2014 HALF YEAR FINANCIAL REPORT

2014 HALF YEAR FINANCIAL REPORT SUMMARY

I. FIRST-HALF 2014 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed consolidated income statement

(in million euros)	Notes	30 June 2014	30 June 2013 restated [1]
Sales	6.3	638.7	633.6
Other revenues	6.6	30.1	30.3
Revenues	**6.1 & 6.2**	**668.8**	**663.9**
Cost of goods sold		(155.8)	(152.5)
Selling and marketing expenses		(211.4)	(223.3)
Research and development expenses		(87.6)	(90.4)
General and administrative expenses		(51.3)	(50.7)
Other core operating income	7	4.0	1.8
Other core operating expenses	7	(4.7)	(4.8)
Core Operating Income		**162.0**	**144.0**
Other operating income	6.1 & 6.2	0.4	0.9
Other operating expenses	6.1 & 6.2	(3.4)	(1.3)
Restructuring costs	9	(12.3)	1.3
Impairment gain / (losses)	10	(0.4)	(11.7)
Operating Income		**146.3**	**133.1**
Investment income		0.8	7.9
Financing costs		(1.2)	(1.2)
Net financing costs		**(0.5)**	**6.7**
Other financial income and expenses		(1.7)	(5.6)
Income taxes	11.1	(40.7)	(43.9)
Share of profit / (loss) from associated companies and joint ventures		1.2	-
Net profit / (loss) from continuing operations		**104.7**	**90.3**
Net profit / (loss) from discontinued operations		(0.2)	6.2
Consolidated net profit		**104.5**	**96.5**
- Attributable to shareholders of Ipsen S.A.		104.0	96.2
- Minority interests		0.4	0.3
Basic earnings per share, continuing operations (in € per share)		1.27	1.08
Diluted earnings per share, continuing operations (in € per share)		1.27	1.08
Basic earnings per share, discontinued operations (in € per share)		(0.00)	0.07
Diluted earnings per share, discontinued operations (in € per share)		(0.00)	0.07
Basic earnings per share (in € per share)		1.27	1.16
Diluted earnings per share (in € per share)		1.26	1.15

[1] Restated for changes in presentation mentioned in note 4.2.

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

Condensed comprehensive consolidated income statement

(in million euros)	30 June 2014	30 June 2013 restated [1]
Consolidated net profit	**104.5**	**96.5**
Actuarial gains and (losses) on defined benefit plans, net of taxes	(2.6)	(18.3)
Other items of comprehensive income that will not be reclassified to the income statement	**(2.6)**	**(18.3)**
Revaluation of financial derivatives for hedging, net of taxes	(1.2)	-
Foreign exchange differences, net of taxes	5.8	(1.6)
Other items of comprehensive income likely to be reclassified to the income statement	**4.6**	**(1.6)**
Comprehensive income: consolidated net profit and gains and (losses) recognized directly in equity	**106.5**	**76.5**
- Attributable to shareholders of Ipsen S.A.	106.0	76.2
- Minority interests	0.4	0.3

[1] Restated for changes in presentation mentioned in note 4.2.

Condensed consolidated balance sheet before allocation of net profit

(in million euros)	Notes	30 June 2014	31 December 2013
ASSETS			
Goodwill	12	312.3	310.7
Other intangible assets		142.4	144.8
Property, plant & equipment	13	296.0	287.5
Equity investments		9.0	6.7
Investments in associated companies and joint ventures	14	12.9	-
Non-current financial assets		0.4	1.5
Other non-current assets	15	8.2	9.7
Deferred tax assets	11.3	197.1	202.5
Total non-current assets		**978.4**	**963.5**
Inventories		108.0	121.5
Trade receivables		289.6	243.5
Current tax assets		47.2	42.8
Other current assets		72.1	60.3
Current financial assets		0.1	0.2
Cash and cash equivalents		131.9	131.0
Assets of disposal group classified as held for sale		2.6	2.6
Total current assets		**651.4**	**601.8**
TOTAL ASSETS		**1,629.8**	**1,565.3**

EQUITY AND LIABILITIES			
Share capital	17.2	82.8	84.2
Additional paid-in capital and consolidated reserves		795.4	743.4
Net profit for the period		104.0	152.5
Exchange differences		(1.9)	(8.7)
Equity - attributable to Ipsen shareholders	17.2	**980.3**	**971.5**
Attributable to minority interests		2.5	2.2
Total equity		**982.8**	**973.7**
Retirement benefit obligation		47.5	45.7
Provisions	18	51.3	45.0
Bank loans		80.0	-
Other financial liabilities		10.9	12.3
Deferred tax liabilities	11.3	6.4	6.8
Other non-current liabilities		100.3	105.6
Total non-current liabilities		**296.4**	**215.4**
Provisions	18	12.2	20.7
Bank loans	19	4.0	4.0
Financial liabilities	19	3.6	3.5
Trade payables		148.4	154.8
Current tax liabilities		12.7	5.8
Other current liabilities		166.8	181.7
Bank overdrafts		2.9	5.6
Liabilities of disposal group classified as held for sale		-	-
Total current liabilities		**350.6**	**376.2**
TOTAL EQUITY & LIABILITIES		**1,629.8**	**1,565.3**

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

Condensed consolidated statement of cash flow

(in million euros)	Notes	30 June 2014	30 June 2013
Consolidated net profit		**104.5**	**96.5**
Share of profit / (loss) from associated companies and joint ventures before impairment gain / (losses)		0.4	-
Net profit / (loss) before share of profit / (loss) from associated companies and joint ventures		**104.9**	**96.5**
Non-cash and non-operating items			
- Amortisation, provisions		15.7	18.5
- Impairment gain / (losses) included in operating income and net financial income		0.4	11.7
- Change in fair value of financial derivatives		(3.5)	4.8
- Change in deferred taxes	11.3	7.1	7.1
- Share-based payment expense		2.3	2.5
- Other non-cash items		1.1	(1.2)
Cash flow from operating activities before changes in working capital requirement		**128.0**	**139.9**
- (Increase) / decrease in inventories		4.9	(7.6)
- (Increase) / decrease in trade receivables		(46.8)	(63.7)
- Increase / (decrease) in trade payables		0.2	(20.7)
- Net change in income tax liability		2.6	41.3
- Net change in other operating assets and liabilities		(34.3)	(34.6)
Change in working capital requirement related to operating activities		**(73.3)**	**(85.3)**
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		**54.7**	**54.5**
Acquisition of property, plant & equipment	6.4 & 6.5	(20.9)	(10.9)
Acquisition of intangible assets	6.4 & 6.5	(3.3)	(1.1)
Other cash flow related to investment activities		(5.9)	(1.2)
Change in working capital related to operating activities		(1.9)	(15.6)
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES		**(32.0)**	**(28.7)**
Additional long-term borrowings		82.2	40.0
Repayment of long-term borrowings		(3.4)	(0.2)
Capital increase by Ipsen		0.6	0.3
Treasury shares	17	(33.4)	0.1
Dividends paid by Ipsen	17	(65.5)	(66.6)
Dividends paid by subsidiaries to minority interests	17	(0.2)	(0.1)
DIP financing		-	7.1
Change in working capital related to operating activities		(0.7)	(1.4)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		**(20.5)**	**(20.8)**
CHANGE IN CASH AND CASH EQUIVALENTS		**2.2**	**5.1**
Opening cash and cash equivalents		**125.4**	**113.3**
Impact of exchange rate fluctuations		1.4	(0.8)
Closing cash and cash equivalents		**129.0**	**117.6**

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

Condensed consolidated statement of changes in equity
from 1st January to 30 June 2014

(in million euros)	Share capital	Share premiums	Consolidated reserves	Reserves related to retirement benefit obligations	Cash flow hedge reserves	Treasury shares	Net profit / (loss) for the period	**Total Group equity**	Minority interests	**Total equity**
Balance at 1 January 2014	**84.2**	**711.9**	**90.3**	**(20.9)**	**1.9**	**(48.4)**	**152.5**	**971.5**	**2.2**	**973.7**
Consolidated net profit	-	-	-	-	-	-	104.0	104.0	0.4	104.5
Gains and (losses) recognized directly in equity [(1)]	-	-	5.8	(2.6)	(1.2)	-	-	2.0	-	2.0
Consolidated net profit and gains and losses recognized directly in equity	**-**	**-**	**5.8**	**(2.6)**	**(1.2)**	**-**	**104.0**	**106.1**	**0.4**	**106.5**
Allocation of net profit / (loss) from the prior period	-	-	152.5	-	-	-	(152.5)	-	-	-
Capital increases / (decreases)	(1.5)	0.6	(49.7)	-	-	51.2	-	0.6	-	0.6
Share-based payments	-	-	2.2	-	-	0.2	-	2.3	-	2.3
Own share purchases and disposals	-	-	0.0	-	-	(34.7)	-	(34.7)	-	(34.7)
Dividends	-	-	(65.5)	-	-	-	-	(65.5)	(0.2)	(65.7)
Other changes	-	-	0.1	-	-	-	-	0.1	-	0.1
Balance at 30 June 2014	**82.8**	**712.4**	**135.6**	**(23.5)**	**0.8**	**(31.8)**	**104.0**	**980.3**	**2.5**	**982.8**

(1) Detailed in the note "Condensed comprehensive consolidated income statement ".

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

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

(in million euros)	Share capital	Share premiums	Consolidated reserves	Reserves related to retirement benefit obligations	Cash flow hedge reserves	Treasury shares	Net profit / (loss) for the period	**Total Group equity**	Minority interests	**Total equity**
Balance at 1 January 2013	**84.3**	**711.1**	**196.6**	**(21.8)**	**-**	**(38.2)**	**(29.5)**	**902.5**	**2.0**	**904.5**
Consolidated net profit	-	-	-	-	-	-	96.2	96.2	0.3	96.5
Gains and (losses) recognized directly in equity [(1)]	-	-	(1.7)	-	-	-	-	(1.7)	0.0	(1.7)
Consolidated net profit and gains and losses recognized directly in equity	**-**	**-**	**(1.7)**	**-**	**-**	**-**	**96.2**	**94.5**	**0.4**	**94.9**
Allocation of net profit / (loss) from the prior period	-	-	(29.5)	-	-	-	29.5	-	-	-
Capital increases / (decreases)	0.0	0.3	-	-	-	-	-	0.3	-	0.3
Share-based payments	-	-	(2.2)	-	-	4.8	-	2.5	-	2.5
Own share purchases and disposals	-	-	0.1	-	-	0.1	-	0.2	-	0.2
Change in fair value of financial derivatives	-	-	(66.6)	-	-	-	-	(66.6)	(0.1)	(66.7)
Dividends	-	-	-	3.4	-	-	-	3.4	-	3.4
Other changes	(0.2)	-	0.6	-	-	-	-	0.5	-	0.5
Balance at 30 June 2013	**84.1**	**711.4**	**97.3**	**(18.3)**	**-**	**(33.3)**	**96.2**	**937.4**	**2.3**	**939.7**

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant events during the period

1.1 Change in the Group's shareholding structure

On 20 March 2014, Ipsen announced that Mayroy, its controlling shareholder, had privately placed 5,888,290 Ipsen shares, representing around 7% of the Group's share capital, with institutional investors at a price of €29.50 per share. As part of the transaction, Ipsen repurchased 842,542 of its own shares, representing 1% of its share capital, for the purpose of cancelling the shares.

Mayroy informed Ipsen that the proceeds from its sale would be used to partially finance the repurchase of the entire stake held in its share capital by its minority shareholder, Opera Finance Europe, a Luxembourg-registered company controlled by Mrs. Veronique Beaufour. Opera Finance Europe and its shareholders do not sit on Ipsen's Board of Directors and play no active role in the Group's management.

Mayroy said it would finance its repurchase of the balance of the Opera Finance Europe stake by delivering Ipsen shares, representing about 4% of Ipsen's share capital. These shares are to be placed into an escrow account for a period of 12 months following the completion of the transaction.

The transaction increased the Group's free float from approximately 30% to 40%. Furthermore, Mayroy's interest in Ipsen following the transaction stands at around 57.6%, with 73.3% of the Group's voting rights. The indirect Ipsen stake held by Beech Tree, Mayroy's controlling shareholder, increased slightly.

Ipsen was also informed that the shareholders' agreement between Beech Tree, its subsidiaries, and the Schwabe family, which was entered into on 31 December 2008 to preserve the stability of Mayroy's controlling share ownership structure, had been renewed to 30 June 2015.

1.2 New business organization and changes in Group's Executive Committee membership

On 2 October 2013, Ipsen unveiled a new organizational project and announced a new membership composition for its Executive Committee to accelerate the execution of the Group's strategy. The new organization is aimed at optimizing primary care activities through the establishment of a dedicated business unit, while continuing to develop the specialty care business.

The specialty care and primary care businesses will now be managed separately, with specific organizations, resources and profiles adapted to the particular challenges of each activity, reflecting their widely differing strategies and operating rationales.
The project's execution plan was submitted for review to the competent labor representatives where relevant, in accordance with the specific regulations governing such processes and methods in each country.

With the new organization taking effect on 1st January 2014, operating segment information was updated on 30 June 2014, with a retrospective presentation as of 30 June 2013 included for purposes of comparison (see notes 4.2 and 6 of the condensed consolidated financial statements).

1.3 First resupply of Increlex® in the United States

On 13 May 2014, Ipsen announced that Increlex® would once again be available in the United States, beginning 2 June 2014.
Working with the US Food and Drug Administration (FDA), the Group released a batch of the active ingredient needed to make Increlex®. Ipsen is working in close cooperation with the FDA to offer additional batches of Increlex® as soon as possible.
Increlex® supply interruptions began in the US in mid-June of 2013, and affected Europe and the rest of the world in the third quarter of the year. As a result, the Group recognized a non-recurring, €11.7-million impairment loss on the Increlex® IGF-1 active ingredient at 30 June 2013. With that impairment loss, the carrying value of the IGF-1 active ingredient became zero.

Consultations with the competent national authorities in European Union-member states led to the resupply of Increlex® at the start of 2014.

However, given the uncertainty surrounding the release of additional batches by the FDA and the longer-term supply of the product in the American market, no reversal of the impairment loss on the Increlex® active ingredient was recognized in the consolidated financial statements at 30 June 2014.

Note 2. 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 have affected the Group sales and profitability in the first half 2014. In addition, certain measures introduced in 2013 have continued to affect the Group's accounts year-on-year.

2.1 Measures impacting the first half 2014

In the Major Western European countries:

- In France, the price of Smecta® was cut by 7.5% as of 1st January 2014 (a second price cut of the same magnitude was applied on 1st July 2014). In April 2014, Mylan launched a diosmectite generic (not reimbursed to date). Moreover, health authorities have required a 4.0% price cut on Decapeptyl® as of 1st April 2014 due cost containment measures;

- In the UK, Decapeptyl® is beeing sold at 100.0% of the NHS (*National Health Service*) price since March 2014.

In the Other European countries:

- In Denmark, in May 2014, the DHMA (*The Danish Health and Medicines Authority*) granted a 50.0% price increase on Increlex®, based on the Pharmacist Purchase Price;

- In Greece, Decapeptyl® was impacted by a significant increase in patient co-payment. In addition, since 1st April 2014, the Ministry of Health has recognized the difference between biological products, biosimilars and generics. It will therefore not be possible for these different product types to be part of common tenders;

- In Latvia, a national tender for LhRH (*Luteinizing hormone-Releasing Hormone*) analogues was put in place by local authorities to avoid parallel trades. A new reference basket was set up in July 2013. The basket, initially composed of all European Union members, now only comprises Lithuania, Estonia, Czech Republic, Slovakia, Romania, Hungary and Denmark. The reference pricing rule remains unchanged and calls for taking the 3rd lowest price of the basket;

- In Lithuania, Somatuline® was granted national reimbursement in April 2014 in the acromegaly indication;

- In Poland**,** Dysport® obtained the reimbursement in spasticity indications, effective from July 2014 to July 2016;

- In Portugal, new measures published in 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 of a provision fund equal to 2.0% of sales by every pharmaceutical company;

- In the Netherlands, the application of international reference pricing led to price decreases on NutropinAq® and to price increases on Somatuline®, Dysport® and Decapeptyl® as of 1st April 2014;

- In Norway, the December 2013 review of international reference pricing led to price cuts on Dysport® and NutropinAq®, and to a price increase on Somatuline®;

- In Romania, the Ministry of Health published another Health Technology Assessment (HTA) ordinance in June 2014 to be applied to drugs already reimbursed and to new molecules pending a reimbursement decision;

- In Sweden, since January 2014, products that have been marketed for more than 15 years (notably Decapeptyl®) are subject to a mandatory price cut of 7.5%. In June 2014, TLV (*The Dental and Pharmaceutical Benefits Agency*) granted a 25.0% price increase on the Pharmacist Purchase Price to Increlex® ;

- In Switzerland, Dysport® was impacted by a price cut in December 2013 following the application of the international reference price.

In the Rest of the World:

- In China, the NDRC (*National Development & Reform Commission*) issued a "Low-Price Drug List" in May 2014 to align the prices of all ginkgo biloba tablets. However, Tanakan® is excluded from this list and will keep its original retail price;

- In Algeria, the price of Decapeptyl® will not be aligned with that of the least expensive molecule. Additionally, the reimbursement of Somatuline® was extended from acromegaly to Neuroendocrine Tumors (NETs). The reimbursement rate for Bedelix® was kept at 100.0%. All three decisions are valid for one year, until next revision in mid-2015;

- In Morocco, Ipsen's products faced price decreases in June 2014, following the results of the international reference pricing system based on the average price of France, Spain, Portugal, Belgium, Turkey and Saudi Arabia. For new products, rule is to take the lowest price prevailing within these countries.

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 the first half 2014.

2.2 Measures impacting beyond the first half 2014

In the Major Western European Countries:

- In France, the social security budget act for 2014 (PLFSS) introduced, for the first time, the possibility for the pharmacist to substitute biotechnology products by biosimilars, except when the physician forbids it on the prescription. This rule has not been enacted yet and must first be subject to a decree. Moreover, Hexvix® has once again been reimbursed on the list "en sus" since December 2013;

- In Germany, the mandatory sales rebate for the official price of prescription drugs, initially set at 16.0%, was reduced to 7.0% as of 1st January 2014;

- In Italy, Hexvix® experienced a 13.0% price cut in February 2014 after it became eligible for reimbursement at the national level;

- In Spain, the final Royal Decree List arising from the implementation of the Reference Price System was published on 15 July 2014. As a result, the official published prices of Decapeptyl® and Dysport® will be affected. Additionally, the mandatory rebate of 15.0% applicable on the official price of Decapeptyl® was cancelled;

- In the UK, the new PPRS (*Pharmaceutical Price Regulation Scheme*) was implemented, with the option for pharmaceutical companies to apply a 5.0% to 7.0% price cut on the NHS (*National Health Service*) selling price modulated over the whole portfolio, or the option to reimburse this amount through pay back. Moreover, since January 2014, tenders are managed at the regional level instead of the hospital level.

In the Other European Countries:

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

- In Czech Republic, the ex-factory price of Hexvix® will increase by 6.7% as of 1st September 2014;

- In Estonia, Decapeptyl® will be fully reimbursed in the prostate cancer indication as of July 2014. This will lead to a slight price decrease on the Decapeptyl® 1M formulation;

- In Greece, the €2.44 billion claw-back introduced end of 2013 has not been readjusted by the Ministry of Health as initially anticipated. Health authorities are targeting €2 billion for 2014;

- In Poland, Decapeptyl® and Somatuline® have been affected by a price revision applicable as of 1st January 2014;

- In Portugal, the Ministry of Health is pressing the local pharmaceutical association (APIFARMA) in the context of negotiations with the industry on the spending exceeding a certain threshold in 2014. For the 2015 government budget, the Ministry of Finance contemplates the introduction of an extraordinary tax with a particular attention to pharmaceutical industry profits. Moreover, the new 3.0% tax on all hospital business announced late 2013, to become effective in 2014, has not been introduced;

- In Serbia, as of 1st July 2013, the Ministry of Health decided to include Romania in the basket of countries used for the calculation of international reference pricing. The rule is to take the average price prevailing in Croatia, Slovenia, Italy and Romania;

- In Slovakia, in April 2014, Ipsen submitted prices for the second yearly revision based on the average 3 lowest prices in EU 28. Prices are expected to be published in October 2014;

- In Ukraine, the Ministry of Health published a draft resolution that introduces Internal and External Reference Pricing for prescription drugs and for medicines procured through state funds. Rule will be to take the average price of the countries of origin: Bulgaria, the Czech Republic, Hungary, Latvia, Moldova, Poland, Serbia, Slovakia, and Ukraine. This development reflects the intent of the Ukrainian government to monitor drug prices, notably given the average price rise of 16.0% reported this year, resulting from the "anti-crisis" measures (currency devaluation and implementation of a 7.0% VAT on drug prices as of 1st April 2014). The potential state price regulation would reportedly affect 10,000 drugs, or approximately 80.0% of the market, with the maximum margin on bulk purchases being 10.0%, and retail mark-up of 25.0%.

In the Rest of the World:

- In Brazil, products with no generics on the market will benefit from a 1.0% price increase in 2014;

- In Colombia, the "National Committee of Drug Prices" (*Comisión Nacional de Precios de Medicamentos*) imposed a price cut on 364 medicines in December 2013, including Dysport®. In August 2013, the prices of 195 medicines had already been regulated, including Somatuline®;

- In South Africa, the Department of Health has published draft legislation governing novel drug pricing in South Africa. The guidelines set forth a potential international reference pricing. No timeline for advancement is known yet;

- Turkey is thinking of introducing a flexible price system in 2014. The exact content is not known yet but measures such as not including countries under Troïka (countries where policies are imposed by the European Commission, the European Central Bank and the International Monetary Fund), an update of foreign exchange rates, and a price increase for products under shortage, are currently under consideration.

Note 3. Changes in the scope of consolidation

In application of the new norm IFRS11, Linnea has been consolidated using the equity method as of 1st January 2014 (see note 4.3 and note 14).

Note 4. Accounting principles and methods and compliance statement

Preliminary remarks:

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

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

The condensed consolidated financial statements were approved by the Board of Directors on 28 August 2014.

4.1 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 2013 were prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union on the date of preparation.

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

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

The condensed consolidated financial statements at 30 June 2014 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 2013.

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_fr.htm

IFRS as applied at 30 June 2014

The condensed consolidated financial statements were prepared in accordance with the accounting principles and methods used by the Group for the 2013 financial statements and described in note 3 of consolidated financial statements for the year ended 31 December 2013. Furthermore, the condensed consolidated financial statements were prepared in compliance with other standards and interpretations in force as of 1st January 2014, with the exception of changes in presentation and the application of the new standards and interpretations described below.

4.2 Changes in presentation

In the context of the implementation of its new organization, the Group conducted a review of the presentation of its financial statements, and has changed the classification of certain elements of the income statement, considering that this new presentation will provide more relevant information to users of the financial statements.

- The Group has decided to present a Core Operating Income going forward, key management indicator enabling to understand and measure the performance of Group activities. Items that are not included are not qualified as exceptional or extraordinary, but correspond to unusual, abnormal and infrequent items referred to in § 28 of the IASB conceptual framework.

- The research tax credit has been reclassified as operating grant, in accordance with practices commonly used by the pharmaceutical industry. In accordance with IAS 20 - Accounting for Government Grants, it is now recognized in Core Operating Income, as a deduction of research and development expenses, to which it is directly related. It was presented as part of income taxes in previous years.

- Royalties paid under licenses related to marketed products are now recorded in cost of sales in accordance with practices commonly used by the pharmaceutical industry. They were recorded in selling and marketing expenses in previous years.

- The allocation of internal costs among the various functions of the consolidated income statement has been revised following the implementation of the new organization. As such, the costs of certain support functions have been reclassified from research and

development expenses to selling and marketing expenses, this reclassification being considered more relevant by the Group in respect of the activities of the departments concerned and the new organization.

These reclassifications have no impact on net income.

At 30 June 2014, the Group has applied the new income statement format and, in accordance with the revised IAS 1, the comparative periods have been restated according to the new presentation.

The impact of reclassifications in the consolidated income statement at 30 June 2013 is presented in the table below:

(in million euros)	**30 June 2013 published**	**Presentation restatements**	**30 June 2013 restated**
Sales	633.6	-	633.6
Other revenues	30.3	-	30.3
Revenues	**663.9**	**-**	**663.9**
Cost of goods sold	(125.2)	(27.3)	(152.5)
Selling and marketing expenses	(229.2)	5.9	(223.3)
Research and development expenses	(124.0)	33.6	(90.4)
General and administrative expenses	(50.7)	-	(50.7)
Other core operating income	2.7	(0.9)	1.8
Other core operating expenses	(3.9)	(0.9)	(4.8)
Amortisation of intangible assets	(2.2)	2.2	-
Core Operating Income			**144.0**
Other operating income	-	0.9	0.9
Other operating expenses	-	(1.3)	(1.3)
Restructuring costs	1.3	-	1.3
Impairment gain / (losses)	(11.7)	-	(11.7)
Operating Income	**121.0**	**12.1**	**133.1**
Investment income	7.9	-	7.9
Financing costs	(1.2)	-	(1.2)
Net financing costs	**6.7**	**-**	**6.7**
Other financial income and expenses	(5.6)	-	(5.6)
Income taxes	(31.8)	(12.1)	(43.9)
Share of profit / (loss) from associated companies and joint ventures	-	-	-
Net profit / (loss) from continuing operations	**90.3**	**(0.0)**	**90.3**
Net profit / (loss) from discontinued operations	6.2	-	6.2
Consolidated net profit	**96.5**	**(0.0)**	**96.5**
- Attributable to shareholders of Ipsen S.A.	96.2	-	96.2
- Minority interests	0.3	-	0.3

Following the implementation of the new organization, the Group also revised its segment information as described in note 6 Operating segments.

4.3 Other standards and interpretations that became applicable as of 1st January 2014

The mandatory standards, amendments and interpretations published by the ASB and applicable as of the 2014 financial year are listed below.

- *IFRS 10 - Consolidated Financial Statements,* which defines a new control model.
  In accordance with IFRS 10, the Group's consolidated financial statements include all entities controlled directly or indirectly by the Group, regardless of the size of the interest held in any entity's share capital. The Group controls an entity if it has power over the entity, has exposure or rights to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the amount of the entity's returns.
  The application of IFRS 10 had no impact on the Group's scope of consolidation.

- *IFRS 11 - Joint Arrangements,* which outlines the accounting principles for partnerships over which two or several parties exercise joint control. Depending on the rights and obligations of the parties, a joint arrangement is either:
  - A joint operation, whereby the Group recognizes its assets and liabilities proportionally to its rights and obligations in the arrangement,
  - A joint venture, recognized using the equity method.

The Group exercises joint control over an arrangement only when the decisions about the relevant activities of the arrangement require the unanimous consent of the Group and the other parties sharing control. A joint operation is an arrangement whereby the parties that have joint control over the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.
The application of IFRS 11 had no significant impact on the Group consolidated financial statements, as only one arrangement was deemed to be an interest in a joint venture now recognized according to the equity method. Joint operations are recognized based on the share held by the Group.

The impact of IFRS 11 is described in note 14 to the consolidated financial statements.

- *IFRS 12 - Disclosure of Interests in Other Entities* This standard does not apply to interim financial reporting unless the application of IFRS 10 and IFRS 11 had a significant impact on the scope of consolidation.

Note 5. Seasonal effects

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

Note 6. Operating segments

On 2 October 2013, Ipsen unveiled a new organizational project and announced a new composition for Executive Committee membership to accelerate the execution of the Group's strategy. The new organization is aimed at enabling the optimization of primary care activities through the establishment of a dedicated business unit, while continuing to develop the specialty care business.

The specialty care and primary care businesses will now be managed separately, with specific organizations, resources and profiles adapted to the particular challenges of each activity, reflecting their widely differing strategies and operating rationales.
The project's execution plan was submitted for review to the competent labor representatives where relevant, in accordance with the specific regulations governing such processes and methods in each country.

With the new organization effective as of 1st January 2014, operating segment information was updated on 30 June 2014, with a retrospective presentation as of 30 June 2013 included for purposes of comparison.
The segment information presented was prepared on the basis of internal management data reported by the Executive Committee, which is the Group's chief operating decision maker. In terms of internal reporting, operating segments are tracked separately using shared performance indicators.

The Group's two operating segments are primary care and specialty care. There is no allocation of general and administrative expenses between these two segments. Likewise, the Group's research and development is not allocated to the two operating segments. R&D continues to be managed on a global basis, with investment decisions made independently by the Executive Committee, even when a successful program ultimately generates revenue for just one of the two segments.
The Group segment result is Core Operating Income which is the internal indicator used by the Group to assess operational performance and allocate resources.

Core Operating Income corresponds to Operating Income before the recognition of significant non-recurring events in terms of the Group's performance, such as capital gains or losses on asset disposals, large and unusual write-downs of non-current tangible or intangible assets, certain restructuring costs that could hamper the interpretation of recurring operating income by their unusual nature or size, and certain operating income and expenses, such as materially significant provisions for litigation or costs arising from significant acquisitions made by the Group.

6.1 Operating Income by operating segment in 2014

(in million euros)	Primary care	Specialty care	Other (unallocated)	Total
Sales	166.1	472.5	-	638.7
Other revenues	15.2	14.9	-	30.1
Revenues	**181.3**	**487.4**	**-**	**668.8**
Core Operating Income	**67.5**	**220.3**	**(125.8)**	**162.0**
Other operating income			0.4	0.4
Other operating expenses			(3.4)	(3.4)
Restructuring costs			(12.3)	(12.3)
Impairment gain / (losses)			(0.4)	(0.4)
Operating Income	**67.5**	**220.3**	**(141.5)**	**146.3**

The unallocated Core Operating Income amounted to (€125.8) million in the first half 2014, compared with (€122.1) million recorded in the first half 2013. It mainly comprises the Group's research and development expenses for (€86.1) million in 2014 compared with (€87.9) million in 2013 and, to a lesser extent, the unallocated central general expenses.

6.2 Operating Income by operating segment in 2013

(in million euros)	Primary care	Specialty care	Other (unallocated)	Total
Sales	184.1	449.4	-	633.6
Other revenues	13.8	16.5	-	30.3
Revenues	**198.0**	**465.9**	**-**	**663.9**
Core Operating Income	**69.8**	**196.4**	**(122.1)**	**144.0**
Other operating income			0.9	0.9
Other operating expenses			(1.3)	(1.3)
Restructuring costs			1.3	1.3
Impairment gain / (losses)			(11.7)	(11.7)
Operating Income	**69.8**	**196.4**	**(133.0)**	**133.1**

6.3 Sales by therapeutic areas and products

(in million euros)	30 June 2014	30 June 2013 restated
Uro-oncology	168.8	154.6
of which Decapeptyl®	160.5	147.1
Hexvix®	8.3	7.4
Endocrinology	175.1	164.2
of which Somatuline®	139.3	123.4
NutropinAq®	30.9	29.2
Increlex®	5.0	11.7
Neurology	128.6	130.6
of which Dysport®	128.6	130.5
Specialty care	**472.5**	**449.4**
Gastroenterology	110.6	114.0
of which Smecta®	60.8	61.7
Forlax®	18.8	20.7
Cognitive disorders	31.2	32.7
of which Tanakan®	31.2	32.7
Cardiovascular	11.3	12.2
of which Nisis® and Nisisco®	3.4	4.1
Ginkor®	7.3	7.6
Other primary care	5.7	5.9
of which Adrovance®	4.6	5.2
Primary care	**158.8**	**164.8**
Total drug sales	**631.3**	**614.2**
Drug-related sales	**7.4**	**19.4**
Group sales	**638.7**	**633.6**

Drug-related sales in the first half 2014 is penalized by an unfavourable effect associated with the change in methodology for the consolidation of the Swiss company Linnea.

6.4 Other items by operating segment in 2014

(in million euros)	Primary care	Specialty care	Other (unallocated)	Total
Acquisition of property, plant & equipment	(2.6)	(18.1)	(0.2)	(20.9)
Acquisition of intangible assets	(0.0)	(0.5)	(2.8)	(3.3)
Total investments	**(2.6)**	**(18.6)**	**(3.1)**	**(24.2)**
Net depreciation, amortisation and provisions (excluding financial assets)	(3.3)	(9.3)	(3.6)	(16.2)
Share-based payment expenses with no impact on cash flow			(2.3)	(2.3)

6.5 Other items by operating segment in 2013

(in million euros)	Primary care	Specialty care	Other (unallocated)	Total
Acquisition of property, plant & equipment	(2.1)	(8.2)	(0.6)	(10.9)
Acquisition of intangible assets	(0.0)	(0.2)	(0.9)	(1.1)
Total investments	**(2.1)**	**(8.4)**	**(1.5)**	**(11.9)**
Net depreciation, amortisation and provisions (excluding financial assets)	(3.1)	(8.8)	(5.2)	(17.1)
Share-based payment expenses with no impact on cash flow			(2.5)	(2.5)

6.6 Other revenues

(in million euros)	30 June 2014	30 June 2013 restated
Royalties received [(1)]	9.9	7.7
Milestone payments - Licensing agreements [(2)]	11.1	11.9
Other (co-promotion revenues, re-billings) [(3)]	9.1	10.7
Total other revenues	**30.1**	**30.3**

[(1)] In the first half of 2014, royalties received totaled €9.9 million, up 28.5% over 30 June 2013, primarily as a result of Adenuric.

[(2)] Milestone payments relating to licensing agreements came to €11.1 million and resulted mainly from the partnerships with Medicis, Menarini and Galderma.

[(3)] Other revenues, which primarily included revenues from the Group's co-promotion and co-marketing agreements in France, amounted to €9.1 million in H1 2014, compared with €10.7 million in the prior year period. This line item no longer included revenues from Exforge®, following the April 2012 termination of the co-promotion agreement with Novartis in France.

Note 7. Other core operating income and expenses

Other core operating income amounted to €4.0 million in the first half 2014, compared with €1.8 million the prior year. They include revenue from the sublease of Ipsen's headquarters building, stable year-on-year, as well as the implementation of a currency macro-hedging program in 2014.

Other core operating expenses amounted to €4.7 million in the first half 2014, stable year-on-year. They mainly include the amortisation of intangible assets (excluding software) as well as the Group’s headquarters rental costs.

Note 8. Other operating income and expenses

Other non-core operating expenses amounted to €3.4 million in the first half 2014, compared with €1.3 million for the same period in 2013. At 30 June 2014, other non-core operating expenses mainly included costs associated with the transfer of the activities of the US affiliate Ipsen Bioscience from the Milford site to the Cambridge site.

Note 9. Restructuring costs

The Group recorded a €12.3 million cost as of 30 June 2014, compared with a €1.3 million income as of 30 June 2013. Restructuring costs mainly comprised expenses incurred by the Group to accelerate the implementation of transformation such as adaptation of support functions, reorganisation of research and development activities and a cost associated with the transfer of the activities of the US affiliate Ipsen Bioscience from the Milford site to the Cambridge site.

As of June 2013, the Group recognized a €1.3 million income after reversing a provision in France, which was partially offset by restructuring costs in the United States.

Note 10. Impairment losses

At 30 June 2014, the Group recorded a €0.4 million impairment loss in the context of the reorganisation of one of its sites.

In the first half 2013, the Group recorded a €11.7 million impairment loss on Increlex® (IGF-1) following interruption of the product supply, bringing the carrying value of the asset down to zero.

Note 11. Income taxes

11.1 Breakdown of tax expense

(in million euros)	30 June 2014	30 June 2013 restated
Current tax	(33.6)	(36.8)
Deferred tax	(7.1)	(7.1)
Effective tax expense	**(40.7)**	**(43.9)**

11.2 Effective tax rate

(in million euros)	30 June 2014	30 June 2013 restated
Net profit / (loss) from continuing operations	104.7	90.3
Share of profit / (loss) from associated companies and joint ventures	1.2	-
Net profit / (loss) from continuing operations before share of profit / (loss) from associated companies and joint ventures	**103.5**	**90.3**
Income taxes	(40.7)	(43.9)
Profit before tax from continuing operations before share of profit / (loss) from associated companies and joint ventures	**144.1**	**134.2**
Effective tax rate	**28.2%**	**32.7%**

At 30 June 2014, the effective tax rate reached 28.2% of profit before tax from continuing operations before share of profit / (loss) from associated companies and joint ventures, compared with an effective tax rate of 32.7% at 30 June 2013.

As mentioned in note 4.2 and in accordance with IAS 4.2 — Accounting for Government Grants and Disclosure of Government Assistance, the research tax credit is now recorded in Core Operating Income, as a deduction of research and development expenses. The research tax credit amounted to €16.6 million at 30 June 2014 compared to €12.1 million at 30 June 2013, notably following the validation by France's Conseil d'Etat of the inclusion of incentive schemes and profit sharing in the tax base in March 2014. The year-on-year increase in research tax credit had a positive impact of c.1 point on the Group's effective tax rate.

Moreover, the positive impact on the Group's research tax credit from the differences in tax rates between France and abroad increased by 2.1 points.

11.3 Deferred tax assets and liabilities

- Movements during the first half of 2014

(in million euros)	31 December 2013	Movements during the period						30 June 2014
		Exchange differences	Deferred taxes recorded directly to reserves	SoRie	Income statement income / expense	Changes in consolidation scope	Other movements	
Deferred tax assets	202.5	1.2	-	0.4	(7.6)	0.7	-	197.1
Deferred tax assets	(6.8)	(0.2)	-	-	0.5	-	-	(6.4)
Net assets / (liabilities)	**195.8**	**1.0**	**-**	**0.4**	**(7.1)**	**0.7**	**-**	**190.7**

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 underlying markets.

Note 12. Goodwill

12.1 Net goodwill carried in the balance sheet

In the first half of 2014, movements for the period included €2.0 million in exchange differences on gross goodwill and (€0.4) million on impairment losses.

Gross goodwill shown on the balance sheet at 30 June 2014 resulted from:

- €135.3 million arising from the Group's structuring operations from 1998 to 2004, as a result of acquiring SCRAS and its subsidiaries, and €53.5 million arising from the acquisition of BB et Cie;
- €8.6 million arising from the 2004 acquisition of Sterix Ltd, which was fully amortized at the time of the business combination;
- €0.2 million arising from the acquisition of Beaufour Ipsen Farmaceutica LTA in 2007;
- €3.5 million arising from the acquisition of Vernalis Inc. on 1 July 2008, and €159.2 million arising from the acquisition of Ipsen Biopharmaceuticals Inc. on 16 October 2008. These transactions generated residual goodwill in the amount of €110.3 million;
- €16.3 million arising on the acquisition of Syntaxin Ltd on 12 July 2013.

As described in note 6 of the present report, the Group changed its organization effective 1st January 2014. Operating segment information was updated on 30 June 2014, with a retrospective presentation as of 30 June 2013 included for purposes of comparison.
The segment information presented was prepared on the basis of internal management data reported by the Executive Committee, which is the Group's chief operating decision maker. Operating segments are tracked separately in terms of internal reporting, using shared performance indicators.

The Group's two operating segments are primary care and specialty care. Accordingly, goodwill was reallocated in line with the Group's new organization.
€135.3 million related to the 1998 Group's structuring operations were allocated to the primary care and specialty care segments, in proportion to the revenue generated at 31 December 2013, the effective date of the new organization.

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

The goodwill related to the acquisition of Vernalis Inc. and Ipsen Biopharmaceuticals Inc. in the second half of 2008, as well as the goodwill related to the acquisition of Syntaxin in 2013, were allocated to the specialty-care operating segment.

12.2 Goodwill allocation table

Carrying value	Primary care	Specialty care	Total
Goodwill	92.6	219.7	312.3
Net underlying assets	291.9	401.3	693.2
Total	**384.5**	**621.0**	**1,005.5**

In the wake of the new segmentation, the Group tested goodwill for impairment and identified no impairment losses.

At 30 June 2014, 31 December 2013 and 30 June 2013, 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 13. Property, plant & equipment

- Movements during the first half of 2014

(in million euros)	31 December 2013	Movements during the period					30 June 2014
		Increase	Decrease	Changes in consolidation scope	Exchange differences	Other movements	
Land	17.2	-	-	-	0.1	0.1	17.3
Buildings	182.6	0.2	(0.7)	(3.7)	0.4	4.1	182.8
Plant & equipment	233.1	0.7	(0.9)	(8.9)	2.6	0.9	227.5
Other assets	107.8	1.1	(1.3)	(0.6)	0.6	5.9	113.5
Assets in progress	123.6	18.9	(0.1)	-	3.8	(11.0)	135.1
Advance payments	-	0.0	-	-	(0.0)	-	0.0
Gross property, plant and equipment	**664.2**	**20.9**	**(3.0)**	**(13.2)**	**7.4**	**(0.0)**	**676.3**
Amortisation	(364.2)	(13.9)	2.4	11.1	(2.7)	-	(367.3)
Impairment gain / (losses)	(12.5)	(0.4)	-	-	-	-	(12.9)
Depreciation & Impairment gain / (losses)	**(376.7)**	**(14.3)**	**2.4**	**11.1**	**(2.7)**	**-**	**(380.3)**
Net property, plant and equipment	**287.5**	**6.6**	**(0.6)**	**(2.1)**	**4.7**	**(0.0)**	**296.0**

Note 14. Investments in associated companies and joint ventures

In application of IFRS 11, the Linnea partnership with the Schwabe Group was deemed to be an interest in a joint venture and is now accounted for using the equity method.

Given the non-material impact on the main aggregate Group totals of applying IFRS 11 (under 25% of the Group's sales, current assets and non-current assets), comparable information was not presented.

Note 15. Other non-current assets

At 30 June 2014, other non-current assets totaled €8.2 million, down €1.5 million from 31 December 2013.

The value of convertible bonds at 30 June 2014 was zero following the reclassification of €1.0 million in Radius shares from non-current assets to equity investments. Furthermore, the decrease in the number of shares in the liquidity agreement amounted to €0.7 million for the period.

Note 16. Detail of the change in working capital requirement related to operating activities

- Movements during the first half of 2014

(in million euros)	31 December 2013	Movements during the period							30 June 2014
		Change in w/cap related to operating activities	Change in w/cap related to investing activities	Change in w/cap related to investing activities	Changes in consolidation scope	Foreign exchange differences	Fair value changes in profit and loss	Other movements	
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	
Inventories	121.5	(4.9)	-	-	(9.1)	0.6	-	-	108.0
Trade receivables	243.5	46.8	-	-	(3.2)	0.3	-	2.2	289.6
Current tax assets	42.8	4.3	-	-	-	0.0	-	-	47.2
Other current assets	60.3	11.3	(0.0)	0.1	(0.1)	0.5	-	0.0	72.1
Loans and receivables [1]	**468.2**	**57.5**	**(0.0)**	**0.1**	**(12.4)**	**1.4**	**-**	**2.2**	**516.8**
Current financial assets	0.1	-	-	-	(0.1)	-	0.1	-	0.1
Financial assets held for trading [2]	**0.1**	**-**	**-**	**-**	**(0.1)**	**-**	**0.1**	**-**	**0.1**
Trade payables	(154.8)	(0.2)	-	-	3.4	(0.8)	-	4.1	(148.4)
Current tax liabilities	(5.8)	(6.9)	-	-	0.2	(0.1)	-	-	(12.7)
Other current liabilities	(181.7)	23.0	1.9	0.8	0.4	1.5	-	(12.8)	(166.8)
Other non-current liabilities	(105.6)	(0.1)	-	-	-	(3.4)	-	8.8	(100.3)
Interest on other financial liabilities [3]	(0.5)	-	-	(0.1)	-	0.0	-	0.2	(0.4)
Financial liabilities measured at amortized cost [4]	**(448.5)**	**15.9**	**1.9**	**0.6**	**3.9**	**(2.8)**	**-**	**0.4**	**(428.5)**
Total	**19.8**	**73.3**	**1.9**	**0.7**	**(8.5)**	**(1.5)**	**0.1**	**2.5**	**88.4**

[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 amortized 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, Galderma and Menarini, the milestone payments received by the Group for these contracts were recognized on a straight-line basis over the life of the contracts. The portion unrecognized as income was recorded as "other non-current liabilities", if due after 12 months, and as "other current liabilities" if due within one year.

As in 2013, the Group did not recognize additional impairment losses on certain Greek, Spanish, Italian and Portuguese public-hospital accounts receivables, since the overall situation had been contained.

Note 17. Consolidated equity

17.1 Share capital

At 30 June 2014, Ipsen's share capital was comprised of 82,777,175 ordinary shares each with a nominal value of €1, including 47,845,737 shares with double voting rights, compared with 84,242,701 ordinary shares each with a nominal value of €1, including 57,379,526 shares with double voting rights at 31 December 2013.

The changes were as follows:

- In 2014, share capital was decreased by 1,642,542 treasury shares, 152,306 bonus shares were issued following the cancellation of certain beneficiaries in several stock option plans and 24,710 warrants were exercised as part of the 6 December 2005, 12 December 2006 and 30 June 2011 stock option plans.

- 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 under the 30 March 2009 stock option plan.

17.2 Equity attributable to Ipsen shareholders

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

(in million euros)	**30 June 2014**	**31 December 2013**
Ipsen share capital	82.8	84.2
Share premium	29.8	29.8
Issue premium	682.6	682.0
Ipsen statutory reserve	44.7	44.7
Other Ipsen reserves	98.5	148.2
Other consolidated reserves and retained earnings	42.0	(17.5)
TOTAL	**980.3**	**971.5**

17.3 Earnings per share

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

No stock option plans were dilutive at 30 June 2014 or 30 June 2013, except for the November 2005, December 2006, March 2009, and June 2011 plans.

The bonus share plans of 2008, 2009, 2010, 2011, 2012, 2013, and 2014 — 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 2014 that would have significantly modified the number of shares used in calculating earnings per share or diluted earnings per share.

	30 June 2014	30 June 2013 adjusted	30 June 2013
Number of ordinary shares at 31 December 2012 and 2013	84,242,701	84,255,373	84,255,373
Treasury shares (weighted average number)	(2,131,571)	(889,179)	(889,179)
Impact of options exercised - Stock option plan of 6 December 2005 - foreign tax-resident beneficiaries	11,546	4,816	4,816
Impact of options exercised - Stock option plan of 30 June 2011 - US tax-resident beneficiaries	3,001	-	-
Impact of options exercised - Stock option plan of 12 December 2006	536	-	-
Impact of bonus shares - 22 January 2009 plan - foreign tax-resident beneficiaries - without performance conditions	-	31,320	31,320
Impact of bonus shares - 30 March 2009 plan - foreign tax-resident beneficiaries - without performance conditions	-	4,435	4,435
Impact of bonus shares - 31 March 2010 plan - French tax-resident beneficiaries - without performance conditions	-	15,150	15,150
Impact of bonus shares - 31 March 2010 plan - foreign tax-resident beneficiaries - without performance conditions	7,380	22,110	22,110
Impact of bonus shares - 31 March 2010 plan - US tax-resident beneficiaries - without performance conditions	11,238	-	-
Impact of bonus shares - 30 June 2011 plan - French tax-resident beneficiaries - without performance conditions	-	68,440	68,440
Impact of bonus shares - 30 June 2011 plan - foreign tax-resident beneficiaries, excluding the US - without performance conditions	-	37,160	37,160
Impact of bonus shares - 30 June 2011 plan - US tax-resident beneficiaries - without performance conditions	-	12,980	12,980
Impact of bonus shares - 30 March 2012 plan - French and foreign tax-resident beneficiaries, excluding US - without performance conditions	58,822	-	-
Impact of bonus shares - 30 March 2012 plan - US tax-resident beneficiaries - without performance conditions	-	27,650	27,650
Capital decrease by Ipsen	-	(103,413)	(103,413)
Weighted average number of shares outstanding at 30 June 2014 and 30 June 2013, used to determine basic earnings per share	**82,203,653**	**83,486,842**	**83,486,842**
Dilutive impact of stock options and bonus shares	117,787	115,243	115,243
Weighted average number of shares outstanding at 30 June 2014 and 30 June 2013, used to determine diluted earnings per share	**82,321,440**	**83,602,085**	**83,602,085**

17.4 Dividends

At 30 June 2014 and 30 June 2013, a dividend of €0.8 per share was paid to shareholders.

Note 18. Provisions

(in million euros)	31 December 2013	Movements during the period						30 June 2014
		Changes in consolidation scope	Charges	Reversals		Exchange differences	Other movements	
				Applied	Released			
Business and operating risks	3.9	-	-	-	-	0.1	-	4.1
Legal risks	31.3	-	2.9	(3.5)	(4.3)	-	(0.1)	26.4
Restructuring	25.5	-	9.0	(7.9)	-	-	0.1	26.7
Other	5.0	-	1.9	(0.4)	(0.2)	-	-	6.3
Total provisions [1]	**65.7**	**-**	**13.9**	**(11.8)**	**(4.5)**	**0.2**	**(0.0)**	**63.4**
- of which current	20.7	-	4.2	(9.8)	(0.8)	-	(2.1)	12.2
- of which non-current	45.0	-	9.7	(2.0)	(3.7)	0.2	2.1	51.3

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

At 30 June 2014, provisions broke down as follows:

- **Business and operating risks**

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

- **Legal risks**

  These provisions include:

  - €21.0 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;
  - €3.6 million for costs related to corporate litigation that the Group may incur;
  - €1.8 million for various other legal risks.

- **Restructuring**

These provisions correspond mainly to expenses incurred by the Group to accelerate the implementation of transformation such as adaptation of support functions and reorganisation of research and development activities.

- **Other**

After relocating all the Paris sites to the new headquarters in Boulogne-Billancourt in 2008, a 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. In addition, a provision for medium-term bonus plans approved by the Board of Directors was recorded at 30 June 2014.

Note 19. Bank loans and financial liabilities

(in million euros)	31 December 2013	Additions	Repayments	Net change in interest	Movements	Changes in consolidation scope	Exchange differences	30 June 2014
		(A)	(B)	(D)	(F)	(G)	(H)	
Credit lines and bank loans	-	80.0	-	-	-	-	-	80.0
Other financial liabilities	12.3	2.1	(2.7)	(0.0)	(0.8)	-	-	10.9
Non-current financial liabilities (measured at amortized cost) [1]	**12.3**	**82.1**	**(2.7)**	**(0.0)**	**(0.8)**	**-**	**-**	**90.9**
Credit lines and bank loans	4.0	-	-		-	-	-	4.0
Other financial liabilities	3.3	0.0	(0.7)	0.2	0.8	-	0.0	3.6
Current financial liabilities (measured at amortized cost) [1]	**7.3**	**0.0**	**(0.7)**	**0.2**	**0.8**	**-**	**0.0**	**7.6**
Derivative financial instruments	0.2	-	-	-	-	(0.2)	-	0.0
Current financial liabilities (financial liabilities measured at fair value) [2]	**0.2**	**-**	**-**	**-**	**-**	**(0.2)**	**-**	**0.0**
Current financial liabilities	**7.5**	**0.0**	**(0.7)**	**0.2**	**0.8**	**(0.2)**	**0.0**	**7.6**
Total liabilities	**19.9**	**82.2**	**(3.4)**	**0.1**	**(0.0)**	**(0.2)**	**0.0**	**98.5**

[1] The carrying amount of financial liabilities measured at amortized 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 €40.0 million.

At 30 June 2014, the Group drew down €80.0 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 2014, the covenant ratios were within the agreed levels.

Note 20. Derivative financial instruments

Because the Group conducts some 45% of its business outside the Eurozone, exchange rate fluctuations can impact its sales and earnings results. Accordingly, the Group uses derivative instruments to manage its operational and financial exchange rate risk.

The two hedging types implemented within the Group include fair value hedging for certain invoices and cash flow hedging.

The hedging is aimed a protecting the Group's net profit from exchange rate fluctuations vis-à-vis company forecasts. Hedging transactions primarily consist of forward currency and currency option purchases and sales.

The Group's policy and practices preclude carrying out derivative financial instrument transactions for speculative gain.

	Fair value of items recognized in the balance sheet (in million of currency units)									Change of market value at 30 June 2014
	USD	CHF	RON	PLN	EUR	BRL	RUB	GBP	AUD	
Forward currency contracts matching invoice amounts	70.1	3.7	-	2.7	-	-	590.0	13.8	2.6	0.3
Cash flow hedging contracts	-	-	-	0.2	-	0.5	0.4	0.6	0.3	0.0
Total	**70.1**	**3.7**	**-**	**2.9**	**-**	**0.5**	**590.4**	**14.4**	**2.9**	**0.3**

Note 21. Information on related parties

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

Note 22. Commitments and contingent liabilities

The financial commitments existing at 31 December 2013 had not changed significantly at 30 June 2014.

Note 23. Post closing events with no impact on the consolidated financial statements at 30 June 2014

On 11 July 2014, Ipsen and Galderma, a global healthcare company focused on dermatology and skin health, announced that they have significantly expanded the scope of their neurotoxin partnership.

Under the terms of the agreement, the Dysport® distribution rights in the US and Canada, held originally by Valeant, have been included in the partnership between Ipsen and Galderma for the distribution of Dysport®/Azzalure® in aesthetic and dermatology indications. This partnership now covers the US, Canada, Brazil and Europe (excluding Russia) for a period extending to 2036. As part of this renegotiated agreement, Galderma will pay €25 million to Ipsen and benefit from improved margins in those territories. Ipsen will manufacture and supply the finished product to Galderma and receive royalties from Galderma.

In addition, the companies will increase the scope of their R&D collaboration through which each company will benefit from the other party's research compounds within its respective and exclusive areas of focus. In this regard, Ipsen will gain control of the intellectual property for Galderma's liquid toxin in the US, Canada, Brazil and Europe1 in exchange for a €10 million payment, while Galderma retains commercialization rights.

II - ACTIVITY REPORT

Comparison of consolidated sales for the second quarters and first halves 2014 and 2013:

Sales by geographical area

Group sales by geographical area in the second quarters and first halves 2014 and 2013 were as follows:

	2nd quarter				First half			
(in million euros)	2014	2013	% Variation	% Variation at constant currency	2014	2013	% Variation	% Variation at constant currency
France	52.3	55.0	-4.8%	-4.8%	106.7	113.6	-6.1%	-6.1%
United Kingdom	16.6	14.5	14.4%	9.9%	30.4	27.6	9.9%	6.1%
Spain	14.6	14.1	3.9%	3.9%	29.2	28.5	2.5%	2.5%
Germany	22.8	22.4	2.0%	2.0%	47.1	42.9	9.9%	9.9%
Italy	21.5	23.3	-7.8%	-7.8%	43.7	44.3	-1.1%	-1.1%
Major Western European countries	**127.9**	**129.2**	**-1.1%**	**-1.5%**	**257.1**	**256.8**	**0.1%**	**-0.3%**
Eastern Europe	46.5	47.1	-1.4%	6.6%	90.7	93.1	-2.6%	5.3%
Others Europe	37.0	38.9	-4.9%	-4.4%	74.4	74.6	-0.4%	0.2%
Other European Countries	**83.5**	**86.0**	**-2.9%**	**1.4%**	**165.0**	**167.7**	**-1.6%**	**2.9%**
North America	**17.2**	**19.3**	**-10.9%**	**-6.2%**	**31.5**	**36.5**	**-13.8%**	**-9.9%**
Asia	51.9	45.8	13.4%	19.6%	92.2	85.1	8.3%	12.4%
Other countries in the Rest of the world	52.3	46.7	11.9%	19.1%	92.8	87.4	6.1%	13.9%
Rest of the World	**104.2**	**92.5**	**12.7%**	**19.4%**	**185.0**	**172.5**	**7.2%**	**13.2%**
Group Sales	**332.7**	**327.0**	**1.7%**	**4.7%**	**638.7**	**633.6**	**0.8%**	**3.6%**
Of which: Total Drug Sales	**329.4**	**316.9**	**4.0%**	**7.1%**	**631.3**	**614.2**	**2.8%**	**5.7%**
Drug-related Sales*	**3.3**	**10.1**	**-67.3%**	**-67.5%**	**7.4**	**19.4**	**-62.1%**	**-62.2%**

* Active ingredients and raw materials

In the second quarter 2014, sales generated in the **Major Western European countries** reached €127.9 million, down 1.5% year-on-year. In the first half 2014, sales generated in the Major Western European countries amounted to €257.1 million, slightly down 0.3%. The growth of specialty care products was more than offset by the decline of French primary care sales. Sales in the Major Western European countries represented 40.3% of total Group sales in the first half 2014, compared to 40.5% the previous year.

France – In the second quarter 2014, sales reached €52.3 million, down 4.8% year-on-year. In the first half 2014, sales amounted to €106.7 million, down 6.1%, affected by the decline of primary care sales. Sales of Smecta® declined over the period, penalized by the 7.5% price cut implemented as of 1st January 2014 and a level of gastroenteritis epidemic lower than last year. Moreover, sales of Forlax® suffered from generic competition while Tanakan® continued to be impacted by the launch of a second "me-too" product in March 2013. Sales of specialty care products, slightly up over the period, were driven by the sustained growth of Somatuline® and NutropinAq®, partially offset by the decrease in volumes and the 4.0% price cut as of 1st April 2014. Consequently, the relative weight of France in the Group's consolidated sales has continued to decrease and now represents 16.7% of sales, compared to 17.9% the previous year.

United Kingdom – In the second quarter 2014, sales reached €16.6 million, up 9.9% year-on-year. In the first half 2014, sales amounted to €30.4 million, up 6.1%, notably fueled by the double-digit volume growth of Somatuline® and Decapeptyl®. In the first half 2014, the United Kingdom represented 4.8% of total Group sales, compared to 4.4% the previous year.

Spain – In the second quarter 2014, sales reached €14.6 million, up 3.9% year-on-year. In the first half 2014, sales amounted to €29.2 million, up 2.5%, driven by the robust growth of Somatuline® sales. In the first half 2014, sales in Spain represented 4.6% of total Group sales, compared to 4.5% the previous year.

Germany – In the second quarter 2014, sales reached €22.8 million, up 2.0% year-on-year. In the first half 2014, sales reached €47.1 million, up 9.9%, driven by strong volume growth of Somatuline® and Hexvix® but penalized by the reduction in

the supply of ginkgo biloba extracts to our partner Schwabe. Moreover, growth benefited from the favorable impact associated with the reduction (from 16% to 7%) in mandatory rebates on prescription drug sales. Restated for this element, sales grew 2.3%. Over the period, sales in Germany represented 7.4% of total Group sales, compared to 6.8% a year earlier.

Italy – In the second quarter 2014, sales reached €21.5 million, down 7.8% year-on-year. In the first half 2014, sales reached €43.7 million, down 1.1%. Somatuline® growth was more than offset by the impact of austerity measures, mainly targeting hospital products. In the first half 2014, Italy represented 6.9% of total Group sales, compared to 7.0% the previous year.

In the second quarter 2014, sales generated in the **Other European countries** reached €83.5 million, up 1.4% year-on-year. In the first half 2014, sales amounted to €165.0 million, up 2.9%, penalized by an unfavorable effect arising from the change in methodology for the consolidation of the Swiss company Linnea. Indeed, sales of active ingredients and raw materials made by Linnea, partner on which Ipsen and the Schwabe Group exercise joint control, will from now on be consolidated under the equity method of accounting[1]. Restated for this base effect, sales grew 8.4%, mainly driven by volume growth in Russia, where Tanakan® recorded solid performance following the implementation of a new distribution scheme since 1st April 2014 and the positive impact from a media campaign, and where Dysport® continues to penetrate the aesthetics and therapeutics markets. Sales were also driven by the supply of Dysport® for aesthetic use to Galderma, as well as the solid performance of the Netherlands, Denmark, Kazakhstan and Romania. Sales were penalized by the consequences of the political crisis ongoing in Ukraine. In the first half 2014, sales in this region represented 25.8% of consolidated Group sales, compared to 26.5% the previous year.

In the second quarter 2014, sales generated in **North America** reached €17.2 million, down 6.2% year-on-year. In the first half 2014, sales amounted to €31.5 million, down 9.9%, mainly impacted by the Increlex® supply interruption that occurred mid-June 2013. Restated for the Increlex® supply interruption, sales grew 12.3%, driven by the solid volume and value growth of Somatuline® and by the solid performance of Dysport® in aesthetics and therapeutics. Sales in North America represented 4.9% of consolidated Group sales, compared to 5.8% a year earlier.

In the second quarter 2014, sales generated in the **Rest of the World** reached €104.2 million, up 19.4% year-on-year. In the first half 2014, sales amounted to €185.0 million, up 13.2%, boosted by a favourable base effect in the Middle East. Indeed, during the first half 2013, Ipsen had stopped supplying its products in certain countries of the region due to the absence of payment guarantees. Restated for this base effect, sales in the Rest of the World grew 9.0%, mainly driven by strong volume growth in China (notably Decapeptyl® and Smecta®) and in Brazil, where Dysport® recorded good performance in aesthetics and therapeutics. In the first half 2014, sales in the Rest of the World reached 29.0% of total consolidated Group sales, compared to 27.2% the previous year.

[1] In accordance with the norm IFRS11 « Partnerships » applicable since 1st January 2014 on the accounting treatment of joint ventures

Sales by therapeutic area and by product

Note: unless stated otherwise, all variations in sales are stated excluding foreign exchange impacts and are computed by restating the H1 2013 sales with the H1 2014 exchange rates.

The following table shows sales by therapeutic area and by product for the second quarters and first halves 2014 and 2013:

	2nd quarter				First half			
(in million euros)	2014	2013	% Variation	% Variation at constant currency	2014	2013	% Variation	% Variation at constant currency
Uro-oncology	**90.6**	**80.3**	***12.8%***	***14.4%***	**168.8**	**154.6**	***9.2%***	***10.4%***
of which Hexvix®	3.9	3.4	*13.6%*	*13.4%*	8.3	7.4	*12.2%*	*11.9%*
of which Decapeptyl®	86.7	76.9	*12.8%*	*14.4%*	160.5	147.1	*9.1%*	*10.3%*
Endocrinology	**88.9**	**82.3**	***7.9%***	***9.5%***	**175.1**	**164.2**	***6.6%***	***8.2%***
of which Somatuline®	70.8	61.9	*14.4%*	*16.2%*	139.3	123.4	*12.9%*	*14.6%*
of which NutropinAq®	15.1	15.1	*-0.2%*	*0.1%*	30.9	29.2	*5.9%*	*6.3%*
of which Increlex®	3.0	5.4	*-44.6%*	*-42.5%*	5.0	11.7	*-57.5%*	*-56.2%*
Neurology	**67.8**	**69.8** [1]	***-2.8%***	***2.4%***	**128.6**	**130.6**[1]	***-1.6%***	***4.2%***
of which Dysport®	67.8	69.7	*-2.7%*	*2.5%*	128.6	130.5	*-1.5%*	*4.3%*
Specialty Care	**247.3**	**232.4**	***6.4%***	***9.1%***	**472.5**	**449.4**	***5.1%***	***7.8%***
Gastroenterology	**58.7**	**60.4**	***-2.8%***	***1.8%***	**110.6**	**114.0**	***-3.0%***	***0.6%***
of which Smecta®	30.5	32.1	*-4.9%*	*0.6%*	60.8	61.7	*-1.6%*	*2.3%*
of which Forlax®	10.5	11.8	*-11.2%*	*-10.1%*	18.8	20.7	*-8.8%*	*-7.8%*
Cognitive disorders	**14.9**	**15.3**	***-2.4%***	***2.5%***	**31.2**	**32.7**	***-4.6%***	***0.9%***
of which Tanakan®	14.9	15.3	*-2.4%*	*2.5%*	31.2	32.7	*-4.6%*	*0.9%*
Cardiovascular	**5.8**	**6.0**	***-3.3%***	***-2.9%***	**11.3**	**12.2**	***-7.1%***	***-6.7%***
of which Nisis® & Nisisco®	1.7	2.1	*-20.7%*	*-20.7%*	3.4	4.1	*-16.7%*	*-16.7%*
of which Ginkor®	3.7	3.5	*8.4%*	*9.2%*	7.3	7.6	*-3.9%*	*-3.3%*
Other Primary Care	**2.8**	**2.8**	***-1.7%***	***-1.6%***	**5.7**	**5.9**	***-4.0%***	***-3.8%***
of which Adrovance®	2.3	2.6	*-10.9%*	*-10.9%*	4.6	5.2	*-10.6%*	*-10.6%*
Primary Care	**82.2**	**84.5**	***-2.7%***	***1.4%***	**158.8**	**164.8**	***-3.7%***	***-0.1%***
Total Drug Sales	**329.4**	**316.9**	***4.0%***	***7.1%***	**631.3**	**614.2**	***2.8%***	***5.7%***
Drug-related Sales*	**3.3**	**10.1**	***-67.3%***	***-67.5%***	**7.4**	**19.4**	***-62.1%***	***-62.2%***
Group Sales	**332.7**	**327.0**	***1.7%***	***4.7%***	**638.7**	**633.6**	***0.8%***	***3.6%***

*Active ingredients and raw materials

[1] The 0.1 million euros difference with Dysport® sales arose from a final payment received on Apokyn®, whose North American development and marketing rights were sold to Britannia Pharmaceuticals in November 2011

In the second quarter 2014, **Specialty Care** sales reached €247.3 million, up 9.1% year-on-year. In the first half 2014, sales amounted to €472.5 million, up 7.8%. Sales in Uro-oncology, Endocrinology and Neurology grew by respectively 10.4%, 8.2% and 4.2%. In the first half 2014, the relative weight of specialty care products continued to increase to reach 74.0% of total Group sales, compared to 70.9% the previous year.

In **Uro-oncology**, sales of **Decapeptyl®** reached €86.7 million in the second quarter 2014, up 14.4% year-on-year. In the first half 2014, sales amounted to €160.5 million, up 10.3%, boosted by a favorable base effect in the Middle East. Indeed, during the first half 2013, Ipsen had stopped supplying its products in certain countries of the region due to the absence of payment guarantees. Restated for this base effect, Decapeptyl® grew 5.8%, driven by double-digit growth in China after a year 2013 marked by a disruption of the hospital promotion. The performance of Decapeptyl® took place in a strained environment in Europe, where the pharmaceutical market is contracting and where we note a more frequent use of co-payment in Southern Europe and a slowdown in the growth of Eastern European countries. As such, performance in France suffered from a decrease in volumes sold and the implementation of a 4.0%

price cut as of 1st April 2014. In the first half 2014, sales of **Hexvix®** amounted to €8.3 million, mostly generated in Germany. Over the period, sales in Uro-oncology represented 26.4% of total Group sales, compared to 24.4% the previous year.

In **Endocrinology**, sales reached €88.9 million in the second quarter 2014, up 9.5% year-on-year. In the first half 2014, sales amounted to €175.1, up 8.2%, and represented 27.4% of total Group sales, compared to 25.9% the previous year.

Somatuline® – In the second quarter 2014, sales reached €70.8 million, up 16.2% year-on-year. In the first half 2014, sales of Somatuline® amounted to €139.3 million, up 14.6%, driven by strong volume and value growth in the United States, by strong volume growth and a reduction (from 16% to 7%) in mandatory rebates on prescription drug sales in Germany, and by dynamic volume growth in the United Kingdom,. Somatuline® also recorded good performance in Spain, France, the Netherlands, Denmark and Italy.

NutropinAq® – In the second quarter 2014, sales reached €15.1 million, stable year-on-year. In the first half 2014, sales of NutropinAq® amounted to €30.9 million, up 6.3%, driven by good performance in Germany and France.

Increlex® – In the second quarter 2014, sales reached €3.0 million, down 42.5% year-on-year, mainly affected by the shortage situation that started mid-June 2013 in the United States and in August 2013 in Europe. Supply resumed in Europe in early 2014 and in the United States in June 2014. In the first half 2014, sales of Increlex® amounted to €5.0 million, down 56.2%.

In **Neurology**, **Dysport®** sales reached €67.8 million in the second quarter 2014, up 2.5% year-on-year. In the first half 2014, sales amounted to €128.6 million, up 4.3%, driven by the solid performance of the therapeutics and aesthetics segments in Brazil and Russia, and the supply of the product to Galderma for aesthetic use. Growth was affected by intense price competition in Korea and delivery rescheduling in Algeria. Neurology sales represented 20.1% of total Group sales in 2014, compared to 20.6% a year earlier.

In the second quarter 2014, sales of **Primary Care** products reached €82.2 million, up 1.4% year-on-year. In the first half 2014, sales amounted to €158.8 million, slightly down 0.1%, penalized by the 13.4% drop in sales in France. French sales were impacted by the performance of Smecta®, affected by a level of gastroenteritis epidemic lower than last year and the 7.5% price cut implemented as of 1st January 2014, and by the performance of Tanakan®, impacted by the launch of a competitive product ("me-too") in March 2013 and by the negative consequences arising from the reinforcement of the "Tiers-Payant[1]" regulation. Over the period, sales exhibited solid growth in China, Russia and Algeria, partially offsetting the decline in France. Primary care sales in France accounted for 28.5% of the Group's total primary care sales, compared to 31.7% the previous year.

In **Gastroenterology**, sales reached €58.7 million in the second quarter 2014, up 1.8% year-on-year. In the first half 2014, sales amounted to €110.6 million, up 0.6%.

Smecta® – In the second quarter 2014, sales reached €30.5 million, up 0.6% year-on-year. In the first half 2014, sales amounted to €60.8 million, up 2.3%, driven by solid growth in China and Algeria, penalized in France by the 7.5% price cut implemented as of 1st January 2014 and a level of gastroenteritis epidemic lower than last year. Smecta® sales represented 9.5% of total Group sales over the period, compared to 9.7% the previous year.

Forlax® – In the second quarter 2014, sales reached €10.5 million, down 10.1% year-on-year. In the first half 2014, sales amounted to €18.8 million, down 7.8%, affected by the reinforcement of the "Tiers-Payant[1]" regulation in France and by lower sales to our partners marketing generic versions of the product. In the first half 2014, France represented 45.3% of total product sales, compared to 52.3% the previous year.

In the **cognitive disorders area,** sales of **Tanakan®** reached €14.9 million in the second quarter 2014, up 2.5% year-on-year. Sales in the first half 2014 amounted to €31.2 million, slightly up 0.9%, driven by the good performance in Russia. Growth was partially offset by the launch of a second "me-too" product in France in 2013 and by a change in the commercial model for Spain, where the product is now distributed by a partner. In the first half 2014, 23.9% of Tanakan® sales were achieved in France, compared to 27.1% the previous year.

In the cardiovascular area, sales reached €5.8 million in the second quarter 2014, down 2.9% year-on-year. In the first half 2014, sales amounted to €11.3 million, down 6.7%, mainly impacted by the decline of **Nisis® / Nisisco®** sales.

Sales of **Other primary care** products reached €2.8 million in the second quarter 2014, down 1.6% year-on-year. In the first half 2014, sales amounted to €5.7 million, down 3.8%, mainly affected by the 10.6% decline in **Adrovance®** sales.

In the second quarter 2014, **drug-related sales (active ingredients and raw materials)** reached €3.3 million, down 67.5% year-on-year. In the first half 2014, sales amounted to €7.4 million, down 62.2%. Performance was penalized by an unfavourable effect associated with the change in methodology for the consolidation of the Swiss company Linnea. Indeed, sales of active ingredients and raw materials made by Linnea, partner on which Ipsen and the Schwabe Group exercise joint control, will from now on be consolidated under the equity method of accounting[2]. Restated for this base effect, sales were down 34.9%.

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

[2] In accordance with the norm IFRS11 « Partnerships » that came into force as of 1st January 2014 on the accounting treatment of joint ventures

Comparison of consolidated incomes for the first halves 2014 and 2013

(in million euros)	30 June 2014		30 June 2013 restated		*Change*
		% sales		*% sales*	
Sales	**638.7**	***100.0%***	**633.6**	***100.0%***	***0.8%***
Other revenues	30.1	*4.7%*	30.3	*4.8%*	*-0.7%*
Revenues	**668.8**	***104.7%***	**663.9**	***104.8%***	***0.7%***
Cost of goods sold	(155.8)	*-24.4%*	(152.5)	*-24.1%*	*2.2%*
Selling and marketing expenses	(211.4)	*-33.1%*	(223.3)	*-35.2%*	*-5.3%*
Research and development expenses	(87.6)	*-13.7%*	(90.4)	*-14.3%*	*-3.1%*
General and administrative expenses	(51.3)	*-8.0%*	(50.7)	*-8.0%*	*1.2%*
Other core operating income	4.0	*0.6%*	1.8	*0.3%*	*123.0%*
Other core operating expenses	(4.7)	*-0.7%*	(4.8)	*-0.8%*	*-3.2%*
Core Operating Income	**162.0**	***25.4%***	**144.0**	***22.7%***	***12.5%***
Other operating income	0.4	*0.1%*	0.9	*0.1%*	*-60.3%*
Other operating expenses	(3.4)	*-0.5%*	(1.3)	*-0.2%*	*153.1%*
Restructuring costs	(12.3)	*-1.9%*	1.3	*0.2%*	-
Impairment gain / (losses)	(0.4)	*-0.1%*	(11.7)	*-1.8%*	*-96.4%*
Operating Income	**146.3**	***22.9%***	**133.1**	***21.0%***	***9.9%***
Investment income	0.8	*0.1%*	7.9	*1.2%*	*-90.3%*
Financing costs	(1.2)	*-0.2%*	(1.2)	*-0.2%*	*5.1%*
Net financing costs	**(0.5)**	***-0.1%***	**6.7**	***1.1%***	-
Other financial income and expense	(1.7)	*-0.3%*	(5.6)	*-0.9%*	-
Income taxes	(40.7)	*-6.4%*	(43.9)	*-6.9%*	-
Share of profit / (loss) from associated companies and joint ventures	1.2	*0.2%*	-	-	-
Net profit / (loss) from continuing operations	**104.7**	***16.4%***	**90.3**	***14.3%***	***15.9%***
Net profit / (loss) from discontinued operations	(0.2)	*0.0%*	6.2	*1.0%*	-
Consolidated net profit	**104.5**	***16.4%***	**96.5**	***15.2%***	*8.2%*
- Attributable to shareholders of Ipsen S.A.	104.0		96.2		
- Minority interests	0.4		0.3		

- **Sales**

In the first half 2014, the Group's consolidated sales reached €638.7 million, up 0.8% year-on-year, or 3.6% excluding foreign exchange impacts[1].

[1] Variations excluding foreign exchange impacts are computed by restating the H1 2013 sales with the H1 2014 exchange rates

- **Other revenues**

In the first half 2014, Other revenues amounted to €30.1 million, stable compared to €30.3 million in the first half 2013. This variation mainly arises from the decrease in revenues from co-promotion and co-marketing agreements in France, partially offset by the increase in royalties received from the Group's partners (notably on Adenuric®). At 30 June 2013, the Group recorded a residual compensation payment from Novartis following the termination of the co-promotion agreement on Exforge® in April 2012.

Other revenues break down as follows:

(in million euros)	**30 June 2014**	**30 June 2013 restated**	*Change in value*	*Change in %*
Breakdown by type of revenue				
- Royalties received	9.9	7.7	*2.2*	*28.5%*
- Milestone payments - Licensing agreements [(1)]	11.1	11.9	*(0.8)*	*-6.5%*
- Other (co-promotion revenues, re-billings)	9.1	10.7	*(1.6)*	*-15.2%*
Total	30.1	30.3	*(0.2)*	*-0.7%*

[(1)] Milestone payments relating to licensing agreements are recognized primarily as milestone payments received on a pro rata basis over the life of partnership agreements.

- **Cost of goods sold**

In the first half 2014, the cost of goods sold amounted to €155.8 million, or 24.4% of sales, compared with €152.5 million, or 24.1% of sales, over the same period in 2013. This increase is mainly explained by a negative destocking effect, partly offset by a more favorable product mix, intensified productivity efforts, a change in the 2014 scope of consolidation (associated with the change in methodology for the consolidation of the Swiss company Linnea) and by the decrease in royalties paid to third parties on the sales of certain products commercialized by the Group.

In accordance with practices commonly used by the pharmaceutical industry, royalties paid under license agreements associated with marketed products are now recorded in cost of goods sold. They used to be recorded in selling and marketing expenses in previous years. Royalties paid amounted to €27.2 million in the first half 2014 compared to €27.3 million in the first half 2013.

- **Selling and marketing expenses**

Selling and marketing expenses amounted to €211.4 million in the first half 2014, or 33.1% of sales, down 5.3% compared to €223.3 million, or 35.2% of sales the previous year. This variation mainly stems from the impact of the primary care sales force restructuring in France and the Dysport® sales force restructuring in the US. Spending related to the preparation of the launch of Somatuline® in the treatment of neuroendocrine tumours, notably in the US, should accelerate in the second halve of the year.

- **Research and development expenses**

In the first half 2014, research and development expenses amounted to €87.6 million, or 13.7% of sales, compared to 14.3% of sales the previous year. This change mainly arises from the increase in the research tax credit, partly offset by the increase in drug-related research and development expenses, notably on the tasquinimod and dopastatin programs.

The table below provides a comparison of research and development expenses for the first halves of 2014 and 2013:

(in million euros)	**30 June 2014**	**30 June 2013 Restated**	*Change in value*	*Change in %*
Breakdown by expense type				
- Drug-related research and development [(1)]	(81.7)	(80.4)	*(1.3)*	*1.7%*
- Industrial and pharmaceutical development [(2)]	(19.4)	(18.8)	*(0.6)*	*3.4%*
- Strategic development [(3)]	(3.1)	(3.5)	*0.4*	*-11.0%*
- Research tax credit [(4)]	16.6	12.1	*4.4*	*36.5%*
Total	(87.6)	(90.4)	*2.8*	*-3.1%*

[(1)] Drug-related research is aimed at identifying new molecules, determining their biological characteristics and developing small-scale manufacturing processes. Patent-related expenses are also included in this type of expense;

[(2)] Industrial development includes chemical, biotechnical and development-process research costs to industrialise the small-scale production of agents developed by the research laboratories and the pharmaceutical development to lead new product development

projects, such as bibliographic research, formulation feasibility studies, method adaptation, method development and validation, and transpositions;

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

(4) In accordance with IAS 20 – Accounting for government grants – the research tax credit is booked in Operating Income.

- **General and administrative expenses**

General and administrative expenses amounted to €51.3 million in the first half 2014, up 1.2% year-on-year. This change mainly results from the rise of certain taxes in France.

- **Other core operating income and expenses**

Other core operating income amounted to €4.0 million in the first half 2014, compared with €1.8 million the prior year. They include revenue from the sublease of Ipsen's headquarters building, stable year-on-year, as well as the implementation of a currency macro-hedging program in 2014.

Other core operating expenses amounted to €4.7 million in the first half 2014, stable year-on-year. They mainly include the amortisation of intangible assets (excluding software) as well as the Group's headquarters rental costs.

- **Core Operating Income**

Core Operating Income amounted to €162.0 million in the first half 2014, or 25.4% of sales, compared with €144.0 million, or 22.7% of sales, for the same period in 2013. Core Operating Income grew 12.5% year-on-year.

- **Operating segments : distribution of Core Operating Income by therapeutical area**

In accordance with the 2 October 2013 announcement and the new organisation implemented by the Group, segment information is now presented around the Group's two operational segments, namely specialty care and primary care.

No allocation of central general expenses is made between these two segments. Likewise, the Group's research & development is not allocated between the two operational segments, this activity continuing to be managed on a global basis with investment decisions made independently by the Executive Committee even though each program will ultimately generate revenues for one of the two segments in case of success.

The segment result is Core Operating Income which is the indicator used by the Group to assess operational performance and allocate resources.

For purposes of comparison between the two financial years, information related to operational segments at 30 June 2013 has been restated.

The table below provides an analysis by therapeutic area of sales, revenues and Core Operating Income by operating segment for the first halves 2014 and 2013:

(in millions euros)	**30 June 2014**	*% of sales*	**30 June 2013 restated**	*% of sales*	*Change* *In value*	*%*
Specialty care						
Sales	472.5	*100.0%*	449.4	*100.0%*	*23.1*	*5.1%*
Revenues	487.4	*103.2%*	465.9	*103.7%*	*21.6*	*4.6%*
Core Operating Income	220.3	*46.6%*	196.4	*43.7%*	*24.0*	*12.2%*
Primary care(*)						
Sales	166.1	*100.0%*	184.1	*100.0%*	*(18.0)*	*-9.8%*
Revenues	181.3	*109.2%*	198.0	*107.5%*	*(16.6)*	*-8.4%*
Core Operating Income	67.5	*40.6%*	69.8	*37.9%*	*(2.2)*	*-3.2%*
Total allocated						
Sales	638.7	*100.0%*	633.6	*100.0%*	*5.1*	*0.8%*
Revenues	668.8	*104.7%*	663.9	*104.8%*	*4.9*	*0.7%*
Core Operating Income	287.8	*45.1%*	266.1	*42.0%*	*21.7*	*8.2%*
Total unallocated						
Core Operating Income	(125.8)	-	(122.1)	-	*(3.7)*	*3.0%*
Group total						
Sales	638.7	*100.0%*	633.6	*100.0%*	*5.1*	*0.8%*
Revenues	668.8	*104.7%*	663.9	*104.8%*	*4.9*	*0.7%*
Core Operating Income	162.0	*25.4%*	144.0	*22.7%*	*18.0*	*-12.5%*

(*) including active ingredients and raw materials

In the first half 2014, **Specialty Care** sales reached €472.5 million, up 5.1% year-on-year. The relative weight of specialty care products continued to increase to reach 74.0% of total Group sales, compared to 70.9% the previous year. Decapeptyl® sales grew 9.1% year-on-year, boosted by a favorable base effect in the Middle East and driven by double-digit growth in China, following a year 2013 marked by disruption of the hospital promotion. Somatuline® sales grew 12.9%, driven by strong volume and value growth in the United States, by strong volume growth and a reduction (from 16% to 7%) in mandatory rebates on prescription drug sales in Germany, and by a solid volume growth in the United Kingdom. Dysport® sales grew 4.3% excluding foreign exchange impacts[1] and declined 1.5% at current exchange rates, affected by a significant foreign exchange impact. Dysport® sales were affected by intense price competition in Korea and delivery rescheduling in Algeria, and driven by the solid performance of the therapeutics and aesthetics segments in Brazil and Russia, and the supply of the product to Galderma for aesthetic use. In the first half 2014, Core Operating Income amounted to €220.3 million, or 46.6% of sales, compared with €196.4 million, or 43.7% the previous year. This improvement notably arises from the reorganisation of Dysport® sales force in the United States, partially offset by expenses incurred to prepare the launch of Somatuline® in neuroendocrine tumours.

In the first half 2014, sales of **Primary Care (including active ingredients and raw materials)** products reached €166.1 million, down 9.8% year-on-year, mainly affected by an unfavorable effect arising from the change in methodology for the consolidation[2] of the Swiss company Linnea. Drug sales declined 3.7%, penalized by the 13.4% drop in sales in France. French sales were impacted by the performance of Smecta®, affected by a level of gastroenteritis epidemic lower than last year and the 7.5% price cut implemented as of 1st January 2014, and by the performance of Tanakan®, impacted by the launch of a competitive product ("me-too") in March 2013 and by the negative consequences arising from the reinforcement of the "Tiers-Payant[3]" regulation. Over the period, sales exhibited solid growth in China, Russia and Algeria, partially offsetting the decline in France. In the first half 2014, Core Operating Income amounted to €67.5 million, or 40.6% of sales, compared with €69.8 million, or 37.9% the previous year. This rise in profitability notably stem from the reorganization of the primary care sales force in France.

The unallocated Core Operating Income amounted to €(125.8) million in the first half 2014, compared with €(122.1) million recorded in the first half 2013. It mainly comprises the Group's research and development expenses and, to a lesser extent, the unallocated central general expenses, for a total amount of €(86.1) million in 2014 and €(87.9) million in 2013.

[1] Variations excluding foreign exchange impacts are computed by restating the H1 2013 sales with the H1 2014 exchange rates
[2] In accordance with the norm IFRS11 « Partnerships » applicable since 1st January 2014 on the accounting treatment of joint ventures
[3] With the "Tiers-Payant" regulation, the patient now pays upfront for a branded drug and is reimbursed only later on

Other operating income and expenses

Other non-core operating expenses amounted to €3.4 million in the first half 2014, compared with €1.3 million for the same period in 2013. At 30 June 2014, other non-core operating expenses mainly included costs associated with the transfer of the activities of the US affiliate Ipsen Bioscience from the Milford site to the Cambridge site following the sale of the Milford site to Baxter.

Restructuring costs

The Group recorded a €12.3 million cost as of 30 June 2014, compared with a €1.3 million income as of 30 June 2013. Restructuring costs mainly comprised expenses incurred by the Group to accelerate the implementation of transformation such as adaptation of support functions, reorganisation of research and development activities and a cost associated with the transfer of the activities of the US affiliate Ipsen Bioscience from the Milford site to the Cambridge site, following the sale of the Milford site to Baxter.

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.

Impairment losses

At 30 June 2014, the Group recorded a €0.4 million impairment loss in the context of the reorganisation of one of its sites.

In the first half 2013, the Group recorded a €11.7 million impairment loss on Increlex® (IGF-1) following interruption of the product supply, bringing the carrying value of the asset down to zero.

Operating Income

Operating Income reported at 30 June 2014 amounted to €146.3 million, or 22.9% of sales, up 9.9% year-on-year. At 30 June 2013, Operating Income reached 21.0% of sales, notably affected by impairment losses.

Net financing costs and other financial income and expenses

At 30 June 2014, the Group recorded a net financial expense of €2.2 million, compared to a net financial income of €1.1 million the previous year.

- **Net financing cost** was €0.5 million in the first half 2014, compared to a €6.7 million income the prior year. At 30 June 2013, the net income mainly resulted from a financial gain on the repayment of the Debtor-in-Possession (DIP) 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 / (expenses)** amounted to €(1.7) million in the first half 2014, compared to €(5.6) million in 2013, primarily as a result of a negative €5.0 million foreign exchange impact.

Income taxes

At 30 June 2014, the effective tax rate reached 28.2% of profit before tax from continuing operations before share of profit / (loss) from associated companies and joint ventures, compared with an effective tax rate of 32.7% at 30 June 2013.

The Group's effective tax rate benefitted from a favorable geographic mix resulting from the differences in tax rates between France and abroad. In addition, the Group benefitted from the favorable outcome of a number of tax audits closed in the first half.

Share of profit / (Loss) from associated companies and joint ventures

In the first half 2014, the Group recorded a €1.2 million profit from associated companies and joint ventures, following the change in methodology for the consolidation of the Swiss company Linnea. Indeed, the share of profit or loss from Linnea, partner on which Ipsen and the Schwabe Group exercise joint control, will from now on be consolidated under the equity method of accounting, in accordance with the norm IFRS11 "Partnerships" applicable since 1st January 2014 on the accounting treatment of joint ventures.

Profit / (Loss) from continuing operations

The profit from continuing operations at 30 June 2014 amounted to €104.7 million, up 15.9% from the €90.3 million recorded in 2013. It represented 16.4% of Group's sales for the period, compared with 14.3% for the same period in 2013.

Profit / (Loss) from discontinued operations

The loss from discontinued operations amounted to €(0.2) million in the first half 2014, compared to a profit of €6.2 million at 30 June 2013.

At 30 June 2014, it primarily comprised the OBI-1 clinical samples production costs as part of the agreement with Baxter.

At 30 June 2013, the result from discontinued operations included the negotiated repayment of advisory fees paid by Ipsen during the joint asset-sale process with Inspiration Biopharmaceuticals Inc., and the tax impact related to the compensation paid by the Group to the US subsidiary that sold the assets.

- **Consolidated net profit**

In the first half 2014, consolidated net profit amounted to €104.5 million (€104.0 million attributable to Ipsen S.A. shareholders), up 8.3% compared to the €96.5 million (€96.2 million attributable to Ipsen S.A. shareholders) recorded the previous year.

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

At 30 June 2014, the total of milestone payments received in cash by the Group but not yet recognised as other revenues in the income statement amounted to €117.6 million, compared with €137.3 million a year earlier.

The Group recorded no new deferred income from its partnerships in the first half 2014.

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

(in million euros)	**30 June 2014**	**30 June 2013 restated**
Total (*)	**117.6**	**137.3**
Deferred revenues will be recognised over time as follows:		
In the year n	11.1	11.8
In the year n+1	22.2	21.6
In the years n+2 and subsequent	84.3	103.9

(*) Amounts converted at average exchange rates respectively at 30 June 2014 and 30 June 2013

CASH FLOW AND CAPITAL

The consolidated cash flow statement shows that the Group's operating activities generated net cash flow of €54.7 million in the first half 2014, in line with the prior year.

Analysis of the Group's cash flow statement

(in million euros)	30 June 2014	30 June 2013
Cash flow from operating activities before changes in working capital requirement	128.0	139.9
(Increase) / Decrease in working capital requirement for operations	(73.3)	(85.3)
Net cash flow from operating activities	**54.7**	**54.5**
Net investments in tangible and intangible assets	(24.0)	(11.8)
Other cash flow from investments	(8.0)	(16.9)
Net cash provided (used) by investing activities	**(32.0)**	**(28.7)**
Net cash provided (used) by financing activities	**(20.5)**	**(20.8)**
CHANGES IN CASH AND CASH EQUIVALENTS	**2.2**	**5.1**
Opening cash and cash equivalents	125.4	113.3
Impact of exchange rate fluctuations	1.4	(0.8)
Closing cash and cash equivalents	**129.0**	**117.6**

- **Net cash flow from operating activities**

In first half 2014, cash flow from operating activities before changes in working capital requirement amounted to €128.0 million, compared with €139.9 million over the same period in the previous year. This decrease is mainly related to the year-on-year change in non-cash items.

Working capital requirement for operating activities amounted to €73.3 million in the first half 2014, compared with an €85.3 million increase for the same period in 2013. This evolution primarily stemmed from the following items:

- In the first half 2014, inventories decreased by €4.9 million, compared with an increase of €7.6 million for the same period in 2013. This change mainly arises from a destocking impact in China and the Middle East, where the Group had anticipated supply difficulties at the end of 2013, and to a lesser extent from the closing of a warehouse in Great Britain;
- In the first half 2014, trade receivables grew by €46.8 million, compared with an increase of €63.7 million the previous year. This improvement results from the implementation of action plans to accelerate the debt collection process, as well as the improved economic situation in Southern Europe;
- In the first half 2014, trade payables were stable, compared with a €20.7 million reduction over the same period in 2013. The decrease was primarily driven 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;
- In the first half 2014, the change in other operating assets and liabilities comprised the use of €34.3 million, in line with the prior year. At 30 June 2014, as at 30 June 2013, the Group did not record any new deferred income under its partnerships. An €11.1 million income associated with pre-existing partnerships was recorded in the income statement;
- In the first half 2014, the change in net tax liability represented a source of funds of €2.6 million, compared to €41.3 million the previous year. The situation at 30 June 2013 primarily resulted from the reimbursement in 2013 of an excess amount of tax paid for the fiscal year 2012.

- **Net cash flow used in investment activities**

In the first half 2014, net cash flow from investment activities represented a net use of funds of €32.0 million, compared to a net use of €28.7 million for the same period in 2013. It included:

- Investments in tangible and intangible assets, net of disposals, amounting to €24.0 million, compared to €11.8 million the previous year. This cash flow mainly included:
    - Acquisition of property, plant and equipment totalling €20.9 million, compared with €10.9 million in the first half 2013. These investments mainly consisted in items required for the maintenance of the Group's

industrial facilities, as well as capacity investments and the transfer of the activities of US affiliate Ipsen Bioscience from the Milford site to the Cambridge site;

- Acquisition of intangible assets for €3.3 million, compared with €1.1 million in the first half 2013, primarily related to IT.

- Impact of a revision in the scope of consolidation amounted to €3.6 million, corresponding to the change in methodology for the consolidation of the Swiss company Linnea.

- Year-on-year improvement in the working capital requirement for investment activities. At 30 June 2013, the latter had been affected by the payment of a debt recognised at the end of 2012 and related to the tasquinimod partnership with Active Biotech.

Net cash flow from financing activities

In the first half 2014, net cash used in financing activities represented a net use of €(20.5) million, in line with the prior year. The 2014 change mainly stems from the €80.0 million drawing by the Group on its credit line, offset by the payment of €65.7 million in dividends and by the €33.4 million spent on share buy-back.

APPENDIX 1: Consolidated income statement

(in million euros)	**30 June 2014**	**30 June 2013 restated**
Sales	**638.7**	**633.6**
Other revenues	30.1	30.3
Revenues	**668.8**	**663.9**
Cost of goods sold	(155.8)	(152.5)
Selling and marketing expenses	(211.4)	(223.3)
Research and development expenses	(87.6)	(90.4)
General and administrative expenses	(51.3)	(50.7)
Other core operating income	4.0	1.8
Other core operating expenses	(4.7)	(4.8)
Core Operating Income	**162.0**	**144.0**
Other operating income	0.4	0.9
Other operating expenses	(3.4)	(1.3)
Restructuring costs	(12.3)	1.3
Impairment gain / (losses)	(0.4)	(11.7)
Operating Income	**146.3**	**133.1**
Investment income	0.8	7.9
Financing costs	(1.2)	(1.2)
Net financing costs	**(0.5)**	**6.7**
Other financial income and expenses	(1.7)	(5.6)
Income taxes	(40.7)	(43.9)
Share of profit (loss) from associated companies and joint ventures	1.2	-
Net profit (loss) from continuing operations	**104.7**	**90.3**
Net profit (loss) from discontinued operations	(0.2)	6.2
Consolidated net profit	**104.5**	**96.5**
- Attributable to shareholders of Ipsen S.A.	104.0	96.2
- Minority interests	0.4	0.3

APPENDIX 2: Consolidated balance sheet before net profit allocation

(in million euros)	30 June 2014	31 December 2013
ASSETS		
Goodwill	312.3	310.7
Other intangible assets	142.4	144.8
Property, plant & equipment	296.0	287.5
Equity investments	9.0	6.7
Investments in associated companies	12.9	-
Non-current financial assets	0.4	1.5
Other non-current assets	8.2	9.7
Deferred tax assets	197.1	202.5
Total non-current assets	**978.4**	**963.5**
Inventories	108.0	121.5
Trade receivables	289.6	243.5
Current tax assets	47.2	42.8
Other current assets	72.1	60.3
Current financial assets	0.1	0.2
Cash and cash equivalents	131.9	131.0
Assets of discontinued operations	2.6	2.6
Total current assets	**651.4**	**601.8**
TOTAL ASSETS	**1,629.8**	**1,565.3**

EQUITY AND LIABILITIES		
Share capital	82.8	84.2
Additional paid-in capital and consolidated reserves	795.4	743.4
Net profit for the period	104.0	152.5
Exchange differences	(1.9)	(8.7)
Equity attributable to Ipsen shareholders	**980.3**	**971.5**
Attributable to minority interests	2.5	2.2
Total shareholders' equity	**982.8**	**973.8**
Retirement benefit obligation	47.5	45.7
Provisions	51.3	45.0
Bank loans	80.0	-
Other financial liabilities	10.9	12.3
Deferred tax liabilities	6.4	6.8
Other non-current liabilities	100.3	105.6
Total non-current liabilities	**296.4**	**215.4**
Provisions	12.2	20.7
Bank loans	4.0	4.0
Financial liabilities	3.6	3.5
Trade payables	148.4	154.8
Current tax liabilities	12.7	5.8
Other current liabilities	166.8	181.7
Bank overdrafts	2.9	5.6
Liabilities of discontinued operations	-	-
Total current liabilities	**350.6**	**376.2**
TOTAL EQUITY & LIABILITIES	**1,629.8**	**1,565.3**

APPENDIX 3: Consolidated cash flow statement

(in million euros)	30 June 2014			30 June 2013		
	Continuing operations	Operations held for sale / discontinued operations	Total	Continuing operations	Operations held for sale / discontinued operations	Total
Consolidated net profit	**104.7**	**(0.2)**	**104.5**	**90.3**	**6.2**	**96.5**
Share of profit (loss) from associated companies before impairment gain / (losses)	0.4	-	0.4	-	-	-
Net profit (loss) before share of profit (loss) from associated companies and joint ventures	**105.1**	**(0.2)**	**104.9**	**90.3**	**6.2**	**96.5**
Non-cash and non-operating items						
- Amortisation, provisions	15.7	-	15.7	18.0	0.4	18.5
- Impairment losses included in operating income and net financial income	0.4	-	0.4	11.7	-	11.7
- Change in fair value of financial derivatives	(3.5)	-	(3.5)	4.8	-	4.8
- Change in deferred taxes	7.1	-	7.1	7.1	(0.0)	7.1
- Share-based payment expense	2.3	-	2.3	2.5	-	2.5
- Other non-cash items	1.1	-	1.1	(1.2)	(0.1)	(1.2)
Cash flow from operating activities before changes in working capital requirement	***128.2***	***(0.2)***	***128.0***	***133.3***	***6.5***	***139.9***
- (Increase)/decrease in inventories	4.9	-	4.9	(7.6)	-	(7.6)
- (Increase)/decrease in trade receivables	(46.8)	-	(46.8)	(63.7)	-	(63.7)
- Increase/(decrease) in trade payables	0.2	-	0.2	(20.7)	-	(20.7)
- Net change in income tax liability	2.6	-	2.6	41.3	-	41.3
- Net change in other operating assets and liabilities	(34.3)	-	(34.3)	(33.9)	(0.7)	(34.6)
Change in working capital requirement related to operating activities	**(73.3)**	**-**	**(73.3)**	**(84.6)**	**(0.7)**	**(85.3)**
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**54.9**	**(0.2)**	**54.7**	**48.7**	**5.8**	**54.5**
Acquisition of property, plant & equipment	(20.9)	-	(20.9)	(10.9)	-	(10.9)
Acquisition of intangible assets	(3.3)	-	(3.3)	(1.1)	-	(1.1)
Payments to post-employment benefit plans	(0.4)	-	(0.4)	(1.2)	-	(1.2)
Impact of changes in the consolidation scope	(3.6)	-	(3.6)	-	-	-
Other cash flow related to investment activities	(1.9)	-	(1.9)	0.0	-	0.0
Change in working capital related to operating activities	(1.9)	-	(1.9)	(15.6)	-	(15.6)
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES	**(32.0)**	**-**	**(32.0)**	**(28.7)**	**-**	**(28.7)**
Additional long-term borrowings	82.2	-	82.2	40.0	-	40.0
Repayment of long-term borrowings	(3.4)	-	(3.4)	(0.2)	-	(0.2)
Capital increase by Ipsen	0.6	-	0.6	0.3	-	0.3
Treasury shares	(33.4)	-	(33.4)	0.1	-	0.1
Dividends paid by Ipsen	(65.5)	-	(65.5)	(66.6)	-	(66.6)
Dividends paid by subsidiaries to minority interests	(0.2)	-	(0.2)	(0.1)	-	(0.1)
DIP financing	-	-	-	7.1	-	7.1
Change in working capital related to operating activities	(0.7)	-	(0.7)	(1.4)	-	(1.4)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**(20.5)**	**-**	**(20.5)**	**(20.8)**	**-**	**(20.8)**
CHANGE IN CASH AND CASH EQUIVALENTS	**2.4**	**(0.2)**	**2.2**	**(0.8)**	**5.8**	**5.1**
Opening cash and cash equivalents	**125.4**	**-**	**125.4**	113.3	**-**	**113.3**
Impact of exchange rate fluctuations	1.4	-	1.4	(0.8)	-	(0.8)
Closing cash and cash equivalents	**129.2**	**(0.2)**	**129.0**	**111.8**	**5.8**	**117.6**

APPENDIX 4: Reconciliation of the income statement at 30 June 2013 published in 2013 and the income statement at 30 June 2013 published in 2014

In the context of the implementation of its new organization, the Group conducted a review of the presentation of its financial statements, and has changed the classification of certain elements of the income statement, considering that this new presentation will provide more relevant information to users of the financial statements.

- The Group has decided to present a Core Operating Income going forward, key management indicator enabling to understand and measure the performance of Group activities. Items that are not included are not qualified as exceptional or extraordinary, but correspond to unusual, abnormal and infrequent items referred to in § 28 of the IASB conceptual framework.

- The research tax credit has been reclassified as operating grant, in accordance with practices commonly used by the pharmaceutical industry. In accordance with IAS 20 - Accounting for Government Grants, it is now recognized in Core Operating Income, as a deduction of research and development expenses, to which it is directly related. It was presented as part of income taxes in previous years.

- Royalties paid under licenses related to marketed products are now recorded in cost of sales in accordance with practices commonly used by the pharmaceutical industry. They were recorded in selling and marketing expenses in previous years.

- The allocation of internal costs among the various functions of the consolidated income statement has been revised following the implementation of the new organization. As such, the costs of certain support functions have been reclassified from research and development expenses to selling and marketing expenses, this reclassification being considered more relevant by the Group in respect of the activities of the departments concerned and the new organization.

These reclassifications have no impact on net income.

At 30 June 2014, the Group has applied the new income statement format and, in accordance with the revised IAS 1, the comparative periods have been restated according to the new presentation.

The impact of reclassifications in the consolidated income statement at 30 June 2013 is presented in the table below:

(in million euros)	**30 June 2013 Reported**	**Royalties**	**Research Tax Credit**	**Internal Medical Department**	**Reclass. other income and expenses**	**Depreciation of intangible assets**		**30 June 2013 Restated**
Sales	633.6	-	-	-	-	-	Sales	633.6
Other revenues	30.3	-	-	-	-	-	Other revenues	30.3
Total revenues	**663.9**	**-**	**-**	**-**	**-**	**-**	**Total revenues**	**663.9**
Cost of goods sold	(125.2)	(27.3)	-	-	-	-	Cost of goods sold	(152.5)
Selling expenses	(229.2)	27.3	-	(21.4)	-	-	Selling expenses	(223.3)
Research and development expenses	(124.0)	-	12.1	21.4	-	-	Research and development expenses	(90.4)
General and administrative expenses	(50.7)	-	-	-	-	-	General and administrative expenses	(50.7)
					1.8	-	Other core operating income	1.8
					(2.6)	(2.2)	Other core operating expenses	(4.8)
							Core Operating income	**144.0**
Other operating income	2.7	-	-	-	(1.8)	-	Other operating income	0.9
Other operating expenses	(3.9)	-	-	-	2.6	-	Other operating expenses	(1.3)
Depreciation of intangible assets	(2.2)	-	-	-		2.2		-
Restructuring costs	1.3	-	-	-	-	-	Restructuring costs	1.3
Impairment gain/(losses)	(11.7)	-	-	-	-	-	Impairment gain/(losses)	(11.7)
Operating income	**121.0**	-	12.1	-	-	-	**Operating income**	**133.1**
Recurring adjusted operating income	***132.2***							
Net financing costs	6.7	-	-	-	-	-	Net financing costs	6.7
Other financial income and expenses	(5.6)	-	-	-	-	-	Other financial income and expenses	(5.6)
Income taxes	(31.8)	-	(12.1)	-	-	-	Income taxes	(43.9)
Share of profit (loss) from associated companies and joint ventures	-	-	-	-	-	-	Share of profit (loss) from associated companies and joint ventures	-
Net profit (loss) from continuing operations	**90.3**	**-**	**-**	**-**	**-**	**-**	**Net profit (loss) from continuing operations**	**90.3**
Net profit (loss) from discontinued operations	6.2	-	-	-	-	-	Net profit (loss) from discontinued operations	6.2
Consolidated net profit	**96.5**	**-**	**-**	**-**	**-**	**-**	**Consolidated net profit**	**96.5**
- Attributable to shareholders of Ipsen S.A.	96.2	-	-	-	-	-	- Attributable to shareholders of Ipsen S.A.	**96.2**
- Minority interests	0.3	-	-	-	-	-	- Minority interests	**0.3**

APPENDIX 5: Comparison of Core Operating Incomes for the first halves of 2014 and 2013

(in million euros)	30 June 2014	Non-core elements	30 June 2014 Core	30 June 2013 restated	Non-core elements	30 June 2013 Core
Core Operating Income	**162.0**	-	**162.0**	**144.0**	-	**144.0**
Other operating income	0.4	(0.4)	-	0.9	(0.9)	-
Other operating expenses	(3.4)	3.4	-	(1.3)	1.3	-
Restructuring costs	(12.3)	12.3	-	1.3	(1.3)	-
Impairment losses	(0.4)	0.4	-	(11.7)	11.7	-
Operating Income	**146.3**	**15.7**	**162.0**	**133.1**	**10.9**	**144.0**
Investment income	0.8	-	0.8	7.9	-	7.9
Financing costs	(1.2)	-	(1.2)	(1.2)	-	(1.2)
Net financing costs	(0.5)	-	(0.5)	6.7	-	6.7
Other financial income and expenses	(1.7)	-	(1.7)	(5.6)	-	(5.6)
Income taxes	(40.7)	(4.7)	(45.3)	(43.9)	(2.7)	(46.6)
Share of profit (loss) from associated companies and joint ventures	1.2	-	1.2	-	-	-
Net profit (loss) from continuing operations	**104.7**	**11.0**	**115.7**	**90.3**	**8.2**	**98.6**
Net profit (loss) from discontinued operations	(0.2)	0.2	-	6.2	(6.2)	-
Consolidated net profit	**104.5**	**11.3**	**115.7**	**96.5**	**2.0**	**98.6**
- Attributable to shareholders of Ipsen S.A.	104.0	11.3	115.3	96.2	2.0	98.3
- Minority interests	0.4	-	0.4	0.3	-	0.3
Diluted earnings per share – attributable to shareholders of Ipsen S.A. (in euros)	1.26	-	1.40	1.15	-	1.18

As part of the new presentation of its income statement, the Group now displays a Core Operating Income, which is a key management indicator to understand and measure the performance of the Group's activities. Items excluded from Core Operating Income are not qualified as exceptional or extraordinary, but correspond to unusual, abnormal and infrequent items referred to in § 28 of the IASB conceptual framework.

Similarly, the core net profit corresponds to the consolidated net profit adjusted for non-core items, net of tax.

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 2013 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®. Supply interruption occurred in mid-June 2013 in the US and in Q3 2013 in Europe and the rest of the world. On December 18th 2013, Ipsen announced that Lonza had successfully re-manufactured the active ingredient of Increlex® and that the European Medicines Agency (EMA) had been informed that Ipsen was preparing for the resupply of Increlex® in the European Union. Consultations with the National competent authorities have allowed a resupply in Europe early 2014. In the United States, Ipsen has released one batch of Increlex®'s active ingredient on 2 June 2014. Ipsen anticipates that additional lots will be released in the coming months, as the company continues to work closely with the FDA to make additional Increlex® lots available as soon as possible.

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

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

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

V - STATUTORY AUDITOR'S REVIEW REPORT ON THE 2014 HALF YEARLY CONSOLIDATED FINANCIAL STATEMENTS

Ipsen

Société Anonyme

65, quai Georges Gorse - 92650 Boulogne-Billancourt

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 interim consolidated financial statements of Ipsen SA for the period 1 January 2014 to 30 June 2014, as attached to this report;
- verification of information contained in the interim management report.

These consolidated condensed interim financial statements have been prepared under the responsibility of the Board. It is our responsibility, based on our limited review, to express a conclusion on these accounts.

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. Consequently, assurance that the financial statements taken as a whole, do not contain any significant anomalies obtained in the framework of a limited examination is moderate, and lower than that obtained in the course of an audit.

Based on our limited review, we did not identify any material anomalies likely to call into question the compliance of the interim consolidated financial statements with IAS 34 - standard of the IFRS as adopted in the European Union applicable to interim financial information.

Without qualifying the conclusion expressed above, we draw your attention to Notes 4 and 6 of the consolidated interim financial statements which describe the change in presentation of certain items of income and segment information in the context of the implementation of the new organization of the group.

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 and Neuilly-sur-Seine, 28 August 2014

The company's statutory auditors

KPMG Audit

A division of KPMG S.A.

Philippe GRANDCLERC

Deloitte & Associés

Fabien BROVEDANI

VI - ATTESTATION OF THE PERSON RESPONSIBLE FOR THE 2014 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