Innovation for patient care

2018
HALF YEAR FINANCIAL REPORT

SUMMARY

1. FIRST HALF 2018 CONSOLIDATED FINANCIAL STATEMENTS

1.1 Consolidated income statement

(in millions of euros)	Notes	30 June 2018	30 June 2017 Restated
Sales	4	1,064.5	919.5
Other revenues	4	60.6	50.2
Revenue		**1,125.1**	**969.7**
Cost of goods sold		(216.4)	(189.0)
Selling expenses		(380.8)	(341.1)
Research and development expenses		(141.6)	(126.1)
General and administrative expenses		(78.3)	(66.9)
Other operating income	5	31.1	1.9
Other operating expenses	5	(53.5)	(64.2)
Restructuring costs	6	(16.0)	(7.9)
Impairment losses	7	-	-
Operating Income	4	**269.7**	**176.4**
Investment income	*8*	*11*	*0.6*
Financing costs	*8*	*(4.2)*	*(4.8)*
Net financing costs	8	(3.1)	(4.2)
Other financial income and expense	8	(10.1)	(7.5)
Income taxes	9.1	(59.8)	(41.4)
Share of net profit (loss) from entities accounted for using the equity method		0.6	1.0
Net profit (loss) from continuing operations		**197.3**	**124.4**
Net profit (loss) from discontinued operations		0.1	1.6
Consolidated net profit (loss)		**197.3**	**125.9**
- Attributable to shareholders of Ipsen S.A.		197.5	125.9
- Attributable to non-controlling interests		(0.2)	0.0

Basic earnings per share, continuing operations (in euros)		2.39	1.51
Diluted earnings per share, continuing operations (in euros)		2.38	1.50

Basic earnings per share, discontinued operations (in euros)		0.00	0.02
Diluted earnings per share, discontinued operations (in euros)		0.00	0.02

Basic earnings per share (in euros)		2.39	1.53
Diluted earnings per share (in euros)		2.38	1.52

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

The consolidated income statement was restated to reflect changes in presentation. See note 3.7 for details.

1.2 Comprehensive consolidated income statement

(in millions of euros)	30 June 2018	30 June 2017
Consolidated net profit (loss)	**197.3**	**125.9**
Actuarial gains and (losses) on defined benefit plans, net of taxes	2.8	6.3
Financial assets at fair value through other comprehensive income (OCI), net of taxes	(0.2)	
Other items of comprehensive income that will not be reclassified to the income statement	**2.6**	**6.3**
Revaluation of financial derivatives for hedging, net of taxes	(7.9)	12.1
Foreign exchange differences, net of taxes	7.1	(39.3)
Financial assets available for sale, net of taxes		0.6
Other items of comprehensive income likely to be reclassified to the income statement	**(0.8)**	**(26.5)**
Comprehensive income: Consolidated net profit (loss) and gains and (losses) recognized directly in equity	**199.1**	**105.7**
- Attributable to shareholders of Ipsen S.A.	199.2	105.8
- Attributable to non-controlling interests	(0.1)	(0.1)

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

1.3 Consolidated balance sheet before allocation of net profit

(in millions of euros)	Notes	30 June 2018	31 December 2017
ASSETS			
Goodwill	10	392.1	389.0
Other intangible assets	11	963.6	930.2
Property, plant & equipment	12	427.7	418.9
Equity investments	13	65.2	43.3
Investments in companies accounted for using the equity method		14.8	14.7
Non-current financial assets	14	96.2	112.7
Deferred tax assets	9.2	151.0	142.0
Other non-current assets		4.7	4.8
Total non-current assets		**2,115.3**	**2,055.6**
Inventories	15	188.3	167.4
Trade receivables	15	469.8	437.2
Current tax assets	15	28.1	58.0
Current financial assets		16.5	29.6
Other current assets	15	118.2	96.3
Cash and cash equivalents		359.3	228.0
Total current assets		**1,180.2**	**1,016.4**
TOTAL ASSETS		**3,295.5**	**3,072.0**
EQUITY & LIABILITIES			
Share capital	16.1	83.8	83.7
Additional paid-in capital and consolidated reserves		1,379.6	1,171.7
Net profit (loss) for the period		197.5	272.3
Foreign exchange differences		4.5	(2.3)
Equity attributable to Ipsen S.A. shareholders		**1,665.3**	**1,525.4**
Equity attributable to non-controlling interests		2.5	10.5
Total shareholders' equity		**1,667.9**	**1,535.9**
Retirement benefit obligation		66.7	67.6
Non-current provisions	17	50.2	33.3
Other non-current financial liabilities	18	384.4	400.3
Deferred tax liabilities	9.2	16.8	21.5
Other non-current liabilities	15	55.2	71.7
Total non-current liabilities		**573.2**	**594.3**
Current provisions	17	17.9	16.6
Current financial liabilities	18	415.0	294.7
Trade payables	15	325.2	319.1
Current tax liabilities	15	11.2	2.4
Other current liabilities	15	270.7	290.2
Bank overdrafts		14.4	18.7
Total current liabilities		**1,054.4**	**941.8**
TOTAL EQUITY & LIABILITIES		**3,295.5**	**3,072.0**

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

1.4 Consolidated statement of cash flow

(in millions of euros)	Notes	30 June 2018	30 June 2017
Consolidated net profit (loss)		**197.3**	**125.9**
Share of profit (loss) from entities accounted for using the equity method before impairment losses		0.3	(1.0)
Net profit (loss) before share from entities accounted for using the equity method		**197.6**	**124.9**
Non-cash and non-operating items			
- Depreciation, amortization, provisions		77.6	53.3
- Impairment losses included in operating Income and net financial income	7	-	-
- Change in fair value of financial derivatives		1.9	(12.1)
- Net gains or losses on disposals of non-current assets		0.6	0.1
- Foreign exchange differences		1.1	15.9
- Change in deferred taxes	9.2	(12.6)	8.8
- Share-based payment expense		5.7	4.5
- Other non cash items		0.7	0.2
Cash flow from operating activities before changes in working capital requirement		***272.4***	***195.5***
- (Increase)/decrease in inventories	15	(20.3)	(19.5)
- (Increase)/decrease in trade receivables	15	(34.7)	(34.0)
- Increase/(decrease) in trade payables	15	4.8	18.1
- Net change in income tax liability	15	45.6	16.4
- Net change in other operating assets and liabilities	15	(58.9)	(47.0)
Change in working capital requirement related to operating activities		***(63.4)***	***(66.0)***
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		**209.0**	**129.6**
Acquisition of property, plant & equipment	12	(35.2)	(28.1)
Acquisition of intangible assets	11	(67.5)	(93.4)
Proceeds from disposal of intangible assets and property, plant & equipment		2.8	0.1
Acquisition of shares in non-consolidated companies		(22.1)	(0.7)
Payments to post-employment benefit plans		(0.8)	(0.2)
Impact of change in the consolidation scope		(7.4)	(547.6)
Deposits paid		(0.5)	(0.1)
Change in working capital related to investment activities		20.6	(11.6)
Other cash flow related to investment activities		20.5	(0.2)
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES		**(89.6)**	**(682.0)**
Additional long-term borrowings	18	1.1	1.6
Repayment of long-term borrowings	18	(25.1)	(2.8)
Net change in short-term borrowings	18	119.1	375.5
Capital increase	16.1	2.4	3.5
Treasury shares		2.0	(3.3)
Dividends paid by Ipsen S.A.	16.2	(83.0)	(70.2)
Dividends paid by subsidiaries to non-controlling interests		(0.2)	(0.4)
Change in working capital related to financing activities		(3.0)	(2.8)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		**13.3**	**301.1**
CHANGE IN CASH AND CASH EQUIVALENTS		**132.7**	**(251.3)**
Opening cash and cash equivalents		**209.3**	**422.5**
Impact of exchange rate fluctuations		2.9	(0.4)
Closing cash and cash equivalents		**344.9**	**170.9**

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

1.5 Statement of change in consolidated shareholders' equity

(in millions of euros)	Share capital	Share premiums	Consolidated reserves	Reserves related to retirement benefit obligations	Cash flow hedge reserves	Treasury shares	Net profit (loss) for the period	Total Group equity	Equity attributable to non-controlling interests	Total equity
Balance at 31 December 2017	**83.7**	**739.1**	**532.5**	**(32.7)**	**14.6**	**(84.1)**	**272.3**	**1,525.4**	**10.5**	**1,535.9**
First application of IFRS15 - Revenue from contracts with customers (see note 3.9)			14.0					14.0		14.0
Balance at 1 January 2018	**83.7**	**739.1**	**546.5**	**(32.7)**	**14.6**	**(84.1)**	**272.3**	**1,539.4**	**10.5**	**1,549.9**
Consolidated net profit (loss) for the period	-	-	-	-	-	-	197.5	197.5	(0.2)	197.3
Gains and (losses) recognized directly in equity [1]	-	-	6.8	2.8	(7.9)	-	-	1.7	-	1.7
Consolidated net profit (loss) and gains and losses recognized directly in equity	**-**	**-**	**6.8**	**2.8**	**(7.9)**	**-**	**197.5**	**199.2**	**(0.1)**	**199.1**
Allocation of net profit (loss) from the prior period	-	-	272.3	-	-	-	(272.3)	0.0	-	0.0
Capital increases (decreases)	0.1	2.2	-	-	-	(0.2)	-	2.1	-	2.1
Share-based payments	-	-	5.7	-	-	6.5	-	12.3	-	12.3
Own share purchases and disposals	-	-	-	-	-	(4.6)	-	(4.6)	-	(4.6)
Dividends	-	-	(83.0)	-	-	-	-	(83.0)	(0.4)	(83.4)
Other changes [2]	-	-	-	-	-	-	-	-	(7.5)	(7.5)
Balance at 30 June 2018	**83.8**	**741.3**	**748.3**	**(29.9)**	**6.7**	**(82.3)**	**197.5**	**1,665.3**	**2.5**	**1,667.9**

[1] Detailed in the note "Comprehensive income statement".

[2] The decrease of the non-controlling interests reflects the Group acquisition of the residual capital of Akkadeas Pharma S.R.L. not previously held.

(in millions of euros)	Share capital	Share premiums	Consolidated reserves	Reserves related to retirement benefit obligations	Cash flow hedge reserves	Treasury shares	Net profit (loss) for the period	Total Group equity	Equity attributable to non-controlling interests	Total equity
Balance at 1 January 2017	**83.6**	**732.9**	**411.2**	**(28.1)**	**(1.4)**	**(65.2)**	**225.9**	**1,358.9**	**3.3**	**1,362.2**
Consolidated net profit (loss) for the period	-	-	-	-	-	-	125.9	125.9	-	125.9
Gains and (losses) recognized directly in equity [1]	-	-	(38.5)	6.3	12.1	-	-	(20.1)	(0.1)	(20.3)
Consolidated net profit (loss) and gains and losses recognized directly in equity	**-**	**-**	**(38.5)**	**6.3**	**12.1**	**-**	**125.9**	**105.8**	**(0.1)**	**105.7**
Allocation of net profit (loss) from the prior period	-	-	225.9	-	-	-	(225.9)	-	-	-
Capital increases (decreases)	0.1	2.9	(0.0)	-	-	0.2	-	3.1	-	3.1
Share-based payments	-	-	4.5	-	-	0.6	-	5.1	-	5.1
Own share purchases and disposals	-	-	-	-	-	(4.5)	-	(4.5)	-	(4.5)
Dividends	-	-	(70.2)	-	-	-	-	(70.2)	(0.5)	(70.8)
Other changes	-	-	-	-	-	-	-	-	7.2	7.2
Balance at 30 June 2017	**83.6**	**735.8**	**532.8**	**(21.9)**	**10.7**	**(68.8)**	**125.9**	**1,398.1**	**9.9**	**1,408.1**

[1] Detailed in the note "Comprehensive income statement".

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

1.6 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant events during the period

On 28 March 2018, Ipsen announced that European Medicines Agency (EMA), the European health authority, has validated the filing of the application of the new indication of Cabometyx (cabozantinib) for patients previously treated for Advanced Hepatocellular Carcinoma (HCC).

This submission was based on the results of the Phase 3 CELESTIAL international study that achieved its primary endpoint of overall survival (OS), with cabozantinib achieving a statistically significant and clinically relevant improvement in median overall survival compared with placebo in patients with advanced hepatocellular carcinoma (HCC), previously treated with sorafenib.

On 17 May 2018, Ipsen announced that the European Commission has approved Cabometyx® for the first-line treatment of adults with advanced or intermediate-risk advanced kidney cancer. This authorization will allow Cabometyx® (cabozantinib) market access for this mention in the 28 member states of the European Union, Norway and Iceland.

This decision is based on the Phase 2 CABOSUN trial, which demonstrated that cabozantinib significantly prolonged progression-free survival (PFS) in comparison with sunitinib in patients with intermediate or high-risk aRCCs who had never received treatment. Cabozantinib is the first and only monotherapy regimen to have demonstrated superior clinical efficacy to sunitinib in previously untreated patients with intermediate or high risk.

Note 2. Changes in the scope of consolidation

During the first half of 2018, the Group created subsidiaries in Hungary, Czech Republic, Romania and in Algeria. As of 30 June 2018, the ownership interest within the Algerian subsidiary is equal to 49% and the analysis of the control performed according to IFRS 10 standard leads to a consolidation according to the global integration method. The other subsidiaries are not consolidated due to their non-significant size.

Socapharma S.A.S, previously non-consolidated, has been renamed Ipsen CHC S.A.S and is consolidated according to the global integration method as of 30 June 2018.

During the first half of 2018, the interest rate owned by the Group in Akkadeas Pharma S.R.L increased from 49% to 100%.

Note 3. Accounting principles and methods, and compliance statement

Preliminary remarks:

All amounts in the Group's condensed consolidated financial statements are expressed in millions of euros, unless otherwise stated.

The closing date of the condensed interim consolidated financial statements is 30 June of each year. Individual statements incorporated into the condensed consolidated financial statements are prepared at the closing date of the condensed consolidated financial statements, i.e. 30 June, and cover the same period.

The condensed consolidated financial statements were approved by the Board of Directors on July 25, 2018.

3.1 General principles and compliance statement

In compliance with European regulation n°1606 / 2002 adopted on 19 July 2002 by the European Parliament and the European Council, the Group's consolidated financial statements as at 30 June 2018 were prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union on the date of preparation.

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

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

The notes to the condensed consolidated financial statements as of 30 June 2018 were 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 condensed financial statements do not include all disclosures required for annual financial statements and should therefore be read in conjunction with the consolidated financial statements for year ended 31 December 2017.

All the texts adopted by the European Union are available on the European Commission's website:

https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-endorsement-process.

IFRS as applied on 30 June 2018

The condensed consolidated financial statements are prepared in accordance with the accounting principles and methods applied by the Group for the financial statements of 2017 financial year (described in note 3 of the consolidated financial statements for the year ended 31 December 2017) and in compliance with other standards and interpretations in force as of 1 January 2018, with the exception to the application of the new standards and interpretations described below.

3.2 Standards and interpretations that became applicable as of 1 January 2018

The mandatory standards, amendments and interpretations published by the IASB and applicable as of 2018 financial year are listed below:

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from contracts with customers
- Amendments to IFRS 2 – Classification and measurement of share based payment transactions
- Amendments to IFRS 4 – Applying IFRS 9 financial instruments with IFRS 4 insurance contracts
- Amendments to IFRS 15 – Clarifications
- Amendments to IAS 40 – Transfer of investment properties
- IFRIC 22 – Foreign currency transactions and advance consideration

The consequences of IFRS 9 and IFRS 15 on the half-year accounts of the Group are detailed in notes 3.8 and 3.9, respectively.

The analysis of the other texts that came into effect on 1 January 2018 showed that their application had a non-material impact on the Group's half-year financial statements, which accordingly were not restated.

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

The Group did not opt for early adoption of the standards, amendments and interpretations adopted by the European Union for which the application was not mandatory on 1 January 2018, namely:

- Amendments to IFRS 9 – Prepayment features with negative remuneration
- Amendments to IAS 19 – Employee Benefits
- IFRS 16 – Leases
- IFRIC 23 – Uncertainty over Income Tax treatments

At the closing date of the half-year accounts, the analysis of the amendments to IFRS 9, IAS19 and IFRIC23 is ongoing by the Group.

The Group completed the diagnostic of the main impacts of the standard IFRS 16 – Leases. The main contracts concerned by this standard are property leases and vehicle rentals.

The Group will utilize the simplified retrospective method from the first application of this standard as of 1 January 2019. Thus, lease liabilities will be measured at the present value of the remaining lease payments, with the application of a marginal borrowing rate as of 31 December 2018. This marginal rate will be applicable to each contract and will take into account the residual maturity of the lease commitment and the monetary zone in which the lessee operates. In accordance with the options authorized by the standard, contracts less than twelve months in the course of life on 1 January 2019 will not be considered, as well as contracts whose value of the asset taken as new is less than five thousand U.S. dollars. In addition, the amount entered in the assets side of the balance sheet under the rights of use will be equal to the debt recorded under the leases, after possible adjustment related to the timing of payment.

The Group estimates that the application of IFRS 16 will lead to an increase in the financial liabilities of approximately €170 million as of 1 January 2019. The annual impact on the Consolidated net profit should be less than €5 million. These estimates are based on facts and circumstances known to date.

3.4 Standards, amendments and interpretations published but not yet approved by the European Union

Standards, amendments and interpretations published but not yet approved by the European Union are listed below:

- Revised IFRS conceptual framework
- Amendments to IAS 28 – Long-term interests in Associates and Joint Ventures

At the closing date of the half-year accounts, the analysis of these texts is ongoing by the Group.

3.5 Use of estimates

In the course of preparing its interim financial statements, Ipsen's management made estimates, judgments and assumptions impacting the application of accounting principles and methods as well as the carrying value of assets and liabilities and income and expense items.

The main sources of uncertainty with respect to key estimates and judgments made by Ipsen were identical to those applied in the consolidated financial statements for the year ended 31 December 2017.

3.6 Seasonal effects

The Group's business is not subject to any significant seasonal effects on sales.

3.7 Changes in the presentation of certain income statement items

In the context of setting up a new organization, the Group conducted a review of the presentation of its financial statements in 2017 and modified the classification of certain elements of its income statement, considering that this new presentation would provide more relevant information to the users of the financial statements.

In order to better reflect the substance of the operations related to global medical affairs, the Group decided starting from 2017 to recognize global medical affairs expenses in “Research and development expenses”. The allocation of internal costs within the various functions was revised in the consolidated income statement. As a result, certain support function expenses were reclassified within the income statement, as this reclassification is considered more relevant by the Group in respect to the activity of the departments concerned. These reclassifications had no impact on the Operating result and on the Net profit.

Starting 31 December 2017, the Group restated the comparison reporting periods in accordance with IAS 1 Revised. The impact of the various reclassifications on the consolidated income statement for the period ended 30 June 2017 is presented in the following table:

(in millions of euros)	30 June 2017 Restated	Presentation restatements	30 juin 2017 Published
Sales	919.5		919.5
Other revenues	50.2		50.2
Revenue	**969.7**		**969.7**
Cost of goods sold	(189.0)	1.2	(190.2)
Selling expenses	(341.1)	8.6	(349.6)
Research and development expenses	(126.1)	(11.1)	(115.0)
General and administrative expenses	(66.9)	1.4	(68.3)
Other operating income	1.9		1.9
Other operating expenses	(64.2)		(64.2)
Restructuring costs	(7.9)		(7.9)
Impairment losses	-		-
Operating Income	**176.4**	**0,0**	**176.4**
Investment income	*0.6*		*0.6*
Financing costs	*(4.8)*		*(4.8)*
Net financing costs	(4.2)		(4.2)
Other financial income and expense	(7.5)		(7.5)
Income taxes	(41.4)		(41.4)
Share of net profit (loss) from entities accounted for using the equity method	1.0		1.0
Net profit (loss) from continuing operations	**124.4**	**0,0**	**124.4**
Net profit (loss) from discontinued operations	1.6		1.6
Consolidated net profit	**125.9**	**0,0**	**125.9**
- Attributable to shareholders of Ipsen S.A.	125.9		125.9
- Attributable to non-controlling interests	0.0		0.0
Basic earnings per share, continuing operations (in euros)	1.51		1.51
Diluted earnings per share, continuing operations (in euros)	1.50		1.50
Basic earnings per share, discontinued operations (in euros)	0.02		0.02
Diluted earnings per share, discontinued operations (in euros)	0.02		0.02
Basic earnings per share (in euros)	1.53		1.53
Diluted earnings per share (in euros)	1.52		1.52

3.8 First application of IFRS 9 – Financial Instruments

The standard IFRS 9 replaces the standard IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 defines the rules applicable to the classification and accounting of the financial instruments, the depreciation of the financial assets (in particular, for the valuation of trade receivables, the use of a model of expected losses instead of a model of incurred losses), as well as to hedge accounting.

As part of the application of IFRS 9, the Group reviewed the method of accounting for securities that were previously classified as "Available-for-sale financial assets". For non-consolidated investments held for investment purposes, the Group opted for fair value accounting through equity, with no subsequent reutilization in the income statement. In accordance with IFRS 9, the change in the fair value of the units held by the Group in funds is recognized in profit or loss (see note 13). As of 1 January 2018, the reserves for assets available for sale have been reclassified as consolidation reserves, with no impact on the total amount of consolidated shareholders' equity.

In addition, the Group now applies the expected loss model introduced by IFRS 9 for its trade receivables. Trade receivables are therefore depreciated on the basis of a historical loss rate observed over the last three financial years, adjusted by forward-looking events that take into account both individualized credit risks and economic prospects in the relevant market. The application of this model of expected losses on trade receivables presented in the Group's balance sheet as of 1 January 2018 did not generate any variation from the calculations made using the previous model of incurred losses. As a result, the application of this prescription of IFRS 9 has no effect on the consolidated balance sheet as of 1 January 2018.

The application of IFRS 9 rules related to hedge accounting also has no impact on the Group's financial statements.

3.9 First application of IFRS 15 – Revenue from contracts with customers

The standard IFRS15 notably replaces standard IAS 18 – Revenue. The only impact on the Group's consolidated financial statements is the recognition of revenue from static licenses. These revenues were previously spread over the life of the license agreement. They are now recognized one shot as "Other revenue" upon occurrence of the trigger event.

The Group has also investigated the other concepts introduced or clarified by IFRS 15:

- the recognition of sales (gross to net);
- the review of the situations in which the Group may act as an agent or as a principal;
- the identification of the performance obligations in the contracts;
- the costs associated with the execution of the contracts;
- the clauses for the return of products by clients.

This review did not trigger any change in the accounting schemes currently applied by the Group.

The Group opted for the simplified retrospective method. As a result, the shareholders' equity as of 1 January 2018 was increased by €14.0 million following the first application of IFRS 15, in return for a decrease in deferred revenue in the balance sheet and an impact on the deferred tax.

Note 4. Operating segments

Segment information is presented according to the Group's two operating segments, i.e. Specialty Care and Consumer Healthcare.

All costs allocated to these two segments are presented in the key performance indicators. Only corporate overhead costs and the impact of the currency hedging policy are not allocated to the two operating segments.

The Group uses Core Operating Income to measure its performance. Core Operating Income is the indicator used by the Group to measure operating performance and to allocate resources.

Core Operating Income excludes amortization expenses for intangible assets (excluding software), restructuring costs, impairment losses on intangible assets and property, plant and equipment, as well as other items arising from significant events that could distort the reading of the Group's performance from one year to another.

Those performance indicators are not replacements for IFRS indicators and should not be viewed as such. They are used in addition to IFRS indicators.

4.1 Core Operating Income by operating segment

(in millions of euros)	Specialty Care	Consumer Healthcare	Other (unallocated)	30 June 2018
Sales	920.2	144.3	-	**1,064.5**
Other revenues	30.3	30.3	-	**60.6**
Revenue	**950.5**	**174.6**	**-**	**1,125.1**
Core Operating Income	**356.3**	**41.8**	**(75.6)**	**322.5**

(in millions of euros)	Specialty Care	Consumer Healthcare	Other (unallocated)	30 June 2017
Sales	764.6	154.8	-	**919.5**
Other revenues	24.6	25.6	-	**50.2**
Revenue	**789.2**	**180.5**	**-**	**969.7**
Core Operating Income	**281.3**	**47.1**	**(87.8)**	**240.5**

The unallocated portion of the Core Operating Income is €(75.6) million in the first half of 2018, compared to €(87.8) million in the previous year. It mainly includes unallocated administrative costs and the impact of foreign exchange.

The reconciliation of Core Operating Income and Operating Income is presented in the following table:

(in millions of euros)	30 June 2018	30 June 2017
Core Operating Income	**322.5**	**240.5**
Amortization of intangible assets, excluding software	(33.1)	(21.5)
Other operating income and expenses	(3.7)	(34.8)
Restructuring costs	(16.0)	(7.9)
Impairment losses	-	-
Operating Income	**269.7**	**176.4**

4.2 Sales by therapeutic area and product

(in millions of euros)	30 June 2018	30 June 2017
Oncology	709.7	560.8
Somatuline ®	*402.6*	*340.4*
Decapeptyl ®	*183.3*	*171.0*
Cabometyx ®	*62.0*	*16.9*
Onivyde ®	*48.9*	*19.3*
Other Oncology	*13.0*	*13.3*
Neurosciences	174.5	165.4
Dysport ®	*172.8*	*163.6*
Rare diseases	36.0	38.4
NutropinAq ®	*24.1*	*27.1*
Increlex ®	*11.8*	*11.3*
Specialty Care	**920.2**	**764.6**
Smecta ® (1)	62.4	62.6
Forlax ®	19.1	21.3
Tanakan ®	15.9	15.5
Fortrans/Eziclen ®	14.0	15.8
Etiasa ®	0.1	9.4
Other Consumer Healthcare	32.7	30.3
Consumer Healthcare	**144.3**	**154.8**
Group Sales	**1064.5**	**919.5**

(1) Including the restatement of Smectite (drug-related sales) previously recorded in "Other Consumer Healthcare".

4.3 Other information

(in millions of euros)	Specialty Care	Consumer Healthcare	Other (unallocated)	30 June 2018
Acquisition of intangible assets	(59.8)	(0.7)	(7.0)	(67.5)
Acquisition of property, plant & equipment	(28.4)	(5.9)	(0.9)	(35.2)
Total investments (1)	**(88.2)**	**(6.7)**	**(7.9)**	**(102.7)**
Net depreciation, amortization and provisions (excluding financial assets)	(41.5)	(7.6)	(28.4)	(77.5)
Share-based payment expenses with no impact on cash flow			(5.7)	(5.7)

NB. Share-based payment expenses are not broken down by operating segment.

(in millions of euros)	Specialty Care	Consumer Healthcare	Other (unallocated)	30 June 2017
Acquisition of intangible assets	(1.3)	(86.8)	(5.3)	(93.4)
Acquisition of property, plant & equipment	(18.8)	(6.5)	(2.8)	(28.1)
Total investments (1)	**(20.2)**	**(93.3)**	**(8.1)**	**(121.6)**
Net depreciation, amortization and provisions (excluding financial assets)	(24.8)	(3.3)	(11.4)	(39.5)
Share-based payment expenses with no impact on cash flow			(4.5)	(4.5)

NB. Share-based payment expenses are not broken down by operating segment.

(1) As of 30 June 2017, the increase in intangible assets for the Consumer Healthcare segment resulted mainly from the acquisition of a portfolio of select Consumer Healthcare products.

Note 5. Other operating income and expenses

Other operating income and expenses presented a charge of €22.4 million in the first half of 2018, mainly related to the amortization of intangible assets from Cabometyx® and Onivyde®, the termination of R&D studies and costs arising from the Group's transformation programs, partially compensated by a favorable settlement with a U.S. partner and by the impact of the currency hedging policy.

In the first half of 2017, other operating income and expenses totaled €62.4 million. Those expenses consisted mainly of the amortization of Onivyde® and Cabometyx® intangible assets, integration costs related to the Onivyde® acquisition, the adaptation of the R&D structure and programs and a settlement with a partner in Japan.

Note 6. Restructuring costs

Restructuring costs represent a charge of €16.0 million in the first half of 2018, mainly related to the relocation of the U.S. commercial affiliate to Cambridge, Massachusetts.

On 30 June 2017, restructuring costs amounted to €7.9 million and consisted mainly of integration costs related to the Onivyde® acquisition as well as the adaptation of the R&D structure and programs.

Note 7. Impairment losses

As of 30 June 2018, as well as 30 June 2017, no impairment loss or reversal of loss was recognized in the Group accounts.

Note 8. Net financial income

At the end of June 2018, the Group incurred Net financial expenses of €13.2 million, versus €11.6 million in the first half of 2017.

Net financing costs decreased by €1.1 million driven by the decrease of the net debt level over the period.

Other financial income and expense increased by €2.6 million, mainly attributable to the cost of hedging implemented to mitigate the foreign exchange exposure of the Group.

Note 9. Income taxes

9.1 Effective tax rate

(in millions of euros)	30 June 2018	30 June 2017
Net profit (loss) from continuing operations	197.3	124.4
Share of net profit (loss) from entities accounted for using the equity method	0.6	1.0
Profit from continuing operations before share of results from companies accounted for using the equity method	**196.6**	**123.4**
Current tax	(72.4)	(32.6)
Deferred tax	12.6	(8.8)
Income taxes	**(59.8)**	**(41.4)**
Pre-tax profit from continuing operations before share of results from companies accounted for using the equity method	**256.5**	**164.7**
Effective tax rate	**23.3%**	**25.1%**

On 30 June 2018, the effective tax rate came to 23.3% of profit before tax from continuing operations before the share of profit (loss) from companies accounted for using the equity method, compared with an effective tax rate of 25.1% on 30 June 2017.

This decrease in the Group's effective tax rate is mainly related to the U.S. tax reform that came into force from December 2017.

9.2 Movements during the first half of 2018

(in millions of euros)	31 December 2017	First application of IFRS15 (see note 3.9)	1st January 2018	Movements during the period					30 June 2018
				Income statement income / expense	Deferred taxes recorded directly to reserves	SoRIE	Foreign exchange differences	Other movements	
Deferred tax assets	142.0	(2.6)	139.4	0.8	1.6	(0.8)	0.7	9.1	151.0
Deferred tax liabilities	(21.5)		(21.5)	11.8	2.5	-	(0.3)	(9.2)	(16.8)
Net assets / (liabilities)	**120.5**	**(2.6)**	**117.9**	**12.6**	**4.1**	**(0.8)**	**0.4**	**(0.1)**	**134.2**

A significant share of the Group's deferred tax assets / liabilities is related to tax loss carryforwards and temporary differences on Ipsen Biopharmaceuticals Inc.

A review of the deferred tax assets by the Group showed no additional risk concerning the expiry of certain tax loss carryforwards within the time frame of their potential use. The situation will be reviewed in the second half of the year based on changes in the underlying markets.

Note 10. Goodwill

10.1 Net goodwill carried in the balance sheet

The Group's operating segments are Specialty Care and Consumer Healthcare. Accordingly, goodwill is allocated to these two Cash Generating Units (CGUs) in accordance with the Group's organization.
Goodwill totaling €135.3 million related to the Group's 1998 structuring operations was allocated to the Consumer Healthcare and Specialty Care segments in proportion to the sales generated.

The €53.5 million in goodwill arising from the end of the Group's 2004 structuring operation, with the acquisition of BB et Cie, was allocated in full to the Consumer Healthcare business.

The goodwill related to the acquisition of Vernalis Inc. and Ipsen Biopharmaceuticals Inc. in the second half of 2008, the goodwill related to the acquisition of BioInnovation Ltd in 2013, the goodwill arising from the acquisition of Octreopharm in 2015 and the goodwill arising from the acquisition of Onivyde® during the first semester 2017, have been allocated to the Specialty Care operating segment.

The goodwill related to the acquisition of Akkadeas Pharma S.R.L during the first semester 2017 has been allocated to the Consumer Healthcare operating segment.

10.2 Movements of goodwill

In the first half of 2018, movements for the period comprised of foreign exchange differences of €3.2 million on gross goodwill.

(in millions of euros)	31 December 2017	Movements during the period				30 June 2018
		Increase	Decrease	Changes in consolidation scope	Foreign exchange differences	
Gross goodwill	397.3	-	-	-	3.2	400.4
Impairment losses	(8.2)	-	-	-	-	(8.3)
Net goodwill	**389.0**	**-**	**-**	**-**	**3.1**	**392.1**

The impairment tests for goodwill are realized at least once a year. In the absence of an indication of impairment as of 30 June 2018, no tests were performed.

Note 11. Other intangible assets

- Movements during the first half of 2018

(in millions of euros)	31 December 2017	Movements during the period					30 June 2018
		Increase	Decrease	Changes in consolidation scope	Foreign exchange differences	Other movements	
Intellectual property	1,371.8	59.7	(1.3)		7.9	4.7	1,442.8
Intangible assets in progress	13.9	7.8			0.0	(4.3)	17.4
Gross assets	**1,385.7**	**67.5**	**(1.3)**	**-**	**8.0**	**0.3**	**1,460.2**
Depreciation	(273.9)	(39.2)	1.0		(2.3)	(1.9)	(316.2)
Impairment losses	(181.5)				(1.1)	2.2	(180.4)
Net assets	**930.2**	**28.4**	**(0.3)**	**-**	**4.6**	**0.6**	**963.6**

As of 30 June 2018, most of the increase in intangible assets is explained by:

- the registration of intangible assets related to milestones payments to Exelixis for €50.4 million as part of the exclusive licensing agreement signed in 2016;
- the acquisition of a license for €5.8 million ($7 million) from the MD Anderson Cancer Center for a pre-clinical oncology drug candidate, discovered by researchers at the Institute for Applied Cancer Science (IACS) of MD Anderson;
- the registration of intangible assets related to a milestones payment to 3B Pharmaceuticals for €2 million.

Movements during the first half of 2017:

(in millions of euros)	31 December 2016	Movements during the period					30 June 2017
		Increase	Decrease	Changes in consolidation scope	Foreign exchange differences	Other movements	
Intellectual property	804.3	87.0	(1.7)	473.3	(36.7)	3.9	1,330.2
Intangible assets in progress	10.0	6.4	-	-	(0.1)	(3.8)	12.5
Gross assets	**814.3**	**93.4**	**(1.7)**	**473.3**	**(36.9)**	**0.1**	**1,342.7**
Depreciation	(213.7)	(27.0)	1.0	(2.8)	8.1	(4.2)	(238.6)
Impairment losses	(220.5)	-	0.6	-	10.6	4.2	(205.1)
Net assets	**380.1**	**66.4**	**0.0**	**470.5**	**(18.2)**	**0.1**	**899.0**

As of 30 June 2017, most of the increase in intangible assets is explained by the acquisitions made in the first half of the year:

- as part of the acquisition of Onivyde® assets from Merrimack, intangible assets have been included in the Group balance sheet for an amount of €466.6 million ;

- as part of the acquisition of Akkadeas Pharma S.R.L, intangible assets have been included in the Group balance sheet for an amount of €3.9 million ;

- as part of the acquisition of a portfolio of select consumer healthcare products, trademarks have been included in the balance sheet for an amount of €55.5 million. Market authorization rights as well as regulatory rights have been included in the balance sheet for an amount of €31.0 million.

Note 12. Property, plant & equipment

- Movements during the first half of 2018

(in millions of euros)	31 December 2017	Movements during the period					30 June 2018
		Increase	Decrease	Changes in consolidation scope	Foreign exchange differences	Other movements	
Land	23.0	-	(0.8)	-	0.0	0.0	22.3
Buildings	335.9	1.7	(8.5)	-	0.9	6.5	336.5
Plant & equipment	357.5	4.1	(9.1)	-	0.8	3.4	356.5
Other assets	81.4	2.5	(2.8)	-	0.1	2.6	83.8
Assets in progress	77.2	26.9	(0.0)	-	0.1	(12.8)	91.4
Advance payments	0.3	0.1	-	-	0.0	(0.3)	0.1
Gross assets	**875.2**	**35.2**	**(21.3)**	**-**	**1.9**	**(0.6)**	**890.5**
Depreciation	(451.8)	(19.8)	18.2	-	(0.8)	(0.5)	(454.6)
Impairment losses	(4.6)	(4.0)	0.1	-	(0.2)	0.5	(8.2)
Depreciation & Impairment losses	**(456.3)**	**(23.7)**	**18.2**	**-**	**(1.0)**	**-**	**(462.8)**
Net assets	**418.9**	**11.5**	**(3.1)**	**-**	**0.9**	**(0.6)**	**427.7**

- Movements during the first half of 2017

(in millions of euros)	31 December 2016	Movements during the period					30 June 2017
		Increase	Decrease	Changes in consolidation scope	Foreign exchange differences	Other movements	
Land	20.2	0.3	-	0.3	(0.2)	-	20.6
Buildings	264.5	0.7	(0.3)	0.1	(3.4)	12.4	273.9
Plant & equipment	301.8	2.3	(1.4)	1.0	(4.2)	4.0	303.5
Other assets	68.4	1.4	(0.9)	0.3	(1.1)	1.1	69.3
Assets in progress	174.3	23.1	-	0.1	(3.8)	(17.6)	176.1
Advance payments	-	0.3	-	-	(0.0)	-	0.3
Gross assets	**829.3**	**28.1**	**(2.6)**	**1.8**	**(12.8)**	**(0.1)**	**843.7**
Depreciation	(444.2)	(18.4)	2.4	(0.1)	5.5	(0.7)	(455.4)
Impairment losses	(6.1)	-	-	-	-	0.7	(5.5)
Net assets	**379.0**	**9.8**	**(0.2)**	**1.6**	**(7.3)**	**(0.1)**	**382.8**

Note 13. Equity investments

- Movements during the first half of 2018

(in millions of euros)	31 December 2017	Movements during the period				30 June 2018
		Acquisitions and increases	Disposals and decreases	Foreign exchange differences	Other movements	
Investments in non-consolidated companies	56.1	21.9	-	0.1	(0.2)	77.8
Write-downs & impairment losses	(12.8)	0.0	-	(0.1)	0.2	(12.7)
Net book value (Available-for-sale financial assets)	**43.3**	**21.9**		**0.0**	**(0.1)**	**65.2**

Equity investments at fair value in the Shareholder’s equity include the following holdings as of June 30, 2018:

- A €22.3 million interest in Rhythm Pharmaceuticals Inc. based on the company's unit share price of $31.26 at that date. During the first six months of 2018, the value of this investment changed by €2.0 million, recorded in other movements against consolidated equity.
- A €6.5 million interest in Radius Health Inc. based on the company's unit share price of $29.47 on that date. During the first six months of 2018, the value of this investment changed by €(0.4) million, recorded in other movements against consolidated equity.
- A €15.0 million interest in Arix Bioscience plc., based on the company's unit share price of £1.98 on that date. During the first six months of 2018, the Group has acquired this investment for an amount of €17.0 million and the value of the investment changed by €(2.0) million, recorded in other movements against consolidated equity.

Equity investments at fair value in the Income Statement include the following holdings as of June 30, 2018:

- A €6.6 million investment in the Innobio Venture Capital Fund, without variation during the first six months of 2018.
- A €10.5 million investment in the Agent Capital Fund I LP. During the first six months of 2018, the Group has increased its investment in the fund for an amount of €4.9 million and the value of the investment changed by €0.2 million, recorded in other movements against financial result.

Note 14. Non-current financial assets

In the first half of 2018, the variation of the non-current financial assets is mainly explained by the milestone received from Shire for Onivyde® for €21 million.

Note 15. Detail of the change in working capital requirement

- Movements during the first half of 2018

(in millions of euros)	31 December 2017	First application of IFRS15 (see note 3.9)	1 January 2018	Movements during the period						30 June 2018
				Change in w/cap related to operating activites	Change in w/cap related to investing activities	Change in w/cap related to financing activities	Change in consolidation scope	Foreign exchange differences	Other movements (3)	
Inventories	167.4	-	167.4	20.3	-	-	-	0.7	-	188.3
Trade receivables	437.2	-	437.2	34.7	-	-	-	(2.3)	0.2	469.8
Current tax assets	58.0	-	58.0	(26.7)	-	-	-	0.5	(3.7)	28.1
Other current assets	96.3	-	96.3	20.8	(0.1)	-	-	-	1.3	118.2
WCR assets (1)	**758.8**	**-**	**758.8**	**49.1**	**(0.1)**	**-**	**-**	**(1.1)**	**(2.2)**	**804.5**
Trade payables	(319.1)	-	(319.1)	(4.8)	-	-	-	(0.8)	(0.5)	(325.2)
Current tax liabilities	(2.4)	-	(2.4)	(18.9)	-	-	-	-	10.2	(11.2)
Other current liabilities	(290.2)	3.1	(287.1)	33.1	(20.5)	-	-	0.6	3.2	(270.7)
Other non-current liabilities	(71.7)	13.5	(58.2)	5.0	-	-	-	(0.4)	(1.7)	(55.2)
WCR liabilities (2)	**(683.3)**	**16.5**	**(666.8)**	**14.4**	**(20.5)**	**-**	**-**	**(0.6)**	**11.1**	**(662.3)**
Total	**75.5**	**16.5**	**92.0**	**63.4**	**(20.6)**	**-**	**-**	**(1.7)**	**8.9**	**142.1**

(1) Impairment losses on "WCR assets" were not reported due to their immaterial nature. The fair value of "WCR assets" corresponds to the value reported in the balance sheet (value at the transaction date and then tested for impairment on each reporting date).

(2) The carrying amount of items comprising "WCR liabilities" was deemed to be a reasonable estimation of fair value.

(3) Other movements on Current tax assets are booked with a counterpart in the account “Provision legal risks”.

The increase in trade receivables, trade payables and inventories resulted primarily from the growth in commercial activity during the period.

Deferred income amounts received under partnership agreements are recorded in “Other current liabilities”. Milestone payments received by the Group under partnership agreements related to dynamic licenses are recognized on a straight-line basis over the life of the contracts in "Other revenues" in the income statement. The portion unrecognized as income is recorded as "Other non-current liabilities" if due after 12 months, and as "Other current liabilities" if due within one year.

In the application of the standard IFRS 15 – Revenue from contracts with customers, the revenue from static licenses is now recognized one shot in “Other Revenue” upon occurrence of the trigger event (see note 3.9) and therefore, no longer booked as deferred revenue.

Note 16. Consolidated equity

16.1 Share capital

On 30 June 2018, Ipsen's share capital was comprised of 83,794,128 ordinary shares each with a nominal value of €1, including 47,869,186 shares with double voting rights, compared with 83,732,057 ordinary shares each with a nominal value of €1, including 47,852,938 shares with double voting rights at 31 December 2017.

These changes arose from the issuance of 62,071 new shares following the exercise of stock options in the first half of 2018.

16.2 Dividends

On 30 June 2018, a dividend of €1 per share, which was approved by the General Shareholders' Meeting of 30 May 2018, was paid to shareholders.

The dividend paid to shareholders a year earlier amounted to €0.85 per share.

Note 17. Provisions

(in millions of euros)	31 December 2017	Movements during the period					30 June 2018
		Charges	Reversals		Foreign exchange differences	Other movements (1)	
			Applied	Released			
Business and operating risks	8.8	13.9	(1.6)	(4.6)	-	-	16.5
Legal risks	22.3	3.8	(2.0)	(2.8)	0.2	6.4	27.9
Restructuring costs	9.3	9.6	(1.8)	(0.0)	0.3	-	17.4
Other	9.5	2.0	(5.0)	(0.1)	-	-	6.4
Total provisions	**49.9**	**29.2**	**(10.4)**	**(7.5)**	**0.5**	**6.4**	**68.1**
- of which current	16.6	10.7	(8.4)	(1.1)	0.1	-	17.9
- of which non-current	33.3	18.6	(2.0)	(6.4)	0.4	6.4	50.2

(1) Booked in counterpart of "Current Tax assets".

As of 30 June 2018, provisions broke down as follows:

- **Business and operating risks**

These provisions include certain risks of an economic nature reflecting costs that the Group could be brought to bear to terminate commercial contracts or resolve various disagreements of commercial origin. The charges for the period are mainly related to the termination of R&D studies.

- **Legal risks**

These provisions include:

- €21.5 million for the risk of tax reassessment by local authorities at certain Group subsidiaries and certain additional taxes that the Group may be required to pay;
- €5.9 million for costs related to corporate litigation that the Group may incur;
- €0.5 million for various other legal risks.

- **Restructuring costs**

These provisions correspond mainly to costs incurred by the Group to adapt its structure. As of 30 June 2018, the increase is mainly explained by the U.S. commercial affiliate relocation program to Cambridge, Massachusetts.

- **Other**

A provision is recorded for Group performance-related medium-term bonus plans. The variation for the period is linked to the compensation paid at the end of the related plans.

Note 18. Bank loans and financial liabilities

(in millions of euros)	31 December 2017	Additions	Repayments	Net change in interest	Other movements	Changes in consolidation scope	Foreign exchange differences	30 June 2018
Bonds and bank loans	297.5	-	-	-	0.2	-	-	297.7
Other financial liabilities (1)	102.8	3.5	(3.8)	0.0	(22.1)	-	2.8	83.2
Non-Current financial liabilities (measured at amortized cost) (2)	**400.3**	**3.5**	**(3.8)**	**0.0**	**(21.9)**	**-**	**2.8**	**380.9**
Derivative financial instruments (3)	-	-	-	-	3.5	-	-	3.5
Non-Current financial liabilities (measured at fair value)	**-**	**-**	**-**	**-**	**3.5**	**-**	**-**	**3.5**
Non-current financial liabilities	**400.3**	**3.5**	**(3.8)**	**0.0**	**(18.4)**	**-**	**2.8**	**384.4**
Credit lines and bank loans	46.0	0.1	(46.8)	-	4.7	-	-	4.1
Other financial liabilities	228.0	165.8	(21.3)	(2.9)	21.2	-	0.0	390.8
Current financial liabilities (measured at amortized cost) (2)	**274.0**	**165.9**	**(68.0)**	**(2.9)**	**26.0**	**-**	**0.0**	**394.9**
Derivative financial instruments (3)	20.7	-	-	-	(0.7)	-	-	20.0
Current financial liabilities (measured at fair value)	**20.7**	**-**	**-**	**-**	**(0.7)**	**-**	**-**	**20.0**
Current financial liabilities	**294.7**	**165.9**	**(68.0)**	**(2.9)**	**25.3**	**-**	**0.0**	**415.0**
Total financial liabilities	**695.0**	**169.4**	**(71.8)**	**(2.9)**	**6.9**	**-**	**2.8**	**799.3**

(1) Additions and repayments of other financial liabilities were mainly related to employee profit sharing.
(2) The carrying book amount of current financial liabilities measured at amortized cost was deemed to be a reasonable estimation of fair value.
(3) Fair value corresponds to the market value. The € 2.8 million in other movements corresponds to the change in the fair value of derivative financial instruments used to hedge foreign exchange risk.

On 16 June 2016, Ipsen S.A. issued €300 million in unsecured, seven-year bonds. The bonds mature on 16 June 2023 and pay an annual interest rate of 1.875%. In addition, €300 million in depreciable bank loans were contracted with a maturity of 6.5 years. At 30 June 2018, none of these bank loans had been drawn down.

On 6 June 2017, Ipsen S.A. has amended its syndicated loan to increase the facility amount to €600 million and to extend its maturity until 17 October 2022. At 30 June 2018, no amount was drawn down on this facility.

On 27 June 2017, Ipsen S.A. increased its program of emission of NEU CP - Negotiable EUropean Commercial Paper, from €300 million to €600 million, among which € 367 million were issued on 30 June 2018.

Note 19. Derivative financial instruments

Part of the Group's business is conducted in countries where the euro, Ipsen's reporting currency, is the functional currency. However, owing to its international business scope, the Group is exposed to exchange rate fluctuations that can affect its results.

Several types of risks can be identified:

- Transactional foreign exchange risk related to business activities. The Group has hedged its main foreign currencies, including the USD, GBP, CNY, RUB, CHF, PLN, AUD, and BRL, based on its budget forecasts;
- Financing foreign exchange risk related to financing contracted in a currency other than the functional currencies of Group entities.

Ipsen implemented a foreign exchange rate hedging policy to reduce the exposure of its net profit to foreign currency fluctuations.

As of 30 June 2018 and 31 December 2017, derivative financial instruments held by the Group broke down as follows:

	Fair value of financial derivatives	
(in millions of euros)	**30 June 2018**	**31 December 2017**
Put forward contracts	14,3	25,7
Seller at maturity foreign exchange swaps	(0,8)	(0,1)
Call forward contracts	(7,0)	(13,3)
Call option contracts	-	0,3
Buyer at maturity foreign exchange swaps	1,0	-
Sales transactions	**7,5**	**12,7**
Financial transactions	**(7.6)**	**1,1**
Total net position	**(0.1)**	**13,8**

Derivative financial instruments reported in the balance sheet at 30 June 2018 and 31 December 2017 were as follows:

(in millions of euros)	30 June 2018		31 December 2017	
	Financial assets	**Financial liabilities**	**Financial assets**	**Financial liabilities**
Market value of currency instruments	23.4	23.5	34.5	20.7
Total	**23.4**	**23.5**	**34.5**	**20.7**

Note 20. Information on related parties

The Group did not conclude any new significant transactions with related parties during the period.

Note 21. Commitments and contingent liabilities

Within the scope of its business activity, in particular with strategic development operations that lead to the formation of partnerships, the Group regularly enters into agreements that may result in potential financial commitments, subject to the completion of certain events.

Following the acquisition of a license from the MD Anderson Cancer Center (see note 11), the milestones that Ipsen might pay in the future amount to €471 million. Other off-balance sheet commitments existing at 31 December 2017 had not changed significantly as of 30 June 2018.

Note 22. Post-closing events with no impact on the consolidated financial statements as of 30 June 2018

No event occurring between the closing date of the consolidated financial statements and the date of their approval by the Board of Directors, and not taken into consideration, was likely to call into question Ipsen S.A.'s interim consolidated financial statements themselves or make it necessary to mention such an event in the notes to the interim consolidated financial statements

2. ACTIVITY REPORT

Comparison of Consolidated Sales for the Second Quarter and First Half of 2018 and 2017:

Sales by therapeutic area and by product[1]

Note: Unless stated otherwise, all variations in sales are stated excluding foreign exchange impacts.

Currency effects are established by recalculating net sales for the relevant period at the exchange rates from the previous period.

The following table shows sales by therapeutic area and by product for the second quarter and first half 2018 and 2017:

	2nd Quarter				6 Months			
(in millions euros)	**2018**	**2017**	% Variation	% Variation at constant currency	**2018**	**2017**	% Variation	% Variation at constant currency
Oncology	**372.4**	**299.9**	**24.2%**	**29.2%**	**709.7**	**560.8**	**26.5%**	**32.8%**
Somatuline®	206.9	171.5	20.7%	27.0%	402.6	340.4	18.3%	26.1%
Decapeptyl®	100.2	93.5	7.2%	8.7%	183.3	171.0	7.2%	8.9%
Cabometyx®	33.8	9.3	264.1%	265.5%	62.0	16.9	267.7%	268.9%
Onivyde®	25.1	19.3	30.2%	43.9%	48.9	19.3	153.4%	184.1%
Other Oncology	6.4	6.4	-0.7%	-0.5%	13.0	13.3	-2.5%	-2.2%
Neurosciences	**89.5**	**78.8**	**13.6%**	**22.0%**	**174.5**	**165.4**	**5.5%**	**13.0%**
Dysport®	88.4	77.8	13.5%	21.8%	172.8	163.6	5.6%	13.0%
Rare diseases	**17.9**	**19.4**	**-7.9%**	**-5.9%**	**36.0**	**38.4**	**-6.4%**	**-3.7%**
NutropinAq®	12.0	13.8	-13.2%	-13.1%	24.1	27.1	-10.9%	-10.7%
Increlex®	5.9	5.7	5.1%	12.0%	11.8	11.3	4.2%	13.4%
Specialty Care	**479.8**	**398.1**	**20.5%**	**26.1%**	**920.2**	**764.6**	**20.3%**	**26.7%**
Smecta®	33.3	31.2*	6.8%	10.2%	62.4	62.6*	-0.3%	3.6%
Forlax®	8.9	11.3	-21.3%	-20.0%	19.1	21.3	-10.1%	-8.7%
Tanakan®	8.1	9.1	-11.2%	-7.2%	15.9	15.5	2.8%	6.7%
Fortrans/Eziclen®	8.0	8.8	-8.7%	-4.4%	14.0	15.8	-11.7%	-7.6%
Etiasa®	0.1	6.7	-98.9%	-98.8%	0.1	9.4	-98.5%	-98.4%
Other Consumer Healthcare	16.0	16.2	-0.7%	0.3%	32.7	30.3	8.2%	9.3%
Consumer Healthcare	**74.4**	**83.3**	**-10.6%**	**-8.0%**	**144.3**	**154.8**	**-6.8%**	**-3.9%**
Group Sales	**554.2**	**481.4**	**15.1%**	**20.1%**	**1,064.5**	**919.5**	**15.8%**	**21.5%**

*including Smectite sales previously recorded in Other Consumer Healthcare

Group sales reached €1,064.5 million, up 21.5%, driven by Specialty Care sales growth of 26.7% and Consumer Healthcare sales growth of 2.0%[2].

[1] New sales reporting according to main therapeutic indication of each product
[2] Reported sales in Consumer Healthcare down 3.9%, non-restated from the new contractual set-up of Etiasa®

Specialty Care sales amounted to €920.2 million, up 26.7%. Oncology and Neuroscience sales grew by 32.8% and 13.0%, respectively, and Rare Diseases sales decreased by 3.7%. Over the period, the relative weight of Specialty Care continued to increase to reach 86.4% of Group sales, compared to 83.2% in 2017.

In **Oncology,** sales reached €709.7 million, up 32.8% year-on-year, driven by the continued strong performance of Somatuline® as well as the launches of Cabometyx® and Onivyde®. Over the period, Oncology sales represented 66.7% of total Group sales, compared to 61.0% in 2017.

> **Somatuline®** – Sales reached €402.6 million, up 26.1% year-on-year, driven by strong volume growth in North America and strong performance in most European countries, notably France, Germany and the UK, as well as the contribution from Japan following the launch of the neuroendocrine tumor indication in 2017.
>
> **Decapeptyl®** – Sales reached €183.3 million, up 8.9% year-on-year, positively impacted by good volume growth, notably in France, Spain and Algeria.
>
> **Cabometyx®** – Sales reached €62.0 million, driven by good performance in Germany, France and the UK as well as by volume growth in Spain, Italy and new launches in other European countries. In the second quarter of 2018, sales increased 19.8% over the first quarter of 2018.
>
> **Onivyde®** – Sales reached €48.9 million, as compared to €19.3 million in the first half of 2017 (including only one quarter of sales following the acquisition completed in early April 2017). In the second quarter of 2018, sales were up 43.9% year-on-year and increased by 2.7% over the first quarter of 2018, including continued double-digit growth in the U.S.

In **Neuroscience**, sales of **Dysport®** reached €172.8 million, up 13.0%, driven by the resupply and strong performance in Brazil, as well as the good performance of Galderma in the aesthetics market in Europe. In the first half of 2018, Neuroscience sales represented 16.4% of total Group sales, compared to 18.0% in 2017.

In **Rare Diseases**, sales of **NutropinAq®** reached €24.1 million, down 10.7% year-on-year, impacted by lower volumes across Europe. Sales of **Increlex®** reached €11.8 million, growing by 13.4% year-on-year, driven by the performance in the United States. Over the period, Rare Diseases sales represented 3.4% of total Group sales, compared to 4.2% in 2017.

Consumer Healthcare sales reached €144.3 million, up 2.0%[1] year-on-year. Sales were positively impacted by the good performance of the Smecta® brand in France and Algeria, contribution of the new products acquired in 2017, as well as higher Tanakan® sales. Over the period, Consumer Healthcare sales represented 13.6% of total Group sales, compared to 16.8% in 2017.

> **Smecta®** – Sales reached €62.4 million, up 3.6% year-on-year, driven by the launch of a new formulation in France, sales growth in Algeria and Korea and the market growth in China, offset by the negative impact of inventory in the first quarter of 2017 in Russia and China.
>
> **Forlax®** – Sales reached €19.1 million, down 8.7% year-on-year, impacted by lower volumes due to an importation delay in Algeria.
>
> **Tanakan®** – Sales reached €15.9 million, up 6.7% year-on-year, positively impacted by the lower inventory in Russia in the first quarter of 2017.
>
> **Fortrans/Eziclen®** – Sales reached €14.0 million, down 7.6% year-on-year, impacted by the negative inventory impact and competitive pressure in Russia, partly offset by good performance in China.

[1] Reported sales in Consumer Healthcare down 3.9%, non-restated from the new contractual set-up of Etiasa®

Etiasa® – Sales reached €0.1 million, down 98.4% year-on-year due to the new contractual set-up in China which started to occur in the third quarter of 2017.

Other Consumer Healthcare – Sales reached €32.7 million, up 9.3% year-on-year, supported by the contribution of new products, higher sales of Bedelix® in Algeria and other drug-related products.

Sales by geographical area

Group sales by geographical area in the second quarter and first half 2018 and 2017:

	2nd Quarter				6 Months			
(in million euros)	2018	2017	% Variation	% Variation at constant currency	2018	2017	% Variation	% Variation at constant currency
France	65.5	62.7	4.4%	4.4%	133.7	124.2	7.7%	7.7%
Germany	46.8	35.6	31.3%	31.3%	91.0	70.3	29.5%	29.5%
Italy	26.9	25.2	6.7%	6.7%	53.1	48.9	8.6%	8.6%
United Kingdom	24.0	19.6	22.1%	24.3%	46.5	38.4	21.2%	23.9%
Spain	23.1	18.3	25.7%	25.7%	44.0	35.4	24.4%	24.4%
Major Western European countries	**186.3**	**161.6**	**15.3%**	**15.5%**	**368.4**	**317.2**	**16.2%**	**16.5%**
Eastern Europe	50.1	51.2	-2.1%	4.5%	92.6	98.1	-5.6%	-0.6%
Others Europe	61.7	46.2	33.7%	36.8%	127.9	96.3	32.8%	34.9%
Other European countries	**111.9**	**97.4**	**14.9%**	**20.0%**	**220.5**	**194.4**	**13.4%**	**17.2%**
North America	**144.5**	**117.9**	**22.6%**	**33.4%**	**278.1**	**220.3**	**26.2%**	**41.1%**
Asia	54.8	60.2	-8.9%	-6.0%	94.3	100.1	-5.8%	-1.1%
Other countries in the Rest of the world	56.7	44.4	27.7%	37.9%	103.3	87.4	18.1%	27.3%
Rest of the World	**111.5**	**104.6**	**6.6%**	**12.7%**	**197.5**	**187.5**	**5.4%**	**12.2%**
Group Sales	**554.2**	**481.4**	**15.1%**	**20.1%**	**1,064.5**	**919.5**	**15.8%**	**21.5%**

Sales in **Major Western European countries** reached €368.4 million, up 16.5% year-on-year. Over the period, sales in Major Western European countries represented 34.6% of total Group sales, compared to 34.5% in 2017.

France – Sales reached €133.7 million, up 7.7% year-on-year, mainly driven by the Cabometyx® launch, the strong sales of Decapeptyl® and the sustained growth of Somatuline®.

Germany – Sales reached €91.0 million, up 29.5% year-on-year, driven by the Cabometyx® launch and the strong growth of Somatuline®.

Italy – Sales reached €53.1 million, up 8.6% year-on-year, mainly driven by the launch of Cabometyx®.

United Kingdom – Sales reached €46.5 million, up 23.9% year-on-year, driven by the strong performance of Cabometyx® and Somatuline®.

Spain – Sales reached €44.0 million, up 24.4% year-on-year, driven by the contribution of Cabometyx® and the good performance of Somatuline® and Decapeptyl®**.**

Sales in **Other European countries** reached €220.5 million, up 17.2% year-on-year, supported by the launch of Cabometyx® in certain countries, Onivyde® sales to partner, the strong growth of Dysport®, as well as the solid performance of Somatuline® and Decapeptyl®. Over the period, sales in the region represented 20.7% of total Group sales compared to 21.1% in 2017.

Sales in **North America** reached €278.1 million, up 41.1% year-on-year, driven by continued strong growth of Somatuline®, as well as the Onivyde® launch contribution and the good performance of Dysport® in the therapeutics market. Over the period, sales in North America represented 26.1% of total Group sales, compared to 24.0% in 2017.

Sales in the **Rest of the World** reached €197.5 million, up 12.2% year-on-year, driven by the resupply and the strong performance of Dysport® in Brazil, the volume growth in Algeria and the growth of Somatuline® in Japan, partly offset by the negative impact of the new Etiasa® contractual set up in China. Over the period, sales in the Rest of the World represented 18.6% of total Group sales, compared to 20.4% in 2017.

Comparison of Core consolidated income statement for 2018 and 2017

Core financial measures are performance indicators. Reconciliation between these indicators and IFRS aggregates is presented in Appendix 5 “Bridges from IFRS consolidated net profit to Core consolidated net profit”.

(in millions of euros)	30 June 2018	% of sales	30 June 2017 Restated [1]	% of sales	% change
Sales	1,064.5	100%	919.5	100%	15.8%
Other revenues	60.6	5.7%	50.2	5.5%	20.7%
Revenue	**1,125.1**	**105.7%**	**969.7**	**105.5%**	**16.0%**
Cost of goods sold	(216.4)	-20.3%	(189.0)	-20.6%	14.5%
Selling expenses	(380.8)	-35.8%	(341.1)	-37.1%	11.6%
Research and development expenses	(141.6)	-13.3%	(126.1)	-13.7%	12.2%
General and administrative expenses	(78.3)	-7.4%	(66.9)	-7.3%	17.0%
Other core operating income	14.6	1.4%	0.3	0.0%	N.A.
Other core operating expenses	(0.2)	0.0%	(6.3)	-0.7%	-97.5%
Core Operating Income	**322.5**	**30.3%**	**240.5**	**26.2%**	**34.1%**
Net financing costs	(3.1)	-0.3%	(4.2)	-0.5%	-25.5%
Other financial income and expense	(10.1)	-1.0%	(7.5)	-0.8%	35.9%
Core income taxes	(72.8)	-6.8%	(60.7)	-6.6%	19.9%
Share of net profit (loss) from entities accounted for using the equity method	0.6	0.1%	1.0	0.1%	-37.0%
Core consolidated net profit	**237.1**	**22.3%**	**169.2**	**18.4%**	**40.1%**
- Attributable to shareholders of Ipsen S.A.	237.3	22.3%	169.2	18.4%	40.2%
- Attributable to non-controlling interests	(0.2)	0.0%	0.0	0.0%	N.A.
Core EPS fully diluted - attributable to Ipsen S.A. shareholders (in € per share)	**2.86**		**2.04**		**40.2%**

Reconciliation from Core consolidated net profit to IFRS consolidated net profit

	30 June 2018	30 June 2017 Restated
Core consolidated net profit	**237.1**	**169.2**
Amortization of intangible assets (excl softw are)	(24.2)	(15.0)
Other operating income or expenses	(4.0)	(22.5)
Restructuring	(11.6)	(7.3)
Impairment losses	-	-
Other	0.1	1.6
IFRS consolidated net profit	**197.3**	**125.9**
IFRS EPS fully diluted - attributable to Ipsen S.A. shareholders (in € per share)	**2.38**	**1.52**

(1) As part of the effort to implement its new organization, the Group reviewed the presentation of its financial statements and changed the classification of certain items on its income statement, with the view that the new presentation would provide more relevant information to financial statement readers. These reclassifications had no impact on Operating income or Consolidated net profit. The impact of the various reclassifications on the consolidated income statement for the period ended 30 June 2017 is presented in Appendix 2.

- **Sales**

At the end of June 2018, the Group's consolidated Sales reached €1,064.5 million, up 15.8% year-on-year and up 21.5% excluding the impact of foreign exchange.

- **Other revenues**

Other revenues for the half year 2018 totaled €60.6 million, up 20.7% versus €50.2 million at the end of June 2017. The evolution was attributable to higher royalties received from partners, mainly Galderma for Dysport®, Menarini for Adenuric® and Shire for Onivyde®. Other revenues were also positively impacted in 2018 by the new contractual set-up implemented since the third quarter of 2017 for Etiasa® in China.

- **Cost of goods sold**

At the end of June 2018, Cost of goods sold amounted to €216.4 million, representing 20.3% of sales compared to €189.0 million, or 20.6% of sales at the end of June 2017. The slight improvement of the cost of goods sold as a percentage of sales is driven by the favorable impact of Specialty Care growth in the product mix, partly offset by the increase of royalties paid to partners.

- **Selling expenses**

For the first half of 2018, Selling expenses amounted to €380.8 million, representing 35.8% of sales, up 11.6% versus the same period in 2017. The increase reflects the commercial efforts deployed to support the Cabometyx® launch in Europe, the growth of Somatuline® in the United States and in Europe as well as the commercial investment for Onivyde® in the United States.

- **Research and development expenses**

For the first half of 2018, Research and development expenses totaled €141.6 million, compared to €126.1 million at the end of June 2017. The Group increased investments in Research and development in Oncology, especially for Cabometyx®, Onivyde® and the peptide receptor radionuclide therapy program, and in Neuroscience, mainly for Dysport® life cycle management and the new neurotoxin programs.

- **General and administrative expenses**

At the end of June 2018, General and administrative expenses amounted to €78.3 million, compared to €66.9 million at the end of June 2017. The increase resulted primarily from the reinforcement of the corporate functions supporting Ipsen's growth and the impact of the Group's positive performance on variable compensation.

- **Other core operating income and expenses**

In the first half of 2018, Other core operating income and expenses amounted to a profit of €14.4 million versus an expense of €6.0 million in the first half of 2017. This evolution is mainly due to the impact of the currency hedging policy.

- **Core Operating Income**

Core Operating Income for the first half of 2018 reached €322.5 million, representing 30.3% of sales, compared to €240.5 million at the end of June 2017, representing 26.2% of sales, a growth of 34.1% and an increase of profitability by 4.1 points.

- **Net financing costs and Other financial income and expense**

At the end of June 2018, the Group incurred Net financial expenses of €13.2 million, versus €11.6 million in the first half of 2017. Net financing costs decreased by €1.1 million driven by the decrease of the net debt level over the period. Other financial income and expense increased by €2.6 million, mainly attributable to the cost of hedging implemented to mitigate the foreign exchange exposure of the Group.

- **Core income taxes**

At the end of June 2018, Core income tax expense of €72.8 million resulted from a core effective tax rate of 23.5% on core profit before tax compared to a core effective tax rate of 26.5% in the same period in 2017. The decrease in the core effective tax rate is mainly attributable to the positive impact of the U.S. tax reform.

- **Core consolidated net profit**

For the first half of 2018, Core consolidated net profit increased by 40.1% to €237.1 million, with €237.3 million fully attributable to Ipsen S.A. shareholders. This compares to Core consolidated net profit of €169.2 million, fully attributable to Ipsen S.A. shareholders at the end of June 2017.

- **Core Earning per share**

At the end of June 2018, Core EPS fully diluted came to €2.86, up 40.2% versus €2.04 per share at the end of June 2017.

From Core financial measures to IFRS reported figures

Reconciliations between IFRS June 2017 / June 2018 results and the Core financial measures are presented in Appendix 5.

At the end of June 2018, the main reconciling items between Core consolidated net income and IFRS consolidated net income were:

- **Amortization of intangible assets (excluding software)**

Amortization of intangible assets (excluding software) for the first half of 2018 amounted to €33.1 million before tax, compared to €21.5 million before tax at the end of June 2017, mainly due to the higher amortization of intangible assets from Cabometyx® and Onivyde®.

- **Other operating income and expenses and Restructuring costs**

Other non-core operating income and expenses for the first half of 2018 amounted to an expense of €3.7 million before tax, mainly related to the termination of R&D studies and costs arising from the Group's transformation programs, partially compensated by a favorable settlement with a U.S. partner. Restructuring costs came to €16.0 million before tax, impacted by the relocation of the U.S. commercial affiliate to Cambridge, Massachusetts.

At the end of June 2017, Other non-core operating expenses totaled €34.8 million before tax and restructuring expenses of €7.9 million, consisting mainly of integration costs related to the Onivyde® acquisition, the adaptation of the R&D structure and programs and the cost of a settlement with a partner in Japan.

- **Impairment losses**

In the first half of 2018, no impairment loss or gain was recognized.

- **Other**

At the end of June 2018, Other items amounted to an expense of €0.1 million versus €1.6 million at the end of June 2017, and were related to discontinued operations.

As a consequence, IFRS reported indicators are:

- **Operating income**

At the end of June 2018, Operating income totaled €269.7 million versus €176.4 million at the end of June 2017, with an Operating margin of 25.3%, up 6.2 points compared to the first half of 2017.

- **Consolidated net profit**

Consolidated net profit was €197.3 million at the end of June 2018, showing an increase of 56.7% versus the end of June 2017 at €125.9 million.

- **Earning per share**

Fully diluted EPS was €2.38 at the end of June 2018 versus €1.52 at the end of June 2017.

Operating segments: Core Operating Income by therapeutic area

Segment information is presented according to the Group's two operating segments, Specialty Care and Consumer Healthcare.

All costs allocated to these two segments are presented in the key performance indicators. Only corporate overhead costs and the impact of the currency hedging policy are not allocated to the two operating segments.

The Group uses Core Operating Income to measure its performance. Core Operating Income is the indicator used by the Group to measure operating performance and to allocate resources.

Sales, Revenue and Core Operating Income are presented by therapeutic area for the 2018 and 2017 half years in the following table:

(in millions of euros)		30 June 2018	30 June 2017	Change	%
Specialty Care					
Sales		920.2	764.6	155.6	*20.3%*
Revenue		950.5	789.2	161.3	*20.4%*
Core Operating Income		356.3	281.3	75.0	*26.6%*
	% of sales	*38.7%*	*36.8%*		
Consumer Healthcare					
Sales		144.3	154.8	(10.5)	*-6.8%*
Revenue		174.6	180.5	(5.9)	*-3.3%*
Core Operating Income		41.8	47.1	(5.3)	*-11.2%*
	% of sales	*29.0%*	*30.4%*		
Total Unallocated					
Core Operating Income		(75.6)	(87.8)	12.2	*-13.9%*
Group total					
Sales		1,064.5	919.5	145.0	*15.8%*
Revenue		1,125.1	969.7	155.4	*16.0%*
Core Operating Income		322.5	240.5	82.0	*34.1%*
	% of sales	*30.3%*	*26.2%*		

At the end of June 2018, **Specialty Care** sales grew to €920.2 million, up 20.3% as compared to the end of June 2017 (26.7% at constant exchange rates), reaching 86.4% of total consolidated sales at 30 June 2018, versus 83.2% a year earlier. In the first half of 2018, **Core Operating Income** for Specialty Care amounted to €356.3 million, representing 38.7% of sales. This compares to €281.3 million in the prior-year period, representing 36.8% of sales. The improvement reflects the continued growth of Somatuline® in the United States and Europe, the contribution of Cabometyx® and Onivyde® as well as the performance of Dysport®, along with increased commercial and Research & development investments.

At the end of June 2018, **Consumer Healthcare** sales came to €144.3 million, down 6.8% year-on-year (or -3.9% at constant exchange rates), impacted by the new contractual set-up in China for Etiasa®, partially compensated by the good performance of the Smecta® brand, contribution of the new products acquired in 2017 as well as higher Tanakan® sales. For the first half of 2018, **Core Operating Income** for Consumer Healthcare amounted to €41.8 million, representing 29.0% of sales, compared to 30.4% at the end of June 2017, reflecting commercial investments to support the OTx strategy.

At the end of June 2018, **Unallocated Core Operating Income** came to a negative €75.6 million, compared to a negative €87.8 million in the year-earlier period. The evolution is mainly attributable to the positive impact from the currency hedging policy, partially compensated by the reinforcement of the unallocated corporate functions and the impact of the Group's positive performance on variable compensation.

Net cash flow and financing

The Group had a net cash increase of €25.3 million over the first half of 2018, bringing closing net debt to €438.0 million.

Analysis of the consolidated net cash flow statement

(in millions of euros)	30 June 2018	30 June 2017
Opening net cash / (debt)	**(463.3)**	**68.6**
Core Operating Income	**322.5**	**240.5**
Non-cash items	14.2	(4.5)
Change in operating working capital requirement	(50.2)	(35.4)
(Increases) decreases in other working capital requirement	(1.5)	(20.0)
Net capex (excluding milestones paid)	(47.8)	(37.2)
Dividends received from entities accounted for using the equity method	0.9	0.0
Operating Cash Flow	**238.2**	**143.4**
Other non-core operating income and expenses and restructuring costs (cash)	(0.6)	(18.3)
Financial income (cash)	(9.0)	(9.1)
Current income tax (P&L, excluding provisions for tax contingencies)	(72.8)	(32.6)
Other operating cash flow	8.7	11.5
Free Cash Flow	**164.5**	**94.9**
Dividends paid	(83.2)	(70.6)
Net investments (business development and milestones)	(42.8)	(759.8)
Share buyback	(4.4)	(4.0)
FX on net indebtedness	(6.2)	0.0
Other (discontinued operations and financial instrument)	(2.5)	1.6
Shareholders return and external growth operations	**(139.2)**	**(832.9)**
CHANGE IN NET CASH / (DEBT)	**25.3**	**(738.0)**
Closing net cash / (debt)	**(438.0)**	**(669.4)**

▪ Operating cash flow

Operating cash flow in the first half of 2018 totaled €238.2 million, up €94.8 million (+66.1%) versus the first half of 2017, mainly driven by higher Core Operating Income (up €82.0 million).

Non-cash items decreased in the first half of 2018 by €14.2 million versus an increase of €4.5 million in the first half of 2017, impacted by a change in long-term management incentive programs.

Working capital requirement for operating activities increased by €50.2 million for the first half of 2018, compared to an increase of €35.4 million in the first half of 2017. The increase in the first half of 2018 stemmed mainly from:

- a €20.3 million increase in inventories during the year, in-line with business growth;

- a €34.7 million increase in trade receivables, in-line with sales growth, compared to a €34.0 million increase in trade receivables at the end of June 2017;

- a €4.8 million increase in trade payables as of 30 June 2018, as compared to an increase of €18.1 million in the first half of 2017.

At the end of June 2018, other Working capital requirement needs decreased by €1.5 million, mainly driven by variable compensation payments in the first half of the year, fully compensated by an increase in tax liabilities.

Net capital expenditure amounted to €47.8 million for the first half of 2018, compared to €37.2 million in 2017, and mainly included projects to support increased production capacity at industrial sites in the United Kingdom, the United States and France, as well as corporate investments in information technology and digital projects.

▪ Free cash flow

Free cash flow for the first six months of 2018 came to €164.5 million, up €69.5 million (+73.3%) versus 2017, mainly driven by an improvement in Operating cash flow and lower Other operating income or expenses and restructuring costs, partially compensated by higher current income tax.

Other non-core operating income and expenses and restructuring costs of €0.6 million included a positive settlement with a U.S. partner, offset by costs arising from the Group's transformation programs. In the first half of 2017, €18.3 million of payments included Onivyde® integration costs, the impact of the transformation of the R&D model and a settlement with a partner in Japan.

The €9.0 million in financial expenses paid in the first half of 2018, in-line with June 2017, resulted from hedging costs, the impact of the bond issued in June 2016 and financing costs.

The change in current income tax stemmed mainly from the growth of the income, partially compensated by the improvement in the effective tax rate induced by the U.S. tax reform.

▪ Shareholders return and external growth operations

In the first half of 2018, the dividend payout to Ipsen S.A. shareholders amounted to €83.0 million.

Net investments in the first half of 2018 amounted to €43 million, including additional milestones paid to Exelixis for €29 million, an equity investment in Arix Bioscience for €17 million, the final payment of the acquisition of Akkadeas Pharma for €8 million, partly offset by the milestone received from Shire for Onivyde® for €21 million.

Net investments in the first half of 2017 amounted to €760 million, including the acquisition of Onivyde® assets for €666 million (including the purchase price and future earn-outs), the acquisition of Consumer Healthcare products in European territories for €86 million and the equity stake in Akkadeas Pharma for

€5 million as well as an additional commercial milestone paid to Exelixis for €9 million, partly offset by a €8 million regulatory milestone payment received from Radius.

Reconciliation of cash and cash equivalents and net cash

(in millions of euros)	30 June 2018	30 June 2017
Current financial assets (derivative instruments on financial operations)	**0.4**	**-**
Closing cash and cash equivalents	**344.9**	**170.9**
Bonds	(297.7)	(297.3)
Other financial liabilities (excluding derivative instruments) (**)	(83.2)	(134.9)
Non-current financial liabilities	**(380.9)**	**(432.1)**
Credit lines and bank loans	(4.1)	(92.7)
Financial liabilities (excluding derivative instruments) (**)	(398.3)	(315.5)
Current financial liabilities	**(402.4)**	**(408.1)**
Debt	**(783.3)**	**(840.3)**
Net cash / (debt) (*)	**(438.0)**	**(669.4)**

(*) Net cash / (debt): derivative instruments booked in financial assets and related to financial operations, cash and cash equivalents, less bank overdrafts, bank loans and other financial liabilities and excluding financial derivative instruments on commercial operations.

(**) Financial liabilities mainly exclude €15.5 million in derivative instruments related to commercial operations at the end of June 2018, compared with €20.4 million one year earlier.

- **Analysis of Group cash**

Ipsen S.A. issued on 16 June 2016, a €300 million unsecured seven-year public bond loan with an annual interest rate of 1.875%. In addition, €300 million in bilateral long-term bank loans were contracted with a maturity of 6.5 years. As of 30 June 2018, none of the bank loans were drawn down.

Ipsen S.A. also has a syndicated loan of €600 million maturing on 17 October 2022. As of 30 June 2018, no amount was drawn down on this facility.

Ipsen S.A. has a program of “NEU CP - Negotiable EUropean” Commercial Paper, for €600 million, of which €367 million was issued as of 30 June 2018.

- **Estimated impact of IFRS 16 standard**

The Group completed the diagnostic of the main impacts of the standard IFRS 16 – Leases. The main contracts concerned by this standard are property leases and vehicle rentals.

The Group will utilize the simplified retrospective method from the first application of this standard as of 1 January 2019.

The Group estimates that the application of IFRS 16 will lead to an increase in the financial liabilities of approximately €170 million as of 1 January 2019.

APPENDICES

- **Appendix 1 – Consolidated income statement**

(in millions of euros)	30 June 2018	30 June 2017 Restated [1]
Sales	**1,064.5**	**919.5**
Other revenues	60.6	50.2
Revenue	**1,125.1**	**969.7**
Cost of goods sold	(216.4)	(189.0)
Selling expenses	(380.8)	(341.1)
Research and development expenses	(141.6)	(126.1)
General and administrative expenses	(78.3)	(66.9)
Other operating income	31.1	1.9
Other operating expenses	(53.5)	(64.2)
Restructuring costs	(16.0)	(7.9)
Impairment losses	-	-
Operating Income	**269.7**	**176.4**
Investment income	*1.1*	*0.6*
Financing costs	*(4.2)*	*(4.8)*
Net financing costs	(3.1)	(4.2)
Other financial income and expense	(10.1)	(7.5)
Income taxes	(59.8)	(41.4)
Share of net profit (loss) from entities accounted for using the equity method	0.6	1.0
Net profit (loss) from continuing operations	**197.3**	**124.4**
Net profit (loss) from discontinued operations	0.1	1.6
Consolidated net profit (loss)	**197.3**	**125.9**
- Attributable to shareholders of Ipsen S.A.	197.5	125.9
- Attributable to non-controlling interests	(0.2)	0.0

Basic earnings per share, continuing operations (in euros)	2.39	1.51
Diluted earnings per share, continuing operations (in euros)	2.38	1.50
Basic earnings per share, discontinued operations (in euros)	0.00	0.02
Diluted earnings per share, discontinued operations (in euros)	0.00	0.02
Basic earnings per share (in euros)	2.39	1.53
Diluted earnings per share (in euros)	2.38	1.52

(1) As part of the effort to implement its new organization, the Group reviewed the presentation of its financial statements and changed the classification of certain items on its income statement, with the view that the new presentation would provide more relevant information to financial statement readers. These reclassifications had no impact on Operating income or Consolidated net profit. The impact of the various reclassifications on the consolidated income statement for the period ended 30 June 2017 is presented in Appendix 2.

- **Appendix 2 – Reconciliation of the income statement reported as of 30 June 2017 published in 2017 and the restated income statement as of 30 June 2017 published in 2018**

As part of the effort to implement its new organization, the Group reviewed the presentation of its financial statements and changed the classification of certain items on its income statement, with the view that the new presentation would provide more relevant information to financial statement readers.

In order to better reflect the substance of the operations related to global medical affairs, the Group has decided starting from 2017 to recognize global medical affairs expenses in “Research and development expenses”. These costs, which amounted to €14.2 million at the end of June 2017, were previously recognized in “Selling expenses”.

The allocation of internal costs within the various functions was revised in the consolidated income statement. As a result, certain support function expenses were reclassified within the income statement, a move deemed by the Group to be more relevant given the activity of the concerned services and the new organization.

These reclassifications had no impact on the Operating result and on the Net profit.

Starting December 2017, the Group restated the comparison reporting periods in accordance with IAS 1 Revised. The impact of the various reclassifications on the consolidated income statement for the period ended 30 June 2017 is presented in the following table:

(in millions of euros)	30 June 2017 Restated	Presentation restatement	30 June 2017 Published
Sales	919.5		919.5
Other revenues	50.2		50.2
Revenue	**969.7**		**969.7**
Cost of goods sold	(189.0)	1.2	(190.2)
Selling expenses	(341.1)	8.6	(349.6)
Research and development expenses	(126.1)	(11.1)	(115.0)
General and administrative expenses	(66.9)	1.4	(68.3)
Other operating income	1.9		1.9
Other operating expenses	(64.2)		(64.2)
Restructuring costs	(7.9)		(7.9)
Impairment losses	-		-
Operating Income	**176.4**	**0.0**	**176.4**
Investment income	*0.6*		*0.6*
Financing costs	*(4.8)*		*(4.8)*
Net financing costs	(4.2)		(4.2)
Other financial income and expense	(7.5)		(7.5)
Income taxes	(41.4)		(41.4)
Share of net profit (loss) from entities accounted for using the equity method	1.0		1.0
Net profit (loss) from continuing operations	**124.4**	**0.0**	**124.4**
Net profit (loss) from discontinued operations	1.6		1.6
Consolidated net profit	**125.9**	**0.0**	**125.9**
- Attributable to shareholders of Ipsen S.A.	125.9		125.9
- Attributable to non-controlling interests	0.0		0.0

Basic earnings per share, continuing operations (in euros)	1.51		1.51
Diluted earnings per share, continuing operations (in euros)	1.50		1.50
Basic earnings per share, discontinued operations (in euros)	0.02		0.02
Diluted earnings per share, discontinued operations (in euros)	0.02		0.02
Basic earnings per share (in euros)	1.53		1.53
Diluted earnings per share (in euros)	1.52		1.52

Appendix 3 – Consolidated balance sheet before allocation of net profit

(in millions of euros)	30 June 2018	31 December 2017
ASSETS		
Goodwill	392.1	389.0
Other intangible assets	963.6	930.2
Property, plant & equipment	427.7	418.9
Equity investments	65.2	43.3
Investments in companies accounted for using the equity method	14.8	14.7
Non-current financial assets	96.2	112.7
Deferred tax assets	151.0	142.0
Other non-current assets	4.7	4.8
Total non-current assets	**2,115.3**	**2,055.6**
Inventories	188.3	167.4
Trade receivables	469.8	437.2
Current tax assets	28.1	58.0
Current financial assets	16.5	29.6
Other current assets	118.2	96.3
Cash and cash equivalents	359.3	228.0
Total current assets	**1,180.2**	**1,016.4**
TOTAL ASSETS	**3,295.5**	**3,072.0**

EQUITY AND LIABILITIES		
Share capital	83.8	83.7
Additional paid-in capital and consolidated reserves	1,379.6	1,171.7
Net profit (loss) for the period	197.5	272.3
Foreign exchange differences	4.5	(2.3)
Equity attributable to Ipsen S.A. shareholders	**1,665.3**	**1,525.4**
Equity attributable to non-controlling interests	2.5	10.5
Total shareholders' equity	**1,667.9**	**1,535.9**
Retirement benefit obligation	66.7	67.6
Non-current provisions	50.2	33.3
Other non-current financial liabilities	384.4	400.3
Deferred tax liabilities	16.8	21.5
Other non-current liabilities	55.2	71.7
Total non-current liabilities	**573.2**	**594.3**
Current provisions	17.9	16.6
Current financial liabilities	415.0	294.7
Trade payables	325.2	319.1
Current tax liabilities	11.2	2.4
Other current liabilities	270.7	290.2
Bank overdrafts	14.4	18.7
Total current liabilities	**1,054.4**	**941.8**
TOTAL EQUITY & LIABILITIES	**3,295.5**	**3,072.0**

▪ Appendix 4 – Cash flow statements

▪ Appendix 4.1 – Consolidated statement of cash flow

(in millions of euros)	30 June 2018	30 June 2017
Consolidated net profit (loss)	**197.3**	**125.9**
Share of profit (loss) from entities accounted for using the equity method before impairment losses	0.3	(1.0)
Net profit (loss) before share from entities accounted for using the equity method	**197.6**	**124.9**
Non-cash and non-operating items		
- Depreciation, amortization, provisions	77.6	53.3
- Impairment losses included in operating income and net financial income	-	-
- Change in fair value of financial derivatives	1.9	(12.1)
- Net gains or losses on disposals of non-current assets	0.6	0.1
- Foreign exchange differences	1.1	15.9
- Change in deferred taxes	(12.6)	8.8
- Share-based payment expense	5.7	4.5
- Other non-cash items	0.7	0.2
Cash flow from operating activities before changes in working capital requirement	***272.4***	***195.5***
- (Increase) / decrease in inventories	(20.3)	(19.5)
- (Increase) / decrease in trade receivables	(34.7)	(34.0)
- Increase / (decrease) in trade payables	4.8	18.1
- Net change in income tax liability	45.6	16.4
- Net change in other operating assets and liabilities	(58.9)	(47.0)
Change in working capital requirement related to operating activities	***(63.4)***	***(66.0)***
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**209.0**	**129.6**
Acquisition of property, plant & equipment	(35.2)	(28.1)
Acquisition of intangible assets	(67.5)	(93.4)
Proceeds from disposal of intangible assets and property, plant & equipment	2.8	0.1
Acquisition of shares in non-consolidated companies	(22.1)	(0.7)
Payments to post-employment benefit plans	(0.8)	(0.2)
Impact of changes in the consolidation scope	(7.4)	(547.6)
Deposits paid	(0.5)	(0.1)
Change in w orking capital related to investment activities	20.6	(11.6)
Other cash flow related to investment activities	20.5	(0.2)
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES	**(89.6)**	**(682.0)**
Additional long-term borrow ings	1.1	1.6
Repayment of long-term borrow ings	(25.1)	(2.8)
Net change in short-term borrow ings	119.1	375.5
Capital increase	2.4	3.5
Treasury shares	2.0	(3.3)
Dividends paid by Ipsen S.A.	(83.0)	(70.2)
Dividends paid by subsidiaries to non-controlling interests	(0.2)	(0.4)
Change in w orking capital related to financing activities	(3.0)	(2.8)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**13.3**	**301.1**
CHANGE IN CASH AND CASH EQUIVALENTS	**132.7**	**(251.3)**
Opening cash and cash equivalents	**209.3**	**422.5**
Impact of exchange rate fluctuations	2.9	(0.4)
Closing cash and cash equivalents	**344.9**	**170.9**

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▪ Appendix 4.2 – Consolidated net cash flow statement

(in millions of euros)	30 June 2018	30 June 2017
Opening net cash / (debt)	**(463.3)**	**68.6**
CORE OPERATING INCOME	**322.5**	**240.5**
Non-cash items	**14.2**	**(4.5)**
(Increase) /decrease in inventories	(20.3)	(19.5)
(Increase) / decrease in trade receivables	(34.7)	(34.0)
Increase / (decrease) in trade payables	4.8	18.1
Change in operating working capital requirement	**(50.2)**	**(35.4)**
Change in income tax liability	45.6	16.4
Change in other operating assets and liabilities (excluding milestones received)	(47.1)	(36.4)
Other changes in working capital requirement	**(1.5)**	**(20.0)**
Acquisition of property, plant & equipment	(35.2)	(28.1)
Acquisition of intangible assets (excluding milestones paid)	(8.9)	(7.0)
Disposal of fixed assets	2.8	0.1
Change in working capital related to investment activities	(6.5)	(2.1)
Net capex (excluding milestones paid)	**(47.8)**	**(37.2)**
Dividends received from entities accounted for using the equity method	**0.9**	**-**
Operating Cash Flow	**238.2**	**143.4**
Other non-core operating income and expenses and restructuring costs (cash)	(0.6)	(18.3)
Financial income (cash)	(9.0)	(9.1)
Current income tax (P&L, excluding provisions for tax contingencies)	(72.8)	(32.6)
Other operating cash flow	8.7	11.5
Free Cash Flow	**164.5**	**94.9**
Dividends paid (including payout to non-controlling interests)	**(83.2)**	**(70.6)**
Acquisition of shares in non-consolidated companies (1)	(22.1)	(0.7)
Acquisition of other financial assets	-	-
Impact of changes in consolidation scope (2)	(8.0)	(671.1)
Milestones paid (3)	(31.6)	(9.5)
Milestones received (4)	20.6	8.0
Other Business Development operations	(1.8)	(86.5)
Net investments (business development and milestones)	**(42.8)**	**(759.8)**
Share buybacks	**(4.4)**	**(4.0)**
FX on net indebtedness	(6.2)	-
Other (discontinued operations and financial instrument)	**(2.5)**	**1.6**
Shareholders return and external growth operations	**(139.2)**	**(832.9)**
CHANGE IN NET CASH / (DEBT)	**25.3**	**(738.0)**
Closing net cash / (debt)	**(438.0)**	**(669.4)**

(1) Acquisition of shares in non-consolidated companies is mainly comprised of an equity investment in Arix Bioscience for €17 million and an investment in an external innovation fund for €5 million.

(2) Impact of change in consolidation scope reflects the last equity stake in Akkadeas Pharma.

[3] Milestones paid correspond to payments subject to the terms and conditions set out in the Group's partnership agreements including €29 million milestone paid to Exelixis in the first half of 2018. The amounts paid were recorded as an increase in intangible assets on the consolidated balance sheet. The transactions were included in the "Acquisition of intangible assets" line item in the consolidated statement of cash flow (see Appendix 4.1).

[4] Milestones received are amounts collected by Ipsen from its partners. The €21 million received in the first half of 2018 is related to a milestone from Shire following the Onivyde® acquisition closed in 2017. In the consolidated balance sheet, the Shire milestones not yet received are booked in "Current financial assets" and in "Non-current financial assets", depending on the forecasted cash-in timing. Shire milestones received are included in the "Other cash flow related to investment activities" line item in the consolidated statement of cash flow (see Appendix 4.1).

▪ **Appendix 5 – Bridges from IFRS consolidated net profit to Core consolidated net profit**

(in millions of euros)	IFRS 30 June 2018	Amortization of intangible assets (excl software)	Other operating income or expenses	Restructuring	Impairment losses	Other	CORE 30 June 2018
Sales	1,064.5						1,064.5
Other revenues	60.6						60.6
Revenue	**1,125.1**	**-**	**-**	**-**	**-**	**-**	**1,125.1**
Cost of goods sold	(216.4)						(216.4)
Selling expenses	(380.8)						(380.8)
Research and development expenses	(141.6)						(141.6)
General and administrative expenses	(78.3)						(78.3)
Other operating income	31.1		(16.5)				14.6
Other operating expenses	(53.5)	33.1	20.2				(0.2)
Restructuring costs	(16.0)			16.0			-
Impairment losses	-						-
Operating Income	**269.7**	**33.1**	**3.7**	**16.0**	**-**	**-**	**322.5**
Net financing costs	(3.1)						(3.1)
Other financial income and expense	(10.1)						(10.1)
Income taxes	(59.8)	(8.9)	0.3	(4.4)			(72.8)
Share of net profit (loss) from entities accounted for using the equity method	0.6						0.6
Net profit (loss) from continuing operations	**197.3**	**24.2**	**4.0**	**11.6**	**-**	**-**	**237.1**
Net profit (loss) from discontinued operations	0.1					(0.1)	-
Consolidated net profit	**197.3**	**24.2**	**4.0**	**11.6**	**-**	**(0.1)**	**237.1**
- Attributable to shareholders of Ipsen S.A.	197.5	24.2	4.0	11.6		(0.1)	237.3
- Attributable to non-controlling interests	(0.2)						(0.2)

Earnings per share fully diluted - attributable to Ipsen S.A. shareholders (in € per share)	2.38	0.29	0.05	0.14		(0.00)	2.86

The reconciliation items between Core consolidated net profit and IFRS consolidated net profit are described in the paragraph “From Core financial measures to IFRS reported figures”.

	IFRS						CORE
(in millions of euros)	30 June 2017 Restated (1)	Amortization of intangible assets (excl software)	Other operating income or expenses	Restructuring	Impairment losses	Other	30 June 2017 Restated (1)
Sales	919.5						919.5
Other revenues	50.2						50.2
Revenue	**969.7**	**-**	**-**	**-**	**-**	**-**	**969.7**
Cost of goods sold	(189.0)						(189.0)
Selling expenses	(341.1)						(341.1)
Research and development expenses	(126.1)						(126.1)
General and administrative expenses	(66.9)						(66.9)
Other operating income	1.9		(1.6)				0.3
Other operating expenses	(64.2)	21.5	36.4				(6.3)
Restructuring costs	(7.9)			7.9			-
Impairment losses	-						-
Operating Income	**176.4**	**21.5**	**34.8**	**7.9**	**-**	**-**	**240.5**
Net financing costs	(4.2)						(4.2)
Other financial income and expense	(7.5)						(7.5)
Income taxes	(41.4)	(6.5)	(12.3)	(0.5)			(60.7)
Share of net profit (loss) from entities accounted for using the equity method	1.0						1.0
Net profit (loss) from continuing operations	**124.4**	**15.0**	**22.5**	**7.3**	**-**	**-**	**169.2**
Net profit (loss) from discontinued operations	1.6					(1.6)	-
Consolidated net profit	**125.9**	**15.0**	**22.5**	**7.3**	**-**	**(1.6)**	**169.2**
- Attributable to shareholders of Ipsen S.A.	125.9	15.0	22.5	7.3		(1.6)	169.2
- Attributable to non-controlling interests	0.0						0.0

Earnings per share fully diluted - attributable to Ipsen S.A. shareholders (in € per share)	1.52	0.18	0.27	0.09		(0.02)	2.04

(1) As part of the effort to implement its new organization, the Group reviewed the presentation of its financial statements and changed the classification of certain items on its income statement, with the view that the new presentation would provide more relevant information to financial statement readers. These reclassifications had no impact on Operating income or Consolidated net profit. The impact of the various reclassifications on the consolidated income statement for the period ended 30 June 2017 is presented in Appendix 2

3. INFORMATION ON RELATED PARTIES

The Group has not concluded any new significant transactions with related parties during the period.

4. 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 2017 Registration Document available on its website (https://www.ipsen.com).

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 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 or may generate substantial royalties for the Group, but these third parties could behave in ways that cause damage to the Group's business. The Group cannot be certain that its partners will fulfill their obligations. It might be unable to obtain any benefit from those agreements. A default by any of the Group's partners could generate 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 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 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 favorable 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 (ii), products which, although they are not strictly identical to the Group's products or which have not demonstrated their bioequivalence, may obtain a marketing authorization for indications similar to those of the Group's products pursuant to the bibliographic reference regulatory procedure (well established medicinal use) before the patents protecting its products expire. Such a situation could result in 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 with 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 or affiliates) 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 the Group to realize 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.

The marketing of certain products by the Group has been and could be affected by supply shortages and other disruptions. Such difficulties may be of both a regulatory nature (the need to correct certain technical problems in order to bring production sites into compliance with applicable regulations) and a technical nature (difficulties in obtaining supplies of satisfactory quality or difficulties in manufacturing active ingredients or drugs complying with their technical specifications on a sufficiently reliable and uniform basis). This situation may result in inventory shortages and/or in a significant reduction in the sales of one or more products.

The Group’s activities are largely dependent on information systems. Despite the procedures and security measures in place internally and at the providers with which the Group operates, the Group may have to deal with incidents, notably connected to malicious acts against such information systems, such as cyber-attacks that could lead to activity disruptions, the loss or alteration of critical data, or the theft or corruption of data.

In certain countries exposed to significant public deficits, and where the Group sells its drugs directly to public hospitals, the Group could face discount or lengthened payment terms or difficulties in recovering its receivables in full. The Group closely monitors the evolution of the situation in Southern Europe where hospital payment terms are especially long. 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.

The cash pooling arrangements for foreign subsidiaries outside the euro zone expose the Group to financial foreign exchange risk. The variation of these exchange rates may impact significantly the Group’s results.

5. STATUTORY AUDITOR'S REVIEW REPORT ON THE HALF YEARLY FINANCIAL INFORMATION

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Ipsen S.A.

Registered office: 65, Quai Georges Gorse - 92650 Boulogne-Billancourt

Statutory Auditors' Review Report on the Half-yearly Financial Information 2018

For the period from 1st January to 30 June 2018

To the Shareholders,

- In compliance with the assignment entrusted to us by the annual general meeting of shareholders and in accordance with the requirements of 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 half-yearly consolidated financial statements of Ipsen S.A., for the period from 1st January 2018 to 30 June 2018,
- the verification of the information presented in the half-yearly management report.
- These half-yearly consolidated financial statements are 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 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to the matter set out in note 3.8 to the half-yearly consolidated financial statements "First application of IFRS 9 – Financial Instruments" and in note 3.9 to the half-yearly consolidated financial statements "First application of IFRS 15 – Revenue from contracts with customers" which respectively disclose the change of accounting principles and methods relating to the first application, since January 1, 2018, of IFRS 9 and IFRS 15 standards.

II. Specific verification

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

Paris La Défense, on the 25 July 2018

KPMG Audit

Department of KPMG S.A.

Paris-La Défense, on the 25 July 2018

Deloitte & Associés

French original signed by

Catherine Porta

Partner

Cédric Adens

Partner

Jean Marie Le Guiner

Partner

6. ATTESTATION OF THE PERSON RESPONSIBLE FOR THE 2018 HALF YEAR FINANCIAL REPORT

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 2018 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.

July 26, 2018

Mr. David Meek

Chief executive officer