IPSEN
Innovation for patient care

2010

HALF YEAR FINANCIAL REPORT

BREAKING NEW GROUND, FINDING INNOVATIVE THERAPEUTIC SOLUTIONS

2010 HALF YEAR FINANCIAL REPORT SUMMARY

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I – CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed consolidated income statement

(in thousands of euros)	Notes	June 30 2010	June 30 2009
Sales of goods	5.2.2	553,936	521,172
Other revenues	5.2.3	31,743	51,933
Revenue	**5.2.1**	**585,679**	**573,105**
Cost of goods sold		(122,585)	(115,283)
Research and development expenses		(99,102)	(91,518)
Selling expenses		(203,867)	(186,142)
General and administrative expenses		(43,561)	(44,753)
Other operating income and expenses	7	(4,717)	(4,757)
Amortization of intangible assets (*)	8	(6,014)	(5,473)
Operating income before restructuring and impairment		**105,833**	**125,179**
Restructuring costs		(897)	-
Impairment losses		-	-
Operating income	**5.1**	**104,936**	**125,179**
Investment income		989	1,641
Financing costs		(976)	(3,460)
Net financing costs	**10.1**	**13**	**(1,819)**
Other financial income and expense	10.2	(3,767)	(2,851)
Income taxes	11.1	(20,686)	(21,970)
Share of profit/loss from associated companies	15	(5,143)	-
Net profit from continuing operations		**75,353**	**98,539**
Net profit from discontinued operations		231	523
Consolidated net profit		**75,584**	**99,062**
- Attributable to shareholders of Ipsen		75,525	98,667
- Minority interests		59	395
Basic earnings per share, continuing operations (in euros per share)	19.3	0.89	1.17
Diluted earnings per share, continuing operations (in euros per share)	19.3	0.89	1.17
Basic earnings per share, discontinued operations (in euros per share)	19.3	0.01	0.01
Diluted earnings per share, discontinued operations (in euros per share)	19.3	0.01	0.01
Basic earnings per share (in euros per share)	19.3	0.90	1.18
Diluted earnings per share (in euros per share)	19.3	0.90	1.17

(*) Excluding software

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

Condensed comprehensive income statement

(In thousands of euros)	**June 30 2010**	**June 30 2009**
Consolidated net profit	**75,584**	**99,062**
Other comprehensive income for the period		
Foreign exchange differences, net of taxes	76,594 (*) (**)	7,899 (**)
Revaluation of financial derivatives for hedging, net of taxes	-	(4,288) (**)
Actuarial gains & losses for defined benefit plans, net of taxes	-	-
Share of gains and losses recorded directly to equity of associates companies, net of taxes	-	-
Other items, net of taxes	(499) (**)	58 (*)
Total of other comprehensive income, net of tax	**76,095**	**3,669**
Comprehensive income for the period	**151,679**	**102,731**
- Attributable to shareholders of Ipsen	151,526	102,360
- Attributable to minority investors	153	371

(*) US dollar and pound sterling differences for the period, in particular on opening shareholders' equity and the Goodwill expressed in US dollar at the closing date.
(**) These items are not subject to deferred taxes.

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

Condensed consolidated balance sheet
Before allocation of net profit

(In thousands of euros)	Notes	June 30 2010	December 31 2009
ASSETS			
Goodwill	12	306,541	290,236
Other intangible assets	13	264,073	236,967
Property, plant & equipment	14	264,186	251,778
Equity investments		2,767	3,410
Investments in associated companies	15	68,358	-
Non-current financial assets	16	2,984	3,384
Other non-current assets	16	42,705	17,778
Deferred tax assets	11.3	143,269	120,953
Total non-current assets		**1,094,883**	**924,506**
Inventories	17	108,083	102,970
Trade receivables	17	265,265	223,105
Current tax assets	17	8,347	55,966
Other current assets	16	61,546	50,575
Current financial assets	16	88	1,162
Cash and cash equivalents	18	167,263	218,584
Total current assets		**610,592**	**652,362**
Assets of discontinued operations		-	-
TOTAL ASSETS		**1,705,475**	**1,576,868**

EQUITY & LIABILITIES			
Share capital	19.1	84,176	84,128
Additional paid-in capital and consolidated reserves		886,233	784,449
Net profit for the period		75,525	156,584
Foreign exchange differences		29,044	(42,537)
Equity - attributable to shareholders of Ipsen	19.2	**1,074,978**	**982,624**
Minority interests		1,725	1,724
Total shareholders' equity		**1,076,703**	**984,348**
Retirement benefit obligation		15,776	13,989
Long-term provisions	20	33,772	37,425
Bank loans	21	-	-
Other financial liabilities	21	15,718	12,190
Deferred tax liabilities	11.3	9,061	7,093
Other non-current liabilities	17.2.2	256,551	211,771
Total non-current liabilities		**330,878**	**282,468**
Short-term provisions	20	1,449	2,621
Bank loans	21	4,000	4,000
Financial liabilities	21	2,797	4,188
Trade payables	17	120,168	122,647
Current tax liabilities	17	9,103	4,030
Other current liabilities	17.2.2	155,248	157,338
Bank overdrafts	18	3,160	13,183
Total current liabilities		**295,925**	**308,007**
Liabilities of discontinued operations		1,969	2,045
TOTAL EQUITY & LIABILITIES		**1,705,475**	**1,576,868**

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

Condensed consolidated statement of cash flows

(In thousands of euros)	Notes	**June 30 2010**	**June 30 2009**
Consolidated net profit		**75,584**	**99,062**
Net profit from discontinued operations		(231)	(523)
Share of profit/loss from associated companies	15	5,143	-
Net profit from continuing operations before share from associated companies		**80,496**	**98,539**
Non-cash and non-operating items			
- Depreciation, amortisation, provisions and impairment losses		19,776	40,872
- Change in fair value of financial derivatives		1,028	2,650
- Net gains and losses on disposals of non-current assets		61	794
- Share of government grants released to profit and loss		(46)	(47)
- Foreign exchange differences		189	1,705
- Change in deferred taxes		(7,298)	(23,411)
- Share-based payment expense		4,214	4,169
- Gain or loss on sales of treasury shares		(207)	255
- Other non-cash items		412	(4,018)
Cash flow from operating activities before changes in working capital		***98,625***	***121,508***
- (Increase)/decrease in inventories	17.1 (A)	(815)	6,735
- (Increase)/decrease in trade receivables	17.1 (A)	(37,818)	(33,731)
- (Decrease)/increase in trade payables	17.1 (A)	(5,143)	5,983
- Net change in income tax liability	17.1 (A)	52,660	8,552
- Net change in other operating assets and liabilities	17.1 (A)	27,233	38,190
Change in working capital related to operating activities	***17.1 (A)***	**36,117**	**25,729**
NET CASH PROVIDED BY OPERATING ACTIVITIES		**134,742**	**147,237**
Acquisition of property, plant & equipment	14	(14,634)	(14,703)
Acquisition of intangible assets	13	(10,904)	(10,922)
Proceeds from disposal of intangible assets and property, plant & equipment		212	524
Acquisition of shares in non-consolidated companies		(380)	-
Acquisitions of shares in associated companies	15	(57,648)	-
Convertible note subscriptions	16	(35,506)	(2,000)
Payments to post-employment benefit plans		(1,044)	(1,343)
Other cash flow related to investment activities	16 (A)	1,886	(151)
Deposits paid	16 (A)	1,080	981
Changes in working capital related to investing activities	17.1 (B)	(7,347)	(4,823)
NET CASH USED BY INVESTMENT ACTIVITIES		**(124,285)**	**(32,437)**
Repayment of long-term borrowings	21 (B)	(179)	(151,062)
Capital increase by Ipsen		1,072	-
Treasury shares		(1,984)	(6,115)
Dividends paid by Ipsen	19	(62,273)	(58,033)
Dividends paid by subsidiaries to minority interests		(151)	(141)
Changes in working capital related to financing activities	17 (C)	111	(2,222)
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES		**(63,404)**	**(217,573)**
Impact of businesses to be sold or discontinued		(42)	(234)
CHANGE IN CASH AND CASH EQUIVALENTS		**(52,989)**	**(103,007)**
Opening cash and cash equivalents	18	**205,401**	**237,325**
Impact of exchange rate fluctuations		11,691	4,755
Closing cash and cash equivalents	18	**164,103**	**139,073**

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

Condensed consolidated statement of changes in equity
January 1 to June 30, 2010

(In thousands of euros)	Share capital	Share premiums	Consolidated reserves	Treasury shares	Net profit for the period	Foreign exchange differences	Total Group equity	Minority interests	Total equity
Balance at January 1, 2010	**84,128**	**710,002**	**114,677**	**(40,230)**	**156,584**	**(42,537)**	**982,624**	**1,724**	**984,348**
Consolidated net profit	-	-	-	-	75,525	-	75,525	59	75,584
Other comprehensive income [(1)]	-	-	(499)	-	-	76,500	76,001	94	76,095
Consolidated net profit and other comprehensive income	**-**	**-**	**(499)**	**-**	**75,525**	**76,500**	**151,526**	**153**	**151,679**
Allocation of net profit from the prior period	-	-	161,503	-	(156,584)	(4,919)	-	-	-
Capital increases	48	1,024	-	-	-	-	1,072	-	1,072
Share-based payments	-	-	4,224	-	-	-	4,224	-	4,224
Own share purchases and disposals	-	-	(207)	(1,984)	-	-	(2,191)	-	(2,191)
Dividends	-	-	(62,273)	-	-	-	(62,273)	(151)	(62,424)
Other changes	-	-	(4)	-	-	-	(4)	(1)	(5)
Balance at June 30, 2010	**84,176**	**711,026**	**217,421**[(2)]	**(42,214)**	**75,525**	**29,044**	**1,074,978**	**1,725**	**1,076,703**

[(1)] Details in the note "Condensed comprehensive income statement".

[(2)] Including the impact of restructuring programme in the reserves.

Legal restructuring programme in 2005	3,995
Recognition in 2006 of deferred tax assets in respect of one of the items accounted for under the restructuring programme	15,205
Impact in 2007 of the change in tax rate on deferred taxes previously recorded	(2,106)
Impact of restructuring in the reserves	**17,094**

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

Condensed consolidated statement of changes in equity
January 1st to June 30th, 2009

(In thousands of euros)	Share capital	Share premiums	Consolidated reserves	Treasury shares	Net profit for the period	Foreign exchange differences	Group total equity	Minority interests	Total equity
Balance at January 1, 2009[(1)]	**84,060**	**708,994**	**25,318**	**(35,336)**	**146,563**	**(44,567)**	**885,032**	**1,580**	**886,612**
Consolidated net profit	-	-	-	-	98,667	-	98,667	395	99,062
Other comprehensive income [(2)]	-	-	(4,230)	-	-	7,923	3,693	(24)	3,669
Consolidated net profit and other comprehensive income	**-**	**-**	**(4,230)**	**-**	**98,667**	**7,923**	**102,360**	**371**	**102,731**
Allocation of net profit from the prior period	-	-	144,543	-	(146,563)	2,020	-	-	-
Capital increases	8	-	(8)	-	-	-	-	-	-
Share-based payments	-	-	4,168	-	-	-	4,168	-	4,168
Own share purchases and disposals	-	-	254	(6,115)	-	-	(5,861)	-	(5,861)
Dividends	-	-	(58,033)	-	-	-	(58,033)	(141)	(58,174)
Other changes	-	-	737	-	-	-	737	-	737
Balance at June 30, 2009	**84,068**	**708,994**	**112,749[(3)]**	**(41,451)**	**98,667**	**(34,624)**	**928,403**	**1,810**	**930,213**

(1) The information presented above as of December 31, 2008 has been restated to account for the purchase price accounting impact related to the Group's transaction with Tercica Inc and Vernalis Inc. The reconciliation to the previously disclosed equity of the consolidated balance sheet at December 31, 2008 is included in note 12.4 of the consolidated financial statements as of December 31, 2009.

(2) Details in the note "Condensed comprehensive income statement".

(3) Including the impact of restructuring programme in the reserves.

Legal restructuring programme in 2005	3,995
Recognition in 2006 of deferred tax assets in respect of one of the items accounted for under the restructuring programme	15,205
Impact in 2007 of the change in tax rate on deferred taxes previously recorded	(2,106)
Impact of restructuring in the reserves	**17,094**

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

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Note 1. Significant events and transactions during the period and having an impact on the condensed consolidated financial statements at June 30, 2010

1.1. Partnerships

1.1.1. OBI-1

January 21, 2010 – The Group and Inspiration Biopharmaceuticals Inc. have entered into a partnership to create a world leading hemophilia franchise. The partnership is designed to leverage combined expertise and resources to advance a broad portfolio of recombinant proteins. These molecules address all major hemophilia disorders in a unique way by focusing on two significant unmet needs: wider access to treatment with coagulation factors and treatment for inhibitor complications. The two lead product candidates are scheduled to begin Phase III clinical testing in 2010 including Ipsen's recombinant porcine factor VIII, OBI-1 (for the treatment of patients with acquired hemophilia and hemophilia A who have developed an inhibitory immune reaction to human forms of factor VIII), and Inspiration's recombinant factor IX product, IB1001 (for the acute and preventative treatment of bleeding in patients with hemophilia B). Combined with Inspiration's novel proprietary technology and an early-stage pipeline of additional hemophilia factors, this broad and unique portfolio would provide greater access to care and fulfill unmet needs for patients suffering from bleeding disorders.

1.1.1.1. Granting of a sub-license and issuance of a convertible note

Under the terms of the agreement, Ipsen grants an exclusive sub-license for OBI-1 to Inspiration Biopharmaceuticals Inc. in exchange for 50 million dollars and a 27.5% royalty on future OBI-1 sales. In exchange for the payment for the exclusive OBI-1 sub-license, Inspiration Biopharmaceuticals Inc. issued a convertible note to Ipsen with principal amount of 50 million dollars. This note matures 7 to 9 years after the closing date of the transaction (January 22, 2010), carries a coupon of 2.5% coupon payable at maturity in shares, and would be converted into Inspiration Biopharmaceuticals Inc. preferential shares at a price of 10,352 dollars per share. Should the Group decide not to convert the note, it would be repaid in cash at maturity at Ipsen's discretion. upon Ipsen's request.

In accordance with the Group's accounting principles and methods as regards:

- "Other revenue": the revenue from the sub-license has been recorded as deferred for the amount of 50 million dollars and the term of the sub-license agreement (note 17).
- "Non-current assets": the convertible note subscribed by Ipsen has been recorded in full in "other non-current assets" in "loans and accounts receivable" (note 16) for 50 million dollars, considering in particular the Group's intention to hold, the lack of listing of the Inspiration Biopharmaceuticals Inc.'s securities and the lack of data from comparable and observable market data.

1.1.1.2. Equity investment and issuance of convertible notes

Ipsen paid an upfront investment of 84.9 million dollars in Inspiration Biopharmaceuticals Inc. in exchange for shares of a new class of preferred stock constituting 20% of Inspiration Biopharmaceuticals Inc.'s fully-diluted equity (22.1% of non-diluted equity). In connection with this agreement, Ipsen has appointed one member to the Board of Directors of Inspiration Biopharmaceuticals Inc., which is composed of seven members.
In accordance with the Group's accounting principles and methods, given Ipsen's significant influence, this equity investment is accounted for using the equity method.

In addition, milestone payments up to 174 million dollars would be paid to Inspiration Biopharmaceuticals Inc. based on the successful development of IB1001 and OBI-1. For each milestone payment, Ipsen would receive a note convertible into Inspiration Biopharmaceuticals Inc. preferred shares. Convertible notes issued by Inspiration Biopharmaceuticals Inc. to Ipsen would mature in 7 to 9 years, carry a coupon of 2.5% payable in shares at maturity and would be converted into Inspiration Biopharmaceuticals Inc. preferred shares. Should the Group decide not to convert the note, it would be repaid in cas at maturity at Ipsen's discretion.

Assuming all milestone payments are made, and the notes are converted into Inspiration equity, Ipsen would hold approximately 47% of Inspiration Biopharmaceuticals Inc.'s equity on a fully diluted basis.

Upon certain triggering events, Ipsen would also have the ability to acquire full control of Inspiration Biopharmaceuticals Inc..

1.1.1.3. Signature of a master services agreement

Under the terms of the agreement signed on January 21, 2010, the Group and Inspiration Biopharmaceuticals Inc. have signed a services agreement under which Inspiration Biopharmaceuticals Inc. agrees to pay all the industrial development costs related to the OBI-1 molecule, for an amount of 9 million dollars (6.8 million euros) recorded "other income" in the first six months of 2010.

1.1.2. Decapeptyl®

February 4, 2010 – The Group and Debiopharm Group announced the launch by Ipsen in France of Decapeptyl® 6-month sustained-release formulation for the treatment of locally advanced or metastatic hormone-dependent prostate cancer. Other launches are planned shortly notably in Germany and Portugal.
The marketing authorization to this 6-month sustained release formulation of Decapeptyl® was granted on 10 november 2009 by the French regulatory authorities (*Agence Française de Sécurité Sanitaire des Produits de Santé*, AFSSAPS) for the treatment of locally advanced & metastatic hormone dependent prostate cancer.

1.1.3. Adenuric®

March 5, 2010 – The Group and Menarini announced the launch of Adenuric® (febuxostat) in France, which they will copromote the drug.
Under the terms of the agreement, the Group received 17.6 million euros based on launch milestones achieved as of June 30, 2010. In accordance with the Group's accounting principles and methods this revenue is recorded under "Deferred income" and spread over the term of the partnership agreement (note 16).

1.2. Administrative measures

European governments continue to implement various measures to reduce the growth of public healthcare spending.

In a context of financial and economic crisis, 2010 saw the acceleration of new and proactive measures which could affect the sales and profitability of the Group in 2010 and beyond.

The countries most affected by the crisis, such as Romania, the Czech Republic and Greece have announced price reductions on the basis of international reference prices thereby harmonizing with the lowest European prices. Meanwhile, Romania introduced an 8% tax on drug sales and Greece reduced prices by 27% during a transitional period (for the most expensive products), while the Czech Republic announced its intention to limit reimbursement levels for various therapeutic classes. Negotiations are currently underway with the Greek government to return to the previous system of reference prices described above.

Other countries in Western Europe, although less affected by the crisis, also announced a series of restrictive measures:

- The Netherlands reviewed their reference prices, leading to declines of 20 to 45% on certain products,
- Ireland introduced a tax of 4% on drug sales,
- Germany increased its tax on sales of products reimbursed by social security from 6% to 16%, effective August 1st,
- Spain imposed a tax of 7.5% on drug sales in addition to the 30% decrease in prices for product for which a generic or a biosimular product is marketed in at least one other European country.
- In France, on April 16, 2010, certain drugs for which the “Medical Service Rendered” had been rated as "weak" or "unsatisfactory" by the Health Authorities (including Tanakan®) have seen their reimbursement rates decreased from 35% to 15%. Lower prices were also imposed on Adrovance®, for which the price was reduced by 25% in May 2010, and the sartan drug category, of which Nisis® and Nisisco®, with price reductions effective as of September 2010.

Note 2. Changes in consolidation scope

2.1. Equity investment in Inspiration Biopharmaceuticals Inc.

On January 22, 2010, Ipsen acquired shares of a new class of Inspiration Biopharmaceuticals Inc. constituting 22.1% of Inspiration Biopharmaceuticals Inc. (upon conclusion of the transaction, on a non-diluted basis) (note 1.1.1.2.). Ipsen's total equity investment amounts to 84.9 million dollars or 59.9 million euros (note 15). Fees related to this transaction amounts to 6 million dollars (4.5 million euros).

2.2. Contributed assets

In the context of the Group's aim to streamline its legal, administrative and regulatory structure, Ipsen Developments Limited, an English subsidiary of the Group, contributed commercial activities outside the United Kingdom to Ipsen Biopharm Limited.

This internal legal restructuring does not have an impact on the Group consolidated condensed financial statements as of June 30, 2010.

Note 3. Principles and accounting methods and declaration of conformity

Preliminary remarks:

The condensed consolidated interim financial statements are expressed in thousands of euros unless otherwise indicated.

The reporting date for the condensed consolidated financial statements is 30 June each year. The individual financial statements of consolidated subsidiaries are prepared on the same reporting date, i.e. 30 June, and cover the same period.

The condensed consolidated financial statements were approved on August 30, 2010 by the Board of Directors.

3.1. Accounting principles and declaration of conformity

In compliance with regulation 1606/2002 adopted on July 19, 2002 by the European Parliament and the European Council, the Group's consolidated financial statements for the year ending December 31, 2009 have been prepared in accordance with *International Financial Reporting Standards* (IFRS) as endorsed by the European Union on the date of preparationand mandatory on that date.

The IFRS as it was adopted by the European Union differs in certain aspects from IFRS published by the IASB. Nevertheless, the Group ensured that the financial information for the presented periods would not have been substantially different if it had applied IFRS as it was published by the IASB.

International Accounting Standards include International *Financial Reporting Standards* (IFRS), *International Accounting Standards* (IAS), as well as the interpretations issued by the *Standing Interpretations Committee* (SIC), and the *International Financial Reporting Interpretations Committee* (IFRIC).

The condensed consolidated financial statements for the 6 month to 30 June, 2010 have been prepared in accordance with IAS 34 - Interim Financial Reporting, as endorsed by the European Union, which requires the disclosure of selected explanatory notes only.

The condenses financial statements do not include all the disclosure required for annual financial statements and should therefore be read in conjunction with the consolidated financial statements for year ended 31 december 2009.

All the texts adopted by the European Union are available on the European Commission's website: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

IFRS applied at June 30, 2010:

The accounting policies applied in the interim financial statements are the same as those applied in the 2009 annual financial statements (described in note 3 of the consolidated financial statements as of December 31, 2009).

3.2. Other standards and interpretations applicable as of January 1, 2010.

Other amendments and interpretations applicable as of January 1, 2010 either do not concern the Group or do not have a material impact on the condensed consolidated financial statements for the six month to June 30, 2010. They are:

- *IAS 27 – Consolidated and Separate Financial Statements (amended);*
- *IAS 39 (amended) – Financial Instruments: Recognition and Measurement;*
- *IRFR 1 – First-Time Adoption of International Financial Reporting (Revised);*
- *IFRS 2 (amended) – Share-Based Payment;*
- IFRS 3 (revised) – *Business Combinations;*
- *IFRIC 12 – Service Concession Arrangements;*
- *IFRIC 15 – Agreements for the Construction of Real Estate;*
- *IFRIC 16 - Hedges of a Net Investment in a Foreign Operation;*
- *IFRIC 17 – Distributions of Non-cash Assets to Owners;*
- *IFRIC 18 – Transfers of Assets from Customers;*
- *Other amendments to the annual procedure for improvements to the standards published in May 2008 and April 2009.*

The Group elected not to early adopt the standards and interpretations that were not mandatory as of January 1, 2010.
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Note 4. Seasonal effects

The Group's business is not subject to any material seasonal effects.

Note 5. Operating segments

Internal Reporting provided to the "main operational decision-makers", the Executive Committee, corresponds to the Group's managerial organisation based on the geographical regions within which the Group operates. Accordingly, operating segments as defined by IFRS 8, equate to long-term groupings of countries.

The Group's operating segments are as follows:

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

5.1. Operating income by operating segment

(In thousands of euros)	**June 30, 2010**		**June 30, 2009**	
	Amount	% share	Amount	% share
Major Western European countries	112,079	52.5%	119,234	59.8%
Rest of Europe	58,043	27.2%	49,878	25.0%
North America	(10,329)	(4.8)%	(15,087)	(7.6)%
Rest of the world	53,717	25.1%	45,510	22.8%
Total allocated	**213,510**	**100.0%**	**199,535**	**100.0%**
Unallocated	(108,574)		(74,356)	
Operating income from condensed consolidated income statement	**104,936**		**125,179**	

Unallocated operating income includes expenses and income that is not attributable to a specific operating segment. This mainly consists of other operating income and expenses, the majority of Research and Development expenses and unattributable Group expenses.

5.2. Revenue

5.2.1. Revenue by operating segment

(In thousands of euros)	June 30, 2010		June 30, 2009	
	Amount	% share	Amount	% share
Major Western European countries	292,218	51.0%	289,874	54.4%
Rest of Europe	130,893	22.9%	115,019	21.6%
North America	34,801	6.1%	24,884	4.7%
Rest of the world	114,628	20.0%	102,744	19.3%
Total allocated	**572,540**	**100.0%**	**532,521**	**100.0%**
Unallocated	13,139		40,584	
Revenues from condensed consolidated income statement	**585,679**		**573,105**	

Within revenue sales of goods, co-promotion income and a portion of other operating income have been allocated. However, certain "other operating income" have not been allocated since it does not lend itself to this type of segmentation. This is the case of milestone payments received related to the license agreement with Roche for taspoglitude (a GLP-1 analogue) and royalties received under the terms of the Kogenate® license as of 30 June 2009.

5.2.2. Sales of good by operating segment

(In thousands of euros)	June 30, 2010		June 30, 2009	
	Amount	% share	Amount	% share
Major Western European countries	283,385	51.1%	283,392	54.4%
Rest of Europe	128,873	23.3%	114,477	22.0%
North America	27,490	5.0%	20,558	3.9%
Rest of the world	114,188	20.6%	102,745	19.7%
Sales of good from condensed consolidated income statement	**553,936**	**100.0%**	**521,172**	**100.0%**

5.2.3. Other operating income

(In thousands of euros)	June 30, 2010	June 30, 2009
Royalties received	2,147	36,915
Milestone payments– Licenses	16,935	10,961
Rebilled research and development expenses	7,578	360
Co-promotion income	5,083	3,697
Other operating income from condensed consolidated income statement	**31,743**	**51,933**

- **Royalties received** amounted to €2.1 million in the first half 2010, down 34.8 million year-on-year, compared to June 2009. The first half 2009 was marked by the recording of €36.4 million of Kogenate® royalties in connection with the settlement of the litigation between the Group and Bayer for the period from May 26, 2008 to June 30, 2009. Excluding the impact of this non-recurring item, royalties in the first half 2010 were up €1.6 million year-on-year as a result of an increase in royalties paid by Medicis and Galderma.
- **Milestone payments relating to licensing agreements** - representing primarily recognition of payments received over the life of partnership agreements - amounted to €16.9 million in the first half 2010, up €6.0 million year-on-year, mainly due to the partnerships with Medicis, Galderma, Recordati and Roche, increased by income from the partnership for Adenuric® with Menarini and Inspiration Biopharmaceuticals Inc. for OBI-1.
- **Other revenues** amounted to €12.7 million in the first half 2010, compared with €4.1 million a year earlier. This item mainly consists of reinvoiced OBI-1 industrial development expenses under the terms of agreements entered into with Inspiration Biopharmaceuticals Inc. for an amount of €6.8 million, together with revenues related to the Group's French co-promotion and co-marketing agreements (as in the previous year).

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

(In thousands of euros)	June 30, 2010					
	Major Western European countries	**Rest of Europe**	**North America**	**Rest of the world**	**Eliminations**	**Total**
Goodwill(*)	143,819	18,708	117,502	26,512	-	306,541
Property, plant & equipment	190,546	40,927	22,353	10,360	-	264,186
Inventories	64,833	20,150	7,897	15,203	-	108,083
Trade receivables	244,002	40,118	8,740	21,468	(49,063)	265,265
Total segment assets	**643,200**	**119,903**	**156,492**	**73,543**	**(49,063)**	**944,075**
Trade payables	123,910	18,314	4,327	22,680	(49,063)	120,168
Total segment liabilities	**123,910**	**18,314**	**4,327**	**22,680**	**(49,063)**	**120,168**

(*) Note 12.

(In thousands of euros)	December 31, 2009					
	Major Western European countries	**Rest of Europe**	**North America**	**Rest of the world**	**Eliminations**	**Total**
Goodwill(*)	143,819	18,708	101,223	26,486	-	290,236
Property, plant & equipment	182,878	40,383	19,118	9,399	-	251,778
Inventories	81,589	33,434	5,243	10,759	(28,055)	102,970
Trade receivables	209,372	35,507	30,741	15,830	(68,345)	223,105
Total segment assets	**617,658**	**128,032**	**156,325**	**62,474**	**(96,400)**	**868,089**
Trade payables	146,475	20,386	4,338	19,873	(68,425)	122,647
Total segment liabilities	**146,475**	**20,386**	**4,338**	**19,873**	**(68,425)**	**122,647**

(*) Note 12.

5.4. Other information

(In thousands of euros)	June 30, 2010					
	Major Western European countries	**Rest of Europe**	**North America**	**Rest of the world**	**Un-allocated**	**Total**
Capital expenditures	(10,544)	(1,865)	(1,638)	(587)	(10,904)	(25,538)
Net depreciation, amortisation and provisions (excluding financial and current assets)	13,000	1,826	1,531	914	6,014	23,285
Share-based payment expenses with no impact on cash flow	-	-	-	-	4,214	4,214

(In thousands of euros)	June 30, 2009					
	Major Western European countries	**Rest of Europe**	**North America**	**Rest of the world**	**Un-allocated**	**Total**
Capital expenditures	(11,069)	(1,639)	(816)	(1,179)	(10,922)	(25,625)
Net depreciation, amortisation and provisions (excluding financial and current assets)	31,873	1,135	(797)	618	7,402	40,231
Share-based payment expenses with no impact on cash flow	-	-	-	-	4,169	4,169

Note 6. Employees

The following table shows a break down of personnel cost which are split in the income statement between the cost of goods sold, selling expenses, general and administrative expenses and research and development expenses:

(In thousands of euros)	June 30, 2010	June 30, 2009
Wages and salaries	(124,393)	(114,630)
Employer's social security contributions and payroll taxes	(45,990)	(42,309)
Sub-total	**(170,383)**	**(156,939)**
Employee benefit expenses	**(2,760)**	**(2,080)**
Interim accounting expenses associated with share-based payments	(4,107)	(3,957)
Social security contributions on share-based payments	(107)	(212)
Share-based payment expenses sub-total	**(4,214)**	**(4,169)**
Employee profit-sharing	(7,294)	(5,939)
Total	**(184,651)**	**(169,127)**

The average rate of employer's social security contributions and payroll taxes at June 30, 2010 was 37% of gross payroll (36.9% at June 30, 2009).

At June 30, employee benefits expenses are recognised on the basis of estimates made at the beginning of the period.

The increase in share-based payments expenses is mainly due to the impact of the stock options and bonus share plan granted by the Board of Directors of March 31, 2010.

- 121,180 stock options and 4,490 bonus shares to the Chairman;
- 123,280 stock options and 13,750 bonus shares to the Executive committee;
- 40,710 stock options and 29,110 bonus shares to certain employees of the US subsidiaries, and
- 76,900 stock options and 46,920 bonus shares to certain employees of other Group subsidiaries.

These awards are subject to length of service criteria and, for the Chairman and the Executive Committee to Market conditions, For bonus shares, for beneficiaries who are French tax residents, the vesting period is 2 years with a two years lockup period;; for beneficiaries who are foreign tax residents, the vesting period is 4 years.

Note 7. Other operating income and expense

Other operating income and expenses recorded by the Group in the first half 2010 represented a €4.7 million expense and mainly consisted in certain expenses related to the Group's headquarter, as well as certain non-recurring fees totaling €2.7 million. Other operating income and expenses represented a €4.8 million expense in the first half 2009 and mainly included costs related to Group's headquarter as well as costs associated with the integration of North American subsidiaries.

Note 8. Amortisation of intangible assets (excluding software)

This item includes amortisation of intangible assets other than software.

Amortization charges in relation to intangible assets represented a €6.0 million expense in the first half 2010, a slight increase as compared with a €5.5 million expense a year earlier. This item consists mainly of the amortization of the IGF-1 license recognized when allocating goodwill arising from the Group's North-American transactions in 2008, as well as the beginning of the amortization of the license on the 6-month formulation of Decapeptyl which has been marketed since February 2010.

Note 9. Restructuring costs

The Group recognized €0.9 million in non-recurring restructuring costs in the first half 2010. No restructuring costs were recorded by the Group in 2009.

Note 10. Financial income/ (expense)

10.1. Net financing costs

(In thousands of euros)	June 30, 2010	June 30, 2009
Proceeds from sales of short-term investments	520	1,696
Financial income on rate option	-	34
Total income from financial assets held for trading	**520**	**1,730**
Other financial income	469	(89)
Total income from loans and receivables	**469**	**(89)**
Financial income	**989**	**1,641**
Interest on debt [(1)]	(478)	(2,964)
Interest on employee profit sharing fund	(347)	(220)
Total expenses on financial liabilities measured at amortised cost	**(825)**	**(3,184)**
Financial expenses on exchange rate hedging instruments	(151)	(276)
Total expenses on financial assets held for trading	**(151)**	**(276)**
Financial expenses	**(976)**	**(3,460)**
Net financing costs	**13**	**(1,819)**

[(1)] At 30 June 2009, the decrease in interest on debt is due to ((2.5) million euros) of interest on the loan taken out to finance the North American acquisitions. This loan was drawn in the sum of 150 million euros in octobre 2008 and repaid in full on April 2009 (see note 21).

10.2. Other financial income and expense

(In thousands of euros)	June 30, 2010	June 30, 2009
Other exchange differences	(2,302)	(2,189)
Income and expenses on financial assets and liabilities at fair value	**(2,302)**	**(2,189)**
Impairment of investments in non-consolidated companies	(526)	364
Impairment of other financial assets	-	-
Income and expenses on available-for-sale financial assets	**(526)**	**364**
Financial income on employee benefit plans	1,079	22
Interest cost on employee benefit plans	(1,623)	(625)
Other financial income and expenses	(395)	(423)
Total other financial income and expenses	**(3,767)**	**(2,851)**

At June 30, 2010, the impact of exchange rate differences represented an expense of 2.3 million euros, in line with the previous year. In addition, for the first half of 2010, the Group recognised impairment on some of its assets available for sale.

Note 11. Income taxes

11.1. Breakdown of the tax expense

(In thousands of euros)	June 30, 2010	June 30, 2009
Current taxes	(27,983)	(45,381)
Deferred taxes	7,297	23,411
Actual tax expense	**(20,686)**	**(21,970)**

11.2. Effective tax rate

(In thousands of euros)	June 30, 2010	June 30, 2009
Net profit from continuing operations	75,353	98,539
Share in results of associated companies (note 15)	(5,143)	-
Profit from continuing operations before the share in results of associated companies	**80,496**	**98,539**
Income taxes	(20,686)	(21,970)
Pre-tax profit from continuing operations before the share in results of associated companies	**101,182**	**120,509**
Effective tax rate	**20.44%**	**18.23%**

The Group's effective tax rate in the first half 2010 was 20.4% of net profit from continuing operations, before income from associated companies, compared with an effective tax rate of 18.2% in the first half 2009, which was impacted by the consequences of a tax audit in France. With effect from 2010, and in line with the choice available to French companies, the Group has opted to recognize the new tax on corporate value added (*Cotisation sur la Valeur Ajoutée des Entreprises* or CVAE) under income tax. This new tax replaces the local business tax (*taxe professionnelle*) previously recorded as a deduction against operating profit. This change increased the Group's effective tax rate by 2.1 percentage points in the first half 2010, however had no impact on consolidated Group net profit. Furthermore, the Group's effective tax rate in the first half 2010 was adversely impacted by certain local prescription rules.

11.3. Deferred tax assets and liabilities

- Movements during the first half 2010

(In thousands of euros)	December 31, 2009	Movements during the period					June 30, 2010
		Currency translation differences	Change in consolida-tion scope	Deferred taxes recorded directly to equity	Income statement Income/ Expense	Other movements	
Deferred tax assets	120,953	13,607	-	-	8,709	-	143,269
Deferred tax liabilities	(7,093)	(557)	-	-	(1,411)	-	(9,061)
Net assets/(liabilities)	**113,860**	**13,050**	**-**	**-**	**7,298**	**-**	**134,208**

At June 30, 2010 the Group reviewed its deferred tax assets and noted that a risk exists that certain tax loss carryforwards would expire within the time frame of their potential use. In this regard, a deferred tax expense was recognised at June 30, 2010 for 3.7 million dollars (2.8 million euros). A large portion of the Group's differed taxes originate from losses at its North American subsidiaries and were generated either prior to or since their acquisition and therefore, their foreseeable use is sensitive to the sales and income forecast assumptions.

- Movements during the first half of 2009

(In thousands of euros)	December 31, 2008 (*)	Movements during the period					June 30, 2009
		Currency translation differences	Change in consolida-tion scope	Deferred taxes recorded directly to equity	Income statement Income/ Expense	Other movements	
Deferred tax assets	98,343	721	-	-	17,446	7,988	124,498
Deferred tax liabilities	(5,296)	(504)	-	1,155	5,965	(7,988)	(6,668)
Net assets/(liabilities)	**93,047**	**217**	**-**	**1,155**	**23,411**	**-**	**117,830**

(*) The information presented above as of December 31, 2008 has been restated to account for the purchase price accounting impact related to the Group's transaction with Tercica Inc. and Vernalis Inc.. The reconciliation to the previously disclosed consolidated balance sheet as at December 31, 2008 is presented in note 12.4 of the consolidated financial statements as of 31 December, 2009

The changes recorded under "Income statement Income/Expense" include 13.9 million euros related to the changes in Tercica Inc.'s recognized deferred tax assets based on tax loss carry forwards, temporary differences and the recognition of an intangible assets reflecting the value of Tercica Inc. product licence.

Note 12. Goodwill

12.1. Net Goodwill carried in the balance sheet

- Movements during the first half 2010

(In thousands of euros)	December 31, 2009	Movements during the period				June 30, 2010
		Increases	Decreases	Change in consolida-tion scope	Exchange differences	
Gross Goodwill	298,403	-	-	-	17,019	315,422
Impairment losses	(8,167)	-	-	-	(714)	(8,881)
Net Goodwill	**290,236**	**-**	**-**	**-**	**16,305**	**306,541**

Gross Goodwill shown on in the balance sheet at June 30, 2010 and June 30, 2009 resulted from:

- 135.3 million euros arising on the Group's structuring between 1998 and 2004 as a result of the Group's acquisition of SCRAS and its subsidiaries and 53.5 million euros arising from the acquisition of BB & Cie;
- 8.9 million euros arising from the acquisition of Sterix Ltd in 2004, which was fully impairded at the time of the business combination;
- 0.2 million euros from the acquisition of Beaufour Ipsen Farmaceutica LTA in 2007;
- 3.5 million euros arising on the acquisition of Vernalis Inc. on July 1, 2008 and 159.2 million euros arising on the acquisition of Tercica Inc. on October 16, 2008, transactions which generated residual Goodwill in the amount of 117.5 million euros at June 30, 2010 (101.8 million euros at June 30, 2009).

- Movements during the first half 2009

(In thousands of euros)	December 31, 2008(*)	Movements during the period				June 30, 2009
		Increases	Decreases	Change in consolida-tion scope	Exchange differences	
Gross Goodwill	298,564	-	-	-	761	**299,325**
Impairment losses	(7,748)	-	-	-	(776)	**(8,524)**
Net Goodwill	**290,816**	**-**	**-**	**-**	**(15)**	**290,801**

(*) The information presented above as December 31, 2008 has been restated to account for the purchase price accounting impact related to the Group's transaction with Vernalis Inc. and Tercica Inc. The reconciliation to the previously disclosed consolidated balance sheet as at December 31, 2008 is presented in note 12.4 of the consolidated financial statements as of December 31, 2009.

12.2. Impairment of Goodwill

For the purposes of impairment tests, Goodwill is allocated to the cash-generating units defined by the Group. The cash-generating units identified for the allocation and performance of impairment tests related to Goodwill correspond to the operating segments.

Thus, Goodwill related to the Group's structuring between 1998 and 2004 was allocated to the "Major Western European countries", "Rest of Europe" and "Rest of the world" operating segments in proportion to the revenue generated as of the effective historical date of the business combination (1999), and Goodwill related to the acquisition of Vernalis Inc. and Tercica Inc. in the second half 2008 was allocated to the "North America" operating segment.

The recoverable value of the respective cash-generating units corresponds to the value in use based on the discounting of the related estimated future cash flows. These cash flows are based on short-term and medium-term forecasts (such as forecasts, annual budgets, four-year strategic plans) as well as longer term forecasts by geographic area as established by Group operating entities.

At June 30, 2010, December 31, 2009, June 30, 2009 and December 31, 2008, no impairment related to Goodwill was recorded.

The impairment loss previously recorded only concerned the Goodwill arising on the acquisition of Sterix Ltd.

Note 13. Other intangible assets

13.1. Movements

- Movements during the first half 2010

(In thousands of euros)	December 31, 2009	Movements during the period					June 30, 2010
		Increases	Decreases	Change in consolida-tion scope	Exchange differences	Other movements	
Intellectual property	291,716	7,841	(1,988)	-	29,505	4,561	331,635
Intangible assets in progress	4,638	1,070	(56)	-	-	(1,501)	4,151
Advance payments	7,699	1,993	-	-	-	(2,851)	6,841
Gross assets	**304,053**	**10,904**	**(2,044)**	**-**	**29,505**	**209**	**342,627**
Amortisation	(53,807)	(8,839)	7	-	(4,472)	7	(67,104)
Impairment losses	(13,279)	-	1,892	-	(63)	-	(11,450)
Amortszation and impairment losses	**(67,086)**	**(8,839)**	**1,899**	**-**	**(4,535)**	**7**	**(78,554)**
Net assets	**236,967**	**2,065**	**(145)**	**-**	**24,970**	**216**	**264,073**

Movements in “intellectual property” reflect payments made under the Group’s partnerships, with Debiopharm (Decapeptyl® 6-month formula) (Note 1.1).

Movements in "Advance payments" as well as "Intangible assets in progress" mainly include upgrading investments for the Group's information systems.

"Amortisation" includes the addition during the period for the intangible asset related to the license recognised at the time of the final allocation of Tercica Inc.’s Goodwill in the amount of 4.6 million euros.

- Movements during the first half 2009

(In thousands of euros)	December 31, 2008 (*)	Movements during the period					June 30, 2009
		Increases	Decreases	Change in Consolida-tion scope	Exchange differences	Other Movements	
Intellectual property	278,008	6,340	(2,103)	-	3,269	4,821	290,335
Intangible assets in progress	1,014	732	-	-	-	272	2,018
Advance payments	10,650	3,850	-	-	-	(4,604)	9,896
Gross assets	**289,672**	**10,922**	**(2,103)**	**-**	**3,269**	**489**	**302,249**
Amortisation	(40,117)	(7,402)	212	-	182	-	(47,125)
Impairment losses	(16,620)	-	856	-	(40)	-	(15,804)
Amortization and impairment losses	**(56,737)**	**(7,402)**	**1,068**	**-**	**142**	**-**	**(62,929)**
Net assets	**232,935**	**3,520**	**(1,035)**	**-**	**3,411**	**489**	**239,320**

(*) The information presented above as of December 31, 2008 has been restated to account for the purchase price accounting impact to the Group’s transaction with Tercica Inc. The reconciliation to the previously disclosed consolidated balance sheet as of December 31, 2008 is presented in note 12.5 of in the consolidated financial statements as of December 31, 2009.

Movements in “Intellectual property” reflect payments made under the Group's partnerships mainly, with Novartis (Exforge) and the University of Rotterdam.

"Amortisation" includes the addition during the period for the intangible asset related to the license recognised at the time of the final allocation of Tercica Inc.’s Goodwill in the amount of 4.6 million euros (see note 12.2 of the consolidated financial statements as of December 31, 2009).

13.2. Impairment tests on intangible assets with an indefinite useful life

The Group has two intangible assets with a total book value of 39.7 million euros which were not amortised as of June 30, 2010. They are:

- rights acquired for proprietary drugs in an advanced phase of development which have not yet obtained market approval and were therefore not amortised in accordance with the Group's accounting principles;
- rights (trademarks and know-how) for a product co-marketed by the Group with a partner pursuant to an agreement signed in 2003.

For both these intangible assets, the recoverable value corresponds to the value in use based on estimated expected future cash flows, taking into account:

- Short-term and medium-term estimates (such as forecasts, annual budget, four-year strategic plan) as well as longer term estimates;
- The useful life of the pharmaceutical specialty. When it exceeds the time horizon of the Group's forecasts, an terminal value is used.
- A discount rate (weighted average cost of capital determined by the Group).

Certain results of clinical trials obtained from a Group partner relating to an indication of one of the two assets provided potential indication of impairment. An impairment test performed on this asset on June 30, 2010 did not demonstrate that this asset has to be impaired.

On this basis, at June 30, 2010 the Group did not recognise an impairment loss on these two intangible assets.

13.3. Impairment tests on intangible assets with a finite useful life

The Group identified potential indication of impairment on the IGF-1 intangible asset related to a delay in generating sales compared to the latest forecasts, and, in this regard, performed an impairment test. The test performed for this asset did not demonstrated that this asset has to be impaired as of June 30, 2010. Given the sensitivity of the test to certain assumptions and the existence of certain regulatory milestones that should specify the nature and extent of certain clinical trials to be performed, special attention will be given to this asset at December 31, 2010.

Note 14. Property, plant & equipment

- Movements during the first half 2010

(In thousands of euros)	**December 31, 2009**	**Movements during the period**					**June 30, 2010**
		Increases	Decreases	Change in consolida-tion scope	Exchange differences	Other Movements	
Land	16,462	-	-	-	386	5	16,853
Buildings	165,123	509	(52)	-	4,814	1,172	171,566
Plant & equipment	206,395	1,190	(2,603)	-	8,778	2,388	216,148
Other assets	95,953	1,760	(1,091)	-	2,361	1,701	100,684
Assets in progress	66,738	9,780	(72)	-	4,675	(5,456)	75,665
Advance payments	1,806	1,395	-	-	15	153	3,369
Gross Property, plant & equipment	**552,477**	**14,634**	**(3,818)**	**-**	**21,029**	**(37)**	**584,285**
Depreciation	(300,659)	(14,008)	3,690	-	(9,083)	2	(320,058)
Impairment losses	(40)	-	-	-	-	(1)	(41)
Depreciation and impairment losses	**(300,699)**	**(14,008)**	**3,690**	**-**	**(9,083)**	**1**	**(320,099)**
Net Property, plant & equipment	**251,778**	**626**	**(128)**	**-**	**11,946**	**(36)**	**264,186**

- Movements during the first half 2009

(In thousands of euros)	December 31, 2008	Movements during the period					June 30, 2009
		Increases	Decreases	Change in consolida-tion scope	Exchange differences	Other Movements	
Land	16,483	6	-	-	27	1	16,517
Buildings	149,310	54	(220)	-	812	13,377	163,333
Plant & equipment	191,936	1,412	(402)	-	4,685	6,922	204,553
Other assets	92,733	1,799	(1,673)	-	800	1,717	95,376
Assets in progress	63,226	11,233	-	-	3,686	(22,490)	55,655
Advance payments	157	199	-	-	(2)	(84)	270
Gross Property, plant & equipment	**513,845**	**14,703**	**(2,295)**	**-**	**10,008**	**(557)**	**535,704**
Depreciation	(275,977)	(13,933)	1,712	-	(2,836)	(2)	(291,036)
Impairment losses	(8)	-	-	-	-	-	(8)
Depreciation and impairment losses	**(275,985)**	**(13,933)**	**1,712**	**-**	**(2,836)**	**(2)**	**(291,044)**
Net Property, plant & equipment	**237,860**	**770**	**(583)**	**-**	**7,172**	**(559)**	**244,660**

Note 15. Equity Investment

As of June 30, 2010, equity investment in associated companies limited to the acquisition of 22.1% of Inspiration Biopharmaceuticals Inc. equity (note 2.1).

15.1. Acquisition of equity in associated companies

The 57.6 million euros on this line item in the cash flow table represents is the price paid by the Group to acquire equity in Inspiration Biopharmaceuticals Inc.

At December 31, 2009, the Group had already paid 6.8 million euros (10 million dollars) for this transaction, which had been recorded as “Other financial assets.”

15.2. Carrying amount of equity investment in associated companies at June 30, 2010

The balance sheet value of investments in associated companies at June 30, 2010 is shown below:

(In thousands of euros)	**June 30, 2010**
Share of acquired assets and liabilities in Inspiration Biopharmaceuticals Inc.	11,426
Provisional Goodwill	52,992
Value at transaction date	**64,418**
Share in the period’s income	(5,277)
Consolidation restatements	134
Share-based payments	9
Exchange differences	9,074
Carrying value at June 30, 2010	**68,358**

15.3. Equity investment in Inspiration Biopharmaceuticals Inc.

Goodwill related to the equity investment in Inspiration Biopharmaceuticals Inc. (notes 1.1 and 1.2) was determined provisionally, as the Group is currently reviewing the assets and liabilities. Adjustment of these initial values will be made in the consolidated financial statements at December 31, 2010.

Provisional Goodwill thus built is as follows:

(In thousands of euros)	**June 30, 2010**
Cash paid	59,934
Direct costs directly relating to the acquisition	4,484
Total acquisition cost	**64,418**
Share of net assets and liabilities acquired (*)	11,426
Goodwill	**52,992**

(*) The impact of IFRS is currently being reviewed.

15.4. Information on associated companies

The information provided below is based on data provided by Inspiration Biopharmaceuticals Inc. in its financial statements established in accordance with US accounting standards (with their amounts taken at 100%).

(In thousands of dollars)	**June 30, 2010 (1)**			
	Assets	Liabilities	Sales	Net income for the period
Inspiration Biopharmaceuticals Inc.	108,851	66,819	-	(32,517)
Total	**108,851**	**66,819**	**-**	**(32,517)**

(1) Since the date of transaction.

Note 16. Other non-current assets

- Movements during the first half 2010

(In thousands of euros)	December 31, 2009	Movements during the period								June 30, 2010
		Cash flows related to investing activities (A)	Cash flows related to financing activities (B)	Change in plan assets	Reclassification of derivatives	Fair value changes in profit and loss	Discounting	Exchange differences	Other movements	
Net assets of post-employment benefit plans	3,384	-	-	(417)	-	-	-	17	-	2 984
Non-current financial assets (financial assets at fair value)	**3,384**	**-**	**-**	**(417)**	**-**	**-**	**-**	**17**	**-**	**2 984**
Convertible bonds [1]	2,000	35,506	-		-	-	-	-	-	37 506
Liquidity agreement [2]	2,898	(2,300)	-		-	-	-	-	-	598
Loans - non-consolidated companies	151	-	-		-	-	-	1	(70)	82
Other financial assets	8,329	414	-		-	-	33	68	(8 209)	635
Deposits	4,400	(1,080)	-	-	-	-	-	14	550	3 884
Other non-current assets (Loans, receivables and others) [3]	**17,778**	**32,540**	**-**	**-**	**-**	**-**	**33**	**83**	**(7 729)**	**42 705**
Total non-current assets	**21,162**	**32,540**	**-**	**(417)**	**-**	**-**	**33**	**100**	**(7 729)**	**45 689**

(1) Changes in “convertible bond” are mainly due to the convertible bond issued by Inspiration Biopharmaceuticals Inc. to Ipsen in exchange for the exclusive OBI-1 sub-license (note 1.1.1).
(2) Changes are due to the liquidity agreement with Natexis Bleichroder, a subsidiary of Natixis, signed in February of 2007 and automatically renewed thereafter.
(3) Impairment of “loans and receivables” were immaterial and therefore not reported. The fair value of “loans and receivables” corresponds to the value reported in the balance sheet (value at the transaction date which is tested for imparment at each closing date).

- Movements during the first half 2009

(In thousands of euros)	December 31, 2008	Movements durind the period								June 30, 2009
		Cash flows related to investing activities	Cash flows related to financing activities	Change in plan assets	Reclassification of derivatives	Fair value changes in profit and loss	Discounting	Exchange differences	Other movements	
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	
Net assets of post-employment benefit plans	3,810	-	-	7	-	-	-	2	-	3,819
Non-current financial assets (financial assets at fair value)	**3,810**	**-**	**-**	**7**	**-**	**-**	**-**	**2**	**-**	**3,819**
Convertible bonds [1]	-	2,000	-		-	-	-	-	-	2,000
Liquidity agreement[2]	1,454	30	-		-	-	-	-	-	1,484
Loans - non-consolidated companies	156	(1)	-		-	-	-	-	-	155
Other financial assets	1,446	122	-		-	-	-	6	-	1,574
Deposits[3]	4,983	(981)	-		-	-	32	-	-	4,034
Other non-current assets (Loans, receivables and others assets)[4]	**8,039**	**1,170**	**-**	**-**	**-**	**-**	**32**	**6**	**-**	**9,247**

[1] Changes in "convertible" notes are mainly due to Ipsen's subscription to Pharntext's issuance of convertible bonds.
[2] Changes are due to the liquidity agreement with Natexis Bleichroder, a subsidiary of Natixis, signed in February of 2007 and automatically renewed thereafter.
[3] The decrease in deposits stems from discounting the security deposit paid on the Boulogne-Billancourt head office and repayment of the security deposit on the Spanish subsidiary's research and development centre.
[4] Impairment of "loans and receivables" were immaterial and therefore not reported. The fair value of "loans and receivables" corresponds to the value reported in the balance sheet (value at the transaction date which is tested for impairment at each closing date).

Note 17. Working capital items

17.1. Movements

- Movements during the first half 2010

(In thousands of euros)	**December 31, 2009**	**Movements during the period**							**June 30, 2010**
		Change in w/cap related to operating activities	Change in w/cap related to investing activities	Change w/cap related to financing activities	Change in consolidation scope	Exchange differences	Fair value changes in profit and loss	Other movements	
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	
Inventories	102,970	815	-	-	-	4,298	-	-	108,083
Trade receivables	223,105	37,818	-	-	-	4,248	-	94	265,265
Current tax assets	55,966	(47,680)	-	-	-	61	-	-	8,347
Other current assets	50,575	10,800	(2,861)	(3)	,-	1,910	-	1,125	61,546
Loans and receivables [1]	**432,616**	**1,753**	**(2,861)**	**(3)**	**-,**	**10,517**	**-,**	**1,219**	**443,241**
Current financial assets	1,162	-	,-	,-	,-	2	(1,076)	-	88
Financial assets held for trading [2]	**1,162**	**-**	**-,**	**-,**	**-,**	**2**	**(1,076)**	**-**	**88**
Trade payables	(122,647)	5,143	,-	,-	-	(2,031)	-	(633)	(120,168)
Current tax liabilities	(4,030)	(4,980)	,-	,-	-	(583)	-	490	(9,103)
Other current liabilities	(157,338)	13,356	10,208	(320)	-	(5,773)	-	(15,381)	(155,248)
Other non-current liabilities	(211,771)	(51,389)	,-	,-	-	(11,036)	-	17,645	(256,551)
Interest on other financial liabilities[3]	(667)	-	,-	212,	-	-,	-	126	(329)
Financial liabilities measured at amortised cost [4]	**(496,453)**	**(37,870)**	**10,208**	**(108)**	**-,**	**(19,423)**	**-,**	**2,247**	**(541,399)**
Total	**(62,675)**	**(36,117)**	**7,347**	**(111)**	**-,**	**(8,904)**	**(1,076)**	**3,466**	**(98,070)**

[1] Impairment of "loans and receivables" were immaterial and therefore not reported. The fair value of loans and receivables corresponds to the value reported in the balance sheet (value at the transaction date and then tested for impairment at each closing date).
[2] Fair value of financial assets held for trading corresponds to their market value.
[3] Interest on other financial liabilities is carried on the balance sheet under financial liabilities.
[4] The net carrying amount of financial liabilities measured at amortised cost is deemed to be a reasonable estimation of fair value.

The changes in other non-current liabilities are mainly due to the recording as "Deferred income" of payments received in the first half 2010 within the framework of the partnership agreements with Menarini and Inspiration Biopharmaceuticals Inc. (note 1.1.1). The income generated by these contracts is recognised on a straight line basis over the life of the contracts, the part unrecognised in "other non-current liabilities" if realised after 12 months, and in "other current liabilities" if realised before 12 months.

- Movements during the first half 2009

(In thousands of euros)	**December 31, 2008** (*)	Movements during the period							**June 30, 2009**
		Change in w/cap related to operating activities	Change in w/cap related to investing activities	Change w/cap related to financing activities	Change in consolidation scope	Exchange differences	Fair value changes in profit and loss	Other movements	
		(A)	**(B)**	**(C)**	**(D)**	**(E)**	**(F)**	**(G)**	
Inventories	115,782	(6,735)	-	-	-	680	-	(343)	109,384
Trade receivables	217,845	33,731	-	-	-	1,216	-	1,386	254,178
Current tax assets	49,509	(31,461)	-	-	-	310	-	-	18,358
Other current assets	63,383	8,179	(5,326)	-	-	472	-	527	67,235
Loans and receivables (1)	**446,519**	**3,714**	**(5,326)**	**-**	**-**	**2,678**	**-**	**1,570**	**449,155**
Current financial assets	2,528	-	-	-	-	2	(2,127)	-	403
Financial assets held for trading (2)	**2,528**	**-**	**-**	**-**	**-**	**2**	**(2,127)**	**-**	**403**
Trade payables	(103,835)	(5,983)	-	-	-	(1,013)	-	(18)	(110,849)
Current tax liabilities	(36,315)	22,909	-	-	-	(477)	-	-	(13,883)
Other current liabilities	(156,345)	14,171	10,149	354	-	(2,143)	-	(12,025)	(145,839)
Other non-current liabilities	(142,560)	(60,540)	-	-	-	(9,805)	-	13,837	(199,068)
Interest on other financial liabilities(3)	(2,669)	-	-	1,868	-	-	-	402	(399)
Financial liabilities measured at amortised cost (4)	**(441,724)**	**(29,443)**	**10,149**	**2,222**	**-**	**(13,438)**	**-**	**2,196**	**(470,038)**
Total	**7,323**	**(25,729)**	**4,823**	**2,222**	**-**	**(10,758)**	**(2,127)**	**3,766**	**(20,480)**

(*) The information presented above as at December 31, 2008 has been restated to account for the purchase price allocation impact related to the group's transaction with Tercica Inc.. The reconciliation with the published balance sheet as of December 31, 2008 is presented in note 12.4 of the consolidated financial statement as of December 31, 2008.

(1) Impairment of "loans and receivables" were immaterial and therefore not reported. The fair value of loans and receivables corresponds to the value reported in the balance sheet (value at the transaction date and then tested for impairment at each closing date).
(2) The fair value of financial assets held for trading corresponds to their market value.
(3) Interest on other financial liabilities is carried on the balance sheet under financial liabilities.
(4) The accounting value of financial liabilities measured at amortised cost is deemed to be a reasonable estimation of fair value.

The changes in other non-current liabilities are mainly due to the recognition of deferred income of payments received in the first half of 2009 within the framework of the partnership agreements with Medicis and Galderma. The income generated by the partnership contracts is recognised on a straight line basis over the life of the contracts, the part unrecognised in "other non-current liabilities" if realized after 12 months, and in "other current liabilities" if realised before 12 months.

17.2. Breakdown

17.2.1. Other current assets and current financial assets

(In thousands of euros)	**June 30, 2010**	**December 31, 2009**
Advance payments to suppliers	8,998	7,795
Receivables related to the sale of non-current assets	2,342	5,192
VAT recoverable	15,477	17,683
Other assets	16,983	7,383
Prepayments	17,746	12,522
Total current assets (loans and receivables) [(1)]	**61,546**	**50,575**
Derivative financial instruments	88	1,162
Total current financial assets (financial assets held for trading) [(2)]	**88**	**1,162**

[(1)] Impairment of “loans and receivables” were immaterial and therefore not reported. The fair value of loans and receivables corresponds to the value reported in the balance sheet (value at the transaction date and then tested for impairment at each closing date).
[(2)] The fair value of financial assets held for trading corresponds to their market value.

17.2.2. Other current and non-current liabilities

(In thousands of euros)	**June 30, 2010**	**December 31, 2009**
VAT payable	10,819	9,220
Other current tax liabilities	4,979	5,634
Employment-related liabilities	66,391	69,981
Amounts due to non-current asset suppliers	17,062	26,496
Other liabilities	21,363	16,915
Deferred income	34,634	29,092
Total other current liabilities (financial liabilities measured at amortised cost)	**155,248**	**157,338**
Non-current deferred income	256,551	211,771
Total other current liabilities (financial liabilities measured at amortised cost) [(1)]	**256,551**	**211,771**

[(1)] The carrying amount value of financial liabilities measured at amortised cost is deemed to be a reasonable estimation of fair value.

Changes in other non-current liabilities are broken down in note 17.1.

Note 18. Cash and cash equivalents

(In thousands of euros)	**June 30, 2010**	**December 31, 2009**
Financial assets held for trading: - French SICAV / Euro money market UCITS - Certificates of deposit (with a maturity date of less than 3 months)	129,818	177,730
Loans and receivables: - Interest-bearing deposits	2,106	598
Cash	35,339	40,256
Cash and cash equivalents - assets	**167,263**	**218,584**
Bank overdrafts – liabilities	**3,160**	**13,183**
Closing net cash and cash equivalents	**164,103**	**205,401**

The short-term investments include investments in monetary mutual funds (mostly money market UCITS or similar funds) which are reported at fair value (market value).
Short-term investments held at June 30, 2010 are immediately realisable, subject to 24 hours' notice maximum.
No interest-bearing deposits held at June 30, 2010 matured later than the end of July 2010.

Note 19. Consolidated equity

19.1. Share capital

At June 30, 2010, Ipsen S.A.'s share capital was at 84,176,083 euros divided into 84,176,083 shares with a nominal value of 1 euro, including 57,345,346 shares with double voting rights, as compared to December 31, 2009 with share capital of 84,127,760 euros divided into 84,127,760 shares with a nominal value of 1 euro including, 61,380,230 shares with double voting rights.

The change is due to the exercising of 48,323 options between January 1, and June 30, 2010 under the November 14, 2005 stock options plan of which the vesting date is December 6, 2009.

19.2. Equity - attributable to shareholders of Ipsen

The following is a breakdown of the various components of consolidated retained equity including earnings for the period:

(In thousands of euros)	**June 30, 2010**	**December 31, 2009**
Ipsen share capital	84,176	84,128
Share premium	29,809	29,809
Issue premium	681,219	680,194
Ipsen statutory reserve	44,686	44,686
Other Ipsen reserves	153,235	153,235
Other consolidated reserves and retained earnings	81,853	(9,428)
Total	**1,074,978**	**982,624**

19.3. Earnings per share

Earnings per share is calculated on the weighted average number of shares outstanding during the period.

The restatement presented in the table below reflect the retroactive effect to 1 January 2009:

- of the granting of bonus shares under the 14 November 2005 plan for beneficiaries who are foreign tax residents at the end of the vesting period,
- of the granting of bonus shares under the 12 December 2007 plan upon fulfillment of the performance conditions and at the end of the vesting period,
- and of the exercising of options since 7 December 2009 under the 14 November 2005 stock option plan.

The totality of stock option plans are not dilutive at 30 June 2010 in comparison with 30 June 2009 where stock option plans for 30 March 2009 and 14 November 2005 were dilutive.

Bonus shares plans for 2007, 2008, 2009 and 2010 that are not subject to Group performance conditions are included in the weighted average number of shares used to calculate the base earnings per share and consequently, in the diluted earnings.

	June 30, 2010	**June 30, 2009 (restated)**	**June 30, 2009**
Number of ordinary shares at 31 December 2009 and 31 December 2008	84,127,760	84,059,683	84,059,683
Treasury shares (weighted average number)	(23,749)	(37,078)	(37,078)
Impact of bonus shares - 30 May 2007 plan – free of performance conditions	-	8,000	8,000
Impact of bonus shares - 12 December 2007 plan – free of performance conditions	-	1,000	1,000
Impact of bonus shares - 29 September 2008 plan	33,100	33,100	33,100
Impact of bonus shares - 22 January 2009 plan	99,540	99,540	99,540
Impact of bonus shares - 30 March 2009 plan	24,730	24,730	24,730
Impact of bonus shares - 10 November 2009 plan	2,500	-	-
Impact of bonus shares - 31 March 2010 plan	76,030	-	-
Impact of options exercised between 1 January and 30 June 2010 – stock options plan of 14 November 2005	48,323	-	-
Change	-	124,591	-
Weighted average number of shares outstanding at 30 June 2009 and 2010 to calculate basic earnings per share	**84,388,234**	**84,313,566**	**84,188,975**
Dilutive effect of stock options	-	118,861	118,861
Weighted average number of shares outstanding at 30 June 2009 and 2010 to calculate diluted earnings per share	**84,388,234**	**84,432,427**	**84,307,836**

19.4. Dividends paid

At 30 June 2010, a dividend of 0.75 euros per share was paid to shareholders compared with 0.70 euros per share at 30 June 2009.

Note 20. Provisions

- Movements during the first half 2010

(In thousands of euros)	December 31, 2009	Movements during the period						June 30, 2010
		Change in consolidation scope	Charges	Reversals		Exchange differences	Other movements	
				Used	Released			
Business and operating risks	9,598	-	-	(171)	(55)	1,372	-	10,744
Legal risks	24,421	-	2,243	(6,593)	(1,958)	22	-	18,135
Restructuring	293	-	-	(119)	-	38	-	212
Other	5,734	-	455	(82)	-	23	-	6,130
Total provisions(1)	**40,046**	**-**	**2,698**	**(6,965)**	**(2,013)**	**1,455**	**-**	**35,221**
- of which, current	2,621	-	670	(1,478)	-	44	(408)	1,449
- of which, non-current	37,425	-	2,028	(5,487)	(2,013)	1,411	408	33,772

(1) All increases / reversals of provisions are included in operating income.

At June 30, 2010, provisions can be broken down as follows:

- ***Business and operating risks***
  These provisions are for to the recognition of a contingent liability recognised within the framework of the final allocation of Goodwill related to the takeover of Tercica Inc. for 10 million euros as well as the business risks for amount which the Group may incure to resolve various commercial disputes with a limited individual impact.

- ***Legal risks***
  These provisions include:
  - 14.1 million euros for the risk of tax reassessment in the Group's various subsidiaries and additional taxes which the Group may be required to pay;
  - 1.7 million euros for costs that the Group may incur related to corporated litigation;
  - 2.3 million euros for various other legal risks.

- ***Restructuring costs***
  These provisions are related to restructuring costs related to the Group's 2008 North American acquisitions.

- ***Other***
  A provision of 5.8 million euros was recognized to cover the differences in rent for the space not used by the Group between the market price estimated on the basis of the sub-lease granted by the Group and the amount due by the Group under its own lease for its new head office in Boulogne-Billancourt.

- Movements during the first half 2009

(In thousands of euros)	December 31, 2008 (*)	Movements during the period						June 30, 2009
		Change in consolidation scope	Charges	Reversals		Exchange differences	Other movements	
				Used	Released			
Business and operating risks	10,290	-	403	-	-	70	-	10,763
Legal risks	27,811	-	22,883	(2,489)	(2,494)	(2)	-	45,709
Restructuring	3,085	-	-	(2,119)	-	7	-	973
Other	2,505	-	1,305	(46)	-	-	-	3,764
Total provisions(1)	**43,691**	**-**	**24,591**	**(4,654)**	**(2,494)**	**75**	**-**	**61,209**
- of which, current	8,952	-	1,469	(4,560)	(2,494)	6	-	3,373
- of which, non-current	34,739	-	23,122	(94)	-	69	-	57,836

(*) The information presented above as at December 31, 2008 has been restated to account for the purchase price accounting impact related to the Group's transaction with Tercica Inc. and Vernalis Inc.. The reconciliation of the previously disclosed in the consolidated balance sheet at December 31, 2008 is included in note 12.4 of the consolidated financial statements as of December 31, 2009.

(1) All increases / reversals of provisions are included in operating income.

Provisions as of June 30, 2009 can be broken down as follows:

- ***Business and operating risks***
  These provisions cover a contingent liability of 8 million euros recognised on the final adjustements to the Goodwill araising on the acquisition of the remaining interest in Tercica Inc. as well as the business risks reflecting costs that the Group may have to pay to resolve various commercial disputes, with a limited individual impact.

- ***Legal risks***
  These provisions include:
  - 38.6 million euros for the risk of tax reassessment in the Group's various subsidiaries and additional taxes which the Group may have to pay;
  - 2.8 million euros for costs that the Group may incur with respect to social tribunal disputes;
  - 4.3 million euros for other legal risks.

- ***Restructuring costs***
  These provisions correspond to restructuring costs related to the Group's 2008 North American acquisitions.

- ***Other***
  A provision of 3.7 million euros was recognized to cover the differences in rent for the space not used by the Group between the market price estimated on the basis of the sub-lease granted by the Group and the amount due by the Group under its own lease for its new head office in Boulogne-Billancourt.

Note 21. Bank loans and financial liabilities

- Movements in bank loans and other financial liabilities between December 31, 2009 and June 30, 2010 are as follows:

In thousands of euros)	December 31, 2009	Additions	Repayments	Net change in short-term borrowings	Net change in interest	Change in fair value	Movements	Change in consolidation scope	Exchange differences	June 30, 2010
		(A)	(B)	(C)	(D)	(D)	(F)	(G)	(H)	
Credit lines and bank loans	-	-	-	-	-	-	-	-	-	-
Other financial liabilities	12,190	-	-	-	(196)	-	3,724	-	-	15,718
Non-current financial liabilities (measured at amortised cost) [1]	**12,190**	**-**	**-**	**-**	**(196)**	**-**	**3,724**	**-**	**-**	**15,718**
Credit lines and bank loans	4,000	-	-	-	-	-	-	-	-	4,000
Other financial liabilities	3,622	-	(179)	-	(16)	-	(1,150)	-	-	2,277
Current financial liabilities (measured at amortised cost)	**7,622**	**-**	**(179)**	**-**	**(16)**	**-**	**(1,150)**	**-**	**-**	**6,277**
Derivative financial instruments	566	-	-	-	-	(46)	-	-	-	520
Current financial liabilities (measured at fair value) [2]	**566**	**-**	**-**	**-**	**-**	**(46)**	**-**	**-**	**-**	**520**
Current financial liabilities	**8,188**	**-**	**(179)**	**-**	**(16)**	**(46)**	**(1,150)**	**-**	**-**	**6,797**
Total	**20,378**	**-**	**(179)**	**-**	**(212)**	**(46)**	**2,574**	**-**	**-**	**22,515**

[1] The amount reported as financial liabilities as valued at amortised cost is considered to be a reasonable estimate of fair value.
[2] Fair value corresponds to the market value.

On 30 June 2008, the Group terminated its four bilateral credit agreements totalling 300.0 million euros that were signed in June 2005 and which were no longer used at 30 June 2008.

In June 2008, Ipsen contracted a syndicated bank loan for 300 million euros for a term of 5 years. This multi-currency and multi-borrower credit line requires an Ipsen guarantee for any usage by its subsidiaries. Its purpose is to finance the Group's US acquisitions and the Group's business in general. It can be used in the form of short-term drawdowns from 1 to 12 months at the borrower's initiative, to adapt the Group's borrowings to its cash profile. The total sums drawn down must at all times remain below the following maximum limits, which decrease over time:

04/06/2010	225.0 million euros
04/06/2011	187.5 million euros
04/06/2012	150.0 million euros
04/06/2013	-

In addition to the customary contractual clauses, these credit lines require the Group to comply with various financial covenants on a consolidated basis at 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: less than 1
- Net debt to EBITDA : less than 3

In the event of default, the banks have the right to demand early repayment of the credit lines.

- Movements in bank loans and other financial liabilities between December 31, 2008 and June 30, 2009 are as follows:

(In thousands of euros)	**December 31, 2008**	Additions	Repayments	Net change in short-term borrowings	Net change in interest	Change in fair value	Movements	Change in consolidation scope	Exchange differences	**June 30, 2009**
		(A)	**(B)**	**(C)**	**(D)**	**(E)**	**(F)**	**(G)**	**(H)**	
Credit lines and bank loans	148,941	-	(149,878)	-	-	-	937	-	-	-
Other financial liabilities	13,803	-	(1,000)	-	(119)	-	65	-	-	12,749
Non-current financial liabilities (measured at amortised cost) [(1)]	**162,744**	**-**	**(150,878)**	**-**	**(119)**	**-**	**1,002**	**-**	**-**	**12,749**
Credit lines and bank loans	4,000	-	-	-	-	-	-	-	-	4,000
Other financial liabilities	4,335	-	(184)	-	(1,749)	-	1,059	-	-	3,461
Current financial liabilities (measured at amortised cost) [(1)]	**8,335**	**-**	**(184)**	**-**	**(1,749)**	**-**	**1,059**	**-**	**-**	**7,461**
Derivative financial instruments	11	-	-	-	-	520	-	-	-	531
Current financial liabilities (financial liabilities measured at fair value) [(2)]	**11**	**-**	**-**	**-**	**-**	**520**	**-**	**-**	**-**	**531**
Current financial liabilities	**8,346**	**-**	**(184)**	**-**	**(1,749)**	**520**	**1,059**	**-**	**-**	**7,992**
Total	**171,090**	**-**	**(151,062)**	**-**	**(1,868)**	**520**	**2,061**	**-**	**-**	**20,741**

[(1)] The amount reported as financial liabilities as valued at amortized cost is considered to be a reasonable estimate of fair value.
[(2)] Fair value corresponds to the market value.

On October 17, 2008, the Group drew on the 150 million euros from the credit line in June 2008 (fully repaid on April 17, 2009), incurring interest charges of 2.5 million euros at June 30, 2009.

Note 22. Derivative financial instruments

(In thousands of euros)	**June 30, 2010**		**December 31, 2009**	
	Financial assets	**Financial liabilities**	**Financial assets**	**Financial liabilities**
Market value of interest rate instruments	-	-	-	-
Market value of currency instruments	88	520	1,162	566
Total	**88**	**520**	**1,162**	**566**

Note 23. Information on related parties

The Group has concluded no significant new transactions with related parties during the period, with the exception of the partnership with Inspiration Biopharmaceuticals Inc..

In this connection, the following operations have been recorded:

- An intangible asset for the exclusive sub-license for OBI-1, with in return a convertible note for an amount of 50 million dollars;
- A charge for industrial development costs billed by the Group under the master services agrement for 9 million dollars (6.8 million euros) (note 1).

Note 24. Commitments and contingent liabilities

Commitments and contingent liabilities as of December 31, 2009 have not changed significantly as of June 30, 2010 with the exception of the partnership with Inspiration Biopharmaceuticals Inc. in which the Group is committed to make milestones payments that would reach an accumulated amount of 174 million dollars depending on the success of the clinical development of IB1001 and OBI-1.

Note 25. Post closing events

There were no events which occurred between the closing date and the date on which the Board of Directors approved the financial statements, which would have altered the financial statements themselves, or required comments in the notes to the condensed consolidated financial statements of the Group.

II – ACTIVITY REPORT

Comparison of consolidated sales for the second quarters and first halves 2010 and 2009

(In million euros)	First half 2010		First half 2009		% Change
	(in million euros)	% of sales	(in million euros)	% of sales	
Sales	**553.9**	**100.0%**	**521.2**	**100.0%**	**6.3%**
Other revenues	31.7	*5.7%*	51.9	*10.0%*	*-38.9%*
Revenues	**585.7**	**105.7%**	**573.1**	**110.0%**	**2.2%**
Cost of goods sold	(122.6)	*-22.1%*	(115.3)	*-22.1%*	*6.3%*
Research and development expenses	(99.1)	*-17.9%*	(91.5)	*-17.6%*	*8.3%*
Selling expenses	(203.9)	*-36.8%*	(186.1)	*-35.7%*	*9.5%*
General and administrative expenses	(43.6)	*-7.9%*	(44.8)	*-8.6%*	*-2.7%*
Other operating income and expenses	(4.7)	*-0.9%*	(4.8)	*-0.9%*	*-0.8%*
Amortization of intangible assets	(6.0)	*-1.1%*	(5.5)	*-1.1%*	*9.9%*
Restructuring costs	(0.9)	*-0.2%*	0.0	-	
Impairment losses	0.0	-	0.0	-	
Operating profit	**104.9**	***18.9%***	**125.2**	***24.0%***	***-16.2%***
Recurring adjusted operating profit (1)	***113.2***	***20.4%***	***94.1***	***18.1%***	***20.2%***
Income from cash and cash equivalents	1.0	*0.2%*	1.6	*0.3%*	*-39.7%*
Costs of gross financial debt	(1.0)	*-0.2%*	(3.5)	*-0.7%*	*-71.8%*
Costs of net financial debt	**0.0**	***0.0%***	**(1.8)**	***-0.3%***	***-100.7%***
Other interest income and expense	(3.8)	*-0.7%*	(2.9)	*-0.5%*	*32.1%*
Income tax	(20.7)	*-3.7%*	(22.0)	*-4.2%*	*-5.8%*
Share of profit/loss from associated companies	(5.1)	*-0.9%*	0.0	-	
Net profit/loss from continuing operations	**75.4**	***13.6%***	**98.5**	***18.9%***	***-23.5%***
Net profit/loss from discontinued operations	0.2	*0.0%*	0.5	*0.1%*	*-55.8%*
Consolidated profit	**75.6**	***13.6%***	**99.1**	***19.0%***	***-23.7%***
- Equity holders of Ipsen S.A	75.5		98.7		
- Minority interests	0.1		0.4		

[1] "Recurring adjusted" : Excluding (i) €36.4 million over the first half 2009 of Kogenate® royalties in connection with the favourable settlement of the litigation between the Group and Bayer, (ii) the purchase price accounting impact related to the Group's transaction in North America over the two periods as well as (iii) non-recurring costs incurred on 30 June 2010.

Other revenues

Other revenues amounted to €31.7 million in the first half 2010 compared with €51.9 million a year earlier, down 38.9% year-on-year.

Other revenues break down as follows:

(in million euros)	First half 2010	First half 2009	Change	
			In value	*In %*
Breakdown by revenue type				
- Royalties received	2.1	36.9	(34.8)	*-94.2%*
- Milestone payments - licensing agreements	16.9	11.0	6.0	*54.5%*
- Other (co-promotion revenues, Recharging)	12.7	4.1	8.6	*212.1%*
Total	**31.7**	**51.9**	**(20.2)**	***-38.9%***

- **Royalties received** amounted to €2.1 million in the first half 2010, down 34.8 million year-on-year, compared to June 2009. The first half 2009 was marked by the recording of €36.4 million of Kogenate® royalties in connection with the favourable settlement of the litigation between the Group and Bayer for the period from May 26, 2008 to June 30, 2009. Excluding the impact of this non-recurring item, royalties in the first half 2010 were up €1.6 million year-on-year as a result of an increase in royalties paid by Medicis and Galderma.
- **Milestone payments relating to licensing agreements** - representing primarily recognition of payments received over the life of partnership agreements - amounted to €16.9 million in the first half 2010, up €6.0 million year-on-year, mainly due to the partnerships with Medicis, Galderma, Recordati and Roche, increased by income from the partnership for Adenuric® with Menarini and Inspiration Biopharmaceuticals Inc. for OBI-1.
- **Other revenues** amounted to €12.7 million in the first half 2010, compared with €4.1 million a year earlier. This item mainly consists of reinvoiced OBI-1 industrial development expenses under the terms of agreements entered into with Inspiration Biopharmaceuticals Inc. for an amount of €6.8 million, together with revenues related to the Group's French co-promotion and co-marketing agreements (as in the previous year).

Cost of goods sold

The *cost of goods sold* amounted to €122.6 million in the first half 2010, accounting for 22.1% of sales, the Group's ratio a year earlier.

The Group's productivity efforts and a favorable product mix related to the growth in Specialty Care offseted the negative impacts of declining volumes in Primary Care, together with the reclassification as of 2010 of botulium toxin production expenses from industrial development to cost of goods sold.

Research and development expenses

Research and development expenses in the first half 2010 were €7.6 million higher than in the first half 2009, at €99.1 million, or 16.9% of revenues and 17.9% of sales, a stable percentage relative to the same period in 2009, when these expenses accounted for 16.0% of revenues and 17.6% of sales. Excluding foreign exchange impacts and excluding OBI-1 industrial development expenses reinvoiced to Inspiration Biopharmaceuticals Inc., research and development expenses increased 0.5%, reflecting the reclassification as of 2010 of certain expenses related to the production of the botulinum toxin, to cost of goods sold.

The table below provides a comparison of research and development expenses for the first halves 2010 and 2009.

(In million euros)	First half 2010	First half 2009	Change	
			In value	*In %*
Breackdown by expense type				
- Drug-related research and development (1)	(86.1)	(76.6)	(9.4)	*12.3%*
- Industrial development(2)	(10.5)	(12.6)	2.1	*-16.7%*
- Strategic development(3)	(2.6)	(2.3)	(0.2)	*10.1%*
Total	**(99.1)**	**(91.5)**	**(7.6)**	***8.3%***

(1) Drug-related research & development is aimed at identifying new agents, determining their biological characteristics and developing small-scale manufacturing processes. Pharmaceutical development is the process through which active agents become drugs approved by regulatory authorities and is also used to improve existing drugs and to search new therapeutic indications for them. Patent-related costs are included in this type of expense.

(2) Industrial development includes chemical, biotechnical and development-process research costs to industrialise small-scale production of agents developed by the research laboratories.

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

- **Drug-related research and development expenses** increased 12.3% year-on-year (or 9.7% excluding foreign exchange impacts). The main research and development projects conducted during the first half 2010 focused on the clinical development programs for Somatuline® in neuroendocrine tumors (NET), its potential successor BIM-23A760, Dysport®, the sulfatase inhibitor Irosustat (BN-83495), as well as on the analyses of Tanakan® clinical trials results.

- **Industrial development expenses** decreased 16.7% year-on-year, mainly as a result of the reclassification to cost of goods sold of expenses related to the botulinum toxin, as well as the timing of expenditures related to certain projects. A significant proportion of the first half 2010 expenses was related to the preparation of clinical batches of OBI-1 and was reinvoiced to Inspiration Biopharmaceuticals Inc included in "other revenues". The first half 2009 was marked by expenses associated with the Group taking on the Increlex® and Combo (co-administration of NutropinAq® and Increlex®) projects previously run by Tercica Inc. prior to its acquisition by the Group.

Selling, general and administrative expenses

Selling, general and administrative expenses amounted to €247.4 million in the first half 2010, equivalent to 44.7% of sales, up 7.2% year-on-year.

The table below shows a comparison of selling, general and administrative expenses for the first halves 2010 and 2009:

(In million euros)	First half 2010	First half 2009	Change	
			In value	*In %*
Breackdown by expense type				
Royalties paid	*(21.7)*	*(21.5)*	*(0.2)*	0.7%
Other sales and marketing expenses	*(182.2)*	*(164.6)*	*(17.6)*	10.7%
Selling expenses	(203.9)	*(186.1)*	*(17.7)*	9.5%
General and administrative expenses	(43.6)	*(44.8)*	*1.2*	-2.7%
Total	**(247.4)**	**(230.9)**	**(16.5)**	**7.2%**

- **Selling expenses** in the first half 2010 amounted to €203.9 million or 36.8% of sales, up 9.5% year on year, compared with €186.1 million or 35.7% of sales a year earlier.
  - **Royalties paid** to third parties on sales of products marketed by the Group amounted to €21.7 million in the first half 2010, up 0.7% year-on-year as a result of the positive impact of the end of a royalty-paying period.
  - **Other sales and marketing expenses** increased 10.7% year-on-year, totaling €182.2 million or 32.9% of sales, compared to €164.6 million or 31.6% sales a year earlier. Excluding foreign exchange impacts, other sales and marketing expenses increased 9.7% relative to a low first half 2009 as a result of difficulties faced by certain Eastern European countries at that time. In particular, other sales and marketing expenses in the first half 2010 included launch costs for Increlex®, Somatuline®, Apokyn®, and Dysport® in North America, and Decapeptyl® six-month formulation and Adenuric® in France, as well as setup costs related to the establishment of a direct commercial structure in Brazil and Tunisia. The Group also wrote down the value of certain receivables associated with Greek public hospitals.

- **General and administrative expenses** for the first half 2010 were down 2.7% year-on-year, at €43.6 million. This decrease reflects the recognition under income tax since 2010 of a tax on corporate value added (*Cotisation sur la Valeur Ajoutée des Entreprises* or CVAE) previously recorded as a tax deducted from operating profit, as well as the Group's efforts to contain general and administrative costs.

Other operating income and expenses

Other operating income and expenses recorded by the Group in the first half 2010 represented a €4.7 million expense and mainly consisted in certain expenses related to the Group's headquarter, as well as certain non-recurring fees totaling €2.7 million. Other operating income and expenses represented a €4.8 million expense in the first half 2009 and mainly included costs related to Group's headquarter as well as costs associated with the integration of North American subsidiaries.

Amortization of intangible assets

Amortization charges in relation to intangible assets represented a €6.0 million expense in the first half 2010, a slight increase as compared with a €5.5 million expense a year earlier. This item consists mainly of the amortization of the IGF-1 license recognized when allocating goodwill arising from the Group's North-American transactions in 2008, as well as the beginning of the amortization of the license on the 6-month formulation of Decapeptyl which has been marketed since February 2010.

Restructuring costs

The Group recognized €0.9 million in non-recurring restructuring costs in the first half 2010. No restructuring costs were recorded by the Group in 2009.

Impairment losses

The Group did not record any impairment losses in either the first halves 2010 and 2009.

Operating profit

Taking into account the above items, *operating profit* in the first half 2010 amounted to €104.9 million, or 17.9% of revenues and 18.9% of sales, down 16.2% year-on-year, compared to 21.8% of revenues and 24.0% of sales a year earlier.

The Group's **recurring adjusted operating profit**[1] in the first half 2010 amounted to €113.2 million or 20.4% of consolidated sales, up 20.2% year-on-year.

Operating segments: operating profit by geographical region

Internal Reporting provided to the "main operational decision-makers", the Executive Committee, corresponds to the Group's managerial organisation based on the geographical regions within which the Group operates. Accordingly, operating segments as defined by IFRS 8, equate to long-term groupings of countries.

The Group's operating segments are as follows:

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

[1] "Recurring adjusted" : Excluding (i) €36.4 million over the first half 2009 of Kogenate royalties in connection with the favourable settlement of the litigation between the Group and Bayer, (ii) the purchase price accounting impact related to the Group's transaction in North America over the two periods as well as (iii) non-recurring costs incurred in 2010.

The table below provides an analysis of sales, revenues and operating profit by operating segment as of June 30, 2009 and 2010:

(In million euros)	**First half 2010** *(in million euros)*	**First half 2010** *% of sales*	**First half 2009** *(in million euros)*	**First half 2009** *% of sales*	**Change** *(in million euros)*	**Change** *%*
Major Western European countries(1)						
Sales	283.4	*100.0%*	283.4	*100.0%*	(0.0)	*(0.0)%*
Total revenues	292.2	*103.1%*	289.9	*102.3%*	2.3	*0.8%*
Operating profit	112.1	*39.6%*	119.2	*42.1%*	(7.2)	*(6.0)%*
Rest of Europe						
Sales	128.9	*100.0%*	114.5	*100.0%*	14.4	*12.6%*
Total revenues	130.9	*101.6%*	115.0	*100.5%*	15.9	*13.8%*
Operating profit	58.0	*45.0%*	49.9	*43.6%*	8.2	*16.4%*
North America						
Sales	27.5	*100.0%*	20.6	*100.0%*	6.9	*33.7%*
Total revenues	34.8	*126.6%*	24.9	*121.0%*	9.9	*39.9%*
Operating profit	(10.3)	*-37.6%*	(15.1)	*-73.4%*	4.8	*(31.5)%*
Rest of world						
Sales	114.2	*100.0%*	102.7	*100.0%*	11.4	*11.1%*
Total revenues	114.6	*100.4%*	102.7	*100.0%*	11.9	*11.6%*
Operating profit	53.7	*47.0%*	45.5	*44.3%*	8.2	*18.0%*
Total allocated						
Sales	553.9	*100.0%*	521.2	*100.0%*	32.8	*6.3%*
Total revenues	572.5	*103.4%*	532.5	*102.2%*	40.0	*7.5%*
Operating profit	213.5	*38.5%*	199.5	*38.3%*	14.0	*7.0%*
Total unallocated						
Total revenues	13.1	-	40.6	-	(27.4)	*(67.6)%*
Operating profit	(108.6)	-	(74.4)	-	(34.2)	*46.0%*
Group total						
Sales	553.9	*100.0%*	521.2	*100.0%*	32.8	*6.3%*
Total revenues	585.7	*105.7%*	573.1	*110.0%*	12.6	*2.2%*
Operating profit	104.9	*18.9%*	125.2	*24.0%*	(20.2)	*(16.2)%*

(1) France, Spain, Italy, Germany and the United Kingdom

For the first half 2010, sales in **Major Western European countries** were stable year-on-year. Total revenues rose 0.8% over the same period. Despite a tougher competitive environment, notably in the French Primary care landscape, sales were fuelled by the Group's dynamic specialty care franchises in France, Germany and Italy. For the first half 2010 operating profit amounted to €112.1 million, down 6.0% year-on-year, representing 39.6% of first half 2010 sales, compared with 42.1% of sales over the same period in 2009.

Sales in the **Other European countries** (other Western European countries together with Eastern Europe) totaled €128.9 million or 23.3% of total Group sales, up 12.6% year-on-year (11.6% excluding the impact of exchange rates). There was sustained growth in sales, particularly in some Eastern European countries and Russia following a difficult early 2009, as well as in Turkey and Scandinavia. Total revenues rose 13.8% year-on-year, benefiting from an increase in royalties received from Galderma, mainly as a result of an increase in sales of Azzalure®. Selling, general and administrative expenses increased 7.8% over the period. Operating profit rose 16.4% in the first half 2010 to €58.0 million, representing 45.0% of sales, compared with €49.9 million over the same period in 2009, representing 43.6% of sales.

For the first half 2010 sales in **North America** rose 33.7% year-on-year to €27.5 million, compared with €20.6 million in the prior year. Total revenues rose 39.9% over the same period, amounting to €34.8 million in the first half 2010 (first half 2009: €24.9 million), reflecting the increase in revenues from the partnership entered into with Medicis for the marketing of Dysport® in aesthetic indications. Selling expenses rose 12.4% year-on-year, reflecting in particular expenses incurred in launching Increlex®, Somatuline®, Apokyn®, and Dysport®. For the first half 2010 operating profit thus amounted to €(10.3) million versus €(15.1) million during the same period in 2009.

In the **Rest of the World**, where the Group markets most of its products through distributors and agents, sales grew by 11.1% relative to the same period in 2009, reaching €114.2 million. At the same time, operating profit for the first half 2010 was up 18.0% year-on-year at €53.7 million or 47.0% of sales in the region, compared with 44.3% over the same period the prior year.

Non-allocated operating profit, that includes the majority of R&D expenses, in the first half 2010 amounted to €(108.6) million, compared with €(74.4) million over the same period in 2009. This change is mainly due to a drop in revenues, to €13.1 million in the first half 2010 from €40.6 million a year earlier, when it benefited from non-recurring revenues of €36.4 million in connection with the settlement ot the litigation between the Group and Bayer related to Kogenate® royalties. Other revenues in 2010 include reinvoiced OBI-1 industrial development expenses under the terms of agreements entered into with Inspiration Biopharmaceuticals Inc.

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

The Group's net financial debt in the first half 2010 amounted to €(3.8) million, compared with €(4.7) million for the same period in 2009.

Foreign exchange movements represented a €2.3 million expense, stable relative to the same period a year earlier. The Group also had to record impairment losses on some of its available-for-sale assets in the first half 2010.

■ Income taxes

The Group's effective tax rate in the first half 2010 was 20.4% of net profit from continuing operations, before income from associated companies, compared with an effective tax rate of 18.2% in the first half 2009, which was impacted by the consequences of a tax audit in France. With effect from 2010, and in line with the choice available to French companies, the Group has opted to recognize the new tax on corporate value added (*Cotisation sur la Valeur Ajoutée des Entreprises* or CVAE) under income tax. This new tax replaces the local business tax (*taxe professionnelle*) previously recorded as a deduction against operating profit. This change increased the Group's effective tax rate by 2.1 percentage points in the first half 2010, however had no impact on consolidated Group net profit. Furthermore, the Group's effective tax rate in the first half 2010 was adversely impacted by certain local prescription rules.

■ Share of profit/loss from associated companies

In the first half 2010, the Group recorded a €5.1 million expense representing its 22.1% share of net income from Inspiration Biopharmaceuticals Inc., which has been equity consolidated by the Group since January 2010. The Group did not record any share in net income from associated companies in the first half 2009.

■ Profit/Loss from continuing operations

Taking into account the above items, net profit from continuing operations in the first half 2010 amounted to €75.4 million, down 23.5% year-on-year, compared to €98.5 million a year earlier. This represents 12.9% of revenues for the period, compared with 17.2% for the same period in 2009.

Excluding the share of loss from associated companies, recurring adjusted[1] profit from continuing operations attributable to Ipsen S.A. shareholders as of June 30, 2010 amounted to €85.7 million, compared with €75,2 million as of June 30, 2009, representing a 14.0% year-on-year increase.

■ Profit/Loss from discontinued operations

Profit from discontinued operations represented income of €0.2 million in the first half 2010, compared with €0.5 million a year earlier.

■ Consolidated net profit

Taking into account the above items, consolidated net profit fell 23.7% to €75.6 million, compared with €99.1 million to June 2009. Consolidated net profit represented 12.9% of revenues for the first half 2010 and 17.3% for the first half 2009.

Excluding the share of loss from associated companies, the Group's recurring adjusted[1] consolidated net profit as of June 30, 2010 amounted to €85.9million, compared with €75.7million a year earlier, representing a 13.4% year-on-year increase.

■ Earnings per share

Diluted earnings per share as of June 30, 2010 amounted to €0.90, compared with €1.18 a year earlier.

The recurring adjusted[2] diluted earnings per share as of June 30, 2010 amounted to €0.96, up 6.6% year-on-year.

Excluding the share of loss from associated companies, the recurring adjusted[8] diluted earnings per share as of June 30, 2010 amounted to €1.02 per share, up 13.4% year-on-year.

■ Milestones received in cash but not yet recognised as revenues

As of June 30, 2010, total milestones received in cash by the Group but not yet recognised as revenues in its consolidated income statement amounted to €280.6 million, a significant 35.4% increase year-on-year (first half 2009: €207.3 million).
In the first half 2010, the Group recorded €53.1 million in deferred revenues in connection with its partnerships with Menarini (€17.6 million) and Inspiration Biopharmaceuticals Inc. (€35.5 million not in cash, corresponding to the initial payment for the OBI-1 license, offset by the subscription by the Group of a convertible bond issued by Inspiration Biopharmaceuticals Inc.). In the second half 2009, the Group received €34.0 million of deferred revenues in connection with its partnerships with Galderma and Menarini.

Those revenues will be recognized in the Group's future income statement as follows:

(In million euros)	First half 2010	First half 2009
Total	**280.6**	**207.3**
These will recognised as revenue in the future as follows		
Year Y	16.2	12.1
Year Y+1	31.0	21.7
Years Y+2 and beyond	233.4	173.5

* Amounts converted at average exchange rates over the period as of June 30, 2010 and June 30, 2009, respectively

[1] "Recurring adjusted" : Excluding the impacts, net of tax, over the first half 2009 of (i) the Kogenate® royalties in connection with the favourable settlement of the litigation between the Group and Bayer, (ii) the purchase price accounting impacts related to the Group's transactions in North America over the two periods as well as (iii) non-recurring costs incurred on 30 June 2010.

CASH FLOW AND CAPITAL RESOURCES

The consolidated cash flow statement shows that the Group generated positive cash flow from operating activities of €134.7 million in the first half 2010, compared with €147.2 million over the same period in 2009.

CASH FLOW STATEMENT ANALYSIS

(In millions of euros)	**June 30, 2010**	**June 30, 2009**
- Cash generated from operating activities before changes in working capital requirements	98.6	121.5
– (Increases)/decreases in working capital requirements for operations	36.1	25.7
Net cash flow from operating activities	134.7	147.2
- Net investments in tangible and intangible assets	*(25.3)*	(25.1)
- Impact of changes in consolidation scope	*(93.2)*	-
- Other cash flow from investments	*(5.8)*	(7.3)
Net cash flow from investing activities	(124.3)	(32.4)
Net cash flow from financing activities	(63.4)	(217.6)
Net cash flow from discontinued operations	(0.0)	(0.2)
CHARGES IN CASH AND CASH EQUIVALENTS	**(53.0)**	**(103.0)**
Opening cash and cash equivalents	**205.4**	**237.3**
Impact of foreign exchange variations	11.7	4.8
Closing cash and cash equivalents	**164.1**	**139.1**

■ Net cash flow from operating activities

Cash flow from operating activities amounted to €98.6 million in the first half 2010, compared with €121.5 million a year earlier. The decrease mainly reflects the end of Kogenate® royalties paid by Bayer.
Working capital requirements for operating activities decreased by €36.1 million in the first half 2010 after decreasing by €25.7 million over the same period in 2009. This trend in the first half 2010, arose from the following factors:

- Inventories remained stable in the first half 2010, after a €6.7 million drop over the same period in 2009 as a result of consignment stocks implemented in some countries in December 2008 in connection with local operating constraints.
- Trade receivables increased by €37.8 million in the first half 2010, compared with a €33.7 million increase at the end of June 2009, mainly as a result of growth in business in international markets.
- Trade payables decreased by €5.1 million in the first half 2010, after increasing by €6.0 million in the first half 2009.
- The change in other assets and liabilities represented a source of funds of €27.2 million in the first half 2010, compared with €38.2 million a year earlier. In particular, in the first half 2010 the Group recorded €53.1 million as deferred revenues in connection with its partnerships with Menarini (€17.6 million) and Inspiration Biopharmaceuticals Inc. (€35.5 million corresponding to the initial payment for the OBI-1 license). At the same time, the Group recognized €15.2 million in its income statements as revenues in connection with its partnerships. The trend in other operating payables and accounts payable resulted in a use of funds of €10.6 million mainly related to the invoicing of development costs for OBI-1. In 2009, the Group recorded €61.1 million as diferred revenues in connection with its partnerships with Medicis (US$75.0 million) and Galderma (€6.0 million), partially offset by the recognition in the income statement of €9.7 million in revenues related to its partnerships with Roche, Galderma, Medicis and Recordati.
- The change in the net tax liability in the first half 2010 represented a source of funds of €52.7 million. It consisted on the one hand of a refund of excess tax paid in France following a tax audit and, on the other hand of tax due for the period, net of prepayments.

Net cash flow from investing activities

In the first half 2010, cash flow from investing activities represented a net use of funds of €124.3 million, compared with a net use of funds of €32.4 million over the same period in 2009. This includes the following:

- Net cash flow from investing activities amounting to €25.3 million, compared with €25.1 million a year earlier. This cash flow mainly consisted of the following:
  - Acquisition of property, plant & equipement totaling €14.6 million, mainly consisting in capital expenses required to maintain the Group's production facilities, as well as investments in capacity, including the new secondary Dysport® production unit at the Wrexham site and €3.5 million in connection with equipment for the Group's research and development sites.
  - Acquisitions of intangible assets totaling €10.9 million, mainly related to the Group's partnership policy, as well as investments in the renewal of some information systems.
- A €93.2 million net cash flow arising from changes in scope, of which €57.7 million was related to the acquisition of shares newly issued by Inspiration Biopharmaceuticals Inc., and €35.5 million related to the subscription by the Group of a convertible bond issued by Inspiration Biopharmaceuticals Inc. in compensation of a progress payment due by Inspiration Biopharmaceuticals Inc. under the terms of the OBI-1 license.
- A €1.5 million net cash flow used for other investment activities, compared with a €2.5 million use of funds for the same period in 2009.
- A €7.3 million increase in the working capital requirement arising from investment activities, mainly explained by the collection of a receivable related to the disposal of an asset, compared with a €4.8 million increase as of the end of June 2009.

Net cash flow used in financing activities

In the first half 2010, net cash flow from financing activities amounted to €(63.4) million, compared with a net use of funds of €(217.6) million over the same period in 2009. In the first half 2010, the Group paid out €62.3 million in dividends to its shareholders, compared with €58.0 million a year earlier. The Group also set aside €2.0 million for its share buyback program in the first half 2010, compared with €6.1 million the previous year. Lastly, in the first half 2009, the Group repaid €150 million which had been drawn against its credit facility with a banking syndicate in the framework of its North American acquisitions at the end of 2008.

Net cash flow provided by discontinued activities

Net cash flow from discontinued operations was immaterial as of June 30, 2010.

ANALYSIS OF NET CASH

(In million euros)	First half 2010	First half, 2009
Cash in hand	35.3	38.8
Short-term investments	129.8	99.1
Interest-bearing deposits	2.1	2.3
Cash and cash equivalents	**167.3**	**140.2**
Bank overdrafts liabilities	**(3.2)**	**(1.2)**
Closing net cash and cash equivalents	**164.1**	**139.1**
Long-term debt	-	-
Other financial liabilities	15.7	12.7
Non-current subtotal	**15.7**	**12.7**
Short-term debt	4.0	4.0
Financial liabilities	2.8	4.0
Current subtotal	**6.8**	**8.0**
Debt	**22.5**	**20.7**
Derivatives	**(0.5)**	**(0.5)**
NET CASH [1]	**142.1**	**118.9**

The Group's net cash[1] position as of June 30, 2010 amounted to €142.1 million, compared with €118.9 million as of June 30, 2009.
In June 2008, Ipsen S.A signed for a 5-year credit facility totaling €300.0 million with a banking syndicate. This multicurrency, multilender facility requires Ipsen S.A.'s guarantee for use by some of its subsidiaries. It was used to fund acquisitions in the United States and the business's general financial needs. At the borrower's initiative, this credit line is available for withdrawal on a short-term basis for periods of 1 to 12 months so it can be best adapted to cash flow needs.
The total withdrawal must, at any given time, be less that the credit facility maximum, which decreases over time as follows:

June 4, 2010	€225.0 million
June 4, 2011	€187.5 million
June 4, 2012	€150.0 million
June 4, 2013	-

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

In addition to the customary contractual clauses, the loan agreement requires the Group to comply with various financial covenants on a consolidated basis on each reporting date. The covenants include a maximum ratio of net debt to equity and a maximum ratio of net debt to EBITDA[11]. The maximum ratios are as follows:

- Net debt to equity: 1
- Net debt to EBITDA[11]: 3

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

As of June 30, 2010, the Group had a positive net cash position and as a result, the Net Debt to Equity and Net Debt to EBITDA[11] ratios were non-relevant. On 30 June 2009 and 2010, the line of credit had not been utilized. The amount of €150.0 million used from the syndicate loan was reimbursed on 30 June 2009.

[1] EBITDA: earnings before interest, tax, depreciation, and amortization.

III – INFORMATION ON RELATED PARTIES

The Group has concluded no significant new transactions with related parties during the period, with the exception of the partnership with Inspiration Biopharmaceuticals Inc..

In this connection, the following operations have been recorded:

- An intangible asset for the exclusive sub-license for OBI-1, with in return a convertible note for an amount of 50 million dollars;
- A charge for industrial development costs billed by the Group under the master services agrement for 9 million dollars (6.8 million euros) (note 1).

IV – RISKS FACTORS

The Group operates in an environment which is undergoing rapid change and exposes its operations to a number of risks, some of which are outside its control. The risks and uncertainties set out below are not exhaustive and the reader is advised to refer to the Group's 2009 Registration Document available on its website (www.ipsen.com).

- The Group is dependent on the setting of prices for medicines and is vulnerable to the possible reduction of prices of certain of its products by public or private payers or to their possible withdrawal from the list of reimbursable products by the relevant regulatory authorities in the countries where it does business. In general terms, the Group is faced with uncertainty in relation to the prices set for all its products, in so far as medication prices have come under severe pressure over the last few years as a result of various factors, including the tendency for governments and private payers to reduce prices or reimbursement rates for certain drugs marketed by the Group in the countries in which it operates, or even to remove those drugs from lists of reimbursable drugs.
- The Group depends on third parties to develop and market some of its products which generates substantial royalties for the Group, but these third parties could behave in ways which cause damage to the Group's business. The Group cannot be certain that its partners will fulfil their obligations. It might be unable to obtain any benefit from those agreements. A default by any of the Group's partners could result in some of the Group's products generating lower revenues than expected. Such situations could have a negative impact on the Group's business, financial position or performance.
- Actual results may depart significantly from the objectives set by the management given that a new product can appear to be promising at a development stage or after clinical trials but never be launched on the market or be launched on the market but fail to sell notably for regulatory or competitive reasons.
- The Research and Development process typically lasts between eight and twelve years from the date of a discovery to a product being brought to market. This process involves several stages; at each stage, there is a substantial risk that the Group could fail to achieve its objectives and be forced to abandon its efforts in respect of products in which it has invested significant amounts. Thus, in order to develop viable products from a commercial point of view, the Group must demonstrate, by means of pre-clinical and clinical trials, that the molecules in question are effective and are not harmful to humans. The Group cannot be certain that favourable results obtained during pre-clinical trials will subsequently be confirmed during clinical trials, or that the results of clinical trials will be sufficient to demonstrate the safety and efficacy of the product in question such that the required marketing approvals can be obtained.
- The Group must deal with or may have to deal with competition (i) from generic products, particularly in relation to Group products which are not protected by patents, for example, Forlax® or Smecta® (ii), products which, although they are not strictly identical to the Group's products or which have not demonstrated their bioequivalence, may obtain a marketing authorisation 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®. Such a situation could result to the Group losing market share which could affect its current level of growth in sales or profitability.
- Third parties might claim the benefit of intellectual property rights in respect to the Group's inventions. The Group provides the third parties with which it collaborates (including universities and other public or private entities) with information and data in various forms relating to the research, development, manufacturing and marketing of its products. Despite the precautions taken by the Group with regard to these entities, in particular of a contractual nature, they (or certain of their members) could claim ownership of intellectual property rights arising from the trials carried out by their employees or any other intellectual property right relating to the Group's products or molecules in development.
- The Group's strategy includes acquiring companies or assets which may enable or facilitate access to new markets, research projects or geographical regions or enable it to realise synergies with its existing businesses. Should the growth prospects or earnings potential of such assets as well as valuation assumptions change materially from initial assumptions, the Group might be under the obligation to adjust the values of these assets in its balance sheet, thereby negatively impacting its results and financial situation.
- In certain countries exposed to significant public deficits, and where it sells its drugs directly to public hospitals, the Group could experience discount or lengthened payment terms or difficulties in recovering its receivables in full. In Greece notably, which represented in 2009 approximately 2.0% of its consolidated sales, and where payment terms from public hospitals are particularly long, the Group is closely monitoring the current situation. More generally, the Group may also be unable to purchase sufficient credit insurance to protect itself adequately against the risk of payment default from certain customers worldwide. Such situations could negatively impact the Group's activities, financial situation and results.
- In the normal course of business, the Group is or may be involved in legal or administrative proceedings. Financial claims are or may be brought against the Group in connection with some of these proceedings.

V - Statutory Auditors' Review Report on the 2010 half-yearly consolidated financial statements

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

Ipsen S.A.

Registered office: 65, quai Georges Gorse - 92650 Boulogne Billancourt
Share capital: €84 176 083

Statutory Auditors' Review Report on the 2010 half-yearly consolidated financial statements

For the six-month period ended June 30,2010

To the Shareholders,

Following our appointment as statutory auditors by the shareholders' meeting and in accordance with article L.451-1-2 III of the French Monetary and Financial Code ("Code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Ipsen S.A. for the six-month period ended June 30, 2010,
- the verification of information contained in the half-yearly management report.

These condensed half-yearly consolidated financial statements were prepared under the responsibility of the Board of Directors Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared in all material respects in accordance with IAS 34 - the standard of the IFRS as adopted by the European Union applicable to interim financial statements.

II. Specific verification

We have also verified information given in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris La Défense and Neuilly sur Seine, on the 30 August 2010

KPMG Audit
A division of KPMG S.A.

Catherine Porta
Partner

Deloitte & Associés

Christophe Perrau
Partner

VI – ATTESTATION OF THE PERSON RESPONSIBLE FOR THE 2010 HALF YEAR FINANCIAL INFORMATION

I hereby declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and all the other companies included in the scope of consolidation, and that this half-year financial report gives a fair description of the major developments and their impacts on the Group's first half 2010 accounts and of the main risks and uncertainties for the remaining six months of the year and a fair view of the related parties transactions.

August 30th, 2010

Mr Jean-Luc Bélingard
Chairman and Chief Executive Officer