PRESS RELEASE

Ipsen: 2014 half-year results and 2014 objectives

- **Specialty care sales up 7.8%[1]:**
- **Strong Somatuline® growth of 14.6%[1], up double-digit across all geographies[2]**
- **Decapeptyl® rebounding 10.3%[1], after a particularly difficult year 2013 in China and the Middle East**

- **Stable[1] Primary care sales, driven by international growth**

- **Core Operating Income up 12.5%, supported by sales growth and continuous cost control**

- **Fully diluted core EPS up 18.6%**

- **2014 objectives raised**

Paris (France), 29 August 2014 - The Board of Directors of Ipsen (Euronext: IPN; ADR: IPSEY), chaired by Marc de Garidel, met on 28 August 2014 to approve the financial statements for the first half 2014, published today. The interim financial report, with regard to regulated information, is available on the Group's website, www.ipsen.com, under the Regulated Information tab in the Investor Relations section. The 2014 half year financial statements are subject to a limited review by statutory auditors.

Commenting on the first half 2014 performance, **Marc de Garidel, Chairman and Chief Executive Officer of Ipsen**, stated: *"Ipsen posted a good performance in the first half 2014. The strong growth exhibited by Somatuline® and the rebound of Decapeptyl® have allowed specialty care to end up far above expectations. Solid drug sales growth, together with continuous cost control, resulted in a clear improvement of Group profitability, with double-digit growth of Core Operating Income and fully diluted core EPS".* **Marc de Garidel** added: *"These good results allow us to raise our sales and profitability objectives for 2014 and to serenely prepare for the future with the launch of Somatuline® in the treatment of neuroendocrine tumours".*

[1] Year-on-year sales growth excluding foreign exchange impacts
[2] Europe G5, Other European countries, North America, Rest of the world

Extract of consolidated results

Note: 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 (cf. appendix 4).

(in million euros) *These results were subject to limited review by the auditors*	H1 2014	H1 2013 restated	% change	% change at constant currency
Specialty care sales	472.5	449.4	*+5.1%*	*+7.8%*
Primary care sales	158.8	164.8	*-3.7%*	*-0.1%*
Total drug sales	**631.3**	**614.2**	***+2.8%***	***+5.7%***
Drug-related sales*	7.4	19.4	*-62.1%*	*-62.2%*
Sales	**638.7**	**633.6**	***+0.8%***	***+3.6%***
Other revenues	**30.1**	**30.3**	***-0.7%***	
Total revenues	**666.8**	**663.9**	***+0.7%***	
Research and development expenses**	(87.6)	(90.4)	*-3.1%*	
Core Operating Income	**162.0**	**144.0**	***+12.5%***	
In % of sales	25.4%	22.7%	-	
Consolidated net profit	**104.5**	**96.5**	***+8.2%***	
Earnings per share – fully diluted (€)	1.26	1.15	*+9.6%*	
Core earnings per share – fully diluted (€)	**1.40**	**1.18**	***+18.6%***	
Net cash flow from operating activities (continuing operations)	**54.9**	**48.7**	***+12.7%***	

* *Drug-related sales are penalized by the change in methodology for the consolidation of the Swiss company Linnea. The Ipsen share (€8.1 million in H1 2014) in the 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].

** *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. Excluding the research tax credit, research and development expenses grew 1.6%.*

Review of the first half 2014 sales and results

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 Group's consolidated sales reached €638.7 million, up 3.6% year-on-year. Sales of **specialty care** products amounted to €472.5 million, up 7.8%. Specialty care products accounted for 74.0% of the Group's consolidated sales, compared to 70.9% the previous year. Sales of **primary care** products reached €158.8 million, down 0.1% year-on-year.

In the first half 2014, **specialty care** growth was driven by:

- The strong performance of Somatuline® across all geographies[2], supported 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 solid volume growth in the United Kingdom;
- The solid rebound of Decapeptyl®, after a particularly difficult year 2013 in China and the Middle East. In 2013, sales in China were affected by the disruption of hospital promotion, while in the Middle East Ipsen had stopped supplying its products in certain countries of

[1] In accordance with the norm IFRS11 « Partnerships » applicable since 1st January 2014 on the accounting treatment of joint ventures
[2] Europe G5, Other European countries, North America, Rest of the world

the region in the first half due to the absence of payment guarantees.

In the first half 2014, the resiliency of **primary care** resulted from a solid international performance, notably in China, Russia and Algeria, offset by the 13.4% drop in French sales.

Consequently, **Drug sales** grew 5.7% 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.

In the **Other European countries**, 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. Restated for this base effect, sales grew 8.4%, driven by volume growth in Russia, where Tanakan® recorded a 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.

Sales generated in **North America** 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.

In the **Rest of the World**, sales amounted to €185.0 million, up 13.2%, boosted by a favourable base effect in the Middle East, where Ipsen had stopped supplying its products in certain countries of the region in the first half 2013 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 those of Decapeptyl® and Smecta®) and in Brazil, where Dysport® sales recorded solid performance in aesthetics and therapeutics.

Other revenues in the first half 2014 amounted to €30.1 million, stable compared to €30.3 million in the first half 2013. The change mainly arose from the decrease in revenues from co-promotion and co-marketing agreements in France, partly offset by the increase in royalties received from the Group's partners (notably on Adenuric®).

Consequently, **total revenues** reached €668.8 million in the first half 2014, up 0.7% year-on-year.

The **cost of goods sold** represented 24.4% of sales, compared with 24.1% of sales for the same period in 2013. The increase in cost of goods sold was mainly driven 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.

R&D 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 for the tasquinimod and dopastatin programs.

Selling, general and administrative expenses amounted to €262.7 million in the first half 2014, or 41.1% of sales, compared to 43.2% 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.

Core Operating Income in the first half 2014 amounted to €162.0 million, 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.

In the first half 2014, the Group recorded a €12.3 million **restructuring charge**, 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 the cost associated with the transfer of the activities of US affiliate Ipsen Bioscience from the Milford site to the Cambridge site, following the sale of the Milford site to Baxter.

Operating income amounted to €146.3 million for the first half 2014, or 22.9% of sales, up 9.9% year-on-year. At 30 June 2013, Operating income amounted to 21.0% of sales, notably affected by impairment losses on Increlex® (IGF-1).

The Group recorded **net financial expenses** of €2.2 million in the first half 2014, compared to a net financial income of €1.1 million the previous year. In the first half 2014, the net financing costs comprised a loss of €0.5 million and the other financial income / (expenses) comprised a loss of €1.7 million.

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

In the first half 2014, the Group recorded a €1.2 million **profit from associated companies and joint ventures**, representing Ipsen's share in the result of the Swiss company Linnea. This change in methodology for the consolidation of the company Linnea is in accordance with the norm IFRS11 "Partnerships" applicable since 1st January 2014 on the accounting treatment of joint ventures.

The **loss from discontinued operations** amounted to €(0.2) million in the first half 2014, compared to a profit of €6.2 million for the same period in 2013.

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.

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 the previous year.

The **net cash provided by operating activities from continuing operations** reached €54.9 million compared to €48.7 million for the same period in 2013. At 30 June 2014, the Group had **closing cash and cash equivalents** of 129.2 million compared to €111.8 million at 30 June 2013.

2014 objectives raised

	Initial guidance	Revised guidance
Specialty care sales growth	4.0% – 6.0%	6.0% – 8.0%
Primary care sales growth	(2.0%) – 0.0%	(1.0%) – 1.0%
*Recurring Adj. Operating Income margin**	*16.0% – 17.0%*	*17.0% – 18.0%*
Core Operating Income margin	18.0% – 19.0%	19.0% – 20.0%

** Previously used reporting classification*

In the first half, some favorable factors led the Group to revise its objectives for 2014:

- Year-on-year growth of **specialty care sales between 6.0% and 8.0%**, driven by the strong growth of Somatuline®, the solid Decapeptyl® performance notably due to the normalisation of the situation in China and in the Middle East, and the resumption of Increlex® supply in the United States in June 2014;
- Year-on-year growth **of primary care sales between -1.0% and 1.0%**, excluding the reimbursement of Smecta®'s generic in France;
- **Core operating margin between 19.0% and 20.0%** of sales. The raise of profitability objective results from two effects:

- An improvement in sales prospects for 2014 (approximately 100 basis points);
- A mechanical effect from the integration of the research tax credit in Core Operating Income (approximately 200 basis points).

The above objectives are set at constant exchange rates, in the context of a tense and uncertain geopolitical environment in Russia, Ukraine and the Middle East.

Media conference call (in French)

Ipsen will host a conference call on Friday 29 August 2014 at 09:00 am (Paris time - GMT+1). Participants in the conference call may connect for the meeting 5-10 minutes prior to its start. No reservations are required to participate. The conference ID is 81193442. The telephone number to call in order to connect to the conference call from France is 0805 102 752 or +33 (0)170 708 240 and for the other countries it is +44 (0) 1452 551 089. The telephone number to call in order to access a recording of the conference call is from France +33 (0)805 111 337 and for the other countries +44 (0) 1452 55 00 00. The access number is 81193442. The conference call is available for one week following the meeting.

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

Ipsen will host an analyst meeting on Friday 29 August 2014 at 2:30 p.m. (Paris time, GMT+1) at its headquarters in Boulogne-Billancourt (France). A web conference (audio and video webcast) and conference call will take place simultaneously. The web conference will be available at www.ipsen.com. Participants in the conference call should dial in approximately 5 to 10 minutes prior to its start. No reservation is required to participate. The conference ID is 947013. No access code is required. Phone numbers to call in order to connect to the conference are: from France and continental Europe +33 (0)17 0993 212, from UK +44 (0)20 7162 0177 and from the United States +1 334 323 6203. No access code is required. A recording will be available shortly after the call. Phone numbers to access the replay of the conference are: from France and continental Europe +33 (0)17 0993 529, from UK +44 (0)207 0314 064 and from the United States +1 954 334 0342 and access code is 947013. This replay will be available for one week following the meeting.

About Ipsen

Ipsen is a global specialty-driven pharmaceutical company with total sales exceeding €1.2 billion in 2013. Ipsen's ambition is to become a leader in specialty healthcare solutions for targeted debilitating diseases. Its development strategy is supported by 3 franchises: neurology, endocrinology and uro-oncology. Moreover, the Group has an active policy of partnerships. Ipsen's R&D is focused on its innovative and differentiated technological platforms, peptides and toxins. In 2013, R&D expenditure totaled close to €260 million, representing more than 21% of Group sales. Moreover, Ipsen also has a significant presence in primary care. The Group has close to 4,600 employees worldwide. Ipsen's shares are traded on segment A of Euronext Paris (stock code: IPN, ISIN code: FR0010259150) and eligible to the "Service de Règlement Différé" ("SRD"). The Group is part of the SBF 120 index. Ipsen has implemented a Sponsored Level I American Depositary Receipt (ADR) program, which trade on the over-the-counter market in the United States under the symbol IPSEY. For more information on Ipsen, visit www.ipsen.com.

Forward Looking Statement

The forward-looking statements, objectives and targets contained herein are based on the Group's management strategy, current views and assumptions. Such statements involve known and unknown risks and uncertainties that may cause actual results, performance or events to differ materially from those anticipated herein. All of the above risks could affect the Group's future ability to achieve its financial targets, which were set assuming reasonable macroeconomic conditions based on the information available today. Use of the words "believes," "anticipates" and "expects" and similar expressions are intended to identify forward-looking statements, including the Group's expectations regarding future events, including regulatory filings and determinations. Moreover, the targets described in this document were prepared without taking into account external growth assumptions and potential future acquisitions, which may alter these parameters. These objectives are based on data and assumptions regarded as reasonable by the Group. These targets depend on conditions or facts likely to happen in the future, and not exclusively on historical data. Actual results may depart significantly from these targets given the occurrence of certain risks and uncertainties, notably the fact that a promising product in early development phase or clinical trial may end up never being launched on the market or reaching its commercial targets, notably for regulatory or competition reasons. The Group must face or might face competition from generic products that might translate into a loss of market share. Furthermore, the Research and Development process involves several stages each of which involves the substantial risk that the Group may fail to achieve its objectives and be forced to abandon its efforts with regards to a product in which it has invested significant sums. Therefore, the Group cannot be certain that favourable results obtained during pre-clinical trials will be confirmed subsequently during clinical trials, or that the results of clinical trials will be sufficient to demonstrate the safe and effective nature of the product concerned. There can be no guarantees a product will receive the necessary regulatory approvals or that the product will prove to be commercially successful. If underlying assumptions prove inaccurate or risks or uncertainties materialize, actual results may differ materially from those set forth in the forward-

looking statements. Other risks and uncertainties include but are not limited to, general industry conditions and competition; general economic factors, including interest rate and currency exchange rate fluctuations; the impact of pharmaceutical industry regulation and health care legislation; global trends toward health care cost containment; technological advances, new products and patents attained by competitors; challenges inherent in new product development, including obtaining regulatory approval; the Group's ability to accurately predict future market conditions; manufacturing difficulties or delays; financial instability of international economies and sovereign risk; dependence on the effectiveness of the Group's patents and other protections for innovative products; and the exposure to litigation, including patent litigation, and/or regulatory actions. The Group also depends on third parties to develop and market some of its products which could potentially generate substantial royalties; these partners could behave in such ways which could cause damage to the Group's activities and financial results. The Group cannot be certain that its partners will fulfil their obligations. It might be unable to obtain any benefit from those agreements. A default by any of the Group's partners could generate lower revenues than expected. Such situations could have a negative impact on the Group's business, financial position or performance. The Group expressly disclaims any obligation or undertaking to update or revise any forward looking statements, targets or estimates contained in this press release to reflect any change in events, conditions, assumptions or circumstances on which any such statements are based, unless so required by applicable law. The Group's business is subject to the risk factors outlined in its registration documents filed with the French Autorité des Marchés Financiers.

For further information:

Media

Didier Véron
Senior Vice-Président, Public Affairs
and Communication
Tel.: +33 (0)1 58 33 51 16
Fax: +33 (0)1 58 33 50 58
E-mail: didier.veron@ipsen.com

Brigitte Le Guennec
Media and Public Relations Manager
Tel.: +33 (0)1 58 33 51 17
Fax: +33 (0)1 58 33 50 58
E-mail : brigitte.le.guennec@ipsen.com

Financial Community

Stéphane Durant des Aulnois
Investor Relations Director
Tel.: +33 (0)1 58 33 60 09
Fax: +33 (0)1 58 33 50 63
E-mail: stephane.durant.des.aulnois@ipsen.com

Thomas Peny-Coblentz, CFA
Investor Relations Deputy Director
Tel.: +33 (0)1 58 33 56 36
Fax: +33 (0)1 58 33 50 63
E-mail: thomas.peny-coblentz@ipsen.com

APPENDIX

RISK FACTORS

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

MAJOR DEVELOPMENTS

During the first half 2014, major developments included:

- On 10 January 2014 – Ipsen announced the appointment of Jonathan Barnsley as Executive Vice President in charge of Technical Operations. He is a member of the Executive Committee of the Ipsen group. He took up his new position on April 1st, 2014, reporting directly to Christel Bories, Deputy CEO of the Ipsen group.

- On 14 January 2014 – Ipsen and GW Pharmaceuticals plc announced that they have entered into an exclusive agreement for Ipsen to promote and distribute Sativex®, a sublingual cannabis extract spray intended for the treatment of spasticity due to multiple sclerosis in Latin America (excluding Mexico and the Islands of the Caribbean). GW will be responsible for commercial product supply to Ipsen. GW Pharmaceuticals and Ipsen aim to start regulatory filings in selected countries in Latin America during 2014 for the multiple sclerosis spasticity indication.

- On 14 January 2014 – Ipsen announced its decision to set up its own oncology team to commercialize Somatuline® Depot® (lanreotide) 120 mg Injection (« Somatuline® ») in neuroendocrine tumors in the US. Over the past few months, the Group had been considering both a "go-it-alone" and a partnership strategy following the communication of the data from the investigational CLARINET® phase III clinical study evaluating the antiproliferative effect of Somatuline® in the treatment of non-functioning gastrointestinal & pancreatic NETs (GEP NETs). Ipsen expects that these encouraging results will support a key long-term opportunity for the Group to access an US addressable market in excess of $500 million[1]. Ipsen considers success in the US as a strategic priority. The "go-it-alone" option maximizes long term value creation and helps the US affiliate in reaching critical mass.
  Ipsen anticipates filing a Supplemental New Drug Application seeking an indication for Somatuline® in NETs in the first half of 2014. Maximum incremental annual cost associated with the launch of Somatuline® in the NET indication in the US is expected to range from €30 million to €40 million. As a result, US breakeven[2], initially expected in 2014, is postponed to 2017. Ipsen will continue to implement cost containment initiatives to minimize impact on overall Group profitability.

- On 17 January 2014 – Ipsen announced at ASCO GI that ELECT® clinical trial of Somatuline® in the control of symptoms in GEP-NET patients with carcinoid syndrome met its primary endpoint. Results of the ELECT® phase III study (poster 268) showed that treatment with Somatuline® 120 mg versus placebo resulted in a statistically significant reduction in the number of days in which immediate release octreotide was used as rescue medication, representing a mean difference of -14.8% (95%CI: -26.8, -2.8; p = 0.017). Somatuline® significantly improved the rates of complete/partial treatment success versus placebo (odds ratio = 2.4; 95%CI: 1.1, 5.3; p = 0.036).

- On 22 January 2014 – Ipsen announced the implementation of new governance in the United States, following its recently announced decision to launch Somatuline® for oncology indications. Marc de Garidel will personally oversee this projected launch. Cynthia Schwalm will join Ipsen's US Operations to head up the Endocrinology/Oncology Business Unit as of 3 February, 2014. As of mid-August 2014, she will take over as General Manager of the US commercial affiliate.

- On 5 February 2014 – Ipsen announced the results of the international Phase III clinical trial of Dysport® Next Generation (DNG) in cervical dystonia and the results of the European Phase II clinical trial of DNG in glabellar lines. In the light of these results, Ipsen announces its intention to file the first ready-to-use liquid toxin A in Europe and in the Rest of the World[3] (ROW). DNG was clinically and statistically superior to placebo in the cervical dystonia Phase III study at the dose of 500 units at week 4 after single dose (adjusted mean reduction of 12.5 with DNG versus 3.9 with placebo as assessed by the Toronto Western Spasmodic Torticollis Rating Scale, or TWSTRS, total score). When compared to Dysport®, DNG did not demonstrate the statistical non-inferiority in efficacy at week 4 (adjusted mean reduction of 12.5 with DNG versus 14.0 with Dysport® in TWSTRS total score). This efficacy difference is unlikely to be of clinical relevance. After repeated dose, DNG showed comparable efficacy to that of

[1] Ipsen 2013 estimates of US NET market
[2] Commercial contribution excluding Increlex® (mecasermin [rDNA origin]) Injection sales and revenues from US collaboration with Valeant Pharmaceuticals Intl Inc. in aesthetic medicine
[3] Latin America, Middle East and Asia (excl. China and Japan)

Dysport® as observed in former Phase III studies[1]. DNG was clinically and statistically superior to placebo and comparable to Dysport® in the glabellar lines Phase II study at the dose of 50 units after single dose. Across the studies, DNG showed safety profiles consistent with the known safety profile of Dysport®. Regarding DNG stability, analysis is still ongoing. The stability data trends are positive, providing confidence of achieving a commercially viable product. Ipsen is continuing stability testing to establish maximum shelf life across full product range. On the basis of these results and feedback from the Principal Investigator of the Phase III study, Ipsen intends to initiate a dialog with key agencies on the regulatory approach to file the first ready-to-use liquid toxin A in Europe and ROW[2].

- On 7 February 2014 – Ipsen announced that the phase III clinical trial evaluating Decapeptyl® (triptorelin pamoate) 11.25 mg administered subcutaneously in patients with locally advanced or metastatic prostate cancer has met its primary endpoints. The full study results will be presented this year during a medical congress. Based on these results, Ipsen intends to apply for the addition of the subcutaneous route, alongside the intramuscular route, to the label of triptorelin pamoate 11.25 mg.

- On 18 March 2014 – Ipsen announced positive results from its phase IIa clinical trial assessing Dysport® in the treatment of Neurogenic Detrusor Overactivity (NDO) in patients with urinary incontinence not adequately managed by anticholinergics. Results show that treatment with Dysport® was associated with a mean reduction from baseline of urinary incontinence episodes greater than 75%, 12 weeks after the injection, regardless of how the drug is administered. These results were achieved with a single dose of Dysport® 750 Units injected in either 15 or 30 sites in the detrusor muscle. Efficacy was confirmed by improvement in urodynamic parameters and quality of life. The safety profile observed in the study is consistent with the safety profile expected in this indication.

- On 20 March 2014 – Ipsen announced that Mayroy, its controlling shareholder, had completed an institutional private placement of 5 888 290 shares representing c.7% of Ipsen's share capital, at a price of €29.50 per share. As part of this transaction, Ipsen purchased 842 542 of its own shares (representing 1% of its share capital) to be cancelled.Ipsen has been informed that the proceeds of this sale will be used to partially finance the repurchase by Mayroy of the entire stake held in its share capital by its minority shareholder, Opera Finance Europe, a Luxembourg-registered company controlled by Mrs Véronique Beaufour. Opera Finance Europe and its stakeholders do not sit on the Board of Directors of Ipsen and play no active role in the management of the Group. The repurchase of the balance of the stake of Opera Finance Europe will be financed by the delivery by Mayroy of Ipsen shares representing c.4% of Ipsen share capital. These shares will be placed into an escrow account for a period of 12 months following completion of the transaction.
  As a result of this transaction, Ipsen's free-float increases to c.40%[3] from c.30%. Mayroy's stake in Ipsen's share capital and voting rights now amounts to c.57.6%[3] and c.73.3%[3] respectively. The indirect stake held by Beech Tree (controlling shareholder of Mayroy) in Ipsen has slightly increased. Ipsen has also been informed that the shareholders' agreement between Beech Tree, its subsidiaries and the Schwabe family, which was entered into on December 31, 2008 in order to preserve the stability of Mayroy's controlling share ownership structure, has been renewed until 30 June 2015.

- On 9 April 2014 – Ipsen confirmed its eligibility for the PEA-PME scheme, in accordance with the French decree n° 2014-283 of 4 March 2014. The Group complies with the thresholds set by the legislator for eligibility to the PEA-PME scheme, namely having less than 5,000 employees and total revenue below €1,500 million or total assets below €2,000 million. As a consequence, investment in company shares can be made through PEA-PME accounts, benefitting from the same tax advantages as the traditional Equity Savings Plan (PEA). Ipsen was included by Euronext in the CAC® PME index.

- On 12 April 2014 – Ipsen announced that a first set of results on phase III clinical study of Dysport® in the treatment of adults suffering from Upper Limb Spasticity was presented on Saturday, April 12th, at the 8th World Congress for NeuroRehabilitation in Istanbul (Turkey). Four weeks after Dysport® injection, the Phase III clinical study results demonstrated that:

[1] Truong D. et al. Mov. Disord., 2005; 20 (7) 783-791; Truong et al., Parkinsonism Relat Disord. 2010 Jun;16(5):316-23
[2] Latin America, Middle East and Asia (excl. China and Japan)
[3] Calculation taking into account the placement aforementioned, the cancellation of the Ipsen shares purchased as part of this transaction, and the cancellation of the 800 000 shares purchased as part of the program announced on 6 November 2013

- Patients treated with Dysport® showed a statistically significantly (p<0.0001) higher proportion of responders in muscle tone improvement versus placebo (i.e. exhibiting ≥1 point improvement as measured by the Modified Ashworth Scale, MAS). At week 4, patients treated with Dysport® 500 units and 1000 units showed responding rates of 73.8% and 78.5%, respectively, compared to 22.8% in the placebo arm;

- Patients treated with Dysport® showed a statistically significantly (p<0.0001) higher clinical benefit versus placebo, as measured by the Physician Global Assessment (PGA). At week 4, the mean PGA score for patients treated with Dysport® 500 units and 1000 units were 1.4 and 1.8, respectively, compared to 0.6 in the placebo arm.

- Additionally, patients treated with Dysport® showed a higher proportion of responders from baseline in improved passive function versus placebo (exhibiting ≥1 grade decrease as measured by the disability assessment scale). At week 4, patients treated with Dysport® 1000 units showed a statistically significant response rate of 62%. Patients treated with Dysport® 500 units showed a clinically relevant response rate of 50%. Placebo arm showed a 39% response rate.

- On 13 May 2014 – Ipsen announced that a supply of Increlex® will be available in the U.S. starting 2 June 2014. In collaboration with the FDA (Food and Drug Administration), Ipsen is releasing one batch of Increlex®'s active ingredient. 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.

After 30 June 2014, major developments included:

- On 1 July 2014 – Ipsen announced that it has submitted a Supplemental New Drug Application to the U.S. Food and Drug Administration (FDA) for Somatuline® Depot® 120mg injection for the treatment of gastroenteropancreatic neuroendocrine tumors (GEP-NETs). In the European Union, Ipsen has submitted national marketing authorization variations for Somatuline® Autogel® 120mg injection to the drug regulatory authorities in 25 countries of the European Union. Following EU and US submissions, Ipsen intends to implement worldwide submission roll-out.

- 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[1] 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 Europe[1] in exchange for a €10 million payment, while Galderma retains commercialization rights.

- On 17 July 2014 – Ipsen announced that the New England Journal of Medicine has published clinical trial results showing that Somatuline® Autogel® / Somatuline® Depot® (lanreotide) Injection 120 mg (referred to as Somatuline®) achieved statistically significant prolongation of progression free survival over placebo in patients with metastatic gastroenteropancreatic neuroendocrine tumors (GEP-NETs). CLARINET®, an investigational phase III randomized, double-blind, placebo-controlled study of the antiproliferative effects of Somatuline® was conducted in 48 centers across 14 countries. The article titled "Lanreotide in Metastatic Enteropancreatic Neuroendocrine Tumors" is available online at NEJM.org and has been published in the July 17th edition (N. Engl. J. Med. 2014; 371: 224-233). The data gathered from 204 GEP-NET patients over the 96-week study showed that placebo-treated patients had a median PFS of 18.0 months and 33.0% had not progressed or died at 96 weeks, whereas the median PFS for Somatuline® treated patients was not reached and 65.1% had not progressed or died at 96 weeks (stratified logrank test, p<0.001). This represented a 53% reduction in

[1] Excluding Russia

risk of disease progression or death based on a hazard ratio of 0.47 (95% CI: 0.30–0.73). These statistically and clinically significant antiproliferative effects of Somatuline® were observed in a large population of patients with grade G1 or G2 (World Health Organization classification) GEP-NETs, and independent of hepatic tumor volume (≤25% or >25%). Quality of life measures were not different between the Somatuline® and placebo groups. Safety data generated from the study are consistent with the known safety profile of Somatuline®.

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.

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;
- In the UK, Decapeptyl® has been 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 new Health Technology Assessment (HTA) guidelines 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.

Measures impacting beyond the first half 2014

In the Major Western European countries:

- In France, the social security budget act for 2014 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 pending the publication of 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. 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.

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

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

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

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[1]. Restated for this base effect, sales were down 34.9%.

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

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

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.

■ 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.

Au 30 juin 2013, le Groupe avait constaté un produit de 1,3 million d'euros de coûts liés à des restructurations, composé d'une reprise de provision en France compensée par une charge de restructuration aux Etats-Unis.

[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

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.