–	2	(1,051)
Past service cost	–	–	–	–
Closing balance	**39,949**	**–**	**28**	**39,977**

(in thousand euros)	31 December 2006			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Opening balance	**29,328**	**–**	**26**	**29,354**
Exchange differences	122	–	6	128
Change in scope of consolidation	–	–	–	–
Contributions from plan members	223	–	–	223
Expected return on plan assets	1,558	–	1	1,559
Settlements/curtailments	(35)	–	14	(21)
Transfers (from) / to unrecognised assets	–	–	–	–
Contributions paid by employer	4,235	–	(9)	4,226
Reimbursement excess paid by employer	(83)	–	–	(83)
Benefits paid from plan assets	(489)	–	–	(489)
Gains and losses generated in the year	876	–	(2)	874
Past service cost	–	–	–	–
Closing balance	**35,735**	**–**	**36**	**35,771**

5.3.3.8 Breakdown of plan assets

A breakdown of plan assets at 31 December 2008, 31 December 2007 and 31 December 2006, is given in the table below:

(in thousand euros)	31 December 2008			
	Shares	Notes	Other [1]	Total
Europe (excluding UK)	9,261	13,176	2,783	25,220
United Kingdom	2,843	2,191	134	5,168
Asia – Pacific – Africa	107	27	–	134
Total	**12,211**	**15,394**	**2,917**	**30,522**

(in thousand euros)	31 December 2007				31 December 2006			
	Shares	Notes	Other [1]	Total	Shares	Notes	Other [1]	Total
Europe (excluding UK)	14,592	14,512	3,004	32,108	8,642	15,980	3,983	28,605
United Kingdom	4,950	2,594	155	7,699	4,818	2,033	183	7,034
Asia – Pacific – Africa	136	34	–	170	105	27	–	132
Total	**19,678**	**17,140**	**3,159**	**39,977**	**13,565**	**18,040**	**4,166**	**35,771**

(1) Property, cash and other.

5.4 Share-based payments

• Mayroy S.A.

Since 1999, the Board of Directors of Mayroy S.A. (Ipsen S.A.'s parent company) has granted stock options to some employees and senior executives of the Group at an agreed exercise price (see note 5.4.1).Holders of options over Mayroy S.A. shares 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 S.A. established a new stock option plan for the same category of beneficiaries (see note 5.4.2) and a bonus share plan for senior executives (see note 5.4.3).

On 12 December 2006 – the Board of Directors of Ipsen S.A. also granted to the members of the Executive Committee and to executives of French and foreign subsidiaries a stock option plan as described in note 5.4.2. The Board of Directors also granted bonus shares to senior executives (see note 5.4.3).

On 30 May 2007 – the Board of Directors of Ipsen S.A. established a stock option plan for the new members of the Executive Committee and for an employee (see note 5.4.2) and granted bonus shares to the new members of the Executive Committee (see note 5.4.3).

On 12 December 2007 – the Board of Directors of Ipsen S.A. decided to include the new members of the Executive Committee in the existing stock option plan (see note 5.4.2). On the same date, the Board of Directors granted bonus shares to some of the members of the Executive Committee (see note 5.4.3).

On 29 September 2008 – the Board of Directors granted stock options and bonus shares free of any performance conditions, to the some of the management and executives of French and foreign subsidiaries and to a new member of the Executive Committee.

The annual charge for all share-based payments is given below:

(in thousand euros)	31 December 2008	31 December 2007	31 December 2006
Stock option plans granted by Mayroy S.A. (note 5.4.1.3)	706	2,283	2,371
Stock option plans granted by Ipsen (note 5.4.2.2)	4,572	4,431	668
Bonus shares (note 5.4.3.2)	1,048	598	243
Total	**6,326**	**7,312**	**3,282**

5.4.1 Stock options plans granted by the parent company Mayroy S.A.

5.4.1.1 Attributes of the stock 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 of grant	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
Expiration date of the plan	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	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm

5.4.1.2 Changes in options outstanding

Changes in the number of outstanding options for all the plans are given below:

(number of options)	31 December 2008	31 December 2007	31 December 2006
Opening balance	**41,120**	**48,170**	**77,350**
Options granted	–	–	–
Options exercised	(3,750)	(7,050)	(28,580)
Options forfeited	(250)	–	(600)
Options expired	–	–	–
Closing balance	**37,120**	**41,120**	**48,170**

Breakdown of closing balance:

(number of options)	31 December 2008	31 December 2007	31 December 2006
Plans before 7 Nov. 2002			
1a	–	–	3,300
1b	850	850	1,550
1c	1,920	3,420	6,470
Plans after 7 Nov. 2002			
1d	3,250	3,500	3,500
3a	12,450	14,700	14,700
2a	2,760	2,760	2,760
2b	2,760	2,760	2,760
2c (Tr. 1)	7,360	7,360	7,360
2c (Tr. 2)	2,760	2,760	2,760
2c (Tr. 3)	2,760	2,760	2,760
3b	250	250	250
TOTAL	**37,120**	**41,120**	**48,170**

5.4.1.3 Valuation of plans

Plans granted after 7 November 2002 are valued as follows (see note 3.21):

(in thousand euros)	Plans after 7 Nov. 2002								
	1d	3a	2a	2b	2c (Tr. 1)	2c (Tr. 2)	2c (Tr. 3)	3b	TOTAL
Opening value	1,020	4,532	783	772	2,112	777	792	73	**10,861**
Charge for 2008	–	69	–	–	423	46	158	10	**706**
Charge for 2007	246	1,058	–	186	423	194	158	18	**2,283**
Charge for 2006	255	948	182	193	423	194	158	18	**2,371**

Main assumptions	Plans after 7 Nov. 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 on 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**

5.4.2 Stock option plans granted by Ipsen S.A.

5.4.2.1 Attributes of the stock option plans

	PLANS														
	Plan of 14 Nov. 2005	Plan no. 1 of 12 December 2006			Plan no. 2 of 12 Dec. 2006	Plan no. 3 of 12 December 2006				Plan of 30 May 2007	Plan of 12 December 2007				Plan of 29 Sept. 2008
		Tr.A	Tr.B	Tr.C	–	3.1	3.2	3.3	3.4	1 A.	Tr.A	Tr.B	Tr.C	Tr.D	
Date of grant	06/12/2005	12/12/2006	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	12/12/2010	31/05/2011	12/12/2011	12/12/2011	12/12/2012	12/12/2012	29/09/2012
Expiration date of the plan	06/12/2015	12/12/2018	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	18,000	42,000	10,500	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	1
Exercise price	€22.20	€33.21	€35.86	€38.73	€33.21	€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 on grant date	€22.20	€36.14	€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%	35%	31%	29%	29%	29%	29%	30%
Average life of option	7	8	8.5	9	8	8	8	5.5	7	7	7	7	7.5	7.5	7
Turnover	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Discount rate	3.14%	3.75%	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	Variable	1.50%	1.50 %	1.50%	1.50%	1.50%	1.50%
Performance condition	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Fair value per option	**€8.34**	**€16.39**	**€16.00**	**€16.78**	**€16.39**	**€17.42**	**€16.39**	**€15.07**	**€16.59**	**€13.75**	**€14.80**	**€14.80**	**€14.14**	**€14.14**	**€9.54**

5.4.2.2 Valuation of Ipsen share plan

	PLANS														
	Plan of 14 Nov. 2005	Plan no. 1 of 12 December 2006			Plan no. 2 of 12 Dec. 2006	Plan no. 3 of 12 December 2006				Plan of 30 May 2007	Plan of 12 December 2007				Plan of 29 Sept. 2008	Total
		Tr.A	Tr.B	Tr.C	–	3.1	3.2	3.3	3.4	1 A.	Tr.A	Tr.B	Tr.C	Tr.D		
Opening value	2,727	4,371	4,267	4,475	295	732	172	113	357	756	592	592	566	565	2,158	**22,738**
Charge for 2008	530	929	907	951	49	150	43	28	81	190	148	148	141	141	136	**4,572**
Charge for 2007	655	1,093	1,067	1,119	70	175	44	23	74	111	–(*)	–(*)	–(*)	–(*)	–	**4,431**
Charge for 2006	668	–(*)	–(*)	–(*)	–(*)	–(*)	–(*)	–(*)	–(*)	–	–	–	–	–	–	**668**

(*) Amounts are not material given the date of grant.

5.4.2.3 Trends in options outstanding

Changes in the number of outstanding options for all the plans are given below::

(number of options)	31 December 2008	31 December 2007	31 December 2006
Opening balance	**1,424,850**	**1,220,700**	**327,000**
Options granted	226,200	215,000	899,500
Options exercised	–	–	–
Options forfeited	(89,150)	(10,850)	(5,800)
Options expired	–	–	–
Closing balance	**1,561,900**	**1,424,850**	**1,220,700**

5.4.3 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 Chairman and Chief Executive Officer of the Company and to some senior executives, contingent upon the Group's achievement of certain performance conditions.

These performance conditions for bonus shares granted in 2005 were fulfilled over the year 2007 for beneficiaries who are French tax residents (i.e. 18,500 bonus shares). Hence, on 12 December 2007, the Board of Directors allotted these bonus shares, resulting in a capital increase for the same amount through the incorporation of reserves.

On 30 May 2007 the Board of Directors granted 8,000 bonus shares to the new members of the Executive Committee. No performance condition was attached to the definitive allotment of these shares which will take place at the end of a vesting period of 2 years.

On 12 December 2007 the Board of Directors granted 27,000 bonus shares to some members of the Executive Committee. The definitive allotment of these shares which will take place at the end of a vesting period of 2 years is subject to performance conditions (with the exception of 1,000 shares).

On 29 September 2008 the Board of Directors granted 33,100 bonus shares to French and foreign beneficiaries. No performance condition was attached to the definitive allotment of these shares which will take place at the end of a vesting period of two years for French tax residents and four years for non French tax residents.

5.4.3.1 Attributes of Ipsen bonus share plans

	PLANS						
	Plan of 14 November 2005	Plan of 12 December 2006	Plan of 30 May 2007	Plan of 12 December 2007		Plan of 29 September 2008	
Number of bonus shares	23,000	18,000	8,000(*)	26,000	1,000(*)	19,800(*)	13,300(*)
Vesting period (in years)	2(**)	2(**)	2(**)	2(**)	2(**)	2(**)	4(***)
Dividend payout rate	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Employee loan 2Y interest rate	4.00%	4.75%	4.80%	5.30%	5.30%	5.52%	–
2Y interest rate	2.80%	3.73%	4.39%	4.07%	4.07%	3.56%	–
2Y forward rate for 2 years	2.80%	3.68%	4.39%	4.27%	4.27%	4.07%	–
4Y interest rate	—	–	–	–	–	–	3.81%
Cost of non-transferability of shares	2.50%	2.01%	0.77%	1.93%	1.93%	2.71%	–
Cost of loss of dividends	2.80%	2.87%	2.85%	2.86%	2.86%	2.88%	5.66%
Reduction rate	5.00%	4.82%	3.60%	4.74%	4.74%	5.51%	5.66%
Value of shares on grant date before reduction	€22,20	€33,21	€39,13	€41,35	€41,35	€31,45	€31,45
Fair value of bonus shares	**€21,09**	**€31,61**	**€37,72**	**€39,39**	**€39,39**	**€29,72**	**€29,67**

(*) Bonus shares free of any performance conditions.
(**) Beneficiaries who are French tax residents.
(***) Beneficiaries who are not French tax residents.

5.4.3.2 Valuation of Ipsen bonus share plans

	PLANS						
(in thousand euros)	Plan of 14 November 2005	Plan of 12 December 2006	Plan of 30 May 2007	Plan of 12 December 2007	Plan of 29 September 2008		Total
Opening value	485(**)	569(**)	302(**)	1,064(**)	588(**)	395(***)	**3,403**
Charge for 2008	–	285	150	551	37	25	**1,048**
Charge for 2007	226	284	88	–(*)	–	–	**598**
Charge for 2006	243	–(*)	–	–	–	–	**243**

(*) Amounts are not material given the date of grant.
(**) Beneficiaries who are French tax residents.
(***) Beneficiaries who are not French tax residents.

Note 6 Depreciation, amortisation, provisions and impairment losses

6.1 Net charge to depreciation, amortisation, provisions and impairment losses recognised as operating expenses

(in thousand euros)	31 December 2008	31 December 2007	31 December 2006
Intangible assets	(6,711)	(4,038)	(12,631)
Property, plant & equipment	(26,925)	(27,438)	(27,079)
Total fixed assets	**(33 636)**	**(31,476)**	**(39,710)**
Other non-current assets	–	–	–
Total non-current assets [A]	**(33,636)**	**(31,476)**	**(39,710)**
Retirement benefit obligation	(3,153)	(3,560)	(3,712)
Provisions	(12,905)	(5,023)	(5,136)
Total provisions [B]	**(16,058)**	**(8,583)**	**(8,848)**
Total charge excluding current assets C = [A+B]	**(49,694)**	**(40,059)**	**(48,558)**
Inventories	(3,864)	445	(1,052)
Trade receivables and other current assets	(7,604)	(1,338)	(669)
Total current assets	**(11,468)**	**(893)**	**(1,721)**
Total	**(61,162)**	**(40,952)**	**(50,279)**
Goodwill impairment losses	–	–	–
TOTAL	**(61,162)**	**(40,952)**	**(50,279)**

At 31 December 2008, the increase in this item is mainly due to:

- The recognition of a provision of €5.3 million for a receivable due pursuant to one of our partnerships.
- The increase in provisions for legal risks (see note 23.1).

6.2 Depreciation and impairment losses included in the cash flow statement

The following table shows the amount of amortisation, depreciation and impairment losses added back to determine gross cash flow from operations:

(in thousand euros)	31 December 2008	31 December 2007	31 December 2006
Operating - excluding current assets (note 6.1 – C)	(49,694)	(40,059)	(48,558)
Financial	(955)	(1,167)	(1,382)
Total	**(50,649)**	**(41,226)**	**(49,940)**

6.3 Breakdown of net charge to depreciation, amortisation and impairment losses on non-current assets

(in thousand euros)	31 December 2008	31 December 2007	31 December 2006
Cost of goods sold	(16,131)	(15,223)	(15,270)
Research and development expenses	(5,790)	(7,802)	(6,759)
Selling expenses	(5,441)	(3,846)	(12,411)
General expenses	(6,274)	(4,605)	(5,270)
Total (note 6.1 – A)	**(33,636)**	**(31,476)**	**(39,710)**

Note 7 Other operating income and expenses

The Group recorded €8.3 million in operating expenses in 2008, whilst in 2007 this item was not material. This sum includes €5.9 million in removal expenses for the move to the Group's new head offices in Boulogne-Billancourt (France), including the temporary rental expenses for premises which remained vacant in 2008, and €4.0 million in non recurring items linked to the Group's North American acquisitions. These non recurring items were partly offset by €1.7 million income generated by the disposal of land which was not used for the Group's operating activity.

Note 8 Restructuring costs

In 2007 and 2006, the Group did not incur any restructuring costs.

Following the Group's US acquisitions in endocrinology and neurology, it initiated the reorganisation of its North American operations resulting in €2.6 million restructuring costs at 31 December 2008.

Note 9 Financial income/(expense)

9.1 Net finance cost

(in thousand euros)	31 December 2008	31 December 2007	31 December 2006
Proceeds of sale of short-term investments	10,898	5,163	6,784
Financial income on rate option	6	–	–
Total income from financial assets at fair value through profit or loss	**10,904**	**5,163**	**6,784**
Other financial income[1]	10,521	6,378	1,190
Total income from loans and receivables	**10,521**	**6,378**	**1,190**
Financial income	**21,425**	**11,541**	**7,974**
Interest on debt[2]	(2,851)	(1,339)	(1,408)
Interest on employees' profit sharing fund	(764)	(611)	(577)
Total interest on financial liabilities measured at amortised cost	**(3,615)**	**(1,950)**	**(1,985)**
Financial expenses on rate option[3]	(733)	–	(157)
Total expenses on financial assets at fair value through profit or loss	**(733)**	**–**	**(157)**
Financial expenses	**(4,348)**	**(1,950)**	**(2,142)**
Net finance cost	**17,077**	**9,591**	**5,832**

(1) Other financial income includes both the interest on convertible notes issued by Tercica Inc., which amounted to €0.8 million using the nominal rate (€0.9 million at 31 December 2007 and €0.1 million at 31 December 2006) and amortization of €9.6 million using the effective interest rate (€1.1 million at 31 December 2007 and €0.2 million at 31 December 2006). The sharp increase in Other financial income, calculated using the effective interest rate is due to the accelerated recognition of the interest over the period given the valuation method used which takes into account the fact that the notes were converted on 22 July 2008, ahead of their maturity date on 12 October 2011 (see note 1.9); and financial assets at fair value through profit or loss/money-market UCITS and certificates of deposit (with a maturity of less than three months) revalued at fair value (market value) ((€1.8) million at 31 December 2008 compared with €2.6 million at 31 December 2007).
(2) The change in interest on debt corresponds to €1.8 million in interest due on €150 million drawn over the period on a renewable multi currency credit line contracted in order to finance the Group's North American acquisitions (see note 24).
(3) The increase in financial expenses on rate option corresponds to the interest due on foreign exchange swaps set up to hedge the Group's North American acquisitions (see note 25).

9.2 Other financial income and expense

(in thousand euros)	31 December 2008	31 December 2007	31 December 2006
Changes in the fair value of the warrant and conversion options	(5,804)	3,638	(2,734)
Exchange differences on the fair value of the warrant and the conversion options	(1,415)	(954)	(684)
Other exchange differences	2,790	(3,529)	(1,075)
Income and expenses on financial assets and liabilities measured at fair value	**(4,429)**	**(845)**	**(4,493)**
Impairment of investments in non-consolidated companies	(346)	(1,056)	(845)
Impairment of financial assets	(225)	500	–
Income and expenses on available-for-sale financial assets	**(571)**	**(556)**	**(845)**
Financial income on personnel benefits (note 5.3.3.4)	162	1,948	1,559
Interest on personnel benefits (note 5.3.3.4)	(772)	(2,558)	(2,101)
Other financial income and expenses	454	(844)	(173)
Total other financial income and expenses	**(5,156)**	**(2,855)**	**(5,707)**

Changes in other financial income and expenses are mainly due to the impact of the reduction in fair value of derivative financial instruments (warrant and option on the Tercica Inc. convertible note) of (€7.2) million at 31 December 2008, (€2.7) million at 31 December 2007 and (€3.4) million at 31 December 2006)), and to the impact of exchange differences over the period, for a positive amount of €2.8 million ((€3.5) million at 31 December 2007 and (€1.1) million at 31 December 2006).

The changes in the fair value of the warrant and conversion options of the Tercica Inc. convertible notes arises from the valuation method used which takes into account the fact that these financial instruments were exercised and converted on 22 July 2008, ahead of their maturity date on 12 October 2011 (see note 1.9).

Note 10 Income tax

10.1 Tax charge

10.1.1 Breakdown of the tax charge

(in thousand euros)	31 December 2008	31 December 2007	31 December 2006
Current taxes	(32,372)	(54,084)	(75,118)
Deferred taxes	(948)	(394)	34,227
Actual tax charge	**(33,320)**	**(54,478)**	**(40,891)**

10.1.2 Effective tax rate

(in thousand euros)	31 December 2008	31 December 2007	31 December 2006
Net profit from continuing operations	147,841	152,382	144,787
Share in results of associated companies	(10,847)	(8,764)	(1,666)
Profit from continuing operations before the share in results of associated companies	**158,688**	**161,146**	**146,453**
Income taxes	(33,320)	(54,478)	(40,891)
Pre-tax profit from continuing operations before the share in results of associated companies	**192,008**	**215,624**	**187,344**
Effective tax rate	**17.4%**	**25.3%**	**21.8%**

At 31 December 2008, the Group's effective tax rate amounted to 17.4% of consolidated pre-tax profit from continuing operations before the share in results of associated companies, compared with 25.3% at 31 December 2007. The 2008 effective tax rate benefited from the new, more favourable, calculation method for the R&D tax credit applicable in France as from 1 January 2008. The positive impact of the R&D tax credit, as a percentage of net profit from continuing operations, was amplified by the first-time consolidation of the loss-making Northern American companies in the third and fourth quarter 2008, further reducing net profit. Excluding those losses, the Group's effective tax rate would have amounted to 20.9%.

10.1.3 Reconciliation between the actual tax charge and the theoretical tax charge

The following table shows reconciliation between the actual tax charge and the theoretical charge based on pre-tax profit from continuing operations taxed at the standard French rate of 34.43%:

(in thousand euros)	31 December 2008	31 December 2007	31 December 2006
Pre-tax profit from continuing operations before the share in results of associated companies	192,008	215,624	187,344
Group tax rate	34.43%	34.43%	34.43%
Theoretical tax charge	**(66,108)**	**(74,239)**	**(64,503)**
Increase/decrease in the tax charge arising from:			
– Tax credits [1]	21,520	9,426	18,528
– Non-recognition of tax effect of certain losses arising during the year	(212)	(828)	(993)
– Utilisation of tax losses not recognised as deferred tax assets	48	1,340	7,138
– Utilisation of deferred tax assets	1,403	–	–
– Other permanent differences[2]	10,029	9,823	(1,061)
Actual tax charge	**(33,320)**	**(54,478)**	**(40,891)**

(1) Changes in that line item are due to the new, more favourable, calculation method for the R&D tax credit applicable in France as from 1 January 2008.
(2) The line item other permanent differences in 2008 includes:
- €10.2 million linked to the different tax rates applied to foreign subsidiaries
- €2.5 million linked to the reduced tax rate on royalties in France
- A €2.6 million loss linked to other permanent differences (including the non deductibility of advertising tax and the sales based contribution for €2.6 million)

The line item other permanent differences in 2007 includes:
- €11.6 million linked to the different tax rates applied to foreign subsidiaries
- €1.9 million linked to the reduced tax rate on royalties in France
- A €3.7 million loss linked to other permanent differences (including the non deductibility of advertising tax and the sales based contribution for €1.9 million).

10.2 Deferred tax assets and liabilities

Movements in deferred tax assets and liabilities in 2008:

(in thousand euros)	31 December 2007	Movements during the year					31 December 2008
		Exchange differences	Changes in scope of consolidation	Deferred taxes booked in equity	Expense / income in the income statement	Other movements	
		(A)	(B)	(C)	(D)	(E)	
Deferred tax assets	61,393	(3,083)	25,423	–	1,362	(4,763)	80,332
Deferred tax liabilities	(3,932)	95	–	(1,155)	(2,310)	2,005	(5,297)
Net assets/(liabilities)	**57,461**	**(2,988)**	**25,423**	**(1,155)**	**(948)**	**(2,758)**	**75,035**

Movements in deferred tax assets and liabilities are mainly linked to the full consolidation of Tercica Inc. as from the final quarter of 2008:

- The changes in scope of consolidation mainly concern the net impact on the tax base of the goodwill allocated in October 2006, when the shareholding in Tercica Inc. was acquired, i.e. €(30.8) million, €37.9 million in previously unrecognized tax losses since October 2006, and the net value of the 2 payments made for the license of Somatuline® Autogel®, with a the difference between parent company accounting and tax treatment for the 1st one, and between the parent company / consolidated statements for the 2nd one, representing €17.7 million as from 1 October 2008.
- Other movements concern the net impact on the tax base of the elimination of reciprocal transactions between Tercica Inc. and Ipsen in the net value as at 30 September 2008 of deferred income and intangible assets (marketing and development rights for Somatuline® Autogel® and Increlex®) in exchange for the equity investments in Tercica Inc.

Deferred taxes booked in equity correspond, in the tax base, to the fair value changes in exchange rate hedging instruments used for hedging future procurement of raw materials in foreign currencies. The hedging relationship is formally documented in accordance with IAS 39.

As of 31 December 2008, deferred tax assets not recognised amounted to €36.7 million. That amount mainly relates to Ipsen Pharma SA and Biomeasure's R&D tax credit recognised for respectively €27.2 million and €5.5 million. The R&D tax credit generated each year by both companies cannot be fully utilised and, based on their projected earnings, the Group is not in a position to determine whether it will be able to use such tax credits. Therefore, the deferred tax assets were not recognised.

Movements in deferred tax assets and liabilities in 2007:

(in thousand euros)	31 December 2006	Movements during the year				31 December 2007
		Exchange differences	Changes in scope of consolidation	Deferred taxes booked in equity	Expense / income in the income statement	
		(A)	(B)	(C)	(D)	
Deferred tax assets	64,025	(1,881)	–	(2,106)	1,355	61,393
Deferred tax liabilities	(2,371)	188	–	–	(1,749)	(3,932)
Net assets/(liabilities)	**61,654**	**(1,693)**	**–**	**(2,106)**	**(394)**	**57,461**

In 2007, the Dutch tax rate applicable to Ipsen Farmaceutica BV changed from 29.6% in 2006 to 25.5%. This resulted in the Group revaluing the deferred taxes assets on "Flux Bayer" by a reduction of €2.1 million. As in 2006, this was also recognised directly in equity.

Movements in deferred tax assets and liabilities in 2006:

(in thousand euros)	31 December 2005	Movements during the year				31 December 2006
		Exchange differences	Changes in scope of consolidation	Deferred taxes booked in equity	Expense / income in the income statement	
		(A)	(B)	(C)	(D)	
Deferred tax assets	13,096	485	–	15,205	35,239	64,025
Deferred tax liabilities	(1,358)	(1)	–	–	(1,012)	(2,371)
Net assets/(liabilities)	**11,738**	**484**	**–**	**15,205**	**34,227**	**61,654**

Following the June 2005 legal restructuring, Ipsen Farmaceutica BV was granted the right to receive 50% of the financial rights due from Bayer ("Flux Bayer"), which led to the recognition of an asset in the financial statements of Ipsen Farmaceutica BV valued at the amount of estimated future royalties. As the restructuring was completed on the basis of net book values, this asset has been restated in the consolidated financial statements at its historical value to the Group, i.e. nil. Due to recent changes in Ipsen Farmaceutica BV's tax position, the Group has been able to recognise a deferred tax asset in respect of the «Flux Bayer», which was taken directly to shareholders' equity as the initial restatement itself was made through shareholders' equity in 2006 for €15.2 million.

Note 11 Discontinued operations

(in thousand euros)	31 December 2008	31 December 2007	31 December 2006
– Operating income/(expense)	(118)	(382)	(406)
– Financial income/(expense)	(50)	16	–
– Divestment income	–	–	4,600
– Taxes	(4)	(947)	(4,484)
Net loss from discontinued operations	**(172)**	**(1,313)**	**(290)**

Note 12 Goodwill

12.1 Net goodwill carried in the balance sheet

Movements in 2008:

(in thousand euros)	31 December 2007	Movements during the year				31 December 2008
		Increases	Decreases	Changes in scope of consolidation	Exchange differences	
Gross goodwill	199,198	162,723	–	–	(2,437)	359,484
Impairment losses	(10,185)	–	–	–	2,437	(7,748)
Net goodwill	**189,013**	**162,723**	**–**	**–**	**–**	**351,736**

Gross goodwill carried on the balance sheet at 31 December 2008 breaks down as follows:

- €135.3 million arising on the Group's acquisition of SCRAS and its subsidiaries on 17 December 1998;
- €53.5 million arising on the acquisition of BB et Cie (and indirectly Cara Partners).
- €7.8 million arising on the acquisition of Sterix Ltd;
- €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;
- €159.2 million arising on the Group's acquisition of Tercica Inc. on 16 October 2008.

Pursuant to the annual impairment tests, the above goodwill (excluding the acquisitions of Vernalis Inc. and Tercica Inc.) was allocated by geographical areas at the acquisition date proportionally to the Group's 1999 consolidated revenue.

Movements during the year are set out in notes 12.2 to 12.4.

Movements in 2007:

(in thousand euros)	31 December 2006	Movements during the year				31 December 2007
		Increases	Decreases	Changes in scope of consolidation	Exchange differences	
Gross goodwill	199,740	177	–	–	(719)	199,198
Impairment losses	(10,904)	–	–	–	719	(10,185)
Net goodwill	**188,836**	**177**	**–**	**–**	**–**	**189,013**

Gross goodwill carried on the balance sheet at 31 December 2007 breaks down as follows:

- €135.3 million arising on the Group's acquisition of SCRAS and its subsidiaries on 17 December 1998;
- €53.5 million arising on the acquisition of BB et Cie (and indirectly Cara Partners);
- €10.2 million arising on the acquisition of Sterix Ltd;
- €0.2 million arising on the acquisition of Beaufour Ipsen Farmaceutica LTA in 2007.

For the purpose of the impairment tests, as from the acquisition date, the above goodwill was allocated by geographical areas proportionally to the Group's 1999 consolidated revenue.

Movements in 2006:

(in thousand euros)	31 December 2005	Movements during the year				31 December 2006
		Increases	Decreases	Changes in scope of consolidation	Exchange differences	
Gross goodwill	199,500	–	–	–	240	199,740
Impairment losses	(10,664)	–	–	–	(240)	(10,904)
Net goodwill	**188,836**	**–**	**–**	**–**	**–**	**188,836**

12.2 Breakdown of acquisition costs in 2008

(in thousand euros)	Tercica Inc.	Vernalis Inc.	Total
Cash paid	(241,296)	(1,566)	(242,862)
Direct costs relating to the acquisition	(6,688)	(872)	(7,560)
Conversion/exercise of the financial instruments	(99,106)	–	(99,106)
Elimination of reciprocal transactions	19,411	–	19,411
Total acquisition cost	**(327,679)**	**(2,438)**	**(330,117)**
Share of net assets and liabilities acquired	168,474	(1,080)	167,394
Goodwill generated	**(159,205)**	**(3,518)**	**(162,723)**

12.3 Breakdown of Tercica Inc. and Vernalis Inc. assets and liabilities acquired in 2008

(in thousand euros)	100% of Tercica Inc.	Vernalis Inc.
Assets		
Goodwill	—	–
Intangible assets	79,738	12
Property, plant & equipment	1,163	391
Financial assets	413	31
Equity investments	–	–
Deferred tax assets	57,201	587
Receivables	3,822	290
Inventories	18,633	336
Cash and cash equivalents	70,294	729
Intercompany dual accounts – Intra-group eliminations	–	–
Total assets	**231,264**	**2,377**
Liabilities		
Bank loans and financial liabilities	–	–
Provisions for employee benefits	–	–
Deferred tax liabilities	31,674	–
Trade payables and other liabilities	1,242	15
Other liabilities	10,451	3,442
Bank overdrafts	–	–
Intercompany dual accounts – Intra-group eliminations	–	–
Total liabilities	**43,367**	**3,457**
Contingent liabilities recognised	**–**	**–**
Net assets (liabilities)	**187,898**	**(1,080)**

Pending full evaluation of assets and liabilities by the Group, the Goodwill arising from the acquisition of Vernalis Inc. and Tercica Inc. was determined provisionally. As required by IFRS 3, those provisional values will be adjusted within twelve months after the acquisition date.

12.4 Information on Tercica Inc. and Vernalis Inc.'s 2008 income statement as from the acquisition date

(in thousand euros)	Tercica Inc.	Vernalis Inc.	Total
Net profits of the acquired entity since the date of acquisition included in profit and loss for the year	(11,900)	307	(11,593)
Revenue generated by the acquired entity	**5,654**	**2,352**	**8,006**

12.5 Information on Tercica Inc.'s 2008 income statement since 1 January 2008

(in thousand euros)	100% of Tercica Inc
Net profits of the acquired entity since 1 January 2008	(49,449)
Revenue generated by the acquired entity	**18,072**

12.6 Impairment of goodwill

No impairment losses were recognised at 31 December 2008.

The impairment loss recognised previously concerned the Goodwill arising on the acquisition of Sterix Ltd.

Note 13 Other intangible assets

13.1 Movements

Movements during 2008:

(in thousand euros)	31 December 2007	Movements during the year					31 December 2008
		Increases	Decreases	Change in scope of consolidation	Exchange differences	Other Movements	
Intellectual property	129,972	24,475	(32,769)	89,793,	(5,423)	2,836	208,984
Intangible assets in progress	781	972	(52)	–	(3)	(684)	1,014
Advance payments	4,719	8,215	(592)	–	(1)	(1,691)	10,650
Cost	**135,472**	**33,762**	**(33,413)**	**89,793**	**(5,427)**	**461**	**220,648**
Depreciation	(25,837)	(6,711)	5,152	(12,342)	(376)	(3)	(40,117)
Impairment losses	(20,466)	–	3,977	–	(131)	–	(16,620)
Net	**89,169**	**27,051**	**(24,284)**	**77,451**	**(5,934)**	**458**	**163,911**

Movements in gross assets include:

- The purchase of all of the assets related to OBI-1 (see note 1.7) for €6.7 million and Apokyn® for €10.9 million (see note 1.8).
- The payment of €1 million following the results of phase III clinical trials evaluating Acapodene® (see note 1.1.4), of €1.5 million pursuant to the agreement signed in 2008 with Debiopharm granting the right to licence trademarks associated with paraphilia treatment and €1.2 million on the anniversary of the contract with the Erasmus University Medical Centre Rotterdam.
- €11 million in advance payments to suppliers and capital expenditure relating to the Group's information technology projects.
- Disposal of intangible assets for €4.9 million upon the termination of the agreement with Auxilium for the promotion and sale of Testim®.
- Elimination of the reciprocal transaction with Tercica Inc. relating to the exclusive licence to develop and market Increlex® (deferred income for Tercica Inc.) for €25.0 million.
- The effects of the change in the scope of consolidation, virtually only representing the Increlex® intangible assets recognised in the financial statements of Tercica Inc.

Impairment losses include the reversal of the impairment charge against the distribution rights for Testim® upon the termination of the agreement with Auxilium for €3.4 million.

Amortisation namely includes the effects of the change in the scope of consolidation as described above.

Movements during 2007:

(in thousand euros)	31 December 2006	Movements during the year					31 December 2007
		Increases	Decreases	Change in scope of consolidation	Exchange differences	Other Movements	
Intellectual property	109,399	21,050	(3,614)	–	(1,715)	4,852	129,972
Intangible assets in progress	1,161	587	–	–	(5)	(962)	781
Advance payments	3,608	4,846	–	–	–	(3,735)	4,719
Cost	**114,168**	**26,483**	**(3,614)**	**–**	**(1,720)**	**155**	**135,472**
Depreciation and impairment losses	(45,965)	(4,083)	3,645	–	100	–	(46,303)
Net	**68,203**	**22,400**	**31**	**–**	**(1,620)**	**155**	**89,169**

Movements during 2006:

(in thousand euros)	31 December 2005	Movements during the year					31 December 2006
		Increases	Decreases	Change in scope of consolidation	Exchange differences	Other Movements	
Intellectual property	71,093	37,664	(744)	–	219	1,167	109,399
Intangible assets in progress	265	923	–	–	–	(27)	1,161
Advance payments	1,966	2,630	–	–	–	(988)	3,608
Cost	**73,324**	**41,217**	**(744)**	**–**	**219**	**152**	**114,168**
Depreciation and impairment losses	(33,524)	(12,631)	167	–	80	(57)	(45,965)
Net	**39,800**	**28,586**	**(577)**	**–**	**299**	**95**	**68,203**

13.2 Breakdown by asset type

(in thousand euros)	31 December 2008			31 December 2007			31 December 2006		
	Cost	Amortisation & Impairment	Net	Cost	Amortisation & Impairment	Net	Cost	Amortisation & Impairment	Net
Brands and trademarks	21,394	(8,483)	12,911	21,522	(8,613)	12,909	21,521	(8,957)	12,564
Licences	139,727	(21,256)	118,471	65,604	(12,861)	52,743	50,267	(11,826)	38,441
Patents	5,235	(4,212)	1,023	5,157	(3,984)	1,173	6,996	(5,674)	1,322
Know-how	8,269	(922)	7,347	8,153	(922)	7,231	8,153	(922)	7,231
Software	31,710	(19,405)	12,305	26,936	(17,648)	9,288	19,857	(16,716)	3,141
Purchased goodwill	1,928	(1,926)	2	1,796	(1,794)	2	1,853	(1,851)	2
Other intangible assets	721	–	721	804	(81)	723	750	(19)	731
Intangible assets in progress	1,014	(133)	881	781	–	781	1,162	–	1,162
Advance payments	10,650	(400)	10,250	4,719	(400)	4,319	3,609	—	3,609
Total	**220,648**	**(56,737)**	**163,911**	**135,472**	**(46,303)**	**89,169**	**114,168**	**(45,965)**	**68,203**
Of which impairment losses		*(16,620)*			*(20,466)*			*(20,469)*	

Impairment losses at 31 December 2008, mainly include brands and trademarks for €(8.5) million, licences for €(3.4) million, patents for €(1.5) million, know-how for €(0.9) million, purchased goodwill for €(1.9) million, and advance payments for €(0.4) million.

Impairment losses at 31 December 2007, mainly include brands and trademarks for €(8.6) million, licences for €(7.3) million, patents

for €(1.5) million, know-how for €(0.9) million, purchased goodwill for €(1.8) million, and advance payments for €(0.4) million.

Note 14 Property, plant & equipment

14.1 Breakdown by asset type

Movements by asset type in 2008:

(in thousand euros)	31 December 2007	Movements during the year					31 December 2008
		Increases	Decreases	Change in the scope of consolidation	Exchange differences	Other Movements	
Land	16,481	–	–	–	(26)	28	16,483
Buildings	159,765	818,	(16,258),	89	(937)	5,833	149,310
Plant & equipment	189,549	7,929	(4,637)	930	(11,637)	9,802	191,936
Other assets	85,104	15,170	(11,508)	3,731	(2,053)	2,289	92,733
Assets in progress	52,851	37,164	(8)	–	(9,121)	(17,660)	63,226
Advance payments	474	366	–	8	11	(702)	157
Cost	**504,224**	**61,447**	**(32,411)**	**4,758**	**(23,759)**	**(410)**	**513,845**
Depreciation	(282,190)	(27,076)	31,075	(3,138)	5,386	(34)	(275,977)
Impairment losses	–	–	139	–	(4)	(143)	(8)
Depreciation and impairment losses	**(282,190)**	**(27,076)**	**31,214**	**(3,138)**	**5,382**	**(177)**	**(275,985)**
Net	**221,891**	**34,371**	**(1,197)**	**1,620**	**(18,377)**	**(587)**	**237,860**

The increase in property, plant & equipment was mainly due to the Group's capital expenditure in the United Kingdom at the Wrexham plant, concerning a new packaging unit for Dysport® and at the Dublin plant, to increase production capacities, as well as the investments carried out for the grouping together of the Paris sites and Ipsen's head office in Boulogne.

The change in foreign exchange differences is mainly linked to the decrease in value of the pound sterling against the euro.

Movements by asset type in 2007:

(in thousand euros)	31 December 2006	Movements during the year					31 December 2007
		Increases	Decreases	Change in the scope of consolidation	Exchange differences	Other Movements	
Land	17,025	–	(17)	–	(222)	(306)	16,481
Buildings	159,750	966	(2,273)	–	(2,126)	3,448	159,765
Plant & equipment	190,639	6,785	(5,523)	–	(5,032)	2,680	189,549
Other assets	80,226	5,098	(5,562)	–	(1,019)	6,361	85,104
Assets in progress	20,916	45,344	(87)	–	(1,427)	(11,895)	52,851
Advance payments	371	479	–	–	(1)	(374)	474
Cost	**468,927**	**58,672**	**(13,462)**	**–**	**(9,827)**	**(85)**	**504,224**
Depreciation and impairment losses	(270,741)	(27,473)	12,570	–	3,492	(218)	(282,190)
Net	**198,186**	**31,199**	**(858)**	**–**	**(6,332)**	**(304)**	**221,891**

Movements by asset type in 2006:

(in thousand euros)	31 December 2005	Movements during the year					31 December 2006
		Increases	Decreases	Change in the scope of consolidation	Exchange differences conversion	Other Movements	
Land	17,263	29	(2)	–	(272)	7	17,025
Buildings	151,798	4,731	(337)	–	(2,263)	5,821	159,750
Plant & equipment	175,162	8,384	(2,270)	–	(813)	10,176	190,639
Other assets	77,246	7,581	(6,313)	–	(315)	2,027	80,226
Assets in progress	18,791	19,461	–	–	350	(17,686)	20,916
Advance payments	443	444	–	–	–	(516)	371
Cost	**440,703**	**40,630**	**(8,922)**	**–**	**(3,313)**	**(171)**	**468,927**
Depreciation and impairment losses	(252,934)	(27,114)	7,366	–	1,772	169	(270,741)
Net	**187,769**	**13,516**	**(1,556)**	**–**	**(1,541)**	**(2)**	**198,186**

14.2 Breakdown of property, plant & equipment, net of depreciation, by currency

The breakdown by currency of property, plant and equipment, net of depreciation, is as follows:

(in thousand euros)	31 December 2008	31 December 2007	31 December 2006
Euro	139,202	125,488	112,790
US dollar	18,804	15,617	16,447
Pound sterling	68,992	70,862	57,351
Swiss franc	1,927	1,829	1,947
Chinese yuan renminbi	7,851	7,511	8,296
Other currencies	1,084	584	1,355
Total	**237,860**	**221,891**	**198,186**

Note 15 Equity investments

15.1 Movements

Movements in 2008:

(in thousand euros)	31 December 2007	Movements during the year					31 December 2008
		Acquisitions and increases	Disposals	Changes in scope of consolidation	Exchange differences	Other movements	
		(A)	(B)	(C)	(D)	(E)	
Investments in non-consolidated companies	25,077	3,224	(1,948)	(392)	(3,236)	698	23,423
Depreciations and impairment losses	(23,620)	(2,199)	1,854	–	3,192	–	(20,773)
Net book value (Available-for-sale financial assets)	**1,457**	**1,025**	**(94)**	**(392)**	**(44)**	**698**	**2,650**

Movements are due to the purchase on 1 July 2008 of a 9.71% stake in the share capital of Vernalis Plc. for £2.6 million (€3.2 million) (see notes 1.8 and 2). This stake holding was measured at fair value (share price) as at 31 December 2008. The impairment loss was material during the period, and it was therefore recognised in financial result.

Movements in 2007:

(in thousand euros)	31 December 2006	Movements during the year					31 December 2007
		Acquisitions and increases	Disposals	Changes in scope of consolidation	Exchange differences	Other movements	
		(A)	(B)	(C)	(D)	(E)	
Investments in non-consolidated companies	25,331	698	–	(8)	(944)	–	25,077
Depreciations and impairment losses	(23,506)	(1,056)	–	–	942	–	(23,620)
Net book value (Available-for-sale financial assets)	**1,825**	**(358)**	**–**	**(8)**	**(2)**	**–**	**1,457**

Profit and loss on available-for-sale assets recognised in equity or profit and loss are not included as they are not material.

Movements in 2006:

(in thousand euros)	31 December 2005	Movements during the year					31 December 2006
		Acquisitions and increases	Disposals	Changes in scope of consolidation	Exchange differences	Other movements	
		(A)	(B)	(C)	(D)	(E)	
Investments in non-consolidated companies	25,000	15	–	–	316	–	25,331
Depreciations and impairment losses	(22,344)	(847)	–	–	(315)	–	(23,506)
Net book value (Available-for-sale financial assets)	**2,656**	**(832)**	**–**	**–**	**1**	**–**	**1,825**

Profit and loss on available-for-sale assets recognised in equity or profit and loss are not included as they are not material.

15.2 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 that are not consolidated as they are not material.

(in thousands of currency units)	Registered office	% of voting rights held	NBV of investment (euros)			Company financial data (currency units)			Interest in equity (euros)
			31 Dec. 2008	31 Dec. 2007	31 Dec. 2006	Currency	Equity	Net profit for the year	
Vernalis Plc.	Winnersh (UK)	9.71%	1,215	–	–	GBP	14,782	13,033	1,522
Sofarm Eurl	Paris	100.00%	–	8	8	EUR	–	–	–
Technopolis Gie	Paris	27.00%	306	306	306	EUR	1,108	(13)	299
Sutrepa Sarl	Paris	100.00%	–	–	8	EUR	–	–	–
Montana Ltd	Cork (Irland)	100.00%	–	–	–	EUR	–	–	–
Octagen Corporation	PA (USA)	21.45%	–	–	84	USD	–	–	–
Linnea Inc.	PA (USA)	50.00%	–	–	–	USD	20	1	7
Ipsen Pty	Victoria (Australia)	100.00%	–	26	28	AUD	–	–	–
Ly Yuan Ginkgo Company Ltd	Tancheng (China)	37.50%	482	482	482	RMB	7,445	62	292
Funxional Therapeutics Ltd	Cambridge (UK)	15.33%	220	–	15	GBP	2,202	(302)	358
Pizhou Zhong Da Ginkgo Co. Ltd	Pizhou (China)	35.75%	284	284	284	RMB	5,297	107	198
Preglem S.A.	Plan les Ouates (CH)	13.07%	153	153	–	CHF	29,697	(13,741)	2,526
Spirogen Ltd	Isle of Wight (UK)	19.94%	(23)	167	579	GBP	44	(1,549)	9
Specwood Ltd	London (UK)	100.00%	(18)	—	–	GBP	–	–	–
Pothold Ltd	London (UK)	100.00%	–	–	–	GBP	–	–	–
Petersfield Ltd	Hong Kong (HK)	50.00%	31	31	31	HKD	3,851	54	178
Socapharm Sarl	Paris	100.00%	–	–	–	EUR	–	–	–
Ancelab Sarl	Paris	100.00%	–	–	–	EUR	–	–	–
Olisapharm	Paris	100.00%	–	–	–	EUR	–	–	–
Total			**2,650**	**1,457**	**1,825**				

15.3 Information on non-consolidated companies

The following table shows aggregated data for non-consolidated companies (at 100%):

At 31 December 2008:

(in thousand euros)	Sales	Operating income	Net profit	Equity	Total assets
Companies more than 50%-owned	–	–	–	–	–
Companies 50%-owned	478	9	6	370	477
Companies less than 50%-owned	62,540	9,358	5,162	39,818	83,281
Total	**63,018**	**9,367**	**5,162**	**40,188**	**83,758**

Movements in aggregated data are mainly due to the fact that financial data for Vernalis Plc. only cover the period from 1 January 2008 to 30 June 2008, as no information for the year 2008 (12 months) was available at the date the Group's financial statements were prepared.

At 31 December 2007:

(in thousand euros)	Sales	Operating income	Net profit	Equity	Total assets
Companies more than 50%-owned	–	(165)	(115)	(416)	761
Companies 50%-owned	3,240	(68)	(44)	351	673
Companies less than 50%-owned	1,893	(3,612)	(3,589)	29,750	32,726
Total	**5,133**	**(3,845)**	**(3,748)**	**29,685**	**34,160**

At 31 December 2006:

(in thousand euros)	Sales	Operating income	Net profit	Equity	Total assets
Companies more than 50%-owned	–	142	89	351	375
Companies 50%-owned	3,724	40	40	478	513
Companies less than 50%-owned	2,612	(2,045)	(2,078)	7,507	8,265
Total	**6,336**	**(1,863)**	**(1,949)**	**8,336**	**9,153**

■ 15.4 Investment in associated companies

Due to the exercise of the warrant, the conversion of the Tercica convertible notes on 22 July 2008 and the purchase of the remaining shares on 16 October 2008, Tercica Inc. is fully consolidated in the Group's financial statements for the last three months of the year 2008. Share of profit from associated companies corresponds to the recognition of the company's net profit using the equity method based on a 25.3% interest for the first 6 months of the year and a 42.6% interest for the third quarter of 2008.

At 31 December 2007 and 31 December 2006, investments in associated companies only involved the Group's investment in Tercica Inc.

(in thousand euros)	31 December 2007	31 December 2006
Share of fair value of acquired assets and liabilities in Tercica Inc.	40,521	38,858
Goodwill	16,433	16,077
Value at the transaction date (in euros)	**56,954**	**54,935**
Share in the period's income	(8,764)	(1,666)
Consolidation restatements	(260)	(47)
Exchange differences	(6,982)	(2,390)
Carrying value on the balance sheet	**40,948**	**50,832**

Note 16 Net gains or losses on disposal of non-current assets

(in thousand euros)	31 December 2008	31 December 2007	31 December 2006
Capital gains or losses on disposal of intangible assets	(22,827)	(10)	63
Capital gains or losses on disposal of property, plant & equipment	(2,141)	(242)	(940)
Capital gains or losses on disposal of equity investments	224	–	–
Total	**(24,744)**	**(252)**	**(877)**

Capital gains or losses on disposal of intangible assets mainly include the Group's sale of marketing authorisations of Ginkor Fort® to GTF Group (see note 1.1.1). €22.8 million was recognised over the period for the milestone payment made at the signature of the agreement, and the Group's estimate of an additional amount linked to the trends in the veinotonic drug market in France in 2008.

Capital gains or losses on disposal of property, plant & equipment mainly involve the proceeds generated by the disposal of land which was not used for the Group's operating activity (€1.7 million).

Capital gains or losses on disposal of equity investments primarily include the sale of the Group's stake in Octagen to the latter (see note 1.7).

Note 17 Other non-current assets

Other non-current assets in 2008:

(in thousand euros)	31 December 2007	Cash flows related to investing activities	Cash flows related to financing activities	
		(A)	(B)	
Conversion option of the convertible note	14,899	–	–	
Warrants[4]	6,939	–	–	
Derivative instruments recognised at fair value[1]	**21,838**	**–**	**–**	
Net assets of post-employment benefit plans[2]	4,045	–	–	
Non-current financial assets (financial assets at fair value)	**25,883**	**–**	**–**	
Convertible notes[1]	47,845	10,433	–	
Liquidity agreement	2,542	(1,088)	–	
Loans - non consolidated companies	84	72	–	
Other financial assets	1,362	(277)	–	
Deposits[4]	3,799	1,012	–	
Other non-current assets (Loans, receivables and other assets)	**55,632**	**10,180**	**–**	

(1) Changes in convertible notes includes accrued interest (€0.8 million) using the nominal rate and amortisation based on the effective interest rate (€9.6 million) of the 3 Tercica Inc. convertible notes at 22 July 2008, the date they were converted into Tercica Inc. shares. (see note 1.9). The interest calculated using the effective interest rate were subject to accelerated recognition, as the notes were converted on 22 July 2008, ahead of the maturity date on 12 October 2011. Changes in derivative instruments recognised at fair value, measured using the Black & Scholes method, corresponds to the changes in fair value of the Tercica Inc. warrant and the convertible notes' conversion options at 22 July 2008, when the warrant was exercised and the convertible notes were converted into Tercica Inc. shares. (see note 1.9).

(2) Employee benefits (see note 5.3.3.3)

Other non-current assets in 2007:

(in thousand euros)	31 December 2006	Cash flows related to investing activities	Cash flows related to financing activities	
		(A)	(B)	
Conversion option of the convertible note[4]	4,103	–	–	
Warrants	6,102	–	–	
Derivative instruments recognised at fair value	**10,205**	**–**	**–**	
Net assets of post-employment benefit plans[5]	2,378	–	–	
Non-current financial assets (financial assets at fair value)	**12,583**	**–**	**–**	
Convertible notes[1]	15,489	44,386	–	
Liquidity agreement[3]	1,542	1,000	–	
Loans - non consolidated companies	27	7	–	
Other financial assets	960	(63)	–	
Deposits[2]	–	4,601	–	
Other non-current assets (Loans, receivables and other assets)[3]	**18,018**	**49,931**	**–**	

(1) Movements in this line item are mainly due to the recognition of the convertible notes (2 and 3) issued by Tercica Inc. and of the derivative instruments related to this transaction (conversion option) (see note 1.9.1).

(in thousand euros)	31 December 2007
Convertible notes 2 and 3	40,923
Issue expenses	1,466
Amortisation based on effective interest rate	1,278
Accrued interest	719
Total	44,386

Movements over the year							31 December 2008
	Change in plan assets	Reclassification of derivatives [2]	Fair value changes in profit and loss	Discounting	Exchange differences	Other movements	
	(C)	(D)	(E)	(F)	(G)	(H)	
		–	(4,135)	–	(746)	(10,018)	–
		–	(1,669)	–	(669)	(4,601)	–
		–	**(5,804)**	**–**	**(1,415)**	**(14,619)**	**–**
	(235)	–	–	–	–	–	3,810
	(235)	**–**	**(5,804)**	**–**	**(1,415)**	**(14,619)**	**3,810**
		–	–	–	3,084	(61,362)	–
		–	–	–	–	–	1,454
		–	–	–	–	–	156
		–	–	–	(73)	434	1,446
		–	–	172	–	–	4,983
		–	**–**	**172**	**3,011**	**(60,928)**	**8,039**

(3) Changes in the liquidity agreement are due to the cash used at 31 December 2007 to repurchase Group shares in 2008 pursuant to the liquidity agreement with Natexis Bleichroder, a subsidiary of Natixis, signed in February 2007 and renewed by the amendment dated 17 December 2008 (see note 1.5).

(4) The increase in deposits is due to the guarantee deposit paid for the new head offices in Boulogne after the Paris sites were grouped together during the year, and the guarantee deposit paid by the Spanish subsidiary linked to the new research and development centre in Spain.

Movements over the year							31 December 2007
	Change in plan assets	Reclassification of derivatives	Fair value changes in profit and loss	Discounting	Exchange differences	Other movements	
	(C)	(D)	(E)	(F)	(G)	(H)	
		8,947	2,301	–	(452)	–	14,899
		–	1,337	–	(500)	–	6,939
		8,947	**3,638**	**–**	**(952)**	**–**	**21,838**
	1,670	–	–	–	(3)	–	4,045
	1,670	**8,947**	**3,638**	**–**	**(955)**	**–**	**25,883**
		(8,947)	(3,055)	–	(28)	–	47,845
		–	–	–	–	–	2,542
		–	–	–	–	50	84
		–	500	–	(35)	–	1,362
		–	–	(802)	–	–	3,799
		(8,947)	**(2,555)**	**(802)**	**(63)**	**50**	**55,632**

(2) Deposits include guarantee deposits paid by the Group with regard to the lease of its future head office in France and the transfer to long-term assets of cash deposits made as security against long-term public loans received in Spain in the context of its research activities.

(3) Impairments of loans and receivables are not included as they are not material. The fair value of loans and receivables is the value recorded on the balance sheet (value at transaction date and then tested for impairment on each reporting date).
(4) Fair value is measured using the Black & Scholes method.
(5) Employee benefits (see note 5.3.3.3).

Other non-current assets in 2006:

(in thousand euros)	31 December 2005	Cash flows related to investing activities	Cash flows related to financing activities	
		(A)	(B)	
Conversion option of the convertible note[4]	–	–	–	
Warrants [4]	–	–	–	
Derivative instruments recognised at fair value	**–**	**–**	**–**	
Net assets of post-employment benefit plans[3]	1,158	–	–	
Non-current financial assets (financial assets at fair value)	**1,158**	**–**	**–**	
Convertible notes[1]	–	20,966	–	
Liquidity agreement	–	1,542	–	
Loans - non consolidated companies	524	3	–	
Other financial assets	989	(517)	–	
Other non-current assets (Loans, receivables and other assets)[2]	**1,513**	**21,994**	**–**	

(1) Movements in this line item are mainly due to the recognition of the convertible note (1) issued by Tercica Inc. and of the derivative instruments related to this transaction (conversion option) (see note 1.9.1).

(in thousand euros)	31 December 2006
Convertible note 1	19,997
Issue expenses	691
Amortisation based on effective interest rate	175
Accrued interest	103
Total	**20,966**

Note 18 Working capital items

18.1 Movements

Movements in 2008:

(in thousand euros)	31 December 2007	Change in w/cap related to operating activities	Change in w/cap related to investing activities	
		(A)	(B)	
Inventories	87,111	12,576	–	
Trade receivables	216,214	4,294	–	
Current tax assets	26,569	29,281	–	
Other current assets (see note 18.2.2)	53,753	3,135	7,125	
Loans and receivables[1]	**383,647**	**49,286**	**7,125**	
Current financial assets (see note 18.2.2)	96	–	–	
Financial assets at fair value through profit or loss[2]	**96**	**–**	**–**	
Trade payables	(104,181)	(1,176)	–	
Current tax liabilities	(12,327)	(28,020)	–	
Other current liabilities (see note 18.2.3)	(136,234)	10,228	(1,980)	
Other non-current liabilities (see note 18.2.3)	(192,043)	(37,212)	–	
Interest on other financial liabilities (see note 24.1 (D))	(863)	–	–	
Financial liabilities measured at amortised cost [3]	**(445,648)**	**(56,180)**	**(1,980)**	
Total	**(61,905)**	**(6,894)**	**5,145**	

(1) Impairment of loans and receivables are not included as they are not material. The fair value of loans and receivables is the value recorded on the balance sheet (value at transaction date and then tested for impairment on each reporting date).
(2) Fair value of financial assets at fair value through profit or loss corresponds to their market value.
(3) The carrying amount of financial liabilities measured at amortised cost is deemed to be a reasonable estimation of fair value.

Movements during the year							31 December 2006
	Change in plan assets	Reclassification of derivatives	Fair value changes in profit and loss	Discounting	Exchange differences	Other movements	
	(C)	(D)	(E)	(F)	(G)	(H)	
		5,477	(1,099)	–	(275)	–	4,103
		8,147	(1,636)	–	(409)	–	6,102
		13,624	**(2,735)**	**–**	**(684)**	**–**	**10,205**
	1,220	–	–	–	–	–	2,378
	1,220	**13,624**	**(2,735)**	**–**	**(684)**	**–**	**12,583**
		(5,477)	–	–	–	–	15,489
		–	–	–	–	–	1,542
		–	–	–	–	(500)	27
		–	–	–	(12)	500	960
		(5,477)	**–**	**–**	**(12)**	**–**	**18,018**

(2) Impairment of loans and receivables are not included as they are not material. The fair value of loans and receivables is the value recorded on the balance sheet (value at transaction date and then tested for impairment on each reporting date).

(3) Employee benefits (see note 5.3.3.3).
(4) Fair value is measured using the Black & Scholes method.

Movements over the year						31 December 2008
	Change in w/cap related to financing activities	Change in scope of consolidation	Exchange differences	Fair value changes in profit and loss	Other movements	
	(C)	(D)	(E)	(F)	(G)	
	–	17,764	(1,513)	–	6	115,944
	–	2,441	(3,508)	–	(1,596)	217,845
	–	211	(960)	–	(5,592)	49,509
	(4)	1,822	(2,173)	–	(6)	63,652
	(4)	**22,238**	**(8,154)**	**–**	**(7,188)**	**446,950**
	–	–	–	2,432	–	2,528
	–	**–**	**–**	**2,432**	**–**	**2,528**
	–	(1,222)	3,277	–	(533)	(103,835)
	–	(72)	235	–	3,869	(36,315)
	206	(12,472)	4,883	–	(20,976)	(156,345)
	–	–	21,586	–	65,109	(142,560)
	(2,466)	–	–	–	660	(2,669)
	(2,260)	**(13,766)**	**29,981**	**–**	**48,129**	**(441,724)**
	(2,264)	**8,472**	**21,827**	**2,432**	**40,941**	**7,754**

The changes in other non-current liabilities are due to the recognition in deferred income of the payments received pursuant to the partnership agreements with Medicis, Recordati, Galderma and Roche. The income generated by these contracts is recognised on a straight line basis over the life of the contracts, the part unrecognised as income is recognised in "other non-current liabilities" if it expires after 12 months, and in "other current liabilities" if it expires before 12 months. In addition, as Tercica Inc. was fully consolidated in the Group's financial statements as from 1 October 2008 (see notes 1.9 and 2), this resulted in the elimination of reciprocal transactions such as the elimination of the deferred income in respect of the exclusive licence to develop and market Somatuline® Autogel® (recognised as intangible assets in Tercica Inc.'s financial statements) for a net value of €45.6 million.

Movements in 2007:

(in thousand euros)	31 December 2006	Change in w/cap related to operating activities	Change in w/cap related to investing activities	
		(A)	(B)	
Inventories	78,947	9,026	–	
Trade receivables	191,702	25,395	–	
Current tax assets	2,665	24,208	–	
Other current assets (see note 18.2.2)	43,700	11,396	5,	
Loans and receivables[1]	**317,014**	**70,025**	**5**	
Current financial assets (see note 18.2.2)	901	–	–	
Financial assets at fair value through profit or loss[2]	**901**	**–**	**–**	
Trade payables	(100,269)	(5,087)	–	
Current tax liabilities	(27,215)	14,248	–	
Other current liabilities (see note 18.2.3)	(114,824)	7,346	(7,498)	
Other non-current liabilities (see note 18.2.3)	(172,270)	(48,248)	–	
Interest on other financial liabilities (see note 24.1 (D))	(797)	–	–	
Financial liabilities measured at amortised cost[3]	**(415,375)**	**(31,741)**	**(7,498)**	
Total	**(97,460)**	**38,284**	**(7,493)**	

(1) Impairment of loans and receivables are not included as they are not material. The fair value of loans and receivables is the value recorded on the balance sheet (value at transaction date and then tested for impairment on each reporting date).
(2) Fair value of financial assets at fair value through profit or loss corresponds to their market value.
(3) The carrying amount of financial liabilities measured at amortised cost is deemed to be a reasonable estimation of fair value.

Movements in 2006:

(in thousand euros)	31 December 2005	Change in w/cap related to operating activities	Change in w/cap related to investing activities	
		(A)	(B)	
Inventories	74,390	4,644	–	
Trade receivables	164,681	27,419	–	
Current tax assets	10,951	(8,222)	–	
Other current assets (see note 18.2.2)	42,948	382	(31)	
Loans and receivables[1]	**292,970**	**24,223**	**(31)**	
Current financial assets (see note 18.2.2)	18	–	–	
Financial assets at fair value through profit or loss[2]	**18**	**–**	**–**	
Trade payables	(107,045)	(7,121)	–	
Current tax liabilities	(2,223)	(24,829)	–	
Other current liabilities (see note 18.2.3)	(113, 525)	(8,064)	(5,765)	
Other non-current liabilities (see note 18.2.3)	–	(158,460)	–	
Interest on other financial liabilities (see note 24.1 (D))	(838)	–	–	
Financial liabilities measured at amortised cost [3]	**(223,631)**	**(198,474)**	**(5,765)**	
Total	**69,357**	**(160,009)**	**(5,796)**	

(1) Impairment of loans and receivables are not included as they are not material. The fair value of loans and receivables is the value recorded on the balance sheet (value at transaction date and then tested for impairment on each reporting date).
(2) Fair value of financial assets at fair value through profit or loss corresponds to their market value.
(3) The carrying amount of financial liabilities measured at amortised cost is deemed to be a reasonable estimation of fair value.

Movements over the year					31 December 2007
Change in w/cap related to financing activities	Change in scope of consolidation	Exchange differences	Fair value changes in profit and loss	Other movements	
(C)	(D)	(E)	(F)	(G)	
–	–	(866)	–	4	87,111
–	–	(1,079)	–	196	216,214
–	–	(304)	–	–	26,569
(16)	–	(995)	–	(337)	53,753
(16)	**–**	**(3,244)**	**–**	**(137)**	**383,647**
–	–	–	(805)	–	96
–	**–**	**–**	**(805)**	**–**	**96**
–	3	1,297	–	(125)	(104,181)
–	–	640	–	–	(12,327)
(389)	–	1,823	–	(22,692)	(136,234)
–	–	6,071	–	22,404	(192,043)
(409)	–	–	–	343	(863)
(798)	**3**	**9,831**	**–**	**(70)**	**(445,648)**
(814)	**3**	**6,587**	**(805)**	**(207)**	**(61,905)**

The changes in other non-current liabilities are due to the recognition in deferred income of the payments received pursuant to the partnership agreements with Medicis, Recordati, Galderma, Tercica Inc. and Roche. The income generated by these contracts is recognised on a straight line basis over the life of the contracts, the part unrecognised as income is recognised in «other non-current liabilities» if it expires after 12 months, and in «other current liabilities» if it expires before 12 months.

Movements over the year					31 December 2006
Change in w/cap related to financing activities	Change in scope of consolidation	Exchange differences	Fair value changes in profit and loss	Other movements	
(C)	(D)	(E)	(F)	(G)	
–	–	(94)	–	7	78,947
–	–	(12)	–	(386)	191,702
–	–	(64)	–	–	2,665
16	–	209	–	176	43,700
16	**–**	**39**	**–**	**(203)**	**317,014**
–	–		883	–	901
–	**–**	**–**	**883**	**–**	**901**
–	–	38	–	307	(100,269)
–	–	(163)	–	–	(27,215)
(186)	–	(118)	–	12,834	(114,824)
–	–	(1,573)	–	(12,237)	(172,270)
(294)	–	(1)	–	336	(797)
(480)	**–**	**(1,817)**	**–**	**1,240**	**(415,375)**
(464)	**–**	**(1,854)**	**883**	**423**	**(97,460)**

The changes in other non-current liabilities are due to the recognition in deferred income of the payments received pursuant to the partnership agreements with Medicis, Recordati and Roche. The income generated by these contracts is recognised on a straight line basis over the life of the contracts, the part unrecognised as income is recognised in "other non-current liabilities" if it expires after 12 months, and in "other current liabilities" if it expires before 12 months.

18.2 Breakdown

18.2.1 Inventories

(in thousand euros)	31 December 2008	31 December 2007	31 December 2006
Raw materials and supplies	30,984	26,721	22,590
Work in progress	29,064	18,295	18,088
Finished goods	55,896	42,095	38,269
Total	**115,944**	**87,111**	**78,947**

Impairments of inventories are not included as they are not material.
The total at 31 December 2008 includes the net inventories of Tercica Inc., fully consolidated as from 1 October 2008 (see notes 1.9 and 2.3) comprised of €1.4 million in raw materials and supplies, €12.2 million in work in progress and €4.7 million in finished goods.

18.2.2 Other current assets and current financial assets

(in thousand euros)	31 December 2008	31 December 2007	31 December 2006
Advance payments to suppliers	2,318	2,553	1,412
Receivables relating to sale of non-current assets	12,477	54	49
VAT recoverable	28,719	15,751	12,705
Other operating receivables	7,123	24,461	18,090
Other assets	3,282	1,092	1,972
Prepayments	9,733	9,842	9,472
Total other current assets (loans and receivables)[1]	**63,652**	**53,753**	**43,700**
Derivative financial instruments	2,528	96	901
Total current financial assets (financial assets at fair value through profit or loss)[2]	**2,528**	**96**	**901**

(1) Impairments of loans and receivables are not included as they are not material. The fair value of loans and receivables is the value recorded on the balance sheet (value at transaction date and then tested for impairment on each reporting date).
(2) Fair value of financial assets at fair value through profit or loss corresponds to their market value.

18.2.3 Other current and non-current liabilities

(in thousand euros)	31 December 2008	31 December 2007	31 December 2006
VAT payable	15,608	3,997	5,569
Other current tax liabilities	5,998	8,418	8,876
Employee-related liabilities	79,809	60,314	56,520
Amounts due to non-current asset suppliers	23,305	24,872	18,082
Other liabilities	9,324	13,656	10,935
Deferred income	22,301	24,977	14,842
Total other current liabilities (financial liabilities measured at amortised cost)	**156,345**	**136,234**	**114,824**
Non-current deferred income	142,560	192,043	172,270
Total other non-current liabilities (financial liabilities measured at amortised cost) [1]	**142,560**	**192,043**	**172,270**

(1) The carrying amount of financial liabilities measured at amortised cost is deemed to be a reasonable estimation of fair value.

Changes in other non-current liabilities are analysed in note 18.1.

Note 19 Securities held for sale

This category comprises short-term investments that do not meet the definition of cash or cash equivalents (as per IAS 7) but which nonetheless show limited volatility. These financial assets represent €6.0 million at 31 December 2007.

There were no securities held for sale by the Group at 31 December 2008 and 31 December 2006.

Note 20 Cash and cash equivalents

20.1 Net cash and cash equivalents

20.1.1 Opening net cash and cash equivalents

(in thousand euros)	Consolidated balance sheet at 1 January 2008	Consolidated balance sheet at 1 January 2007	Consolidated balance sheet at 1 January 2006
Cash and cash equivalents - assets	247,068	285,459	202,034
Bank overdrafts - liabilities	(6,161)	(1,716)	(1,470)
Opening net cash and cash equivalents	**240,907**	**283,743**	**200,564**

20.1.2 Closing net cash and cash equivalents

(in thousand euros)	Consolidated balance sheet at 31 December 2008	Consolidated balance sheet at 31 December 2007	Consolidated balance sheet at 31 December 2006
Cash and cash equivalents - assets	239,584	247,068	285,459
Bank overdrafts - liabilities	(2,259)	(6,161)	(1,716)
Closing net cash and cash equivalents	**237,325**	**240,907**	**283,743**

20.2 Cash and cash equivalents

At 31 December 2008, 31 December 2007 and 31 December 2006, cash and cash equivalents include:

(in thousand euros)	31 December 2008	31 December 2007	31 December 2006
Financial assets at fair value through profit or loss: – Euro money market UCITS – Certificates of deposit (with a maturity of less than three months)	211,144 –	195,859 –	243,670 –
Loans and receivables: – Interest-bearing deposits	1,601	25,592	10,763
Cash	26,839	25,617	31,026
Cash and cash equivalents	**239,584**	**247,068**	**285,459**

Short-term investments comprise investments in risk-free mutual funds (mostly money market UCITS or similar funds) which are carried at fair value (market value).

Short-term investments held at 31 December 2008 are immediately realisable, subject to 24 hours notice maximum. No interest bearing deposits held at 31 December 2008 matured after the end of January 2009.

Note 21 Liquidity risk and counterparty risk

The Group's policy is to diversify its business counterparties so as to avoid the risks associated with excessive concentration and to make a quality-based decision in choosing these counterparties. In addition, the Group monitors the credit risks associated with the financial instruments in which it invests and limits its investments according to the credit rating of its business counterparties. These funds are managed by the Group and are mainly invested in money-market UCITS and certificates of deposit. The Group invests its surpluses in short-term money-market financial instruments negotiated with counterparties whose credit ratings are at least A1 (Standard & Poors) and P1 (Moody's). Off-balance sheet derivative instruments are negotiated with first-class banking counterparties.

Note 22 Consolidated equity

22.1 Share capital

At 31 December 2008, Ipsen's share capital was comprised of 84,059,683 shares each with a nominal value of €1, including 61,177,310 with double voting rights compared with 84,043,183 ordinary shares at 31 December 2007 including 61,504,010 with double voting rights, and 84,024,683 ordinary shares at 31 December 2006 and the same amount of shares with double voting rights.

These changes are due to the definitive allocation during 2007 of bonus shares granted in 2005, and during 2008 of bonus shares granted in 2006 upon fulfilment of the performance conditions (see note 5.4.3).

22.Equity attributable to equity holders of the parent

Breakdown:

(in thousand euros)	31 December 2008	31 December 2007	31 December 2006
Ipsen share capital	84,060	84,044	84,025
Share premium	29,809	29,809	29,809
Issue premium	679,185	679,185	679,185
Ipsen statutory reserve	44,686	44,686	44,686
Other Ipsen reserves	215,870	245,653	274,983
Other consolidated reserves and retained earnings	(186,705)	(283,515)	(386,202)
Total	**866,905**	**799,862**	**726,486**

22.3 Basic earnings per share

Basic earnings per share is calculated on the weighted average number of shares outstanding during the year (see note 3.29).

Movements in the number of outstanding shares over the three periods presented are shown in note 22.5.

22.3.1 Basic earnings per share, continuing operations

		31 December 2008	31 December 2007	31 December 2006
Basic earnings per share, continuing operations – attributable to equity holders of the parent (in thousand euros)	(a)	147,336	151,924	144,296
Average number of shares outstanding during the year	(b)	83,925,348	83,875,853	84,028,209
Basic earnings per share, continuing operations *(in €)*	**(a) / (b)**	**1.76**	**1.81**	**1.72**

22.3.2 Basic earnings per share, discontinued operations

		31 December 2008	31 December 2007	31 December 2006
Basic earnings per share, discontinued operations – attributable to equity holders of the parent *(in thousand euros)*	(a)	(172)	(1 313)	(290)
Average number of shares in issue during the year	(b)	83,925,348	83,875,853	84,028,209
Basic earnings per share, discontinued operations *(in €)*	**(a) / (b)**	**(0.00)**	**(0.02)**	**(0.00)**

22.3.3 Basic earnings per share

		31 December 2008	31 December 2007	31 December 2006
Basic earnings per share – attributable to equity holders of the parent *(in thousand euros)*	(a)	147,164	150,611	144,006
Average number of shares outstanding during the year	(b)	83,925,348	83,875,853	84,028,209
Basic earnings per share *(in €)*	**(a) / (b)**	**1.75**	**1.80**	**1.71**

22.4 Diluted earnings per share

Stock-options

The Mayroy stock option plans granted by Mayroy are not dilutive.

The stock option plans granted by Ipsen in 2005 are dilutive at 31 December 2008, 31 December 2007 and 31 December 2006.

The stock option plans granted by Ipsen on 12 December 2006 are only dilutive at 31 December 2007 for tranche 3.3.

The stock option plans granted by Ipsen on 30 May 2007 and 12 December 2007 are not dilutive at 31 December 2008 and 31 December 2007.

The stock option plan granted by Ipsen on 29 September 2008 is not dilutive at 31 December 2008.

Bonus shares

The allotment of the 2005 bonus shares (for beneficiaries who are not French tax residents), and the 2006 and 2007 bonus shares (plan of 12 December 2007, set out in note 5.4.3.1) was contingent upon the Group's achievement of certain performance conditions and therefore these shares are not dilutive at 31 December 2008, 31 December 2007 and 31 December 2006.

The 2007 bonus shares (plans of 30 May 2007 and 12 December 2007, as set out in note 5.4.3.1) which are free of any performance conditions are included in the weighted average number of shares for basic earnings per share and are therefore included in diluted earnings.

Diluted earnings per share is calculated taking into account the dilutive instruments described above.

22.4.1 Diluted earnings on continuing operations

		31 December 2008	31 December 2007	31 December 2006
Diluted earnings, continuing operations – attributable to equity holders of the parent *(in thousand euros)*	(a)	147,336	151,924	144,296
Average number of shares outstanding during the year	(b)	84,015,122	83,972,411	84,051,671
Diluted earnings, continuing operations – attributable to equity holders of the parent *(in € per share)*	**(a) / (b)**	**1.75**	**1.81**	**1.72**

22.4.2 Diluted earnings per share, discontinued operations

		31 December 2008	31 December 2007	31 December 2006
Diluted earnings, discontinued operations – attributable to equity holders of the parent *(in thousand euros)*	(a)	(172)	(1,313)	(290)
Average number of shares outstanding during the year	(b)	84,015,122	83,972,411	84,051,671
Diluted earnings, discontinued operations – attributable to equity holders of the parent *(in € per share)*	**(a) / (b)**	**(0.00)**	**(0.02)**	**(0.00)**

22.4.3 Diluted earnings per share

		31 December 2008	31 December 2007	31 December 2006
Diluted earnings - attributable to equity holders of the parent *(in thousand euros)*	(a)	147,164	150,611	144,006
Average number of shares outstanding during the year	(b)	84,015,122	83,972,411	84,051,671
Diluted earnings - attributable to equity holders of the parent *(in € per share)*	**(a) / (b)**	**1.75**	**1.79**	**1.71**

22.5 Average number of shares outstanding

22.5.1 Average weighted number of shares outstanding to calculate basic earnings per share

22.5.1.1 Average weighted number of shares at 31 December 2008

	31 December 2008
Number of ordinary shares at 31 December 2007	**84,043,183**
Treasury shares (weighted average number)	(159,935)
2007 bonus shares free of any performance conditions	9,000
2008 bonus shares free of any performance conditions	33,100
Average weighted number of shares outstanding at 31 December 2008	**83,925,348**

22.5.1.2 Average weighted number of shares at 31 December 2007

	31 December 2007
Number of ordinary shares at 31 December 2006	**84,024,683**
Treasury shares (weighted average number)	(176,330)
Retrospective impact at 1 January 2007 of the allotment of bonus shares from the 2005 plan (note 5.4.3)	18,500
2007 bonus shares free of any performance conditions	9,000
Average weighted number of shares outstanding at 31 December 2007	**83,875,853**

22.5.1.3 Average weighted of shares at 31 December 2006

	31 December 2006
Number of ordinary shares at 31 December 2005	**84,024,683**
Treasury shares (weighted average number)	(23,966)
Restatement	27,492
Average weighted number of shares outstanding at 31 December 2006	**84,028,209**

22.5.2 Average weighted number of shares outstanding to calculate diluted earnings per share

22.5.2.1 Average weighted number of shares at 31 December 2008

	31 December 2008
Average weighted number of shares outstanding at 31 December 2008 used to determine the basic earnings per share	83,925,348
Dilutive effect of stock options	89,774
Average weighted number of shares outstanding at 31 December 2008	**84,015,122**

22.5.2.2 Average weighted number of shares at 31 December 2007

	31 December 2007
Average weighted number of shares outstanding at 31 December 2007 used to determine the basic earnings per share	83,875,853
Dilutive effect of stock options	96,558
Average weighted number of shares outstanding at 31 December 2007	**83,972,411**

22.5.2.3 Average weighted number of shares at 31 December 2006

	31 December 2006
Average weighted number of shares outstanding at 31 December 2006 used to determine the basic earnings per share	84,028,209
Dilutive effect of stock options	23,462
Average weighted number of shares outstanding at 31 December 2006	**84,051,671**

22.6 Dividends

Dividends paid by Ipsen are as follows:

	December 2008	December 2007	December 2006
Dividend payout *(in euros)*	55,026,659	50,389,459	50,407,010
Number of shares on the payment date	83,373,725	83,982,431	84,011,683
Dividend per share *(in euros)*	0.66	0.60	0.60

Note 23 Provisions

23.1 Movements

Movements in 2008:

(in thousand euros)	31 December 2007	Movements during the year						31 December 2008
		Change in scope of consolidation	Charges	Reversals		Exchange differences	Other Movements	
				Used	Released			
Business and operating risks	2,751	–	98	–	(117)	–	–	2,732
Legal risks	18,554	–	17,225	(3,507)	(4,252)	(209)	–	27,811
Restructuring	–	1,546	1,382	(8)	–	157	–	3,085
Others	274	–	2,422	(186)	(3)	(2)	–	2,505
Total provisions[1]	**21,579**	**1,546**	**21,127**	**(3,963)**	**(4,372)**	**(54)**	**–**	**36,133**
– current	6,598	1,546	4,953	(3,469)	(833)	157	–	8,952
– non-current	14,981	–	16,174	(224)	(3,539)	(211)	–	27,181

(1) All charges and reversals are included in operating income.

- Business and operating risks
  These provisions cover business risks for amounts which the Group may have to pay to resolve various commercial disputes with a limited individual impact.
- Legal risks
  These provisions include:
  – €17.8 million for the risk of tax reassessment in the Group's various subsidiaries and additional taxes which the Group may have to pay;
  – €4.4 million for costs that the Group may incur with respect to social tribunal disputes;
  – €5.6 million for other legal risks.
- Restructuring costs

These provisions correspond to restructuring costs linked to the Group's North American acquisitions (see notes 1.8 and 1.9).

- Other
  In conjunction with the grouping together of the Paris sites at the new head offices in Boulogne-Billancourt during the year, a provision of €2.4 million was booked to cover the rental difference between the rental due by the Group under its own lease agreement on the premises which remained unused and the for market value of the lease which the Group signed for sub-letting these premises.

Movements in 2007:

(in thousand euros)	31 December 2006	Movements during the year						31 December 2007
		Change in scope of consolidation	Charges	Reversals		Exchange differences	Other Movements	
				Used	Released			
Business and operating risks	2,849	–	86	(184)	–	–	–	2,751
Legal risks	13,606	–	9,683	(2,483)	(2,067)	(185)	–	18,554
Restructuring	8	–	–	(8)	–	–	–	–
Others	281	–	178	(158)	(24)	(3)	–	274
Total Provisions[1]	**16,744**	**–**	**9,947**	**(2,833)**	**(2,091)**	**(188)**	**–**	**21,579**
– current	5,323	–	3,652	(2,314)	(60)	(3)	–	6,598
– non-current	11,421	–	6,296	(519)	(2,032)	(185)	–	14,981

(1) All charges and reversals are included in operating income.
• Legal risks
These provisions include:
– €11.8 million for the risk of tax reassessment in the Group's various subsidiaries and additional taxes which the Group may have to pay;
– €2.5 million for costs that the Group may incur with respect to social tribunal disputes;
– €4.3 million for other legal risks.

Note 24 Bank loans and financial liabilities

24.1 Movements

Movements between 31 December 2007 and 31 December 2008:

(in thousand euros)	31 December 2007	Additions	Repayments	
		(A)	(B)	
Credit lines and bank loans	4,379	148,941	(4,379)	
Other financial liabilities	16,449	174	(1,800)	
Non-current financial liabilities (measured at amortised cost) [1]	**20,828**	**149,115**	**(6,179)**	
Credit lines and bank loans	5,375	–	–	
Other financial liabilities	2,923	–	(342)	
Current financial liabilities (measured at amortised cost) [1]	**8,298**	**–**	**(342)**	
Derivative financial instruments (see note 25.5)	908	–	–	
Current financial liabilities (financial liabilities measured at fair value [2]	**908**	**–**	**–**	
Current financial liabilities	**9,206**	**–**	**(342)**	
Total	**30,034**	**149,115**	**(6,521)**	

(1) The carrying amount of financial liabilities measured at amortised cost is deemed to be a reasonable estimation of fair value.
(2) Fair value is deemed to be the market value.

On 30 June 2008, the Group terminated its four bilateral credit agreements totalling €275.6 million that it had signed in June 2005 and which were no longer used at 30 June 2008.

In June 2008, Ipsen contracted a syndicated bank loan for €300 million for a term of 5 years. This credit line is multi-currency and multi-borrower, and Ipsen is required to guarantee drawdowns made by some of its subsidiaries. Its purpose is to finance the Group's US acquisitions and the Group's general operations. It can be used in the form of short-term drawdowns from 1 to 12 months at the borrower's initiative, to adapt the Group's borrowings to its cash profile. The total sums drawn down must at all times remain below the following maximum limits, which decrease over time:

04/06/2009	€262.5 million
04/06/2010	€225.0 million
04/06/2011	€187.5 million
04/06/2012	€150.0 million
04/06/2013	—

Movements in 2006:

(in thousand euros)	31 December 2005	Movements during the year						31 December 2006
		Change in scope of consolidation	Charges	Reversals		Exchange differences	Other Movements	
				Used	Released			
Business and operating risks	4,277	–	–	(476)	(842)	–	(110)	2,849
Legal risks	6,717	–	7,709	(691)	(285)	46	110	13,606
Restructuring	443	–	–	(242)	(115)	(13)	(65)	8
Others	138	–	94	(16)	–	–	65	281
Total Provisions[1]	**11,575**	**–**	**7,803**	**(1,425)**	**(1,242)**	**33**	**–**	**16,744**
– current	3,309	–	3,256	(988)	(238)	(16)	–	5,323
– non-current	8,266	–	4,547	(437)	(1,004)	49	–	11,421

(1) All charges and reversals are included in operating income.

- Legal risks

These provisions include:

– €8.0 million for the risk of tax reassessment in the Group's various subsidiaries and additional taxes which the Group may have to pay;
– €3 million for costs that the Group may incur with respect to social tribunal disputes;
– €2.6 million for other legal risks.

- Restructuring costs

This item comprises restructuring costs connected with the discontinuation of Hyate:C® in 2004.

	Net change in short-term borrowings	Net change in interest	Change in fair value	Movements	Change in scope of consolidation	Exchange differences	31 December 2008
	(C)	(D)	(E)	(F)	(G)	(H)	
	–	–	–	–	–	–	148,941
	–	535	–	(1,555)	–	–	13,803
	–	**535**	**–**	**(1,555)**	**–**	**–**	**162,744**
	(1,375)	–	–	–	–	–	4,000
	–	1,931	–	(177)	–	–	4,335
	(1,375)	**1,931**	**–**	**(177)**	**–**	**–**	**8,335**
	–	–	(897)	–	–	–	11
	–	**–**	**(897)**	**–**	**–**	**–**	**11**
	(1,375)	**1,931**	**(897)**	**(177)**	**–**	**–**	**8,346**
	(1,375)	**2,466**	**(897)**	**(1,732)**	**–**	**–**	**171,090**

On 17 October 2008, the Group drew €150 million incurring €1.8 million in accrued interest at 31 December 2008.

In addition to the customary contractual clauses, these credit lines require 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.

The maximum ratios are as follows:

- Net debt to equity: 1
- Net debt to EBITDA: 3

In the event of default, the banks have the right to demand early repayment of the credit lines.

Movements between 31 December 2006 and 31 December 2007:

(in thousand euros)	31 December 2006	Additions	Repayments	
		(A)	(B)	
Credit lines and bank loans	6,286	–	(1,912)	
Other financial liabilities	15,313	1,900	–	
Non-current financial liabilities (measured at amortised cost) [1]	**21,599**	**1,900**	**(1,912)**	
Credit lines and bank loans	6,973	–	–	
Other financial liabilities	2,247	–	(258)	
Current financial liabilities (measured at amortised cost) [1]	**9,220**	**–**	**(258)**	
Derivative financial instruments (see note 25.5)	4	–	–	
Current financial liabilities (financial liabilities measured at fair value [2]	**4**	**–**	**–**	
Current financial liabilities	**9,224**	**–**	**(258)**	
Total	**30,823**	**1,900**	**(2,170)**	

(1) The carrying amount of financial liabilities measured at amortised cost is deemed to be a reasonable estimation of fair value.
(2) Fair value is deemed to be the market value..

At 31 December 2007 the credit lines were still available up to a maximum of €206.7 million.

At 31 December 2007 a total of €4.4 million was drawn down on the credit lines.

Movements between 31 December 2005 and 31 December 2006:

(in thousand euros)	31 December 2005	Additions	Repayments	
		(A)	(B)	
Credit lines and bank loans	37,751	–	(31,644)	
Other financial liabilities	15,508	–	–	
Non-current financial liabilities (measured at amortised cost) [1]	**53,259**	**–**	**(31,644)**	
Credit lines and bank loans	7,074	–	–	
Other financial liabilities	1,466	–	(180)	
Current financial liabilities (measured at amortised cost) [1]	**8,540**	**–**	**(180)**	
Derivative financial instruments (see note 25.5)	294	–	–	
Current financial liabilities (financial liabilities measured at fair value [2]	**294**	**–**	**–**	
Current financial liabilities	**8,834**	**–**	**(180)**	
Total	**62,093**	**–**	**(31,824)**	

(1) The carrying amount of financial liabilities measured at amortised cost is deemed to be a reasonable estimation of fair value.
(2) Fair value is deemed to be the market value..

In 2006, drawdowns on the credit lines were very limited due to receipt of the proceeds from the initial public offering (€191.8 million) in December 2005, and to the receipt of significant amounts pursuant to the implementation of partnership agreements. However, the lines were still available up to a maximum of €241.2 million at 31 December 2006.

During June 2005, Ipsen S.A. signed four bilateral credit agreements totalling €275.6 million for a period of five years. These credit lines are multi-currency and multi-borrower and can be used in the form of short-term drawdowns from 1 to 12 months at the borrower's initiative, to adapt the Group's borrowings to its cash profile. Ipsen is required to guarantee

	Net change in short-term borrowings	Net change in interest	Change in fair value	Movements	Change in scope of consolidation	Exchange differences	31 December 2007
	(C)	(D)	(E)	(F)	(G)	(H)	
	–	–	–	–	–	5	4,379
	–	243	–	(1,007)	–	–	16,449
	–	**243**	**–**	**(1,007)**	**–**	**5**	**20,828**
	(1,584)	–	–	–	–	(14)	5,375
	–	166	–	768	–	–	2,923
	(1,584)	**166**	**–**	**768**	**–**	**(14)**	**8,298**
	–	–	904	–	–	–	908
	–	**–**	**904**	**–**	**–**	**–**	**908**
	(1,584)	**166**	**904**	**768**	**–**	**(14)**	**9,206**
	(1,584)	**409**	**904**	**(239)**	**–**	**(9)**	**30,034**

	Net change in short-term borrowings	Net change in interest	Change in fair value	Movements	Change in scope of consolidation	Exchange differences	31 December 2006
	(C)	(D)	(E)	(F)	(G)	(H)	
	–	–	–	–	–	179	6,286
	–	242	–	(437)	–	–	15,313
	–	**242**	**–**	**(437)**	**–**	**179**	**21,599**
	(89)	–	–	–	–	(12)	6,973
	–	52	–	909	–	–	2,247
	(89)	**52**	**–**	**909**	**–**	**(12)**	**9,220**
	–	–	(290)	–	–	–	4
	–	**–**	**–**	**–**	**–**	**–**	**–**
	(89)	**52**	**(290)**	**909**	**–**	**(12)**	**9,224**
	(89)	**294**	**(290)**	**472**	**–**	**167**	**30,823**

drawdowns made by its subsidiaries. The total sums drawn down must at all times remain below the following maximum limits, which decrease over time:

30/06/2006	€241.2 million
30/06/2007	€206.7 million
30/06/2008	€172.3 million
30/06/2009	€137.8 million
30/06/2010	—

At 31 December 2006, a total of €6.3 million was drawn down on the credit lines.

At 31 December 2008, the Group complied with its covenants.

• Aggregated data used to calculate the ratios.

(in thousand euros)	December 2008	December 2007	December 2006
Balance sheet debt			
Non-current bank loans	148,941	4,379	6,286
Other non-current financial liabilities	13,803	16,449	15,313
Current bank loans	4,000	5,375	6,973
Current financial liabilities	4,346	3,831	2,251
Debt (A)	**171,090**	**30,034**	**30,823**
Cash and cash equivalents			
Cash and cash equivalents	(239,584)	(247,068)	(285,459)
Securities held for sale		(6,000)	–
Bank overdrafts	2,259	6,161	1,716
Closing net cash (B)	**(237,325)**	**(246,907)**	**(283,743)**
Cash used for calculation of ratio			
Balance sheet debt and cash & cash equivalents (A) + (B)	(66,235)	(216,873)	(252,920)
Derivative financial instruments	(11)	(908)	(4)
Cash and cash equivalents (I)	**(66,246)**	**(217,781)**	**(252,924)**

(in thousand euros)	December 2008	December 2007	December 2006
Equity (II)			
Equity attributable to equity holders of the parent			
Share capital	84,060	84,044	84,025
Share premiums and consolidated reserves	680,216	582,557	506,244
Profit for the year	147,164	150,611	144,006
Exchange differences	(44,535)	(17,350)	(7,789)
Equity (II)	**866,905**	**799,862**	**726,486**

(in thousand euros)	December 2008	December 2007	December 2006
EBITDA (III)			
Net profit	**147,669**	**151,068**	**144,497**
Net profit from discontinued operations	172	1,313	290
Income taxes	33,320	54,479	40,891
Other financial income and expenses	5,156	2,855	5,707
Net finance cost	(17,077)	(9,591)	(5,832)
Operating income	**169,240**	**200,124**	**185,553**
Depreciation, amortisation, provisions and impairment losses	61,162	40,952	50,279
EBITDA (III)	**230,402**	**241,076**	**235,832**

• Ratio calculation

(in thousand euros)		December 2008	December 2007	December 2006
Cash and cash equivalents	(I)	(66,246)	(217,781)	(252,924)
Equity attributable to equity holders of the parent	(II)	866,905	799,862	726,486
EBITDA	(III)	230,402	241,076	235,832
Net debt to equity	**(I)/(II)**	**(0.08)**	**(0.27)**	**(0.35)**
Net debt to EBITDA	**(I)/(III)**	**(0.29)**	**(0.90)**	**(1.07)**

At 31 December 2008, 31 December 2007 and 31 December 2006, the Group had a cash surplus, consequently the ratio calculation is presented exclusively to show the method of calculation.

24.2 Breakdown by maturity

At 31 December 2008 the Group only holds credit lines (see note 24.1). At 31 December 2007 and 2006, the credit lines put in place as part of the refinancing can be utilised in the form of drawdowns of 1 to 12 months. Total drawdowns must comply with the maximum limits set out in note 24.1.

	31 December 2007						
(in thousand euros)	Draw downs	Rate	Interest	1M	3M	> 3M	%
Euro	–	–	–	–	–	–	–
Pound sterling	–	–	–	–	–	–	–
US dollar	4,379	5.3150 %	21	4,400	–	–	100%
Yen	–	–	–	–	–	–	–
Total	**4,379**	**5.3150%**	**21**	**4,400**	**–**	**–**	**100%**

	31 December 2006						
(in thousand euros)	Draw downs	Rate	Interest	1M	3M	> 3M	%
Euro	–	–	–	–	–	–	–
Pound sterling	–	–	–	–	–	–	–
US dollar	6,302	5.70%	32	6,334	–	–	100%
Yen	–	–	–	–	–	–	–
Total	**6,302**	**5.70%**	**32**	**6,334**	**–**	**–**	**100%**

24.3 Breakdown by currency

The Group's financial liabilities by currency break down as follows:

	31 December 2008		31 December 2007		31 December 2006	
(in thousand euros)	Amount	%	Amount	%	Amount	%
Euro	171,079	100.00%	24,747	84.96%	23,894	77.53%
US dollar	–	–	4,379	15.04%	6,302	20.45%
Swiss franc	–	–	–	–	623	2.02%
Total	**171,079**	**100.00%**	**29,126**	**100.00%**	**30,819**	**100.00%**
Derivative financial instruments	**11**		**908**		**4**	
Total long-term financial liabilities	**171,090**		**30,034**		**30,823**	

24.4 Collateralised debt

At 31 December 2008, 31 December 2007 and 31 December 2006, the Group had not granted any collateral against its borrowings.

Note 25 Derivative financial instruments

25.1 Interest rate risk

In 1998, the interest rate risk on the floating rate syndicated loan was partially hedged through floating to fixed-rate swaps maturing in 2006. The hedges were left in place following the refinancing, and no new hedges were put in place. Since 1 January 2005, the swaps are no longer treated as interest rate hedges. At 31 December 2008, there are no remaining swaps as all those described above have matured.

No sensitivity analysis was carried out given the Group's sound financial structure and its marginal exposure to 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.

	Fair value of items recognised in the balance sheet *(in thousands of currency units)*							Market value at 31 December 2008
	USD	PLN	ZAR	EUR	HUF	GBP	CZK	
Forward currency contracts matching invoice amounts	135,644	34,181	–	–	72,707	5,704	13,329	3,236
Other forward contracts	(1,471)	–	–	(2,160)	–	–	–	93
Total	**134,173**	**34,181**	**–**	**(2 160)**	**72,707**	**5,704**	**13,329**	**3,329**

25.2.2 Exposure to exchange rate risk

In 2008, approximately 61% of the Group's consolidated sales were generated in the eurozone. A 10% increase or decrease of the euro against the US dollar and the pound sterling (the two main currencies in which the Group operates) would only impact sales by plus or minus 1%. This impact was calculated for companies with the euro as their functional currency, but who generate sales in other currencies, and companies whose functional currency is not the euro and which generate sales in that same currency. That sensitivity could increase in 2009 due to the consolidation of Tercica and Vernalis in the United States.

Potential exchange rate risk exposure is estimated by each subsidiary and, where necessary, transferred to the Group's specialised teams for appraisal. Exchange rate hedging transactions carried out on behalf of subsidiaries and the management of intragroup exchange rate risk are centralised within the Group's treasury department which mainly uses traditional hedging instruments (OTC transactions, futures, foreign exchange swaps, multi currency credit lines).

Regarding billing fluctuations, the Group hedges the majority of its subsidiaries' trade receivables (micro-hedging on invoices) to cover exchange rate variations.

25.3 Other derivative instruments

Other derivative instruments included the warrant and the convertible note related to the Tercica Inc. transaction described below:

- **Warrant**: In October 2006, Tercica Inc. issued to Ipsen a warrant which may be exercised at any time by Ipsen for ordinary Tercica Inc. shares at a price of $7.41 until 12 October 2011. The warrant was attached to the Tercica Inc. shares, and was consolidated as equity and recognised at its fair value. The fair value, determined using the Black & Scholes model at the date of transaction (October 2006) was €8.1 million. The warrant being intrinsically linked to the shares subscribed by the Group through the reserved capital increase, the counterpart of this financial asset corresponded to a reduction in the purchase price of the Tercica Inc. shares. On 22 July 2008, pursuant to the merger agreement with Tercica Inc. (see note 1.9), Ipsen exercised its warrant thereby purchasing 4,948,795 Tercica Inc. shares at a contractual price of $7.41 for a total of $36.7 million (€23.1 million). At the reporting date, the change in fair value recognised in financial income and expenses for a total of (€2.3 million) (including (€0.7 million) for the exchange rate impact), corresponds to the change in the fair value recorded between 1 January 2008 and 22 July 2008, when the warrant was exercised.
- **Convertible note 1**: In exchange for the upfront licensing payment for Somatuline® Autogel® in the United States and Canada, in October 2006, Tercica Inc. issued to Ipsen a convertible note for a principal amount of $25.0 million. The note, which will mature 5 years from the date of issue, carries a coupon of 2.5% and is convertible into Tercica Inc. common stock at a conversion price of $7.41 per share.

Upon approval of Somatuline® Autogel® in the United States for the targeted indication (August 2007), Tercica issued two additional convertible notes:

- **Convertible note 2**: Tercica Inc. issued to Ipsen a convertible note for a principal amount of €30.0 million. The note, which will mature 5 years from the date of issue, carries a coupon of 2.5% and is convertible into Tercica Inc. common stock at a conversion price of €5.92 per share. This note was issued in payment of the second licensing payment for Somatuline® Autogel® upon approval in August 2007.

- **Convertible note 3**: Tercica Inc. issued to Ipsen a convertible note for a principal amount of $15.0 million. The note, which will mature 5 years from the date of issue, carries a coupon of 2.5% and is convertible into Tercica Inc. common stock at a conversion price of $7.41 per share. Ipsen purchased this note for cash in September 2007.

The convertible notes include two components, both recognised in non-current financial assets:

- the "note" component, measured at its amortised cost, is recognised in loans and receivables, and subsequent changes in value are recognised in financial income and expenses;
- the "conversion option" component, measured at its fair value, is recognised in derivative financial instruments, and subsequent changes are recognised in financial income and expenses.

At the transaction date (October 2006), the Group distributed the convertible note 1 subscription, issued by Tercica Inc. for a total amount of €20.7 million. This total includes €15.2 million for the "note" component and €5.5 million for the «conversion option» component.

Upon approval of Somatuline® Autogel® in the United States (August 2007), the Group distributed the convertible note 2 subscription, issued by Tercica Inc. for a total amount of €31.0 million, the "note" component amounting to €24.6million and the "conversion option" component amounting to €6.4 million and the convertible note 3 subscription for a total amount of €11.3 million, the "note" component amounting to €7.8 million and the "conversion option" component amounting to €3.5 million.

On 22 July 2008, pursuant to the merger agreement with Tercica Inc. (see note 1.9), Ipsen converted the 3 convertible notes into 10,774,806 Tercica Inc. shares. At the closing date, the change in fair value recognised in Financial income/(expense) for a total of (€4.9 million) (including (€0.7 million) in exchange differences) corresponds to the difference in fair value between 1 January 2008 and 22 July 2008, when the convertible notes were converted.

25.4 Derivative financial instruments recognised in the balance sheet

Derivative financial instruments recognised in the balance sheet at 31 December 2008, 31 December 2007 and 31 December 2006:

(in thousand euros)	31 December 2008		31 December 2007		31 December 2006	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Market value of interest rate instruments (note 25.1)	–	–	–	–	–	–
Market value of currency instruments (note 25.2)	2,528	11	96	908	901	4
Warrant(1) (note 17)	–	–	6,939	–	6,102	–
Conversion option attached to the convertible note(1) (note 17)	–	–	14,899	–	4,103	–
Total	**2,528**	**11**	**21,934**	**908**	**11,106**	**4**

(1) Fair value is measured using the Black & Scholes method. At 31 December 2008, there are no longer any derivative financial instruments recognised in the balance sheet in respect of the warrant and the conversion option attached to the convertible note due to the fact that they were exercised / converted into Tercica Inc. shares on 22 July 2008 (see notes 1.9 and 25.3).

25.5 Derivative financial instruments in the statement of cash flows

Fair value changes in profit and loss of derivative financial instruments at 31 December 2008, 31 December 2007 and 31 December 2006:

(in thousand euros)	31 December 2008	31 December 2007	31 December 2006
Fair value changes of exchange derivative financial instruments (Assets) - (note 18.1 - F)	(2,432)	805	(883)
Fair value changes of exchange derivative financial instruments (Liabilities) - (note 24.1 - E)	(897)	904	(290)
Fair value changes of exchange derivative financial instruments	**(3,329)**	**1,709**	**(1,173)**
Fair value changes of warrant (1)	1,669	(1,337)	1,636
Fair value changes of conversion option (1)	4,135	(2,301)	1,099
Fair value changes of other derivative financial instruments (note 17 - E)	**5,804**	**(3,638)**	**2,735**
Net changes in fair value in profit and loss of derivative financial instruments	**2,474**	**(1,929)**	**1,562**

(1) Fair value is measured using the Black & Scholes method.

Note 26 Information on joint venture companies

26.1 Balance sheet items

26.1.1 Balance sheet at 31 December 2008

(in thousand euros)	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Companies				
Cara Partners	8,483	5,457	233	7,094
Garnay Inc.	1,060	2,098	–	36
Linnea S.A.	1,981	12,080	1,077	6,012
Perechin Unlimited Company	–	3	–	1
Portpirie Unlimited Company	–	1	–	–
Saint–Jean d'Illac S.C.A.	2,315	93	75	2,382
Wallingstown Company	1,317	7,405	–	133
Wallingstown Company Ltd	–	45	1	6
Total	**15,156**	**27,182**	**1,386**	**15,664**

26.1.2 Balance sheet at 31 December 2007

(in thousand euros)	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Companies				
Cara Partners	8,488	4,865	382	6,162
Garnay Inc.	1,015	2,034	–	27
Linnea S.A.	1,916	9,488	890	4,766
Perechin Unlimited Company	–	3	–	3
Portpirie Unlimited Company	–	1	–	–
Saint-Jean d'Illac S.C.A.	2,441	84	84	2,143
Wallingstown Company	1,423	8,413	–	987
Wallingstown Company Ltd	–	72	1	9
Total	**15,283**	**24,960**	**1,357**	**14,097**

26.1.3 Balance sheet at 31 December 2006

(in thousand euros)	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Companies				
Cara Partners	8,553	5,871	303	6,806
Garnay Inc.	1,085	2,238	–	25
Linnea S.A.	2,076	9,142	761	5,298
Perechin Unlimited Company	–	2	–	1
Portpirie Unlimited Company	–	1	–	–
Saint-Jean d'Illac S.C.A.	2,587	64	91	2,270
Wallingstown Company	1,523	6,706	184	950
Wallingstown Company Ltd	–	77	1	3
Total	**15,824**	**24,101**	**1,340**	**15,353**

26.2 Income statement items

26.2.1 Income statement at 31 December 2008

(in thousand euros)	Sales	Operating expenses	Share of net profit
Companies			
Cara Partners	1,993	(7,202)	6,255
Garnay Inc.	204	(813)	48
Linnea S.A.	13,489	(12,713)	530
Perechin Unlimited Company	–	(1)	(3)
Portpirie Unlimited Company	–	–	–
Saint–Jean d'Illac S.C.A.	49	(1,204)	(122)
Wallingstown Company	12,867	(4,040)	9,402
Wallingstown Company Ltd	–	(186)	–
Total	**28,602**	**(26,159)**	**16,110**

26.2.2 Income statement at 31 December 2007

(in thousand euros)	Sales	Operating expenses	Share of net profit
Companies			
Cara Partners	1,882	(7,002)	6,279
Garnay Inc.	125	(724)	(124)
Linnea S.A.	12,842	(11,361)	862
Perechin Unlimited Company	–	(1)	(3)
Portpirie Unlimited Company	–	–	–
Saint-Jean d'Illac S.C.A.	225	(1,101)	203
Wallingstown Company	11,786	(3,935)	9,512
Wallingstown Company Ltd	–	(196)	(5)
Total	**26,860**	**(24,320)**	**16,724**

26.2.3 Income statement at 31 December 2006

(in thousand euros)	Sales	Operating expenses	Share of net profit
Companies			
Cara Partners	1,876	(7,363)	6,742
Garnay Inc.	205	(732)	18
Linnea S.A.	8,811	(8,611)	(77)
Perechin Unlimited Company	–	(1)	(2)
Portpirie Unlimited Company	–	–	–
Saint-Jean d'Illac S.C.A.	301	(1,206)	162
Wallingstown Company	9,609	(2,050)	7,808
Wallingstown Company Ltd	–	(238)	(5)
Total	**20,802**	**(20,201)**	**14,646**

Note 27 Information on associated companies

The information presented below is based on the financial statements of Tercica Inc. under IFRS (at 100%) for the financial years 2007 and 2006. As Tercica Inc. is fully consolidated in the Group's financial statements as of 16 October 2008, no financial information is presented for the year ending 31 December 2008.

(in thousand dollars)	At 31 December 2007			
	Assets	Liabilities	Sales	Profit for the period
Companies				
Tercica Inc.	471,818	192,526	9,809	(47,365)
Total	**471,818**	**192,526**	**9,809**	**(47,365)**

(in thousand dollars)	At 31 December 2006		4th quarter 2006 (1)	
	Assets	Liabilities	Sales	Profit for the period
Companies				
Tercica Inc.	415,288	103,699	748	(8,387)
Total	**415,288**	**103,699**	**748**	**(8,387)**

(1) At the transaction date.

Note 28 Information on related parties

28.1 Directors' and senior executives' emoluments

- Emoluments paid in 2008 to Directors and members of the Executive Committee amounted to €2.1 million and €3.5 million respectively, making a total of €5.6 million.
- Pension and similar benefits for Directors and members of the Executive Committee amounted to €4.8 million and €2.6 million respectively at 31 December 2008, making a total of €7.4 million.
- The Board of Directors has undertaken to make certain payments to the Chairman in respect of his executive office (cash bonus plus bonus shares), the amount of which is contingent upon the Group's achievement of certain performance conditions. The Chairman is also entitled to a departure package equal to thirty months of his emoluments as executive officer.

At 31 December 2008, there were no other commitments to current or former Directors of Ipsen.

28.2 Transactions with related parties

28.2.1 Income statement items at 31 December 2008

(in thousand euros)	Revenue	Operating expenses	Charge to provisions and losses on irrecoverable receivables
Parent company	–	–	–
Non-consolidated subsidiaries	202	(1,818)	–
Joint ventures [1]	5,579	(19,950)	–
Companies over which the Group's executive officers exercise significant influence [2]	–	(183)	–
Total	**5,781**	**(21,951)**	**–**

(1) The Group's relationship with Schwabe was summarised in the cooperation agreement signed on 27 July 2005 concerning:
- the procurement and supply of *Ginkgo Biloba* leaves
- the manufacture of *Ginkgo Biloba* extracts
- patents, expertise and EGb 761® brandname
- research and development activities concerning the EGb 761® extract and drugs containing the EGb 761® extract.

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 for other plant extracts:
- 50% of the share capital of Saint Jean d'Illac, Garnay Inc. and Linnea
- 50% of the partnership shares in Wallingstown Company Ltd
- 50% 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 due by a number of the Group's companies to property companies owned by certain of the Group's Directors.

28.2.2 Income statement items at 31 December 2007

(in thousand euros)	Revenue	Operating expenses	Charge to provisions and losses on irrecoverable receivables
Parent company	–	–	–
Non-consolidated subsidiaries	247	(3,472)	496
Joint ventures	5,799	(20,893)	–
Companies over which the Group's executive officers exercise significant influence [1]	–	(2,006)	–
Total	**6,046**	**(26,371)**	**496**

(1) See note 28.2.1.

28.2.3 Income statement items at 31 December 2006

(in thousand euros)	Revenue	Operating expenses	Charge to provisions and losses on irrecoverable receivables
Parent company	–	–	–
Non-consolidated subsidiaries	201	(2,987)	847
Joint ventures	7,363	(21,448)	–
Companies over which the Group's executive officers exercise significant influence [1]	–	(1,726)	–
Total	**7,564**	**(26,161)**	**847**

(1) See note 28.2.1.

28.2.4 Balance sheet items at 31 December 2008

(in thousand euros)	Loans / receivables	Trade receivables	Bank loans / payables	Trade payables
Parent company	–	–	–	–
Non-consolidated subsidiaries	–	20	–	25
Joint ventures	1,362	1,368	2,115	2,637
Companies over which the Group's executive officers exercise significant influence (1)	–	–	–	74
Total, gross	**1,362**	**1,388**	**2,115**	**2,736**
Less provisions for doubtful debts	–	–	–	–
Total, net	**1,362**	**1,388**	**2,115**	**2,736**

(1) See note 28.2.1.

28.2.5 Balance sheet items at 31 December 2007

(in thousand euros)	Loans / receivables	Trade receivables	Bank loans / payables	Trade payables
Parent company	–	–	–	–
Non-consolidated subsidiaries	–	46	291	44
Joint ventures	1,215,	822,	1,534,	4,503,
Companies over which the Group's executive officers exercise significant influence (1)	–	–	–	596,
Total, gross	**1,215**	**868**	**1,825**	**5,143**
Less provisions for doubtful debts	–	–	–	–
Total, net	**1,215**	**868**	**1,825**	**5,143**

(1) See note 28.2.1.

28.2.6 Balance sheet items at 31 December 2006

(in thousand euros)	Loans / receivables	Trade receivables	Bank loans / payables	Trade payables
Parent company	–	–	–	–
Non-consolidated subsidiaries	–	24	88	74
Joint ventures	1,050	904	1,930	3,292
Companies over which the Group's executive officers exercise significant influence (1)	–	–	–	517
Total, gross	**1,050**	**928**	**2,018**	**3,883**
Less provisions for doubtful debts	–	–	–	–
Total, net	**1,050**	**928**	**2,018**	**3,883**

(1) See note 28.2.1.

28.2.7 Off-balance sheet commitments

These include rent commitments to companies over which executive officers of the Group exercise significant influence. The total amount of future rent payments due in respect of these rented premises amounts to €0.5 million at 31 December 2008.

Note 29 Commitments and contingent liabilities

29.1 Operating commitments

As part of its business, and particularly its strategic development activities which involve seeking new partnerships, the Group regularly enters into agreements that can lead to future financial commitments contingent upon the occurrence of certain events.

The main agreements in existence at 31 December 2008 were:

- As part of a development programme for recombinant proteins used in haematology, the Group has undertaken to make fixed payments over a period of several years contingent upon the achievement of various development milestones. If the development programme is completed, milestone payments will total $26.5 million. Royalties, with minimum levels, will also be payable once the products are put on the market.
- Following the acquisition of an anticancer agent, the Group undertook to make payments contingent upon the achievement of clinical development and regulatory approval milestones, which could total up to €38 million. The Group will also pay royalties on future sales.
- Under an agreement terminating the joint development of two anticancer agents, the Group has undertaken to pay its partner a fixed sum of €5 million, which decreases over time, should it subsequently grant rights over the two products to another party.
- Under a research agreement for the development of anticancer agents, the Group undertook to pay its partner £1.2 million contingent upon certain conditions.
- Under a distribution agreement in endocrinology, the Group has undertaken to make additional milestone payments of up to $15 million based on sales.
- Following the acquisition of an agent in neurology, the Group undertook to make additional milestone payments of up to $3 million based on sales.

29.2 Financial commitments

The Group has taken out worldwide third-party insurance against the risks to which it is exposed since 2006. The insurance company is reinsured up to the first €10 million for any claim made to the captive reinsurance company Ipsen Ré, a wholly-owned subsidiary of the Ipsen Group. To cover this financial commitment, the Group issued to the insurer a €10 million bank guarantee from 1 March 2006 to 31 December 2006, renewable on tacit understanding for one-year periods. This bank guarantee was renewed up to 31 December 2008 for €5 million. In addition to this commitment, Ipsen issued a letter of guarantee payable upon first demand in favour of Ipsen Ré in May 2007 for a maximum of €10 million which was reduced to €7.5 million during 2008. In addition to this commitment, Ipsen issued a letter of guarantee payable upon first demand in favour.

29.3 General risks

- All of the Group's French companies that meet the legal requirements have elected to receive group tax relief. This system provides for various penalty provisions when entities leave the tax group, mentioned here for information purposes.
- Foreign currency cash flow hedges were not material at the year end.
- Unmatured discounted bills were not material at the year end.
- Counterparty risk: the Group has a policy of diversifying its counterparties to avoid the risk of over-concentration. It controls the credit risk arising from financial instruments by dealing only with first-class counterparties.
- Country risk: the Group's exposure to country risk is limited by the geographical breakdown of its sales and by its commercial policy.

29.4 Other commitments

29.4.1 Capital expenditure

The Group's capital expenditure commitments at 31 December 2008 amounted to €6.1 million, broken down as follows:

Type of assets	Maturity			Total
(in million euros)	2009	2010	Beyond	
Industrial assets	5.1	–	–	**5.1**
Research and development assets	0.3	–	–	**0.3**
Other assets	0.5	0.2	–	**0.7**
Total	**5.9**	**0.2**	**–**	**6.1**

29.4.2 Rental agreements

Total future rent payments under existing property leases amounted to €127.2 million at 31 December 2008 (€115.9 at 31 December 2007 and €30.1 million at 31 December 2006).

Payable as follows:

(in million euros)	31 December 2008	31 December 2007	31 December 2006
Under one year	18.0	12.9	8.8
One to five years	69.6	56.9	14.7
Over five years	39.6	46.1	6.6
Total	**127.2**	**115.9**	**30.1**

Commitments under rental agreements mainly include the head offices in Boulogne where the Paris sites were grouped together in 2008 (€92.2 million) and the research and development centre in Spain (€11.6 million).

29.4.3 Risk of acceleration of borrowings

The Group's exposure to this risk is described in note 24.1.

At 31 December 2008, there were no other commitments or contingent liabilities likely to have a material impact on the consolidated financial statements.

Note 30 Subsequent events

There were no events which occurred between the closing date and the date on which the Board of Directors approved the financial statements, which would have altered the financial statements themselves, or required comments in the notes to the consolidated financial statements of Ipsen S.A.

On 7 January 2009 – Ipsen announced that the U.S. Food and Drug Administration (FDA) provided notification that the Prescription Drug User Fee Act (PDUFA) action date for Reloxin® (botulinum toxin of type A) Biologics License Application (BLA) in aesthetic indications (glabellar lines) has been extended to 13 April 2009. The FDA did not issue any specific request on the occasion of this extension. Furthermore, the FDA confirmed in its Establishment Inspection Report that the manufacturing process for Ipsen's botulinum toxin type A in its Wrexham (Wales) facility is in compliance with current Good Manufacturing Practices (CGMPs).

On 28 January 2009 – Ipsen announced that it had signed an agreement with Novartis for the co-promotion in France of the antihypertensive drug Exforge®. Already in partnership with Novartis since 2003 in the area of hypertension, with the co-marketing in France of Nisis® & Nisisco®, Ipsen's new agreement strengthens the commitment of its French teams to the management of cardiovascular risk factors.

Hypertension is currently the leading cause of death worldwide. Despite simple screening and the existence of effective therapies, this disease remains under-diagnosed and insufficiently treated. Available since August 2007, Exforge® combines in a single tablet the power of two of the most widely-prescribed and widely studied antihypertensive drugs: valsartan, a sartan issued from Novartis research, and amlodipine. In addition, Exforge® meets the need for increased efficacy to allow for better control of the condition in a higher number of patients, in accordance with the guidelines issued by the French National Health Authority (HAS).

On 2 February 2009 – Ipsen and Galderma announced that Azzalure®, a muscle relaxant specifically developed for aesthetic use, had received the collective green light from 15 European countries' Health Authorities for the granting of national marketing authorizations. The assessment was based on clinical trials involving more than 2,600 patients, which confirmed the safety and efficacy of Azzalure®.

Note 31 Scope of consolidation

The table below shows the following information for all companies included in the scope of consolidation:

- Country of incorporation;
- Place of registered office (State of incorporation for US companies);
- At each year end, the percentage of voting rights and share capital held (these 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 scope of consolidation at 31 December 2008, 31 December 2007 and 31 December 2006.

31.1 Fully consolidated companies

Name and legal form	Country	Registered office	31 December 2008		31 December 2007		31 December 2006	
			% voting rights	% interest	% voting rights	% interest	% voting rights	% interest
Ipsen S.A. (Consolidating company)	France	Boulogne	100.0	100.0	100.0	100.0	100.0	100.0
Beaufour Srl	Italy	Milan	100.0	100.0	100.0	100.0	100.0	100.0
BB et Cie S.A.S.	France	Boulogne	100.0	100.0	100.0	100.0	100.0	100.0
Beaufour-Ipsen Industrie S.A.S.	France	Dreux	100.0	100.0	100.0	100.0	100.0	100.0
Beaufour Ipsen Farmaceutica LTDA	Brazil	Sao Paulo	100.0	100.0	100.0	100.0	–	–
Beaufour Ipsen Korea Ltd	Korea	Seoul	100.0	100.0	100.0	100.0	100.0	100.0
Beaufour Ipsen Mexico S. DE R.L. de C.V.	Mexico	Mexico City	100.0	100.0	100.0	100.0	100.0	100.0
Beaufour Ipsen Pharma S.A.S.(2)	France	Boulogne	–	–	100.0	100.0	100.0	100.0
Beaufour-Ipsen (Tianjin) Pharmaceutical Co. Ltd	China	Tianjin	96.0	96.0	96.0	96.0	96.0	96.0
Biomeasure Inc.	USA.	Massachusetts	100.0	100.0	100.0	100.0	100.0	100.0
Elsegundo Ltd	Ireland	Cork	100.0	100.0	100.0	100.0	100.0	100.0
Institut de produits de synthèse et d'extraction naturelle (Ipsen) AB	Sweden	Kista	100.0	100.0	100.0	100.0	100.0	100.0
Institut für Pharmazeutische und Klinische Forshung GmbH (Intersan)	Germany	Ettlingen	100.0	100.0	100.0	100.0	100.0	100.0
Ipsen E.P.E.	Greece	Athens	80.0	80.0	80.0	80.0	80.0	80.0
Ipsen Ltd	UK	London	100.0	100.0	100.0	100.0	100.0	100.0
Ipsen N.V.	Belgium	Ghent	100.0	100.0	100.0	100.0	100.0	100.0
Ipsen S.p.A.	Italy	Milan	100.0	100.0	100.0	100.0	100.0	100.0
Ipsen OOO	Russia	Moscow	100.0	100.0	100.0	100.0	-	-
Ipsen Pty	Australia	Glen Waverley	100.0	100.0	100.0	100.0	100.0	100.0
Ipsen Biopharm Ltd	UK	Wrexham	100.0	100.0	100.0	100.0	100.0	100.0
Ipsen developments Ltd	UK	London	100.0	100.0	100.0	100.0	100.0	100.0
Ipsen Farmaceutica B.V.	Netherlands	Hoofddorp	100.0	100.0	100.0	100.0	100.0	100.0
Ipsen Innovation (1)	France	Les Ulis	100.0	100.0	–	–	–	–
Ipsen Pharma S.A.S.(2)	France	Boulogne	100.0	100.0	–	–	–	–
Ipsen Pharma Biotech S.A.S.	France	Signes	100.0	100.0	100.0	100.0	100.0	100.0
Ipsen Pharma GmbH	Germany	Ettlingen	100.0	100.0	100.0	100.0	100.0	100.0
Ipsen Pharma S.A.	Spain	Barcelona	100.0	100.0	100.0	100.0	100.0	100.0
Ipsen Pharmaceuticals Ltd	Ireland	Dublin	100.0	100.0	100.0	100.0	100.0	100.0
Ipsen Pharmaceuticals Inc. (Ex. Vernalis Inc.)	USA	New Jersey	100.0	100.0	–	–	–	–
Ipsen Poland LLC	Poland	Warsaw	100.0	100.0	100.0	100.0	100.0	100.0
Ipsen Produtos Farmaceuticos S.A.	Portugal	Lisbon	100.0	100.0	100.0	100.0	100.0	100.0
Ipsen Ré S.A.	Luxembourg	Luxembourg	100.0	100.0	100.0	100.0	100.0	100.0
Ipsen Scandinavia A/S	Denmark	Copenhagen	100.0	100.0	100.0	100.0	100.0	100.0
Ipsen Manufacturing Ireland Ltd	Ireland	Dublin	100.0	100.0	100.0	100.0	100.0	100.0
Porton International Inc.	USA	Delaware	100.0	100.0	100.0	100.0	100.0	100.0
Société de Conseils, de Recherche et d'Applications Scientifiques S.A.S. (SCRAS)	France	Boulogne	–	–	100.0	100.0	100.0	100.0
Suraypharm SARL	France	Boulogne	100.0	100.0	100.0	100.0	100.0	100.0
Sterix Ltd	UK	London	100.0	100.0	100.0	100.0	100.0	100.0
Sutrepa SARL	France	Boulogne	100.0	100.0	100.0	100.0	–	–
Tercica Inc.	USA	Brisbane	100.0	100.0	25.4	25.4	25.0	25.0

(1) Ipsen Innovation is consolidated as from 1 January 2008 (see note 2.1).
(2) Merger of Beaufour Ipsen Pharma S.A.S. and SCRAS: New name of the merged company Ipsen Pharma S.A.S. (see note 2.1).

31.2 Proportionately consolidated companies

Name and legal form	Country	Registered office	31 December 2008		31 December 2007		31 December 2006	
			% voting rights	% interest	% voting rights	% interest	% voting rights	% interest
Cara Partners	Ireland	Cork	50.0	50.0	50.0	50.0	50.0	50.0
Garnay Inc.	USA	South Carolina	50.0	50.0	50.0	50.0	50.0	50.0
Linnea S.A.	Switzerland	Riazzino	50.0	50.0	50.0	50.0	50.0	50.0
Perechin Unlimited Company	Ireland	Cork	50.0	50.0	50.0	50.0	50.0	50.0
Portpirie Unlimited Company	Ireland	Cork	50.0	50.0	50.0	50.0	50.0	50.0
Saint-Jean-d'Illac S.C.A.	France	Boulogne	50.0	50.0	50.0	50.0	50.0	50.0
Wallingstown Company	Ireland	Cork	50.0	50.0	50.0	50.0	50.0	50.0
Wallingstown Company Ltd	Ireland	Cork	50.0	50.0	50.0	50.0	50.0	50.0

20.1.6 Statutory Auditors' Report

This is a free translation into English of the statutory auditors' report issued in French and 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 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 captions or on information taken outside of the consolidated financial statements.

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

Share capital: €84 059 683

Statutory Auditors' Report on the Consolidated Financial Statements

Year ended December 31, 2008

To the Shareholders,

Following our appointment as Statutory Auditors by your Annual General Meeting, we hereby report to you on:
- the audit of the accompanying consolidated financial statements for the year ended December 31, 2008 of Ipsen S.A.;
- the justification of our assessments;
- the specific verification required by law.

The 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 includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities, of the financial position of the Group as of December 31, 2008 and the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

2 Justification of 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 an indefinite useful life are tested for impairment on each reporting date and all non-current assets are examined for evidence of impairment using the methods described in note 3.14 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 note 12.2 to the consolidated financial statements is appropriate.

- **Retirement benefit obligation**

Note 3.22 to the consolidated financial statements describes the method of measuring post-employment and other long term benefits. These liabilities have been measured by independent actuaries. We reviewed the data used, assessed the assumptions made and verified that the information disclosed in note 5.3 to the consolidated financial statements is appropriate.

- **Derivative financial liabilities**

Note 3.25 to the consolidated financial statements describes the method of measuring derivative financial liabilities. We reviewed the data used, assessed the assumptions made and verified that the information disclosed in note 25 to the consolidated financial statements is appropriate.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and contributed to the formation of our opinion expressed in the first part of this report.

3 Specific verification

As required by law, we have also verified the information relating to the Group, given in the 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, March 4, 2009

The Statutory Auditors

KPMG Audit	Deloitte & Associés
Department of KPMG S.A.	
Catherine Porta	Christophe Perrau
Partner	*Partner*

21 ADDITIONAL INFORMATION

21.1 SHARE CAPITAL

21.1.1 Amount of share capital

At 31 December 2008, the Company's share capital amounted to €84,059,683, divided into 84,059,683 fully subscribed and paid-up ordinary shares of the same class, each with a par value of €1.

21.1.2 Shares not representing capital

At the date of this registration document, the Company had not issued any shares not representing capital.

21.1.3 Control, holding and purchase by the Company of its own shares

The General Meeting of shareholders on 4 June 2008 conferred to the Board of Directors a new authorization to buy back the Company's share of and cancelled the prior authorization granted on 6 June 2007. Pursuant to this decision, the Board of Directors decided on 4 June 2008 to set up the new share buyback program not exceeding 10% of the share capital, with a maximum outlay by the Company of €630,323,872.50 and a maximum price per share of €75.

On 23 February 2007 the Group announced its decision to terminate the agreement concluded with Exane BNP Paribas on 16 January 2006 and that it had mandated Natexis Bleichroder, a subsidiary of Natixis, to implement a liquidity contract for a period of one year with tacit renewal. This contract is compliant with the Business Ethics Charter of the AMAFI (French Association of Investment Firms) which was approved on March 22, 2005 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.

Since the beginning of the programme on 16 January 2006, the Company has acquired 2,994,129 shares with a total gross value of €78,697,041.49 and sold 1,981,209 shares with a total gross value of €75,445,830.18.

The management fee for the liquidity agreement stands at €30,772.60 for 2008.

Furthermore, following the decision made by Ipsen's Board of Directors on 12 December, 2006 to put in place a stock options programme totalling 899,500 stock subscription and purchase options, the Board of Directors decided on 25 January, 2007, in order to cover these stock options, to allocate an amount of €21 million to Ipsen' share buyback programme. In the framework of this program, the Company entered into an agreement with BNP Paribas on 19 February 2007, governing the partial management of the share buyback program.

According to the terms of this agreement, the Company on 4 September 2007 acquired 535,000 shares with a total gross value of €19,863,779.26.

Following the decision made by Ipsen's Board of Directors on December 12, 2007 to allot 160,000 stock subscription and purchase options shares and 27,000 Bonus shares, the Board of Directors decided at the same date in order to cover these stock options and bonus shares, to allocate an amount of €5,250,000 to Ipsen's share buyback program. In the framework of this program, the Company entered into a liquidity contract with Natixis Securities on 17 December 2007.

According to the terms of this agreement, the Company on 31 December 2007 acquired 125,000 shares with a total gross value of €5,063,712.53.

Following to the project of allotment of stock purchase options and bonus shares, the Company on 26 June 2008 entered into a liquidity contract with Natixis to cover the stock options and bonus shares with a maximum price of €42 per share. According to the terms of this agreement, the Company on 4 July 2008 acquired 246,667 shares with a total gross value of €8,300,819.

21.1.4 Potential share capital

21.1.4.1 Stock options

At the Extraordinary General Meeting of the Company's shareholders on 19 September 2005, the shareholders authorised the Board of Directors to grant stock options to employees and executive officers subject to the Company's shares being listed on a regulated market. The total nominal amount of capital increases that may be made pursuant to this authority may not exceed €1,200,000. The number of shares that may potentially be allotted upon exercise of the options granted may not exceed 1% of the Company's share

capital on the date of the Board of Directors' decision to grant the stock options. This authority is valid for a period of thirty-eight months expiring on 18 November 2008.

Pursuant to the authority, the Company's Board of Directors decided on 14 November 2005 to grant 329,000 stock options (hereinafter "the Ipsen Options") to the members of the Executive Committee (except for Jean-Luc Bélingard) and certain company managers. Each Ipsen Option entitles the holder to subscribe for one new share in the company at a price of €22.20.

At the combined General Meeting of the Company's shareholders on 2 June 2006, the shareholders cancelled the previous authorization and granted the Board of Directors a new authorization to grant stock options to employees and Executive Officers. The total nominal amount of capital increases that may be made pursuant to this authority may not exceed €1,871,000. This authority is valid for a period of thirty-eight months expiring on 2 August 2009.

Pursuant to the authority, the Company's Board of Directors decided to grant :

- 899,500 stock options including 533,334 stock purchase options to certain members of the Executive Committee (including Jean-Luc Bélingard) and certain Company managers on 12 December 2006. Each Ipsen Option entitles the holder to obtain one share in the Company. The price of the stock options varies;
- 55,000 stock options to certain members of the Executive Committee (except Jean-Luc Bélingard) and certain company managers on 30 May 2007. Each option entitles the holder to subscribe one new share in the Company at a price of €39.06 per share;
- 160,000 stock options including 106,668 stock purchase options to certain members of the Executive Committee (except Jean-Luc Bélingard) on 12 December 2007. Each Ipsen Option entitles the holder to obtain one share in the Company. The price of the stock options varies;
- 226,200 stock options including 216,200 stock purchase options to certain certain members of the Executive Committee (except Jean-Luc Bélingard) and certain Company managers on 29 September 2008. Each option entitles the holder to obtain one share in the Company at a price of €34.68 per share.

The table below shows the terms and conditions of the Ipsen Options duly granted:

Date of the shareholders' meeting	19 September 2005	2 June 2006	2 June 2006	2 June 2006	2 June 2006
Date of the Board of Directors' meeting	14 November 2005	12 December 2006	30 May 2007	12 December 2007	29 September 2008
Date stock options were granted	6 December 2005	12 December 2006	30 May 2007	12 December 2007	29 September 2008
Number of authorised stock options	1,200,000	1,871,000	1,871,000	1,871,000	1,871,000
Number of stock options granted	329,000	899,500	55,000	160,000	226,200
Number of beneficiaries of the options granted	92	78	3	2	202
of which members of the Board of Directors	*0*	*1*	*0*	*0*	*0*
Number of stock options cancelled	33,800	71,500	0	0	2,500
Exercise price of the options granted	€22.20	From €29.88 to €38.73 (1)	€39.06	From €38.27 to €41.33	€34.68
Earliest exercise date of the options granted	6 December 2009	From 12 December 2010 to 12 December 2012 (2)	30 May 2011	From 12 December 2011 to 12 December 2012 (2)	29 September 2012
Date of expiry of the options granted	6 December 2015	From 12 December 2013 to 12 December 201 (2)	30 May 2017	12 December 2017	29 September 2018
Number of new shares that may be issued upon exercise of the options granted	295,200	334,666	55,000	53,332	10,000
Maximum dilution resulting from the options granted			0.89% (3)		

(1) 53 beneficiaries hold options at an exercise price of €29.88; 20 beneficiaries hold options at an exercise price of €33.21; 5 beneficiaries hold options at an exercise price of €33.21, €35.86 and €38.73.
(2) Different dates depending on the various options tranches.
(3) On the basis of the share capital of the Company at 31 December 2008.

21.1.4.2 Bonus share issues

At the Extraordinary General Meeting of shareholders on 19 September 2005, the shareholders authorised the Board of Directors to make bonus issues of existing or new shares to employees and Executive Officers, subject to the company's shares being listed on a regulated market. The total nominal amount of capital increases that may be made pursuant to this authority may not exceed €1,200,000. The total number of bonus shares allotted may not exceed 1% of the Company's share capital on the date of the Board of Directors' decision to allot the bonus shares. This authority is valid for a period of thirty-eight months expiring on 18 November 2008.

Pursuant to this authority, the Company's Board of Directors decided to allot:

- 23,000 shares to the Chairman and Chief Executive Officer and to certain members of the Executive Committee on 14 November 2005;
- 18,000 shares to the Chairman and Chief Executive Officer and to certain members of the Executive Committee on 12 December 2006;
- 8,000 shares to certain members of the Executive Committee on 30 May 2007;

At the Combined General Meeting of the shareholders on 6 June 2007, the shareholders conferred to the Board of Directors a new authorization to allot Bonus shares to employees and Executive officers. The total nominal amount of capital increases that may be made pursuant to this authority may not exceed €1,200,000 including the capital increases corresponding to the previous allotment of bonus shares. This authority is valid for a period of thirty-eight months expiring on 6 August 2010.

This authorization provides that the final allotment of Ipsen Bonus shares will be realized at the end of:

- a period of at least two years with effect from the date of allotment for French tax residents;
- a period of at least four years with effect from the date of allotment for foreign residents at the date of allotment and nominated by the Board of Directors.

Pursuant to this authority, the Company's Board of Directors decided to allot:

- 27,000 shares including 18,000 treasury shares to the Chairman and Chief Executive Officer and to certain members of the Executive Committee on 12 December 2007;
- 33,100 shares including 9,200 treasury shares to certain Company managers on 29 September 2008;
- 99,540 shares including 74,640 treasury shares to all employees of the Ipsen Group on 22 January 2009;
- 29,000 shares including 21,750 treasury shares to the Chairman and Chief Executive Officer and members of the Executive Committee on 27 February 2009.

The following table shows the terms of the Ipsen Bonus shares allotted, subject to the fulfilment, at such date, of the presence and performance conditions set by the Company's Board of Directors:

Date of shareholders' meeting	19 September 2005	19 September 2005	19 September 2005	6 June 2007	6 June 2007	6 June 2007	6 June 2007
Date of the Board of Directors' meeting	14 November 2005	12 December 2006	30 May 2007	12 December 2007	29 September 2008	22 January 2009	27 February 2009
Date shares were granted	6 December 2005	12 December 2006	30 May 2007	12 December 2007	29 September 2008	22 January 2009	27 February 2009
Number of authorised shares	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Number of shares allotted	23,000	18,000	8,000	27,000	33,100	99,540	29,000
Number of beneficiaries of rights to shares	7	4	2	6	202	3,318	7
of which members of the Board of Directors	*1*	*1*	*0*	*1*	*0*	*1*	*1*
Number of shares cancelled	0	0	0	0	350	0	0
Date of final allotment of shares [1]	From 6 December 2007 to 6 December 2009	From 12 December 2008 to 12 December 2010	30 May 2009	From 12 December 2009 to 12 December 2011	From 29 September 2010 to 29 September 2012	From 22 January 2011 to 22 January 2013	From 27 February 2011 to 27 February 2013
Number of new shares that may be issued [2]	4,500	1,500	8,000	9,000	23,550	24,900	7,250
Maximum dilution resulting from the bonus shares allotted				0.09% [3]			

(1) Different dates depending on the tax residence of the beneficiaries on the allotment date.
(2) Except for those shares with a final allotment.
(3) On the basis of the share capital of the Company at 31 December 2008 and except for those shares with a final allotment occuring on 6 December 2007 and 12 December 2008.

21.1.5 Information about the terms of any acquisition rights or any obligations over authorised but unissued capital or an undertaking to increase the share capital

None.

21.1.6 Information about the share capital of any member of the Group which is under an option or agreed conditionally or unconditionally to be put under an option and details of such options (including the identity of the persons to whom such options relate)

As far as the Company is aware, there are no options or conditional or unconditional agreements for the share capital of any member of the Group to be put under an option.

21.1.7 Changes to share capital

Date of decisions	Transaction	Number of shares issued	Nominal amount of shares issued (in euros)	Share premium or contribution premium (in euros)	Cumulative share premiums (in euros)	Cumulative share capital (in euros)	Total number of outstanding shares	Par value per share (in euros)
24/04/2001	Capitalisation of reserves	0	149,392.24	0.00	0.00	446,863,125.00	29,302,500	15.25
30/06/2005	New share issue in exchange for contribution in kind	4,688,400	71,498,100.00	17,500,825.14	17,500,825.14	518,361,225.00	33,990,900	15.25
30/06/2005	New share issue for cash	3,477,345	53,029,511.25	12,970,496.85	30,471,321.99	571,390,736.25	37,468,245	15.25
18/07/2005	Reduction in the par value of shares	37,468,245	0.00	0.00	30,471,321.99	571,390,736.25	74,936,490	7.625
18/07/2005	Capital reduction by way of decrease of the par value of the shares and transfer to share premium account	0	496,454,245.25	496,454,245.25	526,925,568.24	74,936,490	74,936,490	1.00
07/12/2005	New share issue for cash	7,699,507	7,699,507	163,229,548.40	690,155,116.64	82,635,997	82,635,997	1.00
14/12/2005	Additional share issue for cash	1,139,008	1,139,008	24,146,969.60	714,302,086.24	83,775,005	83,775,005	1.00
28/12/2005	New share issue for cash reserved for Group employees	249,678	249,678	4,184,603.28	718,486,689.52	84,024,683	84,024,683	1.00
12/12/2007	New share issue for capitalisation of reserves	18,500	18,500	–	718,486,689.52	84,043,183	84,043,183	1.00
12/12/2008	New share issue for capitalisation of reserves	16,500	16,500	–	718,486,689.52	84,059,683	84,059,683	1.00

21.1.8 Authorised unissued share capital

At the General Meetings of the Company's shareholders on 2 June 2006 and 6 June 2007 the shareholders authorised the Board of Directors to increase the Company's share capital as follows:

Authority conferred on the Board of Directors by resolution of the Extraordinary General Meeting of shareholders	Date of General Meeting	Term	Nominal value (1)			
			Maximun authorised	Used in previous years	Used over the year	Residual amount at 31 December 2007
1 – Issuance of securities conferring rights in the share capital with pre-emptive rights in favour of existing shareholders and/or capitalisation of reserves, premium and profit.	06/06/2007	26 months	15,000,000 (2)	0	0	15,000,000
2 – Issuance of shares and/or negiotiable securities conferring rights in the share capital with no pre-emptive rights in favour of existing shareholders, by means of public offering.	06/06/2007	26 months	15,000,000 (2)	0	0	15,000,000
3 – Issuance of shares and/or negiotiable securities conferring rights in the share capital, with no pre-emptive rights in favour of existing shareholders, to pay for contributions in kind received by the Company.	06/06/2007	26 months	8,402,468.3 (3)	0	0	8,402,468.3
4 – Capital increase via the inssuance of the shares or bonus shares or other securities giving access to the capital reserved for the members of a Company savings plan.	06/06/2007	26 months	15,000,000	0	0	15,000,000
5 – Issuance of shares after final allotment of bonus shares to employees and executive officers.	06/06/2007	38 months	1,200,000 (4)	18,500	16,500	1,165,000 (5)
6 – Capital increase via allotment of stock options to employees and executive officers.	02/06/2006	38 months	1,871,000 (6)	442,998 (6)	10,000 (6)	1,418,002

(1) In euros.
(2) Maximum applicable to delegations 1 and 2.
(3) The total nominal value of shares issued made pursuant to authority under 3 is not exceeding 10 % of the share capital, ie €8,402,468.3 with a share capital of €84,024,683.
(4) The following is deducted from this cap: the capital increase corresponding to the shares already allotted free of charge.
(5) The following bonus shaves have been allotted:
– 23,000 bonus shares in 2005 including 18,500 definitively acquired on 6 December 2007;
– 18,000 bonus shares in 2006 including 16,500 definitively acquired on 12 December 2008;
– 35,000 in 2007 including 18,000 shares from buyback;
– 33,100 in 2008 including 9,200 shares from buyback;
– 128,540 in 2009 including 96,390 shares from buyback.
These bonus shares are likely to be acquired at the end of a two or four-year resting period subject to the fulfilment of performance conditions for certain members and will result in a capital increase of a nominal value of €78,700.
(6) In 2006 899,500 options have been allotted including 533,334 stock purchase options and 366,166 stock options. In 2007, 215,000 options including 108,332 stock options and 106,668 stock purchase options. In 2008, 226,200 options including 10,000 stock options and 216,200 stock purchase options.
The capital increase corresponding to the exercise of the stock options, except options cancelled, will amount to €452,998.

21.2 ARTICLES OF INCORPORATION

21.2.1 Corporate objects (article 2 of the Articles of Incorporation)

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, licences, 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.

21.2.2 Management of the Company

21.2.2.1 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 those powers expressly reserved for the general shareholders' meeting and within the limits of the company's corporate purpose, the Board of Directors is competent to consider and settle all issues involving the proper functioning of the company through the passing of its resolutions.

21.2.2.2 Executive management

As required by law, executive management of the company is the responsibility either of the Chairman of the Board of Directors, who then has the title of Chairman and Chief Executive Officer, or of another person appointed by the Board of Directors with the title of 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.

21.2.3 Rights and obligations attached to shares

21.2.3.1 Distribution of profits (article 29 of the Articles of Incorporation)

After approval of the financial statements and recognition of a distributable profit within the meaning of the law, the general shareholders' meeting may resolve to transfer the distributable profit to one or more discretionary reserve accounts (for which they will fix the allocation or use) or retained earnings or to distribute it as a dividend. After deduction of any prior year losses, at least five percent of each year's net profit is transferred to the statutory reserve as required by law. This provision ceases to apply once the statutory reserve has reached one tenth of the company's share capital.

The general shareholders' meeting may decide to distribute amounts from reserves to which the shareholders are entitled. In this case, their 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 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.

21.2.3.2 Legal form of shares (article 9 of the Articles of Incorporation)

The shares issued by the Company may be registered or bearer shares at the holder's choice. Existence of the shares is evidenced by their registration on securities accounts held in the name of the holder for that purpose 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 intermediary authorised for that purpose in the case of bearer shares.

21.2.3.3 Voting rights of the shareholders (article 26 of the Articles of Incorporation)

At the ordinary and extraordinary general meetings, each shareholder has a voting right equal to the number of shares he holds or represents without limit.

Nevertheless, a double voting right is attached to any ordinary fully paid-up share which is owned by the same shareholder and recorded in the registry of members for at least two years. The double voting rights shall automatically end with its conversion to a bearer share, as well as its transfer (unless the share is converted from registered to registered following or intestate succession or a testate succussion, sharing of community property between spouses or inter vivos donation between spouses or to relatives entitled to inherit.

21.2.3.4 Actions nécessaires pour modifier les droits des actionnaires

Il n'existe pas de règles particulières concernant les modalités de modifications des droits des actionnaires qui se font conformément à la loi.

21.2.4 General shareholders' meetings (articles 21 to 26 of the Articles of Incorporation)

21.2.4.1 Ordinary General Meetings of the shareholders

At the Ordinary General Meeting, the Board of Directors' report and the statutory auditors' reports are read and the shareholders approve the annual financial statements and vote on the appropriation of profits. The shareholders appoint and dismiss the Directors set their remuneration as provided for in law and the Articles of Incorporation and, appoint the statutory auditors.

The shareholders may delegate authority to the Board of Directors at the Board's request to deal with all matters not specifically reserved for an Extraordinary shareholders' Meeting.

More generally, all matters that do not entail a direct or indirect alteration to the Articles of Incorporation qualify as ordinary business.

An Ordinary General 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.

21.2.4.2 Extraordinary general meetings of the shareholders

At the Extraordinary General Meetings of the shareholders, the shareholders may amend any and all of the provisions of the Articles of Incorporation. However, the shareholders may not increase their liability or change the nationality of the Company except under the terms and conditions set out by law or international treaties.

Only an Extraordinary General Meeting is qualified to verify and approve any contributions in kind or special benefits.

21.2.4.3 Notice of shareholders' meetings

General meetings are called by the Board of Directors or failing that, by the statutory auditors or any other person duly empowered by law. They take place at the registered office or any other place indicated in the notice of the meeting.

The agenda is set by the person calling the meeting. However, one or more shareholders or the works council may table agenda items and propose resolutions under the terms and conditions set out by current laws and regulations. The shareholders may not consider items of business which are not on the agenda. However, they may in any event remove one or more Directors from office and elect replacements. The agenda may not be revised for an adjourned meeting.

All shareholders have the right to attend shareholders' meetings and take part in the vote either in person or by proxy, regardless of the number of shares they hold, simply by providing evidence of their status as shareholder.

The right to attend the shareholders' meeting is evidenced by a book entry showing the number of shares held in the name of the shareholder of record (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 will be acted by the certificate of attendance given by the custodian.

21.2.4.4 Quorum

The quorum required for a meeting to transact ordinary business is the effective presence, in person, by proxy or by postal vote, of shareholders owning at least one fifth of the shares with voting rights. No quorum is required for an adjourned meeting. The quorum is calculated on the basis of all of the shares comprising the share capital less any shares disqualified for voting purposes pursuant to the law or to the provisions of the Company's Articles of Incorporation.

The quorum required for a meeting to transact extraordinary business is the effective presence, in person, by proxy or by postal vote, of shareholders owning at least one quarter of the shares with voting rights. The quorum required for an adjourned meeting is one fifth of the shares with voting rights. If the quorum required for an adjourned meeting is not reached, the meeting may be adjourned for a second time to a date no later than two months after the first adjournment.

Shareholders attending the meeting by videoconferencing or other means of telecommunication that permit their identification and complies with the provisions of the law are counted as present for the purpose of calculating the quorum.

21.2.5 Articles of Incorporation likely to have an impact on a change of control

None.

21.2.6 Threshold (article 10.3 of the Articles of Incorporation)

In addition to the legal disclosure requirements set out in article L.233-7 of the *Code de commerce,* any person or legal entity, acting either alone or in concert with other persons or legal entities, that comes to hold by any means a number of shares representing one percent of the share capital or voting rights, or any further multiple thereof, must, no later than five 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.

Failure to comply with these requirements will result in the shares that should have been disclosed being disqualified for voting purposes at all general meetings held for a period of two years after the date on which the requisite disclosure is finally made, if requested by one or more shareholders separately or together holding at least one percent of the Company's share capital and voting rights and duly recorded in the minutes at the meeting. Disqualification is automatic in the case of failure to make the legal disclosures required under article L.233-7 of the *Code de commerce.*

21.2.7 Identification of bearer shareholders (article 10.2 of the Articles of Incorporation)

The company may at any time, in accordance with the law and regulation and at its own expense, ask its clearing organisation for information about the name or corporate name, nationality and address or as the case maybe, the registered office of holders of securities conferring the right to vote at its general meetings either immediately or in the future, as well as the number of securities held by each of them and any restrictions attached thereto.

21.2.8 Specific provisions governing changes in share capital

The share capital and the rights related to the shares can be changed in conformity with the provisions of law. The Articles of Incorporation of the Company do not provide for any specific clause in that respect.

21.2.9 Financial year (article 27 of the Articles of Incorporation)

Each financial year has a term of twelve months beginning on 1 January and ending on 31 December.

21.3 DIVIDENDS

21.3.1 Dividends paid in the past five years

In the last five financial years ended respectively 31 December 2004, 31 December 2005, 31 December 2006, 31 December 2007 and 31 December 2008, the Company paid the following dividends:

	Year ended 31 December				
	2008	2007	2006	2005	2004
Number of shares	84,043,183	84,024,683	84,024,683	29,302,500	29,302,500
Net distribution (in €, excluding tax credit) (1)	55,468.5	50,414.8	50,414.8	29,302.5	91,900
Net dividend per share (in €, excluding tax credit)	0.66	0.60	0.60	1.00	3.14

(1) Including the dividends of treasury shares.

21.3.2 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 results and financial 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 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.

21.3.3 Statute of limitations

Dividends which are not claimed within five years of their payment date shall lapse and become the property of the State.

21.4 MARKET IN IPSEN SHARE

21.4.1 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

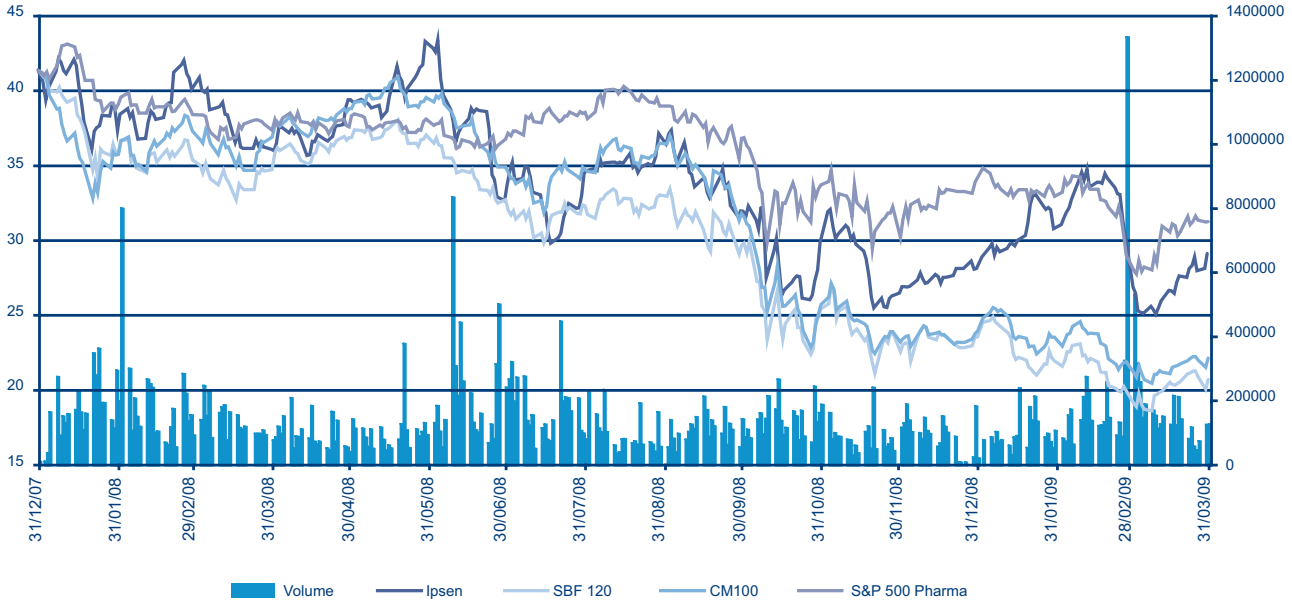
21.4.2 Share price performance on the stock exchange

Shares in Ipsen SA 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. The share price has consistently held up above the IPO price since listing.

- 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: 84,059,683.

Average share price between 1 January 2008 and 31 March 2009	€33.81
High	€43.27
Low	€24.94
% change (between the high and 1 January 2008)	6.9%
Average daily trading volume between 1 January 2008 and 31 March 2009	141,437

Comparison between Ipsen S.A's share price performance and the principal stock market indicators between 1 January 2008 and 31 March 2009 (Source: Reuters)



22 MATERIAL 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®, 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.

22.1 AGREEMENTS IN THE TARGETED THERAPEUTIC AREAS BY THE GROUP

22.1.1 Agreements in oncology

22.1.1.1 Debiopharm (Lausanne, Switzerland)

The Group has maintained an ongoing relationship with Debiopharm since 1983, when it agreed its first licensing deal with Debiopharm to manufacture and market Decapeptyl®. This licensing agreement was renewed in October 2002. It covers Debiopharm's expertise and patents relating to the active substance triptorelin and its various salts (particularly the pamoate formulation), which it sells under the Decapeptyl® registered trademark. The acetate formulations of Decapeptyl® accounted for 35.1% of Decapeptyl®'s sales in 2008 and are no longer protected by an invention patent.

The licensing agreement with Debiopharm gives the Group (i) the right to manufacture Decapeptyl® around the world (with the exception of North America and certain other countries, principally Sweden and Israel), (ii) the exclusive right to market Decapeptyl® worldwide (with the exception of North America and certain other countries, principally Sweden, Israel, Iran and Japan), and (iii) the co-exclusive right (shared with Debiopharm) to market Decapeptyl® in Iran, Japan, Central America and South America.

This licensing agreement is due to remain in place in the various countries until the following dates: (i) 31 July 2010 for each country covered by the agreement and not covered by a Debiopharm patent and for each country covered by the agreement where Debiopharm's patent protection is due to expire prior to 31 July 2010, and (ii) the expiry date of the last of the patents covered by the agreement in other countries. Under this agreement, the Group pays different levels of royalties to Debiopharm varying 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 in royalties in the event of competition from a generic product, with this reduction increasing if Decapeptyl®'s market share falls significantly below a certain threshold determined on a market-by-market basis. The agreement entered into by the Group does not provide for any minimum royalty clause. This agreement also contains a control event clause, which may be triggered if either of the parties undergoes a change in 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 in control affecting Debiopharm.

In October 2007, the Group has obtained an exclusive licence under know-how and new patent applications relating to the worldwide rights for the commercialisation of Decapeptyl®, with the exception of North Amercia and certain other countries. The Group will have thus access to new sustained-release formulations of Decapeptyl® developed by Debiopharm, among which a 6-month sustained release formulation for which a marketing authorization application was filed in September 2008 for the treatment of locally advanced or metastatic prostate cancer in Europe.

On 30 April 2008, the Group and Debiopharm have entered into a licence agreement granting to the Group the exclusive right to commercialise the product under the tradenames Salvacyl®, Salvacyl LP®, Moapar® and Salvapar® for the treatment of paraphilia (sexual perversions) in the same territories as for Decapeptyl®.

22.1.1.2 GTx, Inc. (Memphis, Tennessee, United States)

On 7 September 2006, GTx Inc. granted the Group an exclusive licence to develop and market toremifene citrate which is a drug that can modulate the activity of the estrogen receptor in an organ-selective manner (Selective Estrogen Receptor Modulator – SERM) and all other products containing toremifene for all its indications, except from breast cancer, in the European Union, Switzerland, Norway, Iceland, Liechtenstein and the Community of Independent States (CIS) (collectively defined as the "European Territory"). They have also mutually granted each other the right to first negotiation for the development, marketing, sales and distribution of all

new products containing a SERM in the field of prevention and treatment of prostate cancer and of the side effects of this treatment or any other indications decided upon by the parties.

Toremifene Citrate is intended to exploit a new strategy of estrogen receptors modulation which could translate into a tangible clinical benefit in both the chemo prevention of prostate cancer in high-risk men (HG PIN indication) and the treatment of multiple side effects from androgen deprivation therapy in advanced prostate cancer (ADT indication – anti-androgenic therapy).

In February 2008, GTx presented the results of the first phase III study evaluating the efficacy and safety of toremifene citrate 80 mg daily, on multiple effects of androgren deprivation therapy (ADT): the product meets primary and key secondary endpoints of this study. GTx has announced that the FDA (Food and Drug Administration) has accepted the filing of a marketing authorization application for toremifene citrate with a deadline for examination (PDUFA date) set on 30 October 2009.

As from execution of the agreement, the Group will pay all clinical development, regulatory and launch expenses to commercialise toremifene citrate in the European Territory for the two indications ADT and HGPIN. GTx Inc. will remain liable for all development costs outside the European Territory. However, the Group may pay a portion of GTx's toremifene citrate development costs in the United States if certain conditions are met.

Pursuant to this agreement, the Group must notify GTx Inc. it if elects to retain the right to market toremifene citrate and all other products containing toremifene in the HGPIN indication ("the Election"). If the Group exercises such an Election and depending on its date, the Group agrees to pay GTx Inc. an additional payment and a premium on its proportion of past development costs paid by GTx Inc. in the United Sates for the development of this indication. If the Group does not notify GTx Inc. of its Election in a given period, the Group will not be bound to reimburse GTx Inc. for its proportion of past development costs paid by GTx Inc. in the United Sates for the development of this indication and GTx Inc. will be able to withdraw all Ipsen's rights to market the product for this indication on the European Territory. In such a case, the Group will have to transfer all its rights in toremifene citrate for the HGPIN indication (including clinical data for this product in this indication and all related marketing applications and authorizations) to GTx Inc.

The Group has agreed to pay GTx a graduating royalty on net sales of products containing toremifene in the mid-teens which could reach the mid-twenties based on certain sales price thresholds being met and depending on the indication for which the product is sold. This payment may be reduced in the event of competition from generic products or if the Group is obliged to acquire licences of intellectual property rights owned by third parties which would be counterfeited due to the marketing oftoremifene citrate . In addition the Group may be released from its duty to market the product in a country where it would not be commercially viable to launch the product. Ipsen will procure the raw material from a third party and is responsible for manufacturing the finished product.

22.1.1.3 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) 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 holds 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. This agreement will remain in force until all the payments due to be made by the Group to Spirogen under this agreement have been made. At such time, the licences and rights granted to the Group by Spirogen will become non-exclusive, irrevocable and free of any payment obligation. Spirogen has 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.

Under the development and licensing agreements, the Group agreed to make certain milestone payments to Spirogen upon signature of the agreement and upon attainment of certain stages of development. The Group also agreed to pay certain royalties on sales of products containing BN 2629 with reductions in specific royalties for sales territories not covered by patents or those open to competition from generic drugs. Royalties are payable on sales of drugs containing BN 2629 in territories covered by a patent until the later of the following two dates: (i) the tenth anniversary of the date of the product's marketing launch, and (ii) the patent's expiry date in the relevant country. Royalties are payable on sales of drugs containing BN 2629 in territories not covered by a patent until the first of the following two dates: (i) the tenth anniversary of the date of the product's marketing launch, and (ii) the expiry date of the last of the patents protecting BN 2629 worldwide.

The agreement also provides for lower royalties should the Group be obliged to obtain a licence to use intellectual property rights and expertise from a third party to be able to continue manufacturing, using or selling BN 2629 or analogue or replacement compounds. The Group agrees to bear costs arising from the manufacture of all clinical and commercial supplies of BN 2629 and of any drug containing the compound.

The Group has the right to terminate the development and licensing agreement during the development stages provided that it observes a notice period of six months. In the event of termination, all rights and all licences granted to the Group pursuant to this agreement will be null and void and any information acquired about BN 2629 and the products containing it will be returned to Spirogen.

In May 2003, the Group acquired a shareholding in Spirogen's capital by subscribing for preference shares issued by the company. At 31 December 2008, the Group held 17.28% of Spirogen's share capital.

22.1.1.4 bioMérieux (Marcy l'Etoile, France)

In September 2007, bioMérieux and the Group have 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 commercialization.

22.1.2 Agreements in endocrinology

22.1.2.1 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.

22.1.2.2 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 20years 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 may decide either to extend the research period or to develop jointly or individually the products resulting from the research or to terminate the contract. The Group has the right to use the product of worldwide research, except in the United States, Canada, Mexico and Japan in return for the payment of royalties to Genentech. Genentech has the right to use the product in the United States, Canada, Mexico and Japan in return for the payment, subject to certain conditions, of royalties to the Group.

Increlex Agreements

Tercica has entered into a North Amercica and a Ex-North America licence agreements on 15 April 2002 and 25 July 2003. 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 and diabete (ex-North America). Genentech is granted an option right for the product in all non-orphan indications and diabete. In consideration for these rights, the Group shall pay to Genentech certain amounts dependent on sales made by the Group reaching certain levels.

IGF1-Growth Hormone Combination Product Agreement

On 6 July 2007, Tercica entered into a licence agreement with genentech for the development and commercialization of a product combining IGF-1 and growth hormone. Pursuant to this agreement and further to the acquisition of Tercica, the Group develops the product in paediatic indications (short stature children) as well as in indications for adults. Genentech has an opt-in right to participate in the development and commercialization 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.

Insmed Settlement Agreement

On 5 March 2007, Genentech, Insmed and Tercica entered into a settlement agreement ending their dispute relating to the product developed and commercialized by Insmed, Iplex® (IGF1 and BP3). Pursuant to this agreement, Insmed continue to have limited rights for the development and commercialization of Iplex® and Insmed grants to Genentech and the Group opt-in rights for the co-development of the product in authorized 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.

22.1.2.3 Auxilium (Philadelphia, United States)

In March 2004, the Group entered into a licensing agreement with Auxilium to distribute Testim® 50 mg Gel, a gel applied to the skin worldwide, except for the United States, Mexico, Canada and Japan. This product was developed by Auxilium using patents belonging to Bentley Pharmaceuticals. The Group will hold any marketing authorizations awarded. The licence also includes the right to use the Testim® brand name, which belongs to Auxilium.

On 24 November 2008, the Group and Auxilium entered into an agreement whereby the licence is terminated by the parties before its term. Marketing authorizations for Testim® will be transferred to a third party appointed by Auxilium and the Group will cease to commercialise the product as from the transfer of the last marketing authorization (or 24 November 2010). In consideration for the transfer of the marketing authorizations of Testim®, Auxilium shall pay to the Group certain lump sum amounts upon execution of the agreement and transfer of the main marketing authorizations.

22.1.2.4 Roche (Basel, Switzerland)

Pursuant to an agreement signed by the Group in October 2003 with various companies in the Roche group, on 19 July 2006 Roche exercised its option on an exclusive licence to the rights to develop and market a class of anti-diabetic GLP-1 drugs discovered by the Group's research activities and notably including the BIM 51077 compound. This GLP-1 analogue has shown its efficiency and the latest data from the phase I and II clinical trials have shown that the molecule could potentially be administered more easily than other molecules in its class, which makes it easier to observe the patients. These rights are granted worldwide with the exception of Japan where these rights are shared with Teijin the Group's Japanese partner and in France where the Group may decide to exercise its co-marketing rights.

Since the exercise of this option, Roche paid to the Group up to €71.4 million Ipsen may receive an additional total payment of up to €156.3 million, depending on the success of the clinical development, manufacturing, regulatory and commercial milestones. Moreover, the Group will receive royalties of approximately 15% on a sliding scale proportional to the product's worldwide sales. As of the date of the option's exercise, Roche becomes fully responsible for the product's development and manufacturing and will therefore hold the regulatory approvals. Roche will be wholly responsible for the next stages in the development of BIM 51077, with the exception of Japan where costs will be shared equally between Roche and Teijin.

Since 7 November 2008, Roche has the right of first refusal on the GLP-1 compounds not selected before this date.

Roche shall also pay royalties to the Group under the licence agreement calculated proportionally to sales. Roche will hold the marketing authorizations and will be responsible *vis-à-vis* the national authorities for marketing the product. Roche will also manufacture and deliver the finished products from the phase III trials onwards.

On 8 December 2008, an affiliate with the Group, Biomeasure (Milford, MA, USA) has been served a complaint in Lousiana by the University of Tulane of New Orleans (USA) and Dr David H. Coy alleging breach of contract by Biomeasure and that Dr David H. Coy is an inventor of some of the GLP-1 analogue patents that the Group licensed out to Roche. The Group is currently evaluating the matter.

22.1.2.5 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 specializing 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). 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 start of a phase III study with Somatuline® Autogel® is scheduled for the third quarter of 2009. Teijin continues phase I trials with BIM 51077 and 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.

Submissions for the registration of febuxostat are currently being made in Japan (Teijin) and in the United States (TAP). The product has been registered in Europe in May 2008 under the tradermark Adenuric®.

22.1.2.6 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 2008 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.

22.1.2.7 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 authorizations and be responsible vis-a-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.

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 licenced rights.

In September 2007, Radius announced having granted an option to Novartis for the exclusive worldwide (except Japan) licence relating to the development and commercialisation of BIM 44058 for amounts that may reach €510 millions maximum. In this case, the Group will receive up to 25% of the amounts paid to Radius. In the event Novartis would be exercising its option, Novartis will be solely responsible for the global development, manufacturing and commercialisation of this compound at its sole cost and expense.

22.1.2.8 Tercica (Brisbane, California, United States)

The Group has entered into a definitive merger agreement in June 2008 by which it has acquired the remaining approximately 44.9 million fully diluted shares of Tercica not owned by the Group for $9 per share in cash, for a total purchase price of approximately $373 million. In connection

with this agreement, the Group has also committed to exercise its warrants to purchase Tercica common stock for a total exercise price of $37 and to convert all of its outstanding convertible notes into Tercica common stock. The Group financed this transaction through a combination of existing internal financial resources.

The licensing agreements

The licensing agreements covering Somatuline® Autogel® and Increlex™ entered into in July 2006 between the Group and Tercica are maintained as intra-group agreements.

The Canadian authorities approved Somatuline® Autogel® in July 2006. In August 2007, the Food and Drug Administration (FDA) granted marketing approval for Somatuline® Autogel® under the trademark Somatuline® Depot (lanreotide) Injection 60, 90 and 120 mg in the United States for the treatment of acromegaly.

Increlex™ has granted it orphan drug exclusivity by the EMEA and in August 2007, the European Commission granted marketing authorization for Increlex® 10 mg/ml solution for injection in the European Union for the long-term treatment of growth failure in children and adolescents with severe primary insulin-like growth factor-1 deficiency.

22.1.2.9 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.

22.1.2.10 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.

22.1.3 Agreements in the field of neurology and botulinum toxin

22.1.3.1 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.

22.1.3.2 Medicis (Scottsdale, United States)

In March 2006, the Group entered into a development and distribution agreement with Aesthetica Ltd, a fully controlled subsidiary of Medicis, covering certain botulinum toxin formulations for aesthetic medicine in the United States, Canada and Japan under a brand name other than Dysport®, which may be Reloxin®. The initial expiry date of this agreement is in September 2019 which was extended until 31 December 2036. The Group sold Aesthetica the right to use the Reloxin® brand worldwide, and the Group will be licenced to use the Reloxin® brand name or any other brand name adopted outside the United States, Canada and Japan. Pursuant to a guarantee agreement signed at the same time, Medicis has undertaken to guarantee all of Aesthetica's obligations.

Under this agreement, Aesthetica finances and conducts the development programme helping to secure the registrations and approvals required to sell the products in the United States, Canada and Japan. According to the terms of this agreement,

the Group files and becomes the owner of the Biologics Licence Applications for products. However, pursuant to an amendment in November 2006, the Group has made Aesthetica responsible for filing New Drug Applications with the FDA in the United Sates and this marketing authorization will be owned by the Group once it has been approved.

Aesthetica 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 Aesthetica royalties and a delivery price equal to 30% of the net sales generated by Aesthetica.

On 12 July 2006 the Group and Medicis announced that they had stopped negotiations concerning a distribution agreement covering the Group's botulinum toxin Reloxin®, in countries other than the United States, Canada and Japan. As a result Medicis paid the Group $35 million.

Further to a non approval letter from FDA on the grounds that the application was not sufficiently complete to permit a substantive review received in February 2008, the Group a submitted a new BLA (Biologics Licence Application) for Reloxin® in the aesthetic indications in March 2008. The decision date relating to the marketing authorization for Reloxin® is fixed on 13 April 2009.

22.1.3.3 Galderma (Lausanne, Switzerland)

Under the terms of this agreement, Ipsen granted Galderma Pharma SA. a Swiss company jointly owned by Nestlé and L'Oréal, exclusive rights to develop, promote and distribute a specific formulation for the aesthetic medicine indications of its botulinum toxin type A product in the European Union, Russia (subject to an additional payment) and certain territories in Eastern Europe and Central Asia, Israel and Lebanon. In addition, the Group also granted Galderma first rights of negotiation for aesthetic medicine indications in the rest of the world, excluding the United States, Canada and Japan, as well as rights for future formulations. This agreement is due to expire in September 2019, and may be renewed by Galderma subject to certain conditions, therefore terminating in December 2036.

The product will be distributed under a brand to be determined by Galderma.

Ipsen and Galderma will 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 will own 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 authorization and product launches on certain territories. The Group will provide 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 has also granted to Galderma exclusive rights to promote and distribute Dysport® in aesthetic and dermatological indications in Brazil, Argentina and Paraguay. The commercialization of Dysport® in these countries and indications has started.

22.1.3.4 Vernalis plc (Winnersh, United Kingdom)

On 1 July 2008, the Group has finalised the acquisition of the rights under Apokyn® and the commercial operations of Vernalis Inc. in the United States of America as well as the subscription of shares in Vernalis Plc. In this context, the group has acquired the entire share capital of Vernalis Inc. for a total amount of $1.4 millions (€0.8 million) and subscribed to 35,253,134 new ordinary shares for a total price of £0.0726 per share of Vernalis Plc for a total consideration of £2.6 millions and has acquired the rights and the assets relating to the development and the commercialisation of Apokyn® for a total amount of $13.9 millions (€9 millions) including some commitments to conduct post-marketing studies for Apokyn® ($9.6 millions / €7 millions). The joint-venture project between the Group and Vernalis Plc being withdrawn, an amount of $1 million (€0.7 million) has been paid by the Group as per the agreement with Vernalis PlcThis transaction bring the Group an established and highly experienced neurology commercial team, who already market Apokyn® in the US to neurology specialy physicians, many of which are potential prescribers for Dysport®.

22.2 AGREEMENTS IN PRIMARY CARE

22.2.1 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.

Furthermore, under the terms of this cooperation agreement, the Group and Schwabe have reciprocally and at no charge granted, subject to certain conditions, the right to use the EGb 761® brand and the right to grant sub-licences to it to third parties everywhere this trademark is registered in relation to EGb 761® extract-based drugs. Lastly, this cooperation agreement has been entered into for the duration of Cara Partners' partnership deed.

22.2.2 Novartis (Basle, Switzerland), Sanofi-Aventis (Strasbourg, France)

In November 1997, Sanofi-Aventis entered into an agreement with Novartis to market Nisis®, the brand name used to market valsartan (an angiotensin II antagonist) and Nisisco®, the brand name used to market a fixed combination of valsartan and hydrochlorothiazide. Sanofi-Aventis owned the brand names used for both products and secured marketing authorizations allowing it to distribute, sell and administer these products in France. In March 2003, the Group entered into an agreement with Novartis and Sanofi-Aventis under which Sanofi-Aventis agreed to terminate its agreement with Novartis and to transfer to the Group the Nisis® and Nisisco® brand names and the corresponding marketing authorizations. At the same date, the Group entered into an agreement to transfer the brands and a temporary cooperation agreement with Sanofi-Aventis.

Under these agreements, Sanofi-Aventis agreed to transfer to the Group ownership of the Nisis® and Nisisco® brands, as well as its customer lists and expertise with respect to these products. In accordance with the brand transfer

agreement, the Group paid Sanofi-Aventis certain amounts for the transfer of the brands upon signature of the related agreements described below and upon the transfer to the Group of marketing authorizations for Nisis® and Nisisco® and of Sanofi-Aventis' customer lists and expertise. The transfer of marketing authorizations for Nisis® and Nisisco® was completed on 30 April 2003.

In March 2003, the Group also signed a distribution agreement with Novartis concerning Nisis® and Nisisco®. In accordance with this agreement, the Group has a co-exclusive right (together with Novartis, which retains its right to use the products for its own benefit) to market and distribute Nisis®, Nisisco® and any other enhancement made to these products in France, Andorra and Monaco. The Group has undertaken to purchase certain quantities of Nisis® and Nisisco® from Novartis at prices varying according to the dosage and subject to minimum sales targets revised annually. Should sales fall below a given threshold, Novartis will be entitled to terminate the agreement after observing a notice period of 90 days. Novartis may also terminate the agreement, subject to a notice period of 60 days, should a control event affect the Group's ownership. The distribution agreement will remain in force until valsartan's patent expires in May 2011.

On 28 January 2009, the Group and Novartis entered into a second agreement relating to the co-promotion of the antihypertensive drug Exforge® in France strengthening the commitment of its French teams to the management of cardiovascular risk factor.

22.2.3 Indena (Milan, Italy)

Aside from the Schwabe patent covering the aforementioned *Ginkgo biloba* extracts, Indena holds a patent covering the manufacture of *Ginkgo biloba* extracts containing EGb 761® and products containing *Ginkgo biloba* extracts owned by Indena. Pursuant to the licensing agreement that it entered into with Indena in July 1996, the Group holds an exclusive right to manufacture, use and sell *Ginkgo biloba* extracts, including EGb 761® for use in drugs in connection with Indena's patent and using the latter's expertise within the European Union.

For its part, Indena retains the right to sell *Ginkgo biloba* extracts to customers located in the United Kingdom, Denmark, Sweden and Finland, but solely for use in non-pharmaceutical finished products (such as in health foods, food supplements and cosmetics). This agreement remains in force until the patent covering the European Union expires, i.e. in 2009. The Group has agreed to pay Indena royalties calculated on the basis of net sales in each relevant country provided that: (i) the relevant patent is valid in the relevant country, and (ii) Indena's expertise remains confidential in the relevant country, but in this latter case until 4 July 2006 at the latest.

22.2.4 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.

22.2.5 GTF (Boulogne-Billancourt, France)

In August 2007, the Group has transferred to GTF Group the marketing authorizations of Ginkor Fort® for France, Monaco and Andorra by 1 January 2008. The Group also grants to GTF the right to exclusively licence all Ginkor Fort® trademarks with a possible transfer of these rights upon expiry of the term of the licence. The Group shall supply the finished product to GTF for an initial period of 5 years with a possible renewal, and will continue to market the product outside France, Monaco and Andorra.

22.3 OTHER AGREEMENTS

22.3.1 Bayer (Leverkusen, Germany)

In accordance with the royalty agreement entered into by the Group in January 1985, the latter granted Bayer an exclusive licence to use and sell products whose biological activity and chemical structure is similar to that of the procoagulating proteins of human factor VIII worldwide, except in the Americas, Japan, Taiwan, South Korea, Hong Kong, Indonesia, The Philippines, Thailand, Singapore, Malaysia, Australia, Germany, Austria and Switzerland. This agreement notably covers the use and sale by Bayer of Kogenate®, a human factor VIII product originally developed as part of a partnership between Genentech and Speywood (acquired by the Group in 1994). In accordance with the partnership agreement with Genentech, the Group has the exclusive right to use and sell human factor VIII products, including Kogenate®, worldwide except in the excluded territories listed above in which Genentech has the right to use and to sell Kogenate®.

This agreement will terminate on the later of the following two dates: (i) 15 years from the launch date of the relevant human factor VIII product, and (ii) the expiry date of the last remaining patent protecting this product. Kogenate® was launched on the market during the second half of 1994 and the last of the patents protecting Kogenate® expires in April 2009. As a guide, the royalties received by the Group under this agreement amounted to €38.7 million in 2006, €47.6 million in 2007 and €18.8 million in 2008.

The Group and Bayer have recently come to a disagreement as to the date of the end of the royalty paying period under this agreement and the Group considers, based on strong evidence, that the royalty term should expire on the second quarter 2009. Bayer considers that it could stop paying royalties to Ipsen as of May 2008.The Group has sued Bayer on 31 December 2008 for breach of contract, breach of the covenant of good faith and fair dealing and unjust enrichment in connection with this exclusive licence.

22.3.2 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 authorizes 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 authorizing 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.

In June 2008, the Group and Octagen entered into a 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 will make future additional milestone payments contingent on the product belwing allowed into phase III and later on receipt of marketing approvals in the US and in Europe, potentially totaling up to $26 mllion. In addition, the Group will pay a low to mid range single digit royalty on its net sales in each country, on an upward sliding scale depending on certain sales thresholds. The Group has also redeemed its stake in Octagen.

23. THIRD PARTY INFORMATION, STATEMENTS BY EXPERTS AND DECLARATIONS OF ANY INTERESTS

None.

24. CONSULTATION OF LEGAL DOCUMENTS

During the validity period of this registration document, the Articles of Incorporation, the auditors reports, the annual accounts of the past three years together with any reports, letters and others documents and historical financial information of the Company and its subsidiaries over the past three years and, valuations and statement made by an expert, if these documents are required by law, and any other corporate documents can be consulted at the Company's registered office.

Copies of this registration document are available free of charge at the Company's registered office (65 quai Georges Gorse – 92650 Boulogne-Billancourt – Tel.: +33 (0)1 58 33 51 29), through Ipsen's website (www.ipsen.com) and through the AMF's website (www.amf-france.org).

25. INFORMATION ON HOLDINGS

The Company has shareholdings in Group companies only. Such shareholdings are described in Chapter 7 "Organisational Structure" and their financial impact is set out in the annexes to the Company's consolidated accounts included in Chapter 20 "Financial information on the assets, the financial position and the results of the Company" of this registration document.

26 DOCUMENTS PRESENTED OR SUBMITTED TO THE COMBINED GENERAL MEETING OF SHAREHOLDERS ON 4 JUNE 2009

26.1 PRESENTATION OF THE BOARD OF DIRECTORS' REPORT TO THE GENERAL MEETING

The Board of Directors has convened shareholders in a Combined General Meeting on 4 June 2009 in order to report on the Company's activities during the financial year commencing 1 January 2008 and ending on 31 December 2008, and to submit for their approval the annual and consolidated financial statements for that financial year. The shareholders are also meeting for the specific purpose (i) of ratifying the transfer of the registered office, and (ii) of renewing certain financial authorisations.

26.1.1 Components of the Board of Directors' report included in the registration document

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.

INFORMATION	REGISTRATION DOCUMENT
1. THE ACTIVITY OF THE COMPANY AND THE GROUP IN 2008	
Situation of the Company during the past financial year	
• *Information relating to the Group*	*9*
• *Information relating to Ipsen*	*20.2*
Forecast developments – Outlook	
• *Information relating to the Group*	*12*
• *Information relating to Ipsen*	*20.2*
Results of the Company and its subsidiaries	
• *Information relating to the Group*	*9.2 - 20*
• *Information relating to Ipsen*	*20.2*
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*	*9 - 10.2 - 17*
Environmental and social information	
• *Information relating to the Group*	*8.2 - 17*
Research and development activity	
• *Information relating to the Group*	*6 - 11*
Progress made – Problems encountered	
• *Information relating to the Group*	*9.1*
Risk factors	
• *Information relating to the Group*	*4*
Important events occurring since the end of the financial year	
• *Information relating to the Group*	*20.1.5 Note 31*

INFORMATION	REGISTRATION DOCUMENT
Activity by line of business	
• *Information relating to the Group*	*6 - 9*
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*	*7*
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*	*26.2.2.3*
Expenses not deductible for tax purposes	
• *Information relating to Ipsen*	*20.2*
Injunctions or financial penalties imposed by the Competition Council in respect of anti-competitive practices	nm
2. INFORMATION CONCERNING IPSEN'S SHARE CAPITAL	
Identity of persons directly or indirectly controlling more than 5, 10, 15, 20, 25, 33.33, 50, 66.66, 90, or 95% of the share capital or voting rights. Changes to this list during the financial year	18.1
Level of employee shareholdings	18.1
Shareholders' agreements concerning the securities comprising the Company's share capital (statement of Dutreil Law retention commitments)	15.4 - 18.3
Identities of controlled companies holding shares in the Company and the percentage of capital held	nm
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	18.5

INFORMATION	REGISTRATION DOCUMENT
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	26.11
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

INFORMATION	REGISTRATION DOCUMENT
3. IPSEN COMPANY OFFICERS	
Compensation	15
List of appointments	14.1.1
Directors' share dealings	14.4
The choice made between the two modes of exercising general management in the event of a change	nm
The choice made by the Board relating to the terms of retention by company officers of bonus shares and/or shares resulting from the exercise of stock options	15.2
4. ATTACHMENTS	
Chairman's Report on internal control	16.4
Table showing Ipsen's results for the last 5 financial years	26.8
Table summarising currently valid delegated powers regarding capital increases and the use made of such delegated powers in relation to Ipsen during the financial year	21.1.8

26.1.2. Board of Directors' report on the agenda for the Combined General Meeting on 4 June 2009

26.1.2.1 Proposal to approve the financial statements (1st ordinary resolution)

The Board of Directors reminds shareholders that the annual financial statements for the financial year ending 31 December 2008 show a loss of €3,773,549.37, and it proposes that shareholders approve the annual financial statements for the financial year ending 31 December 2008.

26.1.2.2 Proposal to approve the consolidated financial statements (2nd ordinary resolution)

The Board of Directors reminds shareholders that the consolidated financial statements for the financial year ending 31 December 2008 show a profit of €147,163,962.51 (Group share), and it proposes that shareholders approve the consolidated financial statements for the financial year ending 31 December 2008.

26.1.2.3 Proposal for appropriation of results (3rd ordinary resolution)

The Board of Directors proposes that shareholders agree to appropriate the loss for the financial year in an amount of €3,773,549.37 to "Other Reserves", which will thus be reduced from €215.870,102.90 to €212,096,553.53. It further proposes that shareholders approve the distribution of a dividend in a total amount of €58,841,778.10, which could be deducted from "Other Reserves", which would thus be reduced from €212,096,553.53 to €153,254,775.43.

The total dividend payable in respect of each share would thus be €0.70.

When paid to natural persons resident for tax purposes in France, the dividend would be eligible for the 40% tax relief provided by Article 158-3-2 of the *Code général des impôts.*

In the case of dividends received on or after 1 January 2008, this tax relief would not be applicable if the beneficiary had opted for the fixed deduction at source provided for by Article 117 *quater* of the *Code général des impôts.*

Payment of the dividend could take place on 12 June 2009, with an ex-dividend date of 6 June 2009.

Furthermore, if at the time of payment of these dividends, the Company owns any of its own shares, the sums corresponding to the dividends not paid in respect of such shares would be appropriated to the balance carried forward.

26.1.2.4 Regulated agreements (4th ordinary resolution)

The Board of Directors has provided the Statutory Auditors with a summary statement of agreements regulated by Articles L.225-38 *et seq.* of the *Code de commerce* that were entered into during the financial year ending 31 December 2008, or that were entered into previously and were still in effect during that financial year.

The Board proposes that shareholders formally note that no new agreements were entered into during the financial year ending 31 December 2008.

26.1.2.5 Agreements and commitments entered into for the benefit of Mr Jean-Luc Bélingard (5th ordinary resolution)

The Board of Directors proposes that shareholders approve the commitment involving payments to be made to Mr Jean-Luc Bélingard in the event of the termination of his office. The terms and conditions governing these payments are described, in particular, in the special report of the Statutory Auditors. This resolution is being put to the vote due to the re-election of Mr Bélingard as Chairman and Chief Executive Officer since the last General Meeting, and because the commitments are being brought into line with the AFEP/MEDEF recommendations.

26.1.2.6 Authorisation to initiate a new share buyback programme (6th ordinary resolution)

The authorisation given to the Board of Directors to initiate a share buyback programme will expire on 4 December 2009.

Consequently, the Board of Directors proposes that shareholders grant the Board a new authorisation, for a period of eighteen months, to purchase shares of the Company on one or more occasions and at such times as it may determine, subject to a maximum of 10% of the number of shares comprising the share capital, adjusted, if necessary, to take into account any capital increases or reductions which may take place during the period of the programme.

This authorisation would terminate the authorisation given to the Board of Directors by the General Meeting on 4 June 2008.

Purchases would be made for the following purposes:

- To stimulate the secondary market or liquidity of Ipsen shares using an investment services provider pursuant to a liquidity agreement in accordance with the AMAFI charter accepted by the *Autorité des Marchés Financiers* (AMF);
- To retain the shares purchased and to deliver them subsequently by way of exchange or payment in the context of acquisition transactions, on the understanding that shares purchased for this purpose could not exceed 5% of the Company's capital;
- To ensure the coverage of stock option plans and other forms of share allotments to Group employees and/or company officers under the terms and conditions provided by law, and in particular in respect of company profit-sharing, company savings plans or allotment of bonus shares;
- To ensure the coverage of negotiable securities granting allotment rights to Company shares in accordance with current regulations;
- With a view to the possible cancellation of the shares purchased in accordance with the authorisation granted by the General Meeting of Shareholders on 4 June 2008.

The Board proposes that shareholders set the maximum purchase price at €75 per share and consequently the maximum amount of the operation at €630,447,622.50.

These share buybacks may be carried out by any means, including by the purchase of blocks of shares, and at such times as the Board of Directors sees fit. The Company reserves the right to use derivative products within the limits of applicable regulations.

In the event of a takeover bid in respect of the Company's shares, the Company may pursue its share buyback programme in accordance with Article 232-17 of the General Regulations of the AMF, and only (a) if the takeover bid in respect of the Company's shares is paid entirely in cash, and (b) if the buyback operations take place in the context of an ongoing programme and are not liable to make the takeover bid fail.

26.1.2.7 Ratification of the transfer of the registered office (7th ordinary resolution)

In accordance with Article 4 of the Articles of Incorporation, the Board of Directors proposes that shareholders ratify the transfer of the registered office to 65 quai Georges Gorse, 92100 Boulogne Billancourt, as decided by the Board of Directors at its meeting on 29 September 2008.

26.1.2.8 Authorisation to increase the capital by the issue of ordinary shares or negotiable securities and/or by the capitalisation of reserves, profits or premiums, while maintaining preferential subscription rights (8th extraordinary resolution)

The General Meeting dated 6 June 2007 authorised the Board of Directors, at any time, to issue ordinary shares or negotiable securities giving access to the share capital while maintaining preferential subscription rights. The Board has not made use of this authorisation.

Nevertheless, since this authorisation is about to expire, the Board of Directors proposes that shareholders renew it for a period of 26 months in order to give the Board the possibility of making such issues.

The Board of Directors proposes to shareholders that issues made pursuant to this authorisation should be allowed to reach a maximum of 20% of the Company's share capital on the date of the General Meeting.

26.1.2.9 Authorisation to increase the share capital by the issue of ordinary shares or negotiable securities while cancelling preferential subscription rights (9th extraordinary resolution)

The General Meeting on 6 June 2007 authorised the Board of Directors, at any time, to issue ordinary shares or negotiable securities giving access to the share capital while cancelling preferential subscription rights. The Board of Directors has not made use of this authorisation.

Nevertheless, since this authorisation is about to expire, the Board of Directors proposes that shareholders renew it for a period of 26 months in order to give the Board the possibility of making such issues.

The Board of Directors proposes to shareholders that issues made pursuant to this authorisation should be allowed to reach a maximum of 10% of the Company's share capital on the date of the General Meeting, and that the Board should be able, if necessary, to grant shareholders a priority period to subscribe for the shares issued.

26.1.2.10 Authorisation to increase the share capital in order to pay for contributions in kind in the form of shares or negotiable securities (10th extraordinary resolution)

The General Meeting on 6 June 2007 authorised the Board of Directors, at any time, to issue ordinary shares or negotiable securities giving access to the share capital while cancelling preferential subscription rights. The Board of Directors has not made use of this authorisation.

Nevertheless, since this authorisation is about to expire, the Board of Directors proposes that shareholders renew it for a period of 26 months in order to give the Board the possibility of making such issues. The upper limit proposed by the Board of Directors would be set at 10% of the Company's share capital on the date of the General Meeting.

26.1.2.11 Authorisation to make increases in the share capital reserved for members of a company savings plan (11th extraordinary resolution)

The General Meeting on 6 June 2007 authorised the Board of Directors, at any time, to issue ordinary shares or negotiable securities giving access to the share capital while cancelling preferential subscription rights. The Board of Directors has not made use of this authorisation.

Nevertheless, since this authorisation is about to expire, the Board of Directors proposes that shareholders renew it for a period of 26 months in order to give the Board the possibility of making such issues. The upper limit proposed by the Board of Directors would be set at 5% of the Company's share capital on the date of the General Meeting.

26.1.2.12 Authorisation to grant stock options to members of the personnel and/or certain company officers (12th extraordinary resolution)

The General Meeting on 2 June 2006 authorised the Board of Directors to grant stock options to members of the personnel and/or certain company officers. Since this authorisation will expire on 2 August 2009, the Board of Directors proposes that shareholders renew it for a period of 26 months. The options capable of being granted pursuant to this authorisation could not exceed 3% of the share capital. This upper limit would be applied in common with that proposed for allotment of bonus shares referred to in the 13th resolution.

26.1.2.13 Authorisation to allot bonus shares to members of the personnel and/or certain company officers (13th extraordinary resolution)

The General Meeting on 6 June 2007 authorised the Board of Directors to allot bonus shares to members of the personnel and/or certain company officers.

In order to make the expiry date of this authorisation coincide with that referred to in the 12th resolution, the Board of Directors proposes that shareholders renew it for a period of 26 months. The bonus shares capable of being allotted pursuant to this authorisation could not exceed 3% of the share capital. This upper limit would be applied in common with that proposed for the granting of options referred to in the 12th resolution.

26.1.2.14 Maintenance of double voting rights in the event of a transfer of shares by way of the merger or demerger of a shareholder company and consequential amendment of Article 26.1 of the Articles of Incorporation (14th extraordinary resolution)

Since the law on the modernisation of the economy dated 4 August 2008, Article L.225-124 of the Code de commerce has provided that double voting rights remain notwithstanding the transfer of securities from a shareholder company by way of merger or demerger, provided that the Company's Articles of Incorporation that allocated the double voting rights do not expressly rule this out. The fourteenth resolution is intended to amend Article 26.1 of the Articles of Incorporation relating to double voting rights in order to enable double voting rights to be maintained in the aforementioned circumstances.

26.2 AGENDA AND TEXT OF THE RESOLUTIONS PROPOSED BY THE BOARD OF DIRECTORS

26.2.1. Agenda

The General Meeting of Shareholders convened on 4 June 2008 will be asked to vote on the following agenda:

Ordinary resolutions

- Review of the management report of the Board of Directors including the Group management report and the report on sustainable development, the Chairman's report, and the general and special reports of the Statutory Auditors;
- Approval of the parent company financial statements for the financial year ending 31 December 2008;
- Approval of the consolidated financial statements for the financial year ending 31 December 2008;
- Appropriation of results;
- Approval of agreements covered by Article L.225-38 of the *Code de commerce;*
- Approval of agreements and commitments entered into for the benefit of Mr Jean-Luc Bélingard;
- Authorisation to be given to the Board of Directors to buy back the Company's own shares;
- Ratification of the transfer of the registered office.

Extraordinary resolutions

- Authorisation to be given to the Board of Directors to increase the share capital by the issue of ordinary shares and/or negotiable securities giving access to the capital while maintaining preferential subscription rights;
- Authorisation to be given to the Board of Directors to increase the share capital by the issue of ordinary shares and/or negotiable securities giving access to the capital while cancelling preferential subscription rights;
- Authorisation to be given to the Board of Directors to increase the share capital by up to a maximum of 10% in order to pay for contributions in kind in the form of shares or negotiable securities giving access to the share capital;
- Authorisation to be given to the Board of Directors to increase the share capital by the issue of shares reserved for members of a company savings plan, pursuant to Articles L.3332-18 *et seq.* of the *Code du travail;*
- Authorisation to be given to the Board of Directors to grant stock options to members of the personnel and/or certain company officers;
- Authorisation to be given to the Board of Directors to allot bonus shares to members of the salaried personnel and/or certain company officers;
- Maintenance of double voting rights in the event of the transfer of shares following the merger or demerger of a shareholder company, and consequential amendment of Article 26.1 of the Articles of Incorporation;
- Powers to carry out formalities.

26.2.2. Full text of the resolutions proposed by the Board of Directors

RESOLUTIONS WITHIN THE POWERS OF AN ORDINARY MEETING

26.2.2.1 Approval of the parent company financial statements (1st resolution)

The General Meeting, having considered the reports of the Board of Directors, the Chairman of the Board and the Statutory Auditors on the financial year ending 31 December 2008, approves the financial statements settled on that date, as presented, which show a loss of €3,773,549.37.

26.2.2.2 Approval of the consolidated financial statements (2nd resolution)

The General Meeting, having considered the reports of the Board of Directors and the Statutory Auditors on the consolidated financial statements to 31 December 2008, approves those financial statements, as presented, which show a profit of €147,163,962.51 (Group share).

26.2.2.3 Appropriation of results (3rd resolution)

The General Meeting resolves to appropriate the loss for the financial year, in an amount of €3,773,549.37, to "Other Reserves", which are therefore reduced from €215.870,102.90 to €212,096,553.53.

The General Meeting resolves to distribute a dividend to shareholders in a total amount of €58,841,778.10, to be deducted from "Other Reserves", which are thus reduced from €212,096,553.53 to €153,254,775.43.

The General Meeting notes that the total dividend paid in respect of each share is €0.70, the whole of the amount thus distributed being eligible for the 40% tax relief mentioned in Article 158-3-2 of the *Code général des impôts.*

The dividend will be paid on 12 June 2009.

In the event that the Company holds any of its own shares at the time these dividends are paid, the amount of the dividends not paid in respect of such shares will be carried forward.

In accordance with the provisions of Article 243 bis of the *Code général des impôts,* the General Meeting notes the information provided to it that shows that over the last three financial years dividends and income have been distributed as follows:

Financial year	Income eligible for the tax relief		Income not eligible for the tax relief
	Dividends	Other income distributed	
2005	€50,414,809.800 or €0.60 per share	Nil	Nil
2006	€50,414,809.80, or €0.60 per share	Nil	Nil
2007	€55,468,500.78, or €0.66 per share	Nil	Nil

26.2.2.4 Approval of regulated agreements (4th resolution)

The General Meeting, having considered the special report of the Statutory Auditors mentioning the absence of agreements of the kind covered by Article L.225-38 *et seq.* of the *Code de commerce*, formally notes the content of that report.

26.2.2.5 Approval of agreements and commitments entered into for the benefit of Mr Jean-Luc Bélingard (5th resolution)

The General Meeting, deliberating on the special report of the Statutory Auditors on regulated agreements and commitments presented to it, approves the commitment entered into by the Company for the benefit of Mr Jean-Luc Bélingard, Chairman and Chief Executive Officer, providing for payments to become due in the event of termination of his office.

26.2.2.6 Authorisation to be given to the Board of Directors for the purpose of buying back its own shares (6th resolution)

The General Meeting, having considered the report of the Board of Directors, authorises it, for a period of eighteen months, in accordance with Articles L.225-209 *et seq.* of the *Code de commerce,* to purchase shares of the Company on one or more occasions and at such times as it may determine, subject to a maximum of 10% of the number of shares comprising the share capital, adjusted, if necessary, to take into account any capital increases or reductions which may take place during the period of the programme.

This authorisation terminates the authorisation given to the Board of Directors by the General Meeting on 4 June 2008.

Purchases may be made for the following purposes:

(a) To stimulate the secondary market or liquidity of Ipsen shares using an investment services provider pursuant to a liquidity agreement in accordance with the AMAFI charter accepted by the AMF;

(b) To retain the shares purchased and to deliver them subsequently by way of exchange or payment in the context of acquisition transactions, on the understanding that shares purchased for this purpose cannot exceed 5% of the Company's capital;

(c) To ensure the coverage of stock option plans and other forms of share allotments to Group employees and/or company officers under the terms and conditions provided by law, and in particular in respect of company profit-sharing, company savings plans or allotment of bonus shares;

(d) To ensure the coverage of negotiable securities granting allotment rights to Company shares in accordance with current regulations;

(e) With a view to the possible cancellation of the shares purchased in accordance with the authorisation granted by the eighteenth extraordinary resolution of the General Meeting of Shareholders on 4 June 2008.

These share buybacks may be carried out by any means, including by the purchase of blocks of shares, and at such times as the Board of Directors sees fit.

In particular, these share buybacks may take place during a takeover bid, in accordance with Article 232-17 of the General Regulations of the AMF, (a) if the takeover bid is paid entirely in cash, and (b) if the buyback operations take place in the context of continued performance of the ongoing programme, and are not liable to make the takeover bid fail.

The Company reserves the right to make use of options or derivative instruments in accordance with current regulations.

The maximum purchase price is set at €75 per share. In the event of an operation involving the share capital such as a share split or consolidation, or the allotment of bonus shares, the amount stated above will be adjusted in the same proportions (by a multiplicand equal to the ratio between the number of shares comprising the capital before the operation and the number of shares comprising it afterwards). The maximum amount of the operation is set at €630,447,622.50.

The General Meeting grants the Board of Directors full authority to carry out these transactions, to determine the terms and conditions thereof, to enter into any agreements and to carry out any formalities.

26.2.2.7 Ratification of the transfer of the registered office (7th ordinary resolution)

The General Meeting, having considered the report of the Board of Directors, expressly ratifies the decision taken by the Board at its meeting on 29 September 2008 to transfer the registered office from 42, rue du docteur Blanche, 75016 Paris to 65 quai Georges Gorse, 92100 Boulogne-Billancourt, with effect from 29 September 2008.

RESOLUTIONS WITHIN THE POWERS OF AN EXTRAORDINARY MEETING

26.2.2.8 Authorisation to increase the capital by the issue of ordinary shares or negotiable securities and/or by the capitalisation of reserves, profits or premiums, while maintaining preferential subscription rights (8th extraordinary resolution)

The General Meeting, having considered the report of the Board of Directors and the special report of the Statutory Auditors, and in accordance with the provisions of the *Code de commerce,* and in particular Article L.225-129-2 thereof:

1. Authorises the Board of Directors to increase the share capital on one or more occasions, in such proportions and at such times as it may see fit:

   (a) by the issue, in euros, in foreign currencies or in any other unit of account based on a basket of currencies, of ordinary shares and/or negotiable securities giving immediate or future access at any time or on a fixed date to ordinary shares of the Company, or, in accordance with Article L.228-93 of the *Code de commerce,* of any company that directly or indirectly owns more than half the Company's capital or of which the Company directly or indirectly owns more than half the capital, and whether by way of subscription, conversion, exchange, reimbursement, presentation of a warrant or in any other way; and/or

   (b) by the capitalisation of premiums, reserves, profits or other sums by way of the allotment of bonus shares or an increase in the nominal value of existing shares;

2. Sets the period of validity of this authorisation at twenty-six months with effect from the date of this General Meeting;

3. Resolves to limit as follows the amounts of the issues authorised in the event that the Board of Directors makes use of this authorisation:

   The global nominal amount of the capital increase resulting from this authorisation cannot exceed 20% of the share capital on the date of this Meeting;

   This upper limit does not include the global nominal value of additional shares potentially to be issued to preserve the rights of holders of negotiable securities giving access to the share capital, in accordance with the law;

   In addition, the global nominal amount of shares issued pursuant to the following resolution, whether directly or otherwise, will be charged to this upper limit;

4. In the event that the Board of Directors makes use of this authorisation in the context of the issues referred to in 1(a) above:

   (a) resolves that the issue or issues will be reserved, in preference, to shareholders, who may subscribe on an irreducible basis;

   (b) resolves that if irreducible subscriptions, and, if applicable, reducible subscriptions, have not taken up the whole of the issue, the Board of Directors may use the powers provided by law, and in particular may offer all or part of the unsubscribed shares to the public;

   (c) in the case of any capitalisation of premiums, reserves, profits or other sums, resolves that, if applicable, any fractional rights will not be negotiable and that the relevant shares will be sold, the sums arising from such sales being allotted to the holders of the rights within the time limit set by the legal provisions;

5. Resolves that the number of securities to be issued may be increased in the circumstances provided by Article L.225-135-1 of the *Code de commerce,* subject to the upper limit provided by this resolution;

6. Resolves that, within the limits set out above, the Board of Directors will have the necessary powers, in particular, to determine the conditions of the issue or issues, to record the completion of the capital increases resulting therefrom, to make the consequential amendments to the Articles of Incorporation, to charge the costs of the capital increases, in its sole discretion, to the amount of the premiums referable thereto, deducting from that amount the sums necessary to increase the legal reserve to one tenth of the new capital after each increase, and more generally, to do whatever is necessary in such cases;

7. Formally notes that this authorisation cancels any previous authorisation granted for the same purpose.

26.2.2.9 Authorisation to increase the capital by the issue of ordinary shares or negotiable securities, while cancelling preferential subscription rights (9th extraordinary resolution)

The General Meeting, having considered the report of the Board of Directors and the special report of the Statutory Auditors, and in accordance with the provisions of the *Code de commerce,* and in particular Article L.225-129-2 thereof:

1. Authorises the Board of Directors to increase the share capital on one or more occasions, in such proportions and at such times as it may see fit, on the French and/or international market, by way of a public offering or an offering of the kind referred to in part II of Article L.411-2 of the *Code monétaire et financier,* by the issue, in euros, in foreign currencies or in any other unit of account based on a basket of currencies, of ordinary shares and/or negotiable securities giving immediate or future access, at any time or on a fixed date, to ordinary shares, of the Company, whether by way of subscription, conversion, exchange, reimbursement, presentation of a warrant or in any other way; on the understanding that such securities may be issued for the purpose of paying for shares transferred to the Company in the context of a public exchange offer in respect of shares satisfying the conditions laid down by Article L.225-148 of the *Code de commerce;*

   In accordance with Article L.228-93 of the *Code de commerce,* the negotiable securities to be issued may give access to the ordinary shares of any company that directly or indirectly owns more than half the Company's capital or of which the Company directly or indirectly owns more than half the capital;

2. Sets the period of validity of this authorisation at twenty-six months with effect from the date of this General Meeting;

3. Resolves to limit as follows the amounts of the issues authorised in the event that the Board of Directors makes use of this authorisation:

   The global nominal amount of the ordinary shares capable of being issued pursuant to this authorisation cannot exceed 10% of the share capital on the date of this Meeting;

   This amount will be charged to the upper limit of the capital increases capable of being carried out pursuant to the previous resolution;

4. Resolves to cancel shareholders' preferential subscription rights in respect of the securities the subject-matter of this resolution, while however allowing the Board of Directors the power to grant shareholders a priority right in accordance with the law;

5. Resolves that the sum received or to be received by the Company for each of the ordinary shares issued in the context of this authorisation, after taking account of the issue price of warrants in the event that standalone share warrants are issued, will be at least equal to the minimum required by the legal and regulatory provisions applicable at the time the Board of Directors makes use of the authorisation;

6. Resolves, in the event of issues of securities intended to pay for securities transferred in the context of a public exchange offer, that the Board of Directors will have the necessary powers in the circumstances laid down in Article L.225-148 of the Code de commerce and within the limits set out above, to settle the list of securities contributed to the exchange, to fix the terms of the issue, the exchange parity and, if applicable, the amount of the balancing payment to be paid in cash, and to decide the terms and conditions of the issue;

7. Resolves that the number of securities to be issued may be increased in the circumstances laid down in Article L.225-135-1 of the *Code de commerce* and within the upper limit provided by this resolution;

8. Resolves that, within the limits set out above, the Board of Directors will have the necessary powers, in particular, to determine the conditions of the issue or issues, to record the completion of the capital increases resulting therefrom, to make the consequential amendments to the Articles of Incorporation, to charge the costs of the capital increases, in its sole discretion, to the amount of the premiums referable thereto, deducting from that amount the sums necessary to increase the legal reserve to one tenth of the new capital after each increase, and more generally, to do whatever is necessary in such cases;

9. Formally notes that this authorisation cancels any previous authorisation granted for the same purpose.

26.2.2.10 Authorisation to increase the capital in order to pay for contributions in kind in the form of shares or negotiable securities (10th extraordinary resolution)

The General Meeting, having considered the reports of the Board of Directors and Statutory Auditors, and in accordance with Article L.225-147 of the *Code de commerce:*

1. Authorises the Board of Directors, on a report from the Statutory Auditors, to issue ordinary shares, or negotiable securities giving access to ordinary shares, in order to pay for contributions in kind made to the Company in the form of shares or negotiable securities giving access to capital, when the provisions of Article L.225-148 of the *Code de commerce* are not applicable;

2. Sets the period of validity of this authorisation at twenty-six months with effect from the date of this General Meeting;

3. Resolves that the global nominal amount of the ordinary shares capable of being issued pursuant to this authorisation cannot exceed 10% of the share capital on the date of this Meeting;

4. Delegates all necessary powers to the Board of Directors to approve the valuation of the contributions, to proceed with the capital increase resulting therefrom, to record the completion of the capital increase, if necessary, to charge the entirety of the costs and fees occasioned by the capital increase to the contribution premium, to deduct from the contribution premium the amount necessary to increase the legal reserve to one tenth of the new capital after each increase, to make the consequential amendments to the Articles of Incorporation, and to do whatever is necessary in such cases.

26.2.2.11 Authorisation to make increases in the share capital reserved for the members of a company savings plan (11th extraordinary resolution)

The General Meeting, having considered the report of the Board of Directors and the special report of the Statutory Auditors, and deliberating pursuant to Articles L.225-129-6 and L.225-138-1 of the *Code de commerce* and L.3332-19 et seq. of the *Code du travail:*

1. Authorises the Board of Directors, in its sole discretion and if it sees fit, to increase the share capital on one or more occasions by the issue of ordinary shares in cash, and, if appropriate, by the allotment of bonus shares or other securities giving access to the capital, which are reserved for employees (and directors) of the Company and of companies associated with the Company within the meaning of Article L.225-180 of the *Code de commerce* who are members of a company savings plan;

2. Cancels any preferential subscription rights in respect of the shares that may be issued pursuant to this authorisation, in favour of such beneficiaries;

3. Sets the period of validity of this authorisation at twenty-six months with effect from the date of this General Meeting;

4. Limits the maximum nominal amount of the increase or increases capable of being carried out by the use of this authorisation to 5% of the amount of the share capital on the date of this General Meeting, this amount being independent of any other upper limit provided for in relation to authorisations to increase the capital;

5. Resolves that the price of the shares to be issued pursuant to paragraph 1 of this authorisation must be neither more than 20% lower (or 30% lower when the lock-up period provided by the plan pursuant to Articles L.3332-25 and L.3332-26 of the Code du travail is or exceeds ten years) than the average opening prices of the shares on the 20 stock market trading days preceding the decision of the

Board of Directors relating to the capital increase and the issue of the relevant shares, nor higher than that average.

The Board of Directors may or may not use this authorisation, may take any necessary steps and may carry out any necessary formalities.

26.2.2.12 Authorisation to grant stock options to members of the personnel and/or certain company officers (12th extraordinary resolution)

The General Meeting, having considered the report of the Board of Directors and the special report of the Statutory Auditors:

- authorises the Board of Directors, pursuant to the provisions of Articles L.225-177 to L.225-185 of the *Code de commerce* and on one or more occasions, to grant the beneficiaries indicated below options conferring a right to subscribe for new shares of the Company to be issued by way of capital increases or to purchase existing shares of the Company the subject of share buybacks carried out under the conditions provided by law;
- sets the period of validity of this authorisation at twenty-six months with effect from the date of this General Meeting;
- Resolves that the beneficiaries of these options must be either:
  - employees, certain employees or certain categories of personnel of the Company Ipsen, and if applicable, of companies or economic interest groupings associated therewith under the conditions provided by Article L.225-180 of the *Code de commerce,* or
  - company officers satisfying the conditions laid down by Article L.225-185 of the *Code de commerce;*
- The total number of options capable of being granted by the Board of Directors pursuant to this authorisation may not confer a right to subscribe or purchase a number of shares in excess of 3% of the share capital existing on the date of the first allotment made on the basis of this authorisation, on the understanding that this upper limit will be charged to the total number of bonus shares capable of being allotted by the Board of Directors pursuant to the authorisation granted by the following resolution;
- Resolves that the price at which the beneficiaries may subscribe and/or purchase shares will be determined by the Board of Directors under the conditions and subject to the limits provide by current legislation, without discount;
- Resolves that no options may be granted:
  - during the period of ten stock market trading days preceding and following the date of publication of the consolidated financial statements;
  - during the period between the date on which the Company's management bodies become aware of information which, if published, could have a significant impact on the price of the Company's shares, and the date ten stock market trading days after the date on which that information is published; or
  - less than twenty stock market trading days after the record date for entitlement of shares to dividends or capital increases;
- Notes that this authorisation involves the express waiver by shareholders of their preferential subscription rights in respect of the shares issued upon the exercise of the options, in favour of the beneficiaries of the said options;
- Grants all necessary powers to the Board of Directors to set the other terms and conditions governing the granting of options and the exercise thereof, and in particular:
  - To determine the circumstances in which the options will be granted and to settle the list or categories of beneficiaries as provided above; if applicable, to determine the conditions as to seniority that must be satisfied by such beneficiaries; to decide the circumstances in which the price and the number of shares must be adjusted, and particularly in the circumstances provided for by Articles R.225-137 to R.225-142 of the *Code de commerce;*
  - To set the period or periods of exercise of the options thus granted, on the understanding that the duration of the options may not exceed a period of 10 years with effect from the date of their allotment;
  - To provide for the power to suspend the exercise of options temporarily for a maximum period of three months in the event that financial operations are carried out involving the exercise of a right attached to the shares;
  - To complete or any acts and formalities for the purpose of finalising any capital increase or increases that may be carried out pursuant to the authorisation the subject of this resolution, or to arrange for them to be completed; to make the consequential amendments to the Articles of Incorporation, and generally, to do whatever is necessary;
  - In its sole discretion and if it sees fit, to charge the costs of the capital increases to the amount of the premiums referable thereto, and to deduct from that amount the sums necessary to increase the legal reserve to one tenth of the new capital after each increase.

26.2.2.13 Authorisation to allot bonus shares to members of the personnel and/or certain company officers (13th extraordinary resolution)

The General Meeting, having considered the report of the Board of Directors and the special report of the Statutory Auditors, authorises the Board of Directors, on one or more occasions and in accordance with Articles L.225-197-1 and L.225-197-2 of the *Code de commerce,* to allot existing shares of the Company or shares of the Company to be issued:

- to members of the salaried personnel of the Company or of companies directly or indirectly associated with the Company within the meaning of Article L.225-197-2 of the *Code de commerce;* and/or
- to company officers satisfying the conditions laid down by Article L.225-197-1 of the *Code de commerce;*

The total number of bonus shares allotted in this way cannot exceed 3% of the share capital on the date of the first allotment made on the basis of this authorisation, on the understanding that the total number of shares to which any options granted by the Board of Directors pursuant to the previous resolution may confer a right will be charged to this upper limit.

The allotment of the shares to the beneficiaries will become definitive at the end of an acquisition period:

- of a minimum of two years. In addition, beneficiaries must retain the shares allotted for a minimum period of two years. The Board of Directors will have the power to increase the duration of these two periods; or
- of a minimum of four years in the case of beneficiaries who are not resident in France for tax purposes on the date of the allotment, and for whom the basis of the tax charge coincides with the end of the acquisition period, the Board of Directors having the power to increase the duration of this period. On the other hand, these beneficiaries will not be subject to the retention obligation referred to above, in the absence of a tax provision to the contrary.

Exceptionally, the definitive allotment will take place before the end of the period of acquisition in the event of the beneficiary suffering from invalidity of the kind set out in the second and third categories provided for by Article L.341-4 of the *Code de la sécurité sociale.*

The General Meeting authorises the Board of Directors (i) to offer beneficiaries resident for tax purposes in France on the date of the allotment the possibility, before the expiry of the acquisition period in respect of the shares of which they are beneficiaries, to ask for that period to be extended so as to last at least four years, and not to be subject to any retention obligation in respect of their shares, and (ii) to offer beneficiaries not resident in France for tax purposes on the date of the allotment the possibility, before the expiry of a period of two years from the date of allotment of the shares, to ask for the duration of the acquisition period applied to their shares to be reduced to that which would have applied if they had been resident in France for tax purposes on the date of allotment, and to be subject to a retention obligation in respect of their shares of a minimum duration of two years from the date of their definitive allotment. The Board of Directors can offer this possibility to the beneficiaries of plans that are implemented in accordance with this new authorisation to allot bonus shares, but also to the beneficiaries of plans set up in accordance with the authorisation given by the General Meeting on 6 June 2007, provided that the acquisition period of the shares is still current.

All necessary powers are granted to the Board of Directors:

- to set the conditions, and, if appropriate, the criteria for the allotment of shares;
- to determine the identity of the beneficiaries and the number of shares allotted to each of them;
- to determine the impact on the rights of the beneficiaries of operations altering the capital or liable to affect the value of the shares allotted, and which are carried out during the acquisition and retention periods, and consequently, if appropriate, to amend or adjust the number of shares allotted in order to preserve the rights of the beneficiaries;
- if appropriate:
  - to establish the existence of sufficient reserves and upon each allotment to transfer into an inalienable reserve account the sums necessary to pay up the new shares to be allotted;
  - to decide at the appropriate time upon the capital increase or increases by the capitalisation of reserves, premiums or profits corresponding to the new bonus shares allotted;
  - to acquire the necessary shares in the context of the share buyback programme and to appropriate them to the allotment plan;
  - to take any steps required to ensure compliance with the retention obligation placed on beneficiaries; and
  - generally, to do whatever may be necessary to implement this authorisation, in accordance with current legislation.

This authorisation automatically involves the waiver by shareholders of their preferential subscription rights in respect of the new shares issued by way of the capitalisation of reserves, premiums or profits.

This authorisation is given for a period of twenty-six months with effect from the date of this General Meeting.

26.2.2.14 Maintenance of double voting rights in the event of the transfer of shares by way of the merger or demerger of a shareholder company, and consequential amendment of Article 26.1 of the Articles of Incorporation (14th extraordinary resolution)

The General Meeting, having considered the report of the Board of Directors, resolves:

- to provide for the maintenance of double voting rights in the event of the transfer of the Company's shares, following a merger or demerger transaction in respect of a shareholder company, to the beneficiary company or companies, in accordance with the provisions of Article L.225-124 of the *Code de commerce,* as amended by the law on the modernisation of the economy dated 4 August 2008; and
- to make the consequential amendment to Article 26.1 of the Articles of Incorporation, as follows:

ARTICLE 26 – QUORUM AND VOTING AT MEETINGS

The second sub-paragraph of paragraph 26.1 will henceforth read as follows:

- *"However, a double voting right will be attached to all registered shares that are fully paid-up and which have been registered in the name of the same holder for at least two years. The double voting right in respect of a share will automatically lapse upon its conversion into a bearer share, and in the event of a transfer of ownership thereof, save in all the cases provided by law."*

The remainder of the Article remains unchanged.

26.2.2.15 Powers to carry out formalities (15th extraordinary resolution)

The General Meeting confers all necessary powers on the bearer of a copy or extract of these minutes to carry out all the filing and publication formalities required by law.

26.3 ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008

The annual financial statements for the financial year ending 31 December 2008 appear in sections 20.2.1 and 20.2.2 of this registration document.

26.4 REPORT OF THE STATUTORY AUDITORS ON THE ANNUAL FINANCIAL STATEMENTS

The report of the Statutory Auditors on the annual financial statements appears in section 20.1.6 of this registration document.

26.5 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2008

The consolidated financial statements for the financial year ending 31 December 2008 appear in sections 20.1.1 to 20.1.5 of this registration document.

26.6 REPORT OF THE AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

The report of the Statutory Auditors on the consolidated financial statements appears in section 20.2.3 of this registration document.

26.7 REPORTS OF THE STATUTORY AUDITORS ON REGULATED AGREEMENTS

The reports of the Statutory Auditors on regulated agreements appear in section 20.2.4 of this registration document.

26.8 TABLE OF THE LAST FIVE FINANCIAL YEARS

The table of the last five financial years appears in section 20.1.5.11 of this registration document.

26.9 REPORT OF THE STATUTORY AUDITORS ON THE CHAIRMAN'S REPORT

The report of the Statutory Auditors on the Chairman's report appears in section 16.4.2 of this registration document.

26.10 STATUTORY AUDITORS' REPORT ON THE EIGHT, NINTH, TENTH, ELEVEN, TWELFTH AND THIRTEEN RESOLUTIONS OF THE JUNE 4, 2009 ORDINARY AND EXTRAORDINARY SHAREHOLDER'S MEETING

This is a free translation into English of a report issued in French language and it is provided 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.

Ipsen S.A.
Registered office: 65, quai Georges Gorse – 92650 Boulogne-Billancourt Cedex

Share capital: €84,059,683

Ordinary and Extraordinary Shareholders' Meeting of 4 June 2009

To the Shareholders,

In our capacity as statutory auditors of your Company, and in compliance with French Commercial law (Code de Commerce), we hereby report on the proposed operations on share capital upon which you are called to vote.

1. Issuance of shares and/or other equity securities giving and/or cancelling right to company's shares with shareholders' preferential subscription right (eight, ninth and tenth resolutions)

In compliance with French Commercial Law (Code de Commerce), and in particular Articles L.225-135, L.225-136 and L.228-92, we hereby report on the proposals to empower the Board of Directors to decide various issuances of ordinary shares and of equity securities giving right to company's shares, operations upon which you are called to vote.

Your Board of Directors proposes that, on the basis of its report:

- it be authorized for a period of 26 months to decide to carry out the following operations and to determine conditions thereof, and if appropriate to cancel your preferential subscription rights:
  - issuance of ordinary shares and/or equity securities giving right to company's ordinary shares immediately or at a future date, or in accordance with Article L.228-93 of the French Commercial Law (Code de Commerce), of any company that directly or indirectly owns more than half of the Company's capital or of which the Company directly or indirectly owns more than half of the capital, while maintaining preferential subscription rights (eighth resolution);
  - issuance of ordinary shares and/or equity securities giving right to company's ordinary shares immediately or at a future date, or in accordance with Article L.228-93 of the French Commercial Law (Code de Commerce), of any company that directly or indirectly owns more than half of the Company's capital or of which the Company directly or indirectly owns more than half of the capital, while cancelling preferential subscription rights (ninth resolution), on the understanding that such securities may be issued for the purpose of paying for shares transferred to the Company in the context of a public exchange offer in respect of shares satisfying the conditions laid down by Article L.225-148 of the French Commercial Law (Code de Commerce),
- it be empowered for a period of 26 months to fix the terms and conditions of an issuance of ordinary shares and equity securities giving right to company's ordinary shares, in order to pay for contributions in kind made to the Company in the form of shares or equity securities giving right to capital (tenth resolution), subject to a maximum of 10% of the share capital on the date of this Shareholder's Meeting.

The total par-value of the share capital increases to be carried out, immediately or at a future date, may not exceed 20% of the share capital on the date of this Shareholder's Meeting in accordance with the eighth resolution and 10% of the share capital on the date of this Shareholder's Meeting in accordance with the ninth resolution, on the understanding that the amount of the capital increases carried out pursuant to the ninth resolution will be charged to the upper limit provided by the eighth resolution.

It is the responsibility of your Board of Directors to report in accordance with Articles R.225-113, R.225-114 and R.225-117 of the French Commercial Law (Code de Commerce). It is our responsibility to report to you our opinion on the fairness of numerical information extracted from the financial statements, on the proposal to cancel preferential subscription rights, and on other information regarding these operations, included in this report.

We conducted our work in accordance with Professional guidance issued by the "Compagnie Nationale des Commissaires aux Comptes" (National Association of Statutory Auditors). The guidance require that we perform the necessary procedures to verify the information related to these operations included in the report of the Board of Directors and the methods used for determining the price of the shares to issue.

Subject to subsequent examination of the conditions governing any issues decided upon, we do not have any comment to make on the manner of determining the issue price of the securities to be issued, as stated in the report of the Board of Directors pursuant to the ninth resolution.

As your Board of Directors' report does not specify the methods used for determining the issue price of shares to be issued under the eight resolutions, we do not express an opinion regarding the determination of the issue price.

As the issue price has not yet been determined, we do not express a conclusion on the final conditions under which the emissions will be carried out and, consequently, do not express an opinion on the proposal to cancel preferential subscription rights, which is made to you in the ninth resolution.

In accordance with Article R.225-116 of the French Commercial law (Code de Commerce), we will issue a supplementary report when the issue of ordinary shares involving the cancellation of preferential subscription rights or other equity securities giving right to company's capital, is performed by your Board of Directors.

2. Issuance of shares reserved to the employees of the Company which adheres to the Company's savings Plan in accordance with the French Commercial Law (Code de Commerce) and Articles L.3332-18 and subsequent Articles of French Labor Code (Code du travail) (eleventh resolution)

In compliance with Articles L.225-135 and subsequent Articles of the French Commercial Law (Code de Commerce), we hereby report on the proposal to authorize the Board of Directors to increase the share capital, in one or more occasions, by the issuance of new shares, with cancellation of preferential subscription rights, for a total maximum amount of 5% of the share capital on the date of this Shareholder's Meeting, on the understanding that this amount is independent of any other upper limit provided for by the delegated powers and authorizations granted in the context of this Meeting, operation upon which you are called to vote.

These increases in capital are subject to your approval in compliance with Articles L.225-129-6 of the French Commercial Law (Code de Commerce) and L.3332-18 and subsequent Articles of the French Labor Code (Code du travail).

Your Board of Directors proposes, on the basis of its report, that you authorize it, for a period of 26 months, to increase the share capital on one or more occasions, and that you waive your preferential subscription rights in respect of the shares to be issued. Insofar as necessary, the Board will be authorized to decide the terms and conditions of such issues.

It is the responsibility of the Board of Directors to issue a report, in accordance with articles R.225-113 and R.225-114 of the French Commercial Law (Code de Commerce). It is our responsibility to report to you our opinion on some information contained in this report and on the proposal for a cancellation of preferential subscription rights.

We conducted our work in accordance with Professional guidance issued by the "Compagnie Nationale des Commissaires aux Comptes" (National Association of Statutory Auditors). The guidance require that we perform the necessary procedures to verify the information included in the report of the Board of Directors and the methods used to determine the amount of issue price.

Subject to a subsequent review of the conditions for the proposed increases in capital, we have nothing to report on the methods used to determine the amount of issue price provided in the Board of Directors' report.

As the issue price of the shares has not yet been determined, we do not express an opinion on the final conditions for the increases in capital and, consequently, on the proposed cancellation of preferential subscription rights.

In accordance with Article R.225-116 of the French Commercial Law (Code de Commerce), we will issue a supplementary report when the increase in capital is performed by your Board of Directors.

3. Allocation of subscription options and/or shares acquisitions to members of the salaried personnel and/or some company officers (12th resolution)

In compliance with Article L.225-177 and Article R.225-144 of the French Commercial Law (Code de Commerce), we have prepared this report on the opening of allocation of subscription options and/or shares acquisitions to members of the salaried personnel and/or some company officers of the Company and of companies associated therewith within the meaning of Article L. 225-180 of the French Commercial Law (Code de Commerce).

It is the responsibility of the Board of Directors to issue a report on the reasons for the opening of allocation of subscription options and/or shares acquisitions and the methods used to determine the amount of subscription and/or purchase price. It is our responsibility to report to you our opinion on the methods used to determine the amount of subscription and/or purchase price.

We conducted our work in accordance with Professional guidance issued by the "Compagnie Nationale des Commissaires aux Comptes" (National Association of Statutory Auditors). The guidance requires that we perform the necessary procedures to verify the proposed methods to determine the amount of subscription and/or purchase price are mentioned in the Board of Directors' report, and that they are in accordance with the applicable legal provisions, and they are such as to be clear to shareholders and they do not appear to be obviously inappropriate.

We have nothing to report regarding the proposed methods.

4. Allocation of bonus shares of the Company, whether in existence or to be issued, to members of the salaried personnel and/or company officers (thirteenth resolution)

In compliance with Article L.225-197-1 of the French Commercial Law (Code de Commerce), we have prepared this report on the proposed allocation of bonus shares, whether in existence or to be issued, to members of the salaried personnel and company officers of the Company and of companies associated therewith within the meaning of Article L. 225-197-2 of the French Commercial Law (Code de Commerce).

Your Board of Directors proposes that you authorize it to allot bonus shares, whether in existence or to be issued. It is required to prepare a report on the operation it wishes to be able to carry out. It is our responsibility to report to you our comments on the information provided to you about the planned operation.

We conducted our work in accordance with Professional guidance issued by the "Compagnie Nationale des Commissaires aux Comptes" (National Association of Statutory Auditors). The guidance requires that we perform the necessary procedures to verify that the proposed terms and conditions stated in the Board of Directors' report are in accordance with legal provisions.

We have nothing to report regarding the information given in the Board of Directors' report regarding the planned allocation of bonus shares.

Paris La Défense and Neuilly sur Seine, March 5, 2009

The Statutory Auditors

KPMG Audit	Deloitte & Associés
Department of KPMG SA	
Catherine Porta	Christophe Perrau
Partner	*Partner*

26.11 SHARE BUYBACK PROGRAMME

In the context of a **share buyback programme,** the Company completed the following purchase and sale transactions in respect of its own shares, between the opening and closing dates of the last financial year:

Number of shares purchased:	1,100,059
Average purchase price:	€34.67
Number of shares sold:	1,043,749
Average sale price:	€34.87
Total amount of dealing expenses:	€30,772.60
Number of shares registered at the end of the financial year:	984,963 shares
Estimated value at the average purchase price:	€34,148,667.21
Nominal value:	€984,963

Reasons for purchases	% of the capital
Stimulation of the share price	0.09%
Coverage of stock options or other employee share ownership system	1.07%
Negotiable securities conferring a right to the allotment of shares	–
Acquisitions	–
Cancellation	–

	Coverage of stock options or other employee share ownership system	Coverage of negotiable securities	Acquisitions	Cancellation	Stimulation of the share price
Volume of shares used (number of shares)	906.667	–	–	–	78.296

The shares owned by the Company have not been reallocated for any other purposes since the authorisation granted by the General Meeting on 4 June 2008.

27

OTHER DOCUMENTS

The documents are included in the registration document in order to benefit from the exoneration from separate publication provided for by the general rules of the AMF.

27.1 OVERVIEW OF THE SHARE BUYBACK PROGRAM

CIn compliance with article 241-2 of the General Regulations of the Authority on French Financial Markets (AMF) and the European Rules nr 2273/2003 of 22 December 2003, the overview has for subject to describe the objectives and characteristics of the share buyback program. This share buyback program will be submitted to the approval of the General Meeting of the shareholders to be held on 4 June 2009.

27.1.1 Summary of the previous program

Statement of the transactions carried out on treasury shares from February 1st, 2008 to 31 January 2009:

	Gross cumulative flows (1)	
	Purchases	Sales/transfers
Number of shares	1,054,110	1,025,914
Average transaction price	€33.940	€34.111
Amounts	€35,776,399.76	€34,995,403.27

(1) The period concerned begins the day following the date on which the summary of the previous program was issued and ends January 31, 2009.

27.1.2 Distribution by objective of the shares held on the day of publication of this overview

Number of shares held directly and indirectly: 971,170 shares, representing 1.15% of the Company is share capital.

Number of shares held identified by objective:

– Stimulation of the share price through an AMAFI liquidity contract: 64,503

– External growth operations: 0

– Hedge for stock options or other employee shareholding: 906,667

– Hedge for securities conferring right to free issue of shares: 0

– Cancellation: 0

27.1.3 New share buyback program

- Authorization for the program: Shareholders' Meeting of 4 June 2009.
- Type of stock: common shares.
- Maximum share of capital authorized for buyback: 10% of the share capital adjusted, if necessary, to allow for any capital increases or reductions which may occur during the life of the authorization. Taking into account the number of shares already held (971,170, i.e., 1.15% of the stock capital), the maximum number of shares which may be bought back will be 7,434,798.3 (i.e., 8.85% of the stock capital) assuming that any currently shares are not transferred or cancelled.
- Maximum purchase price: €75.
- Maximun amount of the operation: €630,447,622.50
- Characteristics: purchase, sales and transfers may be carried out through any means on the market including through the purchase of blocks of shares. The proposed resolution do not limit the part of the share buyback dedicated to the purchase of blocks of shares. In the event of a takeover bid made on the shares of the Company, the Company may pursue its buyback program in accordance with article 232-17 of the General Regulations of the AMF and only if a) the takeover bid on the shares of the Company is paid entirely in cash and if b) the buyback operations are done as part of an on-going program are not liable to cause the takeover fail.

- Objectives:
  - Managing the Ipsen share in the secondary market or ensuring its liquidity through an investment services provider via a liquidity contract in accordance with the AMAFI charter accepted by the AMF;
  - Ensuring the funding of stock option plans and other forms of allocation of stock to employees and/or officers of the Group under the conditions and terms provided for by law, in particular concerning profit sharing plans and corporate savings plans or through the allotment of bonus shares;
  - Holding shares purchased and eventually putting them back into circulation or using them to fund future acquisitions, with the specification that the shares purchased for this purpose may not exceed 5% of the stock capital of the Company;
  - Ensuring the funding of securities granting allotment rights to Company shares, under current regulations;
  - Undertaking the possible cancellation of shares purchased on condition of the authorization to be granted by the Shareholders' Meeting of June 4, 2008, in its seventeenth resolution.
- Duration of the program: 18 months effective with the Shareholders' Meeting of 4 June 2009, or until 4 December 2010.

27.2 INFORMATIONS PUBLISHED OR RELEASED OVER THE LAST TWELVE MONTHS

Date	Subject	Medium
02/06/2008	Ipsen's fourth quarter 2007 sales	www.balo.journal-officiel. gouv.fr (notice no. 0800805)
03/17/2008	Ipsen and Medicis announce submission of Reloxin® BLA in aesthetics to the FDA	Press release www.ipsen.com Business press release distributor (Required information)
03/18/2008	Appointment of Frédéric Babin as Executive Vice President, Human Resources	Press release www.ipsen.com Business press release distributor (Required information)
03/24/2008	Financial and consolidated statements for the year ended 31 December 2007	www.balo.journal-officiel. Gouv.fr (notice no. 0802978)
04/01/2008	Appointment of Dominique Bridon, PhD as Vice President, Discovery	Press release www.ipsen.com Business press release distributor (Required information) Press release www.ipsen.com Business press release distributor (Required information)
04/04/2008	Outstanding shares and voting rights	AMF submission Press release www.ipsen.com Business press release distributor (Required information)
04/16/2008	Notice of meeting at the Annual Shareholder's meeting of 4 June 2008	www.balo.journal-officiel. gouv.fr (notice no. 0803831)
04/29/2008	Ipsen's first quarter 2008 sales	Press release www.ipsen.com Business press release distributor (Required information)
04/30/2008	Submission of the registration document	AMF submission Press release www.ipsen.com Business press release distributor (Required information)
05/05/2008	Adenuric® (febuxostat) receives marketing authorisation in the European Union	Press release www.ipsen.com Business press release distributor (Required information)
05/07/2008	Ipsen's second quarter 2008 sales	www.balo.journal-officiel. gouv.fr (notice no. 0805344)
05/14/2008	Quarterly financial information	Press release www.ipsen.com Business press release distributor (Required information)
05/14/2008	Arrangements for distribution of the preparatory documents for the Shareholder's meeting of 4 June 2008	Press release www.ipsen.com Business press release distributor (Required information)
05/14/2008	Notice of meeting at the Annual Shareholder's meeting of 4 June 2008	www.balo.journal-officiel. gouv.fr (notice no. 0805025)

OTHER DOCUMENTS

INFORMATIONS PUBLISHED OR RELEASED OVER THE LAST TWELVE MONTHS

Date	Subject	Medium
05/14/2008	Outstanding shares and voting rights	AMF submission Press release www.ipsen.com Business press release distributor (Required information)
05/19/2008	Ipsen and Medicis announce acceptance of Reloxin® BLA in aesthetics by FDA	Press release www.ipsen.com Business press release distributor (Required information)
06/02/2008	Ipsen and Spirogen's SJG-136 shows encouraging results in the treatment of refractory solid tumours at ASCO	Press release www.ipsen.com Business press release distributor (Required information)
06/04/2008	Ipsen's Annual Shareholders' Meeting on 4 June 2008	Press release www.ipsen.com Business press release distributor (Required information)
06/05/2008	Ipsen builds a fully fledged presence in North America, significantly enhancing its geographic footprint, global specialty portfolio and growth profile	Press release www.ipsen.com Business press release distributor (Required information)
06/06/2008	Outstanding shares and voting rights	AMF submission Press release www.ipsen.com Business press release distributor (Required information)
06/10/2008	Roche moves investigational diabetes drug, Taspoglutide, into Phase III clinical trials	Press release www.ipsen.com Business press release distributor (Required information)
06/13/2008	Company and conslidated accounts for the year ended 31 December 2007	www.balo.journal-officiel. gouv.fr (notice no. 0808302)
06/13/2008	Company accounts of the subsidiaries for the year ended 31 December 2007	www.balo.journal-officiel. gouv.fr (notice no. 0808303)
06/16/2008	Company accounts for the year ended 31 December 2007	Clerk of Commercial Court (Submission no. 29 688)
06/26/2008	Consolidated accounts for the year ended 31 December 2007	Clerk of Commercial Court (Submission no. 30427)
07/01/2008	Ipsen completes purchase of Apokyn®, Vernalis US commercial operations and share subscription	Press release www.ipsen.com Business press release distributor (Required information)
07/03/2008	Half-year statement of Ipen's liquidity contract	Press release www.ipsen.com Business press release distributor (Required information)
07/04/2008	Disclosure of Trading in own shares	Press release www.ipsen.com Business press release distributor (Required information)
07/08/2008	Outstanding shares and voting rights	AMF submission Press release www.ipsen.com Business press release distributor (Required information)
07/17/2008	Ipsen completes purchase of all of OBI-1 assets from Octagen Corporation	Press release www.ipsen.com Business press release distributor (Required information)
07/23/2008	Ipsen continues the acquisition process of Tercica so as to establish its global presence in endocrinology	Press release www.ipsen.com Business press release distributor (Required information)
07/31/2008	Ipsen's first half 2008 sales, outlook for the full year 2008 and R&D pipeline update	Press release www.ipsen.com Business press release distributor (Required information)
08/01/2008	Outstanding shares and voting rights	AMF submission Press release www.ipsen.com Business press release distributor (Required information)
08/06/2008	Ipsen's half year sales	www.balo.journal-officiel. gouv.fr (notice no. 0811327)
08/29/2008	Half year financial statement	Press release www.ipsen.com Business press release distributor (Required information)
08/29/2008	Ipsen's half year 2008 results and update on standalone financial objectives for the full year 2008	Press release www.ipsen.com Business press release distributor (Required information)

Date	Subject	Medium
09/16/2008	Outstanding shares and voting rights	AMF submission Press release www.ipsen.com Business press release distributor (Required information)
09/25/2008	Ipsen announces the filing of Decapeptyl® 6-month formulation for the treatment of locally advanced or metastatic prostate cancer in Europe	Press release www.ipsen.com Business press release distributor (Required information)
09/30/2008	FDA's first-cycle review of Dysport® to be completed by year-end: US launch of Dysport® on track	Press release www.ipsen.com Business press release distributor (Required information)
10/10/2008	Outstanding shares and voting rights	AMF submission Press release www.ipsen.com Business press release distributor (Required information)
10/17/2008	Ipsen completes the acquisition of Tercica, Inc. in North America, the third of its three steps to globalize its fast growing specialist care business	Press release www.ipsen.com Business press release distributor (Required information)
10/21/2008	Minutes of the Board Meeting of 29 September 2008 By-laws	Clerk of Commercial Court (Submission no. 31739)
10/30/2008	Ipsen's first nine months of 2008 sales and update of Group financial objectives	Press release www.ipsen.com Business press release distributor (Required information)
11/12/2008	Outstanding shares and voting rights	AMF submission Press release www.ipsen.com Business press release distributor (Required information)
05/12/2008	Outstanding shares and voting rights	AMF submission Press release www.ipsen.com Business press release distributor (Required information)
12/12/2008	AFEP/MEDEF recommendations on compensation of executive directors	Press release www.ipsen.com Business press release distributor (Required information)
12/17/2008	Ipsen reinforces its liquidity contract	Press release www.ipsen.com Business press release distributor (Required information)
12/23/2008	Excerpt of minutes of the Board meeting of 12 December 2008 By-laws	Clerk of Commercial Court (Submission no. 38924)
12/29/2008	FDA issues Complete Response Letter to Ipsen for Dysport® Biologics License Application	Press release www.ipsen.com Business press release distributor (Required information)
01/05/2009	Ipsen announces its corporate agenda for 2009	Press release www.ipsen.com Business press release distributor (Required information)
01/06/2009	Half-year statement of Ipsen's liquidity contract	Press release www.ipsen.com Business press release distributor (Required information)
01/07/2009	FDA's first-cycle review of Reloxin® extended	Press release www.ipsen.com Business press release distributor (Required information)
01/08/2009	Ipsen provides update on R&D pipeline and business opportunities at its Investor Day	Press release www.ipsen.com Business press release distributor (Required information)
01/09/2009	Outstanding shares and voting rights	AMF submission Press release www.ipsen.com Business press release distributor (Required information)
01/19/2009	"Creating the future: New challenges in biology and medicine": Ipsen gathers a panel of world-renowned scientists	Press release www.ipsen.com Business press release distributor (Required information)
01/28/2009	Ipsen announces the signature of a co-promotion agreement with Novartis for Exforge® in France	Press release www.ipsen.com Business press release distributor (Required information)
01/29/2009	Ipsen's full year 2008 sales	Press release www.ipsen.com Business press release distributor (Required information)

Date	Subject	Medium
02/02/2009	The Health Authorities of 15 European countries give a collective green light to Azzalure® for the treatment of glabellar lines, paving the way for national marketing authorizations	Press release www.ipsen.com Business press release distributor (Required information)
02/10/2009	Outstanding shares and voting rights	AMF submission Press release www.ipsen.com Business press release distributor (Required information)

27.3 ANNUAL FINANCIAL STATEMENT

27.3.1 Annual accounts

The annual accounts for the year ended 31 December 2008 appear in sections 20.2.1 and 20.2.2 of this registration document.

27.3.2 Consolidated accounts

The consolidated accounts for the year ended 31 December 2008 appear in sections 20.1.1 to 20.1.5 of this registration document.

27.3.3 'Management report'' per article 222-3-3° of the AMF general rules

27.3.3.1 Objective and exhaustive analysis of business, profit, and the financial situation of the Company and of the Group, as well as a description of its major risks and uncertainties

This information appears in sections 3, 4, 6.2, and 9 of this registration document.

27.3.3.2 Information likely to have an impact in the event of a takeover bid

This information appears in sections 18.5 of this registration document.

27.3.3.3 Information on the summary of the share buyback program during the year

This information appears in section 27.1.1 of this registration document.

27.3.3.4 Statement by the natural persons assuming responsibility for the annual financial statement

This statement appears in section 1 of this registration document.

27.3.4 Reports from the Auditors on the annual accounts and the consolidated accounts

These reports appear in sections 20.1.6 and 20.2.3 of this registration document.

27.4 AMOUNTS OF FEES PAID TO EACH OF THE AUDITORS AND THE MEMBERS OF THEIR NETWORKS

This information appears in sections 2.3 of this registration document.

Contacts
Readers can address any comments and questions on this document to:

Ipsen
65, quai Georges Gorse
92650 Boulogne-Billancourt Cedex

Phone: +33 1 58 33 50 00
Fax: +33 1 58 33 50 01

www.ipsen.com

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Photo
Philippe Perez-Castaño

2008 Registration document
This Annual Report is also available on the Company's website at www.ipsen.com.

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