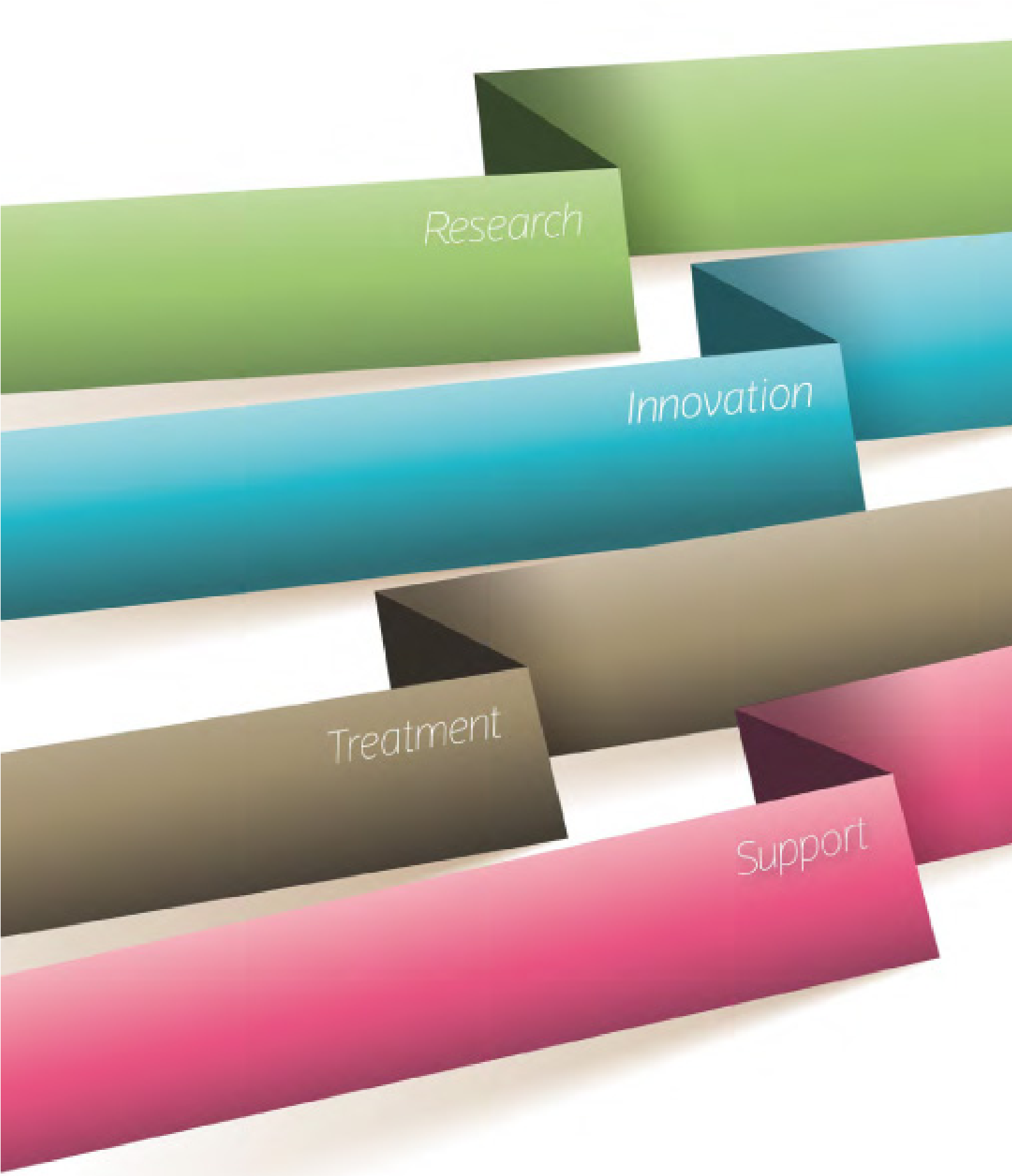

HALF YEAR FINANCIAL REPORT
2013

IPSEN
Innovation for patient care

2013 HALF YEAR FINANCIAL REPORT SUMMARY

I. FIRST-HALF 2013 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed consolidated income statement

(in thousands of euros)	Notes	30 June 2013	30 June 2012 restated [1]
Sales of goods	7.2.2	633,648	629,807
Other revenues	7.3	30,300	28,400
Revenue	**7.2.1**	**663 948**	**658,207**
Cost of goods sold		(125,171)	(128,921)
Research and development expenses		(124,020)	(118,296)
Selling expenses		(229,158)	(228,009)
General and administrative expenses		(50,677)	(47,855)
Other operating income	9	2,692	2,505
Other operating expenses	9	(3,942)	(14,075)
Amortisation of intangible assets [*]	10	(2,227)	(5,610)
Restructuring costs	12	1,271	(3,860)
Impairment losses	11	(11,712)	10,770
Operating income	**7.1**	**121,004**	**124,856**
Investment income		7,854	629
Financing costs		(1,168)	(1,059)
Net financing costs	**13.1**	**6,686**	**(430)**
Other financial income and expense	13.2	(5,603)	9,344
Income taxes	14.1	(31,755)	(33,878)
Share of profit (loss) from associated companies		-	-
Net profit (loss) from continuing operations		**90,332**	**99,891**
Profit (loss) from discontinued operations	15.2	6,207	(9,187)
Consolidated net profit		**96,539**	**90,704**
- Attributable to shareholders of Ipsen		96,230	90,425
- Attributable to minority interests		309	279
Basic earnings per share, continuing operations (in € per share)	22.3	1.08	1.20
Diluted earnings per share, continuing operations (in € per share)		1.08	1.20
Basic earnings per share, discontinued operations (in € per share)	22.3	0.07	(0.11)
Diluted earnings per share, discontinued operations (in € per share)		0.07	(0.11)
Basic earnings per share (in € per share)	22.3	1.16	1.09
Diluted earnings per share (in € per share)		1.15	1.09

[*] Excluding software

[1] The 30 June 2012 income statement was restated for purposes of comparison between the two half-year periods, in accordance with provisions related to discontinued operations and changes in accounting methods (see note 15.1).

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

Condensed comprehensive income statement

(in thousands of euros)	30 June 2013	30 June 2012 restated [1]
Consolidated net profit	**96,539**	**90,704**
Actuarial gains and (losses) on defined benefit plans, net of taxes	(18,343)	(18,881)
Other items of comprehensive income that will not be reclassified to the income statement	**(18,343)**	**(18,881)**
Revaluation of financial derivatives for hedging, net of taxes	-	-
Share of gains and losses recorded directly to equity of associate companies, net of taxes	-	-
Foreign exchange differences, net of taxes	(1,650)	15,961
Other items, net of taxes	-	-
Other items of comprehensive income likely to be reclassified to the income statement	**(1,650)**	**15,961**
Comprehensive income: Consolidated net profit (loss) and gains and (losses) recognised directly in equity	**76,546**	**87,784**
- Attributable to shareholders of Ipsen	76,196	87,472
- Attributable to minority interests	350	312

[1] The 30 June 2012 income statement was restated for purposes of comparison between the two half-year periods, in accordance with provisions related to discontinued operations and changes in accounting methods.

Condensed consolidated balance sheets before allocation of net profit

(in thousands of euros)	Notes	30 June 2013	31 December 2012 [1]
ASSETS			
Goodwill	16	299,270	298,196
Other intangible assets	17	112,364	129,176
Property, plant & equipment	18	275,446	281,781
Equity investments		12,089	12,027
Investments in associated companies		-	-
Non-current financial assets	19	-	-
Other non-current assets	19	11,700	18,707
Deferred tax assets	14.3	208,680	215,442
Total non-current assets		**919,549**	**955,329**
Inventories	20.1	133,434	127,857
Trade receivables	20.1	315,925	256,301
Current tax assets	20.1	24,010	54,401
Other current assets	20.2.1	55,725	53,633
Current financial assets	20.2.1	1,587	516
Cash and cash equivalents	21	121,207	113,641
Assets of disposal group classified as held for sale			-
Total current assets		**651,888**	**606,349**
TOTAL ASSETS		**1,571,437**	**1,561,678**
EQUITY AND LIABILITIES			
Share capital	22.1	84,123	84,256
Additional paid-in capital and consolidated reserves		755,674	846,089
Net profit for the period		96,230	(29,491)
Exchange differences		1,337	1,610
Equity attributable to Ipsen shareholders	22.2	**937,364**	**902,464**
Equity attributable to minority interests		2,287	2,037
Total shareholders' equity		**939,651**	**904,501**
Retirement benefit obligation	23	41,293	42,514
Provisions	23	41,186	25,555
Bank loans	24	40,000	-
Other financial liabilities	24	14,803	15,886
Deferred tax liabilities	14.3	2,912	2,487
Other non-current liabilities	20.2.2	118,653	133,772
Total non-current liabilities		**258,847**	**220,214**
Provisions	23	44,215	66,172
Bank loans	24	4,000	4,000
Financial liabilities	24	3,730	4,493
Trade payables	20.1	138,296	159,799
Current tax liabilities	20.1	14,176	3,325
Other current liabilities	20.2.2	164,300	198,320
Bank overdrafts		3,608	353
Liabilities of disposal group classified as held-for-sale		614	501
Total current liabilities		**372,939**	**436,963**
TOTAL EQUITY & LIABILITIES		**1,571,437**	**1,561,678**

[1] The balance sheet at 31 December 2012 included restatements related to net liabilities of post-employment benefit plans from changes in accounting methods under IAS 19. The impact of the revised IAS 19 on main balance sheet items at 31 December 2012 included a €21.8-million decrease in equity, which was offset by a €22.6-million increase in provisions for retirement, a €6.7-million decrease in net assets of post-employment benefit plans, and a €7.6-million increase in deferred tax assets.

The balance sheet at 30 June 2013 included restatements related to net liabilities of post-employment benefit plans. The impact at the beginning of the period was recognised in reserves.

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

Condensed consolidated statement of cash flows

(in thousands of euros)	Notes	30 June 2013 [1]	30 June 2012 [1]
Consolidated net profit		**96,539**	**90,704**
Share of profit (loss) from associated companies		-	14,155
Net profit (loss) from continuing operations before share of profit (loss) from associated companies	15.3	**96,539**	**104,859**
Non-cash and non-operating items			
- Depreciation, amortisation, provisions		18,471	4,583
- Impairment losses	17.2	11,712	(10,770)
- Change in fair value of financial derivatives		(1,925)	(2,560)
- Net gains or losses on disposals of non-current assets		161	(277)
- Share of government grants released to profit and loss		(26)	(38)
- Exchange differences		4,764	(5,475)
- Change in deferred taxes	14.3	7,060	866
- Share-based payment expense		2,540	1,881
- Gain or (loss) on sales of treasury shares		135	(104)
- Other non-cash items		438	1,358
Cash flow from operating activities before changes in working capital requirement		**139,869**	**94,323**
- (Increase)/decrease in inventories	20.1	(7,556)	(303)
(Increase)/decrease in trade receivables	20.1	(63,746)	(32,233)
Increase/(decrease) in trade payables	20.1	(20,651)	(9,319)
- Net change in income tax liability	20.1	41,258	41,949
- Net change in other operating assets and liabilities	20.1	(34,649)	(31,253)
Change in working capital related to operating activities		**(85,344)**	**(31,159)**
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		**54,525**	**63,164**
Acquisition of property, plant & equipment	18	(10,863)	(18,758)
Acquisition of intangible assets	17	(1,082)	(13,721)
Proceeds from disposal of intangible assets and property, plant & equipment		143	17
Acquisition of shares in non-consolidated companies		-	(60)
Convertible note subscriptions		-	(28,602)
Proceeds from sales of investment securities		-	12,304
Payments to post-employment benefit plans		(1,198)	(959)
Other cash flow related to investment activities	19	(540)	1,203
Deposits paid	19	411	103
Change in working capital related to investing activities		(15,568)	(7,637)
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES		**(28,697)**	**(56,110)**
Additional long-term borrowings	24	40,000	-
Repayment of long-term borrowings	24	(179)	(178)
Capital increase by Ipsen		301	-
Treasury shares		112	(1,223)
Dividends paid by Ipsen	22.4	(66,592)	(66,444)
Dividends paid by subsidiaries to minority interests		(100)	(1,032)
DIP financing		7,066	-
Deposits received		-	12
Change in working capital related to financing activities	20.1	(1,361)	(71)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		**(20,753)**	**(68,936)**
CHANGES IN CASH AND CASH EQUIVALENTS		**5,075**	**(61,882)**
Opening cash and cash equivalents	21	**113,289**	**144,831**
Impact of exchange rate fluctuations		(765)	1,270
Closing cash and cash equivalents	21	**117,599**	**84,219**

[1] The 30 June 2012 consolidated cash flow statement was restated to provide homogenous information for the two periods. As a consequence, it does not correspond to the notes to the consolidated financial statements below (see note 15.3). The impact of cash flow from operations to be sold or discontinued was broken down and apportioned to the various items on the consolidated cash flow statement as though no impact from operations to be sold or discontinued had been recorded.

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

Condensed consolidated statement of changes in equity
from 1 January to 30 June 2013

(in thousands of euros)	Share capital	Share premiums	Consolidated reserves	Reserves related to retirement benefit obligations	Treasury shares	Net profit for the period	Foreign exchange differences	Total Group equity	Equity attributable to minority interests	Total equity
Balance at 1 January 2013	**84,256**	**711,111**	**194,944**	**-**	**(38,216)**	**(29,491)**	**1,610**	**924,214**	**2,037**	**926,251**
Opening impact of retirement benefit obligations	**-**	**-**	**-**	**(21,750)**	**-**	**-**	**-**	**(21,750)**	**(4)**	**(21,754)**
Balance at 1 January 2013 (revised)	**84,256**	**711,111**	**194,944**	**(21,750)**	**(38,216)**	**(29,491)**	**1,610**	**902,464**	**2,033**	**904,497**
Consolidated net profit (loss)	-	-	-	-	-	96,230	-	96,230	309	96,539
Gains and (losses) recognised directly in equity [(1)]	-	-	-	-	-	-	(1,695)	(1,695)	45	(1,650)
Consolidated net profit (loss) and gains and losses recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**96,230**	**(1,695)**	**94,535**	**354**	**94,889**
Allocation of net profit (loss) from the prior period	-	-	(30,913)	-	-	29,491	1,422	-	-	-
Capital increases	23	293	(9)	-	-	-	-	307	-	307
Share-based payments	-	-	(2,233)	-	4,773	-	-	2,540	-	2,540
Own share purchases and disposals	-	-	135	-	112	-	-	247	-	247
Dividends	-	-	(66,592)	-	-	-	-	(66,592)	(100)	(66,692)
Operating impact of revised IAS 19	-	-	-	3,411	-	-	-	3,411	-	3,411
Other changes	(156)	-	608	-	-	-	-	452	-	452
Balance at 30 June 2013	**84,123**	**711,404**	**95,940**	**(18,339)**	**(33,331)**	**96,230**	**1,337**	**937,364**	**2,287**	**939,651**

(1) Detailed in the note "Comprehensive income statement".

Impact of abandoning the corridor method for adjusting retirement liabilities (IAS 19)	(24,811)
Deferred tax assets on retirement liability adjustments	6,472
Minority interests	(4)
Impact of IAS adjustments in the reserves	**(18,343)**

On 1 January 2013, the Group retrospectively applied revised IAS 19. Accordingly, comparative data has been presented as if the standard has always been applied. The impact of the revised standard on main balance sheet items at 31 December 2012 included a €21.8-million decrease in equity, which was offset by a €22.6-million increase in provisions for retirement, a €6.7-million decrease in net assets of post-employment benefit plans, and a €7.6 -million increase in deferred tax assets.

Condensed consolidated statement of changes in equity
from 1 January to 30 June 2012

(in thousands of euros)	Share capital	Share premiums	Consolidated reserves	Reserves related to retirement benefit obligations	Treasury shares	Net profit for the period	Foreign exchange differences	Total Group equity	Equity attributable to minority interests	Total equity
Balance at 1 January 2012	**84,227**	**711,111**	**257,076**	**-**	**(38,600)**	**424**	**(1,401)**	**1,012,837**	**2,588**	**1,015,425**
Opening impact of retirement benefit obligations	-	-	-	(10,566)	-	-	-	(10,566)	(4)	(10,570)
Balance at 1 January 2012 (revised)	**84,227**	**711,111**	**257,076**	**(10,566)**	**(38,600)**	**424**	**(1,401)**	**1,002,271**	**2,584**	**1,004,855**
Consolidated net profit (loss)	-	-	-	214	-	90,211	-	90,425	279	90,704
Gains and (losses) recognised directly in equity (1)	-	-	-	-	-	-	15,924	15,924	37	15,961
Consolidated net profit (loss) and gains and losses recognised directly in equity	**-**	**-**	**-**	**214**	**-**	**90,211**	**15,924**	**106,349**	**316**	**106,665**
Allocation of net profit (loss) from the prior period	-	-	(241)	-	-	(424)	665	-	-	-
Capital increases	26	-	(26)	-	-	-	-	-	-	-
Share-based payments	-	-	1,881	-	-	-	-	1,881	-	1,881
Own share purchases and disposals	-	-	(104)	-	(1,222)	-	-	(1,326)	-	(1,326)
Dividends	-	-	(66,444)	-	-	-	-	(66,444)	(1,032)	(67,476)
Operating impact of revised IAS 19	-	-		(8,311)	-	-	-	(8,311)	-	(8,311)
Other changes	-	-	74	-	-	-	-	74	-	74
Restated balance at 30 June 2012	**84,253**	**711,111**	**192,216 (2)**	**(18,663)**	**(39,822)**	**90,211**	**15,188**	**842,278**	**1,868**	**844,146**

(1) Detailed in the note "Comprehensive income statement".

(2) Including the impact of the restructuring programme in the reserves:

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Partnerships

Braintree

On 7 February 2013, Ipsen and Braintree Laboratories Inc., a US-based company specializing in the development, manufacturing and marketing of specialty pharmaceuticals, announced that that Eziclen® / Izinova® (BLI-800) successfully completed its European decentralized registration procedure involving sixteen countries. The product will be indicated in adults for bowel cleansing prior to any procedure requiring a clean bowel (e.g. bowel visualization including bowel endoscopy and radiology or surgical procedure).

Medicis Aesthetics Canada

On 9 April 2013, Ipsen announced that Health Canada, the Canadian regulatory authority, had granted a marketing authorisation for Dysport® (Botulinum toxin type A for injection) for the temporary improvement in the appearance of moderate to severe frown lines (glabellar lines) in adult patients younger than 65 years of age. Medicis Aesthetics Canada, a division of Valeant Pharmaceuticals, will market Dysport® for use in aesthetic medicine in Canada.

Active Biotech

On 25 April 2013, Active Biotech and Ipsen announced that the companies have updated the analysis plan for the 10TASQ10 trial, a global Phase III clinical trial evaluating tasquinimod in patients with metastatic castrate-resistant prostate cancer (mCRPC) who have not yet received chemotherapy.
The companies now plan to conduct the primary PFS analysis for the 10TASQ10 trial in 2014, at the same time as the first interim overall survival (OS) analysis.
The time point for the OS interim analysis will be driven by the number of OS events. The specified number of radiographic progression-free survival (PFS) events for the primary end-point will have been exceeded at the time of interim OS analysis.
At 30 June 2013, this announcement had no impact on the value of intangible assets related to the license granted by Active Biotech.

Note 2. Other significant events

2.1. Inspiration Biopharmaceuticals Inc.

On 20 February 2013, Cangene Corporation (Cangene) acquired worldwide rights to IB1001, a recombinant factor IX (rFIX). Under the terms of the agreement, Cangene has agreed to pay $5.9 million upfront, up to $50 million in potential additional commercial milestones, as well net sasles payments equivalent to tiered double digit percentage of IB1001 annual net sales.

On 21 March 2013, Ipsen and Inspiration Biopharmaceuticals Inc. (Inspiration) announced the closing of the sale of its lead hemophilia program, OBI-1 to Baxter International Inc. (Baxter), the global leader in hemophilia.

As part of the deal, first announced on 24 January 2013, Ipsen and Inspiration jointly agreed to sell their respective OBI-1 rights.

Baxter acquired worldwide rights to OBI-1, a recombinant porcine factor VIII in development for the treatment of congenital hemophilia A with inhibitors and acquired hemophilia A, as well as Ipsen's manufacturing facility for OBI-1 in Milford, Massachusetts. The Ipsen employees working on the development and manufacturing of OBI-1 were offered employment by Baxter.

Under the terms of the agreement, Baxter agreed to pay $50 million upfront, up to $135 million in potential additional development and sales milestones as well as tiered net sales payments ranging from 12.5% to 17.5% of OBI-1' global net sales. OBI-1 is currently in a pivotal trial for the treatment of individuals with acquired hemophilia A.

The closing resulted from the joint sale process pursued by Inspiration and Ipsen shortly after Inspiration filed for protection under Chapter 11 of the U.S. Bankruptcy Code on 30 October 2012.

Ipsen provided Inspiration with $18.4 million in Debtor-in-Possession (DIP) financing to fund Inspiration's operations during the sale process.

As a result of events occurring since 31 October 2012, and in compliance with provisions of IFRS 5 "Non-current assets held for sale and discontinued operations", hemophilia assets and liabilities, with the exception of the "DIP" loan, were grouped into "Assets of disposal group classified as held for sale" and "Liabilities of disposal group classified as held-for-sale" line items on the consolidated balance sheet at 31 December 2012.

Hemophilia represented one of Ipsen's four therapeutic areas of focus for resources and investment. Furthermore, the flows from this business line were clearly distinctive, and the activity was part of single and coordinated divestment plan. Accordingly, the business met the criteria for discontinued operations, and its result for the period was presented on a separate line in the income statement. Details of this line item are presented in note 15 to the condensed consolidated financial statements at 30 June 2013.

2.2. Increlex® supply interruption

On 25 April 2013, Ipsen announced that the supplier of Increlex®'s (mecasermin [rDNA origin] Injection) active ingredient, Lonza, was facing manufacturing issues with Increlex® at its Hopkinton site (MA, USA).

The interruption of Increlex® supply began in the United Stated in mid-June, and is anticipated in Europe and the rest of the world in the third quarter 2013. At present, re-supply is not anticipated before the end of 2013.

Furthermore, on 25 July 2013, Lonza announced that it would gradually wind down its Hopkinton site, where Increlex® is produced. Lonza however said that its obligations to customers would not be affected.

In view of the supply interruption and the uncertainty about the date of re-supply, the Group recognised a non-recurring €11.7 million impairment loss on the Increlex® IGF-1 active ingredient at 30 June 2013. With this impairment loss, the carrying value of the IGF-1 active ingredient became zero.

2.3. Restructuring of neurology activities in the United States

On 14 June 2013, Ipsen announced that, as part of the accelerated execution of its strategy in the USA, the Group adopted a new organizational model for the distribution of Dysport® in therapeutic indications.

With the growing importance of market access and payer driven decisions in healthcare, Ipsen is shifting its business model toward account management in the USA.

As such, the Dysport® sales force has been optimized and refocused on key accounts, which will allow us to better serve physicians and patients.

At 30 June 2013, the Group recognised non-recurring restructuring costs of €4.3 million, which primarily included compensation-related expenses for the early termination of employment contracts.

2.4. Other significant events

On 29 August 2013, Ipsen announced the departure of Eric Drapé, Executive Vice-President, Technical Operations. Christel Bories, Deputy CEO, will take over his responsibilities on an interim basis.

Note 3. Government measures

In the current 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 are affecting the Group sales and profitability in 2013. In addition, certain measures introduced in 2012 have continued to affect the Group's accounts year-on-year.

3.1. Measures impacting the first half of 2013

In the Major Western European Countries:

- In France, Tanakan® was delisted on 1st March 2012. An additional tax on promotional expenses of 0.6% was also introduced. Moreover, sales of Nisis®/Nisisco® and Forlax® were negatively impacted by a step-up in the regulation known as “Tiers-payant” in July 2012, whereby the patient must pay upfront for a branded drug at the pharmacy – when genericized – and is reimbursed only later on. Finally, a 5.5% price decrease on NutropinAq® was imposed by health authorities starting in June 2013;

- In Spain, Tanakan® was delisted on 1st September 2012. The new draft of the Royal Decree that establishes the prices for products more than 10 years old has been issued in March 2013 and affects all the LhRH (Luteinizing hormone-Releasing Hormone) analogues. The latter is expected to be enforced in Q3 2013;

- In Italy, the price alignment of LhRH regional tenders is not yet applicable due to the political context.

In the Other European Countries:

- In Belgium, a modulated price decrease of 1.95% on reimbursed products has been applicable since 1st April 2013 through the Inami tax;

- In Portugal, new countries were included in the basket for the international reference pricing system, such as Slovakia, Spain and France. For retail products, the rule is to take the average of the basket. For hospital products, the rule is to take the lowest price of the basket effective June 1st 2013. There is no significant impact on Ipsen products. New measures published for 2013 call for a 6.0% price cut on all drugs and for a contribution of the pharmaceutical industry to the decrease of healthcare spending through the setup, by every pharmaceutical company, of a provision fund equal to 2.0% of sales;

- In Latvia, a national tender for LhRH analogues was put in place by local authorities in order to avoid parallels trades;

- In Czech Republic, VAT on drugs was increased from 14% to 15% in January 2013. New prices were published on 1st January 2013. They stem from the international reference pricing system (average of the 3 lowest prices in EU 18). Moreover, since January 2013, Growth Hormones are no longer considered a hospital product and are now subject to price revisions;

- In Slovakia, new prices were published on 1st March 2013. They were the result of the international reference pricing system based on the 2nd lowest price prevailing in the EU 27. Another price bulletin was published on 1st June 2013. Prices will be based on the average of the 3 lowest prices in the EU 27;

- In Greece, the new reimbursement list based on hybrid ATC4 classification and patient co-payment amounts was implemented, replacing the former reimbursement rule. A new price bulletin was published on 1st April 2013 impacting all LhRH analogues;

- In Finland, a general price cut of 5% was applied on all drugs on 1st February 2013;

- In the Netherlands, the NZA (Dutch health authority) transferred the budget for Growth Hormones from retail to hospital and introduced a new reimbursement system on 1st January 2013. The publication of the list containing the next wave of drugs to move to hospital budget was officially delayed;

- In Poland, new reimbursement limits were set after the launch of a competing product to Decapeptyl®. They led to the introduction of patient co-payments since 1st January 2013 and thus to a general price decrease by the industry as a way of compensating;

- In Romania, whereas prices are revised annually in March, the MoH has decided to maintain a price freeze of medicines for a further period of 3 months until 30 September 2013, while the pricing methodology for new products that will apply for price setting will remain unchanged.

In the Rest of the World:

- China is still working on its international reference pricing system, which would include ten countries such as the USA, France, Germany, South Korea and Japan. However, there is no sign of further implementation or control at this time. In April 2013, Tanakan® was included on the Essential Drug List, a decision usually accompanied by a strong price decrease that can range from 10% to 30%.

- In Algeria, a risk of class referencing on the GnRH (Gonadotropin-Releasing Hormone) analogues category remains, which could result in price decreases;

- In Colombia, health authorities have made drug prices a priority after introducing an international price referencing system in mid-2012. At the end of July 2013, a technical group of the country's price commission published a list of 195 high-cost drug brands, including Somatuline®, on which price ceilings will be imposed.

Furthermore, and in the context of the 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 which will affect the Group sales and profitability beyond 2013.

3.2. Measures which may have impacts beyond the first half of 2013

In the Major Western European Countries:

- In France, the taxable basis taken into consideration for the promotion tax was significantly extended to institutional communication and congresses by a decree published in December 2012;

- In Italy, the cap for pharmaceutical hospital expense has been increased from 2.4% to 3.5% of hospital expenditure. In addition, pharmaceutical companies will have to pay 50.0% of any extra expenditure beyond this cap level.

- In the UK, the NHS is looking closely at proposals around value based pricing, which the Government plans to introduce from January 2014. Value based pricing will cover new medicines and a successor scheme to the current PPRS (Pharmaceutical Price Regulation Scheme) agreement will also be validated.

In the Other European Countries:

- In Portugal, the outcome of negotiations between the pharmaceutical industry and the Ministry of Health on the reimbursement threshold borne by the industry is expected soon. The final 2012 reimbursement amount is not yet confirmed, nor is the 2013 threshold. The final agreement will very much depend on the drug value expenditure to be reached in 2013 as a percentage of GDP;

- In Greece, claw-back will potentially be adjusted by year-end and the target set by the Ministry of Health for 2013 currently stands at €2.44 billion. The government is aiming at €2 billion for 2014;

- In Belgium, the international reference pricing system was updated with new rules and a reference basket of 6 countries (France, Germany, the Netherlands, Austria, Ireland and Finland). The system has not yet been implemented;

- In Russia, within the frame of the healthcare reform, health authorities are considering a possible change in the price-setting methodology for drugs on the Essential Drug List (EDL). In the future, registered prices for drugs on the EDL should be set as the weighted average price of all drugs with the same International Non-proprietary Name (INN);

- In Croatia, Czech Republic replaced France in the basket of countries included in the international reference pricing system;

- In Slovenia, therapeutic reference pricing was introduced in June 2013 but does not yet apply.

In the Rest of the World:

- In Latin America, twelve countries (Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Surinam, Uruguay, and Venezuela) agreed to create a regional drug-pricing database in order to harmonize drug prices in the region. At this stage, there has been no new announcement regarding this project.

Note 4. Changes in the scope of consolidation

Ipsen Ukraine Services LLC, a service company, was established on 30 January 2013. It was included in the scope of consolidation at 30 June 2013, and is 100% owned and controlled by the Group.

Note 5. Accounting principles and methods and compliance statement

Preliminary remarks:

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

The closing date of the condensed interim consolidated financial statements is 30 June of each year. Individual statements incorporated into the condensed consolidated financial statements are prepared at the closing date of the condensed consolidated financial statements, i.e. 30 June, and cover the same period;
The condensed consolidated financial statements were approved by the Board of Directors on 29 August 2013.

5.1. General principles and compliance statement

In compliance with regulation n°1606 adopted on 2002 July 19 by the European Parliament and the European Council, the Group's consolidated financial statements for the year ending 31 December 2002 were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union on the date of preparation.

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

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

The condensed consolidated financial statements at 30 June 2013 were prepared in accordance with IAS 34 – Interim Financial Reporting, as endorsed by the European Union, which requires the disclosure of selected explanatory notes only.

The condensed financial statements do not include all disclosures required for annual financial statements and should therefore be read in conjunction with the consolidated financial statements for year ended 31 December 2012.

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

IFRS as applied at 30 June 2013

The condensed consolidated financial statements were prepared in accordance with the accounting principles and methods used by the Group for the 2012 financial statements and described in note 4 of consolidated financial statements for the year ended 31 December 2012, and in compliance with other standards and interpretations in force as of 1 January 2013.

5.2. Other standards and interpretations that became applicable as of 1 January 2013

The mandatory standards, amendments and interpretations published by the IASB and applicable as of the 2013 financial year are listed below.

- *IAS 1 amendments - Presentation of other comprehensive income (OCI)*
  These amendments partially modify *IAS 1 — Presentation of Financial Statements* by requiring:
  - separate subtotals for items listed in "Other Comprehensive Income" that may subsequently be reclassified to profit or loss on the income statement, such as cash flow hedges and differences from foreign exchange translations, and those items that cannot be subsequently reclassified to profit or loss, such as the fair value of items recognised as Other Comprehensive Income under IFRS 9;
  - that taxes on items presented before tax be presented separately for both component groups of Other Comprehensive Income, but without changing the current option of presenting these items before tax or net of tax.
- *IAS 12 — "Income Taxes" amendment titled "Deferred Tax: Recovery of Underlying Assets":*
  This amendment provides a practical solution for measuring deferred tax assets and liabilities on investment property using the fair value model under *IAS 40 — Investment Property.* As the Group has no investment property measured according to IAS 40, the amendment was not applied to the consolidated financial statements.

- *IAS 19 - Employee benefits:*
  This standard was revised in June 2011, with mandatory application as of the reporting period opening 1 January 2013 and retrospective application as of 1 January 2012. It constitutes a change in accounting method. The effect on the Group is as follows:

  - Following the removal of the corridor method, recognition of the amortisation of actuarial gains and losses of defined employee benefit plans in profit or loss for the year was ceased. Thus, actuarial gains and losses not accounted for as at 31 December 2011 were recognized against consolidated equity as at 1 January 2012.

  - Furthermore, actuarial gains and losses generated after 1 January 2012 are now immediately recognized in other items of the comprehensive income and will never be reclassified to profit or loss on the income statement. Thus, the consolidated financial statements for financial year 2012 were adjusted for the cancellation of amortisation of actuarial gains and losses in sales and administrative costs, and the recognition of actuarial losses or gains generated in 2012 in other non-reclassifiable items of comprehensive income.

  - The cost of services rendered resulting from the change or reduction of a plan with effect from January 1, 2012 is entirely recognised in profit or loss, in sales and administrative costs. The portion of commitments not yet paid is no longer amortised over the duration of the vesting period. Consequently, the costs of services rendered not accounted for at 31 December 2011 were recognised against consolidated equity at 1 January 2012, and the consolidated financial statements for 2012 financial year were adjusted for the cancellation of the amortisation of costs of services rendered in sales and administrative costs.

  - The expected return on plan assets for retirement schemes is measured by applying the discount rate used for the valuation of commitments.

  The effects of restating key 2012 indicators are as follows:

  - an €18.8-million decline in equity at 30 June 2012, and;

  - a €0.2-million increase in net profit for the first half of 2012, with retrospective increases of €0.3 million in operating income and €0.4 million in pre-tax profit.

- *Amendment to IAS 34 "Interim Financial Reporting":*

  This amendment provides for a clarified presentation of segment information for total assets and liabilities for each reportable segment:

  - if the amounts are regularly provided to the chief operating decision maker, and;

  - when there has been a material change from the amount disclosed in the last annual financial statements for that segment.

- *IFRS 13 - Fair Value Measurement*
  This standard changes the exception relating to portfolios in IFRS 13 (i.e. the exception allowing an entity to measure the fair value of a group of financial assets and liabilities on the basis of a net amount when the entity manages the group of financial assets and liabilities based on its net exposure to market risk or credit risk). It specifies that the exception applies to all contracts within the scope of IAS 39 —*Financial Instruments: Recognition and Measurement,* or IFRS 9 — *Financial Instruments,* whether or not the contracts meet the definition of a financial asset or financial liability under IAS 32 — *Financial Instruments: presentation.*

  This standard has very little impact on the Group.

- *Amendments to IFRS 7 - Disclosures - Offsetting Financial Assets and Financial Liabilities*

The Group did not opt for early adoption of the standards and interpretations for which the application was not mandatory on 1 January 2013.

Note 6. Seasonal effects

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

Note 7. Operating segments

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. Operating segments existing at 30 June 2013 were 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": comprising for the most part the United States and Canada;
- "Rest of the World": all countries not included in the three preceding operating segments.

7.1. Operating income by operating segment

(in thousands of euros)	30 June 2013		30 June 2012 restated [1]	
	Amounts	% share	Amounts	% share
Major Western European countries	102,236	39%	122,437	46%
Rest of Europe	78,523	30%	73,838	28%
North America	4,474	2%	2,207	1%
Rest of the World	75,149	29%	66,456	25%
Total allocated	**260,382**	**100%**	**264,938**	**100%**
Unallocated	(139,378)		(140,082)	
Operating income from condensed consolidated income statement	**121,004**		**124,856**	

[1] The 30 June 2012 income statement was restated for purposes of comparison between the two half-year periods, in accordance with provisions related to discontinued operations and changes in accounting methods.

Unallocated operating income amounted to (€139.4) million, to be compared to (€140.1) million recorded in the first half 2012. It mainly included the Group's central research and development costs for (€101.2) million in 2013 and (€97.0) million in 2012, and to a lesser extent, unallocated general and administrative expenses and other operating income and expenses arising primarily from non-recurring expenses related to the preparation and implementation of the strategy announced on 9 June 2011 and to changes within the Executive Committee.

7.2. Revenue

7.2.1. Revenue by operating segment

(in thousands of euros)	30 June 2013		30 June 2012 restated [1]	
	Amounts	% share	Amounts	% share
Major Western European countries	271,670	41%	288,221	44%
Rest of Europe	171,869	26%	162,597	25%
North America	46,350	7%	45,300	7%
Rest of the World	173,796	26%	161,624	25%
Total allocated	**663,685**	**100%**	**657,742**	**100%**
Unallocated	263		465	
Revenue from condensed consolidated income statement	**663,948**		**658,207**	

[1] The 30 June 2012 income statement was restated for purposes of comparison between the two half-year periods, in accordance with provisions related to discontinued operations and changes in accounting methods.

Sales of goods, co-promotion income and a portion of "other revenues" were allocated within "Revenue".

7.2.2. Sales of goods by operating segment

(in thousands of euros)	30 June 2013		30 June 2012 restated [1]	
	Amounts	% share	Amounts	% share
Major Western European countries	256,837	41%	272,434	43%
Rest of Europe	167,722	26%	159,751	25%
North America	36,541	6%	36,318	6%
Rest of the World	172,548	27%	161,304	26%
Sales of goods from condensed consolidated income statement	**633,648**	**100%**	**629,807**	**100%**

[1] The 30 June 2012 income statement was restated for purposes of comparison between the two half-year periods, in accordance with provisions related to discontinued operations and changes in accounting methods.

7.2.3. **Sales by therapeutic areas and products**

(in thousands of euros)	**30 June 2013**	**30 June 2012**
Oncology	154,553	162,119
of which Décapeptyl®	*147,121*	*156,088*
of which Hexvix®	*7,421*	*6,020*
Endocrinology	164,209	154,417
of which Somatuline®	*123,399*	*113,334*
of which NutropinAq®	*29,150*	*26,501*
of which Increlex®	*11,659*	*14,582*
Neurology	130,645	123,249
of which Dysport®	*130,543*	*123,133*
Speciality Care	**449,406**	**439,785**
Gastroenterology	114,021	98,333
of which Smecta®	*61,736*	*54,478*
of which Forlax®	*20,667*	*20,671*
Cognitive disorders	32,700	44,922
of which Tanakan®	*32,700*	*44,922*
Cardiovascular	12,165	22,429
of which Nisis® and Nisisco®	*4,078*	*13,746*
of which Ginkor®	*7,615*	*7,116*
Other pharmaceutical products	5,944	6,550
of which Adrovance®	*5,197*	*5,967*
Primary care	**164,830**	**172,234**
Total drug sales	**614,236**	**612,019**
Drug-related sales	**19,411**	**17,788**
Group sales	**633,648**	**629,807**

7.3. Other revenues

(in thousands of euros)	**30 June 2013**	**30 June 2012 restated (*)**
Royalties received (1)	7,732	5,892
Milestone payments- Licensing agreeemnts (2)	11,861	12,345
Other (co-promotion revenues, re-billings) (3)	10,708	10,164
Other revenues from condensed consolidated income statement	**30,300**	**28,400**

(*) The 2012 June income statement was restated for purposes of comparison between the two half-year periods, in accordance with provisions related to discontinued operations and changes in accounting methods.

(1) Royalties received amounted to €7.7 million at end June 2013, up €1.8 million year-on-year, driven by the increase in royalties paid by Medicis and Galderma.

(2) Milestone payments relating to licensing agreements amounted to €11.9 million, stable year-on year, mainly generated by the partnerships with Medicis, Menarini, Galderma, and Sanofi.

(3) Other revenues totalled €10.7 million in the first half 2013, versus €10.2 million the previous year. It primarily includes revenues from the Group's co-promotion and co-marketing agreements in France.

Note 8. Employees

Employee expenses, which are included in the cost of goods sold, selling, general and administrative expenses and research and development expenses, encompass the following items:

(in thousands of euros)	30 June 2013	30 June 2012 restated [1]
Wages and salaries	(139,370)	(145,807)
Employer's social security contributions and payroll taxes	(54,806)	(51,465)
Sub-total	**(194,176)**	**(197,272)**
Employee benefit expenses	**(4,147)**	**(3,722)**
Half-year non cash expenses associated to share-based payments	(2,344)	(1,738)
Social security contributions on share-based payments	(196)	(144)
Share-based payment expenses sub-total	**(2,540)**	**(1,882)**
Employee profit-sharing	(4,687)	(4,957)
Total	**(205,550)**	**(207,833)**

[1] The 30 June 2012 income statement was restated for purposes of comparison between the two half-year periods, in accordance with provisions related to discontinued operations and changes in accounting methods.

At 30 June 2013, the average rate of employer's social security contributions and payroll taxes was 39.3% of gross payroll (as compared to 35.3% at 30 June 2012).

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

On 28 March 2013, the Board of Directors granted:

- 22,590 bonus shares to the Chairman and Chief Executive Officer,
- 17,169 bonus shares to the Deputy Chief Executive Officer,
- 40,100 bonus shares to members of the Executive Committee,
- 34,329 bonus shares to beneficiaries of its American subsidiaries, and
- 109,816 bonus shares to certain beneficiaries of other Group subsidiaries.

These attributions were subject to length of service criteria. Furthermore, attributions to the Chairman and Chief Executive Officer, the Deputy Chief Executive Officer, members of the Executive Committee and certain beneficiaries were subject to quantitative and qualitative performance conditions based on sales growth and the achievement of strategic objectives set by the Board of Directors.

For beneficiaries who are French or US tax residents, the vesting period for the performance-based bonus shares was set at two years with a two-year lockup period and four years for other beneficiaries. For beneficiaries who are non-French tax residents, excluding the US, the vesting period for performance-based bonus shares was set at four years. For other beneficiaries, the vesting period for the bonus shares was set at two years with a two-year lockup period.

Note 9. Other operating income and expenses

Other operating income amounted to €2.7 million in the first half of 2013, compared with €2.5 million the previous year.

Other operating expenses reached €3.9 million, versus €14.1 million the prior year. At 30 June 2012, other operating expenses included non-recurring costs related to the implementation of the 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 2103, other operating income and expenses primarily included revenue and costs related to the sublease of the headquarters.

Note 10. Amortisation of intangible assets (excluding software)

This item concerns the amortisation of intangible assets, excluding software-related intangible assets.

In the first half of 2013, amortisation charges of intangible assets amounted to €2.2 million, compared to €5.6 million the previous year.

At 30 June 2012, amortisation charges of intangible assets included the accelerated amortisation of the primary care trademark Nisi®/Nisisco®, deprioritized following the arrival of generics on the market, following its patent loss in November 2011.

Note 11. Impairment losses

In the first half 2013, the Group announced that Lonza, the supplier of Increlex®'s active ingredient (mecasermin [rDNA origin]), was experiencing manufacturing issues with Increlex® at its Hopkinton, MA production site in the United States.

The interruption of Increlex® supply began in the United Stated in mid-June, and is anticipated in Europe and the rest of the world in the third quarter 2013. At present, re-supply is not anticipated before the end of 2013.
Furthermore, on 25 July 2013, Lonza announced that it would gradually wind down its Hopkinton site, where Increlex® is produced. Lonza however said that its obligations to customers would not be affected.

These various items pointed to a loss of value on the IGF-1 intangible asset at 30 June 2013.

In view of the supply interruption and the uncertainty about the date of re-supply, the Group recognised a non-recurring €11.7 million impairment loss on the Increlex® IGF-1 active ingredient at 30 June 2013.

With this impairment loss, the carrying value of the IGF-1 active ingredient became zero.

Note 12. Restructuring costs

In the first half 2013, the Group recorded a €1.3 million profit in the "Restructuring costs" line item, against an expense of €3.9 million at end June 2012.

In June 2013, as part of its effort to accelerate the execution of its strategy in the United States, the Group adopted a new key account management organisational model for the distribution of Dysport® in therapeutic indications in the US market. The decision was based on the growing importance of payer driven decision making and new market access conditions in healthcare. Accordingly, Dysport® sales force was optimized and refocused to better serve physicians and patients.

Consequently, the Group recognised non-recurring costs of €4.3 million at 30 June 2013, which primarily included compensation-related expenses for the early termination of employment contracts.

Moreover, at 31 December 2012, the Group recognised a non-recurring provision mainly related to the French primary care restructuring plan, for which labour talks started in the fourth quarter 2012. Following the latest round of negotiations, the provision was adjusted, leading to a reversal in the 30 June 2013 financial statements.

Note 13. Financial income/(expense)

13.1. Net financing costs

(in thousands of euros)	30 June 2013	30 June 2012 restated [1]
Proceeds from sales of short-term investments	51	809
Financial income on rate option	-	-
Total income from financial assets held for trading	**51**	**809**
Other financial income	7,803	(180)
Total income from loans and receivables	**7,803**	**(180)**
Investment income	**7,854**	**629**
Interest on debt	(869)	(727)
Interest on employee profit-sharing fund	(214)	(282)
Total expenses on financial liabilities measured at amortised cost	**(1,083)**	**(1,010)**
Financial expense on exchange rate hedging instruments	(85)	(49)
Other financing costs	-	-
Total expenses on financial assets held for trading	**(85)**	**(49)**
Financing costs	**(1,168)**	**(1,059)**
Net financing costs	**6,686**	**(430)**

[1] The 30 June 2012 income statement was restated for purposes of comparison between the two half-year periods, in accordance with provisions related to discontinued operations and changes in accounting methods.

The cost of net financial debt represented an income of €6.7 million, compared with a €0.4 million expense a year earlier. The net income stemmed mainly from a financial gain on the repayment of Debtor-in-Possession (DIP)-type financing granted by Ipsen to Inspiration Biopharmaceuticals Inc. at the end of 2012 following the sale of its hemophilia assets to Baxter and Cangene.

13.2. Other financial income and expenses

(in thousands of euros)	30 June 2013	30 June 2012 restated [1]
Changes in fair value of warrant and conversion options	-	-
Exchange differences on fair value of warrant and conversion options	-	-
Other exchange differences	(4,965)	(2,349)
Income and expenses on financial assets and liabilities at fair value	**(4,965)**	**(2,349)**
Net impairment of investments in non-consolidated companies	48	11,618
Net impairment of other financial assets	14	1
Gain (loss) from disposal of available-for-sale financial assets	-	545
Income and expenses on available-for-sale financial assets	**62**	**12,164**
Financial income on employee benefits (IAS 19)	681	828
Interest on employee benefits (IAS 19)	(1,368)	(1,642)
Other financial income and expenses	(13)	343
Total other financial income and expense	**(5,603)**	**9,344**

[1] The 30 June 2012 income statement was restated for purposes of comparison between the two half-year periods, in accordance with provisions related to discontinued operations and changes in accounting methods.

At 30 June 2013, other financial income and expenses amounted to €5.6 million, compared with other financial income of €9.3 million in the prior-year period.

In 2013, the Group recognised €5.0 million in foreign exchange losses, versus losses of €2.3 million in the first half of 2012.

In 2012, other financial income and expenses were impacted by the disposal of Spirogen and Vernalis shares, and non-recurring additional payments from the sale of PregLem Holdings SA shares in 2010.

Note 14. Income taxes

14.1. Breakdown of tax expense

(in thousands of euros)	30 June 2013	30 June 2012 restated [1]
Current tax	(24,667)	(31,990)
Deferred tax	(7,088)	(1,888)
Effective tax expense	**(31,755)**	**(33,878)**

[1] The 30 June 2012 income statement was restated for purposes of comparison between the two half-year periods, in accordance with provisions related to discontinued operations and changes in accounting methods.

14.2. Effective tax rate

(in thousands of euros)	30 June 2013	30 June 2012 restated [1]
Net profit (loss) from continuing operations	90,332	99,891
Net profit (loss) from continuing operations	**90,332**	**99,891**
Income taxes	(31,755)	(33,878)
Pre-tax net profit (loss) from continuing operations	**122,087**	**133,769**
Effective tax rate	**26.0%**	**25.3%**

[1] The 30 June 2012 income statement was restated for purposes of comparison between the two half-year periods, in accordance with provisions related to discontinued operations and changes in accounting methods.

At 30 June 2013, the effective tax rate amounted to 26.0% of profit from continuing operations before tax, compared with an effective tax rate of 25.3% at 30 June 2012.

The increase resulted notably from:

- the research tax credit, which despite remaining flat in volume terms from June 2012 to June 2013, increased in relative terms by one percentage point, and;
- a new 3.0% tax implemented in France on dividend payouts that negatively impacted the effective tax rate by 1.6 percentage points.

Excluding non-recurring operating, financial and tax items, the Group's effective tax rate amounted to 25.0% in June 2013, compared with 23.3% in June 2012.

14.3. Deferred tax assets and liabilities

- Movements during the first half of 2013

(in thousands of euros)	31 December 2012, reported in 2012	IAS 19-related changes in accounting methods	31 December 2012 restated, reported in 2013	Movements during the period					30 June 2013
				Exchange differences	Income statement income / expense from discontinued operations	Deferred taxes recorded directly to reserves	Condensed consolidated income statement income / expense	Other movements	
Deferred tax assets	208,162	7,280	215,442	952	28	(1,085)	(6,657)		208,680
Deferred tax liabilities	(2,767)	280	(2,487)	6	-	-	(431)		(2,912)
Net assets / (liabilities)	205,395	7,560	212,955	958	28	(1,085)	(7,088)	-	205,768

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

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

Note 15. Assets and liabilities of discontinued operations, and assets and liabilities held for sale

In the first six months of 2013, profit from discontinued operations amounted to €6.2 million, versus a loss of €9.2 million at 30 June 2012.

On 20 February 2013, Cangene Corporation (Cangene) acquired the worldwide rights to IB1001 (recombinant factor IX (rFIX)). Under the terms of the agreement, Cangene has agreed to pay $5.9 million upfront, up to $50 million in potential additional commercial milestones as well net sales payments equivalent to tiered double digit percentage of IB1001 annual net sales.

On 21 March 2013, the Group and Inspiration Biopharmaceuticals Inc. announced the closing of the sale of their flagship hemophilia product, OBI-1, to Baxter International Inc. (Baxter), the world leader in the hemophilia market.

The transaction was first announced on 24 January 2013. As part of the deal, the Group and Inspiration jointly agreed to sell their respective OBI-1 rights.

Baxter acquired the world rights to OBI-1, a recombinant porcine factor VIII (rpFVIII) in development for congenital hemophilia A with inhibitors and acquired hemophilia A, and Ipsen's industrial facility in Milford (Boston, MA). Ipsen employees working on the development and production of OBI-1 were offered employment at Baxter.

Under the terms of the deal, Baxter agreed to pay $50 million upfront, as well as potential additional payments contingent on OBI-1 development and commercial milestones. The closing resulted from the joint sale process pursued by Inspiration and Ipsen shortly after Inspiration filed for protection under Chapter 11 of the U.S. Bankruptcy Code on 30 October 2012.

Ipsen provided Inspiration with $18.4 million in Debtor-in-Possession (DIP) financing to fund Inspiration's operations during the sale process. Upfront payments made by Baxter and Cangene were predominantly used to repay Ipsen's loan.

Hemophilia represented one of Ipsen's four therapeutic areas of focus for resources and investment. Because the activity met the criteria for discontinued operations, its result has been presented as a separate line item in the income statement starting on 31 December 2012.

At 30 June 2013, profit from discontinued operations mainly included the negotiated repayment of advisory fees paid by Ipsen during the joint asset-sale process with Inspiration, and the tax impact related to the compensation paid by the Group to the U.S. affiliate that sold the assets.

15.1. Reconciliation of the 30 June 2012 published income statement and the income statement restated for IFRS 5 and IAS 19 revised

(in thousands of euros)	30 June 2012, published in 2012	Restatements according to IFRS 5	Restatements according to IAS 19 revised	30 June 2012, restated and published in 2013
Sales of goods	629,807	-	-	629,807
Other revenues	45,219	(16,819)	-	28,400
Revenue	**675,026**	**(16,819)**	**-**	**658,207**
Cost of goods sold	(128,996)	-	75	(128,921)
Research and development expenses	(131,469)	13,089	84	(118,296)
Selling expenses	(229,639)	1,495	135	(228,009)
General and administrative expenses	(48,965)	1,073	37	(47,855)
Other operating income	2,505	-	-	2,505
Other operating expenses	(14,075)	-	-	(14,075)
Amortisation of intangible assets	(5,610)	-	-	(5,610)
Restructuring costs	(3,860)	-	-	(3,860)
Impairment losses	10,770	-	-	10,770
Operating income	**125,687**	**(1,162)**	**331**	**124,856**
Investment income	2,548	(1,919)	-	629
Financing costs	(1,059)	-	-	(1,059)
Net financing costs	**1,489**	**(1,919)**	**-**	**(430)**
Other financial income and expense	13,966	(4,691)	69	9,344
Income taxes	(36,496)	2,804	(186)	(33,878)
Share of profit (loss) from associated companies	(14,155)	14,155	-	-
Net profit (loss) from continuing operations	**90,490**	**9,187**	**214**	**99,891**
Net profit (loss) from discontinued operations	-	(9,187)	-	(9,187)
Consolidated net profit	**90,490**	**-**	**214**	**90,704**
- Attributable to shareholders of Ipsen	90,211	-	214	90,425
- Attributable to minority interests	279	-	-	279

15.2. Breakdown of net profit (loss) from discontinued operations in the income statement

(in thousands of euros)	30 June 2013	30 June 2012 restated [(1)]
Revenue	**7,749**	**16,819**
Cost of goods sold	-	-
Research and development expenses	(7,509)	(13,089)
Selling expenses	(276)	(1,495)
General and administrative expenses	(1,348)	(1,073)
Other operating income	4,014	
Other operating expenses	(1,432)	-
Other financial income and expense	(48)	4,691
Amortisation of intangible assets (excluding software)	-	-
Investment income	-	1,919
Pre-tax profit (loss) from discontinued operations	**1,150**	**7,772**
Income taxes	**5,057**	**(2,804)**
Share of profit (loss) from associated companies	**-**	**(14,155)**
Impairment losses related to assets held for sale	-	-
Income taxes	-	-
Net profit (loss) from discontinued operations	**6,207**	**(9,187)**

[(1)] The 30 June 2012 income statement was restated for purposes of comparison between the two half-year periods, in accordance with provisions related to discontinued operations and changes in accounting methods.
At 30 June 2013, net profit from discontinued operations amounted to €6.2 million.

15.3. Consolidated statement of cash flow by continuing or discontinued operations

(in thousands of euros)	Notes	30 June 2013			30 June 2012		
		Continuing operations	Operations held for sale / discontinued operations	**Total**	Continuing operations	Operations held for sale / discontinued operations	**Total**
Consolidated net profit		**90,332**	**6,207**	**96,539**	**99,891**	**(9,187)**	**90,704**
Share of profit (loss) from associated companies		-	-	-	-	14,155	14,155
Net profit (loss) from continuing operations before share of profit (loss) from associated companies		**90,332**	**6,207**	**96,539**	**99,891**	**4,968**	**104,859**
Non-cash and non-operating items							
- Amortisation, provisions		18,037	434	18,471	3,622	961	4,583
- Impairment losses	17.2	11,712		11,712	(10,770)	-	(10,770)
- Change in fair value of financial derivatives		(1,925)		(1,925)	(2,560)	-	(2,560)
- Net gains or losses on disposals of non-current assets		256	(95)	161	(277)	-	(277)
- Share of government grants released to profit and loss		(26)		(26)	(38)	-	(38)
- Exchange differences		4,764		4,764	(784)	(4,691)	(5,475)
- Change in deferred taxes	14.3	7,088	(28)	7,060	866	-	866
- Share-based payment expense		2,540		2,540	1,881	-	1,881
- Gain or (loss) on sales of treasury shares		135		135	(104)	-	(104)
- Other non-cash items		438		438	1,358	-	1,358
Cash flow from operating activities before changes in working capital		**133,351**	**6,518**	**139,869**	**93,085**	**1,238**	**94,323**
- (Increase)/decrease in inventories	20.1	(7,556)	-	(7,556)	(303)	-	(303)
(Increase)/decrease in trade receivables	20.1	(63,746)	-	(63,746)	(32,233)	-	(32,233)
Increase/(decrease) in trade payables	20.1	(20,651)	-	(20,651)	(9,319)	-	(9,319)
- Net change in income tax liability	20.1	41,258	-	41,258	39,570	2,379	41,949
- Net change in other operating assets and liabilities	20.1	(33,908)	(741)	(34,649)	(27,144)	(4,109)	(31,253)
Change in working capital related to operating activities		**(84,603)**	**(741)**	**(85,344)**	**(29,429)**	**(1,730)**	**(31,159)**
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		**48,748**	**5,777**	**54,525**	**63,656**	**(492)**	**63,164**
Investment in property, plant & equipment	18	(10,863)	-	(10,863)	(18,758)	-	(18,758)
Investment in intangible assets	17	(1,082)		(1,082)	(13,721)	-	(13,721)
Proceeds from disposal of intangible assets and property, plant & equipment		143		143	17	-	17
Acquisition of shares in non-consolidated companies		-	-	-	(60)	-	(60)
Convertible bond subscriptions		-	-	-	-	(28,602)	(28,602)
Proceeds of financial assets		-	-	-	12,304	-	12,304
Payments to post-employment benefit plans		(1,198)	-	(1,198)	(959)	-	(959)
Other cash flow related to investment activities		(540)		(540)	1,203		1,203
Deposits paid	19	411	-	411	103	-	103
Change in working capital related to investing activities		(15,568)	-	(15,568)	(7,637)	-	(7,637)
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES		**(28,697)**	**-**	**(28,697)**	**(27,508)**	**(28,602)**	**(56,110)**
Issue of long-term borrowings	24	40,000	-	40,000	-	-	-
Repayment of long-term borrowings	24	(179)	-	(179)	(178)	-	(178)
Capital increase by Ipsen		301	-	301	-	-	-
Treasury shares		112	-	112	(1,223)	-	(1,223)
Dividends paid by Ipsen	22.4	(66,592)	-	(66,592)	(66,444)	-	(66,444)
Dividends paid by subsidiaries to minority interests		(100)	-	(100)	(1,032)	-	(1,032)
DIP financing		7,066	-	7,066	-	-	-
Deposits received		-	-	-	12	-	12
Change in working capital related to financing activities	20.1	(1,361)	-	(1,361)	(71)	-	(71)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		**(20,753)**	**-**	**(20,753)**	**(68,936)**	**-**	**(68,936)**
CHANGES IN CASH AND CASH EQUIVALENTS		**(702)**	**5,777**	**5,075**	**(32,788)**	**(29,094)**	**(61,882)**
Opening cash and cash equivalents	21	**113,289**	**-**	**113,289**	**144,831**	**-**	**144,831**
Impact of exchange rate fluctuations		(765)	-	(765)	1,270	-	1,270
Closing cash and cash equivalents	21	**111,822**	**5,777**	**117,599**	**113,313**	**(29,094)**	**84,219**

15.4. "Assets held for sale and of discontinued operations" and "Liabilities held for sale and of discontinued operations" on the balance sheet

After completing the sale of the Group's "Hemophilia" assets in March 2013, the following related assets, including:

- the Milford industrial site, where the OBI-1 product is manufactured,
- the OBI-1 development and commercial rights,
- the commercial rights to IB1001 (rFIX) owned by the Ipsen Group, and
- Inspiration Biopharmaceutical Inc. shares, convertible bonds and other financial assets owned by the Group,

were no longer recognised in "Assets held for sale" at end June 2013.

Note 16. Goodwill

16.1. Net goodwill

- Movements during the first half of 2013

(in thousands of euros)	31 December 2012	Movements during the period				30 June 2013
		Increases	Decreases	Changes in consolidation scope	Exchange differences	
Gross goodwill	307,134	-	-	-	721	307,855
Impairment losses	(8,938)	-	-	-	353	(8,585)
Net goodwill	**298,196**	**-**	**-**	**-**	**1,074**	**299,270**

Gross goodwill shown on the balance sheet at 30 June 2013 resulted from:

- €135.3 million arising on the Group's structuring operations from 1998 to 2004, as a result of acquiring SCRAS and its subsidiaries, and €53.5 million arising on the acquisition of BB et Cie;
- €8.6 million arising on the 2004 acquisition of Sterix Ltd, which was fully amortised at the time of the business combination;
- €0.2 million arising on the acquisition of Beaufour Ipsen Farmaceutica LTA in 2007;
- €3.5 million arising on the acquisition of Vernalis Inc. on 1 July 2008, and €159.2 million arising on the acquisition of Ipsen Biopharmaceuticals Inc. on 16 October 2008. These transactions generated residual goodwill in the amount of €110.3. million.

16.2. Impairment of goodwill

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

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

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

Following the announcement that it was reorganising its neurology activities (see note 2.3), the Group identified a possible impairment loss on its North American goodwill. However, a dedicated impairment test showed no need for recognising an impairment loss on the goodwill at end June 2013.

At 30 June 2013, 31 December 2013 and 30 June 2012, no impairment losses related to goodwill were recorded.

The previously recorded impairment loss concerned solely the goodwill arising on the acquisition of Sterix Ltd.

Note 17. Other intangible assets

17.1. Movements during the first half of 2013

(in thousands of euros)	31 December 2012	Movements during the period					30 June 2013
		Increases	Decreases	Changes in consolidation scope	Exchange differences	Other movements	
Intellectual property	412,125	485	(1,460)	-	135	2,186	413,471
Intangible assets in progress	2,001	597	-	-	-	422	3,020
Advance payments	4,080	-	-	-	-	(2,580)	1,500
Gross property, plant and equipment	**418,206**	**1,082**	**(1,460)**	**-**	**135**	**29**	**417,991**
Amortisation	(103,105)	(6,240)	1,390	-	(145)	74	(108,025)
Impairment losses	(185,925)	(11,712)	-	-	36	-	(197,602)
Net property, plant and equipment	**129,176**	**(16,870)**	**(70)**	**-**	**26**	**102**	**112,364**

The “Impairment losses” item notably includes an €11.7-million impairment loss on the intangible asset related to the IGF-1 license.

17.2. Impairment losses

The Group recognised a non-recurring, €11.7-million impairment loss on the Increlex® IGF-1 active ingredient at 30 June 2013. With this impairment loss, the carrying value of the IGF-1 active ingredient became zero (see note 11).

Note 18. Property, plant & equipment

18.1. Movements during the first half of 2013

(in thousands of euros)	31 December 2012	Movements during the period					30 June 2013
		Increases	Decreases	Changes in consolidation scope	Exchange differences	Other movements	
Land	16,880	-	-	-	(52)	107	16,935
Buildings	175,816	160	(280)	-	(241)	637	176,093
Plant & equipment	234,121	626	(425)	-	(2,107)	2,370	234,585
Other assets	103,508	1,477	(1,462)	-	(312)	3,897	107,109
Assets in progress	116,861	8,499	-	-	(2,663)	(5,971)	116,726
Advance payments	117	101	-	-	-	(138)	80
Gross property, plant and equipment	**647,303**	**10,863**	**(2,167)**	**-**	**(5,373)**	**902**	**651,528**
Amortisation	(353,022)	(13,825)	2,039	-	1,797	(570)	(363,582)
Impairment losses	(12,500)	-	-	-	-	-	(12,500)
Net property, plant and equipment	**281,781**	**(2,961)**	**(129)**	**-**	**(3,576)**	**331**	**275,446**

Note 19. Other non-current assets

19.1. Movements during the first half of 2013

(in thousands of euros)	31 December 2012, reported in 2012	IAS 19-related changes in accounting methods	31 December 2012 restated, reported in 2013	Movements during the period								30 June 2013
				Cash flow related to investing activities	Cash flows related to financing activities	Change in plan assets	Reclassification of derivatives	Fair value changes in profit and loss	Discounting	Exchange differences	Other movements	
				(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	
Net assets of post-employment benefit plans [1]	6,690	(6,690)	-	-	-	-	-	-	-	-		-
Non-current financial assets (financial assets at fair value)	**6,690**	**(6,690)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Convertible bonds	3,200		3,200	-	-	-	-	-	-	-	-	3,200
Liquidity agreement	2,315		2,315	324	-	-	-	-	-	-	-	2,639
Loans - non-consolidated companies	344		344	(73)	-	-	-	-	-	(11)	-	260
Other financial assets [2]	7,669		7,669	(6,777)	-	-	-	-	-	(22)	(48)	822
Deposits paid	5,179		5,179	(411)	-	-	-	-	18	(7)	-	4,779
Other non-current assets (Loans, receivables and other) [3]	**18,707**		**18,707**	**(6,937)**	**-**	**-**	**-**	**-**	**18**	**(40)**	**(48)**	**11,700**

[1] Employee benefits

[2] DIP financing accounted for the lion's share of the movements in this item.

[3] Impairments of "Loans and receivables" were not reported due to their immaterial nature. The fair value of "loans and receivables" corresponds to the value reported in the balance sheet (value at the transaction date and then tested for impairment on each reporting date).

Note 20. Detail of working capital related to operating activities

20.1. Movements

- Movements during the first half of 2013

(in thousands of euros)	31 December 2012	Movements during the period							30 June 2013
		Change in w/cap related to operating activities	Change in w/cap related to investing activities	Change in w/cap related to financing activities	Changes in consolidation scope	Exchange differences	Fair value changes in profit and loss	Other movements	
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	
Inventories	127,857	7,556	-	-	-	(1,979)	-	-	133,434
Trade receivables	256,301	63,746	-	-	-	(4,092)	-	(30)	315,925
Current tax assets	54,401	(30,333)	-	-	-	(58)	-	-	24,010
Other current assets	53,633	2,810	(2)	-	-	(715)	-	(1)	55,725
Loans and receivables [1]	**492,192**	**43,779**	**(2)**	**-**	**-**	**(6,844)**	**-**	**(31)**	**529,094**
Current financial assets	516	-	-	-	-	-	1,071	-	1,587
Financial assets held for trading [2]	**516**	**-**	**-**	**-**	**-**	**-**	**1,071**	**-**	**1,587**
Trade payables	(159,799)	20,651	-	-	-	680	-	172	(138,296)
Current tax liabilities	(3,325)	(10,925)	-	-	-	74	-	-	(14,176)
Other current liabilities	(198,320)	31,182	15,570	1,476	-	(1,841)	-	(12,367)	(164,300)
Other non-current liabilities	(133,772)	(83)	-	-	-	3,739	-	11,463	(118,653)
Interest on other financial liabilities [3]	(677)	-	-	(115)	-	-	-	423	(369)
Financial liabilities measured at amortised cost [4]	**(495,897)**	**40,825**	**15,570**	**1,361**	**-**	**2,652**	**-**	**(309)**	**(435,794)**
Total	**(3,189)**	**84,604**	**15,568**	**1,361**	**-**	**(4,192)**	**1,071**	**(340)**	**94,887**

[1] Impairments of "Loans and receivables" were not reported due to their immaterial nature. The fair value of "loans and receivables" corresponds to the value reported in the balance sheet (value at the transaction date and then tested for impairment on each reporting date).

[2] The fair value of financial assets held for trading corresponds to the market value of the assets.
[3] Interest on other financial liabilities was included in the balance sheet under financial liabilities.
[4] The carrying amount of financial liabilities measured at amortised cost was deemed to be a reasonable estimation of fair value.

The changes in other non-current liabilities were due in part to the recording of "deferred income" of the payments received. Within the framework of the partnership agreements with Medicis, Recordati, Galderma, and Menarini, the milestone payments received by the Group for these contracts were recognised on a straight-line basis over the life of the contracts. The portion unrecognised as income was recorded as "other non-current liabilities", if due after twelve months, and as "other current liabilities" if due within one year.

The Group did not recognise additional impairment losses on certain Greek, Spanish, Italian and Portuguese public-hospital accounts receivables, since the overall situation had been contained. In the first half of 2012, impairment losses totalling €0.4 million were recognised, mainly due to significant delays in payment.

20.2. Breakdown

20.2.1. Other current assets and current financial assets

(in thousands of euros)	30 June 2013	31 December 2012
Advance payments to suppliers	11,005	7,417
Receivables related to the sale of non-current assets	-	2
Recoverable VAT	15,774	21,448
Other assets	9,450	9,608
Prepayments	19,496	15,158
Total current assets (loans and receivables) [1]	**55,725**	**53,633**
Derivative financial instruments	1,587	516
Total current financial assets (financial assets held for trading) [2]	**1,587**	**516**

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

(2) The fair value of financial assets held for trading corresponds to the market value of the assets.

20.2.2. Other current and non-current liabilities

(in thousands of euros)	30 June 2013	31 December 2012
VAT payable	9,900	10,961
Other current tax liabilities	5,319	4,111
Employment-related liabilities	77,703	91,868
Amounts due to non-current asset suppliers	8,604	24,177
Other liabilities	38,417	41,967
Deferred income	24,357	25,237
Total other current liabilities (financial liabilities measured at amortised cost)	**164,300**	**198,320**
Non-current deferred income	118,653	133,772
Total other non-current liabilities (financial liabilities measured at amortised cost) [1]	**118,653**	**133,772**

(1) The carrying amount of financial liabilities measured at amortised cost was deemed to be a reasonable estimation of fair value.
Changes in "Other non-current liabilities" are presented in note 20.1.

Note 21. Net cash and cash equivalents

(in thousands of euros)	30 June 2013	31 December 2012
Financial assets held for trading:		
- French SICAV / Euro money market UCITS	47,481	45,086
- Certificates of deposit (with a maturity date of less than 3 months)	-	-
Loans and receivables:		
- Interest-bearing deposits	6,931	10,000
Cash	**66,795**	**58,555**
Cash and cash equivalents - assets	**121,207**	**113,641**

The short-term investments included investments in monetary mutual funds (mostly euro-denominated money market UCITS or similar funds), which were carried at fair value (market value).

Short-term investments held at 30 June 2013 were saleable immediately, subject to a maximum 24-hours' notice.

No interest-bearing deposits held at 30 June 2013 matured later than the end of July 2013.

Note 22. Consolidated equity

22.1. Share capital

At 30 June 2013, Ipsen's share capital was comprised of 84,122,923 ordinary shares each with a nominal value of €1, including 57,594,002 shares with double voting rights, compared with 84,255,573 ordinary shares each with a nominal value of €1, including 57,367,173 shares with double voting rights at 31 December 2012.

The changes were as follows:

- In 2013, share capital was decreased by 155,120 shares,13,800 bonus shares were allocated under the 6 December 2005 stock option plan, and 8,870 shares were allocated as part of the 30 March 2009 stock option plan;

- In 2012, 2,800 bonus shares were allocated as part of the 29 September 2008 stock option plan, and 26,000 bonus shares were allocated in connection with the plan dated 31 March 2010.

22.2. Equity attributable to Ipsen shareholders

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

(in thousands of euros)	**30 June 2013**	**31 December 2012**
Ipsen share capital	84,123	84,256
Share premium	29,809	29,809
Issue premium	681,596	681,303
Ipsen statutory reserve	44,686	44,686
Other Ipsen reserves	149,796	153,159
Other consolidated reserves and retained earnings	(52,646)	(68,999)
Total	**937,364**	**924,214**

22.3. **Earnings per share**

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

No stock option plans were dilutive at 30 June 2013 or 30 June 2012, except for the November 2005, March 2009 and June 2011 plans.

The bonus share plans of 2008, 2009, 2010, 2011, 2012 and 2013 — which are free of performance conditions — were included in the weighted average number of shares for basic earnings per share, and are therefore included in diluted earnings.

No share transactions occurred after 30 June 2013 that would have significantly modified the number of shares used in calculating earnings per share or diluted earnings per share.

	30 June 2013	**30 June 2012 adjusted**	**30 June 2012**
Number of ordinary shares at 31 December 2012 and 2011	84,255,373	84,226,573	84,226,573
Treasury shares (weighted average number)	(889,179)	(1,174,955)	(1,174,955)
Impact of options exercised during the first half of 2013 – Stock option plan of 6 December 2005 - foreign tax-resident beneficiaries	4,816		
Impact of bonus shares - 29 September 2008 plan - foreign tax-resident beneficiaries - without performance conditions		9,850	9,850
Impact of bonus shares - 22 January 2009 plan - French tax-resident beneficiaries - without performance conditions			-
Impact of bonus shares - 22 January 2009 plan - foreign tax-resident beneficiaries - without performance conditions	31,320	31,320	31,770
Impact of bonus shares - 30 March 2009 plan - foreign tax-resident beneficiaries - without performance conditions	4,435	12,120	13,110
Impact of bonus shares - 10 November 2009 plan - French tax-resident beneficiaries – change of residence			11,000
Impact of bonus shares - 10 November 2009 plan - French tax-resident beneficiaries - without performance conditions			-
Impact of bonus shares - 31 March 2010 plan - French tax-resident beneficiaries - without performance conditions	15,150	36,130	41,900
Impact of bonus shares - 31 March 2010 plan - foreign tax-resident beneficiaries - without performance conditions	22,110	22,110	22,110
Impact of bonus shares - 31 March 2010 plan - French tax-resident beneficiaries – change of residence		4,490	4,490
Impact of bonus shares - 31 March 2010 plan - French and foreign tax-resident beneficiaries, except United-States			
Impact of bonus shares - 30 June 2011 plan - French tax-resident beneficiaries - without performance conditions	68,440	68,440	71,160
Impact of bonus shares - 30 June 2011 plan - foreign tax-resident beneficiaries except the US - without performance conditions	37,160	37,160	51,380
Impact of bonus shares - 30 June 2011 plan – US beneficiaries - without performance conditions	12,980	12,980	
Impact of bonus shares - 30 March 2012 plan – French and foreign tax-resident beneficiaries, except the U.S. - without performance conditions	27,650	27,650	29,750
Share capital reduction of 155,120 shares following the 26 February 2013 decision of the Board of Directors	(103,413)		
Weighted average number of shares outstanding at 30 June 2013 and 30 June 2012, used to determine basic earnings per share	**83,486,842**	**83,313,868**	**83,338,138**
Dilutive impact of stock options and bonus shares	115,243	80,455	-
Weighted average number of shares outstanding at 30 June 2013 and 30 June 2012, used to determine diluted earnings per share	**83,602,085**	**83,394,323**	**83,338,138**

22.4. Dividends paid

At 30 June 2013 and 30 June 2012, a dividend of €0.80 per share was paid to shareholders.

Note 23. Provisions

23.1. Movements during the first half of 2013

(in thousands of euros)	31 December 2012, reported in 2012	IAS 19-related changes in accounting methods	31 December 2012 restated, reported in 2013	Movements during the period					30 June 2013
				Fair value changes in profit and loss	Fair value changes in reserves	Payments to post-employment benefit plans	Exchange differences	Other movements	
Net liabilities of post-employment benefit plans	19,894	22,622	42,516	4,586	(4,497)	(1,198)	(114)	-	41,293
Total net liabilities of post-employment benefit plans	**19,894**	**22,622**	**42,516**	**4,586**	**(4,497)**	**(1,198)**	**(114)**	**-**	**41,293**

(in thousands of euros)	31 December 2012, reported in 2012	IAS 19-related changes in accounting methods	31 December 2012 restated, reported in 2013	Movements during the period						30 June 2013
				Changes in consolidation scope	Charges	Reversals		Exchange differences	Other movements	
						Released	Unreleased			
Business and operating risks	2,162	-	2,162	-	-	(261)	-	11	-	1,912
Legal risks	21,887	-	21,887	-	2,819	(528)	(3,284)	(3)	-	20,891
Restructuring	64,208	-	64,208	-	6,259	(1,454)	(9,228)	16	-	59,801
Other	3,470	-	3,470	-	-	(620)	(55)	2	-	2,797
Total other provisions [(1)]	**91,727**	**-**	**91,727**	**-**	**9,078**	**(2,863)**	**(12,567)**	**26**	**-**	**85,401**
- of which current	66,172	-	66,172	-	7,201	(1,648)	(9,364)	13	(18,159)	44,215
- of which non-current	25,555	-	25,555	-	1,877	(1,215)	(3,203)	13	18,159	41,186

All increases / reversals of provisions were included in operating income.

At 30 June 2013, provisions break down as follows:

- **Business and operating risks**

These provisions include certain risks of an economic nature reflecting costs that the Group could be brought to bear to resolve various disagreements of a commercial origin whose individual impact is limited.

- **Legal risks**

These provisions include:
- €15.3 million for the risk of tax reassessment by local authorities at certain Group's subsidiaries and certain additional taxes that the Group may be required to pay;
- €2.6 million for costs related to labour-related litigation that the Group may incur;
- €2.9 million for various other legal risks.

- **Restructuring costs**

€52.3 million of this provision corresponds to costs related to the reorganisation of primary care sales forces in France.
The remaining provisions correspond to the closure of the Barcelona Research and Development site for a total of €3.6 million, as part of the strategic review implemented by the Group in 2011, and the new organisational model for the Group's strategy in the United States for a total of €3.5 million.

- **Other**

After relocating all the Paris sites to the new headquarters in Boulogne-Billancourt in 2008, a €2.8-million provision was recorded to cover the difference in rents between the estimated market price for floor space not used by the Group based on the sublease actually signed and the amounts owed by the Group under its lease contract.

23.2. Actuarial gains and losses on retirement and other post-employment benefits

Pre-tax actuarial gains and losses on retirement and other post-employment benefits offset against equity break down as follows:

(in thousands of euros)	**30 June 2013**	**30 June 2012 restated [1]**
Actuarial gains (losses) on plan assets	1,229	684
Actuarial gains (losses) on obligations	(3,268)	12,130
Total	**(4,497)**	**11,447**

[1] The 30 June 2012 income statement was restated for purposes of comparison between the two half-year periods, in accordance with provisions related to discontinued operations and changes in accounting methods.

Note 24. Bank loans and financial liabilities

(in thousands of euros)	**31 December 2012**	**Additions**	**Repayments**	**Net change in short-term borrowings**	**Net change in interest**	**Change in fair value**	**Movements**	**Changes in consolidation scope**	**Exchange differences**	**30 June 2013**
		(A)	**(B)**	**(C)**	**(D)**	**(E)**	**(F)**	**(G)**	**(H)**	
Credit lines and bank loans	-	40,000	-	-	-	-	-	-	-	40,000
Other financial liabilities	15,886	-	-	-	(8)	-	(1,075)	-	-	14,803
Non-current financial liabilities (measured at amortised cost) [1]	**15,886**	**40,000**	**-**	**-**	**(8)**	**-**	**(1,075)**	**-**	**-**	**54,803**
Credit lines and bank loans	4,000	-	-	-	-	-	-	-	-	4,000
Other financial liabilities	3,428	-	(179)	-	123	-	146	-	-	3,518
Current financial liabilities (measured at amortised cost) [1]	**7,428**	**-**	**(179)**	**-**	**123**	**-**	**146**	**-**	**-**	**7,518**
Derivative financial instruments	1,066	-	-	-	-	(854)	-	-	-	212
Current financial liabilities (financial liabilities measured at fair value) [2]	**1,066**	**-**	**-**	**-**	**-**	**(854)**	**-**	**-**	**-**	**212**
Current financial liabilities	**8,494**	**-**	**(179)**	**-**	**123**	**(854)**	**146**	**-**	**-**	**7,730**
Total liabilities	**24,380**	**40,000**	**(179)**	**-**	**115**	**(854)**	**(929)**	**-**	**-**	**62,533**

[1] The carrying amount of financial liabilities measured at amortised cost was deemed to be a reasonable estimation of fair value.
[2] Fair value corresponds to the market value.

On 31 January 2012, the Group subscribed to a renewable, euro-denominated credit line with a banking pool for a maximum amount of €400 million over a period of five years. The credit line was established for the Group's general financing needs.

At 30 June 2013, the Group drew down €40 million.
Under the terms and conditions of the agreement, and in addition to the usual contractual clauses, the Group committed to staying within maximum levels of the Net-debt-to-equity and Net-debt-to-EBITDA ratios in its consolidated financial statements at the end of each financial year. The covenant ratios are as follows, as per the credit agreement:

- Net debt to equity: 1
- Net debt to EBITDA: 3

At 30 June 2013, the covenant ratios were within the agreed levels.

Note 25. Derivative financial instruments

(in thousands of euros)	30 June 2013		31 December 2012	
	Financial assets	**Financial liabilities**	**Financial assets**	**Financial liabilities**
Market value of currency instruments	1,587	212	516	1,066
Total	**1,587**	**212**	**516**	**1,066**

Note 26. Information on related parties

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

Note 27. Commitments and contingent liabilities

The financial commitments existing at 31 December 2012 had not changed significantly at 30 June 2013.

Note 28. Post closing events with no impact on the consolidated financial statements at 30 June 2013

On 15 July 2013, the Group announced the closing of its acquisition of Syntaxin, a privately held, UK-based life sciences company specialised in botulinum toxin engineering.

Under the terms of the agreement, Ipsen will pay €28 million upfront to acquire 90% of Syntaxin, and potential further payments contingent on the achievement of development and commercial milestones to raise its stake to 100% in Syntaxin.

Furthermore, under the agreement, Syntaxin's shareholders will receive the greater part of additional downstream payments related to the company's most advanced asset, currently in Phase II clinical trials.

This acquisition had no impact on the first-half 2013 financial statements.

Furthermore on 29 August 2013, Ipsen and Allergan have signed an agreement to settle their dispute on patents for the therapeutic use of botulinum toxin in urology indications. This agreement will not impact the Group's treasury.

II - ACTIVITY REPORT

Comparison of consolidated sales for the second quarters and first halves 2013 and 2012:

Note: Unless stated otherwise, all variations in sales are stated excluding foreign exchange by restating the H1 2012 figures with the H1 2013 average exchange rate

Sales by geographical area

Group sales by geographical area in the second quarters and first halves 2013 and 2012 were as follows:

	2nd quarter				First half			
(in million euros)	2013	2012	% Variation	% Variation at constant currency	2013	2012	% Variation	% Variation at constant currency
France	55.0	64.7	-15.0%	-15.0%	113.6	133.1	-14.7%	-14.7%
United Kingdom	14.5	14.9	-2.5%	1.9%	27.6	27.7	0.0%	3.3%
Spain	14.1	15.4	-8.6%	-8.6%	28.5	30.4	-6.2%	-6.2%
Germany	22.4	19.9	12.8%	12.8%	42.9	38.2	12.4%	12.4%
Italy	23.3	22.1	5.5%	5.5%	44.3	43.2	2.5%	2.5%
Major Western European countries	**129.2**	**136.9**	**-5.6%**	**-5.1%**	**256.8**	**272.4**	**-5.7%**	**-5.4%**
Eastern Europe	47.1	47.4	-0.6%	0.5%	93.1	90.0	3.4%	4.2%
Others Europe	38.9	35.3	10.1%	10.2%	74.6	69.7	7.1%	6.9%
Other European Countries	**86.0**	**82.7**	**4.0%**	**4.7%**	**167.7**	**159.8**	**5.0%**	**5.4%**
North America	**19.3**	**19.9**	**-3.2%**	**-1.3%**	**36.5**	**36.3**	**0.6%**	**2.3%**
Asia	45.8	49.7	-7.9%	-8.7%	85.1	78.4	8.6%	7.8%
Other countries in the rest of the world	46.7	47.8	-2.3%	-0.6%	87.4	82.9	5.4%	8.0%
Rest of the World	**92.5**	**97.5**	**-5.2%**	**-4.8%**	**172.5**	**161.3**	**7.0%**	**7,9%**
Group Sales	**327.0**	**337.0**	**-3.0%**	**-2.4%**	**633.6**	**629.8**	**0.6%**	**1.2%**
Of which: Total Drug Sales	**316.9**	**327.6**	**-3.3%**	**-2.7%**	**614.2**	**612.0**	**0.4%**	**0.9%**
Drug-related Sales*	**10.1**	**9.4**	**7.8%**	**8.9%**	**19.4**	**17.8**	**9.1%**	**10.1%**

* Active ingredients and raw materials

In the second quarter 2013, sales generated in the **Major Western European countries** amounted to €129.2 million, down 5.1% year-on-year. In the first half 2013, sales generated in the major Western European countries amounted to €256.8 million euros, down 5.4% year-on-year. The growth of specialty care products was more than offset by the consequences of a tougher competitive environment in the French primary care market and administrative measures in Spain. Sales in the Major Western European countries represented 40.5% of total Group sales in the first half 2013, compared to 43.3% the previous year.

France – In the second quarter 2013, sales reached €55.0 million, down 15.0% year-on-year. In the first half 2013, sales reached €113.6 million, down 14.7% year-on-year, penalized by the accelerating decline of primary care sales. The solid performance of Smecta®, resulting from a more widespread gastroenteritis epidemic than last year, was not sufficient to fully offset the decrease in sales of other primary care products. Sales of Nisis®/Nisisco® declined following the arrival of generics in November 2011. Sales of Tanakan® were impacted by the product delisting since March 2012 and by the launch of a competitive product (ginkgo biloba extract as well) in March 2013. Additionally, since July 2012, sales of the Group's genericized drugs (Nisis®/Nisisco® and Forlax®) were negatively impacted by the step-up of the regulation known as "Tiers-Payant[1]". Despite the strong volume growth of Somatuline® and NutropinAq®, sales of specialty care products were slightly down in the first half 2013, mainly impacted by the decline in Decapeptyl® sales, partly arising from the collateral effects of the current sales force restructuring. Consequently, the relative weight of France in the Group's consolidated sales continued to decrease, representing 17.9% of total Group sales compared to 21.1% the previous year.

United Kingdom – In the second quarter 2013, sales reached €14.5 million, up 1.9% year-on-year. In the first half 2013, sales reached €27.6 million, up 3.3%, notably fuelled by the double-digit volume growth of Decapeptyl® and by the launch of Hexvix® in June 2013. In the first half 2013, the United Kingdom represented 4.4% of total Group sales, a ratio in line with the previous year.

[1] With the "Tiers-Payant" regulation, the patient now pays upfront for a branded drug and is reimbursed only later on

Spain – In the second quarter 2013, sales reached €14.1 million, down 8.6% year-on-year. In the first half 2013, sales reached €28.5 million, down 6.2% year-on-year. Over the period, sales were impacted by the significant decline of the Spanish pharmaceutical market, which notably affected Decapeptyl® sales. Moreover, the delisting of Tanakan® since 1st September 2012 together with the change in the commercial model negatively impacted the product's sales. In the first half 2013, sales in Spain represented 4.5% of total Group sales, compared to 4.8% the previous year.

Germany – In the second quarter 2013, sales reached €22.4 million, up 12.8% year-on-year. In the first half 2013, sales reached €42.9 million, up 12.4% year-on-year, driven by strong volume growth of Somatuline® and NutropinAq® as well as by the solid sales growth of Decapeptyl® and Hexvix®. In the first half 2013, sales in Germany represented 6.8% of total Group sales, compared to 6.1% the previous year.

Italy – In the second quarter 2013, sales reached €23.3 million, up 5.5% year-on-year. In the first half 2013, sales reached €44.3 million, up 2.5% year-on-year, driven by the volume growth of Decapeptyl® and Somatuline®. The strong sales growth of Forlax® in the second quarter offset the delay in the first quarter due to a change in the distribution model. In the first half, sales in Italy represented 7.0% of total Group sales, compared to 6.9% the previous year.

In the second quarter 2013, sales generated in the **Other European countries** reached €86.0 million, up 4.7% year-on-year. In the first half 2013, sales reached €167.7 million euros, up 5.4% year-on-year. Sales growth was mainly driven by Russia where both primary and specialty care (notably Dysport® and Decapeptyl®) performed well despite an unfavorable comparison base resulting from an important tender offer activity in the first half 2012. Restated from these items, sales generated in the Other European countries were up 8.1% year-on-year. In the first half 2013, sales in this region represented 26.5% of total consolidated Group sales, compared to 25.4% the previous year.

In the second quarter 2013, sales generated in **North America** reached €19.3 million, down 1.3% year-on-year. Sales were particularly impacted by the Increlex® supply interruption, which occurred mid-June. In the first half 2013, sales reached €36.5 million, up 2.3% year-on-year. In 2012, sales were notably boosted by the recognition of the pediatric use of Increlex® by the Centre for Medicare and Medicaid Services, allowing for a reduced compulsory rebate on the product (from 23% to 17%). Restated from the above, sales were up 5.5%, driven by the continuous penetration of Somatuline® in acromegaly, where the product exceeded 50% market share[2]. Sales of Dysport® in therapeutic grew double digit, offset by a decline in the sales to our partner in North America following its acquisition in 2012. Sales in North America represented 5.8% of total consolidated Group sales, a stable ratio year-on-year.

In the second quarter, sales generated in the **Rest of the World** reached €92.5 million, down 4.8% year-on-year, notably impacted by an exceptional political situation in certain Middle Eastern countries where Ipsen, in the absence of payment guarantees, has stopped supplying its products since the end of the first quarter. Restated from the above, growth in the Rest of the World was 0.6% in the second quarter. Moreover, in China, Ipsen established that distributors' stocks for Decapeptyl® were too high at the end of the first quarter 2013. Consequently, the Group decided to limit its sales to distributors in the second quarter. In the first half 2013, sales reached €172.5 million, up 7.9% year-on-year or 7.0% at current exchange rate. In the first half 2012, sales included the following effects: in Australia, the Group built a stock following the agreement signed with Galderma in April 2012; in Vietnam, some orders were brought forward in anticipation of the expiration of primary care import licenses; while in China, the destruction of Etiasa® inventory was observed. Restated from all the aforementioned items, sales grew 13.9% at current exchange rate, to be compared to the 7.0% figure mentioned above. In the first half 2013, sales in the Rest of the World continued to grow to reach 27.2% of total consolidated Group sales, compared to 25.6% the previous year.

[2] US market share of Somatuline® in the sales of Somatostatin Analogs for acromegaly

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 2013 and 2012:

	2nd quarter				First half			
(in million euros)	2013	2012	% Variation	% Variation at constant currency	2013	2012	% Variation	% Variation at constant currency
Uro-oncology	**80.3**	**91.1**	**-11.9%**	**-11.8%**	**154.6**	**162.1**	**-4.7%**	**-4.6%**
of which Hexvix®	3.4	3.0	12.9%	12.9%	7.4	6.0	23.3%	23.3%
of which Decapeptyl®	76.9	88.1	-12.7%	-12.7%	147.1	156.1	-5.7%	-5.7%
Endocrinology	**82.3**	**80.4**	**2.4%**	**2.9%**	**164.2**	**154.4**	**6.3%**	**6.7%**
of which Somatuline®	61.9	58.6	5.6%	6.0%	123.4	113.3	8.9%	9.2%
of which NutropinAq®	15.1	13.4	12.4%	12.6%	29.2	26.5	10.0%	10.1%
of which Increlex®	5.4	8.4	-35.7%	-35.0%	11.7	14.6	-20.0%	-19.3%
Neurology	**69.8**	**65.8**	**6.1%**	**8.5%**	**130.6**	**123.2**	**6.0%**	**8.4%**
of which Dysport®	69.7	65.7	6.1%	8.5%	130.5	123.1	6.0%	8.4%
Specialty Care	**232.4**	**237.3**	**-2.1%**	**-1.3%**	**449.4**	**439.8**	**2.2%**	**3.0%**
Gastroenterology	**60.4**	**53.8**	**12.3%**	**11.9%**	**114.0**	**98.3**	**16.0%**	**15.7%**
of which Smecta®	32.1	27.9	15.2%	14.5%	61.7	54.5	13.3%	12.9%
of which Forlax®	11.8	10.8	9.7%	9.4%	20.7	20.7	0.0%	-0.2%
Cognitive disorders	**15.3**	**21.9**	**-30.3%**	**-29.8%**	**32.7**	**44.9**	**-27.2%**	**-26.8%**
of which Tanakan®	15.3	21.9	-30.3%	-29.8%	32.7	44.9	-27.2%	-26.8%
Cardiovascular	**6.0**	**11.4**	**-47.6%**	**-47.6%**	**12.2**	**22.4**	**-45.8%**	**-45.8%**
of which Nisis® & Nisisco®	2.1	6.8	-69.2%	-69.2%	4.1	13.7	-70.3%	-70.3%
of which Ginkor®	3.5	4.0	-12.9%	-12.8%	7.6	7.1	7.0%	7.1%
Other Primary Care	**2.8**	**3.2**	**-11.6%**	**-11.6%**	**5.9**	**6.5**	**-9.2%**	**-9.2%**
of which Adrovance®	2.6	3.0	-11.3%	-11.3%	5.2	6.0	-12.9%	-12.9%
Primary Care	**84.5**	**90.3**	**-6.5%**	**-6.5%**	**164.8**	**172.2**	**-4.3%**	**-4.3%**
Total Drug Sales	**316.9**	**327.6**	**-3.3%**	**-2.7%**	**614.2**	**612.0**	**0.4%**	**0.9%**
Drug-related Sales*	**10.1**	**9.4**	**7.8%**	**8.9%**	**19.4**	**17.8**	**9.1%**	**10.1%**
Group Sales	**327.0**	**337.0**	**-3.0%**	**-2.4%**	**633.6**	**629.8**	**0.6%**	**1.2%**

* Active ingredients and raw materials

In the second quarter 2013, sales of **Specialty Care products** reached €232.4 million, down 1.3% year-on-year. In the first half 2013, sales reached 449.4 million, up 3.0% or 2.2% at current exchange rate. Sales in Neurology and Endocrinology grew by respectively 8.4% and 6.7% while sales in Uro-oncology were down 4.6% year-on-year. Sales growth was notably impacted by the 2012 base effects mentioned above. Restated from these items and from the Middle East effect mentioned above, specialty care sales were up 6.5%. In the first half 2013, the relative weight of specialty care products continued to increase to reach 70.9% of total Group sales, compared to 69.8% the previous year.

In Uro-oncology, sales of **Decapeptyl®** reached €76.9 million in the second quarter 2013, down 12.7% year-on-year, notably penalized by an exceptional political situation in certain Middle Eastern countries where Ipsen, in the absence of payment guarantees, has stopped supplying its products since the end of the first quarter. Moreover, in China, Ipsen established that distributors' stocks for Decapeptyl® were too high at the end of the first quarter 2013. Consequently, the Group decided to limit its sales to distributors in the second quarter. In the first half 2013, sales reached €147.1 million, down 5.7%. Restated from the tender offer activity in Russia in 2012 and the situation in the Middle East in 2013, sales declined 1.7%. This decrease took place in a strained environment in Europe, negatively impacted by a more frequent use of co-payment, a contracting pharmaceutical market in Southern Europe and a slowdown in the growth of Eastern European countries. In France, beyond the market fall of LhRH, Decapeptyl® sales were impacted by the consequences of the current sales force restructuring in primary care. Finally, the competitive environment is getting tougher in China with the launch of new local competitors. In the first half 2013, sales of **Hexvix®** amounted to €7.4 million, mostly generated in Germany. In the first half 2013, sales in Uro-oncology represented 24.4% of total Group sales, compared to 25.7% the previous year.

In Endocrinology, sales continued to grow, reaching €82.3 million in the second quarter 2013, up 2.9% year-on-year. In the first half 2013, sales reached €164.2 million, up 6.7%, and represented 25.9% of total Group sales, compared to 24.5% in the previous year.

Somatuline® – In the second quarter 2013, sales reached €61.9 million, up 6.0% year-on-year. In the first half 2013, Somatuline® sales reached €123.4 million, up 9.2% year-on-year, driven by strong growth in the United States where Somatuline® now boasts over 50% market share[3] in acromegaly, in Germany, France and Latin America.

NutropinAq® – In the second quarter 2013, sales reached €15.1 million, up 12.6% year-on-year. In the first half 2013, sales of NutropinAq® reached €29.2 million, up 10.1%, driven by a solid performance in Germany, France, Kazakhstan and the Netherlands.

Increlex® – In the second quarter 2013, sales reached €5.4 million, down 35.0% year-on-year, mainly impacted by the shortage situation effective since mid-June in the United States. Increlex® sales in the first half 2013 reached €11.7 million, down 19.3%, penalized, in addition to the US shortage, by an unfavorable base effect arising from the recognition of the pediatric use of Increlex® by the Centre for Medicare and Medicaid Services in June 2012.

In Neurology, Dysport® sales reached €69.7 million in the second quarter 2013, up 8.5% year-on-year. In the first half 2013, sales reached €130.5 million, up 8.4% or 6.0% at current exchange rate. Neurology sales represented 20.6% of total Group sales in 2013, compared to 19.6% the previous year. Sales performance over the period was impacted by the unfavorable comparison base arising from the 2012 items mentioned above (stock building in Australia following the agreement signed with Galderma in April 2012 and strong tender offer activity in Russia). Restated from those items, Dysport® sales were up 9.7% year-on-year at current exchange rate.

In the second quarter 2013, sales of **Primary Care products** amounted to €84.5 million, down 6.5% year-on-year, penalized by the tougher competitive environment in France, notably the launch of a competitor to Tanakan® (ginkgo biloba extract) and by the implementation of the regulation known as "Tiers-Payant[4]" in summer 2012. In the first half 2013, sales amounted to €164.8 million, down 4.3% year-on-year. Primary care sales in France represented 31.7% of total Group primary care sales, compared to 41.3% the previous year.

In Gastroenterology, sales reached €60.4 million in the second quarter 2013, up 11.9% year-on-year. In the first half 2013, sales amounted to €114.0 million, up 15.7% year-on-year.

Smecta® – In the second quarter 2013, sales reached €32.1 million, up 14.5% year-on-year. In the first half 2013, Smecta® sales reached €61.7 million, up 12.9%, mainly driven by strong performance in China, Russia, Algeria and France. Smecta® sales represented 9.7% of total Group sales over the period, compared to 8.7% the previous year.

Forlax® – In the second quarter 2013, sales reached €11.8 million, up 9.4% year-on-year. In the first half 2013, sales reached 20.7 million euros, slightly down by 0.2% year-on-year. In the first half 2013, France represented 52.3% of total product sales, compared to 60.0% the previous year.

In the cognitive disorders area, sales of **Tanakan®** in the second quarter 2013 reached €15.3 million euros, down 29.8% year-on-year. Sales in the first half 2013 amounted to €32.7 million, down 26.8% year-on-year, penalized by the delisting of the product in France in March 2012, in Romania in May 2012 and in Spain in September 2012, as well as by the launch in France of a competitive product (ginkgo biloba extract as well) in March 2013 and by orders brought forward in 2012 in Vietnam. In the first half 2013, 27.1% of Tanakan® sales were made in France, compared with 34.9% the previous year.

In the cardiovascular area, sales in the second quarter 2013 amounted to €6.0 million euros, down 47.6% year-on-year. In the first half 2013, sales amounted to €12.2 million, down 45.8% year-on-year, mainly impacted by the 70.3% drop in sales of **Nisis® / Nisisco®** following the entry of generics and a 15% price cut in November 2011, as well as the reinforcement of the "Tiers-payant[5]" regulation in July 2012.

Sales of **Other primary care products** reached €2.8 million in the second quarter 2013, down 11.6% year-on-year. In the first half 2013, sales reached €5.9 million, down 9.2% year-on-year, mainly impacted by the 12.9% decrease in **Adrovance®** sales.

In the second quarter 2013, **drug-related sales (active ingredients and raw materials)** reached €10.1 million, up 8.9% year-on-year. In the second half 2013, sales amounted to €19.4 million, up 10.1% year-on-year.

[3] US market share of Somatuline® in the sales of somatostatin analogs for acromegaly
[4] With the "Tiers-Payant" regulation, the patient now pays upfront for a branded drug and is reimbursed only later on
[5] With the "Tiers-Payant" regulation, the patient now pays upfront for a branded drug and is reimbursed only later on

Comparison of consolidated income statement for the first halves 2013 and 2012

(in million euros)	30 June 2013		30 June 2012 restated [1]		Change
		% sales		*% sales*	
Sales of goods	**633.6**	**100.0%**	**629.8**	**100.0%**	**0.6%**
Other revenues	30.3	4.8%	28.4	4.5%	6.7%
Revenue	**663.9**	**104.8%**	**658.2**	**104.5%**	**0.9%**
Cost of goods sold	(125.2)	-19.8%	(128.9)	-20.5%	-2.9%
Research and development expenses	(124.0)	-19.6%	(118.3)	-18.8%	4.8%
Selling expenses	(229.2)	-36.2%	(228.0)	-36.2%	0.5%
General and administrative expenses	(50.7)	-8.0%	(47.9)	-7.6%	5.9%
Other operating income	2.7	0.4%	2.5	0.4%	7.4%
Other operating expenses	(3.9)	-0.6%	(14.1)	-2.2%	-72.0%
Amortisation of intangible assets	(2.2)	-0.4%	(5.6)	-0.9%	-60.3%
Restructuring costs	1.3	0.2%	(3.9)	-0.6%	-132.9%
Impairment losses	(11.7)	-1.8%	10.8	1.7%	-208.7%
Operating income	**121.0**	**19.1%**	**124.9**	**19.8%**	**-3.1%**
Recurring adjusted operating income [2]	***132.2***	***20.9%***	***130.7***	***20.7%***	***1.2%***
Investment income	7.9	1.2%	0.6	0.1%	-
Financing costs	(1.2)	-0.2%	(1.1)	-0.2%	10.3%
Net financing costs	**6.7**	**1.1%**	**(0.4)**	**-0.1%**	-
Other financial income and expenses	(5.6)	-0.9%	9.3	1.5%	-
Income taxes	(31.8)	-5.0%	(33.9)	-5.4%	-6.3%
Share of profit (loss) from associated companies	0.0	-	0.0	-	
Net profit from continuing operations	**90.3**	**14.3%**	**99.9**	**15.9%**	**-9.6%**
Profit (loss) from discontinued operations	6.2	1.0%	(9.2)	-1.5%	-
Consolidated net profit	**96.5**	**15.2%**	**90.7**	**14.4%**	**6.4%**
– attributable to shareholders of Ipsen S.A.	96.2		90.4		
– attributable to minority interests	0.3		0.3		

[1] The 30 June 2012 income statement was restated for purposes of comparison between the two half-year periods, in accordance with provisions related to discontinued operations and changes in accounting methods.

[2] See appendix 1.

Sales

In the first half 2013, the Group's consolidated sales reached €633.6 million, up 0.6% year-on-year, or 1.2% excluding foreign exchange impacts (variations excluding foreign exchange impacts are computed by restating the 30 June 2012 consolidated financial statements at 30 June 2013 currency rates).

Other revenues

Other revenues in the first half 2013 amounted to €30.3 million, a 6.7% increase compared to €28.4 million in the first half 2012.

Other revenues break down as follows:

(in million euros)	**30 June 2013**	**30 June 2012 restated [1]**	**Change**	
			in value	*in %*
Breakdown by type of revenue				
- Royalties received	7.7	5.9	1.8	*31.2%*
- Milestone payments - Licensing agreements [2]	11.9	12.3	(0.5)	*-3.9%*
- Other (co-promotion revenues, re-billings)	10.7	10.2	0.5	*5.4%*
Total	**30.3**	**28.4**	**1.9**	***6.7%***

[1] The 30 June 2012 income statement was restated for purposes of comparison between the two half-year periods, in accordance with provisions related to discontinued operations and changes in accounting methods.
[2] Milestone payments relating to licensing agreements are recognized primarily as milestone payments received on a prorata basis over the life of partnership agreements.

- **Royalties received** amounted to €7.7 million in the first half 2013, up 31.2% year-on-year, due to higher royalties paid by the Group's partners in aesthetics.
- **Milestone payments relating to licensing agreements** amounted to €11.9 million, stable year-on-year, mainly generated by the partnerships with Medicis, Menarini, Galderma, and Sanofi.
- **Other revenues** totalled €10.7 million in the first half 2013, versus €10.2 million the previous year. It primarily includes revenues from the Group's co-promotion and co-marketing agreements in France.

Cost of goods sold

In the first half 2013, the cost of goods sold amounted to €125.2 million, representing 19.8% of sales, compared with €128.9 million, or 20.5% of sales, for the same period in 2012.

The favourable product mix related to the increase in the weight of speciality care products, as well as the productivity efforts realised by the Group, helped offset the negative impact of lower Primary Care volumes in France.

Research and development expenses

In the first half 2013, research and development expenses amounted to 124.0 million, representing 19.6% of sales, up €5.7 million compared with June 2012, or 18.8% of sales.

(in million euros)	**30 June 2013**	**30 June 2012 restated [1]**	**Change**	
			in value	*in %*
Breakdown by type of expense				
- Drug-related research and development [2]	(101.8)	(95.5)	(6.2)	*6.5%*
- Industrial development [3]	(18.8)	(19.0)	0.2	*-0.9%*
- Strategic development [4]	(3.5)	(3.8)	0.3	*-9.0%*
Total	**(124.0)**	**(118.3)**	**(5.7)**	***4.8%***

[1] The 30 June 2012 income statement was restated for purposes of comparison between the two half-year periods, in accordance with provisions related to discontinued operations and changes in accounting methods.
[2] Drug-related research & development is aimed at identifying new agents, determining their biological characteristics and developing small-scale manufacturing processes. Pharmaceutical development is the process through which active agents become drugs approved by regulatory authorities. It is also the process used to improve existing drugs and to search for new therapeutic indications for them. Patent-related expenses are included in this type of expense.
[3] Industrial development includes chemical, biotechnical and development-process research costs to industrialise the small-scale production of agents developed by the research laboratories. The role of pharmaceutical development is to lead new product development projects, such as bibliographic research, formulation feasibility studies, method adaptation, method development and validation, and transpositions.
[4] Strategic development includes costs incurred for research into new product licenses and establishing partnership agreements.

- **Drug-related research and development costs** increased 6.5% compared to the previous year. In the first half 2013, the main research and development projects included Dysport® (lower and upper limb spasticity) and the phase II study of tasquinimod.

o **Industrial and strategic development costs** totalled €18.8 million and €3.5 million, respectively. These expenses notably included costs related to the validation of the tasquinimod manufacturing process, as well as the continuation of the rollout of a development platform for toxins, and notably work on a liquid, ready-to-use formulation of Dysport® Next Generation.

Selling, general and administrative expenses

Selling, general and administrative expenses amounted to €279.8 million in the first half 2013, representing 44.4% of sales, up 1.4% compared to the previous year, when they represented €275.9 million, or 43.8% of sales.

The table below provides a comparison of selling, general and administrative expenses in the first halves 2013 and 2012:

(in million euros)	**30 June 2013**	**30 June 2012 restated** [(1)]	**Change**	
			in value	*in %*
Breakdown by type of expense				
Royalties paid	(27.3)	(26.0)	(1.3)	4.9%
Other sales and marketing expenses	(201.9)	(202.0)	0.1	-0.1%
Selling expenses	(229.2)	(228.0)	(1.1)	0.5%
General and administrative expenses	(50.7)	(47.9)	(2.8)	5.9%
Total	**(279.8)**	**(275.9)**	**(4.0)**	**1.4%**

(1) The 30 June 2012 income statement was restated for purposes of comparison between the two half-year periods, in accordance with provisions related to discontinued operations and changes in accounting methods.

– **Selling expenses** amounted to €229.2 million, or 36.2% of sales in the first half 2013, up 0.5% compared to the previous year, when they reached €228.0 million, or 36.2% of sales.

- In the first half 2013, royalties paid to third parties on sales of products marketed by the Group totalled €27.3 million, up 4.9% year-on-year. The increase was primarily driven by higher sales of certain specialty care products.
- Other sales and marketing costs amounted to €201.9 million, or 31.9% of sales, stable year-on-year. This performance stemmed primarily from the Group's productivity and selective resource-allocation efforts.

– **General and administrative expenses** were up 5.9% in the first half 2013 to reach €50.7 million. The increase was mainly fuelled by initiatives undertaken to accelerate strategy execution.

Other operating income and expenses

Other operating income amounted to €2.7 million in the first half 2013, compared to €2.5 million the previous year.

Other operating expenses reached €3.9 million, versus €14.1 million the prior year. At 30 June 2012, other operating expenses included non-recurring costs related to the implementation of the 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 2013, other operating income and expenses primarily included revenues and costs from the sublease of the headquarters.

Amortisation of intangible assets

In the first half 2013, amortization charges of intangible assets amounted to €2.2 million, compared to €5.6 million the previous year. At 30 June 2012, amortization charges of intangible assets included the accelerated amortisation of the primary care trademark Nisis®/Nisisco®, deprioritized following the arrival of generics on the market.

Restructuring costs

In the first half 2013, the Group recorded a €1.3 million profit in the "Restructuring costs" line item after reversing a provision in France that more than offset restructuring costs in the United States. At 30 June 2012, restructuring costs amounted to €3.9 million.

In June 2013, as part of its effort to accelerate the execution of its strategy in the United States, the Group adopted a new key account management organisational model for the distribution of Dysport® in therapeutic indications in the US market. The decision was based on the growing importance of payer driven decision-making and new market access conditions in healthcare. Accordingly, Dysport® sales force was optimized and refocused to better serve physicians and patients.

Consequently, the Group recognised non-recurring costs of €4.3 million at 30 June 2013, which primarily included compensation-related expenses for the early termination of employment contracts.

Moreover, at 31 December 2012, the Group recognised a non-recurring provision mainly related to the French primary care restructuring plan, for which labour talks started in the fourth quarter 2012. Following the latest round of negotiations, the provision was adjusted, leading to a reversal in the 30 June 2013 financial statements.

Impairment losses

In the first half 2013, the Group announced that Lonza, the supplier of Increlex®'s active ingredient (mecasermin [rDNA origin]), was experiencing manufacturing issues with Increlex® at its Hopkinton, MA production site in the United States.

The interruption of Increlex® supply began in the United Stated in mid-June, and is anticipated in Europe and the rest of the world in the third quarter 2013. At present, re-supply is not anticipated before the end of 2013.

Furthermore, on 25 July 2013, Lonza announced that it would gradually wind down its Hopkinton site, where Increlex® is produced. Lonza however said that its obligations to customers would not be affected.

In view of the supply interruption and the uncertainty about the date of re-supply, the Group recognised a non-recurring €11.7 million impairment loss on the Increlex® IGF-1 active ingredient at 30 June 2013. With this impairment loss, the carrying value of the IGF-1 active ingredient became zero.

At 30 June 2012, the Group reassessed the value of the Dreux assets and recorded an impairment write-back of €12.5 million, partially offset by an additional impairment loss of €1.7 million on assets related to deprioritized R&D projects.

Operating income

Based on the aforementioned items, the operating income reported in the first half 2013 totalled €121.0 million, or 19.1% of sales, down 3.1% compared to the same period in 2012, when it represented 19.8% of sales.

In the first half 2013, the Group's recurring adjusted operating income[6] amounted to €132.2 million, or 20.9% of consolidated sales, up 1.2% 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.

Operating segments existing at 30 June 2013 were 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": comprising for the most part the United States and Canada;
- "Rest of the World": all countries not included in the three preceding operating segments.

[6] The reconciliations of Operating Income and Adjusted Recurring Operating Income at 30 June 2013 and 2012 are presented in appendix 4.

The table below provides an analysis of sales, revenues and operating income by geographical region at 30 June 2013 and 2012:

(in millions of euros)	**30 June 2013**	*% sales*	**30 June 2012 restated [(1)]**	*% sales*	**Change**	*%*
Major Western European countries						
Sales	256.8	*100.0%*	272.4	*100.0%*	(15.6)	*-5.7%*
Revenue	271.7	*105.8%*	288.2	*105.8%*	(16.6)	*-5.7%*
Operating income	102.2	*39.8%*	122.4	*44.9%*	(20.2)	*-16.5%*
Other European countries						
Sales	167.7	*100.0%*	159.8	*100.0%*	8.0	*5.0%*
Revenue	171.9	*102.5%*	162.6	*101.8%*	9.3	*5.7%*
Operating income	78.5	*46.8%*	73.8	*46.2%*	4.7	*6.3%*
North America						
Sales	36.5	*100.0%*	36.3	*100.0%*	0.2	*0.6%*
Revenue	46.4	*126.8%*	45.3	*124.7%*	1.1	*2.3%*
Operating income	4.5	*12.2%*	2.2	*6.1%*	2.3	*102.7%*
Rest of the World						
Sales	172.5	*100.0%*	161.3	*100.0%*	11.2	*7.0%*
Revenue	173.8	*100.7%*	161.6	*100.2%*	12.2	*7.5%*
Operating income	75.1	*43.6%*	66.5	*41.2%*	8.7	*13.1%*
Total allocated						
Sales	633.6	*100.0%*	629.8	*100.0%*	3.8	*0.6%*
Revenue	663.7	*104.7%*	657.7	*104.4%*	5.9	*0.9%*
Operating income	260.4	*41.1%*	264.9	*42.1%*	(4.6)	*-1.7%*
Total unallocated						
Revenue	0.3	-	0.5	-	(0.2)	*-43.4%*
Operating income	(139.4)	-	(140.1)	-	0.7	*-0.5%*
Group total						
Sales	633.6	*100.0%*	629.8	*100.0%*	3.8	*0.6%*
Revenue	663.9	*104.8%*	658.2	*104.5%*	5.7	*0.9%*
Operating income	121.0	*19.1%*	124.9	*19.8%*	(3.9)	*-3.1%*

[(1)] The 30 June 2012 income statement was restated for purposes of comparison between the two half-year periods, in accordance with provisions related to discontinued operations and changes in accounting methods.

- **In the major Western European countries,** sales amounted to €256.8 million in the first half 2013, down 5.7% year-on-year. The sales growth of specialty care products was more than offset by the consequences of an increasingly competitive environment in Primary care in France and government measures in Spain. As a result, sales in the major Western European countries accounted for 40.5% of consolidated sales in the first half 2013, compared with 43.3% the prior year. The cost of goods sold fell 11.1% year-on-year primarily due to the effects of a favourable product mix from the increase in sales of speciality care products, coupled with the Group's productivity efforts, which helped offset the negative impact of lower primary care volumes in France. Operating income in the first half 2013 amounted to €102.2 million, down 16.5% year-on-year, representing 39.8% of sales, compared to 44.9% in the first half 2012.
- **In Other European countries** (other Western European countries and Eastern Europe), sales amounted to €167.7 million in the first half 2013, up 5.0%. Sales growth was mainly driven by Russia where both primary and specialty care (notably Dysport® and Decapeptyl®) performed well despite an unfavourable comparison base resulting from an important tender offer activity in the first half 2012. Restated from these items, sales generated in the Other European countries were up 8.1% year-on-year. In the first half 2013, sales in this region represented 26.5% of total consolidated Group sales, compared to 25.4% the previous year. Selling expenses for the Rest of Europe grew proportionally to sales in the first half 2013, amounting to 31.8% of sales, compared to 32.2% for the same period in 2012. Operating income in the first half 2013 amounted to €78.5 million, up 6.3%, compared to €73.8 million the previous year. Operating income represented 46.8% of sales, compared with 46.2% in the first half 2012.

- **In North America,** sales reached €36.5 million, up 0.6% year-on-year. In 2012, sales were notably boosted by the recognition of the pediatric use of Increlex® by the Centre for Medicare and Medicaid Services, allowing for a reduced compulsory rebate on the product (from 23% to 17%). Restated from the above, sales were up 5.5%, driven by the continuous penetration of Somatuline® in acromegaly, where the product exceeded 50% market share[7]. Sales of Dysport® in therapeutics grew double digits, offset by a decline in the sales to our partner in North America following its acquisition in 2012. Sales in North America represented 5.8% of total consolidated Group sales, a stable ratio year-on-year. Operating income in the first half 2013 amounted to €4.5 million, up 102.7% over the €2.2 million generated the previous year. Operating income represented 12.2% of sales in the first half 2013, compared to 6.1% in 2012.
- **In the Rest of the World**, where the Group markets most of its products through agents and distributors, except in a few countries where it has a direct presence, sales amounted to €172.5 million in the first half 2013, up 7.0%. In the first half 2013, sales in the Rest of the World continued to progress to reach 27.2% of total consolidated Group sales, compared to 25.6% the previous year. In the first half 2012, sales benefited from a number of effects: in Australia, Galderma built a stock following the agreement signed with Ipsen in April 2012; in Vietnam, some orders were brought forward in anticipation of the expiration of primary care import licenses; while in China, the destruction of Etiasa® inventory was observed. Restated from all the aforementioned items, sales grew 13.9%, to be compared to the 7.0% figure mentioned above. Selling expenses in the first half 2013 were sharply up by 5.2%, mainly as a result of the Group's selective allocation of selling resources to fast growing territories, namely China and Brazil. As such, operating income in the first half 2013 grew 13.1% year-on-year to €75.1 million, or 43.6% of area sales, versus 41.2% the previous year.

► **Unallocated operating income** amounted to (€139.4) million, to be compared to (€140.1) million recorded in the first half 2012. It mainly included the Group's central research and development costs for (€101.2) million in 2013 and (€97.0) million in 2012, and to a lesser extent, unallocated general and administrative expenses and other operating income and expenses arising primarily from non-recurring expenses related to the preparation and implementation of the strategy announced on 9 June 2011 and to changes within the Executive Committee.

Cost of net financial debt and other financial income and expenses

At 30 June 2013, the Group's financial income amounted to €1.1 million, compared with €8.9 million the previous year.

- **The cost of net financial debt** represented an income of €6.7 million, compared with a €0.4 million expense a year earlier. The net income stemmed mainly from a financial gain on the repayment of Debtor-in-Possession (DIP)-type financing granted by Ipsen to Inspiration Biopharmaceuticals Inc. at the end of 2012 following the sale of its hemophilia assets to Baxter and Cangene.
- **Other financial income and expenses** amounted to a €5.6 million charge at 30 June 2013, primarily as a result of a negative €5.0 million foreign exchange impact. In 2012, other financial income and expenses were impacted by the disposal of Spirogen and Vernalis shares, and non-recurring additional payments from the sale of PregLem Holdings SA shares in 2010.

Income taxes

At 30 June 2013, the effective tax rate amounted to 26.0% of profit from continuing operations before tax, compared with an effective tax rate of 25.3% at 30 June 2012. The difference resulted notably from the research tax credit, which despite remaining flat in volume terms from June 2012 to June 2013, increased in relative terms by one percentage point, and a new 3.0% tax implemented in France on dividend payouts that negatively impacted the effective tax rate by 1.6 percentage points. Excluding non-recurring operating, financial and tax items, the Group's effective tax rate amounted to 25.0% in June 2013, compared with 23.3% in June 2012.

Share of profit / loss from associated companies

The Group did not record any share of profit or loss from associated companies in the first half 2013.

Net profit from continuing operations

As a result of the items above, the profit from continuing operations at 30 June 2013 amounted to €90.3 million, down 9.6% from the €99.9 million recorded over the same period in 2012. It represented 13.6% of Group's sales for the period, compared with 15.2% in the first half 2012.

Recurring adjusted[8] profit from continuing operations attributable to shareholders of Ipsen S.A. amounted to €96.2 million at 30 June 2013, compared to €90.4 million the previous year, and up a strong 6.4% year-on-year.

Profit / loss from discontinued operations

In the first six months of 2013, the profit from discontinued operations amounted to €6.2 million, compared to a loss of €9.2 million at 30 June 2012.

On 20 February 2013, Cangene Corporation (Cangene) acquired the worldwide rights to IB1001 (recombinant factor IX). Cangene has agreed to pay $5.9 million upfront, up to $50 million in potential additional commercial milestones as well net sales payments equivalent to tiered double digit percentage of IB1001 annual net sales.

[7] US market share of Somatuline® in the sales of Somatostatin Analogs for acromegaly
[8] Before non-recurring items. See appendix 4

On 21 March 2013, the Group and Inspiration Biopharmaceuticals Inc. announced the closing of the sale of their flagship hemophilia product, OBI-1, to Baxter International Inc. (Baxter), the world leader in the hemophilia market.

The transaction was first announced on 24 January 2013. As part of the deal, the Group and Inspiration jointly agreed to sell their respective OBI-1 rights.

Baxter acquired the worldwide rights to OBI-1, a recombinant porcine factor VIII (rpFVIII) in development for congenital hemophilia A with inhibitors and acquired hemophilia A, and Ipsen's industrial facility in Milford (Boston, MA). Ipsen employees working on the development and production of OBI-1 were offered employment at Baxter.

Under the terms of the deal, Baxter agreed to pay $50 million upfront, as well as potential additional payments contingent on OBI-1 development and commercial milestones. The closing resulted from the joint sale process pursued by Inspiration and Ipsen shortly after Inspiration filed for protection under Chapter 11 of the U.S. Bankruptcy Code on 30 October 2012.

Ipsen provided Inspiration with $18.4 million in Debtor-in-Possession (DIP) financing to fund Inspiration's operations during the sale process. Upfront payments made by Baxter and Cangene were predominantly used to repay Ipsen's loan.

Hemophilia represented one of Ipsen's four therapeutic areas of focus for resources and investment. Because the activity met the criteria for discontinued operations, its result has been presented as a separate line item in the income statement starting on 31 December 2012.

At 30 June 2013, profit from discontinued operations mainly included the negotiated repayment of advisory fees paid by Ipsen during the joint asset-sale process with Inspiration, and the tax impact related to the compensation paid by the Group to the U.S. affiliate that sold the assets.

Consolidated net profit

As a result of the items above, **consolidated net profit** increased 6.4% to €96.5 million at 30 June 2013 (€96.2 million attributable to shareholders of Ipsen S.A.), compared to €90.7 million at 30 June 2012 (€90.4 million attributable to shareholders of Ipsen S.A). Consolidated net profit represented 14.5% of sales in the first half 2013, compared with 13.8% of sales in the first half 2012.

Recurring adjusted[1] consolidated net profit at 30 June 2013 amounted to €98.8 million, up 14.3% over the €86.4 million recorded the previous year.

Earnings per share

The Group's basic earnings per share at 30 June 2013 amounted to €1.15, up 6.2% compared to the €1.09 recorded the previous year.

The recurring adjusted[9] basic earnings per share attributable to the Group amounted to €1.18, up 14.0% year-on-year.

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

At 30 June 2013, the total of milestone payments received in cash by the Group but not yet recognised in the income statement amounted to €137.3 million, down from the €162.7 million collected in the previous year.

The Group recorded no new deferred income from its partnerships in the first half 2013.

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

(in millions of euros)	30 June 2013	30 June 2012 restated (1)
Total *	**137.3**	**162.7**
The deferred income will be recognised over time as follows:		
In the year n	11.8	11.9
In the year n+1	21.6	22.2
In the years n+2 and subsequent	103.9	128.6

** Amounts converted at average exchange rates at 30 June 2013 and 30 June 2012 respectively.*

(1) In accordance with provisions related to discontinued operations, milestone payments have been restated for purposes of comparison between the two half-year periods.

[9] Reconciliations of Operating Income and Adjusted Recurring Operating Income at 30 June 2013 and 2012 are presented in appendix 4.

CASH FLOW AND CAPITAL

The consolidated cash flow statement shows that the Group's operating activities in the first half 2013 generated a net cash flow of €54.5 million, down compared with the €63.2 million generated over the same period in 2012.

Analysis of the cash flow statement

(in millions of euros)	**30 June 2013 [1]**	**30 June 2012 [1]**
- Cash generated from operating activities before changes in working capital requirement	139.9	94.3
- (Increase) / decrease in working capital requirement for operations	(85.3)	(31.2)
Net cash flow from operating activities	54.5	63.2
- Net investments in tangible and intangible assets	(11.8)	(32.5)
- Impact of changes in consolidation scope	-	(28.6)
- Other cash flow from investments	(16.9)	4.8
Net cash provided (used) by investment activities	(28.7)	(56.1)
Net cash provided (used) by financing activities	(20.7)	(68.9)
CHANGES IN CASH AND CASH EQUIVALENTS	**5.1**	**(61.9)**
Opening cash and cash equivalents	**113.3**	**144.8**
Impact of foreign exchange variations	(0.8)	1.3
Closing cash and cash equivalents	**117.6**	**84.2**

[1] The 30 June 2013 consolidated cash flow statement was restated to provide homogenous information for the two half-year periods. The impact of cash flow from operations to be sold or discontinued was broken down and apportioned to the various items on the consolidated cash flow statement as though no impact from operations to be sold or discontinued had been recorded.

Net cash flow from operating activities

In the first half 2013, cash flow from operating activities before changes in working capital requirement amounted to €139.9 million, up compared with the €94.3 million generated the previous year.

Working capital requirement for operating activities amounted to €85.3 million in the first six months of 2013, compared with €31.2 million the previous year. The variation during the first half 2013 was related to the following items:

- Inventories were up sharply in the first half 2013, owing notably to inventory build-ups in fast growing markets such as Russia and China. In addition, production schedules at some manufacturing sites were brought forward, ahead of maintenance and inspection work scheduled for the second half of the year.
- Account receivables increased by €63.7 million in the first half 2013, compared with an increase of €32.2 million at the end of June 2012. This increase was mainly due to payment lags at 30 June, versus 31 December, business growth in the first six months of the year, and payments received at the end of 2012 from the Southern Europe region.
- Trade payables decreased by €20.7 million in the first half 2013, compared with a decrease of €9.3 million at 30 June 2012. The trend was driven primarily by the early 2013 payment of invoices recorded in 2012, a shorter payment schedule at 30 June 2013, and lower spending at the half-year.
- The change in other operating assets and liabilities comprised the use of €34.6 million in the first half 2013, compared with a use of €31.3 million in the first half 2012. Advanced payments to some suppliers, notably in Russia, accounted for the greater share of the amount.
- The change in net tax liability in the first half 2013 represented a source of funds totalling €41.3 million and resulted, on the one hand, from a reimbursement by the tax authorities of an excess amount of tax paid in France for fiscal 2012, and on the other hand, from the tax owed for the period, net of prepayments made.

Net cash flow from investment activities

In the first half 2013, net cash flow from investment activities represented a net use of funds of €28.7 million, compared to a net use of €56.1 million in the prior year. It included:

- Investments in tangible and intangible assets, net of disposals, amounting to €11.8 million, compared to €32.5 million the previous year. This cash flow mainly included:

- Acquisition of property, plant and equipment totalling €10.9 million, compared with €18.8 million in the first half 2012. These investments mainly consisted in items required for the maintenance of the Group's industrial facilities and in capacity investments in the Wrexham and Dublin factories;
- Investments in intangible assets for €1.1 million, compared with €13.7 million in the first half 2012, mainly related to the partnership with Active Biotech for the rights of tasquinimod.

- A €12.0 million decrease in cash from other investment activities, which in the first half of 2012 notably included a CHF12.7 million additional payment following the sale of PregLem shares in 2010.
- An increase in working capital requirement for investment activities, notably arising from the early 2013 payment of debt recognised at the end of 2012 and related to the tasquinimod partnership with Active Biotech.
- In the first half 2013, changes in the scope of consolidation provided no net cash flow, compared with a net cash flow of €28.6 million at 30 June 2012, following the Group's subscription of a convertible bond issued by Inspiration Biopharmaceuticals Inc.

Net cash flow from financing activities

In the first half 2013, the net cash flow from financing activities amounted to €(20.7) million, compared to €(68.9) million the previous year. The year-on-year variation stemmed mainly from the Group's €40.0 million drawdown of a credit line.

Furthermore, over the first half 2013, the Group paid out €66.6 million in dividends to shareholders, up from the €66.4 million paid out the previous year.

Lastly, net cash flow from financing activities included the repayment of €7.1 million in Debtor-In-Possession (DIP) financing previously granted by the Group to Inspiration Biopharmaceuticals Inc., as part of Inspiration's Chapter-11 bankruptcy procedure.

Net cash flow from discontinued operations

At 30 June 2012, cash flow from discontinued operations mainly included payments received from Baxter related to the Group's sale of OBI-1 assets.

APPENDIX 1: Reconciliation of the income statement at 30 June 2013 and the recurring adjusted income statement at 30 June 2013

(in millions of euros)	**30 June 2013 Adjusted recurring**		Operations held for sale [1]	Impairment losses [2]	Other non-recurring items [3]	**30 June 2013**	
		% sales					*% sales*
Revenue	**663.9**	**104.8%**	**-**	**-**	**-**	**663.9**	**104.8%**
Cost of goods sold	(125.2)	-19.8%	-	-	-	(125.2)	-19.8%
Research and development expenses	(124.0)	-19.6%	-	-	-	(124.0)	-19.6%
Selling expenses	(229.2)	-36.2%	-	-	-	(229.2)	-36.2%
General and administrative expenses	(50.7)	-8.0%	-	-	-	(50.7)	-8.0%
Other operating income	2.7	0.4%	-	-	-	2.7	0.4%
Other operating expenses	(3.5)	-0.6%	-	-	0.5	(3.9)	-0.6%
Amortisation of intangible assets	(1.9)	-0.3%	-	-	0.3	(2.2)	-0.4%
Restructuring costs	(0.0)	0.0%	-	-	(1.3)	1.3	0.2%
Impairment losses		-	-	11.7		(11.7)	-1.8%
Operating income	**132.2**	**20.9%**	**-**	**11.7**	**(0.5)**	**121.0**	**19.1%**
Financial income/(expense)	**1.1**	**0.2%**	**-**	**-**	**-**	**1.1**	**0.2%**
Income taxes	(34.6)	-5.5%	-	(4.7)	1.9	(31.8)	-5.0%
Share of profit (loss) from associated companies		0.0%	-	-	-		0.0%
Net profit (loss) from continuing operations	**98.8**	**15.6%**	**-**	**7.0**	**1.4**	**90.3**	**14.3%**
Profit (loss) from discontinued operations		0.0%	(6.2)	-	-	6.2	1.0%
Consolidated net profit	**98.8**	**15.6%**	**(6.2)**	**7.0**	**1.4**	**96.5**	**15.2%**
– Attributable to shareholders of Ipsen S.A.	98.5	0.0%	(6.2)	7.0	1.4	96.2	0.0%
- Attributable to minority interests	0.3	0.0%				0.3	0.0%

[1] See above.

[2] Impairment losses recognised during the period are described in the "Impairment losses" paragraph.

[3] Other non-recurring items include primarily fees related to litigation under way and restructuring costs (see note on restructuring-related costs).

Reconciliation of the income statement at 30 June 2012 and the recurring adjusted income statement at 30 June 2012

(in millions of euros)	**30 June 2012 Adjusted recurring**		Impact of acquisitions in North America [2]	Impairment losses [3]	Other non-recurring items [4]	**30 June 2012 restated [1]**	
		% sales					*% sales*
Revenue	**658.2**	**104.5%**				**658.2**	**104.5%**
Cost of goods sold	(128.9)	-20.5%				(128.9)	-20.5%
Research and development expenses	(118.3)	-18.8%				(118.3)	-18.8%
Selling expenses	(228.0)	-36.2%				(228.0)	-36.2%
General and administrative expenses	(47.9)	-7.6%				(47.9)	-7.6%
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	-	0.0%		(10.8)		10.8	1.7%
Operating income	**130.7**	**20.7%**	**0.4**	**(10.8)**	**16.2**	**124.9**	**19.8%**
Financial income/(expense)	**(1.5)**	**-0.2%**			**(10.5)**	**8.9**	**1.4%**
Income taxes	(33.5)	-5.3%	(0.1)	3.9	(3.4)	(33.9)	-5.4%
Share of profit (loss) from associated companies	-	0.0%				-	0.0%
Net profit (loss) from continuing operations	**95.6**	**15.2%**	**0.2**	**(6.9)**	**2.4**	**99.9**	**15.9%**
Profit (loss) from discontinued operations	(9.2)	-1.5%				(9.2)	-1.5%
Consolidated net profit	**86.4**	**13.7%**	**0.2**	**(6.9)**	**2.4**	**90.7**	**14.4%**
– Attributable to shareholders of Ipsen S.A.	86.2		0.2	(6.9)	2.4	90.4	
- Attributable to minority interests	0.3					0.3	

[1] The 30 June 2012 income statement was restated for purposes of comparison between the two half-year periods, in accordance with provisions related to discontinued operations and changes in accounting methods.

[2] Impact of allocating goodwill from Group transactions in North America.

[3] Impairment losses recognised during the period are described in the "Impairment losses" paragraph.

[4] Other non-recurring items included:

- Non-recurring fees incurred as part of executing the strategy announced 9 June 2011,
- Non-recurring restructuring costs arising from the relocation of the Group's North American subsidiary to the East Coast,
- Settlement of a trade dispute with a partner, and
- Administrative proceeding brought against the Group.

III - INFORMATION ON RELATED PARTIES

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

IV - RISKS FACTORS

The Group operates in an environment which is undergoing rapid change and exposes its operations to a number of risks, some of which are outside its control. The risks and uncertainties set out below are not exhaustive and the reader is advised to refer to the Group's 2012 Registration Document available on its website www.ipsen.com.

- The Group is faced with uncertainty in relation to the prices set for all its products, in so far as medication prices have come under severe pressure over the last few years as a result of various factors, including the tendency for governments and payers to reduce prices or reimbursement rates for certain drugs marketed by the Group in the countries in which it operates, or even to remove those drugs from lists of reimbursable drugs.

- The Group depends on third parties to develop and market some of its products, which generates or may generate substantial royalties for the Group, but these third parties could behave in ways that cause damage to the Group's business. The Group cannot be certain that its partners will fulfill their obligations. It might be unable to obtain any benefit from those agreements. A default by any of the Group's partners could generate lower revenues than expected. Such situations could have a negative impact on the Group's business, financial position or performance..

- Actual results may depart significantly from the objectives given that a new product can appear to be promising at a development stage, or after clinical trials, but never be launched on the market, or be launched on the market but fail to sell, notably for regulatory or competitive reasons.

- The Research and Development process typically lasts between eight and twelve years from the date of discovery to a product being brought to market. This process involves several stages; at each stage, there is a substantial risk that the Group could fail to achieve its objectives and be forced to abandon its efforts in respect of products in which it has invested significant amounts. Thus, in order to develop viable products from a commercial point of view, the Group must demonstrate, by means of pre-clinical and clinical trials, that the molecules in question are effective and are not harmful to humans. The Group cannot be certain that favorable results obtained during pre-clinical trials will subsequently be confirmed during clinical trials, or that the results of clinical trials will be sufficient to demonstrate the safety and efficacy of the product in question such that the required marketing approvals can be obtained.

- The Group must deal with or may have to deal with competition (i) from generic products, particularly in relation to Group products which are not protected by patents, such as Forlax® and Smecta® (ii), products which, although they are not strictly identical to the Group's products or which have not demonstrated their bioequivalence, may obtain a marketing authorization for indications similar to those of the Group's products pursuant to the bibliographic reference regulatory procedure (well established medicinal use) before the patents protecting its products expire. Such a situation could result in the Group losing market share which could affect its current level of growth in sales or profitability.

- Third parties might claim the benefit of intellectual property rights with respect to the Group's inventions. The Group provides the third parties with which it collaborates (including universities and other public or private entities) with information and data in various forms relating to the research, development, manufacturing and marketing of its products. Despite the precautions taken by the Group with regard to these entities, in particular of a contractual nature, they (or certain of their members or affiliates) could claim ownership of intellectual property rights arising from the trials carried out by their employees or any other intellectual property right relating to the Group's products or molecules in development.

- The Group's strategy includes acquiring companies or assets which may enable or facilitate access to new markets, research projects or geographical regions or enable the Group to realize synergies with its existing businesses. Should the growth prospects or earnings potential of such assets as well as valuation assumptions change materially from initial assumptions, the Group might be under the obligation to adjust the values of these assets in its balance sheet, thereby negatively impacting its results and financial situation.

- The marketing of certain products by the Group has been and could be affected by supply shortages and other disruptions. Such difficulties may be of both a regulatory nature (the need to correct certain technical problems in order to bring production sites into compliance with applicable regulations) and a technical nature (difficulties in obtaining supplies of satisfactory quality or difficulties in manufacturing active ingredients or drugs complying with their technical specifications on a sufficiently reliable and uniform basis). This situation may result in inventory shortages and/or in a significant reduction in the sales of one or more products. More specifically, in their US Hopkinton facility, Lonza, our supplier of IGF-1 (Increlex® drug substance), is experiencing manufacturing issues with Increlex®. Lonza works closely with the Food and Drug Administration (FDA) to solve these issues. Ipsen is diligently addressing management of the shortage period to reduce its impact on the patients and their families. The supply interruption occurred in mid-June 2013 in the US and is expected in Q3 2013 in Europe and the rest of the world. The Group has no visibility on the resumption of supply before the end of 2013.

- In certain countries exposed to significant public deficits, and where the Group sells its drugs directly to public hospitals, the Group could face discount or lengthened payment terms or difficulties in recovering its receivables in full. The Group closely monitors the evolution of the situation in Southern Europe where hospital payment terms are especially long. More generally, the Group may also be unable to purchase sufficient credit insurance to protect itself adequately against the risk of payment default from certain customers worldwide. Such situations could negatively impact the Group's activities, financial situation and results.

- In the normal course of business, the Group is or may be involved in legal or administrative proceedings. Financial claims are or may be brought against the Group in connection with some of these proceedings. 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.

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

V - STATUTORY AUDITOR'S REVIEW REPORT ON THE 2013 HALF YEARLY CONSOLIDATED FINANCIAL STATEMENTS

Ipsen S.A.

Siège social : 65, quai Georges Gorse - 92650 Boulogne Billancourt Cedex
Période du 1er janvier 2013 au 30 juin 2013

To the shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- The limited review of the accompanying condensed interim consolidated financial statements of Ipsen for the half-year ended 30 June 2013;
- The verification of the information contained in the interim management report.

These condensed interim consolidated financial statements were prepared under the authority of the Board of Directors. Our role is to express a conclusion on these financial statements based on our limited review.

I — Conclusion on the financial statements

We have carried out our limited review in accordance with professional auditing standards applicable in France. A limited review consists of making inquiries with management members responsible for accounting and financial matters and applying analytical procedures. A review is substantially narrower in scope than an audit conducted in accordance with professional standards applicable in France, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements for the first half of 2013 were not prepared, in all material respects, in accordance with IAS 34, the standard of IFRS as adopted by the European Union applicable to interim financial reporting.

Without qualifying the conclusion expressed above, we draw attention to Note 5.2 in the notes to the condensed consolidated financial statements for the first half of 2013, which describes the change in accounting method arising from the adoption of IAS 19 (revised) — Employee Benefits

II — Specific verification

We have also verified the information presented in the interim management report concerning the condensed interim consolidated financial statements subject to our limited review. We have nothing to report with respect to the fairness of the information or its consistency with the condensed interim consolidated financial statements.

Paris La Défense, 29 August 2013

KPMG Audit
Division of KPMG S.A.

Philippe Grandclerc
Partner

Neuilly-sur-Seine, 29 August 2013

Deloitte & Associés

Fabien Brovedani
Partner

VI - ATTESTATION OF THE PERSON RESPONSIBLE FOR THE 2013 HALF YEAR FINANCIAL REPORT

I hereby declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and all the other companies included in the scope of consolidation, and that this half-year financial report gives a fair description of the major developments and their impacts on the Group's first half 2013 accounts and of the main risks and uncertainties for the remaining six months of the year and a fair view of the related parties transactions.

August 29th, 2013

Mr. Marc de Garidel
Chairman and Chief executive officer