PRESS RELEASE

Ipsen's half-year 2012 Results

- **Robust drug sales, up 6.3%[1] year-on-year:**
  - Strong growth in specialty care:+13.5%[1]
  - Sales of primary care down 8.5%[1] year-on-year as a result of a 21.7% decline in France
- **Operating income of €125.7 million, or 20.0% of sales, up 4.1% year-on-year**
- **Sales objectives for 2012 raised**
- **French primary care: termination of negotiations with potential partner, adjustment of the sales organization by approximately 100 positions**

Paris (France), 28 August 2012 - The Board of Directors of Ipsen (Euronext: IPN; ADR: IPSEY), chaired by Marc de Garidel, met on 27 August 2012 to approve the financial statements for the first half 2012, published today. The interim financial report, with regard to regulated information, is available on the Group's website, www.ipsen.com, under the Regulated Information tab in the Investor Relations section. The 2012 half year financial statements have been subject to a limited review by statutory auditors.

Commenting on the first half 2012 performance, **Marc de Garidel, Chairman and Chief Executive Officer of Ipsen**, said: *"With drug sales up 6.3%[1] year-on-year, Ipsen has once again illustrated the pertinence of focusing on specialty therapeutic areas. Each of the three Group's specialty care franchises showed double digit growth over the period. With nine phase III clinical trials ongoing - in particular the tasquinimod study for which preliminary overall survival phase II results are promising - Ipsen is determined to strengthen its franchises. In addition, regarding hemophilia, we have recently renegotiated our partnership with Inspiration to address their financing needs and to protect the Group's interest by gaining commercial rights in some of our key territories."* ***Marc de Garidel*** *added: "Regarding our primary care activity in France, recent major differences arose with our preferred partner regarding the creation of a commercial joint-venture. The lack of alignment on the level of ambition of the project led to the termination of the late-stage negotiations. As a result and in line with the strategy announced in June 2011, we will now adjust the French sales organization by approximately 100 positions. Moreover, the Group will continue to invest in its technological platforms, franchises and growth territories while closely controlling its costs. "*

[1] Sales growth are computed excluding foreign exchange impacts

Extract of consolidated results

(in million of euros) *These results were subject to a limited review by the auditors*	***H1 2012***	***H1 2011***	***% change***
Specialty Care sales	439.8	381.0	*+15.4%*
Primary Care sales	172.2	185.6	*(7.2)%*
Total drug sales	**612.0**	**566.6**	***+8.0%***
Drug-related sales	17.8	16.5	*+7.8%*
Consolidated sales	**629.8**	**583.1**	***+8.0%***
Other revenues	**45.2**	**36.3**	**+24.6%**
Total revenues	**675.0**	**619.4**	**+9.0%**
Research and development expenses	(131.5)	(105.8)	+24.3%
Operating income	**125.7**	**120.8**	***+4.1%***
In % of sales	*20.0%*	*20.7%*	-
Recurring adjusted[(1)] operating income	**131.5**	**143.9**	***(8.6)%***
In % of sales	*20.9%*	*24.7%*	-
Share of profit/loss from associated companies	(14.2)	(4.1)	-
Consolidated net profit *(attributable to shareholders of Ipsen)*	**90.2**	**91.7**	***(1.6)%***
Earnings per share – fully diluted (€) *(attributable to shareholders of Ipsen)*	**1.07**	**1.09**	***(1.6)%***
Recurring adjusted[(1)] consolidated net profit *(attributable to shareholders of Ipsen)*	**86.0**	**107.3**	***(19.9)%***
Recurring adjusted[(1)] earnings per share – fully diluted (€) *(attributable to shareholders of Ipsen)*	**1.02**	**1.27**	***(19.9)%***
Net cash flow from operating activities	**63.3**	**97.3**	

[(1)] Before non-recurring elements. See appendix 4

Review of the first half 2012 sales and results

The Group's consolidated sales amounted to €629.8 million, up 8.0% year-on-year (+6.3% excluding foreign exchange impacts[1]). Sales of **specialty care** products totalled €439.8 million, up 15.4% year-on-year (13.5% excluding foreign exchange impacts[1]). Specialty care products represented 69.8% of the Group's consolidated sales, compared with 65.3% a year earlier. Sales of **primary care** products totalled €172.2 million, down 7.2% year-on-year (down 8.5% excluding foreign exchange impacts[1]).

Drug sales grew 8.0% year-on-year (+6.3% excluding foreign exchange impacts[1]) mainly driven by:

- Sales of the Neurology franchise, up 14.3% (+12.9% excluding foreign exchange impacts[1]) fuelled by strong Dysport® sales growth in Russia and supply sales to the Group's partners in aesthetic medicine, Medicis and Galderma. This strong performance was also driven by the implementation of a new agreement with Galderma in Australia.

[1] Variations excluding foreign exchange impacts are computed by restating the first half 2011 with the first half 2012 average exchange rates

- The performance of the Endocrinology franchise, up 15.3% (up 13.1% excluding foreign exchange impacts[1]) primarily fuelled by strong Somatuline® sales growth in the United Kingdom, France, Italy, Poland, North America, Latin America and the Netherlands.
- The performance of the Uro-Oncology franchise, up 16.5% (up 14.5% excluding foreign exchange impacts[1]) primarily fuelled by a robust performance of Decapeptyl®, in particular in China, Russia, United Kingdom, Algeria and Poland. In addition, sales of Hexvix® reached €6.0 million, essentially generated in Germany.

In the first half 2012, **sales in the major Western European countries** amounted to €272.4 million, down 0.9% year-on-year excluding foreign exchange impacts[1]. Dynamic sales volume growth of specialty care products were more than offset by the consequences of a tougher competitive environment in the French primary care landscape and administrative measures in Spain. In the **other European countries**, sales amounted to €159.8 million, up 10.0% excluding foreign exchange impacts[1], driven by the strong performance of Russia which, benefited from both growth in volume and numerous tenders. Sales in **North America** amounted to €36.3 million, up 2.1% excluding foreign exchange impacts[1]. Restated to exclude Apokyn® sales (no longer recorded by Ipsen in its accounts since 30 November 2011), North American sales were up 11.7% year-on-year, driven by strong supply of Dysport® for aesthetic use to Medicis, the continued penetration of Somatuline® in acromegaly and the value growth of Dysport® in the treatment of cervical dystonia. In the **rest of the World,** sales amounted to €161.3 million, up 22.3% year-on-year or up 17.9% excluding foreign exchange impacts[1]. This performance was notably driven by certain non-recurring stocking effects: in Australia where Ipsen signed an agreement in April 2012 with Galderma for the distribution and promotion of Dysport® for aesthetics use; and in Vietnam, where some orders of Primary care products were anticipated prior to the expiry of import licenses.

Other revenues amounted to €45.2 million in the first half 2012, up 24.6% year-on-year (€36.3 million at June 2011). This growth results from both increased royalties paid by Medicis, Galderma and Menarini, and, the rebilling of OBI-1 industrial development and European Hemophilia *Business Unit* (set up on 30 August 2011) expenses as part of the agreements signed with Inspiration Biopharmaceuticals Inc.. Under the terms of the agreement signed with Inspiration on August 21 2012, the European Hemophilia *Business Unit* will no longer be billed to Inspiration.

Consequently, **total revenues** reached €675.0 million in the first half 2012, up 9.0% year-on-year.

R&D expenses increased by €25.7 million compared with June 2011 and represented €131.5 million, or 20.9% of sales, compared with 18.1% of sales the prior year. Excluding industrial development expenses relating to OBI-1, invoiced to Inspiration Biopharmaceuticals Inc., R&D expenses represented 18.5% of sales and increased by 17.9% year-on-year.

In the first half 2012, **selling, general and administrative expenses** amounted to €278.6 million, or 44.2% of sales, up 12.3% compared with €248.2 million, or 42.6% of sales in the first half 2011, reflecting on the one hand the Group's selective commercial resources allocation policy to growth geographies and, on the other hand, stable French primary care selling costs but increasing costs to sales ratio in a context of declining sales.

In the first half 2012, the Group recorded in **other operating income and expenses** an income of €2.5 million and expenses of €14.1 million composed of non-recurring costs related to the implementation of the new strategy announced on 9 June 2011, the settlement of a trade dispute with a partner and an administrative procedure involving the Group.

In the first half 2012, **amortization charges of intangible assets** represented an expense of €5.6 million, including mainly the amortization of Hexvix® rights acquired from Photocure in September 2011 and the amortization of the trademark of Nisis®-Nisisco®, primary care product deprioritized following the arrival of generics on the French market as a result from the patent loss in November 2011.

[1] Variations excluding foreign exchange impacts are computed by restating the first half 2011 with the first half 2012 average exchange rates

In the first half 2012, the Group recorded €3.9 million **non-recurring restructuring costs** as part of the strategy announced on 9 June 2011, compared to €28.1 million a year earlier.

On 11 July 2012, the Group announced it decided to retain the Dreux-based industrial facility within the scope of its activity. Consequently, the Group reassessed the value of this asset taking into account all new elements and recorded an **impairment write-back** of €12.5 million in its financial consolidated statements at 30 June 2012, partially offset by an additional impairment loss of €1.7 million on assets related to deprioritized R&D projects.

As a result, **operating income** reported in the first half 2012 amounted to €125.7 million or 20.0% of sales, up 4.1% compared to 20.7% for the same period in 2011.

The Group's **recurring adjusted[1] operating income** in the first half 2012 amounted to €131.5 million or 20.9% of consolidated sales, down 8.6% year-on-year.

At 30 June 2012, the Group's **financial income** amounted to €15.5 million compared with €1.2 million the previous year. The cost of net financial debt represented an income of €1.5 million, including primarily the interests recorded on the five convertible bonds issued by Inspiration Biopharmaceuticals Inc. and subscribed by the Group (versus two at 30 June 2011) partially offset by the non-utilisation fees on the credit line subscribed on 31 January 2012. Other financial income and expenses represented an income of €14.0 million mainly due to positive foreign exchange rate impact, non-recurring profits from additional payments received up on the divestment by the Group in 2010 of its PregLem Holding S.A shares and profit derived from the sale of its Spirogen shares during the period.

At 30 June, 2012, Ipsen's **effective tax rate** represented 25.9% of profit from continuing operations before tax and share of profit/loss from associated companies, compared to an effective tax rate of 21.5% at 30 June 2011. This increase mainly resulted from the dilution of the research tax credit positive impact associated to a higher taxable profit as compared to 30 June 2011. The implementation of the exceptional 5% French tax contribution at the end of 2011 also contributed to the effective tax rate increase. Excluding non-recurring operating, financing and tax items, the effective tax rate amounted to 23.9% at 30 June 2012, compared to 22.9% the previous year.

At 30 June 2012, the Group posted **a share in the loss of associated companies** of €(14.2) million, representing its share of 22% in Inspiration Biopharmaceuticals Inc.'s result, now attributed to the convertible bonds subscribed by the Group, the carrying value of the Group's investment being nil since 31 December 2011.

Consolidated net profit decreased by 1.5% to €90.5 million (attributable to shareholders of Ipsen S.A.: €90.2 million) compared with €91.9 million (attributable to shareholders of Ipsen S.A.: €91.7 million) at 30 June 2011. **Recurring adjusted[1] diluted earnings per share attributable to the Group** at 30 June 2012 amounted to €1.02, down 19.9% year-on-year.

At 30 June 2012, the total of **milestone payments received in cash by the Group and not yet recognised** as other revenues on the income statement amounted to €191.9 million, compared with €206.1 million the previous year. The Group recorded no new deferred revenue for its partnerships in 2012 against €3.7 million in 2011.

Net cash flow from operating activities represented €63.3 million, compared to €97.3 million the previous year. At 30 June 2012, the Group had a positive **closing net cash and cash equivalents** of €60.1 million, compared to €121.8 million as of 30 June 2011.

[1] Before non-recurring elements. See appendix 4

About Primary care commercial activities in France

Recent major differences arose between Ipsen and its preferred partner regarding the creation of a common structure for their French primary care commercial activities. The lack of alignment regarding the level of ambition for the project led to the termination of late-stage negotiations.

In accordance with the strategy announced on 09 June 2011, the Group continues to work at optimizing this activity and remains open to the creation of a partnership ensuring the long-term viability of this business.

Recent government measures – Tanakan® delisting, Adrovance® and Nisis/Nisisco® price cuts – as well as the introduction of generics of Nisis/Nisisco® and the end of the Exforge® contract with Novartis, have significantly impacted Ipsen's primary care activity in France in the first half 2012 with sales down 21.7% (Tanakan® sales down 33.3% in France).

As a result, an adjustment of French sales organization has become necessary. This adjustment will affect approximately 100 positions in the Group's French commercial operations. The social consultations will start during the fourth quarter of 2012.

Update of 2012 financial targets

Based on information currently available and given its solid performance in the first half 2012, the Group is now targeting for the full year 2012:

- **Specialty Care** drug sales growth year-on-year in the **upper range of 8.0% to 10.0%**
- **Primary Care** drug sales decrease year-on-year **of approximately 15.0%**
- **Recurring adjusted[1] operating margin of approximately 15.0% of its sales**

The above objectives are set excluding foreign exchange impacts.

Media conference call (in French)

Ipsen will host a conference call on Tuesday 28 August 2012 at 9:30 am (Paris time - GMT+1).
Participants in the conference call may connect for the meeting 5-10 minutes prior to its start. No reservations are required to participate. The conference ID is 19512749. The telephone number to call in order to connect to the conference call from France is +33 (0)1 76 74 24 28, from other countries in Europe it is +44 (0) 1452 555 566 and from the United States +1 631 510 7498. The telephone number to call in order to access a recording of the conference call is +44 (0) 1452 55 00 00. The access number is 19512749#. The conference call is available for one week following the meeting.

Meeting, webcast and Conference Call (in English) for the financial community

Ipsen will host an analyst meeting on Tuesday 28 August 2012 at 2:00 p.m. (Paris time, GMT+1) at its headquarters in Boulogne-Billancourt (France). A web conference (audio and video webcast) and conference call will take place simultaneously. The web conference will be available at www.ipsen.com. Participants in the conference call should dial in approximately 5 to 10 minutes prior to its start. No reservation is required to participate. The conference ID is **921075**. No access code is required. Phone numbers to call in order to connect to the conference are: from France and continental Europe +33 (0) 1 70 99 32 08, from UK +44 (0) 20 7162 0077 and from the United States +1 334 323 6201. A recording will be available shortly after the call. Phone numbers to access the replay of the conference are: from France and continental Europe +33 (0) 1 70 99 35 29, from UK +44 (0) 20 7031 4064 and from the United States +1 954 334 0342 and access code is **921075**. This replay will be available for one week following the meeting.

About Ipsen

Ipsen is a global specialty-driven pharmaceutical company with total sales exceeding €1.1 billion in 2011. Ipsen's ambition is to become a leader in specialty healthcare solutions for targeted debilitating diseases. Its development strategy is supported by four franchises: neurology / Dysport®, endocrinology /

[1] Before non-recurring elements. See appendix 4

Somatuline®, uro-oncology / Decapeptyl® and hemophilia. Moreover, the Group has an active policy of partnerships. Ipsen's R&D is focused on its innovative and differentiated technological platforms, peptides and toxins. In 2011, R&D expenditure totalled more than €250 million, above 21% of Group sales. The Group has total worldwide staff of close to 4,500 employees. Ipsen's shares are traded on segment A of Euronext Paris (stock code: IPN, ISIN code: FR0010259150) and eligible to the "Service de Règlement Différé" ("SRD"). The Group is part of the SBF 120 index. Ipsen has implemented a Sponsored Level I American Depositary Receipt (ADR) program, which trade on the over-the-counter market in the United States under the symbol IPSEY. For more information on Ipsen, visit www.ipsen.com.

Forward Looking Statement

The forward-looking statements, objectives and targets contained herein are based on the Group's management strategy, current views and assumptions. Such statements involve known and unknown risks and uncertainties that may cause actual results, performance or events to differ materially from those anticipated herein. All of the above risks could affect the Group's future ability to achieve its financial targets, which were set assuming reasonable macroeconomic conditions based on the information available today.

Moreover, the targets described in this document were prepared without taking into account external growth assumptions and potential future acquisitions, which may alter these parameters. These objectives are based on data and assumptions regarded as reasonable by the Group. These targets depend on conditions or facts likely to happen in the future, and not exclusively on historical data. Actual results may depart significantly from these targets given the occurrence of certain risks and uncertainties, notably the fact that a promising product in early development phase or clinical trial may end up never being launched on the market or reaching its commercial targets, notably for regulatory or competition reasons. The Group must face or might face competition from Generics that might translate into loose of market shares.

Furthermore, the Research and Development process involves several stages each of which involve the substantial risk that the Group may fail to achieve its objectives and be forced to abandon its efforts with regards to a product in which it has invested significant sums. Therefore, the Group cannot be certain that favourable results obtained during pre-clinical trials will be confirmed subsequently during clinical trials, or that the results of clinical trials will be sufficient to demonstrate the safe and effective nature of the product concerned. The Group also depends on third parties to develop and market some of its products which could potentially generate substantial royalties; these partners could behave in such ways which could cause damage to the Group's activities and financial results. The Group expressly disclaims any obligation or undertaking to update or revise any forward looking statements, targets or estimates contained in this press release to reflect any change in events, conditions, assumptions or circumstances on which any such statements are based, unless so required by applicable law.

The Group's business is subject to the risk factors outlined in its registration documents filed with the French Autorité des Marchés Financiers.

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APPENDICES

Risk 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 2011 Registration Document available on its website www.ipsen.com

- The Group is dependent on the setting of prices for medicines and is vulnerable to the possible reduction of prices of certain of its products by public or private payers or to their possible withdrawal from the list of reimbursable products by the relevant regulatory authorities in the countries where it does business. In general terms, the Group is faced with uncertainty in relation to the prices set for all its products, in so far as medication prices have come under severe pressure over the last few years as a result of various factors, including the tendency for governments and 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 generate or may generate substantial royalties for the Group, but these third parties could behave in ways which cause damage to the Group's business. The Group cannot be certain that its partners will fulfil their obligations. It might be unable to obtain any benefit from those agreements. A default by any of the Group's partners could generate lower revenues than expected. Such situations could have a negative impact on the Group's business, financial position or performance. More specifically the possible inability for Inspiration Biopharmaceuticals Inc. to raise independent third party financing could result in the depreciation of all Inspiration-related assets for a total net amount of approximately 81 million euros after tax as of 30 June 2012.
- 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 a discovery to a product being brought to market. This process involves several stages; at each stage, there is a substantial risk that the Group could fail to achieve its objectives and be forced to abandon its efforts in respect of products in which it has invested significant amounts. Thus, in order to develop viable products from a commercial point of view, the Group must demonstrate, by means of pre-clinical and clinical trials, that the molecules in question are effective and are not harmful to humans. The Group cannot be certain that 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, for example, Forlax® or Smecta® (ii), products which, although they are not strictly identical to the Group's products or which have not demonstrated their bioequivalence, have obtained or 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 to the Group losing market share which could affect its current level of growth in sales or profitability.
- Third parties might claim the benefit of intellectual property rights in respect to the Group's inventions. The Group provides the third parties with which it collaborates (including universities and other public or private entities) with information and data in various forms relating to the research, development, manufacturing and marketing of its products. Despite the precautions taken by the Group with regard to these entities, in particular of a contractual nature, they (or certain of their members 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 it 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. More specifically, in their US Hopkinton facility, Lonza, supplier of IGF-1 (Increlex® active ingredient), is facing a regulatory challenge by the Food and Drug Administration. Products manufactured for the US in this plant are currently on hold.
- In certain countries exposed to significant public deficits, and where the Group sells its drugs directly to public hospitals, it could face discount or lengthened payment terms or difficulties in recovering its receivables in full. In Greece notably, which represented in 2012 approximately 1.3% of consolidated sales, and where payment terms from public hospitals are particularly long, the Group is closely monitoring the current situation. More generally, the Group may also be unable to purchase sufficient credit insurance to protect itself adequately against the risk of payment default from certain customers worldwide. Such situations could negatively impact the Group's activities, financial situation and results.
- In the normal course of business, the Group is or may be involved in legal or administrative proceedings. Financial claims are or may be brought against the Group in connection with some of these proceedings. Ipsen Pharmaceuticals, Inc. has received an administrative demand from the United States Attorney's Office for the Northern District of Georgia seeking documents relating to its sales and marketing of Dysport® (abobotulinumtoxinA) for therapeutic use. Ipsen's policy is to fully comply with all applicable laws, rules and regulations. Ipsen is cooperating with the U.S. Attorney's Office in responding to the government's administrative demand. Additionally, In February 2012, Allergan has commenced legal proceedings against Ipsen in Italy and in the United Kingdom concerning an alleged patent infringement. The patents claim certain therapeutic uses of botulinum toxin products in the field of urology. Ipsen will vigorously defend its rights in these legal proceedings, which are based on patents that are being challenged by Ipsen in opposition proceedings before the European Patent Office.

Major developments in the first half 2012

During the first half 2012, major developments included:

- On January 5, 2012 – Onco*design*, a Drug Discovery company and Oncology pharmacology service provider, and Ipsen announced that the two companies have entered into a research collaboration to discover and develop innovative LRRK2 kinase inhibitors as potential therapeutic agents against Parkinson's Disease and for potential additional uses in other therapeutic areas.
- On January 24, 2012 – Santhera Pharmaceuticals and Ipsen announced that they had renegotiated their fipamezole licensing agreement. Santhera regains the worldwide rights to the development and commercialization of fipamezole, its first-in-class selective adrenergic alpha-2 receptor antagonist for the management of levodopa-induced Dyskinesia in Parkinson's Disease. Under the renegotiated terms, Ipsen returns its rights for territories outside of North America and Japan in exchange for milestone payments and royalties based on future partnering and commercial success of fipamezole. Ipsen retains a call option for worldwide license to the program under certain conditions.
- On January 27, 2012 – Ipsen acknowledged the French government's decision to no longer reimburse Tanakan®, Tramisal® and Ginkogink®. This decision is linked to the French policy to reassess the reimbursement of a certain number of drugs by the French Social Security. Although Tanakan®, Tramisal® and Ginkogink® have been delisted from 1st March 2012 onwards, they can continue to be prescribed and delivered by healthcare professionals to patients in France. The Group plans a decrease of Tanakan® sales of around 35%[1] in France in 2012. This estimate is based on decreases of sales following the delisting of veintonics in 2008.
- On February 24, 2012 – Active Biotech's and Ipsen's castrate resistant prostate cancer project, TASQ, announced the presentation of the up to three years safety data from the TASQ Phase II study in chemotherapy-naïve metastatic castrate resistant prostate cancer (CRPC) at the 27th Annual EAU Congress.
- On April 17, 2012 – Ipsen announced that its partner, Inspiration Biopharmaceuticals, Inc. (Inspiration), has submitted a Biologics License Application to the U.S. Food and Drug Administration (FDA) for the approval of IB1001, an intravenous recombinant factor IX (rFIX) for the treatment and prevention of bleeding in individuals with hemophilia B. Under the terms of this partnership and following the filing, Ipsen decided to pay Inspiration a $35 million milestone payment. In return, Inspiration has issued a convertible note to Ipsen, bringing Ipsen's fully diluted equity ownership position in Inspiration to approximately 43.5%.
- On April 25, 2012 – Ipsen announced the official opening of its new US commercial headquarters in Basking Ridge, New Jersey. This is an important step forward for Ipsen in the United States. This announcement confirms Ipsen's commitment to growth for its uniquely targeted neurology and endocrinology therapeutics in the United States and to provide innovative specialty medicines to US patients in need.
- On May 3, 2012 – Ipsen disclosed that it had sold, under a share purchase agreement, all of its shares in Spirogen Limited (19.31% of Spirogen's equity) on February 24, 2012, and is no longer represented on the board of Spirogen. Ipsen received an upfront cash payment and may receive deferred consideration.
- On May 3, 2012 – Ipsen disclosed that it had terminated its agreement with Novartis for the co-promotion of Exforge® in France effective April 30, 2012. Ipsen will receive a contractual cash exit fee payment of €4 million from Novartis.
- On May 18, 2012 – Active Biotech and Ipsen announced the presentation of overall survival (OS) data from the Phase II study on tasquinimod (TASQ), their prostate cancer drug candidate (CRPC), at the scientific conference "2012 ASCO Annual Meeting" held in Chicago (USA) on 1-5 June 2012.
- On May 21, 2012 – Active Biotech and Ipsen announced that recruitment to the global, pivotal, randomized, double-blind, placebo-controlled phase III study of tasquinimod in patients with metastatic castrate-resistant prostate cancer (CRPC) had reached an inclusion of 600 patients, half of the planned accrual. This triggered a €10 million milestone payment from Ipsen to Active Biotech.

[1] Impact estimated for full year

- On June 4, 2012 – Active Biotech and Ipsen presented overall survival (OS) data from the tasquinimod Phase II study in chemotherapy-naïve metastatic castrate resistant prostate cancer (CRPC) at the scientific conference "2012 ASCO Annual Meeting" held in Chicago (USA).

- On June 29, 2012 – Ipsen announced that its partner Teijin received manufacturing and marketing approval from the Japan's Ministry of Health, Labour and Welfare (MHLW) for Somatuline® 60/90/120 mg for s.c. injection (lanreotide acetate). In Japan, Somatuline® is indicated for the treatment of growth hormone and IGF-I (somatomedin-C) hypersecretion and related symptoms in acromegaly and pituitary gigantism (when response to surgical therapies is not satisfactory or surgical therapies are difficult to perform). Somatuline® will be available in a new enhanced presentation with a pre-filled syringe that does not need reconstitution and with a retractable needle that enhances safety for caregivers.

After 30 June 2012, major developments included:

- On July 10, 2012 – Ipsen announced that its partner Inspiration Biopharmaceuticals Inc. (Inspiration) was notified by the Food and Drug Administration (FDA) that both clinical trials evaluating the safety and efficacy of IB1001 were placed on clinical hold. During the course of routine laboratory evaluations conducted as part of the ongoing phase III clinical trials, Inspiration observed, and reported to the FDA, a trend towards a higher proportion of IB1001 treated individuals developing a positive response to testing of antibodies to Chinese Hamster Ovary (CHO) protein, the product's host cell protein (HCP). A total of 86 people with hemophilia B have received IB1001 in clinical studies and, to date, no adverse events (anaphylaxis or other serious allergic type reaction and nephrotic syndrome) related to the development of antibodies to CHO protein have been reported. Furthermore, no relationship has been demonstrated between the development of antibodies to CHO protein and the development of any antibodies to factor IX. Inspiration continues to follow subjects enrolled in clinical trials of IB1001 to collect safety-related information and will share this information with regulators.

- On July 11, 2012 – Ipsen announced its decision to retain the Dreux (France)-based industrial facility within the scope of its activity. Considering the perspectives of Ipsen's primary care activity internationally and as a result the higher than-expected production volumes at this site since the beginning of this year, the Group has decided to keep its Dreux industrial site.

- On August 21, 2012 – Ipsen announced the renegotiation of its 2010 strategic partnership agreement with Inspiration Biopharmaceuticals, Inc. (Inspiration) for the development and commercialization of Inspiration's recombinant product portfolio: OBI-1, a recombinant porcine factor VIII (rpFVIII) being developed for the treatment of patients with acquired hemophilia A and congenital hemophilia A with inhibitors, and IB1001, a recombinant factor IX (rFIX) for the treatment and prevention of bleeding in patients with hemophilia B. The new agreement aims to establish an effective structure whereby Ipsen gains commercial rights in key territories. Inspiration remains responsible for the world-wide development of OBI-1 and IB1001. As part of the renegotiation, Ipsen paid Inspiration $30.0 million (approximately €24.0 million, based on current exchange rates) upfront. Including this upfront payment, Ipsen is entitled to pay Inspiration milestones for a total amount of up to $200m, of which $27.5m are regulatory milestones and the remaining are commercial milestones. Both companies believe this new agreement will facilitate Inspiration's ability to raise independent third party financing to meet its financing needs until a potential equity offering in 2013.

  Furthermore, under the new terms, Ipsen has agreed to invest up to $20.0 million in Inspiration, as follows:

  - If Inspiration raises external funding prior to August 31, 2012, Ipsen will pay $20.0 million in exchange for equity;

  - If Inspiration does not raise external funding prior to August 31, 2012, Ipsen will pay $7.5 million and receive a warrant for 15% of Inspiration's equity. Ipsen has an option to exercise the warrant should Inspiration fail to raise external funding by September 30, 2012;

  - If Inspiration raises external funding prior to September 30, 2012, Ipsen will pay an additional $12.5 million in exchange for equity.

  The above elements represent an indication of impairment loss on the net investment the Group holds in Inspiration. While the Board of Directors approved the financial statements on 27 August 2012, Inspiration was still actively seeking external funds to secure its financing needs. The Group ran an impairment test under the assumption that Inspiration would successfully raise external financing in the

short term. Accordingly, no further impairment loss was recorded in the consolidated financial statements as of 30 June 2012. Should Inspiration fail to raise external financing and according to the terms of the new partnership agreement signed with Inspiration, the Group would have several options available to protect its interest. As of 30 June 2012, based on the consolidated financial statements, the total after tax amount of Inspiration-related assets on the Group's balance sheet reached approximately 81 million euros.

Government measures

In a context of financial and economic crisis, the governments of many countries in which the Group operates continue to introduce new measures to reduce public health expenses, some of which affected the Group sales and profitability in 2012. In addition, certain measures introduced in 2011 have continued to affect the Group's accounts year-on-year.

In the Major Western European countries:

- In France, the price of Forlax® was reduced by 3.5% on October 1, 2011 and the price of Nisis®/Nisisco® by 15.0% on November 14, 2011. On January 1, 2012, the price of Decapeptyl® was reduced by 3.0% for both 3 and 6-month formulations while the price of Adrovance® was reduced by 33.0%. On 1 March 2012, Tanakan® was delisted in France. An additional tax on promotional expenses of 0.6% has also been introduced;

- As of November 1, 2011, Spain raised its tax on drug sales from 7.5% (introduced in June 2010) to 15.0% for products that have been on the market for more than 10 years and have no generic or biosimilar on the Spanish market.

In the Other European countries:

- In Belgium, as from 1 April 2012, as soon as a generic or a hybrid is launched on the market, drugs are regrouped per active ingredient regardless of their galenic form and prices are cut by up to 31.0%;

- In Poland, a new Reimbursement Law Reform was enforced on 1 January 2012, introducing a sales tax in case of budget excess and a tax on manufacturers' income to fund clinical trials. Regulated margins have been decreased as well. As a result, prices of Decapeptyl® and Somatuline® were both reduced by 3.0% on 1 January 2012;

- Greece voted new measures designed to decrease pharmaceutical expenditure. Key measures include higher rebates to wholesalers and retail pharmacies (9% instead of 4% - retroactive effect as of 1 January 2012), an obligation to prescribe drugs labelled International Non-proprietary Name (INN) and introduction of a payback contribution in case of Health public budget overrun;

- In 2011, Portugal introduced an electronic system encouraging prescription of the cheapest product (including generics). New countries have been included in the reference basket for the International Pricing System such as Spain, Italy and Slovenia. New measures for 2013 have already been published: 6.0% price cut on all drugs and contribution of the pharmaceutical industry to the decrease of healthcare spending through the set up by every pharma company of a provision fund equal to 2.0% of sales.

In the Rest of the World:

- China is finalizing its international reference pricing system including ten countries as the USA, France, Germany, South Korea and Japan;

- In January 2011, Algeria initiated the implementation of a new healthcare reform setting reference pricing per therapeutic class; a price alignment of Decapeptyl® on the cheapest GnRH seems imminent.

Furthermore, and in the context of financial and economic crisis, governments of many countries in which the Group operates continue to introduce new measures to reduce public health expenses, some of them will affect the Group sales and profitability beyond 2012.

In the Major Western European countries:

- The Spanish Health Minister confirmed a 14.0% reduction of healthcare budget in 2012. The new Royal Decree published in April stated that molecules that have been introduced in Europe for more than ten years will be regrouped per active ingredient and prices will be aligned on the cheapest daily dosage.

In the Other European countries:

- Within the frame of the Healthcare Reform, Russian Health Authorities are considering a possible change in the price-setting methodology for the Vital and Essential Drug list (EDL). Future registered prices for drugs on EDL should be set as the average weighted price of all drugs with the same International Non-proprietary Name (INN);

- Ukrainian Health Authorities are implementing an International Price Referencing System. The system aims at reducing prices of drugs by 25–30% by aligning prices on a basket of twelve Central Europe countries including Serbia, Hungary, Moldavia and Poland.

In the Rest of the World:

- In Colombia, a new International Reference pricing system is expected during the second semester 2012, as well as maximum reimbursement prices on expensive drugs. Somatuline® could face a price cut in the range of 40-50%;

- In South Korea, price-volume agreements negotiated in 2011, that have led to a 7.0% price decrease of Decapetpyl® and Dysport®, will continue to negatively impact prices in the year to come.

Comparison of consolidated sales for the second quarters and first halves 2012 and 2011:

Sales by geographical area

Group sales by geographical area in the second quarters and first halves 2012 and 2011 were as follows:

	2nd Quarter			First half			
(in million euros)	2012	2011	% Variation	2012	2011	% Variation	% variation at constant currency
France	64.7	80.3	(19.5%)	133.1	149.5	(11.0%)	(11.0%)
United Kingdom	14.9	10.3	44.5%	27.7	21.4	29.1%	22.6%
Spain	15.4	15.4	(0.3%)	30.4	31.0	(2.1%)	(2.1%)
Germany	19.9	14.8	34.2%	38.2	29.6	28.8%	28.8%
Italy	22.1	20.9	5.7%	43.2	42.2	2.3%	2.3%
Major Western European countries	**136.9**	**141.7**	**(3.4%)**	**272.4**	**273.7**	**(0.5%)**	**(0.9%)**
Eastern Europe	47.4	32.9	44.2%	90.0	77.0	16.9%	16.8%
Others Europe	35.3	34.4	2.7%	69.7	67.4	3.4%	2.2%
Other European Countries	**82.7**	**67.3**	**23.0%**	**159.8**	**144.4**	**10.6%**	**10.0%**
North America	**19.9**	**16.4**	**21.2%**	**36.3**	**33.1**	**9.8%**	**2.1%**
Asia	49.7	38.0	31.0%	78.4	65.6	19.5%	11.2%
Other countries in the rest of the world	47.8	33.9	40.9%	82.9	66.3	25.1%	24.9%
Rest of the World	**97.5**	**71.9**	**35.7%**	**161.3**	**131.9**	**22.3%**	**17.9%**
Group Sales	**337.0**	**297.3**	**13.4%**	**629.8**	**583.1**	**8.0%**	**6.3%**
Of which: Total Drug Sales	**327.6**	**289.3**	**13.3%**	**612.0**	**566.6**	**8.0%**	**6.3%**
Drug-related Sales[1]	**9.4**	**8.0**	**17.0%**	**17.8**	**16.5**	**7.8%**	**4.7%**

In the second quarter 2012, sales generated in the **Major Western European countries** amounted to €136.9 million, down 3.4% year-on-year. For the first half 2012, sales generated in the major Western European countries amounted to €272.4 million, down 0.9% year-on-year excluding foreign exchange impacts[2]. Dynamic volume sales growth of specialty care products were more than offset by the consequences of a tougher competitive environment in the French primary care landscape and administrative measures in Spain, outlined below. As a result, sales in the Major Western European countries represented 43.3% of total Group sales at the end of the first half 2012, compared with 46.9% a year earlier.

France – In the second quarter 2012, sales reached €64.7 million, down 19.5% year-on-year. In the first half 2012, sales totalled €133.1 million, down 11.0% year-on-year, penalized by the acceleration of the decline of primary care sales, down 21.7% year-on-year. Despite the strong growth of Somatuline®, sales were negatively impacted by declining sales of Nisis® and Nisisco®, following a 15% price reduction and the arrival of several generics in November 2011 and by decreasing sales of Tanakan® after the delisting of the product as of 1st March 2012. Consequently, the relative weight of France in the Group's consolidated sales continued to decrease, representing 21.1% of total Group sales compared to 25.6% a year earlier.

United Kingdom – In the second quarter 2012, sales reached €14.9 million, up 44.5% year-on-year, benefiting from a favourable comparison basis related to accruals booked in 2011 in line with the Pharmaceutical Price Regulation Scheme (PPRS) and from a strong performance of specialty care products. Restated to exclude this basis effect, the second quarter 2012 sales were up 21.0% year-on-year. In the first half 2012, sales totalled €27.7 million, up 22.6% excluding foreign exchange impacts[2], fuelled by strong double digit volume growths of Decapeptyl®, Somatuline® and NutropinAq®. Restated to exclude the non-recurring effect of the PPRS, sales were up 12.6%. In the

[1] Active ingredients and raw materials
[2] Variations excluding foreign exchange impacts are computed by restating the first half 2011 with the first half 2012 average exchange rates

first half 2012, the United Kingdom represented 4.4% of total Group sales compared to 3.7% the previous year.

Spain – In the second quarter 2012, sales reached €15.4 million, stable year-on-year. In the first half 2012, sales totalled €30.4 million, down 2.1% year-on-year, penalized by the tax increase on sales to 15.0% from 7.5% implemented on 1 November 2011, partly offset by a strong volume growth of the new 6-month formulation of Decapeptyl® and of NutropinAq®. At the end of the first half 2012, sales in Spain represented 4.8% of total group sales, compared to 5.3% a year earlier.

Germany – In the second quarter 2012, sales reached €19.9 million, up 34.2% year-on-year. In the first half 2012, sales amounted to €38.2 million, up 28.8% year-on-year, driven by strong volume growth of Somatuline®, Hexvix® and drug-related sales[1]. In the first half 2012, sales in Germany represented 6.1% of total Group sales compared to 5.1% a year earlier.

Italy – In the second quarter 2012, sales reached €22.1 million, up 5.7% year-on-year. In the first half 2012, sales reached €43.2 million, up 2.3% year-on-year, driven by the good performance of Somatuline® but partly offset by the decline of Forlax® sales following a shift in the country distribution model. Italy represented 6.9% of the Group's consolidated sales at the end of the first half 2012 compared to 7.2% a year earlier.

In the second quarter 2012, sales generated in the **Other European countries** reached €82.7 million, up 23.0% year-on-year. In the first half 2012, sales amounted to €159.8 million, up 10.0% excluding foreign exchange impacts[2]. Sales were mainly driven by the good performance of Russia which benefited both from strong volume growth and numerous tenders on specialty care products, partially offset by a destocking effect on Smecta® following the drug re-submission in 2011. Over the period, Poland, the Netherlands and Ukraine also contributed to the volume growth. In the first half 2012, sales in this region represented 25.4% of total consolidated Group sales, compared to 24.8% a year earlier.

In the second quarter 2012, sales generated in **North America** reached €19.9 million, up 21.2% from a year earlier. In the first half 2012, sales amounted to €36.3 million, up 2.1% excluding foreign exchange impacts[2]. In November 2011, Ipsen sold its North American development and marketing rights for Apokyn®. As a consequence, Ipsen stopped recording Apokyn® sales in its accounts as of 30 November 2011. Restated to exclude Apokyn® sales, North American sales were up 11.7% year-on-year, driven by strong supply of Dysport® for aesthetic use to Medicis, the continuous penetration of Somatuline® in acromegaly and the value growth of Dysport® in the treatment of cervical dystonia. Sales in North America represented 5.8% of total consolidated Group sales, compared to 5.7% a year earlier.

In the second quarter, sales generated in the **Rest of the World** reached €97.5 million, up 35.7% year-on-year. In the first half 2012, sales amounted to €161.3 million, up 22.3% year-on-year or up 17.9% excluding foreign exchange impacts[2]. This performance was notably driven by some non-recurring stocking effects in Australia where Ipsen signed an agreement in April 2012 with Galderma for the distribution and promotion of Dysport® for aesthetics use and in Vietnam, where certain orders of Primary care products were anticipated before the expiry of import licenses. Restated to exclude these non-recurring stocking effects, sales were up 17.2% compared with the 22.3% mentioned above. In the first half 2012, sales in the Rest of the World continued to increase to 25.6% of total consolidated Group sales, up from 22.6% a year earlier.

[1] Active ingredients and raw materials
[2] Variations excluding foreign exchange impacts are computed by restating the first half 2011 with the first half 2012 average exchange rates

Sales by therapeutic area and by product

The following table shows sales by therapeutic area and by product for the second quarters and first halves 2012 and 2011:

	2nd Quarter			First half			
(in million euros)	2012	2011	% Variation	2012	2011	% Variation	% variation at constant currency
Oncology	**91.1**	**74.0**	**23.2%**	**162.1**	**139.2**	**16.5%**	**14.5%**
of which Hexvix®	3.0	-	N/A	6.0	-	N/A	N/A
of which Decapeptyl®	88.1	74.0	19.1%	156.1	139.2	12.2%	10.2%
Endocrinology	**80.4**	**68.0**	**18.2%**	**154.4**	**133.9**	**15.3%**	**13.1%**
of which Somatuline®	58.6	48.9	19.9%	113.3	95.0	19.3%	17.3%
of which NutropinAq®	13.4	13.1	2.8%	26.5	26.0	1.7%	1.2%
of which Increlex®	8.4	6.1	37.7%	14.6	12.9	13.2%	6.4%
Neurology	**65.8**	**56.2**	**17.1%**	**123.2**	**107.9**	**14.3%**	**12.9%**
of which Dysport®	65.7	54.9	19.7%	123.1	105.0	17.3%	16.2%
of which Apokyn®	-	1.3	N/A	-	2.9	(96.0%)	N/A
Specialty Care	**237.3**	**198.2**	**19.7%**	**439.8**	**381.0**	**15.4%**	**13.5%**
Gastroenterology	**53.8**	**46.9**	**14.7%**	**98.3**	**99.2**	**(0.9%)**	**(3.3)%**
of which Smecta®	27.9	23.8	17.1%	54.5	52.0	4.8%	0.5%
of which Forlax®	10.8	10.4	3.6%	20.7	21.6	(4.5%)	(5.4%)
Cognitive Disorders	**21.9**	**22.1**	**(0.5%)**	**44.9**	**45.2**	**(0.5%)**	**(0.8%)**
of which Tanakan®	21.9	22.1	(0.5%)	44.9	45.2	(0.5%)	(0.8%)
Cardiovascular	**11.4**	**18.3**	**(37.8%)**	**22.4**	**33.9**	**(33.8%)**	**(33.8%)**
of which Nisis® & Nisisco®	6.8	13.5	(49.3%)	13.7	24.7	(44.3%)	(44.3%)
of which Ginkor Fort®	4.0	3.7	7.0%	7.1	7.1	0.1%	0.1%
Other Primary Care	**3.2**	**3.8**	**(15.8%)**	**6.5**	**7.4**	**(11.0%)**	**(11.0%)**
of which Adrovance®	3.0	3.3	(8.9%)	6.0	5.7	3.8%	3.8%
Primary Care	**90.3**	**91.1**	**(0.8%)**	**172.2**	**185.6**	**(7.2%)**	**(8.5%)**
Total Drug Sales	**327.6**	**289.3**	**13.3%**	**612.0**	**566.6**	**8.0%**	**6.3%**
Drug-related Sales[1]	**9.4**	**8.0**	**17.0%**	**17.8**	**16.5**	**7.8%**	**4.7%**
Group Sales	**337.0**	**297.3**	**13.4%**	**629.8**	**583.1**	**8.0%**	**6.3%**

In the second quarter 2012, sales of **Specialty Care products** reached €237.3 million, up 19.7% year-on-year. In the first half 2012, sales amounted to €439.8, up 15.4% year-on-year or up 13.5% excluding foreign exchange impacts[2]. Sales in Uro-Oncology, Endocrinology and Neurology grew year-on-year excluding foreign exchange impacts[2] by 14.5%, 13.1% and 12.9%, respectively. At the end of the first half 2012, the relative weight of specialty care products continued to increase to 69.8% of total Group sales, compared to 65.3% a year earlier.

In Uro-Oncology, sales of **Decapeptyl®** reached €88.1 million in the second quarter 2012, up 19.1% year-on-year. In the first half 2012, sales amounted to €156.1 million, up 10.2% excluding foreign exchange impacts[2], mainly driven by a good performance in China, Russia, United Kingdom, Algeria and Poland. On 27 September 2011, Ipsen in-licensed Hexvix®, the first approved and marketed drug for improved detection of bladder cancer. In the first half 2012, sales of **Hexvix®** amounted to €6.0 million, mostly generated in Germany. In the first half 2012, sales in Uro-oncology represented 25.7% of total Group sales compared to 23.9% a year earlier.

[1] Active ingredients and raw materials
[2] Variations excluding foreign exchange impacts are computed by restating the first half 2011 with the first half 2012 average exchange rates

In endocrinology sales continued to grow, reaching €80.4 million in the second quarter 2012, up 18.2% year-on-year. In the first half 2012, sales amounted to €154.4 million, up 13.1% excluding foreign exchange impacts[1], representing 24.5% of total Group sales, compared to 23.0% a year earlier.

Somatuline® – In the second quarter 2012, sales reached €58.6 million, up 19.9%. In the first half 2012, Somatuline® sales reached €113.3 million, up 17.3% year-on-year excluding foreign exchange impacts[1], fuelled by strong growth in United Kingdom, France, Italy, Poland, North America, Latin America and the Netherlands.

NutropinAq® – In the second quarter 2012, sales reached €13.4 million, up 2.8% year-on-year. In the first half 2012, sales of NutropinAq® reached €26.5 million, up 1.2% excluding foreign exchange impacts[1], driven by good performance, notably in France and Spain.

Increlex® – In the second quarter 2012, sales reached €8.4 million, up 37.7% year-on-year, mainly due to the recognition of the pediatric use of Increlex® by the US Centre for Medicare and Medicaid Services (CMS), allowing for a reduced rebate (17% rebate instead of 23%). Sales of Increlex® in the first half 2012 amounted to €14.6 million, up 6.4% excluding foreign exchange impacts[1], largely driven by performance in Europe.

In neurology, sales reached €65.8 million in the second quarter 2012, up 17.1% year-on-year. For the first half 2012, sales amounted to €123.2 million, up 12.9% excluding foreign exchange impacts[1]. Sales in neurology represented 19.6% of total Group sales, compared to 18.5% a year earlier.

Dysport® – In the second quarter 2012, sales reached €65.7million, up 19.7% year-on-year. In the first half 2012, sales reached €123.1 million, up 16.2% year-on-year excluding foreign exchange impacts[1], fuelled by strong sales growth in Russia and supply sales for aesthetic use to the Group's partners Medicis and Galderma. The performance was also driven by the implementation of the agreement with Galderma in Australia mentioned above.

Apokyn® – In November 2011, Ipsen sold its North American development and marketing rights for Apokyn® to Britannia Pharmaceuticals. As a result, Ipsen stopped recording Apokyn® sales in its accounts as of 30 November 2011.

In the second quarter 2012, sales of **Primary Care products** amounted to €90.3 million, down 0.8% year-on-year, negatively impacted by the destocking effect on Smecta® in Russia mentioned above and the consequences of a tougher competitive environment in France. In the first half 2012, sales amounted to €172.2 million, down 8.5% year-on-year excluding foreign exchange impacts[1]. Over the period, resilience of primary care sales was partly due to non-recurring effects, including mainly the renewal of import licenses in Vietnam as mentioned above. Restated to exclude these impacts, sales were down 9.3%. Primary Care sales in France represented 41.3% of total group Primary Care sales in 2012, against 49.0% a year earlier.

In gastroenterology, sales reached €53.8 million in the second quarter 2012, up 14.7% year-on-year. In the first half 2012, sales amounted to €98.3 million, down 3.3% year-on-year excluding foreign exchange impacts[1].

Smecta® – In the second quarter 2012, sales reached €27.9 million, up 17.1% year-on-year. Sales of Smecta® in the first half 2012 reached €54.5 million, up 0.5% year-on-year excluding foreign exchange impacts[1], fuelled notably by a good performance in China. Sales of Smecta® represented 8.7% of total Group sales during the period compared with 8.9% a year earlier.

Forlax® – In the second quarter 2012, sales reached €10.8 million, up 3.6% year-on-year. For the first half 2012, sales amounted to €20.7 million, down 5.4% year-on-year, mainly due to the sales decrease in Italy described above. In the first half 2012, France represented 60.0% of the total sales of the product, up from 58.0% a year earlier.

In the cognitive disorders area, sales of **Tanakan®** in the second quarter 2012 reached €21.9 million, down 0.5% year-on-year. Sales in the first half 2012 reached €44.9 million, down 0.8% year-on-year

[1] Variations excluding foreign exchange impacts are computed by restating the first half 2011 with the first half 2012 average exchange rates

excluding foreign exchange impacts[1], penalized by the delisting in France of the drug as of March 1, 2012 but offset by solid sales in Russia and anticipated orders in Vietnam before the renewal of import licences. In the first half 2012, 34.9% of Tanakan® sales were generated in France compared with 52.0% a year earlier.

In the cardiovascular area, sales in the second quarter 2012 amounted to €11.4 million, down 37.8% year-on-year. In the first half 2012, sales amounted to €22.4 million, down 33.8% year-on-year, impacted mainly by the 15% price decrease of Nisis®/Nisisco® and the arrival of several generics in November 2011.

Other primary care products sales reached €3.2 million in the second quarter 2012, down 15.8% year-on-year. Sales in the first half 2012 amounted to €6.5 million, down 11.0% year-on-year, with sales of **Adrovance®** contributing to €6.0 million, up 3.8% year-on-year, despite a 33.0% price cut enforced in January 2012 in France.

In the second quarter 2012, **drug-related sales (active ingredients and raw materials)** reached €9.4 million, up 17.0% year-on-year. In the first half 2012, sales amounted to €17.8 million, up 4.7% excluding foreign exchange impacts[1].

[1] Variations excluding foreign exchange impacts are computed by restating the first half 2011 with the first half 2012 average exchange rates

Comparison of consolidated income statement for the first halves 2012 and 2011

(in million euros)	30 June 2012	% Sales	30 June 2011	% Sales	Change
Sales of goods	**629.8**	**100.0%**	**583.1**	**100.0%**	**8.0%**
Other revenues	45.2	*7.2%*	36.3	*6.2%*	*24.6%*
Revenues	**675.0**	**107.2%**	**619.4**	**106.2%**	**9.0%**
Cost of goods sold	(129.0)	*-20.5%*	(120.9)	*-20.7%*	*6.7%*
Research and development expenses	(131.5)	*-20.9%*	(105.8)	*-18.1%*	*24.3%*
Selling expenses	(229.6)	*-36.5%*	(205.6)	*-35.3%*	*11.7%*
General and administrative expenses	(49.0)	*-7.8%*	(42.6)	*-7.3%*	*14.9%*
Other operating income	2.5	*0.4%*	20.0	*3.4%*	*(87.5%)*
Other operating expenses	(14.1)	*-2.2%*	(12.5)	*-2.1%*	*12.7%*
Amortisation of intangible assets	(5.6)	*-0.9%*	(3.1)	*-0.5%*	*78.2%*
Restructuring costs	(3.9)	*-0.6%*	(28.1)	*-4.8%*	*(86,1%)*
Impairment losses	10.8	*1.7%*	-	-	-
Operating income	**125.7**	***20.0%***	**120.8**	***20.7%***	***4.1%***
Recurring adjusted operating income [(1)]	***131.5***	***20.9%***	***143.9***	***24.7%***	***(8.6%)***
Investment income	2.5	*0.4%*	1.9	*0.3%*	*33.1%*
Financing costs	(1.1)	*-0.2%*	(0.9)	*-0.1%*	*21.3%*
Net financing costs	***1.5***	***0.2%***	***1.0***	***0.2%***	***42.9%***
Other financial income and expenses	14.0	*2.2%*	0.2	*0.0%*	-
Income taxes	(36.5)	*-5.8%*	(26.2)	*-4.5%*	*39.4%*
Share of profit / loss from associated companies	(14.2)	*-2.2%*	(4.1)	*-0.7%*	-
Net profit from continuing operations	**90.5**	***14.4%***	**91.6**	***15.7%***	***(1.2%)***
Net Profit from discontinued operations	0.0	-	0.2	*0.0%*	*(100%)*
Consolidated net profit	**90.5**	***14.4%***	**91.9**	***15.8%***	***(1.5%)***
– attributable to shareholders of Ipsen S.A.	90.2		91.7		*(1.6%)*
– attributable to minority interests	0.3		0.2		*43.1%*

(1) *See appendix 4*

Sales of goods

The Group's consolidated sales amounted to €629.8 million in the first half 2012, up 8.0% compared to the first half 2011, or an increase of 6.3% excluding foreign exchange impact[1].

Other revenues

Other revenues amounted to €45.2 million in the first half 2012, up 24.6% year-on-year (€36.3 million at June 2011).

Other revenues breakdown as follows:

[1] Variations excluding foreign exchange impacts are computed by restating the first half 2011 with the first half 2012 average exchange rates

(in million euros)	30 June 2012	30 June 2011	Change *in value*	Change *in %*
Breakdown by type of revenue				
– Royalties received	5.9	4.2	1.7	*40.0%*
– Milestone payments – licensing agreements[(1)]	13.6	14.1	(0.5)	*(3.3%)*
– Other (co-promotion revenues, re-billings)	25.7	18.0	7.7	*42.9%*
Total	**45.2**	**36.3**	**8.9**	***24.6%***

[(1)] *Milestone payments relating to licensing agreements primarily represent recognition of payments received over the life of partnership agreements.*

- **Royalties received** amounted to €5.9 million in the first half 2012, up €1.7 million year-on-year due to the increase in royalties paid by Medicis, Galderma and Menarini.

- **Milestone payments relating to licensing agreements** amounted to €13.6 million, relatively stable year-on-year, mainly generated by the partnerships with Medicis, Galderma, Recordati, Menarini and Inspiration Biopharmaceuticals Inc..

- **Other revenues** amounted to €25.7 million compared with €18.0 million the previous year. This increase included, as part of the agreements signed with Inspiration Biopharmaceuticals Inc., the rebilling to Inspiration Biopharmaceuticals Inc. of the industrial development costs (€6.0 million) relating to the production ramp up of clinical batches of OBI-1 for the on-going phase III clinical trials and the rebilling of the costs incurred by the European Hemophilia Business Unit (set up on 30 August 2011). Other revenues also include revenues relating to the Group's co-promotion and co-marketing agreements in France.

Cost of goods sold

In the first half 2012, the cost of goods sold amounted to €129.0 million, representing 20.5% of sales, compared with €120.9 million, or 20.7% of sales, for the same period in 2011.

The favourable product mix related to the growth of specialty care sales and the good resilience of the primary care products was partially offset by custom duties in high growth countries and negative exchange impacts on products not manufactured by the Group.

Research and development expenses

In the first half 2012, research and development expenses increased by €25.7 million compared with June 2011 and represented €131.5 million or 20.9% of sales, compared with 18.1% of sales the previous year. Excluding industrial development expenses relating to OBI-1, invoiced to Inspiration Biopharmaceuticals Inc., research and development expenses represented 18.5% of sales and increased by 17.9% year-on-year.

The table below provides a comparison of research and development expenses during the first halves 2012 and 2011, according to the new segmentation of research and development expenses as defined by the new strategy announced on 9 June 2011:

(in million of euros)	30 June 2012	30 June 2011	Change *in value*	Change *in %*
Breakdown by expense type				
– Drug-related research and development [(1)]	(96.1)	(76.2)	(20.0)	*26.2%*
– Industrial and pharmaceutical development [(2)]	(31.5)	(26.9)	(4.6)	*17.2%*
– Strategic development [(3)]	(3.8)	(2.7)	(1.1)	*41.6%*
Total	**(131.5)**	**(105.8)**	**(25.7)**	***24.3%***

(1) Drug-related research & development is aimed at identifying new agents determining their biological characteristics and developing small-scale manufacturing processes. The expenses relating to patents are also included in this type of expense.

(2) Pharmaceutical development is associated to industrial development after bringing together both activities in the framework of the new strategy announced on June 9, 2011, in order to build a Department « *Chemistry, Manufacturing, Controls & Engineering* ». Industrial development includes chemical, biotechnical and development-process research costs to industrialize small-scale production of agents developed by the research laboratories. Pharmaceutical development is the process through which active agents become drugs approved by regulatory authorities and is also used to improve existing drugs and to search new therapeutic indications for them.

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

- **Research and development drug-related costs** have increased by 26.2% compared to the prior year. The main research and development projects conducted during the first half 2012 focused on Dysport®, Somatuline® NET (neuroendocrine tumours) and tasquinimod. This increase was partially offset by a favourable comparison basis since costs related to the phase II clinical study of Irosustat (BN-83495), booked in the first half 2011, were no longer recorded in the first half 2012 as the program was discontinued on 6 June 2011.
- **Industrial and pharmaceutical development expenses** have increased by 17.2% year-on-year in the first half 2012, primarily as a result from production ramp up of clinical batches of OBI-1 for the phase III studies. These costs were billed to Inspiration Biopharmaceuticals Inc. and recorded in "other revenues".

Selling, general and administrative expenses

Selling, general and administrative expenses amounted to €278.6 million in the first half 2012, representing 44.2% of sales, up 12.3% compared with €248.2 million, or 42.6% of sales in the first half 2011.

The table below provides a comparison of selling, general and administrative expenses in the first halves 2012 and 2011:

(in million of euros)	**30 June 2012**	**30 June 2011**	**Change**	
			In value	*In %*
Breakdown by expense type				
Royalties paid	*(26.0)*	*(23.5)*	*(2.5)*	*10.5%*
Other sales and marketing expenses	*(203.6)*	*(182.0)*	*(21.6)*	*11.9%*
Selling expenses	(229.6)	(205.6)	(24.1)	*11.7%*
General and administrative expenses	(49.0)	(42.6)	(6.3)	*14.9%*
Total	**(278.6)**	**(248.2)**	**(30.4)**	***12.3%***

- **Selling expenses** amounted to €229.6 million, or 36.5% of sales in the first half 2012, up by 11.7% compared with €205.6 million, or 35.3% of sales in the first half 2011.
  - Royalties paid to third parties on sales of products marketed by the Group amounted to €26.0 million in the first half 2012, up 10.5% year-on-year. This increase was driven by improved in-market sales of in-licensed products.
  - Other selling expenses amounted to €203.6 million, or 32.3% of sales, up 11.9% compared to €182.0 million in the first half 2011, or 31.2% of sales. In the first half 2012, in line with the strategy announced on 9 June 2011, the Group increased commercial investments in its specialty care distribution channels and continued to selectively allocate business resources to high growth areas mainly China, Russia and Brazil. Furthermore selling expenses related to primary care in France increased proportionally to declining sales.
- **General and administrative expenses** increased to €49.0 million in the first half 2012, up 14.9% year-on-year. In line with the strategy announced on 9 June 2011, the Group increased investments to develop its platforms in growth geographies, notably China, Russia and Brazil. Increase was also due to costs associated with the reorganization of some of the Group's support services as well as an unfavourable 2011 comparison with a positive evolution of stock-options and bonus shares costs.

Other operating income and expenses

Other operating income amounted to €2.5 million in 2012, compared with €20.0 million a year earlier. At 30 June 2011, the other operating income was composed of a non-recurring income of €17.2 million following

the enforceable court judgment relating to the trade dispute between the Group and Mylan. Other operating income primarily includes revenues from the sublease of Ipsen's headquarters building.

Other operating expenses amounted to €14.1 million, compared with €12.5 million for the same period in 2011. The other operating expenses mainly comprised non-recurring costs resulting from the implementation of the new strategy announced on 9 June 2011, the settlement of a trade dispute with a partner and an administrative procedure involving the Group. At 30 June 2011, the other operating expenses were composed of non-recurring costs resulting from the implementation of the new strategy and changes within the Executive Committee.

Amortisation of intangible assets (excluding software)

In the first half 2012, amortization charges of intangible assets reached €5.6 million, compared to €3.1 million a year earlier. This increase mainly included the amortization of Hexvix® rights acquired from Photocure in September 2011 and the amortization of the trademarck of Nisis®/Nisisco®, a primary care product deprioritized following the arrival of generics on the market as a result of the loss of its patent in November 2011. This increase was partially offset by the change in the amortization plan of IGF-1 following the impairment loss recorded at 31 December 2011.

Restructuring costs

At 30 June 2012, the Group recorded non-recurring restructuring costs of €3.9 million non-recurring restructuring costs as part of the strategy announced on 9 June 2011, compared to €28.1 million a year earlier. At 30 June 2011, restructuring costs included a €18.4 million cost relating to the closing of the Barcelona R&D centre (effective on 31 December 2011) and a €8.7 million (€3.0 million as of 30 June 2012) cost related to the transfer to the East coast of the Group's North American commercial subsidiary that occurred between June 2011 and June 2012.

Impairment losses

On 11 July 2012, the Group announced it decided to retain the Dreux-based industrial facility within the scope of its activity. Following this announcement, the Group reassessed the value of this asset taking into account all new elements and recorded an impairment write-back of €12.5 million in its consolidated financial statements as of 30 June 2012, partially offset by an additional impairment loss of €1.7 million on assets related to deprioritized R&D projects.

Operating income

Based on above items, the operating income reported in the first half 2012 amounted to €125.7 million or 20.0% of sales, up 4.1% compared to 20.7% of the Group's sales for the same period in 2011.

The Group's **recurring adjusted[1] operating income** in the first half 2012 amounted to €131.5 million or 20.9% of consolidated sales, down 8.6% year-on-year.

Operating segments: operating income by geographical region

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

The operating segments existing at 30 June 2012 are as follows:

- "Major Western European countries": France, Italy, Spain, the United Kingdom and Germany;
- "Other European countries": other Western European countries and Eastern Europe;
- "North America": including mainly United States ;
- "Rest of the world": all countries not included in the three preceding operating segments.

[1] See appendix 4

The table below provides an analysis of sales, revenues and operating income by geographical region at 30 June 2012 and 2011:

(in million of euros)	June 2012	% Sales	June 2011	% Sales	Change	%
Major Western European countries (*)						
Sales	272.4	*100.0%*	273.7	*100.0%*	(1.3)	*(0.5%)*
Revenue	288.2	*105.8%*	286.1	*104.5%*	2.1	*0.7%*
Operating income	122.1	*44.8%*	120.0	*43.9%*	2.0	*1.7%*
Other European countries						
Sales	159.8	*100.0%*	144.4	*100.0%*	15.3	*10.6%*
Revenue	162.6	*101.8%*	147.0	*101.8%*	15.6	*10.6%*
Operating income	73.9	*46.2%*	67.0	*46.4%*	6.9	*10.3%*
North America						
Sales	36.3	*100.0%*	33.1	*100.0%*	3.2	*9.8%*
Revenue	45.3	*124.7%*	41.6	*125.7%*	3.7	*8.9%*
Operating income	2.2	*6.1%*	(7.1)	*-21.3%*	9.3	-
Rest of the world						
Sales	161.3	*100.0%*	131.9	*100.0%*	29.4	*22.3%*
Revenue	161.6	*100.2%*	133.4	*101.1%*	28.3	*21.2%*
Operating income	66.5	*41.2%*	58.4	*44.3%*	8.0	*13.8%*
Total allocated						
Sales	629.8	*100.0%*	583.1	*100.0%*	46.7	*8.0%*
Revenue	657.7	*104.4%*	608.1	*104.3%*	49.7	*8.2%*
Operating income	264.6	*42.0%*	238.4	*40.9%*	26.2	*11.0%*
Total unallocated						
Revenue	17.3	-	11.3	-	6.0	*52.9%*
Operating income	(138.9)	-	(117.6)	-	(21.3)	*18.1%*
Group total						
Sales	629.8	*100.0%*	583.1	*100.0%*	46.7	*8.0%*
Revenue	675.0	*107.2%*	619.4	*106.2%*	55.6	*9.0%*
Operating income	125.7	*20.0%*	120.8	*20.7%*	4.9	*4.1%*

(*) France, Spain, Italy, Germany and United Kingdom

- In the **major Western European countries**, sales in the first half 2012 amounted to €272.4 million, down 0.9% year-on-year excluding foreign exchange impacts[1]. Dynamic volume sales growth of specialty care products were more than offset by the consequences of a tougher competitive environment in the French primary care landscape and administrative measures in Spain. As a result, sales in the Major Western European countries represented 43.3% of total Group sales at the end of the first half 2012, compared with 46.9% a year earlier. The cost of goods sold, up 5.4% year-on-year, was mainly driven by the growth of specialty care sales and declining volumes in primary care. On 11 July 2012, The Group announced its decision to retain the Dreux–based industrial facility within the scope of its activity. Considering the perspectives of the Group's primary care activity internationally and as a result of the higher than expected production volumes at this site since the beginning of this year, the Group has decided to keep its Dreux industrial site. Consequently, the Group reassessed the value of this asset considering all new elements and recorded an impairment write-back of €12.5 million in the financial consolidated statements as of 30 June 2012. Operating result in the first half

[1] Variations excluding foreign exchange impacts are computed by restating the first half 2011 with the first half 2012 average exchange rates

2012 reached €122.1 million, up 1.7% year-on-year, representing 44.8% of sales compared to 43.9% of sales in the first half 2011. Other operating income and expenses in the first half 2011 comprised a non-recurring income of €17.2 million following the enforceable court judgment relating to the trade dispute between the Group and Mylan, as well as a non-recurring expense of €18.4 million corresponding to the closing of the Barcelona (Spain) R&D site. Restated from non-recurring items in the first halves 2012 and 2011, operating result decreased by 2.9% year-on-year.

- In the **Other European countries (other Western European countries together with Eastern Europe)**, sales generated in the first half 2012 amounted to €159.8 million, up 10.0% excluding foreign exchange impacts[1]. Sales were primarily driven by the strong performance in Russia which benefited from both growth in volume and numerous tenders on specialty care products, partly offset by a destocking effect on Smecta® following the re-submission occurred in 2011. Over the period, Poland, the Netherlands and Ukraine also contributed to the volume growth. In the first half 2012, sales in this region represented 25.4% of total consolidated Group sales, compared to 24.8% a year earlier. In the first halves 2012 and 2011, selling expenses were steady as a percentage of sales, respectively 32.2% and 32.0%. As a result, operating income in the first half 2012 was up 10.3% at €73.9 million compared with €67.0 million for the same period in 2011. It represented 46.2% of sales in the first half 2012 compared with 46.4% in 2011.

- In **North America**, sales in the first half 2012 reached €36.3 million, up 2.1% excluding foreign exchange impacts[1]. In November 2011, Ipsen sold its North American development and marketing rights for Apokyn®. As a consequence, Ipsen stopped recording Apokyn® sales in its accounts as of 30 November 2011. Restated to exclude Apokyn® sales, North American sales were up 11.7%, driven by strong supply of Dysport® to Medicis for aesthetic use, by the continuous penetration of Somatuline® in acromegaly and by the value growth of Dysport® in the treatment of cervical dystonia. Sales in North America represented 5.8% of total consolidated Group sales, compared to 5.7% a year earlier. The Group also recorded €6.0 million in non-recurring restructuring costs related to the new strategy announced on 9 June 2011 and to an administrative procedure involving the Group. Over the same period in 2011, the Group recorded non-recurring expenses of €(8.7) million. Operating income for the first half 2012 amounted to €2.2 million compared with €(7.1) million for the same period in 2011.

- In the **Rest of the world,** where the Group markets most of its products through agents and distributors, except in few countries where it has direct presence, sales amounted to €161.3 million, up 22.3% year-on-year or up 17.9% excluding foreign exchange impacts[1]. This performance was notably affected by some non-recurring stocking effects in Australia where Ipsen signed an agreement in April 2012 with Galderma for the distribution and promotion of Dysport® for aesthetic use and in Vietnam, where certain primary care products orders were anticipated prior to the expiry of import licences. Restated to exclude these non-recurring stocking effects, sales were up 17.2% compared with 22.3% above. In the first half 2012, sales in the Rest of the World continued to increase to 25.6% of total consolidated Group sales, up from 22.6% a year earlier. As a result, operating income increased by 13.8% year-on-year reaching €66.5 million in the first half 2012 or 41.2% of sales compared with 44.3% over the same period in 2011.

- **Unallocated operating income** amounted to €(138.9) million in the first half 2012, to be compared with €(117.6) million recorded in the first half 2011. It mainly included the Group's central research and developments costs for €(145.5) million in 2012 and €(118.2) million in 2011 and, to a lesser extent, unallocated general and administrative expenses. The unallocated revenue amounted to €17.3 million in the first half 2012, compared with €11.3 million one year before. The unallocated other operating income and expenses corresponded mainly to the non-recurring expenses relating to the implementation of the strategy announced on 9 June 2011 and the settlement of a trade dispute with a partner. In the first half 2011, the non-allocated operating included non-recurring expenses relating to the changes within the Executive Committee.

[1] Variations excluding foreign exchange impacts are computed by restating the first half 2011 with the first half 2012 average exchange rates

Costs of net financial debt and other financial income and expenses

At 30 June 2012, the Group's financial income amounted to €15.5 million compared with €1.2 million the previous year.

- **The cost of net financial debt** represented an income of €1.5 million, compared with €1.0 million a year earlier. It mainly included the interests recorded on the five convertible bonds issued by Inspiration Biopharmaceuticals Inc. and subscribed by the Group (versus two at 30 June 2011) partially offset by the non-utilisation fees on the new credit line subscribed on 31 January 2012.
- **Other financial income and expenses** represented an income of €14.0 million versus €0.2 million a year earlier. This increase was mainly due to positive foreign exchange rates, non-recurring profits from additional payments received up on the divestment by the Group in 2010 of its shares in PregLem and profit derived from the sale of its Spirogen shares during the period.

Income taxes

At 30 June, 2012, Ipsen effective tax rate represented 25.9% of profit from continuing operations before tax and share of profit/loss from associated companies, compared to an effective tax rate of 21.5% at 30 June 2011.

This increase mainly resulted from the dilution of the research tax credit positive impact associated to a higher taxable profit as compared to 30 June 2011. The implementation of the exceptional 5% French tax contribution at the end of 2011 also contributed to the effective tax rate increase.

Excluding non-recurring operating, financing and tax items, the effective tax rate amounted to 23.9% at 30 June 2012, compared to 22.9% the previous year.

Share of profit / loss from associated companies

At 30 June 2012 and 31 December 2011, investments in associated companies solely represented the Group's 22% share capital investment in Inspiration Biopharmaceuticals Inc..

At 30 June 2012, the Group recorded an expense of €14.2 million representing its share of 22% in Inspiration Biopharmaceuticals Inc. result, now attributed to the convertible bonds subscribed by the Group, the carrying value of the Group's investment being nil since 31 December 2011.

Net profit from continuing operations

As a result of the items above, the profit from continuing operations at 30 June 2012 amounted to €90.5 million, down 1.2% compared with €91.6 million at 30 June 2011. It represented 14.4% of Group's sales for the period, compared with 15.7% in the first half 2011.

Excluding the Group's share in profit of associated companies, **recurring adjusted[1] profit from continuing operations** attributable to shareholders of Ipsen SA amounted to €100.4 million at 30 June 2012 compared with €111.4 million at 30 June 2011, down 9.9% year-on-year.

Profit from discontinued operations

Profit from discontinued operations was nil over the first six months of 2012 compared to €0.2 million at 30 June 2011.

Consolidated net profit

As a result of the items above, consolidated net profit decreased by 1.5% year-on-year to €90.5 million (attributable to shareholders of Ipsen S.A.: €90.2 million) compared with €91.9 million (attributable to shareholders of Ipsen S.A.: €91.7 million) at 30 June 2011. Consolidated net profit represented 14.4% of Group's sales in the first half 2012 and 15.8% in the first half 2011.

Recurring adjusted[1] consolidated net profit amounted to €86.2 million at 30 June 2012, down 19.8% compared with €107.5 million in the first half 2011.

[1] See appendix 4

Earnings per share

The Group's diluted earnings per share at 30 June 2012 amounted to €1.07, down 1.6% compared with €1.09 a year earlier.

The **recurring adjusted[1] diluted earnings per share attributable to the Group** at 30 June 2012 amounted to €1.02, down 19.9% year-on-year.

Milestone payments received in cash but not yet recognised in the Group income statement

At 30 June 2012, the total of milestone payments received in cash by the Group and not yet recognised as other revenues on the income statement amounted to €191.9 million, compared with €206.1 million the previous year.

The Group recorded no new deferred revenue for its partnerships in 2012 against €3.7 million in 2011.

These deferred revenues will be recognised in the Group's future income statements as follows:

(in million of euros)	**30 June 2012**	**30 June 2011**
Total *	**191.9**	**206.1**
These deferred revenues will be recognised over time as follows:		
In the year n	13.2	12.9
In the year n+1	24.7	25.6
In the years n+2 and beyond	154.0	167.6

** Amounts converted at average exchange rate at 30 June 2012 and 30 June 2011 respectively.*

[1] See appendix 4

CASH FLOW AND CAPITAL

The consolidated cash flow statement shows that the Group's operating activities in the first half 2012 generated a net cash flow of €63.3 million, down compared with €97.3 million generated over the same period in 2011.

Analysis of the cash flow statement

(in million of euros)	30 June 2012	30 June 2011
– Cash generated from operating activities before changes in working capital requirements	95.3	123.8
– (Increases) / Decreases in working capital requirements for operations	(32.0)	(26.5)
○ Net cash flow from operating activities	63.3	97.3
– Net investments in tangible and intangible assets	*(32.5)*	*(44.1)*
– Impact of changes in consolidation scope	*(28.6)*	*(0.0)*
– Other cash flow from investments	*4.8*	*(4.0)*
○ Net cash flow from investing activities	(56.2)	(48.1)
○ Net cash flow from financing activities	(68.9)	(67.1)
○ Net cash flow from discontinued operations	(0.0)	(0.0)
CHANGES IN CASH AND CASH EQUIVALENTS	**(61.9)**	**(17.9)**
Opening cash and cash equivalents	**144.8**	**177.9**
Impact of foreign exchange variations	1.3	(5.0)
Closing cash and cash equivalents	**84.2**	**155.0**

■ Net cash flow from operating activities

Cash flow from operating activities before changes in working capital requirements decreased in the first half 2012 to reach €95.3 million, compared with €123.8 million generated over the same period the previous year.

Working capital requirements for operating activities increased by €32.0 million in the first six months of 2012 compared to an increase of €26.5 million over the same period in 2011. This change during the first half 2012 was related to the following:

- Inventories did not increase over the first half 2012;
- Accounts receivables increased by €33.3 million in the first half 2012, compared with an increase of €39.3 million at the end of June 2011. This increase was mainly due to business expansion partially offset by the decrease of accounts receivables in public hospitals in Southern Europe;
- Trade payables decreased by €9.3 million in the first half 2012, slightly stable year-on-year;
- The change in other assets and liabilities comprised the use of €28.7 million in the first half 2012, compared with €31.3 million in the first half 2011. During the first half 2012, the Group recorded a decrease of €8.2 million of deferred income from partnerships compared with an increase of €3.7 million of deferred incomes from partnerships at the end of June 2011. The change in net tax liability in the first half 2012 represented a source of funds of €39.6 million corresponding on the one hand, to the reimbursement by the tax authorities of an excess amount of tax paid in France for the 2011 tax year and on the other hand to tax owed over the period net of prepayments.

Net cash flow from investing activities

During the first half 2012, the net cash flow from investing activities represented a net use of funds of €56.2 million compared to a net use of €48.1 million in the previous year. It included:

- Investments in tangible and intangible assets net of disposals amounting to €32.5 million, compared with €44.1 million the previous year. This cash flow mainly included:
  - Acquisition of property plant and equipment totalling €18.8 million compared with €14.7 million in the first half 2011. These investments mainly consisted in items required for the maintenance of the Group's industrial facilities and in capacity investments in the Wrexham and Signes factories.
  - Investments in intangible assets for €13.7 million compared with €29.4 million in the first half 2011, mainly related to the partnership with Active Biotech for the rights of tasquinimod.
- A CHF12.7 million net cash resource for other investment activities, mainly corresponding to the additional payment received received in 2012 from the sale of Preglem shares in 2010.
- An increase in working capital requirements from investment activity mainly relating to Signes factory.
- Net cash flow from changes in consolidation scope amounted to €28.6 million at 30 June 2012 compared to nil at 30 June 2011 following the subscription by the Group to a convertible bond issued by Inspiration Biopharmaceuticals Inc..

Net cash flow from financing activities

During the first half 2012, the net cash flow from financing activities amounted to €(68.9) million, compared with a net use of €(67.1) million over the same period in 2011. In the first half 2012, the Group paid €66.4 million in dividends to its shareholders, stable year-on-year.

Net cash flow from discontinued operations

At 30 June 2012 and 2011, cash flow from discontinued operations was not material.

APPENDIX 1

Condensed consolidated income statement

(in million of euros)	**30 June 2012**	**30 June 2011**
Sales of goods	629.8	583.1
Other revenues	45.2	36.3
Revenue	**675.0**	**619.4**
Cost of goods sold	(129.0)	(120.9)
Research and development expenses	(131.5)	(105.8)
Selling expenses	(229.6)	(205.6)
General and administrative expenses	(49.0)	(42.6)
Other operating income	2.5	20.0
Other operating expenses	(14.1)	(12.5)
Amortisation of intangible assets	(5.6)	(3.1)
Restructuring costs	(3.9)	(28.1)
Impairment losses	(10.8)	
Operating income	**125.7**	**120.8**
Investment income	2.5	1.9
Financing costs	(1.1)	(0.9)
Net financing costs	**1.5**	**1.0**
Other financial income and expense	14.0	0.2
Income taxes	(36.5)	(26.2)
Share of profit / loss from associated companies	(14.2)	(4.1)
Net profit from continuing operations	**90.5**	**91.7**
Net profit from discontinued operations	-	0.2
Consolidated net profit	**90.5**	**91.9**
– Attributable to shareholders of Ipsen	90.2	91.7
– attributable to minority interests	0.3	0.2
Basic earnings per share. continuing operations (in euros)	1.07	1.09
Diluted earnings per share for continuing operations (in euros)	1.07	1.09
Basic earnings per share from discontinued operations (in euros)	-	-
Diluted earnings per share from discontinued operations (in euros)	-	-
Basic earnings per share (in euros)	1.07	1.09
Diluted earnings per share (in euros)	1.07	1.09

APPENDIX 2

Condensed consolidated balance sheet before result allocation

(in million of euros)	30 June 2012	31 December 2011
ASSETS		
Goodwill	304.0	299.5
Other intangible assets	142.0	135.6
Property. plant & equipment	291.7	271.7
Equity investments	12.2	12.3
Investments in associated companies	-	-
Non-current financial assets	2.6	2.9
Other non-current assets	111.7	94.0
Deferred tax assets	186.4	184.6
Total non-current assets	**1 050.6**	**1 000.6**
Inventories	121.6	117.8
Trade receivables	293.4	259.4
Current tax assets	10.1	39.1
Other current assets	73.8	71.4
Current financial assets	1.1	-
Cash and cash equivalents	84.8	145.0
Total current assets	**584.8**	**632.8**
Assets from discontinued operations	-	-
TOTAL ASSETS	**1 635.4**	**1 633.4**

EQUITY AND LIABILITIES		
Share capital	84.3	84.2
Additional paid-in capital and consolidated reserves	863.5	929.6
Net profit for the period	90.2	0.4
Exchange differences	15.3	(1.4)
Equity - attributable to shareholders of Ipsen	**1 053.2**	**1 012.8**
Attributable to minority interests	1.9	2.6
Total shareholders' equity	**1 055.1**	**1 015.4**
Retirement benefit obligation	22.8	19.5
Provisions	28.1	25.7
Short term debt	-	-
Other financial liabilities	16.6	16.6
Deferred tax liabilities	3.0	2.6
Other non-current liabilities	174.0	183.3
Total non-current liabilities	**244.6**	**247.6**
Provisions	11.2	24.5
Short term debt	4.0	4.0
Other financial liabilities	5.1	5.0
Accounts payable	141.1	149.8
Current tax liabilities	16.4	5.6
Other current liabilities	157.4	181.3
Bank overdrafts	0.6	0.2
Total current liabilities	**335.7**	**370.4**
Liabilities from discontinued operations	-	-
TOTAL EQUITY AND LIABILITIES	**1 635.4**	**1 633.4**

APPENDIX 3

Condensed consolidated cash flow statement

(in million of euros)	**30 June 2012**	**30 June 2011**
Consolidated net profit	**90.5**	**91.9**
Net profit/loss from discontinued operations	-	(0.2)
Share of profit/loss from associated companies	14.2	4.1
Net profit/loss from continuing operations before share of profit/loss from associated companies	**104.6**	**95.8**
Non-cash and non-operating items		
– Amortisation. provisions and impairment losses	4.1	49.6
– Impairment losses	(10.8)	-
– Change in fair value of derivative financial instruments	(2.6)	(1.4)
– Net gains or losses on disposals of non-current assets	(0.3)	0.3
– Share of government grants released to profit and loss	(0.0)	(0.0)
– Exchange differences	(7.1)	2.1
– Change in deferred taxes	4.1	(24.8)
– Share-based payment expense	1.9	2.0
– Gain/loss on sales of treasury shares	(0.1)	0.0
– Other non-cash items	1.4	0.2
Cash flow from operating activities before changes in working capital requirement	**95.3**	***123.8***
– (Increase)/decrease in inventories	(0.3)	(5.0)
– (Increase)/decrease in trade receivables	(33.3)	(39.3)
– Increase/(decrease) in trade payables	(9.3)	(9.1)
– Change in income tax liability	39.6	58.2
– Net change in other operating assets and liabilities	(28.7)	(31.3)
Change in working capital related to operating activities	**(32.0)**	**(26.5)**
NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES	**63.3**	**97.3**
Investment in property, plant & equipment	(18.8)	(14.7)
Investment in intangible assets	(13.7)	(29.4)
Proceeds from disposal of intangible assets and property. plant & equipment	0.0	0.1
Acquisition of shares in non-consolidated companies	(0.1)	(5.7)
Convertible bond subscriptions	(28.6)	(0.8)
Proceeds of financial assets	12.3	-
Liquidity agreement	1.4	-
Payments to post-employment benefit plans	(1.1)	(1.2)
Other cash flow related to investment activities	(0.2)	0.2
Deposits	0.1	(0.1)
Change in working capital related to investing activities	(7.6)	3.6
NET CASH USED IN INVESTING ACTIVITIES	**(56.2)**	**(48.1)**
Repayment of long-term borrowings	(0.2)	(0.2)
Capital increase by Ipsen	-	0.1
Treasury shares	(1.2)	0.0
Dividends paid by Ipsen	(66.4)	(66.5)
Dividends paid by subsidiaries to minority interests	(1.0)	-
Deposits	0.0	-
Change in working capital related to financing activities	(0.1)	(0.6)
NET CASH USED IN FINANCING ACTIVITIES	**(68.9)**	**(67.1)**
Impact of operations due to be sold or discontinued	0.0	0.0
CHANGE IN CASH AND CASH EQUIVALENTS	**(61.9)**	**(17.9)**
Opening cash and cash equivalents	**144.8**	**177.9**
Impact of exchange rate fluctuations	1.3	(5.0)
Closing cash and cash equivalents	**84.2**	**155.0**

APPENDIX 4

- **Reconciliation between the income statement at 30 June 2012 and the recurring adjusted income statement at 30 June 2012**

(in million euros)	**30 June 2012 Recurring adjusted**	*% Sales*	Effects of acquisitions in North America[1]	Impairment losses [2]	Other non-recurring items[3]	**30 June 2012**	*% Sales*
Revenue	**675.0**	**107.2%**				**675.0**	**107.2%**
Cost of goods sold	(129.0)	-20.5%				(129.0)	-20.5%
Research and development expenses	(131.5)	-20.9%				(131.5)	-20.9%
Selling expenses	(229.6)	-36.5%				(229.6)	-36.5%
General and administrative expenses	(49.0)	-7.8%				(49.0)	-7.8%
Other operating income	2.5	0.4%				2.5	0.4%
Other operating expenses	(4.2)	-0.7%			(9.8)	(14.1)	-2.2%
Amortisation of intangible assets	(2.7)	-0.4%	(0.4)		(2.5)	(5.6)	-0.9%
Restructuring costs	(0.0)	0.0%			(3.9)	(3.9)	-0.6%
Impairment losses				10.8		10.8	1.7%
Operating income	**131.5**	**20.9%**	**(0.4)**	**10.8**	**(16.2)**	**125.7**	**20.0%**
Financial income/(expense)	**5.0**	**0.8%**			**10.5**	**15.5**	**2.5%**
Income taxes	(36.1)	-5.7%	0.1	(3.9)	3.4	(36.5)	-5.8%
Share of profit/loss from associated companies	(14.2)	-2.2%				(14.2)	-2.2%
Net profit from continuing operations	**86.2**	**13.7%**	**(0.2)**	**6.9**	**(2.4)**	**90.5**	**14.4%**
Profit from discontinued operations							
Consolidated net profit	**86.2**	**13.7%**	**(0.2)**	**6.9**	**(2.4)**	**90.5**	**14.4%**
– attributable to shareholders of Ipsen S.A.	86.0		(0.2)	6.9	(2.4)	90.2	
– attributable to minority interests	0.2					0.3	
Diluted earnings per share (in euro)	***1.02***					***1.07***	

[1] Effects of the allocation of goodwill resulting from transactions by the Group in North America.

[2] Impairment losses recognized over the period detailed in the paragraph “Impairment losses".

[3] Other non-recurring items include:

- Non-recurring fees incurred during implementation of the strategy announced on 9 June 2011;
- Non-recurring expenses linked with restructuring corresponding to the transfer of the Group’s North American commercial subsidiary to the East Coast;
- Settlement of a trade dispute with a partner;
- An administrative procedure towards the Group.

- **Reconciliation between the income statement at 30 June 2011 and the recurring adjusted income statement at 30 June 2011**

(in million euros)	**30 June 2011 Recurring adjusted**	*% Sales*	Effects of acquisitions in North America[1]	Expenses linked with the strategy announced on 9 June [2]	Other non-recurring items[3]	**30 June 2011**	*% Sales*
Revenue	**619.4**	***106.2%***				**619.4**	**106.2%**
Cost of goods sold	(120.9)	*-20.7%*				(120.9)	*-20.7%*
Research and development expenses	(105.8)	*-18.1%*				(105.8)	*-18.2%*
Selling expenses	(205.6)	*-35.3%*				(205.6)	*-35.3%*
General and administrative expenses	(42.6)	*-7.3%*				(42.6)	*-7.3%*
Other operating income and expenses	0.9	*0.2%*		(10.6)	17.2	7.5	*1.4%*
Amortisation of intangible assets	(1.6)	*-0.3%*	(1.6)			(3.1)	*-0.5%*
Restructuring costs	(0.0)	*-0.0%*		(28.1)		(28.1)	*-4.8%*
Impairment losses	0.0	-				0.0	-
Operating income	**143.9**	***24.7%***	**(1.6)**	**(38.7)**	**17.2**	**120.8**	***20.7%***
Financial income/(expense)	**1.2**	***0.2%***				**1.2**	***0.2%***
Income taxes	(33.7)	*-5.8%*	0.6	12.8	(5.9)	(26.2)	*-4.5%*
Share of profit/loss from associated companies	(4.1)	*-0.7%*				(4.1)	*-0.8%*
Net profit from continuing operations	**107.3**	***18.4%***	**(0.9)**	**(25.9)**	**11.3**	**91.7**	***15.6%***
Profit from discontinued operations	0.2	*0.0%*				0.2	*0.0%*
Consolidated net profit	**107.5**	***18.4%***	**(0.9)**	**(25.9)**	**11.3**	**91.9**	***15.7%***
– attributable to shareholders of Ipsen S.A.	107.3					91.7	
– attributable to minority interests	0.2					0.2	
Diluted earnings per share (in euro)	1.27					1.09	

[1] Effects of the allocation of goodwill resulting from transactions by the Group in North America.

[2] Expenses linked with the strategy announced on 9 June include:

- Non-recurring fees incurred during the preparation and early implementation of the strategy announced on 9 June 2011;
- Non-recurring expenses linked with restructuring corresponding to the closure of the site in Barcelona and the transfer of the Group's North American commercial subsidiary to the East Coast;
- Expenses linked with changes within the Group's Executive Committee.

[3] Other non-recurring items including the damages received by the Group after the enforceable court decision relating to the trade dispute between the Group and Mylan.