Ipsen announces 26.4% increase in 2005 consolidated net profit

(on a comparable structure[1] and pro forma basis[2] prepared according to IFRS)

Conference call scheduled Friday, 17 March at 3.00 p.m. (Paris time)

Operating profit up 18.4%, ahead of the Group's financial targets, R&D spending up 18.0%

Paris, 17 March 2006 - Ipsen announces its 2005 annual results[2].

Key figures are summarised in the table below:

Consolidated results (€ millions)	2005	2004 on a comparable structure basis[1]	% change 2005/2004 on a comparable structure basis[1]
Sales	807.1	751.5	7.4%
Operating profit	185.3	156.5	18.4%
Net profit from continuing operations	144.6	105.2	37.5%
Consolidated net profit (Group share)	148.6	117.6	26.4%
Net profit per share from continuing operations (€)	2.14	1.79	19.6%
Net profit per share (€)	2.20	2.01	9.5%
Average number of shares in issue during the year	67 418 123	58 605 000	

The Group's 2005 financial statements show a strong increase in consolidated net profit (Group share), which totalled €148.6 million, up 26.4% vs. 2004. Over the same period, net profit from continuing operations grew a stronger 37.5%.

Consolidated sales rose by 7.4% compared with 2004, fuelled by growth in sales of products in targeted therapeutic areas (oncology, endocrinology and neuromuscular disorders) and strong sales momentum in international markets, despite downward price pressures in the major Western European countries. Other product sales were up €17.5 million, representing a 27.6% increase vs. 2004.

The Group incurred no restructuring costs or impairment losses during the year, compared with €10.4 million and €10.8 million respectively in 2004.

The operating margin (% of sales) improved to 23.0%, compared with 20.8% on a comparable structure basis and 20.5% as published at 31 December 2004. This improvement came along with an **18.0% increase in Research and Development spending** to 20.9% of sales in 2005 vs 19.1% in 2004. The main R&D projects in 2005 were phase III clinical trials on Somatuline® and Dysport® in preparation for registration with the Food and Drug Administration (FDA) in the United States, as well as the development of BIM 51077 in partnership with Roche.

[1] In October 2005, the Group sold its primary care business in Spain (with the exception of Tanakan®) and presented the activity as "discontinued operations" retrospectively in the consolidated financial statements as of 1 January 2005. As a result, 2005 operating profit does not include items relating to that business, including 2005 sales of €16.7 million. In contrast, sales from the business were included in 2004 operating profit for €16.3 million. The 2004 comparative figures have therefore been presented on a comparable structure basis, that is excluding this business from operating profit.

[2] 2004 and 2005 figures are *pro forma* and prepared according to IFRS. The *pro forma* consolidated financial statements treat the Group's business activity as if the Group's legal restructuring had taken place on 1 January 2002, instead of 30 June 2005. The Statutory Auditors have prepared a report on the proforma financial statements.

The effective tax rate amounted to 19.1% of consolidated net profit from continuing operations (before tax) in 2005, down from 28.6% in 2004, and benefited from the non recurring recognition of deferred tax assets in some of the Group's subsidiaries.

At 31 December 2005, following the capital increase resulting from Ipsen's initial public offering on Eurolist by Euronext™, the Group had consolidated net cash of €138.8 million compared with net debt of €145.8 million at 31 December 2004.

Net profit per share amounted to €2.20, compared with €2.01 in 2004.

At its meeting of 16 March, Ipsen's Board of Directors decided to propose **a dividend of €0.60 per share** at the annual general meeting to be held on 2 June 2006. Payment will be made on the same day.

Jean-Luc Bélingard, Chairman and CEO of the Ipsen Group commented *"These highly satisfactory results, which are ahead of our targets, demonstrate the Ipsen Group's strong momentum.*

2005 confirmed the potential of our products, with sustained growth in sales of Decapeptyl®, the launch of Somatuline® Autogel® in Italy and Germany and the initial effects of the launch of NutropinAq® in many European countries. Our clinical development capability, which we reinforced this year, should help us streamline the registration and approval process for our drugs in the international markets. Ipsen's initial public offering on 7 December 2005 has given us more financial flexibility to strengthen our international positions and consolidate on our R&D investments. Lastly, we are delighted with our new partnership with Medicis, leader in cosmetic medicine, to develop and distribute our botulinum toxin Reloxin® for aesthetic medicine use in the United States, Canada and Japan.

In a more stringent technical and regulatory environment, notably with downward pressure on prices, one of our targets is to step our productivity and margin improvement programme. Our growth prospects are extremely promising and reflect the Group's potential as a key player in therapeutic innovation. Our growth drivers lie mainly in international expansion, especially in the United States where we are about to seek approval for Somatuline® Autogel®. Our improved financial flexibility will be an additional strength in our choice of distribution method for this product in the United States, which we are actively working on at the moment. In 2007, we plan to apply for FDA approval for Dysport® in treating cervical dystonia, and Reloxin® for aesthetic medicine indications. In addition, developments in our R&D pipeline are progressing in line with expectations, as epitomised by the development programme for our GLP-1 anti-diabetes compound, BIM 51077.

The quality of our results, our ability to generate cash and the richness of our R&D pipeline point out the relevance of our strategy, which relies on a strong commitment in Research & Development (almost 21% of our consolidated turnover) and a specialisation in advanced technologies in so far as oncology, endocrinology and neuromuscular disorders are concerned. Within such a context we can look forward to the future with confidence."

Attached to this press release is a detailed review of the Group's consolidated proforma financial statements as at 31 December 2005 and 31 December 2004

Conference Call
Ipsen will host a conference call Friday 17 March at 3.00 p.m. (Paris time). A live webcast will be available at www.ipsen.com. The webcast will be archived on the Ipsen website for 3 months following the live call.

Callers should dial in approximately 5 to 10 minutes prior to the start of the call. No reservation is necessary to participate on the call. The phone numbers to join the conference call are, from France and Europe:+33 (0)1 71 23 04 18 and from United States: +1 718 354 1172.
Please mention the Company name (Ipsen) and our CEO's name (Jean-Luc Bélingard) to the operator. No access code is necessary for the live call.

For shareholders, analysts and investors unable to participate in the live call, a replay will be available soon after the live call. The phone number to access the replay are, from France and Europe: +33 (0)1 71 23 02 48 and from United States: +1 718 354 1112, and the access code is 5379346#. The replay will be available for one week following the live call.

Disclaimer
This press release includes only summary information and does not purport to be comprehensive. Forward-looking statements, targets and estimates contained herein are for illustrative purposes only and are based on management's current views and assumptions. Such statements involve known and unknown risks and uncertainties that may cause actual results, performance or events to differ materially from those anticipated in the summary information. The Company expressly disclaims any obligation or undertaking to update or revise any forward-looking statements, targets or estimates contained in this presentation to reflect any change in events, conditions, assumptions or circumstances on which any such statements are based unless so required by applicable law.

Ipsen
Ipsen is a European pharmaceutical group with over 20 products on the market and a total worldwide staff of nearly 4.000. The company's development strategy is based on a combination of products in targeted therapeutic areas (oncology, endocrinology and neuromuscular disorders), which are growth drivers and primary care products which contribute significantly to its research financing. This strategy is also supported by an active policy of partnerships. The location of its four R&D centres (Paris, Boston, Barcelona, London) gives the Group a competitive edge in gaining access to leading university research teams and highly qualified personnel. In 2005, Research and Development expenditure reached €169.0 million, i.e. 20.9% of consolidated sales, which amounted to €807.1 million in the Group's pro forma accounts set up according to the IFRS. Nearly 700 people in R&D are dedicated to the discovery and development of innovative drugs for patient care. Ipsen's shares are traded on Segment A of Eurolist by Euronext™ (stock code: IPN, ISIN code: FR0010259150).

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1 – SALES EVOLUTION BY DRUGS

In 2005, the Group realised net sales of €807.1 million, up 7.4% on a comparable structure basis, and up 7.3% on a comparable structure and exchange rate basis, vs. sales of €751.5 million in 2004. The growth was achieved despite the severe negative impact of price reductions imposed by government authorities in Europe. In 2005, with all else being equal, the impact of government measures dragged sales down by €8.2 million, compared with 2004.

Group sales by drug for the years ended 31 December 2005 and 31 December 2004 are presented in the Table in Annex 4.

- **Decapeptyl®** -- In 2005, sales of Decapeptyl® reached €210.6 million, up 6.1% vs. the previous year. Growth was hampered by lower regulatory prices imposed in a number of Western European markets, including Italy, Spain, Belgium, and the UK. The aggregate impact of the price reductions cut sales growth by 2.4 percentage points, or €4.8 million. Sales volumes rose a buoyant 8.5% in 2005.

- **Tanakan®** -- Sales of Tanakan® increased 4.0% to €121.0 million in 2005, confirming the drug's steady sales growth. In France, which accounted for 73.2% of Tanakan's® worldwide sales in 2005, growth was achieved in a globally declining market. Sales were also satisfactory in other markets where the drug is sold, primarily in Eastern European countries and China.

- **Dysport®** -- Sales of Dysport® advanced 12.4% to €92.5 million in 2005, primarily as a result of growth in the drug's main markets of the UK and Germany, as well as in Italy. Good sales performances were also achieved in Central and Eastern European markets, which offset a more contrasted performance in Iran and Mexico.

- **Somatuline®** -- Sales of Somatuline® rose 13.4% to €81.8 million in 2005, fuelled by growth in France, the UK, Greece and Italy, where the Autogel® formulation was launched in February 2005. Together, these four markets accounted for two thirds of the drug's sales volume growth. This growth, however, was affected at the end of 2005 by a drop in orders from Italian wholesalers and hospitals in the wait for regulatory price reductions set to take effect in that market in mid-January 2006, as well as by the imposition of price reductions in Spain in early 2005.

- **Smecta®** -- Sales of Smecta® grew 4.5% to €67.5 million at 31 December 2005. The product performed notably well in China.

- **Ginkor Fort®** -- Sales of Ginkor Fort®**,** realised mainly in France, totalled €61.2 million, up 3.7% vs. 2004.

- **Forlax®** -- Sales of Forlax® increased 8.6% to €42.8 million in 2005, owing notably to strong sales growth in the Benelux region, Algeria, and France -- the drug's largest market -- which benefited from the launch of a paediatric formulation in June 2005.

- **Nisis® and Nisisco®** -- Sales of Nisis® and Nisisco® totalled €41.5 million, up 11.8% over 2004. The growth was achieved in a competitive market environment.

- **NutropinAq®** -- Sales of NutropinAq® reached €5.7 million at 31 December 2005, up from €0.8 million a year earlier. Launched in the spring of 2004, the drug continued to make steady inroads and is now marketed in the Group's major European markets, including France, Spain, Italy, Germany, and the UK, as well as in other countries.

- With **Decapeptyl®**, **Dysport®** and **Somatuline®**, sales of Ipsen's peptide- or protein-based products rose 9.0% to €384.8 million at 31 December 2005, accounting for 47.7% of the Group's total sales for the year. That performance compares with sales of €352.9 million, representing 47.0% of the Group's total consolidated sales at 31 December 2004.

2 - COMPARISON OF THE CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2005 AND 31 DECEMBER 2004

A comparison of the income statement is presented below:

	2005		2004 on a comparable structure basis			2004 as Published	
	(in thousands of euros)	*% of revenues*	*(in thousands of euros)*	*% of revenues*	*2005/2004 variation on a comparable structure basis*	*(in thousands of euros)*	*2005/2004 variation*
Sales	**807,114**	**90.9 %**	**751,539**	**92.2 %**	**7.4 %**	**767,825**	**5.1 %**
Other revenues	80,738	*9.1 %*	63,287	*7.8 %*	*27.6 %*	63,287	*27.6 %*
Total revenues	**887,852**	**100.0 %**	**814,826**	**100.0 %**	***9.0 %***	**831,112**	*6.8 %*
Cost of goods sold	(171,042)	*-19.3 %*	(165,658)	*-20.3 %*	*3.2 %*	(173,832)	***-1.6 %***
Research and Development expenses	(169,025)	*-19.0 %*	(143,227)	*-17.6 %*	*18.0 %*	(143,243)	***18.0 %***
Selling, general and administrative expenses	(364,135)	*-41.0 %*	(330,390)	*-40.5 %*	*10.2 %*	(337,182)	***8.0 %***
Other operating income and expenses	1,169	*0.1%*	2,123	*0.3 %*	*ns*	2,123	***ns***
Restructuring costs	530	*0.1 %*	(10,436)	*-1.3 %*	*ns*	(10,840)	***ns***
Impairment losses	-	-	(10,757)	*-1.3%*	*ns*	(10,757)	*ns*
Operating profit	**185,349**	***20.9 %***	**156,481**	***19.2 %***	***18.4 %***	**157,381**	***17.8%***
- Income from cash and cash equivalents	1,952		2,184			2,184	
- Cost of gross financial debt	(7,870)		(11,004)			(11,004)	
Cost of net financial debt	**(5,918)**	***-0.7 %***	**(8,820)**	***-1.1 %***	***-32.9 %***	**(8,820)**	***-32.9 %***
Other interest income and expense	(632)	*-0.1 %*	(466)	*-0.1 %*	*ns*	(466)	*ns*
Income tax	(34,208)	*-3.9 %*	(42,039)	*-5.2 %*	*-18.6 %*	(42,134)	*-18,8%*
Net profit from continuing operations	**144,591**	***16.3 %***	**105,156**	***12.9 %***	***37,5 %***	**105,961**	***36,5 %***
Net profit from discontinued operations	**4,416**	***0.5%***	**12,748**	***1.6 %***	***-65,4%***	**11,943**	***-63,0%***
Consolidated net profit	**149,007**	***16.8 %***	**117,904**	***14.5 %***	***26,4 %***	**117,904**	***26,4 %***
- Group share	148,638		117,638			117,638	
- Minority interests	369		266			266	

- ### Other revenues

In 2005, other revenues, which included royalties and milestone payments from partners and for various services, totalled €80.7 million, up 27.6% vs. €63.3 million in 2004.
Breakdown of other revenues

(In € thousands)	2005	2004	2005/2004 variation	
			Amount	*%*
Breakdown by revenue type				
- Royalties received	45,049	33,207	11,842	*35.7 %*
- Milestone payments – licensing agreements	21,126	11,322	9,804	*86.6 %*
- Other (co-promoting revenues, recharging)	14,563	18,758	(4,195)	*-22.4 %*
Total other revenues	**80,738**	**63,287**	**17,451**	***27.6 %***

- The increase in royalties received resulted primarily from the growth in royalties generated by the Kogenate® license, which totalled €42.0 million compared with €30.5 million in 2004.

- The rise in milestone payments generated by Research and Development partnerships stemmed from the acceleration of the BIM 51077 development programme conducted in partnership with Roche, as well as the booking of a fixed sum resulting from the cancellation of a Research and Development agreement.

- The decline in other revenues was due to the decrease in billings for R&D services owing to the cancellation of Research and Development mentioned above agreement.

- **Cost of goods sold**

In 2005, cost of goods sold totalled €171.0 million, representing 21.2% of sales. By comparison, in 2004, cost of goods sold amounted to €165.7 million, representing 22.0% of sales. The favourable downtrend was notably due to the impact of higher production volumes and faster growth of sales of products with higher margins. Furthermore, the improved productivity offset the erosion in margins sparked by price reductions in some markets in 2005.

- **Research and Development expenses**

A comparison of Research and Development expenses for the years ended 31 December 2005 and 31 December 2004 is presented in the following table:

(In thousands of euros)	**2005**	**2004**	**2005/2004 variation**	
			Amount	*%*
Breakdown by expense type				
- Drug-related Research and Development(1)	145,805	126,203	19,602	*15.5 %*
- Industrial development(2)	18,333	12,259	6,074	*49.5 %*
- Strategic development(3)	4,887	4,765	122	*2.6 %*
Total	**169,025**	**143,227**	**25,798**	***18.0 %***

(1) Drug-related Research and Development is aimed at identifying new agents, determining their biological characteristics and developing small-scale manufacturing processes. Pharmaceutical development enables the process whereby active agents become regulatory approved drugs. It is furthermore used to improve existing drugs and to research new therapeutic indications for those drugs. Patent-related costs are included in this type of expense.

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

(3) Includes costs incurred for research into new product licenses or establishing partnership agreements.

Research and Development expenses increased 18% to €169.0 million, representing 19.0% of revenues and 20.9% of sales in 2005. That compares with 2004, when Research and development expenses totalled €143.2 million, representing 17.6% of revenues and 19.1% of sales.

- In 2005, *main Research and Development projects* concerned phase III clinical trials for Somatuline® and Dysport® with a view to preparing for their filing with the FDA in the US, as well as development of the BIM 51077 product in partnership with Roche. The growth in drug-related Research and Development expense notably reflected the full-year impact of the Group having strengthened its clinical development teams in 2004.

- *In the area of industrial development,* the new primary production facility in Wrexham, UK, which manufactures the active ingredient for Dysport®, was commissionned for the manufacturing of clinical samples at the end of June 2004. The corresponding operating costs were then recorded as industrial development expenses. In 2005, these expenses were booked over the full year, whereas they were recorded only for the second half of 2004, which explains the increase in this item.

- **Selling, general and administrative expenses**

A comparison of selling, general and administrative expenses for the years ended 31 December 2005 and 31 December 2004 is presented in the following table:

(In thousands of euros)	2005	2004	2005/2004 variation	
			Amount	*%*
Breakdown by expense type				
Royalties paid	29,033	25,894	3,139	*12.1 %*
Taxes and sales tax	11,142	7,877	3,265	*41.4 %*
Other sales and marketing expenses	255,183	239,510	15,673	*6.5 %*
Selling expenses	**295,358**	**273,281**	**22,077**	***8.1 %***
General and administrative expenses	**68,777**	**57,109**	**11,668**	***20.4 %***
Total	**364,135**	**330,390**	**33,745**	***10.2 %***

In 2005*, selling, general and administrative expenses* increased 10.2% to €364.1 million, representing 45.1% of sales. That result compares with €330.4 million in 2004, representing 44.0% of sales.

- *Selling expenses* amounted to €295.4 million, or 36.6% of sales in 2005. When expressed as a percentage of sales, the result shows a slight increase vs. 2004, when selling expenses reached €273.3 million. Notably included in selling expenses were royalties paid to third-parties on the sales of products marketed by the Group. These totalled €29.0 million in 2005, up 12.1% over 2004, owing to the sales growth of the corresponding products. Some taxes and sales taxes were also included, mainly from France, totalling €11.1 million, up 41.4% vs. 2004. In 2005, other sales and marketing expenses amounted to €255.2 million, rising 6.5% vs. €239.5 million in 2004. That increase was less than sales growth, despite sustained support for newly launched products, particularly Nisis® and Nisisco® in France, and Somatuline® Autogel® and NutropinAq® in several markets.

- *General and administrative expenses* grew 20.4% to €68.8 million, an increase of €11.7 million over 2004. Of that amount, €2.2 million were non-recurring expenses. In addition, general and administrative expenses included a €2.3 million increase in insurance premiums and other taxes in 2005, while administrative and control structures at the Group's central services and in some fast growing Eastern European countries were also reinforced.

- **Restructuring costs and impairment losses**

The Group incurred no restructuring costs or impairment losses in 2005. In 2004, a charge of €10.4 million was recorded to cover all the costs associated with halting the production of Hyate:C® and restructuring costs in Spain. Furthermore, a €10.8 million charge was booked in 2004 owing to the impairment of goodwill during the acquisition of Sterix, a company whose sole activity was to lead high-risk pharmaceutical research projects.

- **Operating profit**

As a result of the items mentioned above, the Group's operating profit advanced 18.4% to €185.3 million in 2005, vs. €156.5 million in 2004. Operating profit represented 20.9% of revenues and 23.0% of sales, up from 19.2% and 20.8% respectively in 2004. Excluding the non-recurring items noted earlier, operating profit rose 6.7% in 2005 and represented 20.3% of revenues, compared with 20.7% in 2004.

Segment reporting: Operating profit by geographical region (see Annex 5)

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

- **In the Major Western European countries,** i.e. Germany, Spain, France, Italy, and the UK, operating profit rose 5.5% to €219.7 million, against €208.2 million in 2004. At 31 December 2005, operating profit represented 39.3% of revenues, vs. 39.2% in 2004. The slight improvement stemmed from productivity gains in cost of goods sold and selling costs, which offset the negative impact of price reductions and higher taxes and sales tax. In addition, in 2005, this geographical segment incurred most of the central marketing costs that were not allocated in 2004. Lastly, no restructuring costs were recorded in 2005 for this region, unlike in 2004, when operating profit in Spain was impacted by non-recurring restructuring costs.

- **In Other European countries,** which includes other Western European countries and the countries of Eastern Europe, operating profit increased 4.2% to €55.0 million, compared with €52.8 million in 2004. In 2005, operating profit represented 35.2% of revenues, down from 38.8% in the previous year. The decline in relative value resulted primarily from allocating to this geographical segment a share of central marketing expenses not allocated in 2004, as well as reorganisation costs in Eastern Europe.

- **In the Rest of the World,** most of the Group's products are marketed by third-party distributors and agents, except in China and South Korea, where Ipsen has a direct presence. In 2005, operating profit from this geographical business segment advanced 23.7% to €29.2 million, representing 28.1% of revenues, vs. 24.5% in the previous year. The strong improvement was directly tied to halting the production of Hyate:C® in 2004. The costs generated by the product, which was marketed in the US, still had a negative impact on 2004 results. The improvement was made despite the negative impact of allocating a share of central marketing expenses to this geographical segment.

In 2005, **the non-allocated operating loss** totalled €118.5 million, down from a loss of €128.1 million in the previous year. The non-allocated operating loss included:

  - revenues totalling €68.2 million, up sharply vs. €51.0 million at 31 December 2004. The increase was driven by the growth in royalties generated by the Kogenate® license. It was also fuelled by the collection of a fixed sum arising from a cancelled Research and Development agreement and partially offset by lower billings for R&D services, also as result of the cancelled agreement;

  - Research and Development expenses totalling €151.1 million, up from €126.3 million in 2004;

  - selling, general and administrative expenses amounting to 38.4 million, compared with €37.4 million in 2004. The expenses arose mainly from the activities of the Group's central services, which were reinforced during the year. In 2005, central marketing costs totalling €10.9 million were allocated to the geographical business segments. In 2004, those costs, which totalled €8.1 million, were not allocated.

  - other operating income totalling €2.8 million, against other operating expenses of €15.3 million in 2004, when a €6.7 million restructuring charge was recorded for a Group industrial site, as well as other operating expenses amounting to €10.8 million for the impairment loss on the Sterix company.

- **Cost of net financial debt -- Other interest income and expense**

  In 2005, the cost of net financial debt totalled €5.9 million, a 32.9% improvement over the €8.8 million recorded in 2004. The positive trend reflected a steep decline in interest expense on interest-rate swaps, most of which matured, as well as a sharp drop in interest expense on borrowings following a reduction of the Group's net debt in 2005.
  In 2005, interest rates on loans averaged 3.93%, down from an average 4.71% in 2004.

- **Income tax**

At 31 December 2005, the Group's effective tax rate amounted to 19.1% of pre-tax profit from continuing operations, compared with 28.6% in 2004.

The 2005 effective tax rate benefited from the non-recurring impacts of recognising net deferred tax assets and utilizing previously unrecognized tax loss carry forwards for a total of €8.8million on British, Dutch and Italian subsidiaries, since their profitability improved. Excluding these non recurring impacts, the Group's effective tax rate would have been 24.0% in 2005. In 2004, the Group did not record any unrecognised deferred tax assets and only utilized non significant previously unrecognized tax loss carry forwards amounts.

The effective tax rate in 2005 also benefited from the following:

- A favourable tax rate on €21.5 million in milestone payments received for the year, vs. €7.5 million received in 2004;
- Research tax credits in France, Spain, Ireland, the UK, and the US totalling €9.0 million in 2005, up from €4.3 million in 2004.

The impact of these two items on the effective tax rate was greater in the second half of the year than in the first half of 2005.

- **Net profit from continuing operations**

As a result of the items noted above, in 2005, net profit from continuing operations advanced 37.5% to €144.6 million, vs. 105.2 million in the previous year. This result amounted to 16.3% of revenues in 2005, compared with 12.9% in 2004

- **Net profit from discontinued operations**

In 2005, the Group reported net profit of €4.4 million from primary care operations in Spain. With the exception of Tanakan® (known locally as Tanakene®), these operations were sold to the Spain-based FAES FARMA company in October 2005, and presented retrospectively as of 1 January 2005 as "discontinued operating activities". In 2004, net profit from discontinued operations of €12.7 million was booked corresponding primarily to net capital gains generated by the sale in June 2004 of American company Dynport L.L.C, as well as the Group's share of profit generated by that company up to the date of sale.

- **Consolidated net profit**

As a result of the items noted above, consolidated net profit rose 26.4% to €149.0 million (Group share of €148.6 million) in 2005, vs. €117.9 million (Group share of €117.6 million) in 2004. Consolidated net profit represented 16.8% of revenues in 2005, compared with 14.5% in 2004.

3 - CASH FLOW FOR THE YEARS ENDED 31 DECEMBER 2005 AND 31 DECEMBER 2004

Consolidated cash flow statement

The consolidated cash flow statement shows a net increase in cash flow of €117.2 million in 2005, before taking into account the impact of foreign exchange variations and *pro forma* treatment, vs. an increase of €10.3 million in 2004.
Group operations generated strong cash flow in 2005 with cash flow from operations totalling €176.9 million, up from €124.7 million in 2004. At 31 December 2005, the Group’s net cash position benefited from €191.8 in proceeds generated by the Group's IPO-related capital increase in December 2005, net of corresponding fees. The Group sharply reduced its drawdowns on long-term credit lines while keeping the option of using those credit facilities, which total €275.6 million. The Group earmarked €52.7 million for its investment activities and paid out €29.3 million in dividends in 2005.

Cash flow generated by discontinued operations amounted to €12 million. In 2004, discontinued operations generated no cash flow.

- **Net cash flow generated by operating activities**

  At 31 December 2005, cash flow before changes in working capital totalled €173.0 million, up from €145.7 million in 2004, and reflecting the improvement in net profit noted earlier.
  Working capital requirement for operating activities declined €3.9 million, owing to the following:
    - the balance between current assets and current liabilities is a liability which increased by €21.9 million in 2005. This increase notably resulted from the collection of €11.4 million in milestone payments on alliance contracts that were only partially recognised as revenues in 2005, as well as an €8.7 million increase in liabilities for miscellaneous taxes and contractual rebates recorded in 2005, but not paid by 31 December 2005;

    - Conversely, the tax deficit decreased by €15.1 million owing to the Group's lower tax expense in 2005, vs. 2004. The tax down-payments paid during the year were calculated on the 2004 tax basis and therefore the aggregate was higher than the Group's real tax charge for 2005;

    - inventories grew by €5.3 million while trade receivables rose by €6.8 million, both as a result of business growth. The increases were partially offset by a €9.2-million rise in supplier payables, stemming notably from fees related to the Group's IPO that were still outstanding at 31 December 2005.

  All told, at 31 December 2005, net cash flow generated by operating activities totalled €176.9 million, vs. €124.7 million a year earlier.

- **Net cash flow used in investment activities.** At 31 December 2005, net cash flow used for investments totalled €52.7 million, compared with €102.5 million in 2004. Of that amount, €44.4 million were used to acquire fixed assets, against €64.7 million in 2004. In addition, working capital requirement for investment activities rose €7.6 million, vs. a decline of €8.5 million in 2004.

  In 2005, acquisitions of fixed assets included:

    - €36.5 million in acquisitions of tangible fixed assets, mainly to maintain and improve the Group's industrial facilities. Of that amount, €6.1 million were used to build new quality control laboratories at the Wrexham production site;

    - €7.9 million in acquisition of intangible fixed assets, notably including acquisitions of software and patents, as well as milestones paid to third parties for some products marketed by the Group.

  The increase in working capital requirement for investment activities recorded at 31 December 2005, stemmed primarily from the payment in 2005 of payables to fixed asset suppliers recorded in 2004, in particular an earnout arising from expectations of achieving a certain level of sales for two anti-hypertension drugs, as well as outstanding construction costs following the completion of a new biotechnology research unit in Boston, USA, at the end of 2004.

- **Net cash flow used in financing activities.** At 31 December 2005, net cash flow used in financing activitites totalled €19.0 million, compared with €11.9 million a year earlier. This item was marked by €191.8 million in proceeds, net of associated fees, generated by the Group's IPO-related capital increase in December 2005. The Group reduced the use of its credit facilities by €180.0 million in 2005, although it still has the option of using them. In 2004, debt had grown by €79.0 million. The Group paid out €29.3 million in dividends in 2005, vs. €91.9 million in 2004.

- **Net cash flow provided by discontinued activities** At 31 December 2005, discontinued activities generated cash flow of €12.0 million, primarily from the sale of primary care operations in Spain. No cash flow was generated by discontinued activities in 2004.

Analysis of debt

At 31 December 2005, the Group had a net cash position of €138.8 million, compared with net debt of €145.8 million at 31 December 2004. At 31 December 2005, the Group had five-year credit facilities totalling €275.6 million, of which it drew down €37.7 million, vs. €215 million drawn down at 31 December 2004. The loan contract ratios include net debt to equity of -0.22 with a ceiling of 1 and net debt to EBITDA[1] of -0.65 with a ceiling band of 2.5 to 3.

4 – POST CLOSING EVENTS

- ***Regulatory decisions in France.*** The sales tax for pharmaceutical laboratories in France was increased to 1.76% in 2006, up from 0.6% in 2005. The increased rate will trim €4 million from the Group's operating profit in 2006. In addition, Bedelix®, which generated sales of €9.0 million in 2005, will be withdrawn from the list of drugs reimbursable under the national health plan as of 1 March 2006. French authorities have decided to decrease the price of Ginkor Fort®, which generated sales of €57.5 million in 2005, by 15% in February 2006. They have also decided to lower the reimbursement rate of veinotonic class drugs, such as Ginkor Fort®, for the period 1 February 2006 until 31 December 2007, and to exclude them from the reimbursement list thereafter from 1 January 2008. Lastly, the French Health Ministry on 23 February 2006 announced that the country's supreme healthcare authority's Transparency Commission has committed to conducting a new assessment in 2006 of the medical benefits of 141 drugs, including vasodilators such as Tanakan®. Following the assessment, the Transparency Commission will publish a notice of medical benefits of the drugs reviewed. The supreme healthcare authority will then issue a recommendation to the Health Ministry.

- ***Inamed.*** On 13 March 2006, Allergan announced that more than 82% of Inamed's shareholders have accepted its tender offer on Inamed's shares, and Allergan extended this offer until 17 March 2006. If and when this acquisition occurs, it will trigger the termination of the contract signed in July 2002, under which the Group had granted Inamed development and distribution rights to its botulinum toxin type A product in the United Stated, Canada and Japan. This acquisition will also annul a preliminary agreement signed in January 2005, granting Inamed the exclusive rights to distribute some formulations of botulinum toxin used for aesthetic medical indications worldwide, except in the US, Canada and Japan. All Group rights previously granted to Inamed as well as the world rights to Reloxin® will be sold back to the Group. In exchange, the Group will pay Inamed USD10 million. Following the subsequent grant of these rights to Medicis, the Group will recognise a USD10-million charge in its 2006 financial statements.

- ***Medicis.*** On 13 March 2006, the Group announced the signing of an agreement whereby, subject only to the closing of Allergan's tender offer for Inamed shares, the Group will grant Medicis rights to develop, distribute and commercialize Ipsen's botulinum toxin product in the United States, Canada and Japan for aesthetic use by physicians.More information on this agreement will be provided after the closing of Allergan's tender offer.

- In November 2005, the Pfizer group and the Group held discussions related to the early cancellation of the promotion contract for Zoxan®. The discussions led to the signature on 15 March 2006 of an amendment under the terms of which the two parties set quarterly sales forecasts for Zoxan®. In the event actual sales are below the forecasts, the contract will terminate and Pfizer will have to pay Ipsen a definitive fixed-sum indemnity totalling €7.5 million.

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

5 - RESEARCH AND DEVELOPMENT

The Group's main Research and Development projects continued to advance in a satisfactory manner during the year, in particular the phase III trials to prepare for the filing of Somatuline® Autogel® and Dysport®/Reloxin® in the United States, as well as the trials to develop the sustained-release formulations of Decapeptyl® and BIM 51077 (GLP-1). Conversely, the development of a new three-month formulation of Somatuline® Autogel® for the treatment of acromegaly has moved back to pre-clinical stage, due to data with the first formulation candidate tested. Febuxostat®, a Teijin product for which the Group holds the development and marketing rights in Europe, is currently being registered in the United States by TAP. The FDA issued an approvable letter in October 2005. With a view to a possible launch of this compound in Europe, the Group is studying the dossier TAP submitted in response to the FDA's approvable letter in February 2006, to decide on the applicability of this dossier for Europe. During the course of 2006, the Group expects to confirm its corresponding regulatory strategy.

ANNEX 1

CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2005

(in thousands of euros)	Pro forma	
	31 December 2005	**31 December 2004 [(1)]**
Sales	807,114	751,539
Other revenues	80,738	63,287
Total Revenues	**887,852**	**814,826**
Cost of goods sold	(171,042)	(165,658)
Research and Development expenses	(169,025)	(143,227)
Selling, general and administrative expenses	(364,135)	(330,390)
Other operating income and expenses	1,169	2,123
Restructuring costs	530	(10,436)
Impairment losses	-	(10,757)
Operating Income	**185,349**	**156,481**
- Cash and Cash equivalent	1,952	2,184
- Cost of financial debt	(7,870)	(11,004)
Net cost of financial debt	**(5,918)**	**(8,820)**
Other financial income and expenses	(632)	(466)
Income taxes	(34 208)	(42 039)
Net profit from continuing operations	**144,591**	**105,156**
Discontinued operations	4 ,416	12,748
Net profit for the period	**149,007**	**117,904**
- attributable to equity holders of the parent	148,638	117,638
- minority interest	369	266
Net profit from continuing operations per share ***(in euro)***	**2.14**	**1.79**
Net profit from discontinued operations per share ***(in euro)***	**0.06**	**0.22**
Net profit per share **(in euro)**	**2.20**	**2.01**

(1) According to IFRS 5, the consolidated income statement in 2004 has been adjusted in order to present a comparable information for both periods

ANNEX 2

CONSOLIDATED BALANCE SHEET[1] AT 31 DECEMBER 2005

(in thousands of euros)	31 December 2005	31 December 2004 Pro forma
ASSET		
Goodwill	**188,836**	**188,836**
Other intangible asset, net	**39,800**	**35,221**
- Property, plant and equipment, at cost	440,703	415,248
- Depreciation, amortisation and impairment losses	(252,934)	(237,436)
Property, plant and equipement, net	**187,769**	**177,812**
- Equity investments	2,656	3,003
- Other non-current assets	2,671	2,292
Non-current financial assets	**5,327**	**5,295**
Deferred tax assets	**13,096**	**8,235**
Total non-current assets	**434,828**	**415,399**
Inventories	74,390	71,464
Trade receivables	164,681	160,137
Current tax assets	10,951	2,245
Other current assets	42,966	32,783
Cash and cash equivalent	202,034	94,321
Total current assets	**495,022**	**360,950**
Non current assets classified as held for sale	**12,659**	**-**
TOTAL ASSETS	**942,509**	**776,349**
SHAREHOLDER'S EQUITY AND LIABILITIES		
Share capital	**84,025**	**571,391**
Share premiums and consolidated reserves	420,591	(367,885)
Net profit of the year	119,230	117,638
Cumulative translation reserve	(4, 080)	(7,346)
Shareholders' equity attributable to equity holder of the parent	**619,766**	**313,798**
Minority interests	1,334	1,188
Total Shareholders' equity	**621,100**	**314,986**
Retirement benefit obligations	8,032	7,594
Long-term provisions	8,266	10,330
Bank loans	37,751	215,010
Other financial liabilitites	15,508	12,455
Deferred tax liabilitites	1,358	862
Total non-current liabilitites	**70,915**	**246,251**
Short-term provisions	3,309	4,240
Bank loans	7,074	10,171
Financial liabilitites	1,760	892
Trade payables	107,045	99,332
Current tax liabilitites	2,223	8,910
Other current liabilitites	113,525	90,009
Bank overdrafts	1,470	1,558
Total current liabilitites	**236,406**	**215,112**
Liabilities directly associated with non current assets classified as held for sale	**14, 088**	**-**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**942,509**	**776,349**

(1)The Balance sheet as of 31 December 2005 has not been presented "pro forma" since the only difference with the above balance sheet, would concern the shareholder's equity structure

ANNEX 3

CONSOLIDATED STATEMENT OF CASH FLOW [(1)] AT 31 DECEMBER 2005

	Pro forma	
(in thousands of euros)	**31 December 2005**	**31 December2004**
Net profit for the period	149,007	117,904
Net profit from discontinued operations	(4,416)	-
Net profit from continuing operations	**144, 591**	**-**
Non-cash and non-operating items :		
- Depreciation, amortisation and impairment losses	30,603	27,477
- Increase/(decrease) in fair value of Financial Instruments	276	-
- Impairment of goodwill	-	10,757
- Net gains or losses on disposal of non-current assets	232	(12,171)
- Share of investment grant included in profit and loss	(135)	(127)
- Exchange difference	(1,238)	525
- Change in deferred taxes	(4,717)	(920)
- Cost of stock options	3,355	2,247
Cash flow from operating activities before changes in working capital	***172,967***	***145,692***
- (Increase) / decrease in inventories	(5 ,315)	(257)
- (Increase) / decrease in trade receivables	(6 ,755)	(24,780)
- (Decrease) / Increase in trade payables	9,192	12,900
- Net change in income tax liability	(15,110)	(4,967)
- Net change in other operating assets and liabilitites	21, 875	(3,905)
Change in working capital related to operating activities	***3, 887***	***(21,009)***
NET CASH PROVIDED BY OPERATING ACTIVITIES	**176, 854**	**124,683**
Acquisition of non-current assets	(36,479)	(40,884)
Proceeds from disposal of intangible assets and property, plant and equipment	(7, 944)	(22,524)
Employers contribution to plan assets	(1, 400)	-
Proceeds from sale of fixed assets	1,124	1,104
Acquisition of non consolidated financial assets	-	(1,250)
Impact of changes in the scope of consolidation	-	(47,449)
Other cash-flow related to investing activities	(426)	76
Change in working capital related to investing activities	(7,624)	8,450
NET CASH USED IN INVESTING ACTIVITIES	**(52,749)**	**(102,477)**
Additional long-term borrowings	13,052	126,350
Repayment of long-term borrowings	(189,969)	(47,051)
Net change in short-term borrowings	(3,095)	(322)
Capital increase	9,088	-
Increase in share premiums	182,731	-
Capital resolutions made by subsidiaries	-	442
Dividends paid by Ipsen S.A.	(29,303)	(91,900)
Dividends paid by subsidiaries to minority interests	(300)	(119)
Change of working capital related to finnancing activities	(1,154)	655
NET CASH PROVIDED/(USED) IN FINANCING ACTIVITIES	**(18,950)**	**(11,945)**
Reported change in cash and cash equivalents	12,001	-
Theoretical change in cash and cash equivalents	**117,156**	**10,261**
Impact of pro forma restatements	(10,150)	(15,227)
CHANGE IN CASH AND CASH EQUIVALENTS	**107,006**	**(4 ,966)**

Cash and cash equivalents at the beginning of the year	**92,763**	**99,725**
Impact of exchange rate fluctuations	795	(1,996)
Cash and cash equivalents at the end of the year	**200,564**	**92,763**

(1) According to IFRS 5, since the Balance sheet as at 31 December 2005 has not been adjusted, the consolidated statement of cash flow at 31 December 2005 has not beed adjusted either.

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ANNEX 4

GROUP SALES BY DRUG

(in € thousands)	2005		2004 on a comparable structure basis		variance 2005/2004 on a comparable structure basis		2004 as Published		Variance 2005/2004 as Published	
Drug trade name	*Amount*	*% of sales*	*Amount*	*% of sales*	*Amount*	*%*	*Amount*	*% of sales*	*Amount*	*%*
- Decapeptyl®	210,606	*26.1%*	198,571	*26.4%*	12,035	*6.1%*	198,571	*25.9%*	12,035	*6.1%*
- Tanakan®	120,960	*15.0%*	116,348	*15.5%*	4,612	*4.0%*	116,348	*15.2%*	4,612	*4.0%*
- Dysport®	92,478	*11.5%*	82,278	*10.9%*	10,200	*12.4%*	82,278	*10.7%*	10,200	*12.4%*
- Somatuline®	81,751	*10.1%*	72,061	*9.6%*	9,690	*13.4%*	72,061	*9.4%*	9,690	*13.4%*
- Smecta®	67,465	*8.4%*	64,574	*8.6%*	2,891	*4.5%*	64,574	*8.4%*	2,891	*4.5%*
- Ginkor Fort®	61,162	*7.6%*	58,999	*7.9%*	2,163	*3.7%*	58,999	*7.7%*	2,163	*3.7%*
- Forlax®	42,771	*5.3%*	39,382	*5.2%*	3,389	*8.6%*	39,382	*5.1%*	3,389	*8.6%*
- Nisis® and Nisisco®	41,525	*5.1%*	37,154	*4.9%*	4,371	*11.8%*	37,154	*4.8%*	4,371	*11.8%*
- NutropinAq®	5,740	*0.7%*	824	*0.1%*	4,916	*596.4%*	824	*0.1%*	4,916	*596.4%*
- Other products	51,419	*6.4%*	52,420	*7.0%*	-1,001	*-1.9%*	68,121	*8.9%*	-16,702	*-24.5%*
Total drug sales	**775,877**	***96.1%***	**722,611**	***96.2%***	**53,266**	***7.4%***	**738,312**	***96.2%***	**37,565**	***5.1%***
Drug related sales	31,237	*3.9%*	28,928	*3.8%*	2,309	*8.0%*	29,513	*3.8%*	1,724	*5.8%*
Total sales	**807,114**	***100.0%***	**751,539**	***100.0%***	**55,575**	***7.4%***	**767,825**	***100.0%***	**39,289**	***5.1%***

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ANNEX 5

SALES, REVENUES AND OPERATING INCOME BY GEOGRAPHICAL REGION

	2005		2004 on a comparable structure basis		2005/2004 variation on a comparable structure basis	
	(in thousands of euros)	%	*(in thousands of euros)*	%	*(in thousands of euros)*	%
Major Western European countries						
Sales	547,287	*97.8 %*	519,695	*97.8 %*	27,592	*5.3 %*
Revenues	559,461	*100.0 %*	531,589	*100.0 %*	27,872	*5.2 %*
Operating profit	219,652	*39.3 %*	208,165	*39.2 %*	11,487	*5.5 %*
Other European Countries						
Sales	155,893	*99.8 %*	135,581	*99.7 %*	20,312	*15.0 %*
Revenues	156,258	*100.0 %*	135,985	*100.0 %*	20,273	*14.9 %*
Operating profit	54,969	*35.2 %*	52,771	*38.8 %*	2,197	*4.2 %*
Rest of the World						
Sales	103,934	*100.0 %*	96,264	*100.0 %*	7,670	*8.0 %*
Revenues	103,934	*100.0 %*	96,264	*100.0 %*	7,670	*8.0 %*
Operating profit	29,228	*28.1 %*	23,621	*24.5 %*	5,607	*23.7 %*
Allocated Total						
Sales	807,114	*98.5 %*	751,539	*98.4 %*	55,574	*7.4 %*
Revenues	819,653	*100.0 %*	763,837	*100.0 %*	55,816	*7.3 %*
Operating profit	303,849	*37.1 %*	284,558	*37.3 %*	19,291	*6.8 %*
Non-Allocated Total						
Revenues	68,199	*100.0 %*	50,989	*100.0 %*	17,210	*33.8 %*
Operating loss	(118,500)	*-173.8 %*	(128,076)	*-251.2%*	9,576	*-7.5 %*
Ipsen Total						
Sales	807,114	*90.9 %*	751,539	*92.2 %*	55,574	*7.4 %*
Revenues	887,852	*100.0 %*	814,826	*100.0 %*	73,026	*9.0 %*
Operating profit	185,349	*20.9 %*	156,481	*19.2 %*	28,868	*18.4 %*