IPSEN
Innovation for patient care

2007 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.

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IPSEN
Innovation for patient care

2007 REGISTRATION DOCUMENT

Société anonyme with a share capital of €84,043,183
Registered office: 42, rue du Docteur Blanche, 75016 Paris, France
419 838 529 RCS Paris

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 29 April 2008 under number R.08-042.

This document may not be used in support of any financial operation unless it is accompanied by a prospectus approved by the AMF. This document has been prepared by the issuer, and its signatories assume responsibility for its contents. The registration has been granted after the AMF has verified "whether the document is complete and comprehensible and whether the information it contains is consistent". It does not imply a validation by the AMF of the accounting or financial information presented herein. This registration document is a translation of the official *document de référence* registered with the AMF and is for information purposes only. In case of any discrepancy between this registration document and the *document de référence*, the *document de référence* will govern.

Incorporation by reference: Pursuant to the provisions of article 28 of EC regulation 809/2004 of 29 April 2004, readers are referred to the Document de reference for Ipsen recorded by the AMF on 26 April 2006 under number R06-0039, for the following financial information: financial information prepared under IFRS (International Financial Reporting Standard) for the 2005 financial year: the management discussion and analysis, historical and pro forma consolidated financial statements (including the auditors' reports).

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 following financial information: financial information prepared under IFRS (International Financial Reporting Standard) for the 2006 financial year: 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.

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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.

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 statutory auditors and are presented on pages 85 and 201 of this registration document."

The statutory auditors have issued a report on the individual financial statements for the financial year ended 31 December 2005 which is presented in chapter 20.3.4 of the 2005 registration document. These financial statements and the statutory auditors' report are enclosed by reference in accordance with article 28 of the EC regulation n°809/2004. Without qualifying their opinion, the statutory auditors, in their report on the individual financial statements for the financial year ended 31 December 2005, draw the reader's attention to the changes in accounting methods following the first application of the CRC regulation no. 2002-10 on asset depreciation and impairment and the CRC regulation no. 2004-06 on the definition, recognition and measurement of assets.

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

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1.4 INDICATIVE FINANCIAL REPORTING TIMETABLE

29 April 2008:	First-quarter 2008 sales
4 June 2008:	Annual general meeting
31 July 2008:	First-half 2008 sales
29 August 2008:	Interim 2008 results
30 October 2008:	Nine-month 2008 sales

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AUDITORS

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

3

SELECTED FINANCIAL INFORMATION

3 SELECTED FINANCIAL INFORMATION

The consolidated Group sales reached €920.5 million, up 6.8% year-on-year. This increase was fuelled by the strong growth in endocrinology and neuromuscular disorders franchises, up 19.7% and 13.6% respectively over the period and by the strong performance of gastroenterology products in international markets, up 9.2% year-on-year, partly offset by slower sales in France, notably of Tanakan® and Ginkor Fort®, both products suffering from volume decreases as well as price cuts respectively enforced in July 2007 and March 2006. Price pressure negatively impacted Ipsen's consolidated sales growth by 2.1 points representing €17.9 million. This performance is line with the Group's objective set a year ago to grow its sales by 6.5 to 7.5% year-on-year.

Other revenues reached €73.3 million, down 12.3% year-on-year. In 2007, the Group ceased billings for Research & Development services within the framework of partnership agreements, mainly with Roche for the development of BIM 51077.

Total revenues therefore reached €993.8 million during the period, up 5.1% year-on-year. This performance is slightly above the objectives set by the Group a year ago (of growing total revenues by 4.0 to 5.0% year-on-year).

Research & Development expenses amounted to €184.7 million, up 3.6% year-on-year, despite lower revenues received from third parties stemming from partnership agreements (notably BIM 51077), implying a 7.9% increase in self-financed Research & Development effort.

Operating income reached €208.9 million in 2007, up 11.6% year-on-year, despite the significant negative impact of price cuts in major Western European countries and the fall of other revenues. Operating margin stood at 22.7% of sales versus 21.7% a year ago, in line with the Group's objective set a year ago to reach 22.0 to 23.0% of sales in 2007.

The Group's effective tax rate in 2007 reached 25.3% of net profit from continuing operations before tax and the Group's loss from associates, compared with a reported effective tax rate of 21.8% a year ago and with a recurring effective tax rate of 25.9% in 2007 (The recurring effective tax rate is equal to the effective tax rate, such as notably by the impact of the utilisation of tax losses not recognised as deferred tax assets)

The Group's loss from associates amounted to €(8.8) million ($(12.0) million) and was solely composed of the Group's share in the net losses of Tercica Inc. for the year 2007, stated as required under IFRS. Tercica Inc. has been reported under the equity method in the Group's financial statements since October 2006.

Consolidated net profit for 2007 reached €151.1 million, up 4.5% compared with €144.5 million in 2006.

Net cash flow generated by operating activities amounted to €176.0 million in 2007, compared with €327.6 million in 2006, when the Group benefited from important payments received in relation to its partnership agreements. At 31 December 2007, the Group's cash position stood at €240.9 million, compared with €283.7 million at 31 December 2006.

Total milestones received in cash but not yet recognised as revenues amounted to €218.7 million, compared with €184.3 million in 2006.

(in million euros)	2007	2006	% change 2007/2006
Profit & loss account items			
Sales	920.5	861.7	6.8%
Other revenue	73.3	83.6	(12.3%)
Total revenues	993.8	945.3	5.1%
Operating income	208.9	187.2	11.6%
Operating margin (as % of sales)	22.7%	21.7%	
Recurring operating profit [2]	204.1	177.8	14.8%
Recurring operating margin [2] (as % of sales)	23.7%	22.0	
Consolidated profit (attributable to equity holders of Ipsen S.A.)	**150.6**	**144.0**	**4.6%**
Earnings per share – fully diluted (in euros)	1.79	1.71	
Average number of shares:			
Non-diluted	*83,875,853*	*84,000,717*	
Fully diluted	*83,972,411*	*84,024,179*	
Balance sheet items			
Intangible assets	89.2	68.2	
Other non-current assets	185.3	147.3	
Other non-current liabilities	221.0	195.4	
Cash flow statement items			
Cash flow from operating activities	176.0	327.6	
Net cash, end of period [1]	**217.8**	**252.9**	

(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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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 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.

Decapeptyl®. In 2007, this product generated sales of €235.1 million, representing about 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. 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 intends to file a marketing authorization application 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. The first of these products to be launched is Eligard® (Astellas) 6 months, which received marketing approval on 1 March 2007 in Germany. New products "similar" to the worldwide leader product (leuproreline acetate) are also been launched in 2007 in Germany including Leuprone® and Leupro®, 1 and 3 months formulations. 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 2007, this product generated sales of €119.3 million, including 65.8% in France (i.e. 13% 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 Public Health Insurance. The price of Tanakan® was reduced by 10% at the request of the regulatory authorities on 1 July 2007.

4.1.2 Dependence on the prices for medicine and their inclusion in the list of reimbursable products

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.

Sparked by government intervention or market pressures in some countries, lower drug prices negatively impacted sales to the tune of €17.9 million in 2007, compared with 2006. In the year ended 31 December 2007, these impacts reduced sales growth by 2.1 percentage points.

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 programmes.

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.

These risks are illustrated in the following example:

- in France, the price of Ginkor Fort®, which generated sales of €38.2 million in France in 2006, was cut by 15% in February 2006. On 25 January 2006 the French Authorities published their decision to lower the reimbursement rate of Ginkor Fort® from 35% to 15% from 1 February 2006 to 31 December 2007, and to remove it from the list of reimbursable drugs on 1 January 2008;
- the price of NutropinAq® was also reduced in France by 7% on 1 August 2006 following a decision of the Economic Committee for Health Products (CEPS);
- the French authorities have also announced a reimbursement rate cut – to 35% from 65% – along with a 7% price reduction on Pfizer's Artotec®, the promotion of which is carried out by Ipsen since 2006. These measures have been implemented on 1 January 2007;
- in Italy, the government announced a 0.6% reduction in drug prices, effective as of 1 July 2006, followed by a second 5.0% reduction effective as of 1 October 2006. Moreover, hospitals have been allowed to purchase and distribute pharmacy-dispensed products at a discount;
- on 26 October 2006, the French Minister of Health and Solidarities decided to maintain the class of vasodilators, among which Tanakan®, on the list of reimbursable drugs and to keep their reimbursement rate by the French Social Security at 35%. Furthermore, the Minister had asked the *Comité Économique des Produits de Santé* to implement a price cut of up to 20% to these drugs by the end of January 2007. On 15 June 2007, a 10% price cut on Tanakan® in France as of 1 July 2007 was published in the *Journal Officiel*;
- in the United Kingdom, the Department of Health has approved list price increases as of 1 June 2007 from 6.7% to 9.6% for Dysport®, Somatuline® and NutropinAq® in consideration for reductions in the turnover off Decapeptyl® which out-performed the PPRS objectives set up in 2005.

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 programmes, its pre-clinical and clinical trials and its manufacturing and distribution business involve the controlled storage, use and processing of dangerous substances, toxins, chemical and biological agents and radioactive molecules. 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 to 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 injury caused by dangerous substances cannot be completely eliminated. 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 laws and regulations relating to the environment.

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 will have a negative impact on the growth of the Group. Of the twenty-two principal development programmes that the Group is currently pursuing, four are at the pre-clinical trials stage, four are at phase I of clinical trials and fourteen 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 2007), Tanakan® (sales of which represent about 13% of consolidated sales for 2007), Dysport® (sales of which represent about 14% of consolidated sales for 2007) and Somatuline® (sales of which represent about 11.3% of consolidated sales for 2007) 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 some 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, Roche and Tercica Inc.. 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, Reloxin® or Somatuline® Autogel®) (i) having their development programme 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 materials stocks of which can only be renewed if regulatory approvals are obtained. In the case of certain of its products of biological origin, the Group has stocks of active ingredients which are the subject of the regulatory approvals necessary when marketing products which contain any such ingredients. 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 Dependence on necessary 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 programmes 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 programmes and the extent of those programmes;
- 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 where required;
- the volumes of sales and royalties in respect to the current and future products of the Group;
- 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 programmes, 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 programmes, 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 international business of the Group

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 the 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 repatriations of profits;
- risks associated with variations in exchange rates;
- risks connected 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 connected with increased difficulties of recruitment of personnel and management of operating entities abroad;
- risks connected 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 is dependent on certain essential management executives and scientists, the loss of whom could damage the Group's competitiveness and impair the Group's ability to achieve its objectives.

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.

4.2 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 quickly than the products of its competitors;
- 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 to 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 will not be able 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 licences.

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 2007, the Group spent €184.7 million on Research and Development, which represents about 20.1% of its pro forma 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 human 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 licences 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 licences, without any guarantee that they will be obtained.

The Group must obtain and retain the necessary regulatory licences 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 licence application to an authority does not guarantee that it will grant a licence to market 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 licence applied for even if the product has already been licenced in other countries.

In the Group's main markets, the licensing procedure for new products is complex and lengthy. The time it takes to obtain the necessary licence 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 licence is granted, it may include limitations as to the use for which the product may be marketed. A marketed product is also subject to constant monitoring after the initial licence is granted. The subsequent discovery of problems which were unknown at the time of the licence application 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 some 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 disruption

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

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 adjudged 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 2007, the Group held 2,672 patents, 1,778 of which were issued in European countries and 245 in the United States. At the same date, the Group had 1,668 applications for patents being considered, including 159 in Europe, 40 international applications and 208 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 has filed its opposition to a European patent belonging to Pharmacia and the Opposition Division of the European Patent Office has amended this patent so that it should 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 not probably 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 neuromuscular disorders products (marketed

under the brand name Dysport® notably) 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 pharmaco-viligance 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 licences 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.

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 (i) from 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® or Ginkor® 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, held at 31 December 2006 almost 73.63% of the capital and 85.17% 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;
- 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 by competitors concerning the pharmaceutical industry;
- announcements regarding changes in management or key personnel of the Group.

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, could 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 certain of these proceedings, financial claims are or may be received by 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 document). These provisions, which amounted to €21.3 million as at 31 December 2007, of which – taken individually, except certain provisions limited to tax matters – none exceeded €2.5 million. These provisions were estimated using the most probable assumptions at the date of closing. The Group believes that the amount of accruals 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 2007 in section 26, paragraph 20.1.5 of this registration document.

4.4.2 Exchange rate risk

In 2007, 65% 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 this same currency.

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, options).

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. As of 31 December 2007, 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 statement at 31 December 2007 described section 20.1 of this registration document.

4.4.4 Liquidity 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. As at 31 December 2007, the Group's net cash position stood at €217.8 million. 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. Further detailed analysis is provided in chapter 10 of this registration document.

4.4.5 Risk related to the valuation of derivative instruments

As a result of its transaction signed in October 2006 with Tercica Inc., a NASDAQ listed company, the Group holds in its balance sheet financial assets representing the derivative components of Convertible Notes and Warrants issued by Tercica Inc., which have been registered at fair value as at 31 December 2007 in compliance with IFRS39. This fair value has been determined on the basis of the best estimate made by the Group using existing information to the best of its knowledge, However, given the specific profile of Tercica Inc., the criteria used to determine the fair valuation of such derivative components are highly influenced by the following elements:

- illiquidity: there is no trading market for these securities, which are held by one counterparty only, hence the determination of the appropriate liquidity discount cannot be based on existing comparable market data;
- no credit market: Tercica Inc. has no publicly traded or non publicly traded debt, and to the best knowledge of the Group the Company has no close comparables with an actively traded credit. The estimation of an appropriate credit spread which might be used to value the asset component of the convertibles cannot be determined based on existing comparable market data;

- no volatility market: to the best knowledge of the Group, there are no traded options, warrants or convertibles on Tercica Inc. and hence any estimate of the level of implied volatility at which a Tercica Inc. option or convertible would trade cannot be based on existing and comparable data.

On this basis the Group cannot guarantee that the valuation of the corresponding financial assets may not be subject in due course to unexpected and material variations. Moreover, due notably to the fact that these derivatives have been implemented within a global transaction, the Group cannot guarantee that the value at which those assets have been registered in the Group's books corresponds to what third parties would be willing to offer to acquire similar financial assets. The Group will, at each closing of its financial statements, update the valuation of those assets based on criteria then available and could be obliged to impair significantly the value of these assets.

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 2007 consolidated financial statements prepared according to IFRS, the total cost of the insurance premiums paid by the group came to 1.24% of total revenues and 1.34% 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

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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 Paris 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 6420Z – 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: 42, rue du Docteur Blanche – 75016 Paris

Telephone: +33 1 44 30 43 43

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.

5.1.6 The Ipsen Foundation

Created in 1983 under the patronage of Fondation de France, La Fondation Ipsen's mission is to contribute to the development and dissemination of scientific knowledge. The long-standing action of La Fondation Ipsen is aimed at furthering the interaction between researchers and clinical practitioners, which is indispensable due to the extreme specialisation of these professions. The ambition of La Fondation Ipsen is not to offer definitive knowledge, but to initiate a reflection about the major scientific issues of the forthcoming years. La Fondation Ipsen involves partners from the international academic and scientific communities in each of its actions so that it can independently set out the major issues that it has decided to address and provide an update on the current state of the scientific knowledge.

5.1.6.1 Medicine and Research Conferences

La Fondation Ipsen has developed an important international network of scientific experts who meet regularly at meetings known as Medicine and Research conferences, dedicated to six main themes: Alzheimer's disease, neurosciences, longevity, endocrinology, the vascular tree and cancer.

- **Alzheimer's disease** – since 1987, 21 conferences on this topic were performed. In 2006, a special commemoration celebrated the 100th anniversary of Alois Alzheimer's presentation of the Auguste D. case which took place where the initial presentation was made: Institute of Psychiatry in Tübingen, Germany. All the pioneers of research into Alzheimer's disease presented the major steps made over the past two decades. The next conference in this series to be held on 28 April 2008 will deal with "Intracellular traffic and neurodegenerative disorders".
- **Neurosciences** – started in 1990, this set of conferences focuses on the major issues emerging in this field, concerning molecular biology or cognitive sciences. The 16th conference of this series "Neurobiology of "Umwelt": How human beings perceive the world" took place on 18 February 2008..
- **Longevity** – launched in 1987, this topic brings up the issues and paradoxes of a medical approach which is not focused on the disease but on a better resistance to damaging attacks which weaken the physiological systems in ageing.
- **Endocrinology** – this topic, launched in 2002, focuses on the interactions of the endocrine system, and their involvement in the body's functioning. In december 2007, the 7th conference discussed the effect hormones have on social behavior. The next conference in this series, to be held on 1st december 2008, will cover the theme "IGFs: local repair and survival factors throughout life-span".
- **Vascular tree** – this new topic, launched in 2004, aims at exploring the various stages leading to the development of the vascular system, its smooth growth in relation to the growth of the various organs, its degeneration, its death and its regeneration possibilities. In 2007, the conference was dedicaced to angiogenesis and neurogenesis.
- **Cancer** – the first conference in 2005 was based on identifying the aims of therapeutic research, taking into account the fact that cancer is a chronic disease. In 2007, the third meeting of this series discussed "Metastasis and invasion". In 2008, the fourth conference will cover "Metabolism and cancer" and will bring together the word's leading specialists including several Nobel price winners.

5.1.6.2 Other international events

La Fondation Ipsen organises international meetings in partnership with several international scientific institutions and organisations, which bring together experts in various disciplines, including:

- **World Health Organisation (WHO)** – Since 1989, a number of meetings on human genetics have addressed some of the most widely debated topics in this field.
- **French National Gerontology Foundation** – various conferences on dementia and cognitive ageing.

In 2007, La Fondation Ipsen started three new series of meetings in partnership with:

- **The Salk Institute (La Jolla) and Nature magazine** – this partnership covers a series of annual meetings dedicated to biological complexity. The first meeting which took place in January 2007 dealt with transcription, a hot topic as demonstrated a few weeks before the meeting by the fact that one of the speakers, Professor Kornberg received the 2006 Nobel Prize in Chemistry.
- **Cell press and the Massachusetts General Hospital** – The series "Exciting Biologies" started in October 2007 with "Biology in Motion". The second conference of this series will take place in Chantilly (France) from 16 to 18 September 2008 with "Biology of the Mind".
- **Nature magazine** – two meetings were held in 2007 in the United States under the title "Emergence and Convergence". The first 2008 conference to be held on 31 March in Houston is entitled "Epigenesis in the nervous system".

5.1.6.3 International publications

The various events of La Fondation Ipsen result in the publication of synthesis works published by international publishing houses within various English language Ipsen Foundation collections:

- *Research and Perspectives in Alzheimer's disease;*
- *Research and Perspectives in Neurosciences;*
- *Research and Perspectives in Longevity;*
- *Research and Perspectives in Endocrinology;*
- *Collection OMS/Ipsen Foundation;*
- *Collection Esprit et Cerveau.*

In addition, La Fondation Ipsen has since 1986 published (196 issues released), a periodical dedicated to Alzheimer's disease entitled Alzheimer Actualités. It also publishes the Medicine and Research Conferences reports dedicated to the decryption of the vascular tree and cancer.

5.1.6.4 Awards to encourage research

La Fondation Ipsen awards prizes for the works of pioneers in the 4 following fields of research:

- **Neurosciences** – The 18th prize in Neuronal Plasticity was awarded in 2007 by an international jury chaired by Prof Joël Bockaert (Institute of Functional Genomics, Montpellier, France) to three researchers jointly: Prof. Nikos K. Logothetis (Max-Plank Institute for Biological Cybernetics, Tuebingen, Germany), Prof. Keiji Tanaka (RIKEN Brain Science Institute, Wako, Japan) and Prof. Giacomo Rizzolatti (University of Parma, Italy) for their work on neurophysiology of cognition.
- **Neuropsychology** – The Jean-Louis Signoret prize was awarded in 2007 to Alvaro Pascual-Leone (Harvard Medical School, Boston, USA) for his works on the transcranial magnetic stimulation.
- **Longevity** – In 2007, this prize was awarded to Prof David Barker (University of Southampton, Princess Ann Hospital, Southampton, UK) for his work on the early determinants of longevity.
- **Endocrinology** – The international jury chaired by Prof. Iain Robinson (National Institute for the Medical Research, London, United Kingdom) in 2007 selected Prof William Crowley for his works in the domain of translational medicine.

5.2 INVESTMENTS

During 2007, acquisitions of non-current assets by the Group net of disposals amounted to €84.0 million, compared with €78.8 million in the same period of 2006.

In 2007 as in 2006 the Group did not use external financing for its investments.

In 2007, acquisitions of non-current assets included:

- €26.5 million in acquisitions of intangible assets, including a milestone payment in conjunction with the acquisition of a patent and the milestone made pursuant to the alliance with Tercica Inc. for Increlex® when the product was registered in Europe.
- €58.7 in property, plant and equipment to maintain and improve the Group's asset base, including in particular €17.7 million on the Wrexham facility (new packaging unit for Dysport®).

The Group also allocated €44.5 million as regards its partnership agreements, to transactions for external growth, including €2.1 million subscribing to a capital increase in Tercica Inc. and €42.4 million for two convertible bonds with the same company. (see section 6.3.2 of this registration document).

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6.1 PRINCIPAL ACTIVITIES

6.1.1 Type of operations of the Company and principal business activities

6.1.1.1 General presentation of the Group

Ipsen is a European 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 and neuromuscular disorders), 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 2007, the Group posted consolidated sales of €920.5 million (including 38.7% outside the Major Western European Countries, namely Germany, Spain, France, Italy and the United Kingdom), consolidated operating profit of €208.9 million and consolidated net profit, Group share of €150.6 million, determined in accordance with IFRS. At 31 December 2007, the Group had 3,886 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 2007, the Group spent 20.1% 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

Targeted therapeutic areas

In 2007, drugs in the three targeted therapeutic areas accounted for 53.6% of the Group's consolidated sales. The Group offers the following drugs in its targeted areas:

Oncology (25.5% of 2007 consolidated sales)

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

Endocrinology (14.1% of 2007 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.

Neuromuscular disorders (14.0% of 2007 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.

Primary care

In 2007, primary care drugs generated 42.7% of the Group's consolidated sales (64.1% of which were generated in France). The principal drugs are as follows:

Gastroenterology (18.7% of 2007 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 (13.0% of 2007 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 (10.3% of 2007 consolidated sales)

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

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 six drugs in clinical trials at 31 December 2007;
- life cycle management programmes 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 programmes 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,* which 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* aims to create and develop innovative formulations for new or existing products in order to optimise 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 organisation structure thanks to its multi-disciplinary Disease Area Teams, which are responsible for devising the Group's Research and Development and partnership strategy.

■ 6.1.1.2 Group strategy

Over the past few 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 favourable 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 neuromuscular disorders) in which the Group intends to become a force to be reckoned with by marketing innovative treatments fulfilling unmet medical needs;
- *an optimisation strategy* for its primary care products (gastroenterology, cardiovascular and cognitive disorders), while making, where necessary, selective investments in product life cycle management programmes, partnerships and Research and Development;
- *a geographical expansion strategy* in the most promising markets, with an active programme of securing marketing approval for its flagship products in targeted therapeutic areas, especially in the United States (Somatuline® Autogel® and Dysport®);
- *a partnerships strategy* across all its therapeutic areas. The goal of this policy is to (i) enable the Group to secure resources for programmes, 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) maximise 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) maximise 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 per product in 2007. The following table presents consolidated sales by therapeutic area

(in thousand euros)	31 December 2007	31 December 2006	% change
Oncology	235,164	222,039	5.9%
Endocrinology	129,855	108,448	19.7%
Neuromuscular disorders	128,699	113,319	13.6%
Specialist care	**493,718**	**443,806**	**11.2%**
Gastroenterology	171,852	157,430	9.2%
Cognitive disorders	119,347	129,882	–8.1%
Cardiovascular	95,245	99,268	–4.1%
Other pharmaceutical products	6,630	4,197	58.0%
Primary care	**393,074**	**390,777**	**0.6%**
Total drug sales	**886,792**	**834,583**	**6.3%**
Drug related sales	**33,683**	**27,093**	**24.3%**
Group Sales	**920,475**	**861,676**	**6.8%**

The Group's principal product Decapeptyl® generated 25.5% of consolidated sales in 2007. The Group's four best-selling products, namely (Decapeptyl®, Dysport®, Tanakan® and Somatuline®) contributed 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®, NutropinAq®, 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* fertilisation).
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).
Dysport®	Neuromuscular disorders	Motor disorders and muscular spasticity (cervical dystonia; cerebral palsy; blepharospasms and hemifacial spasms).
Primary care		
Smecta®	Gastroenterology	Chronic and acute diarrhoea; symptomatic treatment of pain linked to oesogastroduodenal conditions and colic.
Forlax®	Gastroenterology	Constipation.
Tanakan®	Cognitive disorders	Mild cognitive impairment related to age; pathophysiological deficiencies; vertigo; retinal deficits; acute or chronic hearing impairment; tinnitus.
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 2006 and 2007 of consolidated sales by therapeutic area and a breakdown of sales generated by the Group's ten top-selling products.

	31 December 2007		31 December 2006	
	in thousand euros	As a percentage	in thousand euros	As a percentage
Oncology	235,164	25.5%	222,039	25.8%
Decapeptyl®	*235,141*	*25.5%*	*221,925*	*25.8%*
Endocrinology	129,855	14.1%	108,448	12.6%
Somatuline®	*103,622*	*11.3%*	*92,222*	*10.7%*
NutropinAq®	*23,688*	*2.6%*	*14,728*	*1.7%*
Increlex®	*193*	*ns*	–	–
Neuromuscular disorders	128,699	14.0%	113,319	13.2%
Dysport®	*128,699*	*14.0%*	*113,319*	*13.2%*
Specialist care	**493,718**	**53.6%**	**443,806**	**51.5%**
Gastroenterology	171,852	18.7%	157,430	18.3%
Smecta®	*88,889*	*9.7%*	*80,341*	*9.3%*
Forlax®	*51,843*	*5.6%*	*46,303*	*5.4%*
Cognitive disorders	119,347	13.0%	129,882	15.1%
Tanakan®	*119,347*	*13.0%*	*129,882*	*15.1%*
Cardiovascular	95,245	10.3%	99,268	11.5%
Nisis® and Nisisco®	*53,694*	*5.8%*	*50,661*	*5.9%*
Ginkor Fort®	*36,891*	*4.0%*	*41,700*	*4.8%*
Other pharmaceutical products	6,630	0.7%	4,197	0.5%
Adrovance®	*2,609*	*0.3%*	–	–
Primary care	**393,074**	**42.7%**	**390,777**	**45.4%**
Total drug sales	**886,792**	**96.3%**	**834,583**	**96.9%**
Drug related activities	**33,683**	**3.7%**	**27,093**	**3.1%**
Group Sales	**920,475**	**100.0%**	**861,676**	**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* fertilisation). 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 advanced metastatic prostate cancer. In this indication, Decapeptyl® temporarily increases the concentration of testosterone and dihydro testosterone, but continuous administration paradoxically leads to a reduction in plasmatic testosterone concentration.

After two to three weeks' 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. Décapeptyl® is used as a treatment aiming to suppress oestrogen secretion, depriving the ectopic endometrial tissue of the critical stimulus it needs to grow.

In vitro fertilisation: Decapeptyl is used in association with gonadotrophines, to induce ovulation in view of an *in vitro* fertilisation followed by embryo transfer.

Early-onset 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 2007, 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 2007, 60.9% 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* fertilisation, 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. The first formulation (Eligard, 6 months) is currently only available in Germany, and is expected in France in 2008. Enantone is also due to market a 6 month formulation in 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 licencees in territories not licenced to the Group).

The pamoate formulations of Decapeptyl® (which contributed 65.2% of Decapeptyl®'s total sales in 2007) are protected by patents until 2010 and are composed of monthly and quarterly administration formulations. The acetate formulations of Decapeptyl® (which contributed 34.8% of Decapeptyl®'s total sales in 2007 vs. 33.5% in 2006) have no longer had any patent protection 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.

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 (Sweden, Israel, 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 that has completed phase III clinical trials and is expected to be filed by Debiopharm in 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 necessary. 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 2007, Somatuline® and Somatuline® Autogel® were recorded in almost 60 countries and were marketed in close to 45 countries (including 26 in Europe) for the treatment of acromegaly and neuroendocrine tumours and in 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 for the treatment of acromegaly.

In 2007, 67.7% of the sales generated by Somatuline® and Somatuline® Autogel® derived from the Major Western European Countries. Somatuline® Autogel® accounted for 88.9% of total sales of this product vs. 85.9% at 31 December 2006.

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

The drug'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. Ambrilia Biopharma, QLT, Valera Pharmaceuticals and Camurus are all carrying out research and development on octreotide sustained-release formulations. In addition, Novartis is developing a product called pasiretide 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 is set to expire in 2006 in the United States and expired in December 2005 in Europe, except in Belgium, France, Italy, Luxembourg and the United Kingdom where 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® Autogel® are planned in the treatment of neuroendocrine tumours in the United States and in Europe. A protocol will be presented to the FDA in view of initiating a phase III pivotal trial to register Somatuline® 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.

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 US company specialised in biotechnology, granted the Group exclusive marketing rights for NutropinAq® worldwide outside North America, Mexico and Japan. Genentech has pioneered the development of growth hormone and is currently one of the leading players in the United States market.

At 31 December 2007, the Group had marketing authorizations for 31 countries.

The product was launched in over 20 countries across Europe during 2006 and 2007.

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 (launched in Australia and Germany in 2006). A substantial number of developments focus on sustained-release formulations (weekly or monthly injections) which should improve observance. To the Company's best knowledge, LG LifeSciences, Altus and Pfizer have the most advanced projects.

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 has filed its opposition to a European patent belonging to Pharmacia and the Opposition Division of the European Patent Office has amended this patent so that it should 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 reevaluate 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 – 5mg and 20 mg – have been developed by Genentech, some of which 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 IGFD, children's' serum IGF-1 levels are low, despite the presence of normal or elevated GH level. 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 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 in the UK and Germany by the Group since the last quarter of 2007 and is currently undergoing the usual reimbursement procedures in the rest of Europe, where the drug is due to be marketed in the future.

Intellectual property

Pursuant to the agreements between Tercica Inc. and Genentech and Tercica Inc., Genentech and Insmed, Tercica Inc. holds the exclusive rights to mecasermin in a number of the product's major indications. 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 by the EMEA, for the treatment of severe primary insulin-like growth factor-1 deficiency in children and adolescents.

This disorder is characterised 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 defiency 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, where the neuro regenerating or anabolic features of IGF-1 could prove beneficial. The Group could evaluate Increlex®'s potential in other therapeutic areas.

Neuromuscular disorders

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. A hemifacial spasm is similar to a blepharospasm, but affects only one side of the face.

Marketing

Dysport® was originally launched in the United Kingdom in 1991. At 31 December 2007, Dysport® had marketing authorizations in over 70 countries. In 2007, 43.1% of Dysport® sales derived from 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 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 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 its Biologics Licence Application (BLA) for Dysport® in the United States to treat patients with cervical dystonia. On the same date, Medicis, Ipsen's partner in the United announced that the FDA had refused its Biologics Licences Application for Reloxin® in aesthetic indications as the dossier was considered incomplete. Medicis and Ipsen worked together to address the concerns cited by the FDA and Ipsen submitted a new application on 17 March 2008.

The Group decided, in conjunction with its partner Galderma, to optimise 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.

6.1.1.3.3 Primary care

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 2007, Smecta® had marketing authorizations in over 70 countries.

In 2007, around two thirds of Smecta® sales derived respectively from France and China, the product's main markets.

In 2007, the positive results of 3 trials (2 on children, 1 on adults) strengthened Smecta®'s dossier.

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

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 flavour 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 2007, Forlax® had marketing authorizations in over 60 countries. In 2007, 81.5% of Forlax®'s sales derived from the Major Western European Countries.

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

The main rival drugs are Duphalac® (Solvay Pharma), Transipeg® (Roche Nicholas) and Movicol® (Norgine Pharma).

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 2007, 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.

During the financial year ended 31 December 2007, 65.8% of the sales recorded by Tanakan® 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), 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. More than 8,000 patients are enrolled in the research programmes, and eight clinical studies are currently underway, some being conducted in the United States by the National Institutes of Health. A detailed description of these clinical trials 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. The Group sells Ginkor Fort® chiefly in France, Monaco and Andorra where it derived 92.5% of the product's sales during 2007.

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 from 35% to 15% from 1 February 2006 to 31 December 2007. These drugs have been withdrawn from the list of reimbursable drugs as from 1 January 2008. On 23 August 2007, the Group entered into an agreement with GTF Group to transfer the marketing authorizations of Ginkor Fort® for France, Monaco and Andorra as from 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 (the details of this agreement are set out in section 22.2 of this registration document).

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 2007, these two products generated sales of €53.7 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.

Others

Adrovance®

Active substance and 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, where the product was launched in the second quarter of 2007 and has since generated sales of €2.6 million.

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 Medicament), 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 2007, the Group's consolidated sales came to €920.5 million, 61.3% of which derived from the Major Western European Countries. The following table shows a geographical analysis of consolidated sales for each of the stated periods.

	31 December 2007		31 December 2006	
	in thousand euros	%	in thousand euros	%
Major Western European Countries	564,262	61%	551,674	64%
Rest of Europe	208,121	23%	184,800	21%
Rest of the world	148,092	16%	125,202	15%
Group Sales	**920,475**		**861,676**	

At 31 December 2007, of the 1,557 people comprising the Group's sales force, 784 staff were employed outside the Major Western European Countries, i.e. 20.2% 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 packaging. 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.

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 specialised 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 able successfully to manufacture sustained-release peptide formulations for injection.

Each of the Group's manufacturing facilities focuses on a particular technology to maximise its operational efficiency. For instance, the Dublin site (Ireland) is devoted to the purification and formulation of proteins, while the Dreux plant (France) specialises in the manufacture and packaging 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 minimises 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 2007

Increlex® and Adrovance® were launched in 2007 in France by the Group and Somatuline® Depot was launched in the United States by the Group's partner, Tercica Inc.

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 programme 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 specialised 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 marketing 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. If the application is approved, Dysport® will compete with Botox® (Allergan), another botulinum toxin, which is already well established in the US 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 the sales of the main drugs of the Group

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:

	2007 exercise	
	In thousand euros	As a percentage
Major Western European Countries (1)	143,327	60.9%
Rest of Europe	63,897	27.2%
Rest of the world	27,940	11.9%
Total	**235,164**	**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 2007.

	2007 exercise	
	In thousand euros	As a percentage
Major Western European Countries (1)	89,817	69.2%
Rest of Europe	32,974	25.4%
Rest of the world	7,064	5.4%
Total	**129,855**	**100.0%**

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

6.2.2.1.3 Neuromuscular disorders

The following table shows the geographical breakdown of the sales recorded by Dysport® during the financial year ended 31 December 2007.

	2007 exercise	
	In thousand euros	As a percentage
Major Western European Countries (1)	55,444	43.1%
Rest of Europe	32,174	25.0%
Rest of the world	41,081	31.9%
Total	**128,699**	**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 2007, 65.8% of the sales recorded by Tanakan® were generated in France.

6.2.2.2.2 Cardiovascular

During the financial year ended 31 December 2007, 92.5% 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

Governments continue to introduce various measures to reduce public health spending which have had an impact on 2007 sales and results.

In France, Ginkor Fort®'s price was reduced by 15% in February 2006. Ginkor Fort® generated €38.2 million in sales in France in 2007. 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.

The price of NutropinAq® was also reduced in France by 7% on 1 August 2006 following a decision of the Economic Committee for Health Products.

The French Health authorities also announced a reduction in the level of reimbursement from 65% to 35% and a price reduction of 7% as of 1 January 2007 for Pfizer's product Artotec®, the marketing of which was transferred to Ipsen in 2006.

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 UK Health Minister approved a new price list applicable as from 1 June 2007 which posted price increases of 6.7% to 9.6% for Dysport®, Somatuline® and NutropinAq® compensating a drop in Decapetyl® sales which exceeded the Pharmaceutical Price Regulation Scheme's targets.

6.3.2 Partnerships

Botulinum toxin type A – Reloxin® - North America and Japan. In March 2006, the Group and Inamed rescinded the development and distribution agreement concluded on 30 July 2002 for the products based on botulinum toxin type A, and Ipsen paid Inamed a non recurrent amount of €8.4 million to recover all the rights on Reloxin®. On 20 March 2006, Ipsen and Medicis announced the completion of an agreement whereby Ipsen granted Medicis the rights to develop, distribute, and commercialise Ipsen's botulinum toxin product in the United States, Canada and Japan for aesthetic use by physicians. Medicis paid Ipsen $125.1m in return for the corresponding exclusive distribution rights, and agreed to pay an additional $26.5m upon the successful completion of various clinical and regulatory milestones, $75.0 million upon the product's approval by the US FDA, and $2.0 million upon regulatory approval of the product in Japan, thereby bringing the total sum to $228.6 million. Ipsen will manufacture and supply the product to Medicis for the duration of the agreement, due to expire in September 2019. Ipsen will receive royalties proportional to sales as well as a supply price, the total amounting to approximately 30% of net sales as defined in the agreement.

Besides, Medicis will be responsible for Research & Development costs related to obtaining regulatory approval in the countries concerned.

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 US 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 commercialise Reloxin® in the US 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.

BIM 51077 (GLP-1 analogue): On 19 July 2006, Roche exercised its option of exclusive rights to develop and market Ipsen's patented anti-diabetes compound, BIM 51077 (a GLP-1 analogue) which it held since October 2003. These rights are granted to Roche worldwide with the exception of Japan where they are shared with Teijin (Ipsen's Japanese partner) and in France where Ipsen may choose to exercise its co-marketing rights. The exercise of this option has resulted in Roche paying Ipsen €56 million followed by an additional €1.7 million. Ipsen may also receive an additional total payment of up to €170 million, depending on the success of the clinical development, manufacturing, regulatory and commercial milestones. Moreover, Ipsen will receive royalties 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.

Somatuline® – North America and Increlex® – Europe. Ipsen signed a series of agreements on 13 October 2006 with the US company Tercica Inc. (based in Brisbane, California), as follows:

1) Cross licensing agreements

Tercica granted Ipsen the exclusive licence to develop and market Increlex® worldwide except for the United States, Japan, Canada, the Middle East and Taiwan. Ipsen made an upfront cash payment of €10.0 million to Tercica upon the closing of this transaction, and will pay an additional €15.0 million on approval of the Increlex® Medical Marketing Application in the European Union for the targeted indication. Since Increlex® was launched in the fourth quarter of 2007, in Ipsen's territory, Ipsen has started to pay royalties to Tercica on a sliding scale from 15% to 25% of net sales, in addition to a supply price of 20% of net sales of the product.

The Group granted Tercica Inc. the development and commercialisation rights for Somatuline® Autogel® in the United States and Canada. At the closing of the transaction, Tercica Inc. paid the Group an initial payment of $25.0 million and paid an additional €30 million when Somatuline® Depot was approved in the United Sates in the targeted indication on 30 August 2007. These milestones are financed through the issuance by Tercica of convertible notes to Ipsen (see below).

Once Somatuline® Autogel® was launched in Tercica's territories, the latter started to pay Ipsen royalties on a sliding scale of 15 to 25% of net sales, in addition to a supply price of 20% of net sales of the product.

2) Equity investment and convertible notes

- At the closing of the transaction.
  - **Equity stake:** The Group acquired newly issued shares in Tercica Inc. common stock, representing a 25% stake (post transaction, on undiluted basis) at $6.17 per share. Consequently, Ipsen's total cash investment amounts to $77.3 million.
  - **Convertible note 1:** The milestone of $25 million by Tercica Inc. to the Group for the rights to Somatuline® Autogel® described above was financed through the issuance by Tercica of a convertible note to Ipsen for a principal amount of $25 million. The note, which will mature 5 years from the date of closing, carries a coupon of 2.5% and is convertible into Tercica common stock at a conversion price of $7.41 per share.
  - **Warrant:** 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.
- Upon approval of Somatuline® Depot in the United States for the targeted indication.
  - **Convertible note 2:** The milestone of $30 million by Tercica Inc. to the Group on approval of Somatuline® Depot was financed through the issuance by Tercica of a convertible note to Ipsen for a principal amount of $30 million. The note, which will mature 5 years from the date of closing, carries a coupon of 2.5% and is convertible into Tercica common stock at a conversion price of €5.92 per share.
  - **Convertible note 3:** Tercica Inc. issued to the Group a convertible note for a principal amount of $15.0 million.

The note, which will mature 5 years from the date of closing, carries a coupon of 2.5% and is convertible into Tercica common stock at a conversion price of $7.41 per share. The Group purchased these notes for cash.

Overall, these instruments allow the Group to increase its stake holding in Tercica to up to 40%, on a post transaction and on a fully diluted basis. Should Ipsen decide not to convert the notes, they would be repaid in cash at maturity. Pursuant to the agreement between the Group and Tercica Inc., the Group has appointed two members to Tercica's nine-member Board of Directors and also benefits from an approval right related to specified material transactions and actions by Tercica Inc.

Acapodene® – Europe: On 7 September 2006, Ipsen signed with the company GTX Inc. (Memphis, Tennessee, USA) an exclusive licence agreement for the development and commercialisation of Acapodene® in all its indications with the exception of breast cancer, in the European Union, Switzerland, Norway, Iceland, Liechtenstein and the Community of Independent States (CIS). Ipsen paid GTX Inc. an initial payment of €23 million which may be followed, upon the product's successful development and the launch in Europe in its different indications, by additional milestone payments totalling up to €39 million. As of the date of the signature of this agreement, Ipsen will be responsible for the development, registration and launching costs of Acapodene® in Europe, and also, under certain conditions, for part of the development costs borne by GTX Inc. to develop the product in the United States. Ipsen will pay GTX Inc. royalties amounting to approximately 15% of sales, but which may rise to approximately 25% based on the price reached. Ipsen will be responsible for manufacturing the finished product.

Botulinum toxin type A® – Europe and other territories: On 26 February 2007, the Group granted Galderma exclusive development, promotion and distribution rights for a specific formulation for the aesthetic medicine indications of its botulinum toxin type A product in the European Union, Russia and certain territories in Eastern Europe and the Middle East, as well as rights for future formulations. In addition, Ipsen also granted Galderma first rights of negotiation for aesthetic medicine indications in the rest of the world, excluding the United States, Canada and Japan. Galderma will pay the Group an initial milestone of €10 million and up to an additional €20 million if certain conditions are satisfied, such as marketing authorization and product launches on certain territories. In addition Galderma will pay the Group an extra sum, to be determined, for the rights in Russia. The Group will manufacture and supply Galderma's finished product at a fixed supply price and Galderma will pay Ipsen royalties based on sales, which will represent approximately 40% of Galderma's net sales. This agreement is due to expire in September 2019, and may be renewed by Galderma subject to certain conditions for a total of 30 years. On 6 December 2007, the Group and Galderma, announced that they had entered into a new partnership for the exclusive promotion and distribution ofIpsen's Dysport®, for use in aesthetic medicine and dermatological indications in Brazil, Argentina and Paraguay.

Adrovance® – France: On 30 January 2007, the Group and MSD announced a co-marketing agreement which grants the Group the right to use Adrovance®. 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.

Ginkor Fort® – France – On 23 August 2007, the Group and GTF announced that they had signed an agreement to transfer the marketing authorizations of Ginkor Fort® 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. Under the agreement, GTF will pay to Ipsen €10.5 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.

Decapeptyl® – Europe and certain other territories – On 31 October 2007, the Group and Debiopharm, announced the extension of their agreement, governing the Group's leading product Decapeptyl®. Pursuant to the terms of the agreement, Ipsen exclusively in-licenced from Debiopharm know-how and new patent applications for the commercialisation rights of Decapeptyl® in the world excluding North America, and some other countries (Sweden, Israel, Iran and Japan). This new agreement will last for a minimum of 5 years after the patent expiry of the current marketed formulations in July 2010. 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 and is expected to be filed by Debiopharm in 2008. Under the terms of this agreement, the royalties paid by Ipsen to Debiopharm until July 2010 will remain unchanged. After this date, Ipsen will continue to pay royalties on its sales of all formulations of Decapeptyl®. Ipsen and Debiopharm will share development costs of the 6-month formulation once it is approved in one major country in Europe. Ipsen will thereafter exclusively purchase Decapeptyl® (triptorelin pamoate) 6-month from Debiopharm's cGMP2 FDA inspected development and production facility in Martigny, Switzerland, whilst the royalty rate for the entire franchise will stand in the mid-single digit range.

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 in the developments described in section 6.1 and 6.2 of this registration document, in which the Group identifies its principal rivals. IMS, which specialises 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 rivals. In addition, the sales figures of the Group's rivals 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 two methods of securing marketing authorization for drugs.

The centralised procedure and the mutual recognition procedure. With the centralised procedure, an application for marketing authorization is filed directly with the EMEA (based in London), which covers all the countries in European Union. This procedure is obligatory for all biotechnology products and is optional for other new chemical entities. 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 only when the product is registered in a single member state of the European Union, when the company is seeking to extend registration of an existing product to other countries or when the centralised procedure is not obligatory. A national authorization system remains in place for local registrations limited to just one country.

Manufacturing facilities located in Europe are subject to inspections and require authorization from national bodies.

For all health products in France, the AFSSAPS 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 AFSSAPS also participates in EMEA's pan-European evaluation and control systems.

In the United States, the FDA regulates and controls clinical trials, authorizations, manufacturing, labelling and packaging of drugs destined for sale in the United States. The FDA also controls all the drugs currently available for sale on the US market. 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.

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, package, 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 authorised to start up their Operations.

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 1January 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 0.6% in 2005, 1.76% in 2006 and 1% in 2007. This contribution, which is not tax deductible, trimmed the Group's operating profit in 2007 by €3.4 million. (vs. €6.2 million in 2006).

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

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

7

CORPORATE STRUCTURE OF THE GROUP

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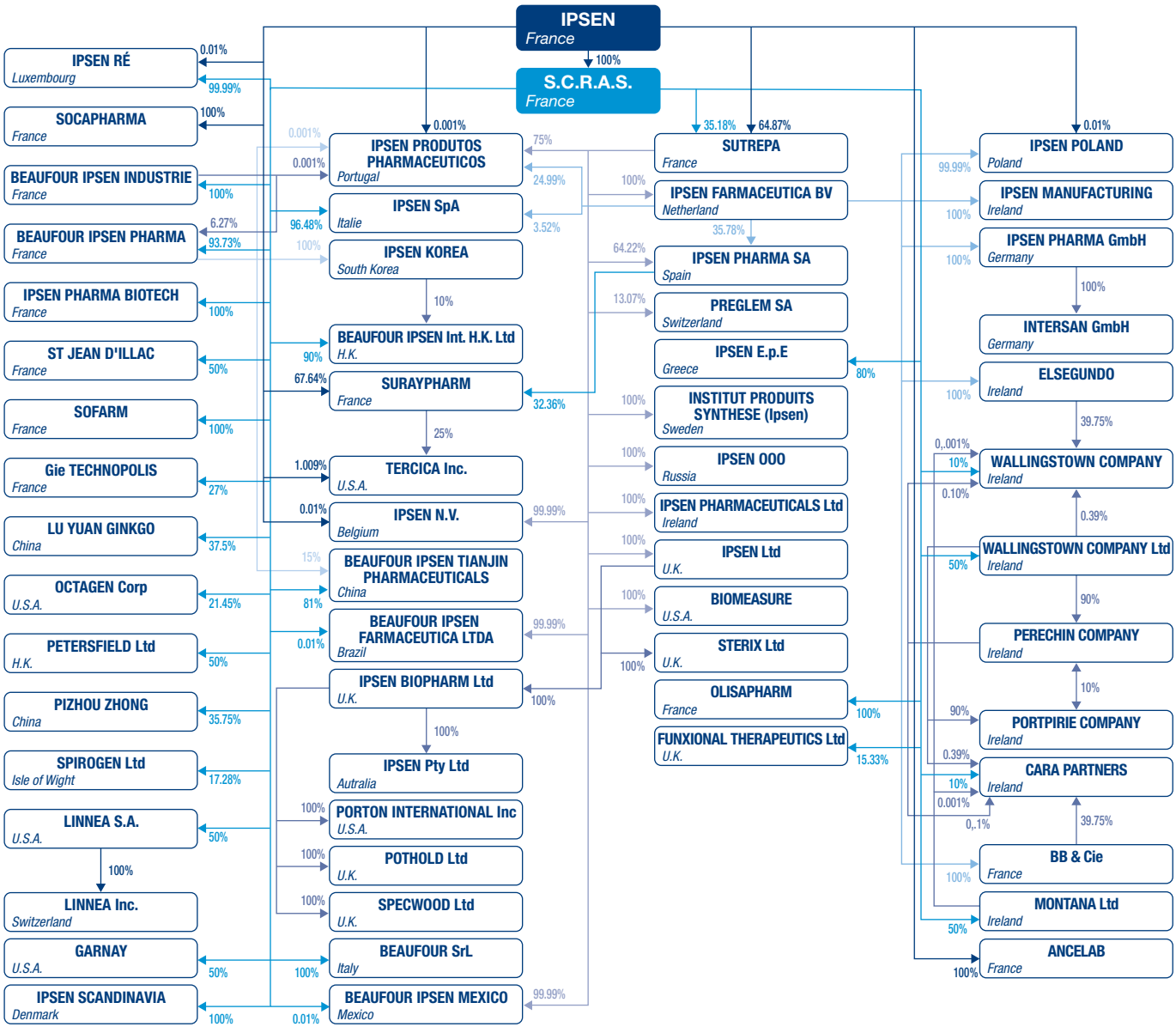
7.1 MOTHER-SUBSIDIARIES RELATIONSHIP

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. Eleven million euros have been invoiced by Ipsen SA in 2007 with regards to these senior managers. The mandate of each member of the Group Management Committee in each affiliate is described in Chapter 14.1.4. The Group comprises 41 affiliates which are consolidated as set forth in Chapter 20.1.32.: 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 2007



7.3 RESTRUCTURING

In July 2007, the Group reorganized its organisational structure by contributing most of its foreign assets currently held by the Company and its subsidiary SCRAS to the french subsidiary Sutrepa.

This contribution in-kind to Sutrepa is an internal reorganization of Ipsen Group in order to simplify its organisational structure by contributing most of foreign assets to a french subsidiary.

This reorganization had no consequence on the scope of the Ipsen Group's activities.

Since this is a contribution of shares representing control the contribution was made at net book value as at 30 June 2007.

The assets contributed by the Company and SCRAS to Sutrepa are the following:

- 100.00% of the share capital and voting rights of Biomeasure Inc (United States);
- 100.00% of the share capital and voting rights of Ipsen Ltd (United Kingdom);
- 99.98% of the share capital and voting rights of Ipsen NV (Belgium);
- 64.21% of the share capital and voting rights of Ipsen Pharma SA (Spain);
- 100.00% of the share capital and voting rights of Ipsen Pharmaceuticals Ltd (Ireland);
- 75.00% of the share capital and voting rights of Ipsen Produtos Farmaceuticos SA (Portugal);
- 100.00% of the share capital and voting rights of Institut Produits Synthèse (IPSEN) AB (Sweden);
- 99.99% of the share capital and voting rights of Beaufour Ipsen Mexico SRL de CV (Mexico);
- 100.00% of the share capital and voting rights of Ipsen Farmaceutica BV (The Netherlands).

These assets were contributed to Sutrepa by the process of contribution in kind provided in article L 225-147 of the Commercial Code. By order of 13 April 2007 of the President of the Paris Chamber of Commerce, Mr Alain Auvray and Mr Gérard Varona have been appointed as auditors for the contribution in kind.

The contribution auditors have certified that the valuation was not overvalued and was at least equal to the capital increase of Sutrepa plus the contribution premium.

8 PROPERTY, PLANT AND EQUIPMENT

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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. At these plants producing active substances, the Group processes its raw materials, which chiefly comprise natural clays, natural plant extracts, *Ginkgo biloba* and solid phase peptides.

The second phase of the Group's manufacturing process takes place at secondary locations, where secondary dosage formulations are manufactured and packaged, and where protein products are purified and formulated.

In addition to its research and 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.

The Group operates the following industrial and agricultural sites:

Location	Principal products	Specialisation
Dreux (France)	All primary care finished products	High-volume oral formulations, 999 million sachets, 795 million tablets, 314 million dry powder capsules, 76.5 million packs for sale, 11,320 tonnes distributed. Analytical development and production of medicinal products for clinical trials.
Signes (France)	Decapeptyl® Somatuline®	Sustained-release peptide formulations for injection.
L'Isle-sur-la-Sorgue (France)	Semi-finished Smecta®	API plant, manufacturing more than 2,800 tonnes of therapeutic clay per year, used for gastroenterology products.
Wrexham (United Kingdom)	Dysport®	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 equipement, 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, health and safety 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. REACH has entered into force on 1st June 2007 and the Group is currently analysing the requirements of this regulation.

The aim is to improve the protection of human health and the environment. At the same time, innovative capability and competitiveness of the EU chemicals industry should be enhanced.

The Group also operates a manufacturing facility in Switzerland. Swiss environmental, health and safety 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, health and safety 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, health and safety regulations.

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: further efforts to achieve greater energy efficiency

The Group's energy consumption totalled 127,067,245 kWh in 2007, compared with 131,253,847 kWh in 2006, representing a decrease of 3.2%, compared with a rise of 5.0% between 2005 and 2006.

This decrease in energy consumption occurred while there was a strong rise in production volumes at most facilities and a growth totalling more than 10.0% in sales volumes. This improved energy efficiency was the result of deliberate efforts to reduce consumption at most plants.

The Wrexham facility (United Kingdom) posted an increase of 7.9% in its energy consumption between 2006 and 2007 whilst sales rose by 27.7%, a good performance due to a major awareness-raising campaign and a better yield. Energy consumption at the Signes facility slightly increased by 1.9% in 2007, while its production rose by 12.3%, thanks to an optimization of gas uses. Energy consumption at the Dublin plant significantly decreased by 21.2% between 2006 and 2007 while the production volume increased by 39.1%. This result is due to the implementation of energy management programmes. Besides, the energy consumption at the Dreux plant remained stable with a very light increase of 0.5% while there are a good rise in production by 7.0% and the implementation of new intallations.

The ratio of energy consumption to sales posted a satisfactory decline of 9.4% to 138.0 kWh per thousand euros in 2007 from 152.3 in 2006 on a rise of 6.8% in consolidated sales volumes compared with 2006.

Consumption by energy source:

Electricity	45%
Gas	43%
Fuel oil	12%

The proportion of energy consumption accounted for by electricity is rising steadily, with the proportion generated by fuel oil and gas moving in the opposite direction. Locarno remains the principal facility still using fuel oil, accounting for 71% of the Group's fuel oil consumption during 2007. The facilities of the Group using fuel oil recorded a decrease of their consumption by 16% between 2006 and 2007. The Group is currently replacing fuel oil installations in Tianjin by gas, which would improve this ratio in the future.

In 2007, some sites set up or reinforced employee awareness-raising campaigns in an aim to develop exemplary behaviour as regards energy consumption.

Water consumption: tightly controlled consumption in spite of growth in sales

The Group's water consumption came to 1,583,872 m^3 in 2007, representing a reduction of 22.5% on the 2,044,144 m^3 recorded in 2006. This significant decrease resulted from a better control of the water use in manufacturing processes. This was possible thanks to initiatives taken to recycle manufacturing and washing process water, and also due to systematic investigations to detect water losses. Nevertheless, some facilities more largely contributed to this water consumption decrease.

The plantation facility of Saint-Jean-d'Illac indeed recorded the strongest decrease of the water consumption by 56% between 2006 and 2007 due to weather conditions (rainy summer) and a drop by 4.0% of production volume. Significant improvements also occurred at Wrexham thanks to awareness programmes and a rainy summer.

The facility at Dreux drastically diminished its water consumption by 24.0% between 2006 and 2007 due to systematic recycling of cooling waters associated with rainy weather conditions. The same situation was noticed at Locarno where cooling needs and treatment losses have been reduced leading to a reduction of water consumption by 12%.

Finaly, the Isle-sur-la-Sorgue facility recorded a decline of 4.0% for this indicator while the production volume grew by 2.3%. This lessening was linked to changes made to manufacturing processes (better water usage due to new pumps installation) and to awareness campaign of the personal on wastage.

The ratio of water consumption to sales posted a very encouraging decline of 27.5% to 0.65 m^3 per thousand euros compared with 2006.

The water supply mix at our facilities have undergone a change, with well water decreasing by 3.0% to 69.1% of the total, down to 70.0% one year earlier. This trend was attributable to the near-shutdown of the well water operations at the Dreux plant and the capacity optimization for the pumping installation at Isle-sur-la-Sorgue facility.

Solid and liquid waste

The Group produced 15,280 tonnes of waste in 2007, versus 16,335 tonnes in 2006, representing a decrease of 6.4%, whilst an ever-increasing production volume over the same period.

Production of solid waste notably declined by 12.5% in 2007 across the Group as a whole. The facilities of Locarno and the Isle-sur-la-Sorgue reduced their waste production, respectively by 12.0% and 18.0%, attributable to process manufacturing improvements. Only the plant of Dublin degraded its indicator with a notable growth of 30.0%, which nevertheless remained in line with the escalating production rate of 39.1%.

Recycling is still by far the main way for managing wastes. 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 since 2005 and in Isle-sur-la-Sorgue since 2006.

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

The diminishment in the Group's overall waste volumes in spite of higher production shows the benefits deriving from implementation of the Group's management policies for both solid and liquid waste. Concerning the liquid waste, the Group showed a favourable variance with a decrease by 2.7%.

Consequently, the ratio of waste to sales decreased by 12.4%, which demonstrates a very positive trend.

Group's waste treatment mix during 2007 was as follows:

Recycling	84.1%
Incineration	11.3%
Landfills	4.6%

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

Atmospheric emission: improvement in quality of discharges into the air

The Group has made ongoing efforts over the past few years in this area, scrapping the use of fuel oil in Dublin at the end of 2003 and at Dreux from 1 January 2005 and the plan to do the same in 2007/2008 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 renewing its plant with special emphasis on modern and more efficient processes, such as changing the gas burners at the Dreux facility.

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

Liquid effluents: encouraging trend in the effluent to sales ratio

Group-wide effluent volumes dropped by 4.4% to 433,192 m^3 in 2007, compared with 452,993 m^3 in 2006.

All the plants recorded lower or stable effluent volumes thanks to specific reprocessing measures and/or efforts to curb inputs, especially at the Isle-sur-la-Sorgue plant. This reduction in the volume of water discharges was attributable to improved treatment of the sludge sent to landfill and thus better quality water discharges. Besides and independently from initiatives taken to recycle manufacturing and washing process water, the extensive increase in production volume between 2006 and 2007 was efficiently mastered and

controlled. Moreover the contribution of awareness campaign to optimize the water usage showed positive impacts.

In addition, a strong decrease of effluents was noticed at Dreux and is mainly explained by the osmosor shutdown and partially by weather reasons.

Given the increase in the Group's sales, the effluent to sales ratio posted a very encouraging decline of 10.5% to 0.47 m^3 per million euros during 2007 compared with 2006 (0.53 m^3 per million euros).

Noise

No particular noise issues were reported at the Group's manufacturing facilities that caused nuisance to neighbours (nuisance was restricted to uninhabited environments).

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 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 equilibriums, 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 Operations, particularly its manufacturing facilities in Western Europe and in China, comply with the environmental, health and safety 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. Meanwhile, the Wrexham plant secured in 2007 the Green Dragon Level 3 certification from the local environmental authorities, demonstrating the success of its corporate initiatives. The plant was also rewarded during the annual ROSPA (Royal Society for Prevention of Accidents) event, ROSPA being an organisation deeply involved in the accident preventions and in the implementations of safety processes.

In addition, the Cork plant in Ireland which embarked in 2005 on a process of ISO 14001 version 2004 certification and which audit was scheduled for mid-2007 is currently in process to obtain the certification.

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. Up to end of 2007, the gap analysis had occurred and defined action plans are ongoing.

■ 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 2007 linked to environmental protection were as follows:

- setting compliance for water reprocessing equipment and implementation of shutter raining water pipe at Isle-sur-la-Sorgue facility;
- extension of an automatic fire extinguishing system and implementation of new storage area at Dublin plant;
- replacement of a fuel burner by a gas burner at Tianjin facility.

In addition to this expenditure, the Group maintained campaigns during 2007 at most of its facilities to raise users' awareness about energy consumption, and all energy-consuming investments are now assessed and undergo an energy review by the Group's industrial department.

■ 8.2.2.5 Internal management resources for environmental issues

Responsibility for environmental protection at each plant is assigned to a person identified by name. In 2007, 22 staff were involved in this organisation across the Group as a whole. It is managed by the head of the Quality-Environment-Health & Safety function for the whole of the Group's Industrial department.

Specific measures to treat a case of accidental pollution were implemented at five of the 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 and 2007, 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.

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Review of full year 2007 results

Consolidated Group sales reached €920.5 million, up 6.8% year-on-year. This increase was fuelled by the strong growth in endocrinology and neuromuscular disorders franchises, up 19.7% and 13.6% respectively over the period, and by the strong performance of gastro-enterology products in international markets, up 9.2% year-on-year, partly offset by slower sales in France, notably of Tanakan® and Ginkor Fort®, both products suffering from price cuts respectively enforced in July 2007 and March 2006. Price pressure negatively impacted Ipsen's consolidated sales growth by 2.1 points representing €17.9 million. This performance is line with the Group's objective set a year ago to grow its sales by 6.5 to 7.5% year-on-year.

Other revenues reached €73.3 million, down 12.3% year-on-year. In 2007, the Group ceased billings for Research & Development services within the framework of partnership agreements, mainly with Roche for the development of BIM 51077.

Total revenues therefore reached €993.8 million during the period, up 5.1% year-on-year. This performance is slightly above the objectives set by the Group a year ago (of growing total revenues by 4.0 to 5.0% year-on-year).

Research & Development expenses amounted to €184.7 million, up 3.6% year-on-year, despite lower revenues received from third parties stemming from partnership agreements (notably BIM 51077), implying a 7.9% increase in self-financed Research & Development effort.

Operating income reached €208.9 million in 2007, up 11.6% year-on-year, despite the significant negative impact of price cuts in major Western European countries and the fall of other revenues. Operating margin stood at 22.7% of sales versus 21.7% a year ago.

The Group's effective tax rate in 2007 reached 25.3% of net profit from continuing operations before tax and the Group's loss from associates, compared with a reported effective tax rate of 21.8% a year ago and with a recurring effective tax rate of 25.9% in 2007.

The Group's loss from associates amounted to €(8.8) million ($(12.0) million) and was solely composed of the Group's share in the net losses of Tercica Inc. for the year 2007, stated as required under IFRS. Tercica Inc. has been reported under the equity method in the Group's financial statements since October 2006.

Consolidated net profit for 2007 reached €151.1 million, up 4.5% compared with €144.5 million in 2006.

9.1. SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE PERIOD

9.1.1 Partnerships

■ 9.1.1.1 Somatostatin analogue and growth hormone antagonist

On 24 January 2007, Ipsen announced it had acquired an international patent application filed on 13 April 2006 by Erasmus University Medical Centre Rotterdam (Erasmus MC) in the Netherlands, for the co-administration of a somatostatin analogue and a growth hormone antagonist for the treatment of acromegaly. The application is based on clinical findings by Professor van der Lely, Head of Endocrinology in the Department of Internal Medicine at Erasmus MC. Preliminary clinical data suggest that the combined treatment of acromegaly with monthly long-acting somatostatin analogue(s) and weekly subcutaneous pegvisomant administration is effective, might increase compliance and could greatly reduce the costs of medical treatment in some patients.

Under the terms of the agreement, Ipsen paid Erasmus MC an upfront payment of €1.25 million and up to €8.75 million in additional milestone payments if certain conditions are met, notably upon patent issue and market approvals of the product for the corresponding indication.

On 4 December 2007, Ipsen and Erasmus University Medical Centre Rotterdam (Erasmus MC) announced that they had extended their alliance by concluding a collaboration agreement to identify and progress therapeutic concepts and innovative products within the fields of endocrinology, diabetes and metabolism. Moreover, Erasmus Research Institute for Neuroendocrinology (ERINE) was established recently within the Internal Medicine Department of Erasmus MC.

Ipsen and ERINE research teams will meet regularly to identify new therapeutic opportunities leading to novel pharmaceutical compounds, or the identification of novel indications for products marketed in endocrinology. The parties will identify and validate targets of mutual interest and test compounds in order to produce lead candidates for further development. All joint inventions will be owned by Erasmus MC with Ipsen having an exclusive option to licence and commercialise these inventions.

■ 9.1.1.2 Adrovance®

On 30 January 2007, the Group and MSD announced a co-marketing agreement which grants the Group the right to use Adrovance® in France. 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. Adrovance® reduces the risk of vertebral and hip fractures. MSD currently markets this product under the brand name Fosavance®.

Under the terms of the agreement, Ipsen source the product from MSD, market and sell it under the brand name Adrovance® in France since April 2007.

9.1.1.3 Botulinum toxin type A, in aesthetic medicine indications

On 26 February 2007, Ipsen and Galderma announced that they had entered into a partnership for the development, promotion and distribution of Ipsen's botulinum toxin type A for use in aesthetic medicine indications in Europe and certain other territories.

The Group granted Galderma exclusive development, promotion and distribution rights for a specific formulation for the aesthetic medicine indications of its botulinum toxin type A product in the European Union, Russia and certain territories in Eastern Europe and the Middle East, as well as rights for future formulations.

In addition, Ipsen also granted Galderma first rights of negotiation for aesthetic medicine indications in the rest of the world, excluding the United States, Canada and Japan. Galderma will pay the Group an initial milestone of €10 million and up to an additional €20 million if certain conditions are satisfied, such as marketing authorisation and product launches on certain territories.

In addition Galderma will pay the Group an extra sum, to be determined, for the rights in Russia. Ipsen will manufacture and supply Galderma's finished product at a fixed supply price. In addition, Galderma will pay royalties to Ipsen. The total of transfer price and royalties received by Ipsen will be approximately 40% of Galderma's net sales. This agreement is due to expire in September 2019, and may be renewed by Galderma subject to certain conditions for a total of 30 years.

Ipsen and Galderma will now work together on the development and regulatory strategy of the product in aesthetic medicine indications in the European Union and the other territories. The specific formulation for the aesthetic medicine indication is currently under regulatory review in France, for approval and subsequent registration in the European Union. 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 while Galderma will own the trademark and/or trademark rights in aesthetic medicine indications.

On 6 December 2007, Ipsen and Galderma announced that they had signed a new partnership for the exclusive promotion and distribution of Dysport®, Ipsen's botulinum toxin type A product for use in aesthetic medicine and dermatological indications in Brazil, Argentina and Paraguay.

The agreement, which came into force in January 2008 in Brazil and Argentina and will be applicable in Paraguay, once approved in aesthetic medicine and dermatological indications, is for an initial five-year term that can be extended for an additional five-year period once Galderma achieves the agreed sales targets. Ipsen will manufacture and supply Dysport® 500 unit vials to Galderma at a supply price. In consideration for the rights granted by Ipsen to Galderma under the agreement, Galderma will pay Ipsen an undisclosed upfront milestone. In neuromuscular disorder indications Ipsen will continue to promote Dysport® 500 unit vials in Brazil, Argentina and Paraguay.

9.1.1.4 Selected range of compounds in a number of specific potential indications in the field of reproductive medicine

On 27 June 2007, Ipsen announced that it had executed a licence agreement with PregLem SA, a biopharmaceutical company specialising in the treatment of benign gynaecological conditions and infertility.

Under the terms of the agreement, Ipsen grants PregLem worldwide development and commercialisation rights to a selected range of compounds in a number of specific potential indications in the field of reproductive medicine. The compounds include steroid sulphatase inhibitors and somatostatin antagonists, which are mostly at an early stage of development. Ipsen also assigns to PregLem certain patent rights applicable in the treatment of human infertility. In return, Ipsen will receive royalties on future sales of products successfully developed by PregLem.

Sutrepa (an affiliate of Ipsen) has taken a minority equity stake in the company and has appointed a representative to PregLem's board of directors. Additional shareholders in PregLem SA include the investors Sofinnova Partners and Sofinnova Ventures, NeoMed Innovation, MVM Life Sciences and the founders.

9.1.1.5 Ginkor Fort®

On 23 August 2007, Ipsen announced that it had signed an agreement with GTF Group to transfer the marketing authorisations of Ginkor Fort® for France, Monaco and Andorra as from 1st January 2008. Ipsen also granted to GTF an exclusive licence of 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 from 1st January 2008 on. Under the agreement, GTF will pay Ipsen €10.5 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.

9.1.1.6 BN 83495

On 17 September 2007, bioMérieux and Ipsen announced that they had signed an agreement by which bioMérieux will develop a companion test for a new breast cancer drug undergoing clinical evaluation by Ipsen. The development will be co-funded by bioMérieux and Ipsen. Ipsen is developing a novel breast cancer therapy, BN 83495, targeting the steroid sulfatase enzyme (STS). The new drug, designed to block this marker found in hormone-dependent breast cancer in postmenopausal women, is currently in phase I clinical development.

bioMérieux will devise a companion assay to determine the patients best suited to benefit from the new STS inhibitor treatment. The assay is intended for both clinical development of the Ipsen drug and a diagnostic test, potentially for future commercialisation. The test will be developed on bioMérieux's NucliSENS EasyQ® molecular diagnostics platform, using the company's proprietary NASBA® amplification technology.

9.1.1.7 BA058/ex BIM 44058

On 17 September 2007, Ipsen announced that Radius Health ("Radius") had granted Novartis an option to obtain an exclusive worldwide licence (except Japan) to develop and commercialise all formulations of BA058. The bone anabolic candidate BA058, a PTHrP (*parathyroid hormone-related*

protein) analogue, is currently in phase II clinical studies conducted by Radius for the treatment of osteoporosis. In September 2005, Radius acquired from Ipsen exclusive rights to BA058 (a former Ipsen proprietary compound previously referred to as BIM44058,) on a worldwide basis with the exception of Japan, where Ipsen previously granted an exclusive licence for BA058 to the Japanese group, Teijin.

In the event that Novartis exercises the option to licence BA058, Novartis would assume the global (except Japan) clinical development, manufacturing, and marketing of BA058 and all associated costs. Radius would receive payments upon the exercise of the option and on successful completion of certain development, regulatory, and commercial milestones. These payments together could total more than $500 million. In addition, Radius would be eligible to receive royalties on product sales and has retained the option to co-commercialise BA058 in the United States. Of this amount, Radius would in turn pay to Ipsen development, regulatory and commercial milestones that could total up to $125 million, as well as royalties calculated on a pro rata sales basis. Additional terms were not disclosed.

■ 9.1.1.8 Triptorelin

On 31 October 2007, Ipsen and Debiopharm, a global independent biopharmaceutical development specialist in oncology and serious medical conditions, announced an extension of their agreement whereby Ipsen exclusively in-licences know-how and new patent applications for the commercialisation rights of Decapeptyl® (triptorelin pamoate) in the world excluding North America and certain other countries (such as Sweden, Israel, Iran and Japan). This new agreement will last for a minimum of 5 years after the patent expiry of the current marketed formulations in July 2010. It further enables Ipsen to access future sustained-release formulations of Decapeptyl®1 developed by Debiopharm, among which is a 6-month sustained-release formulation that has completed phase III clinical trials and is expected to be filed by Debiopharm in 2008.

Ipsen will thus be able to propose Decapeptyl® in a wider range of treatment regimens, allowing further adaptation to the therapeutic needs of cancer patients.

Under the terms of this agreement, the royalties paid by Ipsen to Debiopharm until July 2010 will remain unchanged. After this date, Ipsen will continue to pay royalties on its sales of all formulations of Decapeptyl®. Ipsen and Debiopharm will share development costs of the 6-month formulation once it is approved in one major country. Ipsen will thereafter exclusively purchase Decapeptyl® (triptorelin pamoate) 6-month formulation from Debiopharm's cGMP2 Food and Drug Administration (FDA) inspected development and production facility in Martigny, Switzerland, whilst the royalty rate for the entire franchise will stand around 5%. This agreement comes after Ipsen announced on 11 June 2007 that the preliminary data from the ongoing phase III study for its investigational 4-month formulation of triptorelin do not support the expected sustainable blood levels of triptorelin for a duration of 4 months in all patients. Therefore, Ipsen has decided not to perform the second administration as planned in the protocol. No safety concerns have been observed throughout the trial. At the end of their respective monitoring period, patients will be switched to appropriate approved treatment.

■ 9.1.1.9 Biomarkers

On 20 November 2007, Celera, an Applera Corporation business, and Ipsen announced that they had entered into a research collaboration to develop biomarker and pharmacogenomic tests for growth failure patients. The initial phase of the collaboration will 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 Ipsen's clinical trials, which would potentially form the basis for commercial companion diagnostic tests for Ipsen's short stature therapies. Celera will receive an undisclosed payment for the initial phase of this multi-year collaboration, and any future payment will depend on success of the initial phase.

9.1.2 Registration of new products

9.1.2.1 Increlex®

On 9 August 2007, Ipsen announced that the European Commission had granted marketing authorisation for Increlex® (mecasermin) 10 mg/ml solution for injection in the European Union. The indication approved is for the long-term treatment of growth failure in children and adolescents with severe primary insulin-like growth factor-1 deficiency (severe primary IGFD).

Increlex® was designated as an orphan medicinal product in the European Union on 22 May 2006. The European marketing authorisation provides Increlex® a ten-year marketing exclusivity for the treatment of severe Primary IGFD.

In October 2006, Tercica Inc. granted Ipsen the development and commercialisation rights for Increlex® in Europe and certain other territories in return for the payment of €10 million.

According to the terms of the agreement, the approval of Increlex® marketing authorisation in the European Union triggers a €15 million milestone payment by Ipsen to Tercica Inc..

9.1.2.2 Somatuline® Depot

On 31 August 2007, Ipsen announced that the US Food and Drug Administration (FDA) had approved for marketing Somatuline® Depot (lanreotide) Injection 60, 90 and 120 mg in the United States.

Somatuline® Depot is indicated for the long-term treatment of acromegaly in patients who have had an inadequate response to surgery and/or radiotherapy, or for whom surgery and/or radiotherapy is not an option. Somatuline® Depot will be available in a pre-filled syringe eliminating any need for reconstitution and thus enabling freedom of straightforward administration to patients.

In October 2006, granted Tercica Inc. the development and commercialisation rights for Somatuline® Depot in the United States and Canada in return for a milestone payment of $25 million.

According to the terms of the agreement, FDA approval of Somatuline® Depot triggers a €30 million milestone payment that Tercica inc. will pay to Ipsen by issuing a convertible note (convertible note 2) to Ipsen for the principal amount of €30 million. The note, which will mature in October 2011, carries a coupon of 2.5% and is convertible into Tercica Inc. common stock at a conversion price of €5.92.

FDA approval also triggered the issuance of a third convertible note (convertible note 3) in compliance with the agreement signed in October 2006 for a principal amount of $15 million. This note which will mature in October 2011 carries a coupon of 2.5% and is convertible into Tercica Inc. common stock at a conversion price of $7.41. Ipsen will purchase this note for cash.

9.1.3 Application for marketing authorisation

9.1.3.1 Dysport®

On 6 December 2007, Ipsen announced that it had submitted a Biologics Licence Application (BLA) for Dysport® for Injection in cervical dystonia to the Food and Drug Administration (FDA) in the United States for treatment of patients with cervical dystonia. In accordance with United States regulations, the FDA will now be conducting a technical screening of the application to ensure that sufficient data and information have been submitted to justify the final review of the dossier by the Center for Drug Evaluation and Research.

Dysport® has been granted orphan product status by the FDA as a treatment for cervical dystonia, an orphan disease in the United States. The BLA submission relies on data from two pivotal phase III studies performed in the United States and abroad totalling 252 patients followed up for up to 12 treatment cycles, in addition to substantial patient exposure in other clinical studies in cervical dystonia.

9.1.3.2 Reloxin®

On 6 December 2007, Ipsen and Medicis announced the submission of the Biologics Licence Application ("BLA") for Reloxin® to the US Food and Drug Administration (FDA) for aesthetic medicine indications. Upon FDA's acceptance of the Reloxin® filing, Medicis will pay Ipsen approximately $25 million in accordance with the agreement between the parties.

9.1.4 Government measures

European governments continue to introduce various measures to reduce public health spending which have had an impact on 2007 sales and results:

- Ginkor Fort®'s price was reduced by 15% in February 2006. Ginkor Fort® generated €38.2 million in sales in France in 2006. 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 would then be withdrawn from the list of reimbursable drugs from 1 January 2008.
- The price of NutropinAq® was reduced in France by 7% on 1 August 2006 following a decision of the Economic Committee for Health Products.
- The French health authorities announced a reduction in the level of reimbursement from 65% to 35% and a price reduction of 7% as of 1 January 2007 for Pfizer's product Artotec®, the marketing of which was transferred to Ipsen in 2006.
- On 26 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 the Official Journal noticed a 10% price reduction on Tanakan® in France.

- The UK Government's Department of Health approved a new price list applicable as from 1 June 2007 which posted price increases of 6.7% to 9.6% for Dysport®, Somatuline® and NutropinAq® compensating an over-recovery of savings on Decapetyl® sales which exceeded the Pharmaceutical Price Regulation Scheme's set up in 2005.

9.1.5 Liquidity agreement / Share repurchase programme

■ 9.1.5.1 Share repurchase programme

On 25 January 2007, the Board of Directors decided to cover the 533,334 stock purchase options granted pursuant to the provisions of article L. 225-177 of the French *Code de Commerce* within the framework of its share buyback programme launched on 2 June 2006. The Company has signed an agreement with a financial institution governing the implementation of this programme.

To guarantee all its commitments in respect of this contract, Ipsen SA has pledged cash collateral in favour of the financial institution. Ipsen paid €6 million at the closing of the contract on 19 February 2007. Ipsen also paid the institution an additional €6 million on the following two dates: 4 April 2007 and 18 May 2007. On 4 September, the date of delivery, the ownership (together with the risks and benefits) of the shares purchased (535,000) by the financial institution was transferred to Ipsen at the agreed purchase price (€19.9 million).

On 17 December 2007, within the framework of the above mentioned share buyback programme, the Group mandated a financial institution until 31 December 2007 to repurchase the agreed number of shares for the agreed amount. At 31 December 2007, the Group had acquired 125,000 shares for €5.1 million.

■ 9.1.5.2 Liquidity agreement

On 23 February 2007, Ipsen announced that it had terminated the liquidity agreement which it had signed with Exane BNP Paribas on 16 January 2006. The following assets appeared on the liquidity account: 46,838 shares (€1,260,000). As from 26 February 2007 the Group 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 AFEI (French Association of Investment Firms) which was approved on March 22, 2005 by the French *Autorité des Marchés Financiers*. At 31 December 2007, the following assets appeared on the liquidity account: 12,018 shares (€1,124,000) and cash (€2,542,000).

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.

9.2. ANALYSIS OF RESULTS

9.2.1. Comparison of consolidated sales for the fourth quarter and full year of 2007 and 2006:

Sales by geographical region

Group sales by geographical region for the fourth quarter and full year 2007 and 2006 were as follows:

(in thousand euros)	12 months		
	2007	2006	% change
France	353,894	358,666	(1.3%)
Spain	55,604	53,099	4.7%
Italy	65,312	66,414	(1.7%)
Germany	48,026	40,279	19.2%
United Kingdom	41,426	33,216	24.7%
Major Western European countries	**564,262**	**551,674**	**2.3%**
Other European countries	**208,121**	**184,800**	**12.6%**
Asia	77,988	67,184	16.1%
North America	420	99	325.3%
Other countries in the rest of the world	69,684	57,919	20.3%
Rest of the world	**148,092**	**125,202**	**18.3%**
Group Sales	**920,475**	**861,676**	**6.8%**

For the full year 2007, sales in the Major Western European countries amounted to €564.3 million, up 2.3% year-on-year, driven by the robust sales growth of Somatuline® in the United Kingdom, France and Spain and of NutropinAq® in Italy, France and in the United Kingdom. These good performances were partially offset by negative price impacts in Italy, notably on Decapeptyl® and by a decrease in Tanakan® sales in France following a 10% price cut implemented on July 1, 2007 and an increased competitive environment. Sales in this region represented 61.3% of total sales compared with 64.0% a year earlier.

France – For the full year 2007, sales amounted to €353.9 million, down 1.3% year-on-year (full year 2006, €358.7 million). Sales were strongly impacted by the price cut on Tanakan® and by an increased competitive environment in France, following the recent launch of a new product containing a *Ginkgo biloba* extract as well as by decreasing sales of Ginkor Fort®, in the context of its impending delisting from the list of reimbursed products on January 1, 2008. Solid sales growth of Somatuline®, NutropinAq®, Forlax®, Smecta®, Nisis® & Nisisco®, and Dysport® as well as the launch of Adrovance® in may 2007 could not totally offset those impacts. The weight of France in the Group's consolidated sales continued to decline, representing 38.4% of total Group sales against 41.6% a year earlier.

Spain – For the full year 2007, sales were up 4.7% year-on-year, fuelled by the strong growth of Somatuline®, NutropinAq®, and Dysport®, despite an increased competitive environment for Decapeptyl®.

Italy – For the full year 2007, sales decreased by 1.7% year-on-year, with price pressure negatively impacting sales growth by 8.2 points. This price pressure resulted from the combination of a mandatory 5% price cut implemented in October 2006 and of price erosion linked to a higher hospital distribution. For Decapeptyl® and Somatuline®, hospital distribution accounts for more than two thirds of total sales.

Germany – For the full year 2007, sales amounted to €48.0 million, up by 19.2% year-on-year. All specialist care products continued to show strong growth, with notably sales of Decapeptyl®, launched in June 2004, almost doubling year-on-year.

United Kingdom – For the full year 2007, sales amounted to €41.4 million in the United Kingdom were up 24.7% year-on-year, with all products displaying strong growth, and in particular Decapeptyl®, successfully launched in 2005, almost doubling year-on-year.

For the full year 2007, sales generated in the other European countries reached €208.1 million, up 12.6% year-on-year (full year 2006, €184.8 million) mainly driven by strong volume growth of Tanakan® in Romania and Eastern European countries, and Decapeptyl® in Poland and Eastern European countries. Over the same period, sales in this region represented 22.6% of total consolidated Group sales, against 21.4% a year earlier.

For the full year 2007, sales generated in the rest of the world reached €148.1 million, up 18.3% year-on-year, driven notably by a good performance of Decapeptyl® in the Middle East and China, of Dysport® in Brazil and Australia and of Smecta® in China. Over the same period, sales in this region represented 16.1% of total consolidated Group sales, against 14.5% 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 2007 and 2006:

(in thousand euros)	12 months		
	2007	2006	% change
Oncology	235,164	222,039	5.9%
of which Décapeptyl® (1)	*235,141*	*221,925*	*6.0%*
Endocrinology	129,855	108,448	19.7%
of which Somatuline® (1)	*103,622*	*92,222*	*12.4%*
NutropinAq® (1)	*23,688*	*14,728*	*60.8%*
Increlex® (1)	*193*	*–*	*na*
Neuromuscular disorders	128,699	113,319	13.6%
of which Dysport® (1)	*128,699*	*113,319*	*13.6%*
Specialist care	**493,718**	**443,806**	**11.2%**
Gastroenterology	171,852	157,430	9.2%
of which Smecta®	*88,889*	*80,341*	*10.6%*
Forlax®	*51,843*	*46,303*	*12.0%*
Cognitive disorders	119,347	129,882	(8.1%)
of which Tanakan®	*119,347*	*129,882*	*(8.1%)*
Cardiovascular	95,245	99,268	(4.1%)
of which Nisis® and Nisisco®	*53,694*	*50,661*	*6.0%*
Ginkor Fort®	*36,891*	*41,700*	*(11.5%)*
Other primary care products	6,630	4,197	58.0%
of which Adrovance®	*2,609*	*–*	*na*
Primary care	**393,074**	**390,777**	**0.6%**
Total drug sales	**886,792**	**834,583**	**6.3%**
Drug-related sales	**33,683**	**27,093**	**24.3%**
Group sales	**920,475**	**861,676**	**6.8%**

(1) Peptide- or protein-based products.

For the full year 2007, sales of specialist care products reached €493.7 million, up 11.2% year-on-year (full year 2006, €443.8 million), representing 53.6% of the Group's consolidated sales, against 51.5% a year earlier.

- **Within the oncology franchise,** for the full year 2007, sales of Decapeptyl® were up 6.0%, driven by strong sales in the Middle East, Germany, China, and Central Europe (particularly Poland) despite the negative price impacts in Italy described above and a certain slow-down in Spain and in Belgium.
- **Within the endocrinology franchise,** for the full year 2007, sales amounted to €129.9 million, up to 19.7% year-on-year represented 14.1% of total Group sales, against 12.6% a year earlier.

Somatuline® – For the full year 2007, Somatuline® sales amounted to €103.6 million, up 12.4% year-on-year, thanks to strong growth in the United Kingdom, France, Spain, Belgium and Australia.

NutropinAq® – For the full year 2007, sales of NutropinAq® amounted for €23.7 million, up 60.8% year-on-year driven by strong performances in all countries, especially in France, Italy and Austria.

- **Within the neuromuscular disorders franchise,** Dysport®. For the full year 2007, sales of Dysport® amounted to €128.7 million, up 13.6% year-on-year driven by strong growth in the United Kingdom, Brazil, Russia, Germany and Mexico.

For the full year 2007, sales of primary care products reached €393.1 million, up 0.6% year-on-year (full year 2006 €390.8 million), representing 42.7% of the Group's consolidated sales, against 45.4% a year earlier. The solid sales growth in gastroenterology (up 9.2% year-on-year) and the favourable impact of the launch of Adrovance® (sales of €2.6 million in 2007) were fully offset by the negative performance of Ginkor Fort® and Tanakan® in France.

- **In gastroenterology,** sales reached €171.9 million, up 9.2% year-on-year.

Smecta® – For the full year 2007, sales of Smecta® amounted to €88.9 million, up 10.6% year-on-year. Sales of Smecta® outside of France reached 67.1% of total sales of the product in the full year 2007, compared with 66.8% a year ago.

Forlax® – For the full year 2007, sales of Forlax® amounted to €51.8 million, up 12.0% year-on-year. Sales in France represented 76.0% of total sales of the product over the period, versus 78.9% a year ago.

- **Within the cognitive disorders area,** sales of **Tanakan®** for the full year 2007, amounted to €119.3 million, down 8.1% year-on-year, following the implementation of a 10% price reduction by the French *Comité Économique des Produits de Santé* on July 1st, 2007, as well as an increased competitive environment in France, following the recent launch of a new product containing a *Ginkgo biloba* extract. Sales of Tanakan® in France represented 65.8% of total Tanakan® sales in 2007 compared with 70.8% a year earlier.
- **In the cardiovascular area,** for the full year 2007, sales reached €95.2 million, down 4.1% year-on-year.

Nisis® and Nisisco® – For the full year 2007, sales reached €53.7 million, up 6.0% year-on-year, compared with a high baseline in the second half of 2006, when sales were boosted by the introduction on the market of a 3-month presentation in July 2006.

Ginkor Fort® – For the full year 2007, sales amounted to €36.9 million, down 11.5% year on year due to volume decrease in France ahead of its removal from the list of reimbursed products in France as of January 1st, 2008.

- For the full year 2007, **other primary care products** sales reached €6.6 million, up 58.0% year-on-year, with sales of Adrovance®, reaching €2.6 million since its launch in France in May 2007.

For the full year 2007, **drug related sales (active ingredients and raw materials)** amounted to €33.7 million, up 24.3% year-on-year compared with a low baseline in 2006. This growth was mainly driven by stronger sales in Switzerland, Germany and to a lesser extent, South Korea.

9.2.2. Comparison of the consolidated income statement for 2007 and 2006

	31 December 2007		31 December 2006		% change
	(in thousand euros)	% of sales	(in thousand euros)	% of sales	
Sales	**920,475**	**100.0%**	**861,676**	**100.0%**	**6.8%**
Other revenues	73,282	8.0%	83,581	9.7%	(12.3%)
Total revenues	**993,757**	**108.0%**	**945,257**	**109.7%**	**5.1%**
Cost of goods sold	(199,025)	(21.6%)	(181,377)	(21.0%)	9.7%
Research & development expenses	(184,739)	(20.1%)	(178,348)	(20.7%)	3.6%
Selling, general and administrative expenses	(401,481)	(43.6%)	(383,015)	(44.5%)	4.8%
Other operating income and expenses	368	nm	(8,223)	(1.0%)	nm
Restructuring costs	8	nm	190	nm	nm
Impairment losses	–	nm	(7,265)	(0.8%)	nm
Operating income	**208,888**	**22.7%**	**187,219**	**21.7%**	**11.6%**
– Income from cash and cash equivalents	11,541	1.3%	7,974	0.9%	44.7%
– Cost of gross financial debt	(1,950)	(0.2%)	(2,142)	(0.2%)	(9.0%)
Cost of net financial debt	**9,591**	**1.0%**	**5,832**	**0.7%**	**64.5%**
Other interest income and expense	(2,855)	(0.3%)	(5,707)	(0.7%)	(50.0%)
Income tax	(54,478)	(5.9%)	(40,891)	(4.7%)	33.2%
Share of loss/profit from associated companies	(8,764)	(1.0%)	(1,666)	(0.2%)	nm
Net profit/loss from continuing operations	**152,382**	**16.6%**	**144,787**	**16.8%**	**5.2%**
Net profit/loss from discontinued operations	(1,313)	(0.1%)	(290)	nm	nm
Consolidated net profit	**151,069**	**16.4%**	**144,497**	**16.8,%**	**4.5%**
– Equity holders of Ipsen S.A.	150,611		144,006		4.6%
– Minority interests	458		491		(6.7%)

Other revenues

In 2007, other revenues reached €73.3 million, down 12.3% year on year (2006: €83.6 million).

Other revenues break down as follows:

(in thousand euros)	31 December 2007	31 December 2006	2007/2006 change	
			In value	%
Breakdown by revenue type				
– Royalties received	49,767	41,650	8,117	19.5%
– Milestone payments – licensing agreements	17,349	20,199	(2,850)	(14.1%)
– Other (co-promotion revenues, recharging)	6,166	21,732	(15,566)	(71.6%)
Total	**73,282**	**83,581**	**(10,299)**	**(12.3%)**

- **Royalties** received mainly comprised royalties from the Kogenate® licence, which amounted to €47.6 million in 2007, up 22.8% compared with the same period last year (€38.7 million in 2006). The first quarter 2007 had been particularly high due to the carry-over of some fourth quarter 2006 royalties into 2007 (for €3 million).
- **Milestone payments** relating to licensing agreements represent primarily 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 Tenstaten® agreement with Recordati and the BIM 51077 (GLP-1 analogue) partnership with Roche. Milestone payments recognised in 2006 included primarily the accelerated recognition of payments received by the Group following termination of the Reloxin® distribution agreement with Inamed.
- **Other revenues amounted** to €6.2 million in 2007, down 71.6% compared to 2006. In 2007, the Group ceased billings for R&D services within the framework of its partnership agreement for the development of BIM 51077, for which development works are now carried out by Roche, as well as the agreement with Genentech concerning a new formulation of the growth hormone, which reached the end of the research phase at the end of 2006.

Furthermore, in 2006, other revenues benefited from a one-off payment of €7.7 million relative to the termination in April 2006 of the co-promotion agreement with Pfizer for Zoxan®, not offset by the co-promotion income relative to Artotec® and Tenstaten®.

Cost of goods sold

In 2007, cost of goods sold amounted to €199.0 million, representing 21.6% of sales compared with 21.0% a year ago, impacted by the negative effects of price cuts implemented during the period, which could not be offset by an increase in activity or productivity improvements. Also higher growth of in-licenced products and drug related activities as well as slower sales of Ginkor Fort® contributed to softening of the product mix improvement.

Research & Development expenses

Research & Development expenses increased by 3.6% and represented €184.7 million year-on-year, representing 18.6% of total revenues or 20.1% of sales. In 2006, R&D expenses reached €178.3 million, representing 18.9% of total revenues or 20.7% of sales. Excluding repayments from third parties, the share of self-financed R&D grew by 7.9% year-on-year.

A comparison of Research & Development expenses for the years 2007 and 2006 is presented in the following table:

(in thousand euros)	31 December 2007	31 December 2006	2007/2006 change	
			in value	%
Breakdown by expense type				
– Drug-related research & development[1]	152,619	150,083	2,536	1.7%
– Industrial development[2]	26,380	22,957	3,423	14.9%
– Strategic development[3]	5,740	5,308	432	8.1%
Total	**184,739**	**178,348**	**6,391**	**3.6%**

(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.

- Over the period, **major Research & Development projects** included preparation for registration of Dysport® in the United States and the phase III trials for a longer sustained release formulation of Triptorelin, since then discontinued. In 2006, the development of BIM 51077 in partnership with Roche – R1583 for which Roche is now responsible since the opt-in – and preparation for registration of Somatuline® Depot® with the FDA (Food and Drug Administration) had represented a significant proportion of the Group's Research & Development expenses. Excluding these R&D projects – which benefited from repayments from third parties – the share of R&D self-financed by the Group grew by 7.9% year-on-year.
- In the area of **industrial development,** the increase was mainly linked to costs incurred in preparation for future pre-approval inspections by the FDA at some of the Group's manufacturing sites, in the the framework of the Somatuline® Depot filing, which received marketing authorisation on 29 August 2007, as well as Dysport®, for which filing took place on 31 January 2008.

Selling, general and administrative expenses

A comparison of selling, general and administrative expenses for the years 2007 and 2006 is presented in the following table:

(in thousand euros)	31 December 2007	31 December 2006	2007/2006 change	
			in value	%
Breakdown by expense type				
Royalties paid	(34,723)	(31,186)	(3,537)	11.3%
Taxes and sales tax	(10,686)	(15,207)	4,521	(29.7%)
Other sales and marketing expenses	(275,643)	(261,402)	(14,241)	5.4%
Selling expenses	**(321,052)**	**(307,795)**	**(13,257)**	**4.3%**
General and administrative expenses	**(80,429)**	**(75,220)**	**(5,209)**	**6.9%**
Total	**(401,481)**	**(383,015)**	**(18,466)**	**4.8%**

In 2007, selling, *general and administrative expenses* were contained and increased by only 4.8%, representing 43.6% of sales down from 44.5% a year earlier.

- **Selling expenses** amounted to €321.1 million, representing 34.9% of sales, up 4.3% year-on-year (2006: €307.8 million, representing 35.7% of sales). This increase stands below the sales growth level, despite a significant increase in royalties paid to third parties.
  - *Royalties paid* to third parties on sales of products marketed by the Group amounted to €34.7 million, up 11.3% year-on-year, stemming from the sales growth of the corresponding products.
  - *Taxes and sales taxes* were down 29.7% year-on-year, mainly due to the reduction in 2007 of a sales-based tax rate in France from 1.76% to 1.0%.
  - *Other sales and marketing expenses* (i.e. marketing and sales force costs) were up by 5.4% year-on-year, amounting to €275.9 million in 2007, or 30.0% of sales, compared with €261.4 million in 2006 or 30.3% of sales. This slight reduction in relative value was achieved despite the launch costs of Adrovance® in France and Increlex® in certain European countries. Furthermore, while expenses grew sharply in fast-growing economies such as Central European countries, China, Korea, Algeria, Mexico and certain Western European countries as well as Scandinavia, expenses in major European countries grew moderately, reflecting productivity improvements as well as arbitrage efforts in the Group's resource allocation.
- **General and administrative expenses** grew by 6.9% to €80.4 million, representing an increase of €5.2 million compared with last year. This increase stemmed mainly from an increase in the costs of corporate functions, particularly in order to upgrade the Group's IT systems, as well as to support sales growth, especially in international markets, notably North America.

Other operating income and expenses

In 2007, *other operating income and expenses* were immaterial, compared with an expense of €8.2 million in 2006 relating primarily to a non-recurring payment of $10 million to Inamed for the recovery of all rights related to Reloxin® in the United States, Canada and Japan.

Impairment losses

No impairment charge was recorded in 2007, compared with a €7.3 million expense in 2006 relating to full impairment of the net book value of the intangible asset in respect of Testim® rights.

Operating profit

As a result of the above, the Group's operating income for 2007 reached €208.9 million, representing 21.0% of total revenues and 22.7% of sales, up 11.6% year-on-year, (2006: 19.8% of total revenues and 21.7% of sales).

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 2007 and 2006 are presented in the following table by geographical region:

	31 December 2007		31 December 2006		% change 2007/2006	
	(in thousand euros)	%	(in thousand euros)	%	(in thousand euros)	%
Major Western European countries						
Sales	564,262	100.0%	551,674	100.0%	12,588	2.3%
Revenues	571,228	101.2%	564,528	102.3%	6,700	1.2%
Operating income	216,619	38.4%	215,829	39.1%	790	0.4%
Other European countries						
Sales	208,121	100.0%	184,800	100.0%	23,321	12.6%
Revenues	208,121	100.0%	184,800	100.0%	23,321	12.6%
Operating income	79,109	38.0%	71,516	38.7%	7,593	10.6%
Rest of the world						
Sales	148,092	100.0%	125,202	100.0%	22,890	18.3%
Revenues	150,182	101.4%	125,202	100.0%	24,980	20.0%
Operating income	53,710	36.3%	42,309	33.8%	11,401	26.9%
Allocated total						
Sales	920,475	100.0%	861,676	100.0%	58,799	6.8%
Revenues	929,531	101.0%	874,530	101.5%	55,001	6.3%
Operating income	349,438	38.0%	329,654	38.3%	19,785	6.0%
Non-allocated total						
Revenues	64,226	6.5%	70,727	7.5%	(6,501)	(9.2%)
Operating income	(140,550)	(67.3%)	(142,435)	(76.1%)	1,885	(1.3%)
Ipsen Total						
Sales	920,475	100.0%	861,676	100.0%	58,799	6.8%
Revenues	993,757	108.0%	945,257	109.7%	48,500	5.1%
Operating income	208,888	22.7%	187,219	21.7%	21,669	11.6%

- **In Major Western European countries,** sales grew by only 2.3% year on year, reflecting government measures imposing price cuts, primarily in France and Italy. Total revenues increased by 1.2% as sales generated by Artotec® in 2007 did not fully offset the effects of €7.7 million one shot payment in connection with the termination of the Zoxan® co-promotion agreement with Pfizer in 2007. Hence, operating income increased by 0.4% to €216.6 million over the period, representing 38.4% of sales, compared with €215.8 million a year ago, representing 39.1% of sales.

- **In Other European countries** (other Western European countries and Eastern European countries), sales increased by 12.6% year-on-year. Operating income increased by 10.6% over the period to €79.1 million, up from €71.5 million in 2006, representing 38.0% and 38.7% of sales respectively. This performance reflects a fast and profitable growth, despite price pressure , which amounted to €2.0 million. Moreover, the relative weight of drug-related activities in the region, which generate lower margins, increased from 4.8% to 6.2% of sales.

- 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 18.3%, a sharp increase year on year. Operating income amounted to €53.7 million, up 26.9% year-on-year (2006: €42.3 million). Given the launch of Somatuline® Depot in the United States at the end of 2007, the rest of the world benefited in 2007 for the first time from the recognition of milestone payments received from Tercica Inc. in connection with the licensing agreement of €1.9 million.
- Non-allocated operating loss totalled €(140.6) million (2006; loss of €(142.4) million). The non-allocated operating loss included:
  - revenues of €64.2 million compared with €70.7 million in 2006. This includes primarily royalties received from the Kogenate® licence, as well as recognition over the life of the corresponding contracts of revenue from these agreements. In 2007, this comprised chiefly revenue relating to agreements with Medicis for Reloxin®, with Recordati for Tenstaten® and with Roche for BIM 51077. The decrease of these revenues year-on-year stems from the decrease of rebillings in the framework of the corresponding partnerships;
  - Research & Development expenses of €161.4 million, up from €159.9 million a year ago;
  - non-allocated selling, general and administrative expenses of €43.7 million compared with €38.0 million a year ago;
  - other operating income of €0.4 million in 2007. In 2006, the Group recorded other operating expenses of €8.2 million, relating primarily to the sum paid to Inamed in March 2006 to recover all rights relating to Reloxin®.

■ Cost of net financial debt and other financial income and expenses

- In 2007, the financial income stood at €9.6 million, up 64.5% year-on-year, compared with an income of €5.8 million in 2006. This positive trend mainly reflects primarily the evolution of monetary rates over the period.

Other financial elements represented a (€2.9) million expense as of 31 December 2007, compared with a (€5.7) million expense a year ago, mainly comprising:

- a €3.6 million income charge relating to a revaluation as at 31 December 2007 – according to IAS 39 – of financial instruments (warrants and convertible notes) in connection with the acquisition of Tercica Inc. in October 2006 (against a €2.7 million charge as of 31 December 2006);
- a €(4.5) million charge due to foreign exchange loss (loss of €(1.8) million in 2006), of which €(1.0) million stemmed from the revaluation of the Tercica Inc. convertible bond in US dollars subscribed for by the Group in October 2006 (against €0.7 million in 2006);
- for €(0,8) million, the indexation of the deposit paid by the Group in respect of the lease contract for its future headquarters;
- the balance of other financial items is essentially related to income and expenses on employee benefits (€(0,6) million) and to a €(0.6) million impairment charge on investments in non-consolidated companies.

■ Income tax

In 2007, the Group's effective tax rate amounted to 25.3% of net profit from continuing operations and the Group's loss from associates, compared with 21.8% a year earlier.

The Group's recurring tax rate amounted to 25.9% of net profit from continuing operations and the Group's loss from associates in 2007, compared with 25.6% a year earlier. In 2006, the effective tax rate benefited from the non-recurring effect of the use in the United Kingdom of capital losses of €6.9 million that had previously not been recognised.

■ Group's loss from associates

The Group's loss from associates amounted to €(8.8) million ($(12.0) million) and was solely composed of the Group's share of the net losses of Tercica Inc. in 2007, stated as required under IFRS. Tercica Inc. began shipments of Increlex® in January 2006 and of Somatuline® Depot in October 2007 and recorded sales of $9.8 million for 2007. The cost of goods sold for the period amounted to $5.9 million. Research and Development costs were $18.9 million, relating to the continuation of clinical trials for Primary IGF-1 and severe Primary IGF-1, as well as manufacturing development costs. Selling, general and administrative expenses amounted to $57.6 million in 2007. Due to Tercica Inc.'s positive net cash position of $113.5 million at 31 December 2007, interest income in 2007 was $3.0 million. Other financial income and expenses reached €7.4 million, notably corresponding to the change in fair value and foreign exchange impacts on financial instruments. Finally, the Group booked $29.1 million of tax income on Tercica Inc.'s loss before tax of $76.4 million over the period.

■ Net profit/loss from continuing operations

As a result of the items described above, profit from continuing operations increased by 5.2% to €152.4 million, compared with €144.8 million in 2006, representing 15.3% of total revenues, stable year-on-year.

■ Net profit/loss from discontinued operations

The Group's discontinued primary care business in Spain sold in 2005 generated a loss of €1.3 million in 2007. This loss accompanied the final closure in the first quarter of 2007 of the Barcelona production plant, which continued to manufacture primary care products in accordance with agreements signed with the buyer when the business was sold, as well as consulting fees following a tax audit on a former divestment (2006: €(0.3) million).

■ Consolidated net profit

As a result of the items noted above, consolidated net profit increased by 4.5% to €151.1 million (€150.6 million attributable to equity holders of Ipsen S.A.), compared with €144.5 million (€144.0 million attributable to equity holders of Ipsen S.A.) in 2006. Consolidated profit represented 15.2% of revenues in 2007, compared with 15.3% a year earlier.

Milestones received in cash but not yet recognised as revenues

In 2007, total milestones received in cash by the Group but not yet recognised as revenues in its consolidated income statement amounted to €218.7 million, compared with €184.3 million in 2006.

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 2007	31 December 2006
Total	**218.7**	**184.3**
These will be recognized as revenue in the future as follows:		
In 2008	22.4	13.6
In 2009 and beyond	196.3	170.7

10 CASH FLOW AND CAPITAL FOR YEARS ENDING 31 DECEMBER 2007 AND 31 DECEMBER 2006

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10.2. ANALYSIS OF NET CASH FOR THE YEARS 2007 AND 2006 80

In 2007 the Group generated €176.0 million cash flow from operating activities, against €327.6 million a year earlier. In 2006, the cash position benefited from the receipt of a €102.4 million ($123.1 million) milestone from Medicis under the Reloxin® distribution agreement granted by the Group for the United States, Canada and Japan in the aesthetics indication, as well as from a €57.7 million option payment from Roche following their decision to licence-in BIM51077 worldwide.

Cash flow from discontinued operations was €1.3 million over the period compared with €0.6 million in 2006.

10.1 CASH FLOW STATEMENT

(in thousand euros)	31 December 2007	31 December 2006
– Cash flow before variation in working capital requirements	214,254	167,626
– (Increase) / decrease in working capital requirements for operations	(38,284)	160,009
• Net cash flow generated by operating activities	**175,970**	**327,635**
– Other items	(129,677)	(162,324)
– Deposits paid	(4,601)	–
– Variation in cash securities held for sale	(6,000)	–
• Net cash flow used in investment activities	**(140,278)**	**(162,324)**
• Net cash flow used in financing activities	**(76,818)**	**(83,508)**
• Net cash flow provided by discontinued activities	**1,285**	**647**
Increase / (decrease) in cash flow for the year	**(39,481)**	**82,450**
Cash and cash equivalents at beginning of the year	**283,743**	**200,564**
Impact of foreign exchange variations	(2,995)	729
Cash and cash equivalents at end of the year	**240,907**	**283,743**

Net cash flow generated by operating activities

During 2007, net cash flow generated by operating activities before changes in working capital reached €214.3 million, compared with €167.6 million in 2006. Cash flow before variation in working capital in 2006 was affected by an increase in deferred tax receivables, relating primarily to the recognition of a deferred tax asset on the milestone payment received from Medicis.

Working capital requirements for operating activities increased by €38.3 million in 2007 following a decrease of €160.0 million during 2006. This evolution is linked to the following events:

- the balance between current assets and current liabilities represents a debt which increased by €29.5 million in 2007 following an increase of €166.1 million a year ago. In 2007, the Group recognised deferred revenue of €51.4 million received in connection with its partnership agreements with Recordati, Roche, Galderma and Tercica Inc.. This income was partly offset by the recognition in the income statement of €16.7 million mainly in relation to agreements with Medicis, Roche, Galderma, Tercica Inc. and Recordati, as well as changes in other operating liabilities and assets;
- inventories increased by €9.0 million in 2007 compared with an increase of €4.6 million a year ago, mainly due to the replenishment of certain security stocks of raw material and finished goods. Trade receivables rose by €25.4 million, compared with an increase of €27.4 million in 2006, mainly due to growth in business in international markets, in spite of a decrease in average payment terms in these areas, and due to changes in payment terms in France following the implementation in 2007 of direct sales to pharmacies. Meanwhile, trade payables increased by €5.1 million, given a higher level of invoicing from suppliers than that experienced during the fourth quarter 2006 (decreasing by €7.1 million year-on-year);
- tax payable decreased by €38.5 million in 2007, mainly due to the payment in early 2007 of taxes related to the milestones paid by Medicis to the Group in 2006.

As a result of the above, net cash flow generated by operating activities amounted to €176.0 million in 2007, which included €51.4 millions in payments from partnerships as well as €35.8 millions of taxes paid in 2007, most of which was linked to milestone payments cashed-in in 2006.

Net cash flow used in investment activities

In 2007, net cash flow used in investment activities comprised two main components:

- Reflection of net cash flow relating to investment in the strict sense;
- Reflection of other elements.

Net cash flow used in investment activities in the strict sense represented €129.7 million compared with €162.3 million in 2006. This comprised mainly:

- Asset acquisitions, net of disposals, of €84.0 million in 2007 compared with €78.8 million in 2006.

  - In 2007, tangible fixed asset acquisitions totalled €58.7 million, mostly consisting of capital expenditure required to maintain the Group's industrial facilities, as well as certain investment in capacity, such as €17.7 million for the new Dysport® secondary production plant at the Wrexham site in the United Kingdom.
  - During the same period, intangible fixed asset acquisitions amounted to €26.5 million, mainly relating to the first milestone payment in connection with the acquisition of a patent and to the agreement with Tercica Inc. for Increlex®, relating to its approval in Europe.
- The subscription to a capital increase of Tercica Inc. for €2.1 million, and €42.4 million relating to the subscription of two convertible bonds issued by Tercica Inc. in connection with the approval of Somatuline® Depot in the USA.
- €5 million to fund its post-employment benefit plans.
- An increase of €7.5 million in working capital requirements for investment activities in 2007 against a €5.8 million increase in 2006.
  - This increase relates primarily to the payments in 2007 of debts due against fixed assets recognised at the end of 2006, mainly in France and the United Kingdom.

Net cash flow used for other elements represents:

  - €4.6 million for guarantee deposits paid by the Group, notably as a security against long-term public loans received in Spain in the context of its research activities, and in respect of the lease contract for its future head office in France.
  - €6.0 million relating to investments, as part of an active cash management strategy, in securities offering a higher rate of return than monetary unit trusts while maintaining a low rate of volatility.

Net cash flow used in financing activities

As of December 31, 2007, net cash flow used in financing activities totalled €76.8 million compared with €83.5 million in 2006. The Group paid out €50.4 million in dividends in 2007, in line with the amount paid in 2006. It repaid €2.1 million from its credit lines, with outstandings of €4.4 million as at December 31, 2007, while in 2006, the Group had repaid €31.8 million of its credit lines, with outstandings of €6.3 million. The Group also used €24.8 million in 2007 to finance its share buyback program.

Net cash flow provided by discontinued activities

In 2007, net cash flow provided by discontinued activities amounted to €1.3 million, resulting from the decrease in working capital requirements linked the Group's primary care business in Spain, sold in October 2005, compared with €0.6 million in 2006.

10.2. ANALYSIS OF NET CASH [1] FOR THE YEARS 2007 AND 2006

(in thousand euros)	31 December 2007	31 December 2006
Cash in hand	25,617	31,026
Short-term investments	195,859	243,670
Interest-bearing deposits	25,592	10,763
Cash and cash equivalents	**247,068**	**285,459**
Securities held for sale [2]	6,000	–
Total cash	**253,068**	**285,459**
Bank overdrafts liabilities	(6,161)	(1,716)
Closing net cash and cash equivalents	**246,907**	**283,743**
Non-current		
Short-term debt	4,379	6,286
Other financial liabilities	16,449	15,313
Current		
Short-term debt	5,375	6,973
Financial liabilities	3,831	2,251
Debt	**30,034**	**30,823**
Derivatives	(908)	(4)
Net cash	**217,781**	**252,924**

At 31 December 2007, the Group's net cash position was €217.8 million, compared with €252.9 million a year earlier. In addition, the Group had three-year credit facilities totalling €206.7 million at 31 December 2007, of which €4.4 million only was in use, compared with utilisation of €6.3 million a year earlier. Covenants included in the loan agreements, namely net debt to equity and net debt to EBITDA [3], are irrelevant in respect of the current positive net cash situation.

(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

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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 programmes 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 programmes 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 centre (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 centre (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 optimise 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 centre 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 2007, 708 of the Group's employees (compared with 700 at 31 December 2006 and 692 at 31 December 2005) were assigned to Research and Development activities.

During 2007, the Group spent €185 million in Research and Development (vs. €178 million in 2006 and €169 million in 2005), i.e. 20.1% of its pro forma consolidated sales (vs. 20.7% in 2006 and 20.9% in 2005).

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 programmes, 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 centre (France)

The Paris Research and Development centre(Institut Henri Beaufour) specialising 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 neuromuscular disorders. 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 (United States)

The Boston Research and Development centre (Albert Beaufour Research Institute) specialises in protein and peptide research. This centre carries out peptide synthesis and the expression of recombinant proteins for therapeutic use. The centre'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 centre (United Kingdom)

Located near London, which is home to the European Medicines Agency (EMEA), the Development and Registration centre is in charge of clinical development, organising 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 centre (Spain)

The Barcelona Research and Development centre specialised in pharmacokinetics (Ipsen Pharma) is a research centre specialised 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 fourth best-selling product, with net sales of €103.6 million in 2007. 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 centre employs researchers, together with scientists and technicians specialising 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. If so, 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 programmes currently in progress.

Development pipeline	Indications	Development stage and forecast date of marketing authorisation
New molecules in oncology		
Angiomates	Anticancer agent tubulin/anti-angiogenic	Pre-clinical
BIM 46187	Anticancer agent G-Protein signal	Pre-clinical
CDC25 Phosphatase inhibitors	Anticancer agent (cell cycle)	Pre-clinical
New molecule in endocrinology		
Ghrelin agonist	Regulating food intake and the gastro-intestinal function and treating cachexia	Pre-clinical
MSH Agonist for the MC4 receptor	Metabolic disorders	Pre-clinical
11ßHSD enzyme inhibitors	Treatment of metabolic syndromes	Pre-clinical
Sustained-release growth hormone	Long-term treatment of growth failure in children and growth hormone deficiency in adults	Pre-clinical

11.1.2.1 11.1.2.1 Research programmes in oncology

The Group's technology programmes 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 programmes are conducted internally with assistance from university and industry specialists.

Angiomates (STX 140). The angiomates refer to a family of small molecules 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). 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 programmes in endocrinology

In pituitary disorders, the Group is involved in several programmes, chiefly in pituitary adenomas, such as acromegaly and Cushing's disease.

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

The Group is continuing to pursue the programmes 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 also continuing to develop **sustained release formulations of growth hormone antagonists.**

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 programmes in neuromuscular disorder

The Group's research programmes in neuromuscular disorders mainly focus on the identification 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 stages phase I, II and III, they are compiled into a registration dossier, which is submitted to the regulatory authorities for them to decide whether or not to issue marketing authorisation.

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 and to establish a preliminary pharmacokinetic (absorption, metabolism, distribution, elimination) pharmacodynamic 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 maximising efficacy while minimising 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 authorisation 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 authorisation in the above table are those stated in the Group's current Research and Development programme, which is likely to be revised owing to the 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 authorisation
New molecules pipeline		
Dopastatine	Symptomatic treatment of pituitary and neuroendocrine tumours	Phase I
BIM 51077 / R1583	Type II diabetes	Phase II – Partnership with Roche (2010 (1))
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 (2008)
OBI-1	Hemostase	Phase II
Product life-cycle management programmes		
Décapeptyl®	Combined hormone therapy for premenopausal breast cancer	Phase III
Décapeptyl®	6 month sustained-release formulation	Phase III – Partnership with Debiopharm (2008)
Somatuline® Autogel®	Asymptomatic neuroendocrine tumours	Phase III
Somatuline® Autogel®	Co-administration with pegvisomant	Phase III
Tanakan®	Mild cognitive impairment related to age	Phase III
Dysport®	Cervical dystonia	United States: regulatory review
Reloxin®	Aesthetic medicine	Europe: regulatory review (in partnership with Galderma) United States: regulatory review (in partnership with Medicis)

(1) Source: Roche

11.1.3.1 Development programmes 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 recommandations for breast cancer in premenopausal women expressing hormonal receptors, being reviewed.

Pursuant to the terms of its agreement with Debiophram, Ipsen exclusively in-licenced from Debiopharm know-how and new patent applications for the commercialisation 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 and is expected to be filed by Debiopharm in 2008.

Acapodene®. The Group has acquired the rights in Europe, Switzerland, Norway, Iceland, Lichtenstein & the Commonwealth of Independent States from the US biotech company GTx Inc. for the development & marketing of Acapodene® (toremifene citrate) for all indications except breast cancer. This drug can modulate the activity of the estrogen receptor in an organ-selective manner (Selective Estrogen Receptor Modulator). Acapodene® is currently undergoing its phase III development programme in two different clinical settings; i) treatment of side effects from LHRH-a based androgen-deprivation therapy in advanced metastatic prostate cancer (80mg) and ii) chemoprevention of prostate cancer in individuals carrying evidence of prostatic lesions known as high-grade prostatic intraepithelial neoplasia HGPIN (20mg). 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 of December 2002. The Group and Roche terminated this partnership in May 2005.

■ 11.1.3.2 Development programmes 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 finalising a phase II clinical trial of Somatuline® Autogel® for the treatment of acromegaly.
- **the Group** envisages securing additional marketing authorisations for Somatuline® Autogel® shortly, in Poland, Russia, Mexico and Brazil for the treatment of acromegaly and neuroendocrine tumours

Dopastatine. 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 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 3 Development programmes in neuromuscular disorders

Botulinum toxin type A. 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 commercialise 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.

■ 11.1.3.4 Other development programmes

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.

- More than 6,000 patients are enrolled in the six clinical trials currently underway.

The National Institutes of Health (United States) are currently sponsoring four clinical trials:

- a study on the prevention of Mild Cognitive Impairment (MCI) in patients aged over 85.
- a study on the primary prevention of Alzheimer's disease in "healthy" patients aged over 75 ("GEM"). The 3,000 patients for this study have now been recruited, and the last patient was due to be treated in early 2008.

The Group is the sponsor of four other studies in Europe, including:

- 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; The 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.

– a study evaluating the effect of EGb 761® on the mitochondrial metabolic functions in children suffering from Friedreich's ataxia, a rare genetic disorder.

All of these clinical studies, with the exception of the GuidAge study, are proof-of-concept studies. If successful, they will have to be confirmed by further clinical studies before a new indication can be registered. 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 new 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 very encouraging results were presented to the American Society of Hematology in December 2007.

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 authorisation. This 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.

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 2007, the Group held 2,672 patents, 1,778 of which were issued in European countries and 208 in the United States. (in most cases, each international patent application is divided into various national applications and a European application following expiry of the 30-month priority period).

At the same date, the Group had 1,736 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 152 European and 37 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		
Décapeptyl® – pamoate formulation – acetate formulation	Debiopharm	2010 (Europe/United States) Syntex patent now expired
Diflomotécan	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)	2021 (Europe/United States)
Endocrinology		
Somatuline® Autogel®	Ipsen	2015 (Europe [1] and United States)
Somatuline®	Tulane University	2005 (Europe [2]) and 2009 (Europe [3])
NutropinAq®	Genentech	2013 (Europe)
Increlex®	Genentech	2015 (Europe)
BIM 51077	Ipsen	2019
BIM 51182	Ipsen	2019
Neuromuscular disorders		
Dysport®	–	No patent filed
Primary care		
Gastroenterology		
Smecta® – active substance – process – new aroma formulation	 Ipsen Ipsen	 Brevet expiré 2025 (if patent application granted) patent application filed
Forlax®	–	No patent filed
Cognitive disorders		
Tanakan® [4]	Schwabe Indena	2009/2010 (Europe) 2009 (Europe) and 2014 (United States)
Cardiovascular		
Ginkor Fort® [4]	Schwabe Indena	2009/2010 (Europe) 2009 (Europe) and 2014 (United States)
Nisis® et Nisisco® : – active substance – oral formulation	 Ciba Geigy/Novartis	 2011 2017
Adenuric® (febuxostat)	Teijin	– active substance: 2011 – polymorph form: 2019 (if granted) – solid composition: 2023 (if 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 Ginkgo biloba extract, one of the active substances in Ginkor Fort®.

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® and Dysport®, Smecta® and Forlax®, have never been or are no longer protected by patents.

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 principal products, namely Decapeptyl®, Somatuline® (and Somatuline® Autogel®), Dysport®, Tanakan®, Ginkor Fort®, Smecta® and Forlax®, trademarked by the Group at 31 December 2007, are set forth in the following table.

Brands and trademarks	Number of registrations and applications
Décapeptyl®	76 (1)
Somatuline®	131
Autogel®	130
Dysport®	171
Tanakan®	135
Ginkor Fort®	95
Smecta®	150
Forlax®	137

(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 2007, the Group held 511 domain names (reserved or currently being reserved).

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INFORMATION ON TRENDS

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12.1 TECHNICAL AND REGULATORY SITUATION IN FRANCE

In France, the rate of contributions based on the sales recorded by pharmaceutical companies was increased to 1.76% as from 2006, from 0.6% in 2005. The Social Security budget (LFSS) for 2007 reduced this rate to 1.0%

Further to the assessment of its medical rendered service, Ginkor Fort® was withdrawn from the list of reimbursable medicines on January 1, 2008. In this context, Ipsen transferred to GTF the marketing authorizations of Ginkor Fort® for France, Monaco and Andorra from January 1, 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 July 1, 2006, of 7% for Artotec® on August 1, 2006, of 10.17% for Adrovance on October 10, 2007.

On October 25, 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 July 1, 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

On 31 January 2008 the FDA accepted the filing of its Biologics Licence Application (BLA) for Dysport® in the United States to treat patients with cervical dystonia. On the same date, Medicis, Ipsen's partner in the United announced that the FDA had refused its Biologics Licences Application for Reloxin® in aesthetic indications as the dossier was considered incomplete. Medicis and Ipsen worked together to address the concerns cited by the FDA and Ipsen submitted a new application on 17 March 2008. The Group decided, in conjunction with its partner Galderma, to optimise the product's profile by including in its marketing authorisation 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 at the beginning of 2008.

Tercica Inc. has granted the Group an exclusive licence to develop and market Increlex™ worldwide, with the exception of the United States, Japan, Canada, Taiwan, and some countries in the Middle East and North Africa. This product has been approved by the FDA and is currently marketed by Tercica Inc. in the United States and Canada where it has received orphan drug exclusivity. Increlex™ has been approved in May 2007 in Europe, when the drug benefits from an "orphan drug" status.

On August 20, 2007, the Group announced that the FDA had approved for marketing Somatuline® Depot (lanreotide) Injection 60, 90 and 120 mg in the United States. Somatuline® Depot is indicated for the long-term treatment of acromegaly in patients who have had an inadequate response to surgery and/or radiotherapy, or for whom surgery and/or radiotherapy is not an option. Tercica Inc. started to commercialise the product in the US during the fourth quarter 2007.

12.4 PRODUCTIVITY DRIVE

The Group decided to step up its efforts to increase its efficiency by launching during 2005 a productivity drive encompassing all its activities: sales, manufacturing, Research and Development and administrative services. This programme is intended to deliver short-term benefits, as well as developing a culture of continuous productivity improvements. These measures revolve notably around implementation of various programmes to increase purchasing efficiency in the production, Research and Development and sales functions (deployment of processes and pooling of certain raw material, energy and service purchases). The programme of continuous improvement covering the Group's key processes also contributes to this productivity drive (e.g. through implementation of various efforts to streamline the distribution chain for our products or to enhance sales and marketing efficiency). For instance, the Group's sales expenses (marketing and sales expenses) increased by 5.4% compared with 2006, totalling €275.6 million. This contained increase is evidence of the Group's productivity efforts, whilst volumes of drugs sold rose by 9.1% in 2007.

12.5 IPSEN'S FIRST QUARTER 2008 SALES

On 29 April 2008, the Group reported its sales for the first quarter 2008:

(in million euros)	2008	2007	% change
Underlying Group sales (1)	236,5	218,3	+8,4 %
Sales by region			
Major Western European countries	**134,8**	**138,8**	**–2,9 %** (2)
Other European countries	**60,1**	**52,7**	**+14,2 %**
Rest of the world	**43,9**	**35,2**	**+24,8 %**
Group Sales	**238,9**	**226,7**	**+5,4 %**
Sales by product			
Specialist Care	132,9	121,2	+9,7 %
Primary care	94,5	96,8	–2,4 % (2)
Total Drug Sales	**227,4**	**218,0**	**+4,3 %**
Drug-related Sales	**11,5**	**8,7**	**+31,4 %**
Group Sales	**238,9**	**226,7**	**+5,4 %**

NOTE 1. "underlying Group sales" is defined as Group sales at constant currency, and excluding Ginkor Fort® sales which was sold to GTF Group as of 1 January 2008.
NOTE 2. 2007 sales include in-market sales of Ginkor Fort® whereas 2008 mostly includes sales of the product to GTF.

Consolidated Group sales reached €238.9 million, up 5.4% year-on-year. Underlying Group sales (excluding Ginkor Fort® sales, sold to GTF Group on 1 January 2008, and at constant currency) grew by a strong 8.4% year-on-year despite price pressure, which represented (0.3) points of growth, or €(0.6) million. Therefore, in volume, underlying Group sales grew by a solid 8.7% year-on year.

This increase was fuelled notably by the strong growth in endocrinology and neuromuscular disorders franchises, up 15.7% and 24.9% respectively over the period and by the strong performance of gastroenterology products, up 9.6% year-on-year.

Sales generated in the Major Western European countries amounted to €134.8 million, down 2.9% year-on-year. Excluding the sales of Ginkor Fort®, sales in this region were flat year-on-year, due to negative price impacts, notably on Decapeptyl® in Italy and to a decrease in Tanakan® sales in France. Sales in Major Western European countries represented 56.4% of Group sales compared with 61.2% a year earlier.

Sales generated in the Other European countries reached €60.1 million, up 14.2% year-on-year, mainly driven by strong growth of Tanakan® and Dysport® in Russia and Decapeptyl®, Dysport®, Tanakan® and Smecta® in Eastern European countries. Sales in Other European countries represented 25.2% of Group sales, against 23.2% a year earlier.

Sales generated in the Rest of the World reached €43.9 million, up 24.8% year-on-year thanks to the growth of Decapeptyl® and Forlax® in China, Dysport® in Brazil, and Somatuline® in the United States. Sales in Rest of the World represented 18.4% of Group sales, against 15.5% a year earlier.

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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.

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

Based on available information, and excluding any events which are at present unknown, the Group has set its sales growth target for 2008 in a range of between 6.5% and 7.5% (1) year-on-year excluding Ginkor Fort® sales (2), despite the sustained price pressure in most of the markets in which the Group operates. Competition is also tighter, namely in France, as a new *Ginkgo biloba* based product has been launched on this market.

In addition, in 2008, the Group targets expects to grow its "other revenues" (3) by 13% to 16% year-on-year.

In this framework, the Group also aims to achieve an operating margin of between 22.0% and 23.0% of sales in 2008 (or between 20.2% and 21.2% of total revenues), after taking into account the marketing efforts needed to continue to roll out Increlex® in Europe and Adrovance® in France and expenses linked to the preparation of the launch of Adenuric® (febuxostat) in France.

This operating margin target does not include additional payments that Ipsen may receive in 2008 in relation to the transfer of Ginkor Fort® to GTF and which will vary depending on market trends in vasodilators in France and of the success of the product on its new market. In a best case scenario, total additional milestones could be in excess of €10 million which would be in addition to the payments set out when the agreement was signed.

For the Group to be able to achieve these targets, management believes that it will have to invest around €35 million per year from 2008 to 2009 in order to maintain or upgrade its property, plant and equipment. These investments would cover the renovation of the Group's current property, plant and equipment, productivity enhancement, improved safety measures and regulatory compliance. Furthermore, given the growth rate expected in certain areas of its business, the Group forecasts additional investments in 2008 of €50 million to €60 million, and €30 million to €40 million in 2009. In 2008 these investments will be used to build a new packaging unit for Dysport® / Reloxin® at the Wrexham site (United Kingdom), a new R&D centre in Barcelona (Spain) dedicated to developing new forms of advanced drug delivery, and to refurbish its future head offices in Boulogne-Billancourt (France).

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) i.e. Reported sales growth target for 2008 of 3.2% to 4.2% yea-on-year (based on sales of €920.5 million in 2007).
(2) i.e. excluding Ginkor Fort® sales from total Group sales for both 2007 and 2008. 2007 total sales baseline therefore amounts to €883.6 million.
(3) Defined as the total of milestone payments received under licence agreements, royalties received from third parties and other revenue (including for example co-promotion revenues).

13.2 STATUTORY AUDITORS' REPORT ON 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: 42, rue du Docteur Blanche – 75016 Paris

Share capital: €84,043,183

Statutory auditors' report on profit forecasts

Year ended 31 December 2007

To the Chairman of the Board of Directors,

In our capacity as statutory auditors and in accordance with EC Regulation no.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 31 December 2007.

These forecasts and the significant assumptions on which they were based are your responsibility, in accordance with the provisions of EC Regulation no. 809/2004 and the CESR recommendations on profit forecasts.

It is our responsibility, on the basis of our procedures, to express an opinion, in accordance with the terms specified in appendix I, point 13.2 of EC Regulation no. 809/2004, as to whether such forecasts have been properly prepared.

We carried out our work in accordance with professional guidelines applicable in France. This work comprised an assessment of the procedures implemented by management for the preparation of the forecasts and the implementation of procedures to verify the consistency of the accounting methods used with those adopted for the preparation of Ipsen S.A's historical information. Our procedures also included gathering such information and explanations that we considered necessary in order to obtain reasonable assurance that the forecasts were properly prepared on the basis of the assumptions as set out.

We would remind you that, since forecasts are, by their very nature, subject to uncertainties, actual results sometimes differ significantly from the forecasts presented and that we do not express any opinion on the likelihood, or otherwise, of the actual results being in line with these forecasts.

In our opinion:

- The forecasts have been properly prepared in accordance with the basis indicated,
- The accounting basis used for the purposes of these forecasts is consistent with the accounting methods used by Ipsen S.A..

This report has been prepared solely for the purpose of filing the Registration Statement, for the year ending 31 December 2007, 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, 21 March 2008

The Statutory Auditors

KPMG Audit

Department of KPMG S.A.

Catherine Porta

Partner

Deloitte & Associés

Christophe Perrau

Partner

14 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

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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:

Nom	Office	Elected	Terms ends [1]
Jean-Luc Bélingard	Chairman and Chief Executive Officer	30/08/2005	AGM held to approve the 2007 financial statements
Anne Beaufour	Director	30/08/2005	AGM held to approve the 2007 financial statements
Henri Beaufour	Director	30/08/2005	AGM held to approve the 2007 financial statements
Alain Béguin	Director	30/08/2005	AGM held to approve the 2007 financial statements
Hervé Couffin	Director	30/08/2005	AGM held to approve the 2007 financial statements
Antoine Flochel	Director	30/08/2005	AGM held to approve the 2007 financial statements
Gérard Hauser	Director	14/12/2005	AGM held to approve the 2007 financial statements
Pierre Martinet	Director	19/09/2005	AGM held to approve the 2007 financial statements
René Merkt	Director	19/09/2005	AGM held to approve the 2007 financial statements
Yves Rambaud	Director	30/08/2005	AGM held to approve the 2007 financial statements
Klaus-Peter Schwabe	Director	30/08/2005	AGM held to approve the 2007 financial statements

(1) Upon the proposal of the appointments and governance committee, the board of directors, on 26 February 2008, has proposed the re-election of each of the directors at the annual general meeting to be held on 4 June 2008.

Antoine Flochel was appointed Vice Chairman of the Board of Directors at the Board Meeting held on 30 August 2005 for the duration of his term as a Director, at the AGM to be held in 2008 to approve the 2007 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 12 December 2007, 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.

On December 12th, 2007, the Board of Directors has examined the status of independence of each director.

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	Applera Corp. (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
	Permanent Representative Camilia	Mayroy's Board of Directors	December 2006 to date
Alain Béguin	Legal Manager	Beech Tree (Luxembourg)	2003 to date
	Permanent Representative Beech tree	Mayroy's Board of Directiors	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	Carbonne Loraine (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 date
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 (Belgique)	December 2007 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 (USA)	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	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
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
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	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 Coultier Int. S.A., Geneva (Switzerland)	Until 2003
	Director	Beckman Coultier 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, 59, 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 Applera 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, 44, 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, 43, 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).

Alain Béguin

Alain Béguin, 60, 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, 56, 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, Neuf Cegetel, 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, 43, 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, 66, 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, 58, 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 holds an MBA from the Columbia Graduate School of Business.

René Merkt

René Merkt, 74, 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, 73, 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, 66, 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 (1)	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

(1) On February 26, 2008, Mr Klaus-Peter Schwabe resigned from his position.

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 30 August 2005.

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 (1)	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

(1) On March 17, 2008, Frédéric Babin joined the Group and replaced Mr Alain Haut.

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	Applera Corp. (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 Reedy's Laboratories (India)	2007 to date
Stéphane Thiroloix	Director	DBV Technologies (France)	September 2007 to date

The recent trends in the pharmaceutical industry, namely slower growth and reduced productivity of R&D efforts now require a renewed operational structure at Group management level. The aim of this new structure is to differentiate Research activities from development activities, attaching greater importance to each one of these functions which are key to Ipsen's strategy. With this in mind it has been decided that a new unit be created alongside innovative and design function headed by Jacques-Pierre Moreau, Executive Vice-President, Research and Chief Scientific Officer. This new unit, Corporate Development, will be headed by Stéphane Thiroloix and will have a wider scope. Stéphane Thiroloix's task will be to bring a competitive and coherent pipeline of molecules to the market on a global scale, through internal Research external business development opportunities. This new model is aimed at guaranteeing that outstanding Research results in a constant flow of products bringing real clinical and medical benefits to patient care.

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. He 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.

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 Reedy'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 2007

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	11,001	NS	11,002	NS
Anne Beaufour	Director	1	NS	2	NS
Henri Beaufour	Director	1	NS	2	NS
Alain Béguin	Director	2,194	NS	2,194	NS
Hervé Couffin	Director	1,201	NS	1,202	NS
Antoine Flochel	Director	3,000	NS	6,000	NS
Gérard Hauser (2)	Director	1,347	NS	1,348	NS
Pierre Martinet	Director	2,132	NS	2,132	NS
René Merkt (2)	Director	2,666	NS	2,667	NS
Yves Rambaud	Director	901	NS	902	NS
Klaus-Peter Schwabe	Director	1	NS	2	NS
Total		**24,445**	**0.03%**	**27,453**	**0.02%**

(1) Source: Individual accounts of Company shareholders.
(2) To the Company's best knowledge, the following Directors purchased additionnal shares:
- Gérard Hauser purchased 300 new shares,
- René Merkt purchased 4,160 new shares.

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 2007 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 2007 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	140,484
Weighted average price	€39.62
Total amount of the sales	€5,566,444.78
Total number of financial instruments acquired (1)	173,150
Weighted average price	€39.34
Total amount of acquisitions (1)	€6,811,459.50

(1) Exchange of stock options.

Name	Antoine FLOCHEL
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)	2,000
Weighted average price	€35.76
Total amount of acquisitions (1)	€71,520.00

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 (1)	300
Weighted average price	€36.20
Total amount of acquisitions (1)	€10,860.00

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 (1)	4,160
Weighted average price	€35.95
Total amount of acquisitions (1)	€149,552.00

Name	Jean-Luc BELINGARD
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)	11,000
Weighted average price	€40.28
Total amount of acquisitions (1)	€443,080

(1) Final allotment of Bonus shares

TRANSACTIONS INVOLVING COMPANY STOCK COMPLETED IN 2007 BY DIRECTORS AND EXECUTIVE OFFICERS.

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 (1)	3,000
Weighted average price	€40.28
Total amount of acquisitions (1)	€120,840

(1) Final allotment of Bonus shares

Name	Alain HAUT
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 (1)	1,500
Weighted average price	€40.28
Total amount of acquisitions (1)	€60,420

(1) Final allotment of Bonus shares

Name	Claire GIRAUT
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 (1)	3,000
Weighted average price	€40.28
Total amount of acquisitions (1)	€120,840

(1) Final allotment of Bonus shares

15 COMPENSATION AND BENEFITS

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15.1 GLOBAL AMOUNT OF COMPENSATION AND BENEFITS PAID TO DIRECTORS

15.1.1 Directors' fees

In respect of the financial year ended 31 December 2007, members of the Company's Board of Directors received an aggregate amount of €770.000 in directors' fees, which were paid during 2007 for the first half and in the first quarter 2008 for the second half. This amount is broken down as follows:

- Anne Beaufour: 85,000;
- Henri Beaufour: 50,000;
- Alain Béguin: 65,000;
- Jean-Luc Bélingard: 70,000;
- Hervé Couffin: 65,000;
- Antoine Flochel: 150,000;
- Gérard Hauser: 50,000;
- Pierre Martinet: 50,000;
- René Merkt: 35,000;
- Yves Rambaud: 100,000;
- Klaus-Peter Schwabe: 50,000.

For the year ending 31 December 2007, Mayroy (see section 18.1 of this registration document) paid Directors' fees of €25,000 to Klaus-Peter Schwabe and €50,000 each to Antoine Flochel, Anne Beaufour as Directors of Mayroy. Director's fees were paid in 2008.

15.1.2 Compensation and benefits paid to the Chairman and Chief Executive Officer

The principles underpinning the compensation and benefits paid to Mr Bélingard in his capacity as an executive officer of the Company were set by the Company's Board of Directors at its meetings on 15 September 2005, 16 March 2006, 21 June 2006, 16 March 2007 and 26 February 2008. These principles notably include payment of a target bonus of €375,000 between €0 and €563,000 for 2007 based on performance-related criteria and termination benefits subject to conditions (see section 15.4 of the registration document) equivalent to thirty months of his compensation and benefits as an executive officer. The target bonus is based on qualitative and quantitative criteria which are determined annually by the Board.

On 26 February 2008, the Company Board:

- fixed the Chairman and Chief Executive Officer's bonus for 2007 at €443,000 and determined that the target bonus for 2008 would be €450,000, between €0 and €675,000;
- and decided upon the criteria for determining the bonus for 2008: two thirds of this bonus is based on achieving sales, operating profit, cash flow generated by operating activities and diluted earnings per share targets. The remainder of the bonus is based on qualitative criteria, including corporate governance, setting up, in the United States, of the Research and Developments assets which can not be developed by the Group alone and strategy for primary care exemptions.

In addition, Jean-Luc Bélingard retains the benefit of the employment contract he signed on 18 July 2005 with the Company, under which he receives annual remuneration of €630,000 gross (plus an expatriate bonus) and in-kind benefits representing an annual gross amount of around €150,000, plus termination benefits subject to conditions (see section 15.4 of the registration document) equivalent to thirty months of compensation and benefits under his employment contract.

Under the plan, Jean-Luc Bélingard receives the benefit of a pension plan in force at the Company calculated on the basis of the number of years' service determined by reference to the date appearing in the employment contract, that is from 1 January 1995 in Mr Bélingard's case, at the rate of 0.6% a year applied on the amount under 8 PASS ("Annual Social Security Ceiling")at the rate of 0.6% (the PASS for 2007 was €32,184) and at the rate of 1% on the amount above of 8 PASS to the remuneration received in the last 12 months of service.

The total compensation and benefits received by Jean-Luc Bélingard during the financial year ended 31 December 2007 came to €1,338,819, excluding employee profit-sharing, and comprised: an annual salary of €630,006, an expatriate bonus of €101,479, benefits in kind totalling €167,334, a bonus in his capacity as executive officer of €370,000 for 2006 and €70,000 in Director's fees.

In addition, the Board of Directors allotted bonus shares to Jean-Luc Bélingard (see sections 15.2 and 21.1.4.2 of this registration document) and stock options (see sections 15.3.2 and 15.3.3. of this registration document).

According to the regulations of 30 December 2006, the Board of Directors, of December 12, 2007, obliged Mr Jean-Luc Bélingard to retain some shares equivalent to 20% of the net purchase value which would appear when his Bonus shares alloted in December 12, 2007 will be sold.

15.1.3 Compensation of other executive officers

With the exception of Directors' fees (see section 15.1.1 of this registration document), the other directors do not receive any compensation or benefits in kind.

15.2 BONUS SHARES ALLOTTED TO DIRECTORS AND EXECUTIVE OFFICERS

Certain directors and executive officers of the Company and some of the Group' employees, have Ipsen Bonus Shares (described in section 21.1.4.2 of this registration document). The following table sets forth all the Ipsen Bonus Shares allotted to members of the Board of Directors:

	Date of allotment of entitlements to Ipsen Bonus Shares	Date of the final allotment of Ipsen Bonus Shares	Number of shares to retain [2]	Number of shares allotted
Jean-Luc Bélingard	06/12/2005	06/12/2007 [1]	NA	11,000
	12/12/2006	12/12/2008	NA	11,000
	12/12/2007	12/12/2009	Equivalent to 20% of the net purchase value when the Bonus shares are sold	11,000
Total				**33,000**

(1) On 12 December 2007, the Board of Directors approved the fulfilment of the performance conditions attached to the final allotment of Ipsen bonus shares.
(2) According to the French regulations and a decision of the Board of Directors held on 12 December 2007.

15.3 STOCK OPTIONS ALLOTTED TO DIRECTORS AND EXECUTIVE OFFICERS

15.3.1 Mayroy Options

Certain executive officers, like certain other Group employees, have stock options for shares in Mayroy (hereinafter the "Mayroy Options"), the Company's parent company. The following table sets forth all the Mayroy Options allotted to members of the Board of Directors at 31 December 2007:

	Exercise price [1]	Exercise period [2]	Number of shares corresponding to the 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) The Mayroy options were granted under several stock options plans with different exercise period. The exercise period indicated corresponds to the opening date of the first exercise period and the closing date of the last exercise period

Should 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, would enable Directors of the Company holding Mayroy Options to exchange the Mayroy shares obtained upon exercise of the options for a maximum of 600,392 existing shares in the Company currently held by Mayroy.

15.3.2 Ipsen Options

Certain executive officers, like certain other Group employees, have stock subscription and purchase options for shares in the Company (hereinafter "Ipsen Options"). The following table sets forth all the Ipsen Options allotted to members of the Board of Directors at 31 December 2007:

	Type of option	Exercise price (1)	Exercise period	Number of shares corresponding to the Ipsen Options	Number of Ipsen Options exercised
Jean-Luc Bélingard	Stock subscription options	€33,21	From 12 december 2010 to 12 december 2018	133,333	0
	Stock purchase options	€35,86	From 12 december 2011 to 12 december 2018	133,333	0
	Stock 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.

15.3.3 Tercica Inc. Options

Due to his resignation from Tercica Inc. with effect from October 1st, 2007, stock options for shares in Tercica Inc. alloted to Jean-Luc Bélingard were cancelled.

15.4 AGREEMENTS ENTERED INTO BY THE GROUP WITH EXECUTIVE OFFICERS OR KEY SHAREHOLDERS

In connection with stock option liquidity mechanism 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 entrust SGBT with management of the liquidity mechanism for the Mayroy Options. This agreement was approved by the Company's Board of Directors on 26 September 2005.

Under this agreement, the Company has notably undertaken to provide Mayroy and SGBT with all the information in its possession required to implement this liquidity mechanism and also to ensure the smooth operation of the liquidity mechanism for Group employees holding Mayroy Options.

Under this agreement, the Company agreed to cover the SGBT's expenses and charges and to compensate Mayroy for any loss of any kind whatsoever incurred by Mayroy in the event that the Company passes on incorrect information to SGBT when discharging its obligations.

This agreement will continue for fiscal year 2007.

Prior to the IPO, the Board of Directors at its meeting on 15 September 2005 approved the benefit of a pension plan in force at the Company and termination benefits allocated to the Chairman and Chief Executive Officer. These termination benefits are equivalent to thirty months of compensation and benefits under his employment contract. This was approved by the General Shareholders Meeting on 2 June 2006.

According to the regulations of 30 December 2006, the Board of directors, on 12 December 2007, has approved the following performance condition applicable to Jean-Luc Belingard's termination benefits:

- Maintaining the Group's recurrent operational margin rate at a minimum of 10% over the three years preceding the departure.

This proposal shall be put to the General Meeting on June 4, 2008 to approve the undertaking made in this connection by the company.

15.5 LOANS AND GUARANTEES GRANTED TO EXECUTIVE OFFICERS

None.

16 OPERATION OF THE COMPANY'S GOVERNING BODIES

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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 for by law, the Board of Directors comprises not less than three and not more than eighteen members, elected by ordinary resolution of the 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 election or ceases to own the requisite number of shares during his term of office, and fails to remedy the position within three months, shall be deemed to have stood down from office.

Should one or more seats on the Board of Directors become vacant between two annual general meetings, either through death or resignation, the Board of Directors may appoint replacements on a provisional basis under the terms and conditions set out by law. However, if the number of Directors falls below the minimum legal requirement, the remaining Directors, or failing that the Statutory Auditors, shall immediately call an ordinary general meeting to elect new Directors. Directors appointed by the Board of Directors must have their appointments approved at the next annual general meeting. Should any appointments not be approved by the shareholders, resolutions and actions taken by or with the assistance of such Directors will nevertheless still be valid. A Director elected to replace an outgoing Director shall remain in office for the remainder of his predecessor's term.

Directors are elected for a term of three years, ending at the conclusion of the annual general meeting held during the year in which they are due to retire by rotation. 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, who must be a natural person, failing which the appointment shall be null and void, for a term that may not exceed his term as Director. 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 delegate another Director to take his place for a limited but renewable term 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, organises and manages the work of the Board of Directors, reports on the Board's activities to the shareholders, 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, who must be a natural person, to chairs the Board's meetings in the Chairman's absence. Failing that, in the Chairman's absence, Board meetings shall be chaired by the Director present who is the oldest.

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 the Directors, or 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 sent by any means, including letter, fax, telex or electronic mail, not less than fifteen days before the date of the meeting, except in emergencies when notice may be sent by any means until the day before the meeting. Meetings may, notwithstanding, be called verbally and held immediately if all members of the Board agree.

Meetings take place either at the Company's registered office or in any other place indicated in the meeting notice.

An attendance register is kept and signed by those Directors attending the Board meeting.

16.1.1.4 Quorum and majority

The quorum required for the meeting to transact business is the effective presence of at least one half of the Directors. Resolutions are approved by majority vote of those Directors present in person or by proxy. In the event of a split vote, the Chairman has the deciding vote.

The Directors attending the meeting via videoconferencing or other electronic have to be counted for the purposes of calculating the quorum and majority, within the limits and under the terms and conditions set out by law. More particularly, this option is not available for those resolutions 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 those powers expressly reserved for the general shareholders' meeting and within the limits of the Company's corporate objects, 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.

With respect to third parties, the Company is bound by the Board of Directors' acts even where these are *ultra vires* of the Company's corporate purpose, unless the Company can prove

that the third party knew the act was *ultra vires* or could not fail to have known given the circumstances.

Publication of the Company's Articles of Incorporation does not in itself constitute sufficient proof.

The Board of Directors undertakes all the controls and verifications it deems fit.

All Directors shall receive the information required to perform their duties and may request any documents they deem useful from the Company's executive management.

16.1.1.6 Board Charter

Under a resolution passed on 12 December 2007, the Board of Directors modified its internal charter adopted initially on 30 August 2005 setting out the role and operation of the Board, in accordance with the provisions of the law, the Company's Articles of Incorporation and standard corporate governance practice for 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 and internal restructuring projects, and the Group's general human resources policy, and more particularly its policy on 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 special 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 the shareholders and the general public, particularly through its supervision and control over information provided by the Company. In this respect, the Board is responsible for defining the Company's communications policy, and particularly for the frequency at which the Group publishes financial information;
- it ensures that the Company has reliable procedures for identifying, assessing and monitoring its liabilities and risks, including contingent 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 the directorial, managerial and supervisory positions or partnership positions held by Directors and indicates the attendance of each member at the Committee meetings 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 meet the following conditions 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 meet these independence conditions and present its conclusions to the shareholders (i) at each annual general meeting held to approve the financial statements and (ii) during general meetings held 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 at its 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. More particularly, 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, where it does not involve an ordinary business agreement on market terms and conditions, abstain from the corresponding vote.

Directors are required to contribute to setting the Company's and the Group's strategic objectives and to exercise control over their implementation. They should exercise careful and effective oversight of the Company's and the Group's management.

Directors have a general duty of discretion as regards proceedings at Board and special committee meetings. The same applies to all non-public information and documents provided to them during or outside meetings as part of their function on the Board or its special committees and their participation in Board 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 abuse of the market that might harm the interests or the image of the Company or the Group.

Directors may not engage in transactions concerning shares of companies in which they have inside information which is likely to influence the price of those shares.

On a regular basis, the Company advises Directors of their new obligations and duties.

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 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 to this function.

16.1.1.6.4 Resources of the Board of Directors

The Board of Directors may establish temporary or permanent special committees comprising between three and six Directors, including a Chairman of the Committee, appointed by it. These special 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 the Group's operations, the Board may call upon the Group's senior executives for assistance. It may ask to see any internal reports, documents and research drawn up by the Group and commission any external technical reports at the Company's expense, subject to the usual confidentiality undertakings.

The Directors may, together or individually, consult the Group's senior executives for advice on any matters, after advising the Chairman of the Board, and meet senior executives without the Chairman's presence.

Similarly, the Directors may, together or individually, ask the Chairman for any information they believe necessary, provided this does not breach any confidentiality rules.

The Directors receive all relevant information, including a monthly report, press reviews and financial research reports.

They also receive any information regarding any legal change of governance policy.

The annual report contains a review of the work and operation of the Board and its special committees during the previous year.

16.1.1.6.5 Permanent committees of the Board of Directors

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 and fixes his term of office and 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 compensation if believed unwarranted.

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 full powers to act at all times and in all circumstances in the name of the Company, within the limits of the Company's corporate purpose and subject to those powers expressly vested by law in the shareholders and 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* due to going beyond the Company's stated corporate purpose, unless the Company can prove that the third party knew the act was *ultra vires* or could not fail to know given the circumstances. Publication of the Company's Articles of Incorporation does not in itself constitute sufficient proof.

16.1.2.2 Deputy Chief Executive Officers (« *directeurs généraux délégués* »)

At the time of the proposal to appoint the Chief Executive Officer, the Board of Directors may appoint one or more persons to assist the Chief Executive Officer in his duties, with the title of Deputy Chief Executive Officer.

The maximum number of Deputy Chief Executive Officers is fixed at five.

The scope and term of powers to be vested in the Deputy Chief Executive Officers are determined by the Board of Directors in agreement with the Chief Executive Officer.

The Deputy Chief Executive Officers have the same powers as the Chief Executive Officer with respect to third parties.

The Deputy Chief Executive Officers may be removed at any time by the Board of Directors at the proposal of the Chief Executive Officer.

If the Chief Executive Officer ceases to exercise or is prevented from exercising his duties, the Deputy Chief Executive Officers will remain in office until a new Chief Executive Officer is appointed, unless otherwise agreed by the Board of Directors.

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 co-ordinating 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 Executive Committee comprises the following members: Mrs. Claire Giraut, and Messrs Jean-Luc Bélingard, Frédéric Babin, Eric Drapé, Christophe Jean, Jacques-Pierre Moreau and Stéphane Thiroloix.

16.2 SERVICE CONTRACTS WITH MEMBERS OF THE COMPANY'S GOVERNING BODIES

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 management of the Company at the date of registration of this registration document.

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 from among the committee members by the Board of Directors.
- Subject to any special rules applicable to them, the committees determine how often they meet. Meetings are held at the Company's registered office or at any other place stipulated by the chairman, who convenes the meetings and draws up the agenda.
- A quorum of at least half the members is required for the committee to transact business. Members may take part in meetings by any means permitted by law or the Articles of Incorporation.
- The chairman of a committee may invite all members of the Board of Directors or any other person to attend one or more of its meetings in a consultative capacity, but only the committee members may vote on agenda items.
- 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.
- The committees make proposals and recommendations and give opinions in their field of expertise.

To this end, they may conduct or commission all external reports or research to assist them in their work, at the Company's expense.

The committees report to the Board of Directors on their work at each Board meeting.

A summary of the activity of each committee can be found in the Company's annual report.

- Fees paid to committee members and chairmen are set by the Board of Directors and deducted from the total amount of Directors' fees approved by the shareholders.
- The committees are responsible for determining all of their other rules and procedures. They periodically ensure that their rules and procedures enable them to assist the Board effectively in handling matters within its scope of responsibility and may propose changes to the Board charter.

16.3.2 The Strategic Committee

- The Strategic Committee's 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 types;
  - review any major investment, asset sale, restructuring, alliance or partnership projects;
  - submit reports, proposals and recommendations on all issues falling within its scope of responsibility.
- The Strategic Committee 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 Audit Committee

- The Audit Committee's role is to:
  - evaluate the accounting policies used to prepare the parent company and consolidated financial statements, review and evaluate the basis for consolidation and the relevance of accounting methods applied to the Group;
  - examine the semi-annual and annual financial statements, together with budgets and forecasts, prior to their presentation to the Board of Directors;
  - control the quality of and compliance with procedures, evaluate information received from management, internal committees and internal and external auditors;
  - supervise the appointment and reappointment of the statutory auditors, form an opinion on the amount of fees charged by the statutory auditors and report it to the Board of Directors;
  - review the details and appropriateness of the fees paid by the Company and the Group to the statutory auditors and ensure that these fees and the corresponding services are not liable to affect their independence;
  - examine the litigations occurred during the year.
- The Audit Committee comprises three Directors which two of whom are independent directors as indicated on article 16.1.1.6.2 of the registration document and not including the Chairman of the Board. The chairman of the committee, who is an independent director, is appointed by the Board of Directors from among the committee members. The latter is also independent pursuant 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 statutory auditors;
  - reviewing with management and the statutory auditors the quarterly, semi-annual and annual financial statements, the Group's accounting methods, audit systems and internal control systems, and all reports on financial reporting, accounting policies and communications between management and the statutory auditors;
  - examining and controlling rules and procedures concerning conflicts of interest, management expenses, identification and measurement of the key financial risks and their application, and submitting an annual report to the Board of Directors;
  - examining, controlling and evaluating on an annual basis the statutory auditors' independence, audit procedures, difficulties encountered and measures taken to resolve them, and supervising the internal audit function;
  - more generally, examining, controlling and evaluating all 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 call upon anyone it deems necessary or useful for assistance.

16.3.4 The Appointments and Governance Committee

- The Appointments and Governance Committee's role is to:
  - make proposals to the Board on the re-election, replacement or nomination of new Directors;
  - give an opinion on the appointment or replacement of the Chief Executive Officer and any Deputy Chief Executive Officers if required;
  - prepare, with the Vice Chairman of the Board of Directors or a Director specially appointed to this function, the annual executive session of the Board of Directors regarding its method of operation without the presence of the Chairman of the Board, the Chief Executive Officer and the executive team;
  - give an opinion on the independent Directors 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 committee members.
- 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 Compensation Committee's role is to:
  - make proposals to the Board of Directors on all components of the compensation paid to the Group's executive officers and senior managers;
  - be informed of the appointment of key managers other than the Chief Executive Officer, and on the setting and change to all components of their compensation;
  - give an opinion on the amount and distribution of Directors fees;
  - make recommendations to the Board of Directors on compensation policies of the Group and employee savings plans, employee share ownership, stock options and bonus shares or any other similar compensation.
- The Compensation Committee comprises three members two of whom are independent Directors as described in article 16.1.1.6.2 of the registration document and elected 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 committee members.
- 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 INTERNAL CONTROL

The Company meets legal requirements concerning internal control and follows the principles of corporate governance.

The Company has an internal control system covering operational and financial processes. The Chairman of the Board of Directors has prepared a report on corporate governance and internal control.

16.4.1 Chairman's report on corporate governance and internal control

To the Shareholders,

The present report is drawn up in compliance with article L.225-37 paragraph 6 of the *Code de commerce*, based on Act n°2005-842 dated 26 July 2005, which places a duty on the Chairman of the Board of Directors to report to the Annual General Meeting, in a report included in the management report, on "corporate governance and internal control". The report indicates where necessary any limits which the Board of Directors places on the Chief Executive Officer's powers.

All the information shown below relating to corporate governance and internal control implemented by the Group, correspond to those procedures implemented during the year ending 31 December 2007.

1. Corporate governance

1.1 Composition of the Board of Directors

At 26 February 2008, the Board of Directors was composed of eleven members. All Directors are due to retire at the conclusion of the annual meeting held to approve the financial statements for the year ended 31 December 2007. Upon the proposal of the Appointments and Governance Committee, the Board of Directors, on 26 February 2008, proposed the re-election of each Director at the Annual General Meeting to be held on 4 June 2008.

The members of the Board of Directors are:

Names	Office	Elected
Jean-Luc Bélingard	Chairman and Chief Executive Officer	30/08/2005
Anne Beaufour	Director	30/08/2005
Henri Beaufour	Director	30/08/2005
Alain Béguin	Director	30/08/2005
Hervé Couffin	Director	30/08/2005
Antoine Flochel	Director	30/08/2005
Gérard Hauser	Director	14/12/2005
Pierre Martinet	Director	19/09/2005
René Merkt	Director	19/09/2005
Yves Rambaud	Director	30/08/2005
Klaus-Peter Schwabe	Director	30/08/2005

Antoine Flochel was appointed Vice Chairman of the Board of Directors at the Board meeting on 30 August 2005.

1.2 Frequency of Board meetings

The Board of Directors met ten times in 2007.

1.3 Notice of meetings and Directors' attendance

Directors receive a notice of meeting by letter not less than fifteen days before the date of the meeting, in accordance with the provisions of the Company's Articles of Incorporation.

The attendance register shows that the following Directors were present in person or by proxy at each of the meetings held in 2007:

- 25 January 2007: 100% of the Directors;
- 23 February 2007: 100% of the Directors;
- 16 March 2007: 100% of the Directors;
- 11 May 2007: 100% of the Directors;
- 30 May 2007: 73% of the Directors;
- 6 June 2007: 100% of the Directors;
- 29 June 2007: 100 % of the Directors;
- 28 August 2007: 100 % of the Directors;
- 13 November 2007: 100 % of the Directors;
- 12 December 2007: 100 % of the Directors.

As required by article L.823-17 of the *Code de commerce*, the statutory auditors were invited to attend the Board meetings held to review or approve the annual and interim financial statements, as follows:

- meeting of 16 March 2007 to approve the Company's individual and consolidated financial statements for the financial year ended 31 December 2006;
- meeting of 28 August 2007 to approve the Company's interim financial statements for the six months ended 30 June 2007;
- meeting of 26 February 2008 to approve the Company's individual and consolidated financial statements for the financial year ended 31 December 2007.

1.4 Chairman of the Board meetings

All of the Board meetings in 2007 were chaired by Jean-Luc Bélingard, Chairman of the Board.

1.5 Organisation and operation of the Board's special committees

At its meeting of 12 December 2007, the Board of Directors modified its internal charter initially adopted on 30 August 2005 setting out the role and operation of the Board, in accordance with the provisions of law, the Company's Articles of Incorporation and standard corporate governance practice for listed companies.

Under 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 types;
- An Audit Committee, whose principal role is to examine the individual and consolidated financial statements, together with budgets and forecasts, prior to their presentation to the Board, and to control the quality of and compliance with procedures, and evaluate 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 nomination of new Directors, prepare the executive session of the Board of Directors, give 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 executive officers and senior managers.

The composition of these four permanent committees is as follows:

- the Strategic Committee: Jean-Luc Bélingard (Chairman), Anne Beaufour, Henri Beaufour, Antoine Flochel and Hervé Couffin. Klaus-Peter Schwabe resigned from his position with effect from 26 February 2008;
- the Audit Committee: Yves Rambaud (Chairman), Alain Beguin and Pierre Martinet;
- the Appointments Committee: Anne Beaufour (Chairman), Alain Beguin and Hervé Couffin;
- the Compensation Committee: Antoine Flochel (Chairman), Yves Rambaud and Gérard Hauser.

During the year 2007 the permanent committees met as follows:

- the Strategic Committee met on 27 April 2007, 25 October 2007 and 30 November 2007. Attended by all members except on 25 October 2007 where one member was absent. The committee deliberated mainly about the strategy of external growth of the Group;
- the Audit Committee met on 14 March 2007, 9 May 2007, 27 August 2007, 12 November 2007, 10 December 2007 and 20 december 2007. Attended by all members. The agenda for these meetings mainly dealt with review of the annual and interim financial statements and the budget;
- the Appointments and Governance Committee met on 25 January 2007, 6 June 2007 and 30 November 2007. Attended by all members. The agenda mainly dealt with analysis and recommendations regarding the audit of the Board, re-election of the directors and the status of independence of the directors;
- the Compensation Committee met on 14 March 2007, 2 May 2007, 9 November 2007 and 7 December 2007. Attended by all members. The agenda mainly concerned stock subscription and purchase option plans, bonus shares, and a review of the Chairman and CEO's compensation and that of the members of the Executive Committee.

1.6 Minutes of Board meetings

Minutes of Board meetings are prepared after the meeting and submitted to the Board for approval at its next meeting. Once approved by the Board, they are signed and placed in the Company's minute book.

1.7 Auditing of the Board

The Board has examined its governance.

This audit, which was realized at the Board meeting on 24 January 2008, states that the Board and its Committes operate very well and their improvement during the year. The Directors underline on the quality of the discussions and presentations and insisted on the fact that all presentations must have an executive summary.

2. Executive management and restrictions on the powers of the Chief Executive Officer

At its meeting dated 30 August 2005, the Board elected not to split the offices of Chairman of the Board and Chief Executive Officer. There are no restrictions on the powers of the Chairman and Chief Executive Officer.

The Chairman and Chief Executive Officer has full powers to act at all times and in all circumstances in the name of the Company, within the limits of its corporate purpose and subject to those powers expressly vested by law in the collective body of shareholders and the Board of Directors. He represents the Company in its dealings with third parties.

At its meeting of 30 August 2005, the Board appointed Jean-Luc Bélingard as Chief Executive Officer for a term concurrent with his term as Director.

The Board has not appointed any Deputy Chief Executive Officers.

3. Compensation and benefits policy

The compensation and benefits of the management include a variable portion and a fixed portion. The variable part is based on the overall performance of the Group and the fullfilment of the performance conditions of each executive. The calculation of the variable part represents the largest portion of the overall compensation.

Upon the proposal of the Compensation and Governance Committee, the Board of Directors sets the compensation and benefits of Mr Jean-Luc Bélingard, Chairman and Chief Executive Officer.

4. Internal control

4.1 Scope of internal control

The Group's internal control rules apply to all its 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".

4.2 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 of the available documentation concerning the issues under review.

4.3 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.

4.3.1. Control environment

All Group Subsidiaries are required to maintain and develop a reliable and effective internal control system. This principle underpins all the internal control mechanisms implemented within the Group.

Criteria include integrity, ethical values, management philosophy and operating style, empowerment and responsibility, as well as management's duty to oversee business operations, the quality of information reported to the Group and management transparency.

4.3.2. Risk assessment

The risk management process was defined in line with various elements described in the COSO II standard.

Mapping of operational risks, which represents the first step in risk management, was initiated in 2006 on a large part of the Group's industrial processes, and continued throughout 2007. It has also been extended to the Group's Development department to cover pharmacovigilance activity. This mapping has identified the risks of the entities concerned, and analysed the potential impact, the probability that the identified risks occur and the measures taken to limit any potential impact. For each risk identified, an employee has been appointed at the industrial site concerned, who is in charge of ensuring the required protection measures are applied where necessary. The process and all related information are coordinated by the Group's Insurance and Risk Management department. Mapping of risks on the Group's industrial processes and the Development division will continue in 2008.

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 department together with Group management and 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.

4.3.3. Control activities

This principle involves all procedures and rules designed to ensure that risks are taken into account and Group directives are properly applied.

4.3.4. Information and communication

This principle involves identifying, collecting and communicating the information required to assume responsibilities and take informed decisions.

4.3.5. Oversight

This principle involves the periodical assessment of controls, through oversight activities conducted by management, particularly within the Executive Committee and its special committees.

4.4 General internal control 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 within autonomous business units which have real decision-making power but operate in line with the Group's overall strategic guidance.

The Group's business activities are:

- *pharmaceutical research and development;*
- *manufacturing;*
- *and marketing* and sales activities, organised geographically by country or groups of countries depending on their size and development stage.

The central support functions are:

- executive management;
- strategic planning;
- strategic *marketing*;
- finance, including the Corporate Counsel, investor relations, taxation, internal audit and the Group information technology department;
- *business development;*
- legal affairs;
- intellectual property;
- human resources;
- information department;
- public affairs and corporate communications.

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 cause 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 services level.

4.4.1 General internal control structure

4.4.1.1 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, are presented in the first part of this report.

The Board of Directors carried out a assessment at its meeting on 24 January 2008. This evaluation stated that the Board of Directors and its committees operate satisfactorily and improve continuously. The Directors insisted once again on the quality of debates and presentations, and have highlighted that all discussions must be formally summarised.

4.4.1.2 Executive Committee

The Group has an Executive Committee which 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 implement the Group's strategy, review and authorise transactions submitted to it and set targets for the operating departments and support functions. The Executive Committee is also responsible for providing the Board of Directors with information and recommendations on issues concerning the Group's strategy and business activity.

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 examines the Group's financial situation and the forecast cash position given the risks described in sections 4.1.10 and 4.4 of this registration document.

The Executive Committee also assesses the situation of the Group's key management and scientists as regards the risks described in section 4.1.12 of this registration document.

The Executive Committee is assisted by the technical committees whose role is described hereafter.

4.4.1.3 Management Committee

This committee has been set up in 2007 under the aegis of the Chairman and the Executive Committee. It meets six times a year. This committee is comprised of members from the Executive Committee, and of 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.

4.4.1.4 Disease Area Teams (DAT) and Strategy Team

The DATs report to the Executive Committee and are responsible for defining and managing the Group's strategy in its targeted therapeutic areas. They are cross-functional teams and are composed of representatives from the Group's various business activities. Their work focuses on assessing the needs of markets and patients and on acquiring scientific knowledge in the therapeutic areas concerned, and on identifying and judging external growth opportunities as regards the Group's strategic priorities.

The Ipsen Strategy Teams play a similar role for the primary care therapeutic area.

This organisation will be modified in 2008 by the creation of a *Portfolio Management Team* for each of the four therapeutic areas. These teams will replace the DATs and the *Strategy Team*.

In addition to define Group strategy, the new PMTs will also be responsible for co-ordinating the implementation of this strategy. A head of PMT will be appointed, who will report to the Executive Committee on the teams' achievements.

4.4.1.5 Strategic Product Planning Committee (SPPC)

The SPPC reports to the Executive Committee. Its role is to manage its development portfolio and review opportunities of 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 and *business development)*.

Its key responsibilities are: co-ordinating, assessing and taking decisions on recommendations and information concerning research and development projects, preparing information for the Executive Committee on acquisition opportunities submitted to it and prioritising and allocating resources to development projects, within the budgets approved by the Executive Committee.

The SPPC aims to extend the Group's product portfolio and as a result to reduce the proportion of consolidated sales represented by the two main products which are described

in section 4.1.1 of this registration document. It is also part of a cross-divisional organisation structure which oversees the Group's main development programmes and manages the corresponding risks which are set out in sections 4.1.4 and 4.1.6 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 reached. Minutes are written after each meeting and sent to its members and to the Group Chairman and the SPPC's activities and decisions are also presented to the Executive Committee. Twice a year, the 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.

4.4.1.6 Financial Communications Preparation Committee (FCPC)

The purpose of this committee is to prepare the information released in regular financial communications and to formulate and then 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.

4.4.1.7 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 need be. It meets as required and provides the Executive Committee with the information it needs to make decisions.

4.4.1.8 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 section 4.1.7 of this registration document. Each team is headed by a project manager and comprises representatives of the various business activities concerned, as well as the 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 a new organisation will be implemented to deal with the increasing number of Group partnerships, and will be based on the geographical area or the nature of partnership. Four employees will be fully dedicated to monitor and manage the partnerships in Europe, Japan, North America, and partnerships in Discovery and Innovation. They will report to the corresponding member of the Executive Committee.

4.4.1.9 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 organisation structure, business operations and acquisitions. The group Strategic Planning also takes into account, in coordination with the Operations, the competitive positioning of the Group in the market in which it operates, notably in the context of the risks described in sections 4.2.1 and 4.2.9 of this registration document. It makes recommendations to the Group Executive Committee.

4.4.1.10 Operations Committees

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. The committee is organised regionally for some groups of countries.

The Manufacturing Executive Team is headed by the Group Vice-President, *Manufacturing* and comprises the heads of the Group's manufacturing facilities and their functional managers. This governance device organises two types of meetings. Monthly teleconferences, which are organised to analyse industrial Group performance over the previous month. Secondly, six bimonthly plenary meetings are organised in an aim to assess and improve the Group's industrial performance with respect to budget targets, to analyse the Group's financial performance, to review current projects, to deal with any current topic, and to review the main points relating to industrial plants or manufactured products, and namely the risks described in sections 4.2.3 and 4.2.4 of this registration document.

The MET also contributes to internal communication, transferring information between the Executive Committee and the Group's various industrial sites.

The Corporate Development Committee is chaired by the Executive Vice-President Corporate Development. It is comprised of the heads of pre-clinical, clinical and pharmaceutical development, regulatory affairs, business development and legal affairs, and representatives from human resources, financial control and translational research. It meets twice a month to manage the Group's projects and partnerships and to determine the organisational changes required by the Group's strategy.

The *Research Operational Committee* is chaired by the Group's Chief Scientific Officer. This committee is comprised of operations managers (chemical and biological research, biotechnology, translational research, innovation sustain release formulation) and support functions managers (intellectual property, IT research, HR, financial control). It meets at least once a month for decisions concerning organisation, budget and technical issues related to research and innovation projects and partnerships, and fundamental changes in processes or tools. The committee also expresses an opinion on the Group's research and innovation programmes in respect of risk opportunities described in sections 4.1.4, 4.1.6 and 4.2.2 of this registration document.

4.4.1.11 Code of Ethical Conduct and the Ethics Committee

On 1 July 2005, at the initiative of the Executive Committee, the Group prepared 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 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 was not notified of any matters infringing the Code of Ethical Conduct either in 2006 or 2007.

This committee's activity report for 2006 was presented by its chairman to the Executive Committee at the beginning of 2007. This report confirmed the Ethics Committee's roles in terms of advice, assistance and investigation.

Ethics-related actions

As from 2007, the Ethics Committee will be responsible for:

- Training Group employees in company values and the principles of ethics.
- Ensuring an effective transmission of the Code of Ethical Conduct throughout the Company, that there is general ethical awareness and that ethical values and principles are applied.
- Advising on, assisting with and investigating notifications for every employees.
- Providing evolutionary recommendations necessary in ethics.

Following the mapping of legal risks described in section 4.3 above, the Group has implemented an action plan including a targeted training programme by department for all employees. This training programme started in 2007 on competition law and other sessions on other topics will go on until 2009, then become recurrent .

This programme covers four themes:

- protecting Group innovation by preserving intellectual property rights and confidentiality;
- the commitment (or the aim) to provide better patient care via the excellence of our therapeutic solutions, products of the highest quality and more complete and accurate product information;
- compliance with commercial law and competition law;
- integrity of practices.

The programme also includes discussion groups within the Group's operational units at management level based on a discussion guide which sets out in detail the principles detailed by the Code of Ethical Conduct. This initiative was launched in December 2007.

4.4.2 Central internal control

4.4.2.1 Quality control department

The Group has two quality control 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 clinical trials are conducted in line with good clinical practice ("GCP") and good laboratory practice ("GLP").

The Group 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 the clinical development stage 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 Company management. Qualitative criteria are assessed using predetermined indicators in all areas of quality control.

In addition, each manufacturing plant has a Quality Assurance 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.

4.4.2.2 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 implementing the Group's professional conduct through the ethics programme.

4.4.2.3 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.

4.4.2.4 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 Company's priorities, by managing resources used and guaranteeing the security and the quality of the information systems.

The performance is assessed with regard to the compliance with the pharmaceutical industry's regulatory requirements for applications involved in the security, efficiency and quality of the products and, also as regards the information systems management, due to external or internal audits and of the compliance with the internal rules set out by the coordinators in the Group's subsidiaries.

In 2007, information systems governance was reinforced in :

- Assessing the Group's information systems management based on COBIT and defining an action plan for the three coming years.
- Determining and implementing an information security policy, to improve the protection of the company's information assets.

During 2007, the Group drafted an IT systems use charter and technical security standards have been set up and communicated. In addition an employee training programme on information security has been established.

- Establishing and introducing a Group project management methodology. The aim is to complete projects within the time frame and budget forecasted by using standardised methods, thus improving project performance and harmonising project management.

4.4.2.5 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 communications 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.

4.4.3 Other components of the internal control framework implemented in operational processes

4.4.3.1 Pharmacovigilance

As part of Discovery and Innovation, 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 these three activities in all territories where it operates.

Pharmacovigilance includes:

- gathering undesirable side effects reported and any related information;
- registering, assessing and using that information for preventive purposes;
- conducting any research and other work concerning safety in drugs use.

4.4.3.2 Health, Safety and Environment (HSE)

The Group's Health, Safety and Environment Quality Control Department is responsible for the Group's overall health, safety and environmental policy, and for monitoring performance indicators in this field.

Each manufacturing plant and R&D site has its own HSE department responsible for setting out internal HSE prevention rules and ensuring that site operations comply with safety regulations as described in section 4.1.8 of this registration document. These HSE 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 the audits in 2006, the Group's sites implemented improved HSE action plans in 2007. These action plans focused on tighter vigilance as regards occupational accidents, improved waste management (sorting, recovery and recycling) and reduced energy consumption. The unified system of management and training planned at the end of 2006, was rolled out in 2007, as the Group's sites introduced harmonised standards and local HSE managers monitored the training programmes in their own fields of expertise.

The appointment of a Group HSE manager at the end of 2007 will enable the Group to continue to harmonise its onsite prevention plans, to create Group-wide standards and tools and strengthen local skills throughout 2008.

4.4.3.3 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.

Throughout the plan to reengineer 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.

Two majors projects have been run in 2007 to strengthen process control; (i) improving processes in order to rationalise, simplify and optimise transport systems, and (ii) redefining the packaging creation and modification process. A Group Purchasing function was created at the end of 2007, whose objectives for 2008 include harmonising operational procedures and redetermining the roles of Group entities.

4.4.3.4 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 4.2.7, environmental risks set out in section 4.2.8 and Dependence on its production tool set out

in section 4.1.13 of this registration document, by assisting the implementation of appropriate prevention actions and by reviewing the following-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 the local insurance policies, ensuring that the Group's activities are adequately covered by these insurance policies;
- handle 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.

4.4.3.5 Audits

The pharmaceutical industry is highly regulated at both the national and international level. A strict framework of laws and regulations govern 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 HSE Quality Control departments (Research and Development and Manufacturing) conduct audits of the activities under their responsibility to ensure that they comply with applicable regulations and Ipsen's internal standards.

In 2007, the internal audit department was involved in around ten audits, either assessing or advising in industrial, sales areas and Group's functional processes. Following the audits remedial plans were implemented to increase efficiency of processes and to strengthen internal control. The 2008 audit plan is based upon an analysis of the Group's strategic and budget risks and takes into consideration the requirements of the Executive Committee members who are in charge of the Group's four operational departments.

4.5 Financial reporting procedures

4.5.1 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.

4.5.2 Preparation of the 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 and Consolidation 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.

An integrated computer system is to be developed in the Group's main countries in an aim to optimise financial processes and monitor activity. This system is due to be rolled out through until 2010.

4.5.3 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.

4.5.4 Financial control

Financial control 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 control department also analyses the Group's actual performance and any variance against forecasts.

It identifies and quantifies the risks and opportunities involved in budget and forecast information. Within the Finance department, the Financial Controllers report to the Group Auditor.

4.5.5 Authorisation of capital expenditure

This procedure is designed to assess the appropriateness of capital expenditure plans, independently from the budget and forecasting process, and obtain the information and authorisations required to commit to the 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.

4.5.6 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.

4.5.7 Financing and Treasury

The Group has a centralised cash management system to ensure optimum protection of its financial assets and adequate liquidity.

Exposure to exchange rate and interest rate risk is managed by the Group's Treasury department, which does not take any positions that are not directly linked to the Group's operational or financial activities.

4.5.8 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 non-material companies with regard 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 team 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 Law (*Code de commerce*) on the report prepared by the Chairman of the Board of Ipsen S.A. on the internal control procedures relating to the preparation and processing of accounting and financial information

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: 42, rue du Docteur Blanche – 75016 Paris

Share capital: €84,043,183

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 Ipsen S.A. on the internal control procedures relating to the preparation and processing of accounting and financial information

Year ended 31 December 2007

To the Shareholders

In our capacity as statutory auditors of Ipsen S.A., and in accordance with Article L.225-235 of French Commercial Law (*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 Law (*Code de commerce*) for the year ending 31 December 2007.

It is the Chairman's responsibility to describe in his report the preparation and organisation of the Board's work and the internal procedures implemented by the company. 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.

We conducted our work in accordance with French professional standards. These 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 consisted 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 and existing documentation are based;
- obtaining an understanding of the work involved 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 the 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 Law (*Code de commerce*).

Paris La Défense and Neuilly-sur-Seine, 26 February 2008

The Statutory Auditors

KPMG Audit	Deloitte & Associés
Department of KPMG S.A.	
Catherine Porta	Christophe Perrau
Partner	*Partner*

17 EMPLOYEES

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17.1 HUMAN RESOURCES

At 31 December 2007, the Group had 3,886 employees worldwide, 39% of whom (excluding the "field" sales force) are exempt employees. Of these 3,886 employees, 708 were assigned to Research and Development activities, 1,556 to sales (70% of whom were medical sales representatives), 1,075 to manufacturing and supply chain functions and 547 to administration and support services.

With 3,800 employees at 31 December 2005 and 3,821 at 31 December 2006, the Group's workforce saw a modest increase of 1.7% during 2007.

17.1.1 Geographical analysis

At 31 December 2007, close to 33% of the Group's 3,886 employees and notably 50% 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 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**
At 31 December 2005					
Major Western European countries (1)	800	869	579	385	**2,633**
Other European countries	320	119	29	84	**552**
Rest of the world (2)	405	60	84	66	**615**
Total	**1,525**	**1,048**	**692**	**535**	**3,800**

(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 2007 and the size of the workforce increased by 86 employees between 31 December 2005 and 31 December 2007.

17.1.2.1 Overall trends in Group's workforce

	31/12/2007	31/12/2006	31/12/2005
Major Western European countries (1)	2,620	2,613	2,633
Other European countries	587	563	552
Rest of the world (2)	679	645	615
Total	**3,886**	**3,821**	**3,800**

(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)	31/12/2007	31/12/2006	31/12/2005
Permanent	97%	97%	96%
Non-permanent	3%	3%	4%

17.1.2.3 Analysis of the workforce by employment category

	Exempt staff	Non-exempt staff	Sales force (1)
At 31 December 2007	1,094	1,695	1,097
At 31 December 2006	1,087	1,659	1,075
At 31 December 2005	907	1,695	1,198

(1) "Field" sales force

Between 2005 and 2007, the number of exempt staff increased significantly (+21%). The number of non-exempt staff is the same. The ratio of exempt staff to non-exempt staff rose from 53.5% at 31 December 2005 to 65% at 31 December 2007.

17.1.2.4 Recruitments within the Group

	31/12/2007			31/12/2006			31/12/2005		
	Total	Of which		Total	Of which		Total	Of which	
		Perm.	Fixed term		Perm.	Fixed term		Perm.	Fixed term
Major Western European countries (1)	**353**	249	104	**357**	253	104	**382**	245	137
Other European countries	**182**	163	19	**142**	132	10	**133**	110	23
Rest of the world (2)	**187**	182	5	**196**	194	2	**231**	221	10
Total	**722**	**594**	**128**	**695**	**579**	**116**	**746**	**576**	**170**

(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

	Redundancies, dismissals	Resignations, end of fixed-term contracts, seasonal contracts	Retirements, deaths
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**
2005 financial year			
Major Western European countries (1)	78	276	20
Other European countries	27	97	2
Rest of the world (2)	42	178	1
Total	**147**	**551**	**23**

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

In October 2005, the Group entered into an agreement with Faes Farma S.A. to sell assets belonging to its Spanish subsidiary Ipsen Pharma S.A. that are dedicated to promoting and selling primary care products. Employees working for the sales network of these products were transferred to Faes. In spite of all its efforts, the Group was unable to find a buyer for the manufacturing activities of this subsidiary. The cessation of the manufacturing activity has been progressive until a complete closure in 2007. Consequently, 59 employees have left the company. Out of those 59 employees, 5 were transferred within the Group and 21 were eligible to early retirement. For the other employees who benefited from an improved redundancy plan, an outplacement programme has been made available to support the search for new employment. Thanks to this support, 23 employees have found a new position in another company.

In addition, the Group has changed its Research's organisation, by refocusing its efforts on targeted therapeutic areas (oncology, endocrinology and galenic innovation) and by creating a centre of Translational Research at IHB site in Les Ulis (France). Even if the impact of this reorganisation is positive in term of employment (it created 16 additional jobs at a Group level), the creation of a centre of Translational Research has however involved a large shift of present jobs within Ipsen's research. In France, a voluntary mobility plan linked to individualised training plans has enabled 25 employees to take new functions in the organisation. Three employees left the company but received specific accompanying measures such as majored severance pays, personalised follow-up by an outplacement agency or financing long-term qualifying training.

Lay-offs initiated by the employer (162 in 2007) relate either to dismissals for personal reasons, during trial periods or from the non-renewal of fixed-term contracts that had reached their maturity.

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 (4.9% of employees had a promotion in 2007). 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 2007, 213 job vacancies (excluding medical sales representatives) were published internally (35% for administration and support services, 29% for Research and Development, 25% for manufacturing and supply chain and 11% for operations).

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 80.8 full-time equivalents during 2007 for all Group's production units, i.e. 7.5% of the production workforce. In addition, Group's sales units use external medical sales representatives and services, specifically in France (205 full-time equivalents in 2007).

17.1.3.2.3 Integration of disabled workers

Disabled workers accounted for 1% of the total number of Group's employees at 31 December 2007.

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. At a France level, Ipsen also participated to "Handy Recruit" in Paris, day which was dedicated to the recruitment of handicapped people. Moreover, when new buildings are constructed, the Group endeavours to allow accessibility of working spaces to disabled workers (Ipsen Biopharm Ltd in Wales or Scras IHB in *Les Ulis* are recent examples).

Furthermore, several Group companies call upon disabled workers sub-contracting organizations to complete outsourced tasks (Beaufour Ipsen Industrie in Dreux and Beaufour Ipsen Pharma in Paris, for example).

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: 38.

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).

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

(As a percentage)	31/12/2007		31/12/2006		31/12/2005	
	Male	Female	Male	Female	Male	Female
Exempt	14%	14%	14%	14%	12%	12%
Non-exempt	18%	26%	18%	26%	18%	27%
Field sales force	11%	17%	12%	16%	13%	18%
Total	**43%**	**57%**	**44%**	**56%**	**43%**	**57%**

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	40.0
Ireland	39.0
Germany	37.5
United Kingdom	37.5
Denmark	37.0
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. Management and social partners have started in 2007 a process of 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 2005, 2006 and 2007 financial years:

	2007 financial year	2006 financial year	2005 financial year
Manufacturing and supply chain	3.9%	3.6%	3.9%
Sales	4.0%	3.0%	3.3%
Administration and other	1.7%	2.7%	2.6%
Research and Development	2.2%	1.9%	1.6%
Total	**2.9%**	**2.8%**	**2.8%**

17.1.3.4 Group's compensation and benefits policy

17.1.3.4.1 Compensation and benefits

The Group's compensation and benefits policy is based on a Global Total Reward approach, which endeavours to value all functions, as well as measure the performance of their employees.

It is based on four main principles: an assessment of the positions using a model applicable to all the Group's positions; competitiveness at regional, national and international level; equal internal opportunities; and performance-based compensation.

These principles are applied in countries where the Group operates, and the way they are implemented is adapted to the local socio-economic and legal environment.

From 2006 onwards, annual pay increases are implemented using a common framework 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:

	2007	2006	2005
Exempt	4.97%	4.62%	3.23%
Non-exempt	3.77%	3.70%	2.90%

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)	31/12/2007	31/12/2006	31/12/2005
Gross salaries and wages	179,410	166,353	157,937
Employer social security contributions	69,754	66,256	61,056
Total	**249,164**	**232,609**	**218,993**
Consolidated sales	920,475	861,676	807,114
As a % of consolidated sales	**27.07%**	**26.99%**	**27.13%**

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)	31/12/2007	31/12/2006	31/12/2005
Employee profit sharing	11,013	10,059	10,760

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.

The frequency of meetings between management and employee representatives also depends on the applicable local legislation, i.e. bimonthly in the United Kingdom and monthly 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 and requests of employee representatives and union organisations.

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.

■ 17.1.3.6 Professional training within the Group

The Group consistently aims to provide its employees with high-quality training tailored to 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 2007, the Group devoted €6.7 million to continuous professional training, representing 2.71% of its total payroll costs. Spending excluding salaries and wages, travel and accommodation expenses broke down as follows:

Type of training

(in thousand euros)	2007	2006	2005
Team and personnel management	268	325	351
Employee efficiency and development	186	233	206
Business and technical expertise	1,162	1,380	1,858
Language training	387	509	629
Health, safety and environment	147	138	88
Quality procedures	167	277	120
Office and messaging applications	182	338	133
Total	**2,499**	**3,200**	**3,385**

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

	2007	2006	2005
Number of hours of training	135,378	113,823	135,143

A Group-wide framework (IDEA: Ipsen Development and Education Academy) has been implemented to facilitate the development of Training, Development and Education (TD&E) initiatives. IDEA continues to evolve to support the philosophy and culture of company and the development of employees.

IDEA is oriented toward six principal goals:

- core competencies, to facilitate the development and advancement of a corporate culture;
- integration of new employees, using a common standard implemented at local level, by plant and by geographical region. It will be complemented by e-integration via the intranet and a specific programme for managers;
- young professionals development programme, which aims to attract, secure the loyalty and accelerate the development of high-potential graduates who will be involved in key roles within the Group's various divisions;
- the Managers college, which aims to raise the performance of supervisors and managers to a high level guaranteeing the consistency of management practices within the Group;
- the Leaders college, which aims to hone the leadership skills of senior executives in long-term strategic areas;
- the Group's image, to bolster the Group's credentials as an employer of choice in the current market through its image and clear communication of the Group's human resources practices and management initiatives.

To optimise continuous investment in TD&E initiatives, a network of employees have been specifically trained to deliver Ipsen programmes.

The Ipsen Performance Appraisal Process, which was introduced during 2006, encourages the identification of training and development needs to meet personal and business goals. It facilitates regular discussions regarding personal and development objectives between employees and their managers.

■ 17.1.3.7 Health and safety within the Group

Ipsen believes passionately in Environment, Health and Safety. The Group's policy is based upon the following principles:

- "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 management team, together with all personnel, is committed to respect for the person, property and the environment, and to ensuring by behaviour and action, delivery to this commitment.

The Group's policy in this area is not only focused on compliance with local health and safety legislation but efforts are made on training. In France, the health, safety and working conditions committees (CHSCT), 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.

To reduce the risk of EHS incidents, the Group EHS Committee composed of representatives from all the Group's production, R&D and corporate sites meets regularly to share experiences and best practices, and to direct EHS activity. A shared database is used by the committee, particularly to develop and maintain up-to-date Ipsen policy and procedure in the EHS area.

In 2007, the Group continued its health and safety programme. In Dublin, for example, awareness campaigns were conducted in the areas of driving safety, home fire protection, and cancer.

In the employee health area, at Les Ulis, programmes have been conducted covering movement and posture, office ergonomics, and chemical exposure (Carcinogens, Mutagens and Teratogens). Signes has completed the programme it set in 2006 to reduce skeleton-muscular risk at work, and the information was displayed on the site audio-visual system during the European Week organised by the European agency for health and safety. This year's theme was "Lighten the Load".

This year, 2007, the Wrexham site was awarded one of the most prestigious honours from the Royal Society for the Prevention of Accidents. This was to recognise, among other things, the significant performance in terms of accidents and work related illness: Wrexham has gone 28 months without an incident requiring more than 3 days absence.

■ 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 has offered games and equipments to a school and supplied funds and books for the creation of a library. Ipsen Mexico promotes the Candy project which is offering a reduced treatment cost for Child Cerebral Palsy to families with limited resources. A Foundation with the same name will be created beginning of 2008. 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 2007 financial year, the Group spent €31 million on outsourcing, compared with €24 million in 2006 and €22.7 million in 2005.

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 2007, the amount set aside to the profit-sharing reserve was €10,472,596 representing a rate of 12.76%. The profit-sharing reserve represented a rate of 13.56% for 2006 and 14.27% for 2005.

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	73,000	–	33.49	From 06/12/2009 to 12/12/2018
7	10,000	–	22.20	From 06/12/2009 to 06/12/2015
8	10,000	–	22.20	From 06/12/2009 to 06/12/2015
9	10,000	–	22.20	From 06/12/2009 to 06/12/2015
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

Nine Group employees hold Ipsen Bonus Shares (described in section 21.1.4.2 of this registration document). The number of Ipsen Bonus Shares allotted to the eight 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 alloted (1)	Period of final allotment of the Ipsen Bonus Shares (2)
1	10,000	–	From 30/05/2009 to 12/12/2009
2	9,000	3,000	From 06/12/2007 to 12/12/2009
3	8,500	3,000	From 06/12/2007 to 12/12/2009
4	6,000	–	From 06/12/2009 to 12/12/2011
5	5,000	–	From 30/05/2009 to 12/12/2009
6	1,500	1,500	06/12/2007
7	1,500	–	06/12/2009
8	1,500	–	06/12/2009

(1) On 12 December 2007, the Board of Directors approved the fulfilment of the performance conditions attached to the final allotment of 18,500 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	5,300	13.77	From 10/11/2004 to 13/02/2014
2	138,550	4,900	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	57,400	1,200	18.76	From 31/05/2005 to 13/02/2014
7	41,350	–	14.33	From 31/05/2005 to 13/02/2014
8	25,150	700	15.86	From 31/05/2005 to 13/02/2014
9	21,200	600	15.54	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
57,400	69,417
41,350	49,972
25,150	30,422
21,200	25,645
21,100	25,521

17.2.5 Tercica Inc. stock options

Christophe Jean, as Director of Tercica Inc., has stock options for shares in this company. The main details of the granting are the following:

- 22,500 stock options granted on 13 October 2006. These options with a validity period of ten years starting at the date of the allotment will become exercisable on 13 October 2007. The exercise price equals 100% of the fair market value per share on the date of the grant, i.e. $5.42 per share;
- 11,250 stock options granted on 24 May 2007 with an exercise price of $6.60 per share. These options with a validity period of ten years starting at the date of the allotment will become exercisable on 24 May 2008.

As for Jean-Luc Bélingard, his stock options are described in section 15.3.3 of this registration document.

18

MAIN SHAREHOLDERS

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18.1 IDENTIFICATION OF THE SHAREHOLDERS

18.1.1 Ownership of the Company's share capital and voting rights

At 31 December 2007, 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	61,854,519	73.60%	123,358,529	85.15%
Directors	24,445	0.03%	27,453	0.02%
FCPE Ipsen Actions	209,688	0.25%	209,688	0.14%
Treasury shares	681,986	0.81%	0.00	0.00%
Others registred shareholders	199,037	0.24%	199,037	0.14%
Free Float	21,073,508	25.07%	21,073,508	14.55%
Total	**84,043,183**	**100.0%**	**144,868,215**	**100.0%**
Theorical voting rights			**145,550,201**	

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) 66.43% by Beech Tree SARL, including 18.15% directly and 48.28% indirectly by its wholly-owned subsidiary Camilia Holding (17.64%), its 91%-owned subsidiary FinHestia (13.88%) and its subsidiary Bee Master Holding (16.76%), 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) 6.28% 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) 4.77% by Finvestan, a company controlled by the Schwabe family, which also holds 9% of FinHestia ;

(iv) 15.33% by Opera Finance Europe SARL, which is controlled by Véronique François born Beaufour sister of Anne and Henri Beaufour;

(v) 7.07% 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) 0.09% 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	31/12/2007	31/12/2006	31/12/2005
Mayroy	73.60%	73.93%	80.97%
Directors	0.03%	0.02%	0.01%
Employees	0.25%	0.27%	0.30%
Treasury shares	0.81%	0.04%	0.00%
Others registered shareholders	0.24%	NS	NS
Free Float	25.07%	25.74%	18.72%
Total	**100.0%**	**100.0%**	**100.0%**

Ownership of voting rights

Shareholders	31/12/2007	31/12/2006	31/12/2005
Mayroy	85.15%	84.66%	88.79%
Directors	0.02%	0.01%	0.01%
Employees	0.14%	0.16%	0.17%
Treasury shares	0.00%	0.00%	0.0%
Others registered shareholders	0.14%	NS	NS
Free Float	14.55%	15.17%	11.03%
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 85.15% net voting rights owning 123,358,529 voting rights: 61,504,010 shares with double voting rights and 350,509 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. In January 2008, Blue Hill Trust enters into this agreement.

This Agreement, for a term expiring on 31 December 2008, 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. 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 1,086,273 shares at 31 December 2007.

At 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 1,312,782 representing 1.56% 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 26.1.2.7 and 26.2.2.17 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.

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20.1 CONSOLIDATED FINANCIAL STATEMENTS

20.1.1 Consolidated income statement

(in thousand euros)	Notes	31 December 2007	31 December 2006
Sales of goods	4.2.2	920,475	861,676
Other revenues	4.2.3	73,282	83,581
Revenue	**4.2.1**	**993,757**	**945,257**
Cost of goods sold		(199,025)	(181,377)
Research and development expenses		(184,739)	(178,348)
Selling expenses		(321,052)	(307,795)
General and administrative expenses		(80,429)	(75,220)
Other operating income and expenses	7	368	(8,223)
Restructuring costs	9	8	190
Impairment losses	6.1	–	(7,265)
Operating income	**4.1**	**208,888**	**187,219**
Investment income		11,541	7,974
Cost of financing		(1,950)	(2,142)
Net finance cost	**8.1**	**9,591**	**5,832**
Other financial income and expense	8.2	(2,855)	(5,707)
Income taxes	10.1	(54,478)	(40,891)
Share of loss/profit from associated companies		(8,764)	(1,666)
Net profit from continuing operations		**152,382**	**144,787**
Net loss from discontinued operations	11	(1,313)	(290)
Consolidated net profit		**151,069**	**144,497**
– Attributable to shareholders of Ipsen		150,611	144,006
– Minority interests		458	491
Basic earnings per share, continuing operations (in € per share)	23.3.1	1.81	1.72
Diluted earnings per share, continuing operations (in € per share)	23.4.1	1.81	1.72
Basic earnings per share, discontinued operations (in € per share)	23.3.2	(0.02)	(0.00)
Diluted earnings per share, discontinued operations (in € per share)	23.4.2	(0.02)	(0.00)
Basic earnings per share (in € per share)	23.3.3	1.80	1.71
Diluted earnings per share (in € per share)	23.4.3	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 2007	31 December 2006
ASSETS			
Goodwill	12	189,013	188,836
Other intangible assets	13	89,169	68,203
Property, plant & equipment	14	221,891	198,186
Equity investments	15	1,457	1,825
Investment in associated companies	16.2	40,948	50,832
Other non-current assets	18	55,632	18,018
Non-current financial assets	18	25,883	12,583
Deferred tax assets	10.2	61,393	64,025
Total non-current assets		**685,386**	**602,508**
Inventories	19.2.1	87,111	78,947
Trade receivables	19.1	216,214	191,702
Current tax assets	19.1	26,569	2,665
Other current assets	19.2.2	53,753	43,700
Non-current financial assets	19.2.2	96	901
Securities held for sale	20	6,000	–
Cash and cash equivalents	21.2	247,068	285,459
Total current assets		**636,811**	**603,374**
Assets of discontinued operations		725	8,391
TOTAL ASSETS		**1,322,922**	**1,214,273**
EQUITY & LIABILITIES			
Share capital	23.1	84,044	84,025
Additional paid-in capital and consolidated reserves		582,557	506,244
Net profit for the year		150,611	144,006
Foreign exchange differences		(17,350)	(7,789)
Equity – attributable to shareholders of Ipsen	**23.2.1**	**799,862**	**726,486**
Minority interests		1,247	1,419
Total shareholders' equity		**801,109**	**727,905**
Retirement benefit obligation	5.3.3.2	10,038	9,299
Long-term provisions	24	14,981	11,421
Bank loans	25.1	4,379	6,286
Other financial liabilities	25.1	16,449	15,313
Deferred tax liabilities	10.2	3,932	2,371
Other non-current liabilities	19.2.3	192,043	172,270
Total non-current liabilities		**241,822**	**216,960**
Short-term provisions	24	6,598	5,323
Bank loans	25.1	5,375	6,973
Financial liabilities	25.1	3,831	2,251
Trade payables	19.1	104,181	100,269
Current tax liabilities	19.1	12,327	27,215
Other current liabilities	19.2.3	136,234	114,824
Bank overdrafts		6,161	1,716
Total current liabilities		**274,707**	**258,571**
Liabilities of discontinued operations		5,284	10,837
TOTAL EQUITY AND LIABILITIES		**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 2007	31 December 2006
Consolidated net profit		**151,069**	**144,497**
Net profit from discontinued operations	11	1,313	290
Share of loss/profit from associated companies	16.2	8,764	1,666
Net profit from continuing operations before share from associated companies		**161,146**	**146,453**
Non-cash and non-operating items :			
– Depreciation, amortisation, provisions and impairment losses	6.2	41,226	49,940
– Change in fair value of derivative financial instruments	26.5	(1,929)	1,562
– Net gains or losses on disposal of non-current assets	17	(252)	(877)
– Share of government grant released to profit and loss		(97)	(112)
– Exchange differences		3,905	694
– Change in deferred taxes	10.2 (E)	394	(34,227)
– Share-based payment expense	5.2	7,562	3,282
– Gain or loss on disposals of treasury shares [1]		545	221
– Other non-cash items		1,754	690
Cash flow from operating activities before changes in working capital		***214,254***	***167,626***
– (Increase)/decrease in inventories		(9,026)	(4,644)
– (Increase)/decrease in trade receivables		(25,395)	(27,419)
– (Decrease)/increase in trade payables		5,087	(7,121)
– Net change in income tax liability		(38,456)	33,051
– Net change in other operating assets and liabilities		29,506	166,142
Change in working capital related to operating activities	19.1 (A)	***(38,284)***	***160,009***
NET CASH PROVIDED BY OPERATING ACTIVITIES		**175,970**	**327,635**
Acquisitions of property, plant & equipment	14.1	(58,672)	(40,630)
Acquisitions of intangible assets	13.1	(26,483)	(41,217)
Proceeds from disposal of intangible assets and property, plant & equipment		1,160	3,044
Acquisition of investments in non-consolidated companies	15.1 (A)	(698)	(15)
Acquisition of investments in associated companies	16.1	(2,129)	(63,082)
Convertible note subscriptions	18 (A)	(44,386)	(20,966)
Payments to post-employment benefit plans	5.3.3.5	(5,026)	(4,226)
Impact of changes in the scope of consolidation		8	–
Other cash flows related to investing activities	18 (A)	(944)	(1,028)
Change in working capital related to investing activities	19.1 (B)	7,493	5,796
Deposits paid	18 (A)	(4,601)	–
Change in cash securities held for sale		(6,000)	–
NET CASH USED BY INVESTING ACTIVITIES		**(140,278)**	**(162,324)**

(in thousand euros)	Notes	31 December 2007	31 December 2006
Additional long-term borrowings	25.1 (A)	1,900	–
Repayment of long-term borrowings	25.1 (B)	(2,170)	(31,824)
Net change in short-term borrowings	25.1 (C)	(1,584)	(89)
Treasury shares [1]	1.5	(24,758)	(1,294)
Dividends paid by Ipsen	23.6	(50,389)	(50,407)
Dividends paid by subsidiaries to minority interests		(631)	(358)
Change in working capital related to financing activities	19.1 (C)	814	464
NET CASH USED BY FINANCING ACTIVITIES		**(76,818)**	**(83,508)**
Impact of operations due to be sold or discontinued		1,285	647
CHANGE IN CASH AND CASH EQUIVALENTS		**(39,841)**	**82,450**
Opening cash and cash equivalents	21.1.1	**283,743**	**200,564**
Impact of exchange rate fluctuations		(2,995)	729
Closing cash and cash equivalents	21.1.2	**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 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)**	**(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, subsidiaries of Natixis and the share repurchase programme (note 1.5).
(3) Primarily involves change in stock options of associated companies and capitalisation of reserves following the allotment of bonus shares in 2005 (note 5.4.3).

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	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 sales [2]	–	–	221	2,559	–	–	2,780	–	2,780
Other changes	–	–	(28)	–	–	–	(28)	–	(28)
Balance at 31 December 2006	**84,025**	**708,994**	**(201,456)**	**(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.

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

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Note 1 Significant events and transactions during the period

1.1 Partnerships

1.1.1 Somatostatin analogue and growth hormone antagonist

On 24 January 2007 – Ipsen announced it had acquired an international patent application filed on 13 April 2006 by Erasmus University Medical Centre Rotterdam (Erasmus MC) in the Netherlands, for the co-administration of a somatostatin analogue and a growth hormone antagonist for the treatment of acromegaly. The application is based on clinical findings by Professor van der Lely, Head of Endocrinology in the Department of Internal Medicine at Erasmus MC. Preliminary clinical data suggest that the combined treatment of acromegaly with monthly long-acting somatostatin analogue(s) and weekly subcutaneous pegvisomant administration is effective, might increase compliance and could greatly reduce the costs of medical treatment in some patients.

Under the terms of the agreement, Ipsen paid Erasmus MC an upfront payment of €1.25 million and up to €8.75 million in additional milestone payments if certain conditions are met, notably upon patent issue and market approvals of the product for the corresponding indication.

On 4 December 2007, Ipsen and Erasmus University Medical Centre Rotterdam (Erasmus MC) announced that they had extended their alliance by concluding a collaboration agreement to identify and progress therapeutic concepts and innovative products within the fields of endocrinology, diabetes and metabolism. Moreover, Erasmus Research Institute for Neuroendocrinology (ERINE) was established recently within the Internal Medicine Department of Erasmus MC.

Ipsen and ERINE research teams will meet regularly to identify new therapeutic opportunities leading to novel pharmaceutical compounds, or the identification of novel indications for products marketed in endocrinology. The parties will identify and validate targets of mutual interest and test compounds in order to produce lead candidates for further development. All joint inventions will be owned by Erasmus MC with Ipsen having an exclusive option to licence and commercialise these inventions.

1.1.2 Adrovance®

On 30 January 2007, the Group and MSD announced a co-marketing agreement which grants the Group the right to use Adrovance® in France. 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. Adrovance® reduces the risk of vertebral and hip fractures. MSD currently markets this product under the brand name Fosavance®.

Under the terms of the agreement, Ipsen source the product from MSD, market and sell it under the brand name Adrovance® in France since April 2007.

1.1.3 Botulinum toxin type A, in aesthetic medicine indications

On 26 February 2007 Ipsen and Galderma announced that they had entered into a partnership for the development, promotion and distribution of Ipsen's botulinum toxin type A for use in aesthetic medicine indications in Europe and certain other territories.

The Group granted Galderma exclusive development, promotion and distribution rights for a specific formulation for the aesthetic medicine indications of its botulinum toxin type A product in the European Union, Russia and certain territories in Eastern Europe and the Middle East, as well as rights for future formulations.

In addition, Ipsen also granted Galderma first rights of negotiation for aesthetic medicine indications in the rest of the world, excluding the United States, Canada and Japan. Galderma will pay the Group an initial milestone of €10 million and up to an additional €20 million if certain conditions are satisfied, such as marketing authorisation and product launches on certain territories.

In addition Galderma will pay the Group an extra sum, to be determined, for the rights in Russia. Ipsen will manufacture and supply Galderma's finished product at a fixed supply price. In addition, Galderma will pay royalties to Ipsen. The total of transfer price and royalties received by Ipsen will be approximately 40% of Galderma's net sales. This agreement is due to expire in September 2019, and may be renewed by Galderma subject to certain conditions for a total of 30 years.

Ipsen and Galderma will now work together on the development and regulatory strategy of the product in aesthetic medicine indications in the European Union and the other territories. The specific formulation for the aesthetic medicine indication is currently under regulatory review in France, for approval and subsequent registration in the European Union. 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 while Galderma will own the trademark and/or trademark rights in aesthetic medicine indications.

On 6 December 2007, Ipsen and Galderma announced that they had signed a new partnership for the exclusive promotion and distribution of Dysport®, Ipsen's botulinum toxin type A product for use in aesthetic medicine and dermatological indications in Brazil, Argentina and Paraguay.

The agreement, which came into force in January 2008 in Brazil and Argentina and will be applicable in Paraguay, once approved in aesthetic medicine and dermatological indications, is for an initial five-year term that can be extended for an additional five-year period once Galderma achieves the agreed sales targets. Ipsen will manufacture and supply Dysport® 500 unit vials to Galderma at a supply price. In consideration for the rights granted by Ipsen to Galderma under the agreement, Galderma will pay Ipsen an undisclosed upfront milestone. In neuromuscular disorder indications Ipsen will continue to promote Dysport® 500 unit vials in Brazil, Argentina and Paraguay.

1.1.4 Selected range of compounds in a number of specific potential indications in the field of reproductive medicine

On 27 June 2007, Ipsen announced that it had executed a licence agreement with PregLem SA, a biopharmaceutical company specialising in the treatment of benign gynaecological conditions and infertility.

Under the terms of the agreement, Ipsen grants PregLem worldwide development and commercialisation rights to

a selected range of compounds in a number of specific potential indications in the field of reproductive medicine. The compounds include steroid sulphatase inhibitors and somatostatin antagonists, which are mostly at an early stage of development. Ipsen also assigns to PregLem certain patent rights applicable in the treatment of human infertility. In return, Ipsen will receive royalties on future sales of products successfully developed by PregLem.

Sutrepa (an affiliate of Ipsen) has taken a minority equity stake in the company and has appointed a representative to PregLem's Board of Directors. Additional shareholders in PregLem SA include the investors Sofinnova Partners, and Sofinova Ventures NeoMed Innovation, MVM Life Sciences and the founders.

1.1.5 Ginkor Fort®

On 23 August 2007, Ipsen announced that it had signed an agreement with GTF Group to transfer the marketing authorisations of Ginkor Fort® for France, Monaco and Andorra as from 1st January 2008. Ipsen also granted to GTF an exclusive licence of 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 from 1st January 2008 on. Under the agreement, GTF will pay Ipsen €10.5 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.

1.1.6 BN 83495

On 17 September 2007, bioMérieux and Ipsen announced that they had signed an agreement by which bioMérieux will develop a companion test for a new breast cancer drug undergoing clinical evaluation by Ipsen. The development will be co-funded by bioMérieux and Ipsen. Ipsen is developing a novel breast cancer therapy, BN 83495, targeting the steroid sulfatase enzyme (STS). The new drug, designed to block this marker found in hormone-dependent breast cancer in postmenopausal women, is currently in phase I clinical development.

bioMérieux will devise a companion assay to determine the patients best suited to benefit from the new STS inhibitor treatment. The assay is intended for both clinical development of the Ipsen drug and a diagnostic test, potentially for future commercialisation. The test will be developed on bioMérieux's NucliSENS EasyQ® molecular diagnostics platform, using the company's proprietary NASBA® amplification technology.

1.1.7 BA 058 / ex-BIM 44058

On 17 September 2007, Ipsen announced that Radius Health ("Radius") had granted Novartis an option to obtain an exclusive worldwide licence (except Japan) to develop and commercialise all formulations of BA058. The bone anabolic candidate BA058, a PTHrP *(parathyroid hormone-related protein)* analogue, is currently in phase II clinical studies conducted by Radius for the treatment of osteoporosis. In September 2005, Radius acquired from Ipsen exclusive rights to BA058 (a former Ipsen proprietary compound previously referred to as BIM44058,) on a worldwide basis with the exception of Japan, where Ipsen previously granted an exclusive licence for BA058 to the Japanese group, Teijin.

In the event that Novartis exercises the option to licence BA058, Novartis would assume the global (except Japan) clinical development, manufacturing, and marketing of BA058 and all associated costs. Radius would receive payments upon the exercise of the option and on successful completion of certain development, regulatory, and commercial milestones. These payments together could total more than $500 million. In addition, Radius would be eligible to receive royalties on product sales and has retained the option to co-commercialise BA058 in the United States. Of this amount, Radius would in turn pay to Ipsen development, regulatory and commercial milestones that could total up to $125 million, as well as royalties calculated on a pro rata sales basis. Additional terms were not disclosed.

1.1.8 Triptorelin

On 31 October 2007, Ipsen and Debiopharm, a global independent biopharmaceutical development specialist in oncology and serious medical conditions, announced an extension of their agreement whereby Ipsen exclusively in-licences know-how and new patent applications for the commercialisation rights of Decapeptyl® (triptorelin pamoate) in the world excluding North America and certain other countries (Such as Sweden, Israel, Iran and Japan). This new agreement will last for a minimum of 5 years after the patent expiry of the current marketed formulations in July 2010. It further enables Ipsen to access future sustained-release formulations of Decapeptyl® 1 developed by Debiopharm, among which is a 6-month sustained-release formulation that has completed phase III clinical trials and is expected to be filed by Debiopharm in 2008.

Ipsen will thus be able to propose Decapeptyl® in a wider range of treatment regimens, allowing further adaptation to the therapeutic needs of cancer patients.

Under the terms of this agreement, the royalties paid by Ipsen to Debiopharm until July 2010 will remain unchanged. After this date, Ipsen will continue to pay royalties on its sales of all formulations of Decapeptyl®. Ipsen and Debiopharm will share development costs of the 6-month formulation once it is approved in one major country. Ipsen will thereafter exclusively purchase Decapeptyl® (triptorelin pamoate) 6-month formulation from Debiopharm's cGMP2 Food and Drug Administration (FDA) inspected development and production facility in Martigny, Switzerland, whilst the royalty rate for the entire franchise will stand around 5%. This agreement comes after Ipsen announced on 11 June 2007 that the preliminary data from the ongoing phase III study for its investigational 4-month formulation of triptorelin do not support the expected sustainable blood levels of triptorelin for a duration of 4 months in all patients. Therefore, Ipsen has decided not to perform the second administration as planned in the protocol. No safety concerns have been observed throughout the trial. At the end of their respective monitoring period, patients will be switched to appropriate approved treatment.

1.1.9 Biomarkers

On 20 November 2007, Celera, an Applera Corporation business, and Ipsen announced that they had entered into a research collaboration to develop biomarker and pharmacogenomic tests for growth failure patients. The initial phase of the collaboration will 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 Ipsen's clinical trials, which would potentially form the basis for commercial companion diagnostic tests for Ipsen's short stature therapies. Celera will receive an undisclosed payment for the initial phase of this multi-year collaboration, and any future payment will depend on success of the initial phase.

■ 1.2 Registration of new products

1.2.1 Increlex®

On 9 August 2007, Ipsen announced that the European Commission had granted marketing authorisation for Increlex® (mecasermin) 10 mg/ml solution for injection in the European Union. The indication approved is for the long-term treatment of growth failure in children and adolescents with severe primary insulin-like growth factor-1 deficiency (severe primary IGFD).

Increlex® was designated as an orphan medicinal product in the European Union on 22 May 2006. The European marketing authorization provides Increlex® a ten-year marketing exclusivity for the treatment of severe Primary IGFD.

In October 2006, Tercica Inc. granted Ipsen the development and commercialisation rights for Increlex® in Europe and certain other territories in return for the payment of €10 million.

According to the terms of the agreement, the approval of Increlex® marketing authorisation in the European Union triggers a €15 million milestone payment by Ipsen to Tercica.

1.2.2 Somatuline® Depot

On 31 August 2007, Ipsen announced that the US Food and Drug Administration (FDA) had approved for marketing Somatuline® Depot (lanreotide) Injection 60, 90 and 120 mg in the United States.

Somatuline® Depot is indicated for the long-term treatment of acromegaly in patients who have had an inadequate response to surgery and/or radiotherapy, or for whom surgery and/or radiotherapy is not an option. Somatuline® Depot will be available in a pre-filled syringe eliminating any need for reconstitution and thus enabling freedom of straightforward administration to patients.

In October 2006, granted Tercica Inc. the development and commercialisation rights for Somatuline® Depot in the United States and Canada in return for a milestone payment of $25 million.

According to the terms of the agreement, FDA approval of Somatuline® Depot triggers a €30 million milestone payment that Tercica will pay to Ipsen by issuing a convertible note (convertible note 2) to Ipsen for the principal amount of €30 million. The note, which will mature in October 2011, carries a coupon of 2.5% and is convertible into Tercica Inc. common stock at a conversion price of €5.92.

FDA approval also triggered the issuance of a third convertible note (convertible note 3) in compliance with the agreement signed in October 2006 for a principal amount of $15 million. This note which will mature in October 2011 carries a coupon of 2.5% and is convertible into Tercica Inc. common stock at a conversion price of $7.41. Ipsen will purchase this note for cash.

■ 1.3 Application for marketing authorization

1.3.1 Dysport®

On 6 December 2007, Ipsen announced that it had submitted a Biologics Licence Application (BLA) for Dysport® for Injection in cervical dystonia to the Food and Drug Administration (FDA) in the United States for treatment of patients with cervical dystonia. In accordance with United States regulations, the FDA will now be conducting a technical screening of the application to ensure that sufficient data and information have been submitted to justify the final review of the dossier by the Center for Drug Evaluation and Research.

Dysport® has been granted orphan product status by the FDA as a treatment for cervical dystonia, an orphan disease in the United States. The BLA submission relies on data from two pivotal phase III studies performed in the United States and abroad totalling 252 patients followed up for up to 12 treatment cycles, in addition to substantial patient exposure in other clinical studies in cervical dystonia.

1.3.2 Reloxin®

On 6 December 2007, Ipsen and Medicis announced the submission of the Biologics Licence Application ("BLA") for Reloxin® to the US Food and Drug Administration (FDA) for aesthetic medicine indications. Upon FDA's acceptance of the Reloxin® filing, Medicis will pay Ipsen approximately $25 million in accordance with the agreement between the parties.

■ 1.4 Government measures

European governments continue to introduce various measures to reduce public health spending which have had an impact on 2007 sales and results:

- Ginkor Fort®'s price was reduced by 15% in February 2006. Ginkor Fort® generated €38.2 million in sales in France in 2006. 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 would then be withdrawn from the list of reimbursable drugs from 1 January 2008.
- The price of NutropinAq® was reduced in France by 7% on 1 August 2006 following a decision of the Economic Committee for Health Products.
- The French Health authorities announced a reduction in the level of reimbursement from 65% to 35% and a price reduction of 7% as of 1 January 2007 for Pfizer's product Artotec®, the marketing of which was transferred to Ipsen in 2006.
- On 26 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 the Official Journal noticed a 10% price reduction on Tanakan® in France.

- The UK Government's Department of Health approved a new price list applicable as from 1 June 2007 which posted price increases of 6.7% to 9.6% for Dysport®, Somatuline® and NutropinAq® compensating an over-recovery of savings on Decapetyl® sales which exceeded the Pharmaceutical Price Regulation Scheme's targets set up in 2005.

1.5 Liquidity agreement / Share repurchase programme

1.5.1 Share repurchase programme

On 25 January 2007, the Board of Directors decided to cover the 533,334 stock purchase options granted pursuant to the provisions of article L. 225-177 of the French *Code de commerce* within the framework of its share buyback programme launched on 2 June 2006. The Company has signed an agreement with a financial institution governing the implementation of this programme.

To guarantee all its commitments in respect of this contract, Ipsen S.A. has pledged cash collateral in favour of the financial institution. Ipsen paid €6 million at the closing of the contract on 19 February 2007. Ipsen also paid the institution an additional €6 million on the following two dates: 4 April 2007 and 18 May 2007. On 4 September, the date of delivery, the ownership (together with the risks and benefits) of the shares purchased (535,000) by the financial institution was transferred to Ipsen at the agreed purchase price (€19.9 million).

On 17 December 2007, within the framework of the above mentioned share buyback programme, the Group mandated a financial institution until 31 December 2007 to repurchase the agreed number of shares for the agreed amount. At 31 December 2007, the Group had acquired 125,000 shares for €5.1 million.

1.5.2 Liquidity agreement

On 23 February 2007, Ipsen announced that it had terminated the liquidity agreement which it had signed with Exane BNP Paribas on 16 January 2006. The following assets appeared on the liquidity account: 46,838 shares (€1,260,000). As from 26 February 2007 the Group 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 AFEI (French Association of Investment Firms) which was approved on 22 March, 2005 by the French *Autorité des Marchés Financiers*. At 31 December 2007, the following assets appeared on the liquidity account: 12,018 shares (€1,124,000) and cash (€2,542,000).

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 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.

Note 2 Changes in the scope of consolidation

2.1 Change in scope of consolidation during the year

• Contributions in kind

To simplify its organisational structure, Ipsen and Scras S.A.S. transferred their holdings in the Group's foreign subsidiaries at 31 July 2007 to Sutrepa S.A.R.L. consolidated as of 31 December 2007:

Company	Country
Biomesure Inc.	United States
Ipsen Ltd	United Kingdom
Ipsen NV	Belgium
Ipsen Pharma S.A.	Spain
Ipsen Pharmaceuticals Ltd	Ireland
Ipsen Portugal productos Farmaceuticos S.A.	Portugal
Institut Produits de Synthèse (Ipsen AB)	Sweden
Ipsen Farmaceutica BV	Netherlands
Beaufour Ipsen Mexico S de RL de CV	Mexico

This transaction has no impact on the Group's consolidated financial statements.

• Creation of companies

– Ipsen 000 – Russia.

This company is wholly owned and controlled by the Group. The company is included in the scope of consolidation at 31 December 2007.

• Acquisitions

– Tercica Inc. – United States.

In addition to its 25% shareholding in Tercica Inc. acquired in October 2006, the Group acquired an additional 0.36% in Tercica Inc. in July 2007, increasing its stake to 25.36%.

In addition to the development and marketing agreement effective as from July 2007, between Tercica Inc. and Genentech Inc., Tercica Inc. carried out a capital increase reserved for Genentech Inc. and Ipsen for $6.9 million ($2.9 million for Ipsen and $4 million for Genentech Inc.).

– Beaufour Ipsen Farmaceutica LTDA – Brazil.

On 22 May 2007, the Group acquired 100% of this company's share capital for €177,000. The company is included in the scope of consolidation at 31 December 2007.

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 26 February 2008.

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 2007 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).

In particular, IFRS 7 "Financial statements: disclosures" is applied by the Group as from 1January 2007. In compliance with the provisions of IFRS 7, comparative data for the year 2006 are presented in these financial statements.

3.1.1 Amendments to previously published standards and coming into force in 2007

- IAS 1 Revised (Presentation of Financial Statements). The adoption of IAS 1 revised as from 1 January 2007 had no material effect on information to be produced for the presentation of financial statements.

3.1.2 Interpretations which have come into force in 2007 but are not applicable to the Group

- IFRIC 7 (Applying the Restatement Approach under IAS 29).
- IFRIC 8 (Scope of IFRS 2).
- IFRIC 9 (Reassessment of embedded derivatives).

3.1.3 Standards adopted by the European Union and not adopted prospectively by the Group

- IFRS 8 (Operating Segments).

3.1.4 Interpretations adopted by the European Union and not adopted prospectively by the Group

- IFRIC 11 (Group and treasury share transactions).

3.1.5 Standards and interpretations not yet adopted by the European Union and not adopted prospectively by the Group

- IFRIC 12 (Service concession arrangements).
- IFRIC 13 (Customer Loyalty Programmes).
- IFRIC 14/IAS 19 (The Limit on a Defined Benefit Asset and Minimum Funding Requirements).
- IAS 23 revised (Borrowing Costs).

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.

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.

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 the elimination of foreign currency transactions between fully consolidated companies are transferred to the cumulative translation reserve under shareholders' equity and to minority interests for the non-Group share, to eliminate their impact on consolidated results.
- Exchange differences arising from foreign currency cash flow movements between fully consolidated companies are accounted for under a separate line item in the consolidated statement of cash flows.

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. 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 their 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.

Brands and trademarks are not capitalised or 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
- Plant & equipment . . . . . 5 to 10 years
- Other . . . . . 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 "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 the fair value of the asset financed;
- whether or not ownership of the asset is transferred at the end of the lease term;
- existence of a purchase option favourable to the lessee;
- the 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.

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 that the recoverable amount of an asset is less than its carrying amount, 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 cash-generating unit 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 or cash-generating unit.

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.

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 therefore be subject to geopolitical risks. The Group endeavours to limit the length of customer risks and payment terms, or takes out credit insurance or invoice discounting where available on the market. Based on reliable default indices and the results of its monitoring and reminder procedures, the Group recognises an impairment of trade receivables which takes into account the Group's hedging instruments (Coface type credit insurance).

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 asset. 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. Available-for-sale financial 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 case of evolution of the interest rates. 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:

- discount 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;
- 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

3.25.1 Interest rate risk and foreign exchange risk

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.

3.25.2 Other derivative instruments

■ Warrants

Warrants issued by companies reporting according to the equity method are covered by the definition of derivative financial instruments under IAS 39 "Financial instruments: recognition and measurement". Consequently, warrants are recognised at their fair value in "Financial assets at fair value through profit and loss". At the reporting date, changes in fair value are recognised in financial income and expense.

■ Convertible bonds

Under IAS 39 "Financial instruments: recognition and measurement", the conversion option of convertible bonds issued by companies reporting according to the equity method is considered as an embedded derivative to be accounted for as a stand-alone derivative. This embedded derivative is measured, firstly, based on the characteristics of the option it is representing. The fair value of the "bond" component is then obtained as the difference between the option's fair value thus measured and the fair value of the convertible bond as a whole.

The convertible bond is broken down into two components, both of which are recognised in "Non-current financial assets":

- the "bond" component, measured at its depreciated cost, is reported in "Loans and receivables", subsequent changes in fair value being recognised in financial income and expense;
- the "conversion option" component, measured at its fair value, is reported in "Derivative instruments". Subsequent changes in fair value are recognised in financial income and expense.

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 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 in issue during the period.

The weighted average number of shares in issue 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 the customers)

(in thousand euros)	31 December 2007		31 December 2006	
	Amount	%	Amount	%
Major Western European countries	216,619	62%	215,829	65%
Rest of Europe	79,109	23%	71,516	22%
Rest of the world	53,710	15%	42,309	13%
Total allocated	**349,438**	**100%**	**329,654**	**100%**
Unallocated	(140,550)	–	(142,435)	–
Total	**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 2007		31 December 2006	
	Amount	%	Amount	%
Major Western European countries	571,228	62%	564,528	65%
Rest of Europe	208,121	22%	184,800	21%
Rest of the world	150,182	16%	125,202	14%
Total allocated	**929,531**	**100%**	**874,530**	**100%**
Unallocated	64,226	–	70,727	–
Total	**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 2007		31 December 2006	
	Amount	%	Amount	%
Major Western European countries	564,262	61%	551,674	64%
Rest of Europe	208,121	23%	184,800	21%
Rest of the world	148,092	16%	125,202	15%
Total	**920,475**	**100%**	**861,676**	**100%**

4.2.3 Other revenue

(in thousand euros)	31 December 2007	31 December 2006
Royalties received	49,767	41,650
Milestone payments received	17,349	20,199
Research and development expenses billed back to partners	2,087	10,548
Co-promotion income	4,079	11,184
Total	**73,282**	**83,581**

■ 4.3 Balance sheet items by geographical area (based on the location of the assets)

(in thousand euros)	31 December 2007				
	Major Western European countries	Rest of Europe	Rest of the world	Eliminations	Total
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	**433,592**	**62,776**	**55,702**	**(26,854)**	**525,216**
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**

(in thousand euros)	31 December 2006				
	Major Western European countries	Rest of Europe	Rest of the world	Eliminations	Total
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	**379,618**	**76,272**	**37,791**	**(24,846)**	**468,835**
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**

■ 4.4 Other information

(in thousand euros)	31 December 2007				
	Major Western European countries	Rest of Europe	Rest of the world	Unallocated	Total
Capital expenditure	(6,123)	(49,942)	(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 3,886 employees at end 2007 (3,821 at end 2006).

In 2007, the average number of employees was 3,854 (3,811 in 2006).

The following table shows movements in the number of employees by function:

Functions	31 December 2007	31 December 2006
Sales	1,556	1,530
Production	1,075	1,050
Research and Development	708	700
Administration	547	541
Total	**3,886**	**3,821**

The following table shows a geographical breakdown of employees at 31 December:

Geographical area	31 December 2007	31 December 2006
Major Western European countries	2,620	2,613
Rest of Europe	587	563
Rest of the world	679	645
Total	**3,886**	**3,821**

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 2007	31 December 2006
Wages and salaries	(179,410)	(166,353)
Social security charges and payroll taxes	(69,754)	(66,256)
Sub-total	**(249,164)**	**(232,609)**
Share-based payment expense (note 5.3.3.4)	**(3,855)**	**(4,051)**
Annual accounting expenses associated with share-based payment (note 5.4)	(7,312)	(3,282)
Social security costs on share-based payment	(250)	–
Sub-total share-based payment expense	**(7,562)**	**(3,282)**
Employee profit-sharing	(11,013)	(10,059)
Total	**(271,594)**	**(250,001)**

The average rate of employer social security contributions was 38.9% of gross payroll in 2007 (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 outside 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 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	N/A	N/A	N/A
Expected salary increases	According to age	5.00%	7.25%
Future pension increases	N/A	3.30%	N/A
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	N/A	N/A	N/A
Expected salary increases	According to age	5.00%	7.25%
Future pension increases	N/A	3.00%	N/A
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 2007		31 December 2006	
Post-employment benefits		**6,797**		**6,158**
– Pension plans	6,797		6,158	
– Other plans	–		–	
Other long-term benefits	**–**	**3,241**	**–**	**3,141**
Total	**–**	**10,038**	**–**	**9,299**

5.3.3.3 Reconciliation of assets and liabilities carried on the balance sheet

(in thousand euros)	31 December 2007				31 December 2006
	Post-employment benefits		Other long-term benefits	Total 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	50,165
– Present value of unfunded liabilities	1,378	–	3,019	4,397	4,774
Sub-total	**50,271**	**–**	**3,269**	**53,540**	**54,939**
Fair value of plan assets	39,949	–	28	39,977	35,771
Net liabilities (a)	**10,322**	**–**	**3,241**	**13,563**	**19,168**
Unrecognised items					
– Past service costs	2,247	–	–	2,247	755
– Net actuarial losses or (gains)	5,323	–	–	5,323	11,492
– Restriction of assets recognised	–	–	–	–	–
– Fair value of reimbursement rights recognised as an asset	–	–	–	–	–
Total unrecognised items (b)	**7,570**	**–**	**–**	**7,570**	**12,247**
Net obligation (a-b)	**2,752**	**–**	**3,241**	**5,993**	**6,921**
Amount presented in the balance sheet:					
Retirement benefit obligation	6,797	–	3,241	10,038	9,299
Non-current financial assets	4,045	–	–	4,045	2,378
Net obligation	**2,752**	**–**	**3,241**	**5,993**	**6,921**

5.3.3.4 Reconciliation of expenses in the income statement

(in thousand euros)	31 December 2007				31 December 2006
	Post-employment benefits		Other long-term benefits	Total	
	Pension plans	Other plans			
Current service cost	3,712	–	365	4,077	3,744
Contributions from plan members	(225)	–	–	(225)	(223)
Interest costs	2,428	–	130	2,558	2,101
Expected return on plan assets	(1,947)	–	(1)	(1,948)	(1,559)
Expected return on reimbursement rights	–	–	–	–	–
Past service costs recognised	240	–	–	240	56
Actuarial losses (gains) recognised	450	–	(175)	275	457
Losses (gains) on curtailments and settlements	(461)	–	(51)	(512)	16
Change in asset ceiling	–	–	–	–	–
Total net expenses	**4,197**	**–**	**268**	**4,465**	**4,592**
– Of which operating expenses	3,717	–	138	3,855	4,051
– Of which financial expenses	480	–	130	610	541

5.3.3.5 Movements in net liability carried on the balance sheet

(in thousand euros)	31 December 2007				31 December 2006
	Post-employment benefits		Other long-term benefits	Total	
	Pension plans	Other plans			
Opening net liability	**3,780**	**–**	**3,141**	**6,921**	**6,874**
Exchange differences	(62)	–	(12)	(74)	20
Change in scope of consolidation	–	–	–	–	–
Charge for the year (see note 5.3.3.4)	4,197	–	268	4,465	4,592
Transfers (from) / to plan assets	–	–	–	–	–
Contributions paid by employer	(5,028)	–	2	(5,026)	(4,226)
Reimbursement excess paid by employer	203	–	–	203	83
Benefits paid from reimbursement rights	–	–	–	–	–
Benefits paid from internal reserve	(338)	–	(158)	(496)	(422)
Effect of reimbursement rights recognised in charge	–	–	–	–	–
Change in asset ceiling	–	–	–	–	–
Closing net liability	**2,752**	**–**	**3,241**	**5,993**	**6,921**

5.3.3.6 Movements in defined benefit plan obligations

(in thousand euros)	31 December 2007				31 December 2006
	Post-employment benefits		Other long-term benefits	Total	
	Pension plans	Other plans			
Opening balance	**51,768**	**–**	**3,171**	**54,939**	**45,519**
Exchange differences	(642)	–	(6)	(648)	179
Change in scope of consolidation	–	–	–	–	–
Current service cost	3,712	–	365	4,077	3,744
Social security charges on service cost	–	–	–	–	–
Interest cost	2,428	–	130	2,558	2,101
Settlements/curtailments	(588)	–	(51)	(639)	–
Benefits paid from plan assets	(1,185)	–	(9)	(1,194)	(489)
Benefits paid from reimbursement rights	–	–	–	–	–
Benefits paid from internal reserve	(338)	–	(158)	(496)	(422)
Actuarial gains and losses generated in the year	(6,616)	–	(173)	(6,789)	118
Past service cost	1,732	–	–	1,732	4,189
Transfers	–	–	–	–	–
Closing balance	**50,271**	**–**	**3,269**	**53,540**	**54,939**

5.3.3.7 Movements in plan assets

(in thousand euros)	31 December 2007				31 December 2006
	Post-employment benefits		Other long-term benefits	Total	
	Pension plans	Other plans			
Opening balance	**35,735**	**–**	**36**	**35,771**	**29,354**
Exchange differences	(545)	–	–	(545)	128
Change in scope of consolidation	–	–	–	–	–
Contributions from plan members	225	–	–	225	223
Expected return on plan assets	1,947	–	1	1,948	1,559
Settlements/curtailments	–	–	–	–	(21)
Transfers (from) / to unrecognised assets	–	–	–	–	–
Contributions paid by employer	5,028	–	(2)	5,026	4,226
Reimbursement excess contributions paid by employer	(203)	–	–	(203)	(83)
Benefits paid from plan assets	(1,185)	–	(9)	(1,194)	(489)
Gains and losses generated in the year	(1,053)	–	2	(1,051)	874
Past service cost	–	–	–	–	–
Closing balance	**39,949**	**–**	**28**	**39,977**	**35,771**

5.3.3.8 Breakdown of plan assets

A breakdown of plan assets at 31 December 2007 and at 31 December 2006 is given in the table below:

(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 board management 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 board management committee and for an employee (see note 5.4.2) and granted bonus shares to the new members of the board management committee (note 5.4.3).

On 12 December 2007, the Board of Directors decided to include the new members of the board management 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 board management committee (see note 5.4.3).

The annual charge for all share-based payments is given below:

(in thousand euros)	31 December 2007	31 December 2006
Stock option plans granted by Mayroy S.A. (note 5.4.1.3)	2,283	2,371
Stock option plans granted by Ipsen (note 5.4.2.2)	4,431	668
Bonus shares (note 5.4.3.2)	598	243
Total	**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

	STOCK OPTION 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	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

5.4.1.2 Movements in options outstanding

Changes in the number of outstanding options for all the plans are given below:

(number of options)	31 December 2007	31 December 2006
Opening balance	**48,170**	**77,350**
Options granted	–	–
Options exercised	(7,050)	(28,580)
Options forfeited	–	(600)
Options expired	–	–
Closing balance	**41,120**	**48,170**

Breakdown of closing balance:

(number of options)	31 December 2007	1 January 2007
Plans before 7 Nov. 2002		
1a	–	3,300
1b	850	1,550
1c	3,420	6,470
Plans after 7 Nov. 2002		
1d	3,500	3,500
3a	14,700	14,700
2a	2,760	2,760
2b	2,760	2,760
2c (Tr. 1)	7,360	7,360
2c (Tr. 2)	2,760	2,760
2c (Tr. 3)	2,760	2,760
3b	250	250
TOTAL	**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):

	Plans after 7 November 2002								
(in thousand euros)	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 2007	246	1,058	–	186	423	194	158	18	**2,283**
Charge for 2006	255	948	182	193	423	194	158	18	**2,371**

	Plans after 7 November 2002							
Main assumptions	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

	STOCK OPTION PLANS													
	Plan of 14 Nov. 2005	Plan n° 1 of 12 December 2006			Plan n° 2 of 12 Dec. 2006	Plan n° 3 of 12 December 2006				Plan of 30 May 2007	Plan of 12 December 2007			
		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
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
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
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
Share entitlement per option	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Exercise price	€22.20	€33.21	€35.86	€38.73	€33.21	€29.88	€33.21	€29.88	€29.88	€39.06	€38.27	€38.27	€41.33	€41.33
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
Expected volatility	35%	35%	35%	35%	35%	35%	35%	35%	35%	31%	29%	29%	29%	29%
Average life of option	7	8	8.5	9	8	8	8	5.5	7	7	7	7	7.5	7.5
Turnover	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%
Dividends	Variable	Variable	Variable	Variable	Variable	Variable	Variable	Variable	Variable	1.50%	1.50%	1.50%	1.50%	1.50%
Performance condition	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fair value per option	**€8.34**	**€16.39**	**€16.00**	**€16.78**	**€16.39**	**€17.42**	**€16.39**	**€15.07**	**€16.59**	**€13.75**	**€14.8**	**€14.8**	**€14.14**	**€14.14**

5.4.2.2 Valuation of plans

	STOCK OPTION 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				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	**20,580**
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 2007	31 December 2006
Opening balance	**1,220,700**	**327,000**
Options granted	215,000	899,500
Options exercised	–	–
Options forfeited	(10,850)	(5,800)
Options expired	–	–
Closing balance	**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 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 management board. No performance condition was attached to the definitive allotment of these shares which will take place at the end of an acquisition period of 2 years.

On 12 December 2007 the Board of Directors granted 27,000 bonus shares to some members of the management board. The definitive allotment of these shares which will take place at the end of an acquisition period of 2 years is conditional upon certain criteria being fulfilled (with the exception of 1,000 shares).

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	
Number of bonus shares	23,000	18,000	(*) 8,000	26,000	(*) 1,000
Vesting period (in years)	2	2	2	2	2
Dividend payout rate	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%
2Y interest rate	2.80%	3.73%	4.39%	4.07%	4.07%
2Y forward rate for 2 years	2.80%	3.68%	4.39%	4.27%	4.27%
Cost of non-transferability of shares	2.50%	2.01%	0.77%	1.93%	1.93%
Cost of loss of dividends	2.80%	2.87%	2.85%	2.86%	2.86%
Reduction rate	5.00%	4.82%	3.60%	4.74%	4.74%
Value of shares on grant date before reduction	€22.20	€33.21	€39.13	€41.35	€41.35
Fair value of bonus shares	**€21.09**	**€31.61**	**€37.72**	**€39.39**	**€39.3**

(*) Bonus shares free of any performance conditions.

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	Total
Opening value	485	569	302	1,064	**2,420**
Charge for 2007	226	284	88	–(*)	**598**
Charge for 2006	243	(*)	–	–	**243**

(*) Amounts are not material given the date of grant.

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 2007	31 December 2006
Intangible assets	(4,038)	(12,631)
Property, plant & equipment	(27,438)	(27,079)
Total non-current assets	**(31,476)**	**(39,710)**
Other non-current financial assets	–	–
Total non-current assets [A]	**(31,476)**	**(39,710)**
Retirement benefit obligation	(3,560)	(3,712)
Provisions	(5,023)	(5,136)
Total provisions [B]	**(8,583)**	**(8,848)**
Total charge excluding current assets C = [A+B]	**(40,059)**	**(48,558)**
Inventories	445	(1,052)
Trade receivables and other current assets	(1,338)	(669)
Total current assets	**(893)**	**(1,721)**
Total	**(40,952)**	**(50,279)**
Goodwill impairment losses	–	–
TOTAL	**(40,952)**	**(50,279)**

At 31 December 2006, the increase in amortisation and impairment losses is caused mainly by a €7.3 million impairment loss on the Testim® licence. Testim® sales remained below the Group's expectations, with slower than expected growth and penetration. Moreover, difficulties to obtain reimbursement status in some of the main Western European countries, such as Italy, have had a negative impact on sales trends. Due to these uncertainties, this asset is fully amortised at 31 December 2006.

6.2 Depreciation, amortisation 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 2007	31 December 2006
Operating - excluding current assets (see note 6.1 C)	(40,059)	(48,558)
Financial	(1,167)	(1,382)
Total	**(41,226)**	**(49,940)**

Operating amortisation, depreciation and impairment losses relating to current assets (net charge of €893,000 in 2007 and €1,721,000 in 2006) are shown as changes in working capital and calculated on the basis of net book values.

6.3 Breakdown of net charge to depreciation, amortisation and impairment losses on non-current assets

(in thousand euros)	31 December 2007	31 December 2006
Cost of goods sold	(15,223)	(15,270)
Research and development expenses	(7,802)	(6,759)
Selling expenses	(3,846)	(12,411)
General expenses	(4,605)	(5,270)
Total (see note 6.1 - A)	**(31,476)**	**(39,710)**

Note 7 Other operating income and expenses

This item was not material in 2007 whereas in 2006 this item included $10 million (i.e. €8.2 million) paid by the Group to Inamed, for the recovery of all its rights to Reloxin® in the United States, Canada and Japan.

Note 8 Financial income/(expense)

8.1 Net finance cost

(in thousand euros)	31 December 2007	31 December 2006
Proceeds of sale of short-term investments	5,163	6,784
Total income from financial assets at fair value through profit or loss	**5,163**	**6,784**
Other financial income [1]	6,378	1,190
Total income from loans and receivables	**6,378**	**1,190**
Financial income	**11,541**	**7,974**
Interest on debt	(1,339)	(1,408)
Interest on employees' profit sharing fund	(611)	(577)
Total interest on financial liabilities measured at amortised cost	**(1,950)**	**(1,985)**
Financial expenses on rate option	–	(157)
Total expenses on financial assets at fair value through profit or loss	**–**	**(157)**
Financial expenses	**(1,950)**	**(2,142)**
Net finance cost	**9,591**	**5,832**

(1) The item other financial income mainly includes interest on convertible notes issued by Tercica Inc., which amounted to €855,000 using the nominal rate and €1,142,000 using the effective interest rate, 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).

8.2 Other financial income and expense

(in thousand euros)	31 December 2007	31 December 2006
Changes in the fair value of the warrant and conversion options	3,638	(2,734)
Exchange differences on the fair value of the warrant and the conversion options	(954)	(684)
Other exchange differences	(3,529)	(1,075)
Income and expenses on financial assets and liabilities measured at fair value	**(845)**	**(4,493)**
Impairment of investments in non-consolidated companies	(1,056)	(845)
Impairment of other financial assets	500	–
Income and expenses on available-for-sale financial assets	**(556)**	**(845)**
Financial income on personnel benefits (note 5.3.3.4)	1,948	1,559
Interest on personnel benefits (note 5.3.3.4)	(2,558)	(2,101)
Other financial income and expenses	(844)	(173)
Total other financial income and expenses	**(2,855)**	**(5,707)**

Changes in the line item other financial income and expenses are mainly due to the impact of the gain in fair value of derivative financial instruments (warrant and option on the Tercica Inc. convertible note) of €3.6 million at 31 December 2007 vs. a loss of €2.7 million at 31 December 2006 and to the impact of exchange differences over the period, for a negative amount of €4.5 million compared with €1.8 million at 31 December 2006.

Note 9 Restructuring costs

No restructuring costs were recognised in 2007 or 2006.

The income of €0.2 million in 2006 and appearing on this line item represents the reversal of a provision taken in 2004 and partly unused.

Note 10 Income tax

10.1 Tax charge

10.1.1 Breakdown of the tax charge

(in thousand euros)	31 December 2007	31 December 2006
Current taxes	(54,084)	(75,118)
Deferred taxes	(394)	34,227
Actual tax charge	**(54,478)**	**(40,891)**

10.1.2 Effective tax rate

(in thousand euros)	31 December 2007	31 December 2006
Net profit from continuing operations	152,382	144,787
Share in results of associated companies	(8,764)	(1,666)
Pre-tax profit from continuing operations before the share in results of associated companies	**161,146**	**146,453**
Income taxes	(54,478)	(40,891)
Pre-tax profit from continuing operations before the share in results of associated companies and before tax	**215,624**	**187,344**
Effective tax rate	**25.3%**	**21.8%**

At 31 December 2007, the Group's effective tax rate amounted to 25.3% of consolidated pre-tax profit from continuing operations before the share in results of associated companies, compared with 21.8% in 2006.

The 2006 effective tax rate benefited from the non-recurrent effect of €6.9 million capital losses carried forward, mainly in the United Kingdom.

10.1.3 Reconciliation between the actual tax charge and theoretical tax charge

The following table shows a reconciliation between the effective tax charge and the theoretical charge based on pre-tax profit from continuing operations taxed at the standard French rate of 34.43% in 2007 and 2006:

(in thousand euros)	31 December 2007	31 December 2006
Pre-tax profit from continuing operations before the share in results of associated companies and before tax	215,624	187,344
Group tax rate	34.43%	34.43%
Theoretical tax charge	**(74,239)**	**(64,503)**
Increase/decrease in the tax charge arising from:		
– Tax credits	9,426	18,528
– Non-recognition of tax effect of certain losses arising during the year	(828)	(993)
– Utilisation of tax losses not recognised as deferred tax assets	1,340	7,138
– Other permanent differences(1)	9,823	(1,061)
Actual tax charge	**(54,478)**	**(40,891)**

(1): The line item other permanent differences in 2007 includes:
– €11,654,000 linked to the different tax rates applied to foreign subsidiaries;
– €1,916,000 linked to the reduced tax rate on royalties in France;
– a €3,747,000 loss linked to other permanent differences (including the non deductibility of advertising tax and the social security contribution for €1,888,000).

10.2 Deferred tax assets and liabilities

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**

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 trends in Ipsen Farmaceutica BV's fiscal 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 2007, the Dutch tax rate applicable to Ipsen Farmaceutiqua 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. This was also recognised directly in equity €15,205 (see board below).

Movements in deferred tax assets and liabilities in 2006:

(in thousand euros)	31 December 2005	Movements during the year				31 December 2006
		Exchange differences	Change 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	**11,738**	**484**	**–**	**15,205**	**34,227**	**61,654**

Note 11 Discontinued operations

(in thousand euros)	31 December 2007	31 December 2006
– Operating income/(expense)	(382)	(406)
– Financial income/(expense)	16	–
– Divestment income	–	4,600
– Taxes	(947)	(4,484)
Net loss from discontinued operations	**(1,313)**	**(290)**

Net loss from discontinued operations totalled €1.3 million at 31 December 2007. This loss is explained by both the final closure in the first quarter of 2007 of the Barcelona production plant, which continued to manufacture primary care products in accordance with agreements signed with the buyer when the business was sold, as well as consulting fees following a tax audit on a former divestment net loss from discontinued operations totalled (0.3) million at 31 December 2006.

Note 12 Goodwill

12.1 Net goodwill carried in the balance sheet

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	
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:

- €135,321,000 arising on the Group's acquisition of SCRAS and its subsidiaries on 17 December 1998;
- €10,185,000 arising on the acquisition of Sterix Ltd;
- €53,515,000 arising on the acquisition of BB et Cie (and indirectly Cara Partners);
- €177,000 arising on the acquisition of Beaufour Ipsen Farmaceutica BV LTA in 2007 (see note 2.1).

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	
Gross goodwill	199,500	–	–	–	240	199,740
Impairment losses	(10,664)	–	–	–	(240)	(10,904)
Net goodwill	**188,836**	**–**	**–**	**–**	**–**	**188,836**

12.2 Impairment of goodwill

No impairment losses were recognised in 2007.

The impairment loss recognised previously concerned the goodwill relating to Sterix Ltd.

Note 13 Other intangible assets

13.1 Movements

Movements during 2007:

(in thousands of 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**

Changes in cost value of the intellectual property line item are mostly due to an increase in "Licences" resulting mainly from the payment of €15 million to Tercica Inc., as the marketing authorization for Increlex® was granted in the European Union on 9 August 2007 (see note 1.2.1).

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 2007			31 December 2006		
	Cost	Amortisation & impairment	Net	Cost	Amortisation & impairment	Net
Brands and trademarks	21,522	(8,613)	12,909	21,521	(8,957)	12,564
Licences	65,604	(12,861)	52,743	50,267	(11,826)	38,441
Patents	5,157	(3,984)	1,173	6,996	(5,674)	1,322
Know-how	8,153	(922)	7,231	8,153	(922)	7,231
Software	26,936	(17,648)	9,288	19,857	(16,716)	3,141
Purchased goodwill	1,796	(1,794)	2	1,853	(1,851)	2
Other intangible assets	804	(81)	723	750	(19)	731
Intangible assets in progress	781	–	781	1,162	–	1,162
Advance payments	4,719	(400)	4,319	3,609	–	3,609
Total	**135,472**	**(46,303)**	**89,169**	**114,168**	**(45,965)**	**68,203**
Of which impairment losses		*(20,466)*			*(20,469)*	

Impairment losses at 31 December 2007, mainly include brands and trademarks €8,613,000, licences €7,264,000, patents €1,473,000, know-how €922,000, purchased goodwill €1,794,000, and advance payments €400,000.

Note 14 Property, plant & equipment

14.1 Breakdown by asset type

Movements by asset type in 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	
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**

The increase in property, plant & equipment was mainly due to the Group's capital expenditure in the United Kingdom (to complete the new quality control laboratory, and to initiate a project and increase production capacity in Wrexham), as well as other recurring capital expenditure in various Group entities.

Movements by asset type in 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	
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 2007	31 December 2006
Euro	125,488	112,790
US dollar	15,617	16,447
Pound sterling	70,862	57,351
Swiss franc	1,829	1,947
Chinese yuan renminbi	7,511	8,296
Other currencies	584	1,355
Total	**221,891**	**198,186**

Note 15 Equity investments

15.1 Movements

Movements during 2007:

(in thousand euros)	31 December 2006	Movements during the year					31 December 2007
		Acquisitions and increases	Capital reductions	Change 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 during 2006:

(in thousand euros)	31 December 2005	Movements during the year					31 December 2006
		Acquisitions and increases	Capital reductions	Change 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 at least 15% of the share capital, but which are not consolidated.

(in thousands of currency units)	Registered office	% voting rights held NBV of investment	NBV of investment (euros)		Financial data (currency units)			Interest in equity (euros)
			31 Dec. 2007	31 Dec. 2006	Currency	Equity	Net profit for the year	
Sofarm Eurl	Paris	100.00%	8	8	EUR	8	–	8
Technopolis Gie	Paris	27.00%	306	306	EUR	1,121	(25)	303
Sutrepa Sarl	Paris	100.00%	–	8	EUR	–	–	–
Montana Ltd	Cork (Ireland)	100.00%	–	–	EUR	–	–	–
Octagen Corporation	PA (USA)	21.45%	–	84	USD	(289)	(424)	(43)
Linnea Inc.	PA (USA)	50.00%	–	–	USD	18	2	6
Ipsen Pty	Victoria (Australia)	100.00%	26	28	AUD	(709)	(188)	(424)
Ly Yuan Ginkgo Company Ltd	Tancheng (China)	37.50%	482	482	RMB	7,431	70	263
Funxional Therapeutics Ltd	Cambridge (UK)	15.33%	–	15	GBP	(257)	(861)	(55)
Pizhou Zhong Da Ginkgo Co. Ltd	Pizhou (China)	35.75%	284	284	RMB	5,232	49	176
Preglem S.A.	Plan les Ouates (Switzerland)	13.07%	153	–	CHF	44,924	(888)	3,537
Spirogen Ltd	Isle of Wight (UK)	19.94%	167	579	GBP	669	(1,001)	186
Specwood Ltd	London (UK)	100.00%	–	–	GBP	–	–	–
Pothold Ltd	London (UK)	100.00%	–	–	GBP	–	–	–
Petersfield Ltd	Hong Kong (HK)	50.00%	31	31	HKD	3,798	(482)	169
Socapharm Sarl	Paris	100.00%	–	–	EUR	–	–	–
Ancelab Sarl	Paris	100.00%	–	–	EUR	–	–	–
Olisapharm Sarl	Paris	100.00%	–	–	EUR	–	–	–
Total			**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 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**

Note 16 Investment in associated companies

At 31 December 2007 and 31 December 2006, equity investment in associated companies is limited to the acquisition of 25% of Tercica Inc. equity (see note 2.1).

■ 16.1 Acquisitions of equity in associated companies

The €2.1 million on this line item in the cash flow table is the price paid by the Group to acquire equity in Tercica Inc. (see note 2.1).

The goodwill generated by this additional investment in July 2007 totalled €356 thousand.

■ 16.2 Carrying amount of equity investments in associated companies

Carrying amount of equity investments in associated companies:

(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 at 31 December 2007	**40,948**	**50,832**

Note 17 Net gains or losses on disposal of non-current assets

(in thousand euros)	31 December 2007	31 December 2006
Capital gains or losses on disposal of intangible assets	(10)	63
Capital gains or losses on disposal of property, plant & equipment	(242)	(940)
Capital gains or losses on disposal of equity investments	–	–
Total	**(252)**	**(877)**

Note 18 Other non-current assets

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)	
Convertible notes [1]	15,489	44,386	–	
Liquidity agreement	1,542	1,000	–	
Loans - non consolidated companies	27	7	–	
Other financial assets	960	(63)	–	
Deposits [3]	–	4,601	–	
Other non-current assets (Loans, receivables and other assets) [4]	**18,018**	**49,931**	**–**	
Conversion option of the convertible note [5]	4,103	–	–	
Warrants [5]	6,102	–	–	
Derivative instruments recognised at fair value	**10,205**	**–**	**–**	
Net assets of post-employment benefit plans [6]	2,378	–	–	
Non-current financial assets (financial assets at fair value)	**12,583**	**–**	**–**	
Total other non-current assets	**30,601**	**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 notes 1.2.1 and 26.3).

(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**

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)	
Convertible note [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) [3]	**1,513**	**21,994**	**–**	
Conversion option of the convertible note [5]	–	–	–	
Warrants [5]	–	–	–	
Derivative instruments recognised at fair value	**–**	**–**	**–**	
Net assets of post-employment benefit plans [4]	1,158	–	–	
Non-current financial assets (financial assets at fair value)	**1,158**	**–**	**–**	
Total other non-current assets	**2,671**	**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 notes 1.2.1 and 26.3).

(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**

Movements during the year						31 December 2007
	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)	
		(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**
		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**
	1,670	**–**	**1,083**	**(802)**	**(1,018)**	**50**	**81,515**

(2) See note 26.3
(3) "Deposits" include guarantee deposits paid by the Group, notably as a security against long-term public loans received in Spain in the context of its research activities, and in respect of the lease contract for its future head office in France.
(4) 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).
(5) Fair value is measured using the Black & Scholes method.
(6) Employee benefits (see note 5.3.3.3).

Movements during the year						31 December 2006
	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)	
		(5,477)	–	–	–	–	15,489
		–	–	–	–	–	1,542
		–	–	–	–	(500)	27
		–	–	–	(12)	500	960
		(5,477)	**–**	**–**	**(12)**	**–**	**18,018**
		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**
	1,220	**8,147**	**(2,735)**	**–**	**(696)**	**–**	**30,601**

(2) See note 26.3.
(3) 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).
(4) Employee benefits (see note 5.3.3.3).
(5) Fair value is measured using the Black & Scholes method.

Note 19 Working capital items

19.1 Movements

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 19.2.2)	43,700	11,396	5	
Loans and receivables [1]	**317,014**	**70,025**	**5**	
Current financial assets (see note 26.4)	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 19.2.3)	(114,824)	7,346	(7,498)	
Other non-current liabilities (see note 19.2.3)	(172,270)	(48,248)	–	
Interest on other financial liabilities [3]	(797)	–	–	
Financial liabilities measured at amortised cost [4]	**(415,375)**	**(31,741)**	**(7,498)**	
Total	**(97,460)**	**38,284**	**(7,493)**	

(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 the market value.
(3) The change in interest on other financial liabilities is shown in 25.1 (D).
(4) 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 19.2.2)	42,948	382	(31)	
Loans and receivables [1]	**292,970**	**24,223**	**(31)**	
Current financial assets (see note 26.4)	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 19.2.3)	(113,525)	(8,064)	(5,765)	
Other non-current liabilities (see note 19.2.3)	–	(158,460)	–	
Interest on other financial liabilities [3]	(838)	–	–	
Financial liabilities measured at amortised cost [4]	**(223,631)**	**(198,474)**	**(5,765)**	
Total	**69,357**	**(160,009)**	**(5,796)**	

(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 the market value.
(3) The change in interest on other financial liabilities is shown in 25.1 (D).
(4) 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 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 during 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)**

19.2 Breakdown

19.2.1 Inventories

(in thousand euros)	31 December 2007	31 December 2006
Raw materials and supplies	26,721	22,590
Work in progress	18,295	18,088
Finished goods	42,095	38,269
Total	**87,111**	**78,947**

Impairments of inventories are not included as they are not material.

19.2.2 Other current assets and current financial assets

(in thousand euros)	31 December 2007	31 December 2006
Advance payments to suppliers	2,553	1,412
Receivables relating to sale of non-current assets	54	49
VAT recoverable	15,751	12,705
Other operating receivables	24,461	18,090
Other assets	1,092	1,972
Prepayments	9,842	9,472
Total other current assets (loans and receivables) (1)	**53,753**	**43,700**
Derivative financial instruments	96	901
Total current financial assets (financial assets at fair value through profit or loss) (2)	**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.

19.2.3 Other current and non-current liabilities

(in thousand euros)	31 December 2007	31 December 2006
VAT payable	3,997	5,569
Other current tax liabilities	8,418	8,876
Employee-related liabilities	60,314	56,520
Amounts due to non-current asset suppliers	24,872	18,082
Other liabilities	13,656	10,935
Deferred income	24,977	14,842
Total other current liabilities (financial liabilities measured at amortised cost)	**136,234**	**114,824**
Non-current deferred income	192,043	172,270
Total other non-current liabilities (financial liabilities measured at amortised cost) (1)	**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 19.1.

Note 20 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 million at 31 December 2007.

Note 21 Cash and cash equivalents

21.1 Net cash and cash equivalents

21.1.1 Opening net cash and cash equivalents

(in thousand euros)	Consolidated balance sheet at 1 January 2007	Consolidated balance sheet at 1 January 2006
Cash and cash equivalents – assets	285,459	202,034
Bank overdrafts – liabilities	(1,716)	(1,470)
Opening net cash and cash equivalents	**283,743**	**200,564**

21.1.2 Closing net cash and cash equivalents

(in thousand euros)	Consolidated balance sheet at 31 December 2007	Consolidated balance sheet at 31 December 2006
Cash and cash equivalents – assets	247,068	285,459
Bank overdrafts – liabilities	(6,161)	(1,716)
Opening net cash and cash equivalents	**240,907**	**283,743**

21.2 Cash and cash equivalents

At 31 December 2006 and 31 December 2007 include:

(in thousand euros)	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)	195,859 –	243,670 –
Loans and receivables: – Interest-bearing deposits	25,592	10,763
Cash	25,617	31,026
Cash and cash equivalents	**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 cost. Unrealised capital gains at the reporting dates were not material.

Short-term investments are immediately realisable. No interest bearing deposits held at 31 December 2007 matured after the end of January 2008.

Note 22 Liquidity 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 23 Consolidated equity

23.1 Share capital

At 31 December 2007, Ipsen's share capital was €84,043,183 divided into 84,043,183 shares each with a nominal value of €1, including 61,504,010 with double voting rights compared with 84,024,683 ordinary shares at 31 December 2006 and the same amount of shares with double voting rights. This change is due to the definitive allotment of bonus shares granted in 2005 upon fulfilment of the performance conditions (see note 5.4.3).

23.2 Equity attributable to equity holders of the parent

Breakdown:

(in thousand euros)	31 December 2007	31 December 2006
Ipsen S.A. share capital	84,044	84,025
Share premium	29,809	29,809
Issue premium	679,185	679,185
Ipsen S.A. statutory reserve	44,686	44,686
Other Ipsen S.A. reserves	245,653	274,983
Other consolidated reserves and retained earnings	(283,515)	(386,202)
Total	**799,862**	**726,486**

23.3 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 two periods are shown in note 23.5.

Restatements shown in the table below are due to the retrospective impact at 1 January 2007 of granting of bonus shares from the 2005 plan (for beneficiaries who are French tax residents) upon fulfilment of the performance conditions (note 5.4.3) and the recognition of the 2007 bonus shares free of any performance conditions (plan of 30 May 2007 and 12 December 2007, as set out in note 5.4.3.1).

23.3.1 Basic earnings per share on continuing operations

		31 December 2007	31 December 2006 restated	31 December 2006
Net profit on continuing operations – attributable to equity holders of the parent (*in thousand euros*)	(a)	151,924	144,296	144,296
Average number of outstanding shares during the year	(b)	83,875,853	84,028,209	84,000,717
Basic earnings per share on continuing operations (*in euros*)	**(a) / (b)**	**1.81**	**1.72**	**1.72**

23.3.2 Basic earnings per share, discontinued operations

		31 December 2007	31 December 2006 restated	31 December 2006
Net profit from discontinued operations – attributable to equity holders of the parent (*in thousand euros*)	(a)	(1,313)	(290)	(290)
Average number of outstanding shares during the year	(b)	83,875,853	84,028,209	84,000,717
Basic earnings per share, discontinued operations (*in euros*)	**(a) / (b)**	**(0.02)**	**(0.00)**	**(0.00)**

23.3.3 Basic earnings per share

		31 December 2007	31 December 2006 restated	31 December 2006
Net profit – attributable to equity holders of the parent (*in thousand euros*)	(a)	150,611	144,006	144,006
Average number of outstanding shares during the year	(b)	83,875,853	84,028,209	84,000,717
Basic earnings per share (*in euros*)	**(a) / (b)**	**1.80**	**1.71**	**1.71**

23.4 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 2006 and 31 December 2007.

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 2007.

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 were not dilutive at 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.

Restatement

The restatement is due to the retrospective impact in basic earnings per share in note 23.3 as set out above.

Diluted earnings per share is calculated taking into account the dilutive instruments described above.

23.4.1 Diluted earnings on continuing operations

		31 December 2007	31 December 2006 restated	31 December 2006
Diluted earnings on continuing operations – attributable to equity holders of the parent (*in thousand euros*)	(a)	151,924	144,296	144,296
Average number of shares in issue during the year	(b)	83,972,411	84,051,671	84,024,179
Diluted earnings on continuing operations – attributable to equity holders of the parent (in euros)	**(a) / (b)**	**1.81**	**1.72**	**1.72**

23.4.2 Diluted earnings per share on discontinued operations

		31 December 2007	31 December 2006 restated	31 December 2006
Diluted earnings on discontinued operations – attributable to equity holders of the parent (*in thousand euros*)	(a)	(1,313)	(290)	(290)
Average number of shares in issue during the year	(b)	83,972,411	84,051,671	84,024,179
Diluted earnings on discontinued operations – attributable to equity holders of the parent (*in euros*)	**(a) / (b)**	**(0.02)**	**(0.00)**	**(0.00)**

23.4.3 Diluted earnings per share

		31 December 2007	31 December 2006 restated	31 December 2006
Diluted earnings – attributable to equity holders of the parent (*in thousand euros*)	(a)	150,611	144,006	144,006
Average number of shares in issue during the year	(b)	83,972,411	84,051,671	84,024,179
Diluted earnings - attributable to equity holders of the parent (*in euros*)	**(a) / (b)**	**1.79**	**1.71**	**1.71**

■ 23.5 Average number of shares in issue

23.5.1 Average number of shares in issue to calculate basic earnings per share

23.5.1.1 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 at 31 December 2007	**83,875,853**

23.5.1.2 Average weighted number of shares at 31 December 2006

	31 December 2006 restated	31 December 2006
Number of ordinary shares at 31 December 2005	**84,024,683**	**84,024,683**
Treasury shares (weighted average number)	(23,966)	(23,966)
Restatement [1]	27,492	–
Average weighted number of shares at 31 December 2006	**84,028,209**	**84,000,717**

(1) The restatement is due to the retrospective impact in basic earnings per share as set out in note 23.3.

23.5.2 Average weighted number of shares in issue to calculate diluted earnings per share

23.5.2.1 Average weighted number of shares at 31 December 2007

	31 December 2007
Average weighted number of shares in issue 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 at 31 December 2007	**83,972,411**

23.5.2.2 Average weighted number of shares in issue at 31 December 2006

	31 December 2006 restated	31 December 2006
Average weighted number of shares in issue at 31 December 2006 used to determine the basic earnings per share	84,028,209	84,000,717
Dilutive effect of stock options	23,462	23,462
Average weighted number of shares at 31 December 2006	**84,051,671**	**84,024,179**

23.6 Dividends

Dividends paid by Ipsen S.A. are as follows:

	December 2007	December 2006
Dividend payout (*in euros*)	50,389,459	50,407,010
Number of shares on the payment date	83,982,431	84,011,683
Dividend per share (*in euros*)	0.60	0.60

Note 24 Provisions

24.1 Movements

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)	–	–	–	–
Other	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.

- 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:
  – €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.

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
Other	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.

Note 25 Bank loans and financial liabilities

25.1 Movements

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 26.5)	4	–	–	
Current financial liabilities (financial liabilities measured at fair value)	**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.

In 2007, 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 (see note 1). However, the lines are still available up to a maximum of €206.7 million at 31 December 2007.

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 S.A. is required to guarantee drawdowns made by its subsidiaries. The total sums drawn down must at all times remain below the following maximum limits, which decrease over time:

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 26.5)	294	–	–	
Current financial liabilities (financial liabilities measured at fair value)	**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.

	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**

30/06/2007	€206.7 million
30/06/2008	€172.3 million
30/06/2009	€137.8 million
30/06/2010	–

At 31 December 2007, a total of €4.4 million was drawn down on the credit lines.

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: 2.5 to 3.

In the event of default, the banks have the right to demand early repayment of the credit lines.

	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**

At 31 December 2007, the Group complied with these covenants.

- Aggregated data used to calculate the ratios

(in thousand euros)	December 2007	December 2006
Balance sheet debt		
Non-current bank loans	4,379	6,286
Other non-current financial liabilities	16,449	15,313
Current bank loans	5,375	6,973
Current financial liabilities	3,831	2,251
Debt (A)	**30,034**	**30,823**
Cash and cash equivalents		
Cash and cash equivalents	(247,068)	(285,459)
Securities held for sale	(6,000)	–
Bank overdrafts	6,161	1,716
Closing net cash	**(246,907)**	**(283,743)**
Cash used for calculation of ratio		
Balance sheet debt and cash & cash equivalents (A) + (B)	(216,873)	(252,920)
Derivative financial instruments	(908)	(4)
Cash and cash equivalents (I)	**(217,781)**	**(252,924)**

(in thousand euros)	December 2007	December 2006
Equity (II):		
Equity attributable to equity holders of the parent		
Share capital	84,044	84,025
Share premiums and consolidated reserves	582,557	506,244
Net profit for the year	150,611	144,006
Exchange differences	(17,350)	(7,789)
Equity (II)	**799,862**	**726,486**

(in thousand euros)	December 2007	December 2006
EBITDA (III):		
Net profit	**151,068**	**144,497**
Net profit from discontinued operations	1,313	290
Income taxes	54,479	40,891
Other financial income and expenses	2,855	5,707
Net finance cost	(9,591)	(5,832)
Operating income	**200,124**	**185,553**
Depreciation, amortisation, provisions and impairment losses	40,952	50,279
EBITDA (III)	**241,076**	**235,832**

• Ratio calculation

(in thousand euros)		December 2007	December 2006
Cash and cash equivalents	(I)	(217,781)	(252,924)
Equity attributable to equity holders of the parent	(II)	799,862	726,486
EBITDA	(III)	241,076	235,832
Net debt to equity	**(I)/(II)**	**(0.27)**	**(0.35)**
Net debt to EBITDA	**(I)/(III)**	**(0.90)**	**(1.07)**

At 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.

■ 25.2 Breakdown by maturity

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 25.1.

	31 December 2007						
(in thousand euros)	Drawdowns	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)	Drawdowns	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%**

■ 25.3 Breakdown by currency

The Group's financial liabilities by currency break down as follows:

	31 December 2007		31 December 2006	
(in thousand euros)	Amount	%	Amount	%
Euro	24,747	84.96%	23,894	77.53%
US dollar	4,379	15.04%	6,302	20.45%
Swiss franc	–	–	623	2.02%
Total	**29,126**	**100.00%**	**30,819**	**100.00%**
Derivative financial instruments	**908**		**4**	
Total long-term financial liabilities	**30,034**		**30,823**	

■ 25.4 Collateralised debt

At 31 December 2007 and 31 December 2006, the Group had not granted any collateral against its borrowings.

Note 26 Derivative financial instruments

26.1 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 2007, 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.

26.2 Exchange rate risk

26.2.1 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 2007
	USD	PLN	ZAR	GBP	CZK	
Forward currency contracts matching invoice amounts	11,152	22,465	3,639	20,282	11,313	(807)
Other forward contracts	500	–	–	–	–	(5)
Total	**11,652**	**22,465**	**3,639**	**20,282**	**11,313**	**(812)**

26.2.2 Exposure to exchange rate risk

In 2007, 65% 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 this same currency.

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

26.3 Other derivative instruments

Other derivative instruments include the warrant and the convertible note related to the Tercica Inc. transaction described below:

- **Warrant:** 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 attached to the Tercica Inc. shares is consolidated as equity and recognised at its fair value. The fair value determined using the Black & Scholes model at the date of transaction is €8.1 million. The warrant being intrinsically linked to the shares subscribed by the Group through the relevant capital increase, the counterpart of this financial asset corresponds to a reduction in the purchase price of the Tercica Inc. shares. At the reporting date, the change in fair value initially defined is recognised in financial income and expenses for a total of €0.8 million (including (€0.5) million for the exchange rate impact), thereby bringing the warrant's value to €6.9 million at 31 December 2007.
- **Convertible note 1:** In payment of 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 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 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".

At 31 December 2007:

- **Convertible note 1:** The change in fair value of the "conversion option" component was recognised in financial income and expenses at €0.8 million (including (€0.3) million for the exchange rate impact), thereby bringing the total to €4.9 million. Accrued interest and amortisation of the note using the effective interest method amount to, respectively, €0.6 million and €1 million. The exchange rate loss of the "note" component at the reporting date was (€2.6) million. The value of the "note 1" component at 31 December 2007 was €14.1 million.
- **Convertible note 2:** 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 million, the "note" component amounting to €24.6 million and the "conversion option" component amounting to €6.4 million. The change in fair value of the "conversion option" component was recognised in financial income and expenses at €0.8 million, thereby bringing the total to €7.2 million. Accrued interest and amortisation of the note using the effective interest method amount to, respectively, €0.2 million and €0.3 million. The value of the "note 2" component at 31 December 2007 was €25.2 million.
- **Convertible note 3:** Upon approval of Somatuline® Autogel® in the United States (August 2007), the Group distributed the convertible note 3 subscription, issued by Tercica Inc. 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. The change in fair value of the "conversion option" component was recognised in financial income and expenses at €0.3 million (including a loss of €0.1 million for exchange differences) thereby bringing the total to €2.9 million. Accrued interest and amortisation of the note using the effective interest method amount to, respectively, €0.1 million and €0.1 million. The exchange rate loss of the "note" component at the reporting date was €0.5 million. The value of the "note 3" component at 31 December 2007 was €8.5 million.

A plus or minus 10% change in the three following parameters used to determine the valuation of the convertible notes' "conversion options" would have the following impact on the financial income and expense at 31 December 2007, using the exchange rate at the reporting date:

	Volatility		Tercica Inc. share price		Risk-free interest rate	
	+10%	–10%	+10%	–10%	+10%	–10%
Warrant	612	(620)	1,601	(1,483)	112	(111)
Conversion option note 1	431	(436)	1,127	(1,044)	79	(78)
Conversion option note 2	631	(639)	1,652	(1,530)	115	(115)
Conversion option note 3	252	(255)	660	(611)	46	(46)
Impact on financial income and expense	**1,926**	**(1,951)**	**5,040**	**(4,668)**	**351**	**(350)**

■ 26.4 Derivative financial instruments recognised in the balance sheet

Derivative financial instruments recognised in the balance sheet at 31 December 2007:

(in thousand euros)	31 December 2007		31 December 2006	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Market value of interest rate instruments (note 26.1)	–	–	–	–
Market value of currency instruments (note 26.2)	96	908	901	4
Warrant (1) (note 18)	6,939	–	6,102	–
Conversion option attached to the convertible note (1) (note 18)	14,899	–	4,103	–
Total	**21,934**	**908**	**11,106**	**4**

(1) Fair value is measured using the Black & Scholes method.

26.5 Derivative financial instruments in the statement of cash flows

Fair value changes in profit and loss of derivative financial instruments at 31 December 2007 and 31 December 2006:

(in thousand euros)	31 December 2007	31 December 2006
Fair value changes of exchange derivative financial instruments (Assets) (note 19.1 - F)	805	(883)
Fair value changes of exchange derivative financial instruments (Liabilities) (note 25.1 - E)	904	(290)
Fair value changes of exchange derivative financial instruments	**1,709**	**(1,173)**
Fair value changes of warrant (1)	(1,337)	1,636
Fair value changes of conversion option (1)	(2,301)	1,099
Fair value changes of other derivative financial instruments (note 18 - E)	**(3,638)**	**2,735**
Net changes in fair value in profit and loss of derivative financial instruments	**(1,929)**	**1,562**

(1) Fair value is measured using the Black & Scholes method.

Note 27 Information on joint venture companies

27.1 Balance sheet items

27.1.1 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**

27.1.2 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**

27.2 Income statement items

27.2.1 Income statement for the year ended 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**

27.2.2 Income statement for the year ended 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 28 Information on associated companies

The information presented below is based on the financial statements of Tercica Inc. under IFRS (at 100%).

(in thousand dollars)	At 31 December 2007			
	Assets	Liabilities	Sales	Income 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	Income 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 29 Information on related parties

■ 29.1 Directors' and senior executives' emoluments

- Emoluments paid in 2007 to Directors and members of the Executive Committee amounted to €2,041,000 and €3,129,000 respectively, making a total of €5,170,000.
- Pension and similar benefits for Directors and members of the Executive Committee amounted to €3,115,000 and €2,310,000 respectively at 31 December 2007, making a total of €5,425,000.
- The Board of Directors has undertaken to make certain payments to the Chairman in respect of his executive office (cash bonus and 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 2007, there were no other commitments to current or former Directors of Ipsen S.A.

■ 29.2 Transactions with related parties

29.2.1 Income statement items at 31 December 2007

(in thousand euros)	Revenue	Operating expenses	Charge to provisions and losses on irrecoverable loans
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) Rents due from certain Group companies to property companies belonging to certain executive officers of the Group.

29.2.2 Income statement items at 31 December 2006

(in thousand euros)	Revenue	Operating expenses	Charge to provisions and losses on irrecoverable loans
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) Rents due from certain Group companies to property companies belonging to certain executive officers of the Group.

29.2.3 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) Rents due from certain Group companies to property companies belonging to certain executive officers of the Group.

29.2.4 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) Rents due from certain Group companies to property companies belonging to certain executive officers of the Group.

29.2.5 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 €2.2 million.

Note 30 Commitments and contingent liabilities

30.1 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 2007 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 $1.75 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 €30 million. The Group will also pay royalties on future sales.
- Under an agreement terminating the joint development of two anticancer candidates, 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.

30.2 Financial commitments

The Group has taken out worldwide third-party insurance against the risks to which it is exposed for 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 €7.5 million any one loss, any one year. 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 for any one loss, any one year.

30.3 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.

30.4 Other commitments

30.4.1 Capital expenditure

The Group's capital expenditure commitments at 31 December 2007 amounted to €23.4 million, broken down as follows:

Type of assets (in million euros)	Maturity			Total
	2008	2009	Beyond	
Industrial assets	18.6	–	–	**18.6**
Research and development assets	4.1	–	–	**4.1**
Other assets	0.3	0.2	0.2	**0.7**
Total	**23.0**	**0.2**	**0.2**	**23.4**

30.4.2 Rental agreements

Total future rent payments under existing property leases amounted to €115.9 million at 31 December 2007 (€30.1 million at 31 December 2006).

Payable as follows:

(in million euros)	31 December 2007	31 December 2006
Under one year	12.9	8.8
One to five years	56.9	14.7
Over five years	46.1	6.6
Total	**115.9**	**30.1**

Commitments under other rental agreements increased sharply in 2007 and are due, on the one hand, to the future grouping together of the Paris sites in Boulogne for €79.9 million and, on the other, to commitments linked to the new research and development centre in Spain for €12 million.

30.4.3 Risk of acceleration of borrowings

The Group's exposure to this risk is described in note 25.1.

At 31 December 2007, there were no other commitments or contingent liabilities likely to have a material impact on the consolidated financial statements.

Note 31 Subsequent events

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 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.

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 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®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.

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 6.7% 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-licenced from Debiopharm know-how and 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).

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 authorization. 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.

Note 32 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 2007 and at 31 December 2006

32.1 Fully consolidated companies

Name and legal form	Country	Registered office	31 December 2007		31 December 2006	
			% voting rights	% interest	% voting rights	% interest
Ipsen S.A. (Consolidating company)	France	Paris	100.0	100.0	100.0	100.0
Beaufour Srl	Italy	Milan	100.0	100.0	100.0	100.0
BB et Cie S.A.S.	France	Paris	100.0	100.0	100.0	100.0
Beaufour-Ipsen Industrie S.A.S.	France	Dreux	100.0	100.0	100.0	100.0
Beaufour Ipsen Korea Ltd	Korea	Seoul	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
Beaufour Ipsen Pharma S.A.S.	France	Paris	100.0	100.0	100.0	100.0
Beaufour-Ipsen (Tianjin) Pharmaceutical Co. Ltd	China	Tianjin	96.0	96.0	96.0	96.0
Biomeasure Inc.	U.S.A.	Massachusetts	100.0	100.0	100.0	100.0
Elsegundo Ltd	Ireland	Cork	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
Institut für Pharmazeutische und Klinische Forshung GmbH (Intersan)	Germany	Ettlingen	100.0	100.0	100.0	100.0
Ipsen E.P.E.	Greece	Athens	80.0	80.0	80.0	80.0
Ipsen Ltd	UK	London	100.0	100.0	100.0	100.0
Ipsen N.V.	Belgium	Ghent	100.0	100.0	100.0	100.0
Ipsen S.p.A.	Italy	Milan	100.0	100.0	100.0	100.0
Ipsen Biopharm Ltd	UK	Wrexham	100.0	100.0	100.0	100.0
Ipsen Farmaceutica B.V.	Netherlands	Hoofddorp	100.0	100.0	100.0	100.0
Ipsen Pharma Biotech S.A.S.	France	Signes	100.0	100.0	100.0	100.0
Ipsen Pharma GmbH [2]	Germany	Ettlingen	100.0	100.0	100.0	100.0
Ipsen Pharma S.A.	Spain	Barcelona	100.0	100.0	100.0	100.0
Ipsen Pharmaceuticals Ltd	Ireland	Dublin	100.0	100.0	100.0	100.0
Ipsen Poland LLC	Poland	Warsaw	100.0	100.0	100.0	100.0
Ipsen Produtos Farmaceuticos S.A.	Portugal	Lisbon	100.0	100.0	100.0	100.0
Ipsen Ré S.A.	Luxembourg	Luxembourg	100.0	100.0	100.0	100.0
Ipsen Scandinavia A/S	Denmark	Copenhagen	100.0	100.0	100.0	100.0
Ipsen Manufacturing Ireland Ltd	Ireland	Dublin	100.0	100.0	100.0	100.0
Porton International Inc.	USA	Delaware	100.0	100.0	100.0	100.0
Société de Conseils, de Recherche et d'Applications Scientifiques S.A.S. (SCRAS)	France	Paris	100.0	100.0	100.0	100.0
Suraypharm SARL	France	Paris	100.0	100.0	100.0	100.0
Sterix Ltd	UK	London	100.0	100.0	100.0	100.0
Sutrepa SARL	France	Paris	100.0	100.0	–	–
Ipsen OOO	Russia	Moscow	100.0	100.0	–	–
Beaufour Ipsen Farmaceutica LTDA	Brazil	Sao Paulo	100.0	100.0	–	–

32.2 Proportionately consolidated companies

Name and legal form	Country	Registered office	31 December 2007		31 December 2006	
			% voting rights	% interest	% voting rights	% interest
Cara Partners	Ireland	Cork	50.0	50.0	50.0	50.0
Garnay Inc.	USA	South Carolina	50.0	50.0	50.0	50.0
Linnea S.A.	Switzerland	Riazzino	50.0	50.0	50.0	50.0
Perechin Unlimited Company	Ireland	Cork	50.0	50.0	50.0	50.0
Portpirie Unlimited Company	Ireland	Cork	50.0	50.0	50.0	50.0
Saint-Jean-d'Illac S.C.A.	France	Paris	50.0	50.0	50.0	50.0
Wallingstown Company	Ireland	Cork	50.0	50.0	50.0	50.0
Wallingstown Company Ltd	Ireland	Cork	50.0	50.0	50.0	50.0

32.3 Companies consolidated as equity

Name and legal form	Country	Registered office	31 December 2007		31 December 2006	
			% voting rights	% interest	% voting rights	% interest
Tercica Inc.	USA	California	25.36	25.36	25.0	25.0

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: 42, rue du Docteur Blanche – 75016 Paris

Share capital: €84,043,183

Statutory auditors' report on the consolidated financial statement

Year ended 31 December 2007

To the Shareholders,

Following our appointment as statutory auditors by your sole shareholder, we have audited the accompanying consolidated financial statements of Ipsen S.A. for the year ended 31 December 2007.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these 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, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable 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 at 31 December 2007 and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the EU.

2. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Law (*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 26 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 therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the Group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris La Défense and Neuilly-sur-Seine, 26 February 2008

The Statutory Auditors

KPMG Audit	Deloitte & Associés
Department of KPMG S.A.	
Catherine Porta	Christophe Perrau
Partner	*Partner*

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21.1 SHARE CAPITAL

21.1.1 Amount of share capital

At 31 December 2007, the Company's share capital amounted to €84,043,183, divided into 84,043,183 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 6 June 2007 conferred to the Board of Directors a new authorization to buy back the Company's share of and cancelled the prior authorization granted on 2 June 2006. Pursuant to this decision, the Board of Directors decided on 6 June 2007 to set up the new share buyback program not exceeding 10% of the share capital, with a maximum outlay by the Company of €420,123,400 and a maximum price per share of €50.

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 AFEI (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 1,054,477 shares with a total gross value of €40,059,234.11 and sold 1,032,491 shares with a total gross value of €38,431,460.86.

The management fee for the liquidity agreement stands at €58,917 for 2007.

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.

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.

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
Date of the Board of Directors' meeting	14 November 2005	12 December 2006	30 May 2007	12 December 2007
Date stock options were granted	6 December 2005	12 December 2006	30 May 2007	12 December 2007
Number of authorised stock options	1,200,000	1,871,000	1, 871,000	1,871,000
Number of stock options granted	329,000	899,500	55,000	160,000
Number of beneficiaries of the options granted	92	78	3	2
of which members of the Board of Directors	*0*	*1*	*0*	*0*
Number of stock options cancelled	11,150	7,500	0	0
Exercise price of the options granted	€22.2	from €29.88 to €38.73 (1)	€ 39.06	From €38.27 to €41.33
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)
Date of expiry of the options granted	6 December 2015	From 12 December 2013 to 12 December 2018 (2)	30 May 2017	12 December 2017
Number of new shares that may be issued upon exercise of the options granted	317,850	358,666	55,000	53,332
Maximum dilution resulting from the options granted		0.93% (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 2007.

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 membes 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.

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	19 September 2005
Date of the Board of Directors' meeting	14 November 2005	12 December 2006	30 May 2007	12 December 2007
Date shares were granted	6 December 2005	12 December 2006	30 May 2007	12 December 2007
Number of authorised shares	1,200,000	1,200,000	1,200,000	1,200,000
Number of new shares that may be issued	23,000	18,000	8,000	9,000
Number of beneficiaries of rights to shares	7	4	2	6
of which members of the Board of Directors	*1*	*1*	*0*	*1*
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 2010
Maximum dilution resulting from the bonus shares allotted	0.09% [2]			

(1) Different dates depending on the tax residence of the beneficiaries on the allomente date.
(2) On the basis of the share capital of the Company at 31 December 2007 and except for those shares with a final allotment occuring on 6 December 2007.

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

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)	0	18,500 (4)	1,181,500 (5)
6- Allotment of stock options to employees and executive officers.	02/06/2006	38 months	1,871,000 (6)	366,66 (6)	108,332 (6)	756,500

(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 in 2006 and 35,000 in 2007 including 18,000 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 €39,500.
(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. The capital increase corresponding to the exercise of the stock options will amount to €474,498.

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.

21.2.4 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 2003, 31 December 2004, 31 December 2005, 31 December 2006 and 31 December 2007, the Company paid the following dividends:

	Year ended 31 December				
	2007	2006	2005	2004	2003
Number of shares	84,024,683	84,024,683	29,302,500	29,302,500	29,302,500
Net distribution (in €, excluding tax credit)	50,414.8	50,414.8	29,302.5	91,900	0
Net dividend per share (in €, excluding tax credit)	0.60	0.60	1.00	3.14	0

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

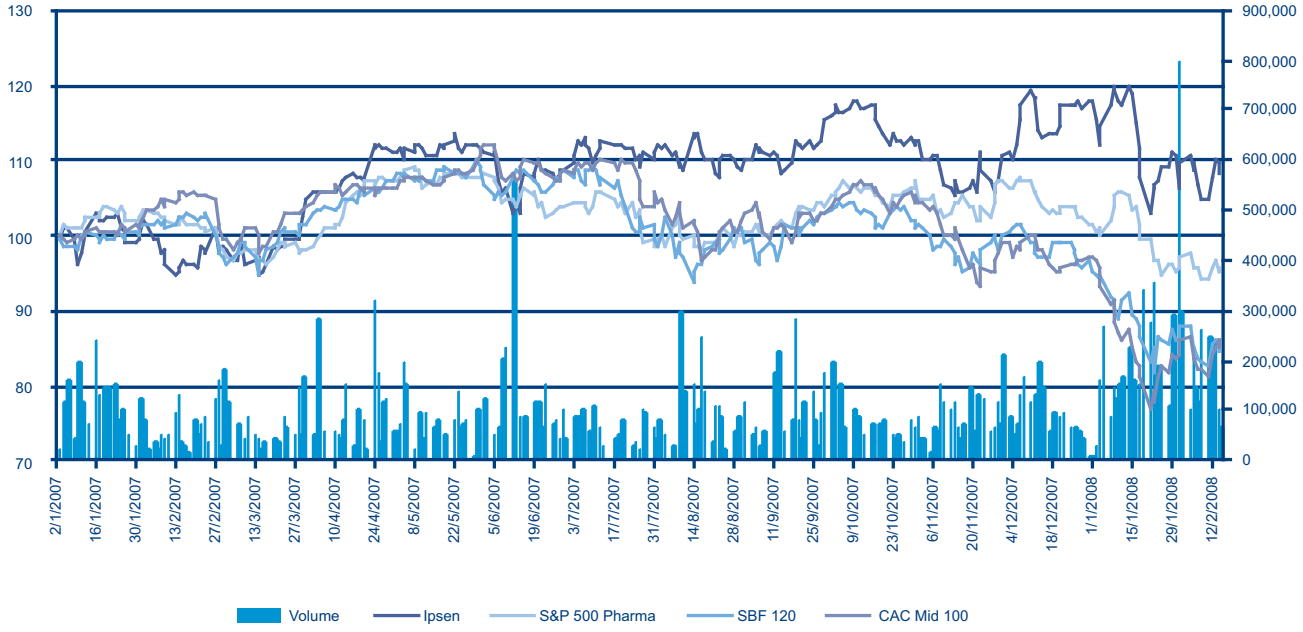
21.4.2 Share price performance on the stock exchange

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: 84,043,183.

Average share price between 2 January 2007 and 15 February 2008	€37,91
High	€41,99
Low	€33,11
% change (between the high and 2 January 2007)	20%
Average daily trading volume between 2 January 2007 and 15 February 2008	105,237

Comparison between Ipsen S.A's share price performance and the principal stock market indicators between 2 January 2007 and 15 February 2008 (Source: Bloomberg)



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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®, Testim®, 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®, which accounted for 34.8% of Decapeptyl®'s sales in 2007, 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 certain sales threshold. The Group is also entitled to a reduction in royalties in the event of competition from a generic product, with this reduction diminishing 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. The agreement contains stipulations about future cooperation with Debiopharm to continue developing and improving Decapeptyl®. 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 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 intends to file a marketing authorization application in 2008.

■ 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 Acapodène® (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.

Acapodene®, a selective estrogen receptor modulator (SERM), 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).

Acapodene® is currently being developed jointly with GTx in two separate pivotal phase III clinical trials for two indications (ADT and HG Pin indications). Final data from the ADT trial is expected in the first quarter of 2008. Subject to the results of this ADT trial, it is anticipated that a New Drug Application be filed in the United States and an application for marketing authorization be filed in the EU in second half of 2008. With regards to the separate HG PIN trial, GTx expects to conduct an interim efficacy analysis in the first half of 2008. If the statistical parameters are achieved, GTx may proceed with the filing of a New Drug Application in the United States.

The Group has agreed to pay GTx a €23 million upfront payment including €1.5 million which will be paid in equal instalments over a three year period. In addition, GTx may receive milestone payments from Ipsen of €39 million for Acapodene®, depending on the successful development and European launch of Acapodene® and subject to certain conditions for the HGPIN indication. This may include up to €9 million for the ADT Indication, up to €20 million for the HGPIN Indication and up to €10 million as additional milestone payments. As from execution of the agreement, the Group will pay all clinical development, regulatory and launch expenses to commercialise Acapodene® 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 Acapodene® 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 Acapodene® 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 Acapodene® 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 (including Acapodene®) 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 of Acapodene®. GTx Inc. remains liable for paying royalties on Acapodene® to Orion Corporation and to the University of Tennessee Research Foundation. 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.

The parties have set up a joint development committee, with the Group and GTx Inc. having an equal number of representatives. This committee will meet at least once a quarter to discuss the development and marketing programmes on the parties' respective territories. The joint development committee will make recommendations for the parties' initial development programmes and their related budgets on their specific territories and for joint development programmes and budgets. If the joint development committee is unable to reach a consensus on a decision concerning GTx Inc.'s development activities which are the basis of the Group's development activities on the European Territory, the Group retains the right to refuse to finance its share of the joint development costs. The joint development committee should also act as a discussion forum for future development for improvements of the products covered by this licence.

Once the obligation to pay royalties has expired, the Group will benefit from a free licence on those patents and know-how granted by GTx Inc. The parties may terminate the contract if the terms and conditions are breached or in the event liquidation proceedings have started. In addition, the Group has the right to terminate the contract subject to respecting certain notice conditions.

■ 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. Should Spirogen discover a compound that acts on a sequence of target genes under the research agreement, the Group will have a period of three months from the presentation of this compound to the Group to enter into a worldwide licensing agreement covering the compound with Spirogen.

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 2007, the Group held 19.94% 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 will devise a companion assay to determine the patients best suited to benefit from the new therapy targeting the steroid sulfatase enzyme. The assay will be 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 20 years starting from the date on which NutropinAq® was launched on the market. The Group also has the right to use Genentech's existing brand names, namely NutropinAq®, NutropinAq® Pen and NutropinAq® Pen Cartridge®, as well as any new brand name that Genentech uses to market the products in territories not governed by the distribution agreement with the Group.

The Group agreed to pay Genentech milestone payments when certain net sales figures are reached. The Group has to agree with Genentech on sales milestone payments for each product before filing any application for regulatory approval for the marketing of any such product. The Group also agreed to pay royalties based on the total amount of annual sales of each product in the territory covered by the distribution agreement. In accordance with this agreement, the Group must, at its own expense, secure the requisite regulatory approval in relation to the marketing and the sale of products. Any intellectual property rights resulting from research carried out by the parties pursuant to this agreement will be the property of the party that made the relevant discovery, except for joint discoveries, in respect of which the relevant intellectual property rights will be jointly owned. 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. Any intellectual property rights resulting from Research and Development activities carried out pursuant to this agreement will be the property of the party that made the relevant discovery. Joint discoveries will be owned jointly by the Group and Genentech, with the latter also being responsible for securing and maintaining the relevant patents.

■ 22.1.2.3 Auxilium (Philadelphia, United States)

In March 2004, the Group entered into a licensing agreement with Auxilium to distribute Testim® 50mg 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.

The agreement also gives the Group an option to licence any new products acquired or developed by Auxilium containing testosterone, as well as any new therapeutic uses of the product. This agreement will remain in place for a period determined on a country-by-country basis and end no later than on either the expiry date of the patents held by Bentley Pharmaceuticals in the relevant country or the expiry of a ten-year period starting on the product's commercial launch date in the relevant country. When the agreement expires, the Group will benefit from a free and perpetual licence to use all Auxilium's intellectual property rights to the product, as well as to use the Testim® brand name. Auxilium will supply the finished product directly to the Group. In the event of delivery failures or delays, the Group will be entitled to manufacture the product itself.

Under this agreement, the Group pays Auxilium royalties based on net sales by the Group and its sub-licencees. These royalties will be reduced in the event of competition from generic drugs or licensing agreements being signed with third parties with intellectual property rights preventing the product from being marketed in a market under consideration. The agreement does not provide for any minimum royalty clause. In addition, the Group buys the finished products at a price that is inversely proportional to the volumes ordered. Should Auxilium manage to lower the price to below the forecast price, the Group will pay it fixed amounts calculated in advance and will increase by one or two points the level of royalties paid by the Group depending on the price cut obtained.

■ 22.1.2.4 Roche (Basle, 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.

The exercise of this option has resulted in Roche paying the Group €56 million plus an extra €1.7 million in December 2006. Ipsen may also receive an additional total payment of up to €170 million, depending on the success of the clinical development, manufacturing, regulatory and commercial milestones. Moreover, the Group will receive royalties 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.

Until 7 November 2008, Roche will have the option of selecting the compounds to be developed from the library of GLP-1 compounds. After 7 November 2008, Roche will have the right of first refusal on the GLP-1 compounds not selected by this date.

Roche will 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.

The licensing agreement will expire on: (i) the expiry of the last of the patents on the relevant product, or (ii) the end of a ten-year period starting on the date of the commercial launch in the relevant country, whichever shall be the later. Upon expiry of the agreement, Roche will hold a free and perpetual licence to the rights granted. Roche will be entitled to terminate the agreement: (a) at any time in the event of exceptional toxicity or safety problems, (b) prior to the first application for marketing authorization in return for a notice period of six months, and (c) at any time subsequent to the first application for marketing authorization subject to a notice period of 18 months.

■ 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, 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. 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 started phase II trials in Japan with Somatuline® Autogel® in February 2007 and continues phase I trials with BIM 51077 and pre-clinical trials with BIM 44058.

Teijin will bear the entire burden of costs related to the development of SSTR-2 and PTH and 50% of the costs resulting from the development of Somatuline® Autogel® and GLP-1. The agreements covering GLP-1, SSTR-2 and PTH and Somatuline® Autogel® give the Group the power to veto publications.

For each of these products, marketing rights will revert to the Group upon expiry of a ten-year period of commercial use.

As regards Febuxostat, pursuant to the distribution and promotion agreement signed on 24 July 2006 by Teijin and the Group, the parties have determined the definitive terms of Ipsen's exclusive rights to the product in Europe. Febuxostat's development costs in Europe will be borne by the Group, except for the cost of conducting clinical trials that may be requested by the regulatory authorities prior to the registration of Febuxostat in Europe, which will be shared between Teijin and the Group. Marketing rights will revert to Teijin upon expiry of a ten-year period of commercial use. The agreement covering Febuxostat contains a reciprocal clause for the advance notification of planned publications.

Submissions for the registration of Febuxostat are currently being made in Japan (Teijin) and in the United States (TAP) and in Europe, where the Group's registration file was accepted by the EMEA on 2 October 2006 for central registration procedure.

■ 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 will have 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. Furthermore, Radius has the right to terminate the agreement at any time after submission to the Group of the results of the phase I results.

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. 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 Inc. (Brisbane, California, United States)

On 12 October 2006 the General Meeting of the shareholders of Tercica Inc. approved the agreements entered into in July 2006 with the Group consisting of two cross licensing agreements and the acquisition by the Group of a 25% stake

in Tercica Inc.'s capital, with certain rights to increase this stake. This transaction, which includes the agreements set out below, was finalised on 13 October 2006.

The licensing agreements

The licensing agreements covering Somatuline® Autogel® and Increlex™ include similar conditions, the main ones being:

- each company has granted to the other the right to pursue development of new indications and improvements to Somatuline® Autogel® and Increlex™, either jointly or on its own, with the other party retaining a right to "opt in" to co-fund later. This right to opt in to co-fund includes a sliding premium depending on the date the party opts in to co-fund. It is expressed as a percentage of the development costs paid by the party who carried out the development activities on its own. If the licencee does not opt to co-fund within thirty days of the licensor receiving marketing authorization for the new indication or improvement, the licensor may terminate the contract, except in certain cases depending on the relevance of the elements provided by the licencee;
- each company has granted the other a right of first negotiation for products in its endocrine pipeline, and has agreed on a framework for joint clinical development and subsequent marketing of endocrine products on a worldwide basis;
- the two companies have set up an executive committee whose role is to define and monitor the development activities of Somatuline® Autogel® and Increlex™; this committee is comprised of 4 representatives from each of the parties and is due to meet at least twice a year. Resolutions are by majority vote of its members, although the licensor has the deciding vote. The agreements also provide for the creation of a financial committee which reports to the executive committee. The role of this committee is to determine the development costs and allocate them between the parties, and to approve the sales and royalties due between the parties;
- the agreements include a change of control clause which gives the licensor the right to terminate the contract (i) without any compensation if the licensor's controlling shareholder is one of the licensor's competitors, and (ii) with compensation if the licensor's controlling shareholder is not one of the licensor's competitors.

Somatuline® Autogel® licence

The Group granted Tercica Inc. the exclusive licence to develop and market Somatuline® Autogel® in the United States and Canada. Tercica Inc. made an upfront payment of $25.0 million to the Group upon closing of this transaction, and an additional €30 million upon United States approval of Somatuline®, Autogel® for the targeted indication. Both of these milestones are financed through the issuance by Tercica Inc. of convertible notes to the Group (see below). Once Somatuline® Autogel® is launched in Tercica Inc.'s territory, Tercica Inc. will pay royalties to the Group on a sliding scale from 15% to 25% of net sales, in addition to a supply price of 20% of net sales of the product.

Development activities will be 60% funded by Tercica Inc. and 40% by the Group.

The Canadian authorities approved this product 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™ licence

Tercica Inc. granted the Group the exclusive licence to develop and market Increlex™ worldwide except for the United States, Japan, Canada, Taiwan and certain countries in the Middle East and North Africa. This product has received marketing authorization and is sold by Tercica Inc. in the United States and Canada where it benefits from orphan drug exclusivity.

Increlex™ is indicated in the long-term treatment of growth failure in children with severe primary insulin-like growth factor-1 deficiency.

Ipsen made an upfront cash payment of €10.0 million to Tercica Inc. upon the closing of this transaction, and paid an additional €15.0 million on approval of the Increlex™ marketing application in the European Union for the targeted indication. Once Increlex™ is launched in Ipsen's territory, the Group will pay royalties to Tercica Inc. on a sliding scale from 15% to 25% of net sales, in addition to a supply price of 20% of net sales of the product.

Development activities will be 60% funded by Tercica Inc. and 40% by the Group.

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.

Equity investment

The Group acquired 12,527,245 newly issued ordinary shares at $6.17 per share representing a 25% stake in Tercica Inc., post-transaction, on an non-diluted basis (i.e. a total of $77,293,101), and a warrant to acquire 4,948,795 of Tercica Inc. shares. Tercica Inc. also issued to the Group a convertible note for a principal amount of around $25 million. This note was issued in payment of the upfront licensing payment for Somatuline® Autogel® in the United States and Canada. Upon approval of Somatuline® Autogel® in the United States for the targeted indication Tercica Inc. issued 2 additional convertible notes. These instruments will allow the Group to increase its stake holding in Tercica Inc. to up to 40%, on a post-transaction and fully diluted basis. Tercica Inc. will use the funds from the first additional convertible note to pay its royalties linked to the marketing authorization in the United States for Somatuline® Autogel®, whilst the funds from the second and third convertible notes will be used for working capital.

In accordance with the contractual relationship between Tercica Inc. and the Group, the Group has the right to appoint two members to Tercica Inc.'s nine-member Board of Directors, replacing two current directors. On 31 December 2007 Christophe Jean, Group Vice-President Operations is appointed member of the Board of Directors.

Convertible note 1

On 13 October 2006, Tercica Inc. issued to the Group a convertible note for a principal amount of $25.0 million. The note, which will mature 5 years from the date of closing carries a coupon of 2.5% and is convertible into Tercica Inc. common stock at a conversion price of $7.41 per share. This note was issued in payment of the upfront licensing payment for Somatuline® Autogel® described above.

Warrant

On 13 October 2006, Tercica Inc. issued a warrant to the Group, with an exercise price of $7.41 per share, which is convertible into Tercica Inc. common stock at any time until 12 October 2011. The purpose of this warrant is to allow the Group to reach 40% in Tercica Inc.'s share capital on a fully diluted basis post-transaction.

Convertible note 2

Tercica Inc. issued to the Group a convertible note for a principal amount of €30.0 million. The note, which will mature 5 years from the date of closing, carries a coupon of 2.5% and is convertible into Tercica Inc. common stock at a conversion price of €5.92 ($7.41) per share. This note was issued in payment of the second licensing payment for Somatuline® Autogel® described above.

Convertible note 3

Tercica Inc. issued to the Group a convertible note (once the FDA has approved Somatuline® Autogel®) for a principal amount of $15.0 million. The note, which will mature 5 years from the date of closing, carries a 2.5% coupon (payable in shares *in fine*) and is convertible into Tercica Inc. common stock at a conversion price of $7.41 per share. Ipsen purchased this note for cash.

Overall, these instruments will allow the Group to increase its stake holding in Tercica Inc. to up to 40%, on a post-transaction and fully diluted basis. Should the Group decide not to convert the notes, they would be repaid in cash at maturity.

The agreement also provides for special rights including an approval right related to specified material transactions and actions by Tercica Inc. and the implementation of an anti-dilution plan providing for the issuance of warrants the exercise of which remains optional, in the event of a significant equity investment by a third party.

■ 22.1.2.9 Celera (Alameda, United States)

The Group and Celera, an Applera Corporation business, have entered into a research collaboration to develop biomarker and pharmacogenomic tests for growth failure patients. The initial phase of the collaboration will 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 related to Dysport®

■ 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 $35million.

On 6 December 2007, a BLA (Biologics Licence Application) was submitted to the US Food and Drug Administration in aesthetics. However in February 2008, Medicis received a non approval letter from FDA on the grounds that the application was not sufficiently complete to permit a substantive review.

Further to this non approval, the Group and Medicis agreed that the BLA will be re-submitted to the FDA by the Group. FDA usually responds within 10 months as from the approval of the submission of the BLA. In addition, the Group and Medicis have amended the Development and Distribution Agreement in March 12, 2008 : pursuant to this amendment, the Group will have the full responsibility for the submission of the BLA and the interactions with the FDA with the view of obtaining the marketing authorization. Medicis will however continue to the responsible for the performance of all pre-clinical and clinical studies and will reimburse the Group for certain costs.

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 will pay the Group an initial milestone of €10 million and 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.

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.

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 will 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®.

As a guide, the royalties received by the Group under this agreement amounted to €42 million in 2005, €38.7 million in 2006 and €47.6 million in 2007. For the aforementioned reasons, the Group does not and cannot know with any certainty the royalties that it will receive in the future, since they are likely to vary both upwards and downwards and to a significant extent.

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.

22.3.2 Octagen and Emory University (Atlanta, United States)

In September 1998, the Group acquired a shareholding in Octagen, a US biotechnology company. At 31 December 2007, this shareholding stood at 21.45%. Under the agreement entered into by the Group with Octagen, which includes a partnership with Emory University, it is able to benefit from the cooperation of international experts in protein engineering. Pursuant to this agreement, Emory University, which holds the patents licenced to Octagen and which is also one of the shareholders in this company, conducts research aimed at identifying new biotechnology products for use in the treatment of haemophilia. Octagen oversees the pre-clinical and clinical development of these products, and the Group is responsible for managing special projects and production.

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. This agreement will end on the expiry date of the corresponding patents, i.e. no later than in 2021 (excluding patent extension). Pursuant to this agreement, Octagen issued ordinary shares to Emory University. Octagen has agreed to make milestone payments to Emory University and variable royalty payments based on sales, subject to minimum annual royalties. Octagen has also agreed to pay to Emory University a portion of all the royalties paid to Octagen by sub-licencees. Pursuant to this agreement, Emory University agreed to conduct permanent research programmes into LAPs and LIPs to identify new biotechnology products for use in the treatment of haemophilia. These research programmes are financed by Octagen.

In September 1998, 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. This agreement will end three years after the expiry date of the corresponding patents, i.e. in 2024 in most countries (excluding patent extension). Pursuant to this agreement, the Group agreed to make certain milestone payments to Octagen, including payments linked to Investigational New Drug Applications (IND) at the beginning of clinical trial phases and to registration with the FDA in the United States. Under this agreement, the Group also pays variable royalties based on sales, subject to a reduction in royalties if sales do not reach a minimum threshold. The Group has the right to terminate the agreement at any time and for any reason, subject to observance of a notice period of one year subsequent to which Octagen retains all rights to data generated under the agreement. In accordance with this agreement, Octagen agreed to conduct pre-clinical and clinical trials financed by Octagen. Pursuant to this agreement, the Group agreed to fund some research activities on LAPs and LIPs for a limited period of time, which has now ended. 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.

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 (42, rue du Docteur Blanche, 75016 Paris - Tel.: +33 (0)1 44 30 43 43), 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 SHAREHOLDERS' MEETING OF JUNE 4, 2008

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26.1 PRESENTATION OF THE BOARD OF DIRECTORS' REPORT TO THE SHAREHOLDERS' MEETING

The Board of Directors convenes the shareholders to the Combined General Meeting on June 4, 2008, for the purpose of reporting on the activities of the Company during the business year begun on January 1, 2007, and closed on December 31, 2007, and of submitting for their approval the annual and consolidated accounts for the year. The shareholders are also called for the specific purposes of (i) renewing the appointment of the members of the Board of Directors, and (ii) renewing certain financial authorizations.

26.1.1 Components of the Board of Directors' report included in the registration document

The following thematic table can be used to identify and locate the required topics from the Board of Directors' report to the Shareholders' Meeting in this registration document.

TOPICS	REGISTRATION DOCUMENT
1. ACTIVITY BY THE COMPANY AND THE GROUP IN 2007	
Position of the Company during the year ended	
• *Information pertaining to Group*	*3 - 9*
• *Information pertaining to Ipsen Co.*	*20.2*
Foreseeable Change-Outlook	
• *Information pertaining to Group*	*12 - 13*
• *Information pertaining to Ipsen Co.*	*20.2*
Results by the Company and subsidiaries	
• *Information pertaining to Group*	*9.2 - 20*
• *Information pertaining to Ipsen Co.*	*20.2*
Thorough and object analysis of the evolution of business, results, the financial situation of the Company and consolidated companies, in particular its debt situation compared to the volume and complexity of activities including, where appropriate, key performance indicators, financial and other, related to specific activities of the Company and consolidated companies, particularly regarding environmental and personnel issues	
• *Information pertaining to Group*	*3 - 9 - 10.2 - 17*
Environmental and social information	
• *Information pertaining to Group*	*8.2 - 17*
Research and development activity	
• *Information pertaining to Group*	*6 - 11*
Progress made – Problems encountered	
• *Information pertaining to Group*	*9.1*
Risk factors	
• *Information pertaining to Group*	*4*

TOPICS	REGISTRATION DOCUMENT
Important events occurring since year ended	
• *Information pertaining to Group*	*20.1.5 Note 31*
Activity by line of business	
• *Information pertaining to Group*	*6 - 9*
Control of 5, 10, 20, 33.33, 50, 66.66% of share capital or voting rights, or controlling interest	
• *Information pertaining to Group*	*7*
Changes made in presentation of annual accounts and evaluation methods used	
• *Information pertaining to Group*	*NA*
Dividends distributed under the three previous years	
• *Information pertaining to Ipsen Co.*	*26.2.2.3*
Non-tax deductible expenses	
• *Information pertaining to Ipsen Co.*	*20.2*
Injunctions or financial sanctions brought by the Council on competition for anti-competitive practices	NA
2. INFORMATION CONCERNING THE SHARE CAPITAL OF THE IPSEN COMPANY	
Identity of persons directly or indirectly controlling more than 5, 10, 15, 20, 25, 33.33, 50, 66.66, 90, or 95% of share capital or voting rights. Changes to this list during the year	18.1
Status of employee stockholding	18.1
Shareholder agreements concerning shares in share capital (statement on Dutreil Law custody commitments)	15.4 - 18.3
Identity of controlled companies holding shares in the Company and percentage of capital held	NA

TOPICS	REGISTRATION DOCUMENT
Notice of holding of more than 10% of capital in another stock company. Divestment of cross-shareholdings	NA
Considerations liable to affect a public offer	18.5
Number of shares bought and sold during the year under Commercial Code L 225-209 with indication of average rates of purchases and sales, amount of trading fees, number of shares listed in the name of the Company at close of year, their value based on purchase rate, their face value, and reasons for purchases made and the fraction of the stock capital represented by them	27.1.1
Considerations in calculation and results of the adjustment of the bases for exercise of subscription options and stock options in cases of Company purchase of its own stock above market rate	NA
Considerations in calculation and results of the adjustment of the bases for exercise of securities giving access to the share capital in cases of Company purchase of its own stock above the market price	NA

TOPICS	REGISTRATION DOCUMENT
3. OFFICERS OF THE IPSEN COMPANY	
Compensations	15
List of appointments	14.1.1
Stock transactions by Directors	14.4
Choice between one of the two operating methods for determining who will be responsible for the Company's senior management in the event of a change	NA
Choice by the Board pertaining to methods of custody by the officers of bonus shares and/or shares resulting from exercise of stock-options	15.2
4. ATTACHMENTS	
Chairman's Report on internal auditing	16.4
Table showing income for the last 5 fiscal years for the Ipsen Company	26.8
Summary table of currently valid delegations in matters of capital increase and use made of these delegations during the year concerning the Ipsen Company	21.1.8

26.1.2. Board of Directors' report on the agenda for the Combined Shareholders' Meeting of June 4, 2008

■ 26.1.2.1 Proposal to approve the financial statements (1st regular resolution)

The Board of Directors reiterates that the annual accounts for the year closed December 31, 2007, show a profit of 26,359,000.50 euros and proposes that the shareholders approve the annual accounts for the year closed December 31, 2007.

■ 26.1.2.2 Proposal to approve the consolidated accounts (2nd regular resolution)

The Board of Directors reiterates that the consolidated accounts for the year closed December 31, 2007, show a profit of 150,611,337.03 euros (share of Group) and proposes that the shareholders approve the consolidated accounts for the year closed December 31, 2007

■ 26.1.2.3 Proposal for appropriation of profits (3rd regular resolution)

The Board of Directors proposes that the shareholders agree to distribute a total dividend of 55,468,500.78 euros.

This dividend could be taken in the following manner:

– from the fiscal year profit in the amount of 26,359,000.50 euros;

– from the "Other Reserves" item in the amount of 29,109,500.28 euros. The "Other Reserves" item will be reduced from 244,996,103.18 euros to 215,886,602.90 euros.

The total dividend going to each share would then be set at 0.66 euro per share, up by 10% compared to 2007.

When it is paid to individual persons whose tax domicile is in France, the dividend is eligible for the 40% abatement provided for in article 158-3-2° of the General Tax Code.

For dividends collected as of January 1, 2008, this abatement is not applicable if the beneficiary has opted for the standard levy at source provided for in article 117 quarter of the General Tax Code.

Under the new provisions of the general rules of Euronext, the payment of the dividend could occur on June 11, 2008, with a dividend ex-date of June 6, 2008.

Further, if at the time of payment of these dividends, the Company owns any of its own shares, the amounts corresponding to the dividends not paid because of these shares will be attributed to the balance brought forward.

■ 26.1.2.4 Commitment made on behalf of the Chief Executive Officer in the event of termination of his duties (4th regular resolution)

The Board of Directors reiterates that it approved, prior to the listing of the Company's shares, the retirement bonus and termination benefits package allocated to the Chief Executive Officer. This severance package is the equivalent of thirty months of compensation as provided in the Company

appointment as well as any additional benefits provided for in the Company's collective agreement.

In accordance with article L.225-42-1 of the Commercial Code, the Board of Directors, at its meeting of December 12, 2007, decided to attach to the granting of a termination benefits the following performance condition: maintaining the recurrent operational margin rate at a minimum of 10% over the three years preceding the departure of the Chief Executive Officer.

The Board proposes that the Shareholders' Meeting approve this agreement, as mentioned in the special report from the Auditors appearing in section 20.2.4 of this registration document.

26.1.2.5 Regulated agreements (5th regular resolution)

The Board of Directors has provided the Auditors with a summary statement of the agreements regulated by articles L 225-38 and following of the Commercial Code which have been entered into during the year ended December 31, 2007, or entered into previously and still in effect during that year.

The Board proposes that the Shareholders' Meeting approve the agreements listed in the special report from the Auditors, which appears in chapter 20.2.4 of this registration document.

26.1.2.6 Renewal of the appointments of the Directors (6th through 16th regular resolutions)

The appointments of all of the members of the Board expire at the adjournment of the next annual Shareholders' Meeting. Therefore, on the recommendation of the Appointments and Governance committee, the Board of Directors decided, at its meeting of December 12, 2007, to propose that the Shareholders' Meeting renew the appointments of all of the Directors for a term of three years, that is, until the adjournment of the Shareholders' Meeting to be held in 2011 for the purpose of approving the accounts from the fiscal year ended on December 31, 2010.

Information concerning each member of the board is given in sections 14.1.1 and 14.3 of the registration document.

26.1.2.7 Authorization to initiate a new share buyback program (17th regular resolution)

The authorization given to the Board of Directors to initiate a share buyback program will expire on December 6, 2008.

Consequently, the Board of Directors proposes that the Shareholders' Meeting confer on the Board a new authorization for a period of eighteen months for carrying out, in one or several phases, and at times it will determine, the purchase of Company shares not to exceed 10% of the number of shares making up the share capital, adjusted, if necessary, to allow for any operations of capital increase or reduction which may occur during the life of the program.

This authorization would nullify the authorization given to the Board of Directors by the Shareholders' Meeting of June 6, 2007.

The purchases may be made for the purpose of:

- 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 AFEI charter accepted by the AMF.
- 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 share capital of the Company.
- Ensuring the funding of stock option plans and other forms of allocation of share 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.
- Ensuring the funding of securities granting allotment rights to Company shares, under the current regulations.
- Undertaking the possible cancellation of shares purchased on condition of the authorization to be granted by the Shareholders' Meeting in its eighteenth extraordinary resolution.

The Board proposes that the Shareholders' Meeting set the maximum purchase price at 75 euros per share and consequently the maximum amount of the transaction at 630,323,872.50 euros.

These stock buybacks may be carried out through any means, including through the purchase of blocks of shares, and at whatever times the Board of Directors deems appropriate. The Company reserves the right to use derivative products within the limit of applicable regulations.

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 Authority on French Financial Markets (AMF), and only if a) the takeover bid against 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 and are not liable to make the takeover fail.

26.1.2.8 Authorization to decrease the capital by cancellation of shares (18th extraordinary resolution)

As a result of the goal of cancelling shares proposed in the above paragraph, the Board of Directors proposes that the Shareholders' Meeting agree to authorize it, for a duration of twenty-four months, to cancel, at its own discretion, in one or several phases, and in an amount no greater than 10% of the capital, adjusted, if necessary, to allow for any operations of capital increase or reduction which may occur during the life of the authorization, the shares which the Company holds or may hold as a result of buybacks carried out under its buyback program, and to decrease the capital to the relevant amount in accordance with current applicable laws and regulations.

26.2 AGENDA AND TEXTS OF RESOLUTIONS PROPOSED BY THE BOARD OF DIRECTORS

26.2.1. Agenda

The Shareholders' Meeting called for June 4, 2008, will be asked to vote on the following agenda:

Ordinary matters

- 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, general reports and the special report of the Auditors;
- Approval of the financial statements for the year ended December 31, 2007;
- Approval of the consolidated financial statements for the year ended December 31, 2007;
- Profit appropriation;
- Approval of the commitment made on behalf of Mr. Jean-Luc Bélingard in the event of termination of his duties;
- Approval of the agreements covered by article L 225-38 of the Commercial Code;
- Renewal of the appointment to the Board of Mr. Jean-Luc Bélingard;
- Renewal of the appointment to the Board of Ms. Anne Beaufour;
- Renewal of the appointment to the Board of Mr. Henri Beaufour;
- Renewal of the appointment to the Board of Mr. Alain Béguin;
- Renewal of the appointment to the Board of Mr. Hervé Couffin;
- Renewal of the appointment to the Board of Mr. Antoine Flochel;
- Renewal of the appointment to the Board of Mr. Gérard Hauser;
- Renewal of the appointment to the Board of Mr. Pierre Martinet;
- Renewal of the appointment to the Board of Mr. René Merkt;
- Renewal of the appointment to the Board of Mr. Yves Rambaud;
- Renewal of the appointment to the Board of Mr. Klaus-Peter Schwabe;
- Authorization to be granted to the Board of Directors to buy back its own shares.

Extraordinary matters

- Review of the special report from the Auditors on the authority for reduction of capital by cancelling treasury shares;
- Authority to be given to the Board of Directors for the purpose of reducing the capital by cancelling shares repurchased by the Company under the provisions of article L. 225-209 of the Commercial Code;
- Powers to perform all required formalities.

26.2.2. Full text of the resolutions proposed by the Board of Directors

RESOLUTIONS WITHIN THE POWER OF AN ORDINARY MEETING

■ 26.2.2.1 Approval of the financial statements (1st resolution)

The Shareholders' Meeting, having been taken note of the reports from the Board of Directors, the Chairman of the Board and the Auditors on the fiscal year ended December 31, 2007, approves, as presented, the annual accounts closed at that date and showing a profit of €26,359,000.50.

■ 26.2.2.2 Approval of the consolidated financial statements (2nd resolution)

The Shareholders' Meeting, having been taken note of the reports from the Board of Directors and the Auditors on the consolidated financial statements as of December 31, 2007, approves these statements as presented, showing a profit of €150,611,337.03 (Group share).

■ 26.2.2.3 Appropriation of the profit (3rd resolution)

The Shareholders' Meeting decides to distribute to the shareholders as dividends the sum of €55,468,500.78 taken from:

- the entire amount of the profit from the year, i.e. €26,359,000.50
- the "other reserves" item in the amount of €29,109,500.28. The "other reserves" item is therefore reduced from €244,996,103.18 to €215,886,602.90.

The Shareholders' Meeting confirms that the total dividend paid to each share is set at 0.66 euros.

This dividend gives the right to an abatement of 40% applicable to individual persons whose tax domicile is in France.

The dividend will be paid on June 11, 2008. It is specified that in the event that, at the time of payment of these dividends, the Company holds any of its own shares, the amounts corresponding to the dividends not paid by reason of those shares will be carried forward.

In accordance with the provisions of article 243 bis of the General Tax Code, the Shareholders' Meeting notes that over the last three years the dividends have been distributed as follows::

For fiscal year	Income eligible for 50% tax reduction		Income not eligible for tax reduction
	Dividends	Other income distributed	
2004	€29,302,500.00	NA	NA
2005	€50,414,809.80	NA	NA
2006	€50,414,809.80	NA	NA

26.2.2.4 Approval of the commitment made on behalf of the Chairman and Chief Executive Officer Manager in the event of the termination of his duties (4th resolution)

Ruling on the special report from the Auditors on the agreements covered by articles L. 225-42-1 and L. 225-22-1 of the Commercial Code which was presented to it, the Shareholders' Meeting approves the commitment made by the Company on behalf of Mr. Bélingard, Chairman and Chief Executive Officer, regarding the compensation to be paid of the termination of his duties.

26.2.2.5 Approval of the regulated agreements (5th resolution)

Ruling on the special report from the Auditors on the agreements in articles L. 225-38 and following of the Commercial Code which was presented to it, the Shareholders' Meeting approves the agreements stated therein.

26.2.2.6 Renewal of the appointment of Mr. Jean-Luc Bélingard (6th resolution)

The Shareholders' Meeting decides to renew the appointment of Mr. Jean-Luc Bélingard to the Board of Directors for a term of three years, that is, until the adjournment of the Shareholders' Meeting to be held in 2011 for the purpose of approving the financial statements for the fiscal year ended December 31, 2010.

Mr. Jean-Luc Bélingard has stated in advance that he accepts the renewal of his appointment and has further stated that he has no conflict of interest or legal restriction liable to keep him from performing his duties.

26.2.2.7 Renewal of the appointment of Ms. Anne Beaufour (7th resolution)

The Shareholders' Meeting decides to renew the appointment of Ms. Anne Beaufour to the Board of Directors for a term of three years, that is, until the adjournment of the Shareholders' Meeting to be held in 2011 for the purpose of approving the financial statements for the fiscal year ended December 31, 2010.

Ms. Anne Beaufour has stated in advance that she accepts the renewal of her appointment and has further stated that she has no conflict of interest or legal restriction liable to keep her from performing her duties.

26.2.2.8 Renewal of the appointment of Mr. Henri Beaufour (8th resolution)

The Shareholders' Meeting decides to renew the appointment of Mr. Henri Beaufour to the Board of Directors for a term of three years, that is, until the adjournment of the Shareholders' Meeting to be held in 2011 for the purpose of approving the financial statements for the fiscal year ended December 31, 2010.

Mr. Henri Beaufour has stated in advance that he accepts the renewal of his appointment and has further stated that he has no conflict of interest or legal restriction liable to keep him from performing his duties.

26.2.2.9 Renewal of the appointment of Mr. Alain Béguin (9th resolution)

The Shareholders' Meeting decides to renew the appointment of Mr. Alain Béguin to the Board of Directors for a term of three years, that is, until the adjournment of the Shareholders' Meeting to be held in 2011 for the purpose of approving the financial statements for the fiscal year ended December 31, 2010.

Mr. Alain Béguin has stated in advance that he accepts the renewal of his appointment and has further stated that he has no conflict of interest or legal restriction liable to keep him from performing his duties.

26.2.2.10 Renewal of the appointment of Mr. Hervé Couffin (10th resolution)

The Shareholders' Meeting decides to renew the appointment of Mr. Hervé Couffin to the Board of Directors for a term of three years, that is, until the adjournment of the Shareholders' Meeting to be held in 2011 for the purpose of approving the financial statements for the fiscal year ended December 31, 2010.

Mr. Hervé Couffin has stated in advance that he accepts the renewal of his appointment and has further stated that he has no conflict of interest or legal restriction liable to keep him from performing his duties.

26.2.2.11 Renewal of the appointment of Mr. Antoine Flochel (11th resolution)

The Shareholders' Meeting decides to renew the appointment of Mr. Antoine Flochel to the Board of Directors for a term of three years, that is, until the adjournment of the Shareholders' Meeting to be held in 2011 for the purpose of approving the financial statements for the fiscal year ended December 31, 2010.

Mr. Antoine Flochel has stated in advance that he accepts the renewal of his appointment and has further stated that he has no conflict of interest or legal restriction liable to keep him from performing his duties.

26.2.2.12 Renewal of the appointment of Mr. Gérard Hauser (12th resolution)

The Shareholders' Meeting decides to renew the appointment of Mr. Gérard Hauser to the Board of Directors for a term of three years, that is, until the adjournment of the Shareholders' Meeting to be held in 2011 for the purpose of approving the financial statements for the fiscal year ended December 31, 2010.

Mr. Gérard Hauser has stated in advance that he accepts the renewal of his appointment and has further stated that he has no conflict of interest or legal restriction liable to keep him from performing his duties.

26.2.2.13 Renewal of the appointment of Mr. Pierre Martinet (13th resolution)

The Shareholders' Meeting decides to renew the appointment of Mr. Pierre Martinet to the Board of Directors for a term of three years, that is, until the adjournment of the Shareholders' Meeting to be held in 2011 for the purpose of approving the financial statements for the fiscal year ended December 31, 2010.

Mr. Pierre Martinet has stated in advance that he accepts the renewal of his appointment and has further stated that he has no conflict of interest or legal restriction liable to keep him from performing his duties.

26.2.2.14 Renewal of the appointment of Mr. René Merkt (14th resolution)

The Shareholders' Meeting decides to renew the appointment of Mr. René Merkt to the Board of Directors for a term of three years, that is, until the adjournment of the Shareholders' Meeting to be held in 2011 for the purpose of approving the financial statements for the fiscal year ended December 31, 2010.

Mr. René Merkt has stated in advance that he accepts the renewal of his appointment and has further stated that he has no conflict of interest or legal restriction liable to keep him from performing his duties.

26.2.2.15 Renewal of the appointment of Mr. Yves Rambaud (15th resolution)

The Shareholders' Meeting decides to renew the appointment of Mr. Yves Rambaud to the Board of Directors for a term of three years, that is, until the adjournment of the Shareholders' Meeting to be held in 2011 for the purpose of approving the financial statements for the fiscal year ended December 31, 2010.

Mr. Yves Rambaud has stated in advance that he accepts the renewal of his appointment and has further stated that he has no conflict of interest or legal restriction liable to keep him from performing his duties.

26.2.2.16 Renewal of the appointment of Mr. Klaus-Peter Schwabe (16th resolution)

The Shareholders' Meeting decides to renew the appointment of Mr. Klaus-Peter Schwabe to the Board of Directors for a term of three years, that is, until the adjournment of the Shareholders' Meeting to be held in 2011 for the purpose of approving the financial statements for the fiscal year ended December 31, 2010.

Mr. Klaus-Peter Schwabe has stated in advance that he accepts the renewal of his appointment and has further stated that he has no conflict of interest or legal restriction liable to keep him from performing his duties.

26.2.2.17 Authorization to be given to the Board of Directors for the purpose of buying back its own shares (17th resolution)

The Shareholders' Meeting, having noted the report by the Board of Directors, authorizes the latter for a period of eighteen months in accordance with articles L. 225-209 and following of the Commercial Code, to carry out, in one or several phases, and at the times it will determine, the purchase of Company shares not to exceed 10% of the number of shares making up the share capital, adjusted, if necessary, to allow for any capital increases or reductions which may occur during the life of the program.

This authorization nullifies the authorization given to the Board of Directors by the Shareholders' Meeting of June 6, 2007.

The purchases may be made for the purpose of:

a) Managing the Ipsen share in the secondary market or the liquidity of the Ipsen share through an investment services provider *via* a liquidity contract in accordance with the AFEI charter accepted by the AMF.

b) Ensuring the funding of stock option plans and other forms of allocation of share 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.

c) Holding shares purchased and eventually putting them back into circulation or using them as payment in future acquisitions, with the specification that the shares purchased for this purpose may not exceed 5% of the share capital of the Company.

d) Ensuring the funding of securities granting allotment rights to Company shares, under current regulations.

e) Undertaking the possible cancellation of shares purchased on condition of the authorization to be granted by the Shareholders' Meeting in its eighteenth special resolution.

These share buybacks may be carried out through any means, including through the purchase of blocks of shares, and at whatever times the Board of Directors deems appropriate. The Company reserves the right to use derivative products within the limit of applicable regulations.

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 Authority on French Financial Markets (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 and are not liable to cause the takeover fail.

The maximum purchase price is set at 75 euros per share. In the event of transaction involving the share capital, such as division or grouping of shares or allotment of bonus shares, the amount stated above will be adjusted in the same proportions (multiplicand equal to the ratio of the number of shares comprising the capital before the operation to the number of shares after the operation). The maximum amount of the operation is set at 630,323,872.50 euros.

The Shareholders' Meeting grants the Board of Directors full authority for the purpose of executing these transactions, stipulating their terms and conditions, reaching all agreements, and carrying out all administrative measures.

RESOLUTIONS WITHIN THE POWER OF A EXTRAORDINARY MEETING

■ 26.2.2.18 Authorization to be given to the Board of Directors for the purpose of reducing the capital by cancellation of shares bought back by the Company under the provisions of article L. 225-209 of the Commercial Code (18th special resolution)

The Shareholders' Meeting having noted the report from the Board of Directors and the report from the Auditors:

- grants the Board of Directors the authority to cancel, at its own discretion, in one or several phases, and in an amount no greater than 10% of the capital, adjusted, if necessary, to allow for any capital increases or reductions which may occur during the life of the authorization, the shares which the Company holds or may hold as a result of buybacks carried out under provisions of article L. 225-209 of the Commercial Code, as well as to decrease the capital to the relevant amount in accordance with current applicable laws and regulations;
- sets at 24 months, effective with the time of this Meeting, that is until June 4, 2010, the duration of the validity of this authorization;
- grants full authority to the Board of Directors to carry out the operations necessary to such cancellations and to the corresponding reductions of the share capital, to amend the Company Articles of Incorporation accordingly and to carry out all required administrative measures.

■ 26.2.2.19 Powers to perform formalities (19th resolution)

The Shareholders' Meeting confers full powers to the bearer of a copy or an excerpt of these minutes for the purpose of carrying out any administrative registration or publication formalities required by law.

26.3 ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

The annual accounts for the year ended December 31, 2007, appear in sections 20.2.1 and 20.2.2 of this registration document.

26.4 REPORT FROM THE AUDITORS ON THE ANNUAL ACCOUNTS

The report from the Auditors on the annual accounts appears in section 20.1.6 of this registration document.

26.5 CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

The consolidated accounts for the year ended December 31, 2007, appear in sections 20.1.1 to 20.1.5 of this registration document.

26.6 REPORT FROM THE AUDITORS ON THE CONSOLIDATED ACCOUNTS

The report from the Auditors on the consolidated accounts appears in section 20.2.3 of this registration document.

26.7 REPORT FROM THE AUDITORS ON THE REGULATED AGREEMENTS

The report from the Auditors on the regulated agreements appears in section 20.2.4 of this registration document.

26.8 TABLE OF THE LAST FIVE FISCAL YEARS

The table of the last five fiscal years appears in section 20.1.5.11 of this registration document.

26.9 REPORT FROM THE AUDITORS ON THE REDUCTION OF CAPITAL THROUGH THE CANCELLATION OF SHARES (EXTRAORDINARY RESOLUTION)

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: 42, rue du Docteur Blanche – 75016 Paris

Share capital: €84,043,183

Ordinary and Extraordinary Shareholders' Meeting of 4 June 2008

To the Shareholders,

In our capacity as statutory auditors of Ipsen S.A. and in accordance with the engagement set forth in Article L.225-209 of the French Commercial Law (Code de commerce), in the event of a capital decrease by cancelling purchased shares, we have prepared this report to give you our assessment of the reasons for and terms and conditions of the planned capital decrease.

We carried out the work that we considered to be necessary for this engagement, in accordance with the professional guidelines of the French National Accounting Board (Compagnie nationale des commissaires aux comptes). Those standards consist in examining whether the reasons for and terms and conditions of the capital decrease are due and proper.

This transaction is planned in the context of the purchase by your Company of shares, up to a maximum of 10%, of its share capital, in accordance with the terms and conditions laid down in Article L.225-209 of the French Commercial Law (Code de commerce). In addition, this purchase authorization is subject to your prior approval and would be granted for a period of 18 months.

Your Board of Directors asks you to delegate to it, for a period of 2 years, all powers to cancel the shares purchased by the Company, up to a maximum of 10% of its share capital, by periods of 24 months.

We have no comments to make on the reasons for and terms and conditions of the planned capital decrease, although shareholders are reminded that such decrease may only be carried out subject to their prior approval of the Company's buyback of its own shares.

The Statutory Auditors

Paris La Défense and Neuilly-sur-Seine, 26 February 2008

KPMG Audit	Deloitte & Associés
Department of KPMG S.A.	
Catherine Porta	Christophe Perrau
Partner	*Partner*

26.10 REPORT FROM THE AUDITORS ON THE INTERNAL CONTROL

The report from the Auditors on the internal control appears in section 16.4.2 of this registration document.

26.11 SPECIAL REPORT FROM THE BOARD OF DIRECTORS ON THE STOCK BUYBACK PROGRAM

Dear Shareholders

Pursuant to the second paragraph of article L. 225-2009 of the Commercial Code, we are pleased to inform you of the transactions carried out under the authorization which you granted to the Board of Directors in the fifth resolution of the Shareholders' Meeting of June 6, 2007.

Transactions carried out under the authorization of June 6, 2007:

Percentage of treasury shares held directly or indirectly: (1)	0.82%
Number of shares cancelled over the last 24 months: (2)	0
Number of securities in portfolio: (1)	696,307
Book value of portfolio: (1)	27,220,793.06
Market value of portfolio: (1)	25,909,583.47

(1) As of January 31, 2008.
(2) The 24 months preceding the date of this report.

Transactions carried out under the latest authorization (from February 28, 2007, to January 31, 2008):

	Movement of stock	Hedge for stock options or other employee shareholding systems	Total
Purchases			
Number of shares	983,332	660,000	1,643,332
Price	**€38.51**	**€37.77**	**€38.22**
Total amount	**€37,872,516.52**	**€24,927,491.79**	**€62,800,008.31**
Volume of shares used	–	–	–
Sales/transfers			
Number of shares	1,010,554	–	1,010,554
Price	**€38.54**	**–**	**€38.54**
Total amount	**€38,945,676.31**	**–**	**€38,945,676.31**

The Company did not use derivative products in this share buyback program.

The shares held by the Company have not been used in any reallocation or for any other purpose since the authorization granted by the Shareholders' Meeting of June 6, 2007.

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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

27.1.1 Summary of the previous program

Statement of the transactions carried out on treasury shares from April 30, 2007 to January 31, 2008:

Percentage of treasury shares held directly or indirectly: (1)	0.82%
Number of shares cancelled over the last 24 months: (2)	0
Number of securities in portfolio: (1)	696,307
Book value of portfolio: (1)	27,220,793.06 euros
Market value of portfolio: (1)	25,909,583.47 euros

(1) As of January 31, 2008.
(2) The 24 months preceding the date of this report.

	Gross cumulative flows (1)	
	Purchases	Sales/transfers
Number of shares	1,643,332	1,010,554
Average transaction price	€38.21	€38.539
Amounts	€62,800,008,31	€38,945,676.31

(1) The period concerned begins the day following the date on which the summary of the previous program was issued and ends January 31, 2008.

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: 696,307 shares, representing 0.82% of the Company is share capital.

Number of shares held identified by objective:

– Stimulation of the share price through an AFEI liquidity contract: 36,307

– External growth operations: 0

– Hedge for stock options or other employee shareholding: 660,000

– 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 June 4, 2008.
- 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 (696,307, i.e., 0.82% of the stock capital), the maximum number of shares which may be bought back will be 7,708,011.3 (i.e., 9.18% of the stock capital) assuming that any currently shares are not transferred or cancelled.
- Maximum purchase price: 75 euros
- 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 AFEI 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 June 4, 2008, or until December 4, 2009.

27.2 INFORMATIONS PUBLISHED OR RELEASED OVER THE LAST TWELVE MONTHS

Date	Subject	Medium
05/02/2007	Notice of meeting equivalent to convening at the annual Shareholders' Meeting of June 6, 2007	www.balo.journal-officiel. gouv.fr (notice no. 0704763)
05/02/2007	Arrangements for distribution of the preparatory documents for the Shareholders' Meeting of June 6, 2007	Press release www.ipsen.com Business press release distributor (Required information)
05/03/2007	Statement of qualified votes as of April, 2007	AMF submission Press release www.ipsen.com Business press release distributor (Required information)
05/09/2007	Sales figures for 1st quarter 2007	www.balo.journal-officiel. gouv.fr (notice no. 0705821)
05/28/2007	Monthly statement on Ipsen treasury stock transactions – April, 2007	www.amf-France.org (decision no. 207C0987)
06/07/2007	Statement of qualified votes month of May, 2007	AMF submission Press release www.ipsen.com Business press release distributor (Required information)
06/13/2007	Company and consolidated accounts for year ended December 31, 2006	www.balo.journal-officiel. gouv.fr (notice no. 0708852)
06/25/2007	Monthly statement on Ipsen treasury stock transactions – May, 2007	www.amf-France.org (decision no. 207C1184)
06/29/2007	Bylaws Excerpt of minutes of shareholders meeting of June 6, 2007	Clerk of Commercial Court (Submission no. 57338)
06/29/2007	Company accounts for year ended 12/31/2006	Clerk of Commercial Court (Submission no. 30997)
06/29/2007	Consolidated accounts for year ended 12/31/2006	Clerk of Commercial Court (Submission no. 31584)
07/09/2007	Statement of qualified votes – June, 2007	AMF submission Press release www.ipsen.com Business press release distributor (Required information)
07/09/2007	Semi-annual summary of the liquidity contract	Press release www.ipsen.com Business press release distributor (Required information)
08/01/2007	Sales figures for 1st half 2007 and financial objectives for second half 2007	Press release www.ipsen.com Business press release distributor (Required information)
08/06/2007	Statement of qualified votes – July, 2007	AMF submission Press release www.ipsen.com Business press release distributor (Required information)

Date	Subject	Medium
08/06/2007	Sales figures for 2nd quarter 2007	www.balo.journal-officiel.gouv.fr (notice no. 0712403)
08/09/2007	Increlex® obtains European Union approval to market	Press release www.ipsen.com Business press release distributor (Required information)
08/23/2007	Ipsen authorizes GTF to market Ginkor Fort® for France, Monaco, and Andorra	Press release www.ipsen.com Business press release distributor (Required information)
08/29/2007	Monthly statement on Ipsen treasury stock transactions – June, 2007	www.amf-France.org (decision no. 207C1965)
08/29/2007	Ipsen group results for 1st half 2007 and financial objectives for 2007 year	Press release www.ipsen.com Business press release distributor (Required information)
08/31/2007	Somatuline® submission authorized for marketing in USA for treatment of acromegaly	Press release www.ipsen.com Business press release distributor (Required information)
09/04/2007	Monthly statement on Ipsen treasury stock transactions – July, 2007	www.amf-France.org (decision no. 207C2002)
09/06/2007	Statement on Treasury stock transactions – September, 2007	Press release www.ipsen.com Business press release distributor (Required information)
09/12/2007	Statement of qualified votes – August, 2007	AMF submission Press release www.ipsen.com Business press release distributor (Required information)
09/17/2007	Accounts for 1st half of 2007 year	www.balo.journal-officiel.gouv.fr (notice no. 0714220)
09/17/2007	A major pharmaceutical laboratory takes an exclusive licensing option on BA058, a molecule licenced by Ipsen to Radius in 2005	Press release www.ipsen.com Business press release distributor (Required information
09/17/2007	bioMérieux and Ipsen sign an agreement in the theranostic field to develop a test to accompany a new breast cancer treatment	Press release www.ipsen.com Business press release distributor (Required information
10/01/2007	Monthly statement on Ipsen treasury stock transactions – August 2007	www.amf-France.org (decision no. 207C2203)
10/04/2007	Statement of qualified votes – September, 2007	AMF submission Press release www.ipsen.com Business press release distributor (Required information)
10/15/2007	Monthly statement on Ipsen treasury stock transactions –September, 2007	www.amf-France.org (decision no. 207C2291
10/17/2007	Supplement to financial statements for 1st half	www.balo.journal-officiel.gouv.fr (notice no. 0715571)
10/31/2007	Ipsen extends its agreement with Debiopharm for exclusive marketing of Décapeptyl® (triptoreline pamoate) in Europe and certain other territories	Press release www.ipsen.com Business press release distributor (Required information)
11/06/2007	Sales figures as of September 30, 2007	Press release www.ipsen.com Business press release distributor (Required information)
11/14/2007	Sales figures for 3rd quarter 2007	www.balo.journal-officiel.gouv.fr (notice no. 0717295)
11/19/2007	Monthly statement on Ipsen treasury stock transactions – October 2007	www.amf-France.org (decision no. 207C2557
11/20/2007	Celera and Ipsen reach a collaboration agreement for developing pharmacogenomic tests	Press release www.ipsen.com Business press release distributor (Required information)

Date	Subject	Medium
12/04/2007	Further collaboration between Ipsen and Erasmus M.C. in the area of endocrinology	Press release www.ipsen.com Business press release distributor (Required information)
12/06/2007	Ipsen grants Galderma exclusive rights for promotion and distribution of Dysport® for cosmetic and dermatological indications in Brazil, Argentina, and Paraguay	Press release www.ipsen.com Business press release distributor (Required information)
12/06/2007	Ipsen and Medicis announce filing for FDA authorization for marketing Reloxin® for cosmetic use	Press release www.ipsen.com Business press release distributor (Required information)
12/06/2007	Ipsen files for authorization by the American regulatory authorities for marketing a biological product in cervical dystonia for Dysport®	Press release www.ipsen.com Business press release distributor (Required information)
12/20/2007	Ipsen announces its financial calendar for 2008	Press release www.ipsen.com Business press release distributor (Required information)
12/21/2007	Statement on Ipsen treasury stock transactions from December 18-20, 2007	Press release www.ipsen.com
12/26/2007	Monthly statement on Ipsen treasury stock transactions – November, 2007	www.amf-France.org (decision no. 207C2870)
12/28/2007	Statement on Ipsen treasury stock transactions from December 21-27, 2007	Press release www.ipsen.com
01/03/2008	Statement on Ipsen treasury stock transactions – December, 2007	Press release www.ipsen.com Business press release distributor (Required information)
01/03/2008	Two years after its listing on the Bourse, Ipsen joins the SBF120 index	Press release www.ipsen.com Business press release distributor (Required information)
01/10/2008	Statement of qualified votes – December, 2007	AMF Press release www.ipsen.com Business press release distributor (Required information)
01/11/2008	Strategic research partnership between Ipsen and the Salk Institute	Press release www.ipsen.com Business press release distributor (Required information)
01/15/2008	Semi-annual summary of the liquidity contract	Press release www.ipsen.com Business press release distributor (Required information)
01/21/2008	Monthly statement on Ipsen treasury stock transactions – December, 2007	www.amf-France.org (decision no. 208C0131)
01/31/2008	The FDA validates the application for U.S. marketing of Dysport® in cervical dystonia	Press release www.ipsen.com Business press release distributor (Required information)
01/31/2008	Ipsen: sales figures as of December 31, 2007	Press release www.ipsen.com Business press release distributor (Required information)
02/06/2008	4th quarter 2007 sales figures	www.balo.journal-officiel. gouv.fr (notice no. 0800805)
02/12/2008	New clinical results for the 6-month formulation of Décapeptyl® in the treatment of advanced prostate cancer	Press release www.ipsen.com Business press release distributor (Required information)
02/15/2008	Statement of qualified votes – January, 2008	AMF submission Press release www.ipsen.com Business press release distributor (Required information)
02/21/2008	The EMEA recommends approval for marketing of the Ipsen product Adenuric® (febuxostat) for the treatment of chronic hyperuricemia in gout sufferers	Press release www.ipsen.com Business press release distributor (Required information)

Date	Subject	Medium
02/25/2008	Toremifene citrate 80mg meets the primary criterion and the major secondary criteria in the phase III clinical study among patients presenting an advanced-stage prostate cancer undergoing anti-androgenic hormonotherapy	Press release www.ipsen.com Business press release distributor (Required information)
02/27/2008	Results for the Ipsen Group for the year 2007 and forecasts for the year 2008	Press release www.ipsen.com Business press release distributor (Required information)
03/07/2008	Statement of qualified votes – February, 2008	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 December 31, 2007 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 December 31, 2007 appear in sections 20.1.1 and 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

Ces rapports figurent aux chapitres 20.1.6 et 20.2.3 du présent document de référence.

27.4 AMOUNTS OF FEES PAID TO EACH OF THE AUDITORS AND THE MEMBERS OF THEIR NETWORKS

These reports appear in sections 20.1.6 and 20.2.3 of this registration document.

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