# HALF-YEAR REPORT 2013

## CONTENTS

## 1. CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

### 1.1 CONSOLIDATED BALANCE SHEET

| **(€ thousands)** | *Notes* | **30 June 2012** | **31 December 2012** | **30 June 2013** |
|---|---|---|---|---|
| Goodwill | *2.1* | 33,339 | 33,339 | 33,339 |
| Intangible assets | | 9,543 | 9,340 | 9,746 |
| Property, plant and equipment | | 64,762 | 67,162 | 64,205 |
| Non-current financial assets | | 646 | 595 | 593 |
| Deferred tax assets | | 694 | 1,114 | 1,058 |
| **Non-current assets** | *2.5* | **108,984** | **111,550** | **108,940** |
| Inventories | *2.6* | 26,014 | 28,233 | 29,667 |
| Trade and other receivables | *2.6* | 42,083 | 44,713 | 35,452 |
| Cash and cash equivalents | *2.7* | 88,309 | 95,853 | 109,247 |
| **Current assets** | | **156,405** | **168,800** | **174,366** |
| **Total assets** | | **265,389** | **280,349** | **283,307** |

| **(€ thousands)** | *Notes* | **30 June 2012** | **31 December 2012** | **30 June 2013** |
|---|---|---|---|---|
| Equity - Group share | | 175,427 | 188,826 | 211,124 |
| Minority interests | | - | - | - |
| **Shareholders' equity** | *1.3* | **175,427** | **188,826** | **211,124** |
| Non-current borrowings | *2.7* | 4,561 | 3,709 | 2,830 |
| Other non-current liabilities | | - | - | - |
| Long-term employee benefits | *2.8* | 3,823 | 2,819 | 2,998 |
| Deferred tax liabilities | | 1,504 | 1,428 | 1,309 |
| **Non-current liabilities** | | **9,888** | **7,955** | **7,138** |
| Current borrowings | *2.7* | 1,808 | 1,775 | 1,731 |
| Current provisions | *2.8* | 2,278 | 2,651 | 4,408 |
| Other payables | *2.6* | 75,988 | 79,142 | 58,906 |
| **Current liabilities** | | **80,074** | **83,568** | **65,045** |
| **Shareholders' equity and liabilities** | | **265,389** | **280,349** | **283,307** |

## 1.2 CONSOLIDATED INCOME STATEMENT

| (€ thousands) | Notes | HY12012 reclassified (1) | % sales | HY1 2013 | % sales | 13/12 % change |
|---|---|---|---|---|---|---|
| **Sales** | 2.4 | **127'111** | 100.0 | **128'709** | 100.0 | **1.3** |
| Cost of Goods sold | | (24'202) | (19.0) | (25'599) | (19.9) | 5.8 |
| **Gross profit** | | **102'909** | **81.0** | **103'110** | **80.1** | **0.2** |
| Distribution costs | | (7'795) | (6.1) | (7'792) | (6.1) | (0.0) |
| Selling expenses | | (27'613) | (21.7) | (29'095) | (22.6) | 5.4 |
| Administrative expenses | | (16'633) | (13.1) | (16'380) | (12.7) | (1.5) |
| Other general expenses | | (26) | (0.0) | (356) | (0.3) | ns |
| **General, administrative and selling expenses** | | **(52'067)** | **(41.0)** | **(53'622)** | **(41.7)** | **3.0** |
| **Profit before R&D** | | **50'842** | **40.0** | **49'487** | **38.4** | **(2.7)** |
| Research and development costs | | (20'153) | (15.9) | (22'175) | (17.2) | 10.0 |
| R&D related income | | 7'046 | 5.5 | 9'002 | 7.0 | 27.8 |
| **R&D** | | **(13'107)** | **(10.3)** | **(13'173)** | **(10.2)** | **0.5** |
| **Profit from recurring operations** | | **37'735** | **29.7** | **36'314** | **28.2** | **(3.8)** |
| Transformation costs | 2.10 | (146) | (0.1) | (2'829) | (2.2) | ns |
| **Operating profit (EBIT)** | 2.9 | **37'589** | **29.6** | **33'485** | **26.0** | **(10.9)** |
| Financial income | | 722 | 0.6 | 776 | 0.6 | 7.4 |
| Financial expenses | | (112) | (0.1) | (110) | (0.1) | (2.0) |
| **Net financial income/(expense)** | | **610** | **0.5** | **666** | **0.5** | **9.1** |
| **Profit before tax** | | **38'199** | **30.1** | **34'151** | **26.5** | **(10.6)** |
| Income tax | | (12'605) | (9.9) | (11'611) | (9.0) | (7.9) |
| *Average income tax rate* | *2.11* | *33.0%* | | *34.0%* | | 3.0 |
| **Net profit** | | **25'593** | **20.1** | **22'539** | **17.5** | **(11.9)** |
| Net actuarial gains and losses | 2.8 | (409) | (0.3) | (347) | (0.3) | (15.1) |
| Translation adjustment of foreign operations | | 14 | 0.0 | (83) | (0.1) | (685.3) |
| **Items of comprehensive income** | | **(395)** | **(0.3)** | **(430)** | **(0.3)** | **9.1** |
| **Comprehensive income** | | **25'199** | **19.8** | **22'109** | **17.2** | **(12.3)** |
| Attributable to minority interests | | - | - | - | - | ns |
| **Group share of net profit** | | **25'593** | **20.1** | **22'539** | **17.5** | **(11.9)** |
| *Net earnings per share (Group share)* | *1.3* | *€ 1.90* | | *€ 1.66* | | - *12.8* |
| *Diluted earnings per share, net* | | *€ 1.89* | | *€ 1.65* | | - *12.8* |

(1) Costs for the first half of 2012 have been reclassified as described in Note 2.1.

## 1.3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The changes were as follows:

| (€ thousands) | Share capital | Related reserves | Treasury shares | Reserves and consolidated earnings | Shareholders' equity *Group share* | Minority interests |
|---|---|---|---|---|---|---|
| **At 31 December 2011** | **13,501** | **14,879** | **(1,426)** | **132,558** | **159,512** | **-** |
| **Comprehensive income** | **-** | | **-** | **25,199** | **25,199** | **-** |
| Treasury share transactions | - | | 293 | 83 | 375 | - |
| Cancellation of treasury shares | | | | | - | |
| Options exercised | 2 | 80 | - | - | 82 | - |
| Dividend payments | - | | - | (10,110) | (10,110) | - |
| Share-based payments | - | | - | 369 | 369 | - |
| **At 30 June 2012** | **13,503** | **14,959** | **(1,134)** | **148,098** | **175,427** | **-** |
| **At 31 December 2012** | **13,530** | **15,787** | **(1,322)** | **160,830** | **188,826** | **-** |
| **Comprehensive income** | **-** | | **-** | **22,109** | **22,109** | **-** |
| Treasury share transactions | 2 | (2) | 444 | 165 | 610 | - |
| Cancellation of treasury shares | 7 | 254 | | | 261 | - |
| Options exercised | 180 | 8,781 | | (10,142) | (1,181) | - |
| Dividend payments | | | | 500 | 500 | - |
| **At 30 June 2013** | **13,719** | **24,820** | **(878)** | **173,463** | **211,124** | **-** |

The movement in the number of securities giving access to capital was as follows:

| (in units) | Number of shares | of which treasury shares | Number of options | Free shares |
|---|---|---|---|---|
| **At 31 December 2011** | **13,500,625** | **(33,799)** | **213,931** | **24,995** |
| Treasury share transactions | | 8,190 | | |
| Options exercised | 2,469 | | (2,469) | |
| Options cancelled | | | (22,000) | |
| **At 30 June 2012** | **13,503,094** | **(25,609)** | **189,462** | **24,995** |
| **At 31 December 2012** | **13,530,136** | **(30,743)** | **157,420** | **42,995** |
| Treasury share transactions | | 12,242 | | |
| Dividend distribution | 179,822 | | | |
| Options exercised / shares issued | 9,187 | 5,621 | (7,410) | (7,398) |
| Options / free shares lapsed | | | (3,000) | (1,997) |
| **At 30 June 2013** | **13,719,145** | **(12,880)** | **147,010** | **33,600** |

The 2012 financial year dividend was paid in cash and in shares (12% and 88%, respectively), resulting in a capital increase of 179,892 shares. Over the half-year, 67,349 shares were purchased and 79,591 were sold by the investment services provider in charge of the liquidity contract, resulting in a net sale of 12,242 shares which generated an increase in equity and a cash inflow of € 610 thousand (see Note 1.4). The average exercise price of outstanding options at 30 June 2013 was € 46.45. 91,010 options are immediately exercisable.

The average number of shares used to calculate earnings per share, taking account of the dilutive effect of options exercised, and calculated using the "share repurchase" method, was as follows:

| Averages over the period | Number of shares | Treasury shares | **Number of shares entitled to dividend** | Number of dilutive free shares | Number of dilutive shares (options) | **Diluted number of shares** |
|---|---|---|---|---|---|---|
| **HY1 2012** | 13,501,860 | (29,704) | **13,472,156** | 24,995 | 34,725 | **13,531,876** |
| **HY1 2013** | 13,624,641 | (21,812) | **13,602,829** | 38,298 | 29,871 | **13,670,998** |

### 1.4 CONSOLIDATED CASH FLOW STATEMENT

| (€ thousands) | Notes | HY12012 | HY1 2013 | 13/12 % change |
|---|---|---|---|---|
| **Profit from recurring operations** | | **37,735** | **36,314** | **(3.8)** |
| Amortisation and depreciation charges | 2.5 | 5,569 | 6,203 | 11.4 |
| Provisions | 2.8 | 1,344 | 1,425 | 6.0 |
| Stock option-related income (expenses) | | 369 | 500 | 35.6 |
| Capital gains (losses) from disposal of assets | | 43 | 7 | (84.3) |
| **Gross operating profit ("EBITDA") from recurring operations** | | **45,059** | **44,449** | **(1.4)** |
| Transformation costs | | (146) | (2,829) | ns |
| **Gross operating profit (EBITDA)** | | **44,913** | **41,620** | **(7.3)** |
| Current income tax on operating activities | | (11,839) | (11,290) | (4.6) |
| Change in W.C.R of operating activities | 2.6 | (1,201) | (6,160) | 412.8 |
| Change in deferred income | 2.6 | (3,603) | (5,088) | 41.2 |
| **Net cash flow from operating activities** | | **28,270** | **19,082** | **(32.5)** |
| Acquisition or increase in non-current assets | 2.5 | (3,281) | (3,729) | 13.7 |
| Disposal or reduction in non-current assets | | 8 | 17 | 98.8 |
| Change in W.C.R of investing activities | 2.6 | (3,820) | (1,250) | (67.3) |
| **Net cash flow used in investment activities** | | **(7,093)** | **(4,963)** | **(30.0)** |
| **Free cash flow after investment activities** | | **21,177** | **14,119** | **(33.3)** |
| Share capital increase | | 82 | 261 | 217.0 |
| Treasury share transactions | 1.3 | 375 | 610 | 62.4 |
| Cash dividends | | (10,108) | (1,181) | (88.3) |
| Net cost of financial debt (after tax) | | 409 | 410 | 0.1 |
| **Net cash flow from (used in) financing activities, excluding borrowings (a)** | | **(9,241)** | **99** | **(101.1)** |
| **Net decrease in cash and cash equivalents** | 2.7 | **11,936** | **14,218** | **19.1** |
| Usage (+) Repayments (-) of bank overdrafts | | (202) | (94) | (53.3) |
| Repayment of borrowings | | (779) | (827) | 6.2 |
| **Net cash flow used to repay borrowings** *(b)* | | **(980)** | **(921)** | **(6.0)** |
| **Net cash flow used in financing activities** *(a) + (b)* | | **(10,222)** | **(822)** | **(92.0)** |
| **Change in cash and cash equivalents** | | **10,955** | **13,297** | **21.4** |
| *+ Cash and cash equivalents - opening balance* | | *77,354* | *95,853* | |
| *+/- Effect of translation adjustment on foreign currency-denominated cash* | | *(1)* | *97* | |
| *= Cash and cash equivalents - closing balance* | 2.7 | *88,309* | *109,247* | *23.7* |

## 2. SELECTED NOTES TO THE CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

### 2.1 GENERAL INFORMATION

Stallergenes Group ("STALLERGENES") is a biopharmaceutical laboratory specialising in the treatment of allergic respiratory conditions ("allergen immunotherapy") and a pioneer and global leader for treatments administered via the sublingual route. The parent company, Stallergenes S.A., is a French limited company (société anonyme) listed on Compartment B of the Euronext Paris Stock Exchange. Its head office is located near Paris at 6 rue Alexis de Tocqueville, Antony, 92160, France.

STALLERGENES consolidated half-year financial statements at 30 June 2013 were approved by the Board of Directors on 23 July 2013. They are expressed in thousands of euro. In accordance with IAS 34, interim financial reporting, they are presented as a set of consolidated half-year financial statements, supported by selected notes that reference useful information for their understanding. Therefore, they must be read in conjunction with the consolidated financial statements at 31 December 2012.

- **Reclassification of certain operating expenses in the comparative income statement for the first half of 2012**

Taking account of the evolution of its business model, at the beginning of 2013 the Group changed its reporting chart of accounts. Within this framework, significant reclassifications have been made to the comparative income statement for the financial year 2012. In particular, employee bonuses and profit sharing and other corporate personnel costs (retirement benefits, share-based payments, etc.) have been allocated by function and management wished to highlight the Group's "transformation costs" on a separate line. On this matter, please refer to Note 2.10 and to the third paragraph of highlights of the first half-year under 3.4.

The table on the following page states line-by-line the impact of reclassifications carried out.

| (€ thousands) | HY1 2012 | | | |
|---|---|---|---|---|
| | *Published* | *Reclassified* | *Change* | *Notes* |
| **Sales** | **128,466** | **127,111** | **(1,355)** | (1) |
| Other operating revenues | 83 | - | (83) | (2) |
| Production costs | (22,606) | (24,202) | (1,595) | (3) |
| **Net cost of goods sold** | **(22,523)** | **(24,202)** | **(1,679)** | |
| **Gross profit** | **105,943** | **102,909** | **(3,034)** | |
| Distribution costs | (8,544) | (7,795) | 749 | (4) |
| Selling expenses | (27,540) | (27,613) | (74) | (5) |
| Administrative expenses | (12,191) | (16,633) | (4,442) | (6) |
| Other general expenses | (8,337) | (26) | 8,311 | (7) |
| **General, administrative and selling expenses** | **(56,611)** | **(52,067)** | **4,544** | |
| **Profit before R&D** | **49,332** | **50,842** | **1,510** | |
| Research and development costs | (18,706) | (20,153) | (1,448) | (8) |
| R&D related income | 6,963 | 7,046 | 83 | (2) |
| **R&D** | **(11,743)** | **(13,107)** | **(1,364)** | |
| **Profit from recurring operations** | **37,589** | **37,735** | **146** | |
| Transformation costs | - | (146) | **(146)** | (9) |
| **Operating profit (EBIT)** | **37,589** | **37,589** | **-** | |

(1) Rebilled shipment costs deducted from distribution costs: € (1,355) thousand

(2) Operating revenues reclassified as R&D related income: € (83) thousand

(3) Reclassified corporate personnel costs: € (1,595) thousand

(4) Rebilled shipment costs deducted from distribution costs: € 1,355 thousand, and reclassified corporate personnel costs: € (606) thousand

(5) Costs reclassified as administrative expenses: € 2,202 thousand (primarily costs of subsidiary general management), and reclassified corporate personnel costs: € (2,276) thousand

(6) Reclassified selling expenses: € (2,202) thousand, other reclassified income and expenses: € (834) thousand, reclassified R&D costs: € (187) thousand, reclassified corporate personnel costs: € (1,219) thousand

(7) Reallocation of corporate personnel costs by function: € 7,331 thousand, of which profit-sharing and bonuses: € 5,843 thousand, costs reclassified as administrative expenses: € 834 thousand and as transformation costs: € 146 thousand

(8) Patent management costs reclassified as administrative expenses: € 187 thousand, reclassified corporate personnel costs: € (1,635) thousand

(9) See Note 2.10

### 2.2 ACCOUNTING POLICIES

The consolidated half-year financial statements have been prepared in accordance with the IFRS recognition and valuation principles, as specified in this note. The standards used in the preparation of the consolidated financial statements at 30 June 2013 and 2012 comparative financial statements are those published by the IASB and adopted by the European Union.

No standard or amendments to standards whose application was mandatory at 1 January 2013 had any significant impact on the financial statements at 30 June 2013. In particular, IAS 19R, of mandatory application at 1 January 2013 had no significant impact on the Group's financial statements.

### 2.3 CHANGES IN GROUP STRUCTURE

The Group structure did not change during the first half of 2013.

### 2.4 SEGMENT INFORMATION

Following examination of the entity's internal reporting, it became apparent that the Company has a single operating segment, allergen immunotherapy.

Sales were as follows, by product line:

| (€ thousands) | HY1 2012 *reclassified (i)* | % | HY1 2013 | % | 13/12 % change |
|---|---|---|---|---|---|
| Sublingual route | 110'263 | 87 | 111'570 | 86 | 1.2 |
| Subcutaneous route | 12'529 | 10 | 12'390 | 10 | - 1.1 |
| Other products (i) | 4'319 | 3 | 4'749 | 4 | 9.9 |
| **Sales** | **127'111** | **100** | **128'709** | **100** | **1.3** |

(i) Comparative financial statements, other revenues:

The contribution to shipment costs has been reclassified as distribution costs, for € (1,355) thousand (see Note 2.1), and deducted from the sales of the relevant geographic regions; regulatory discounts have been allocated to the relevant revenue items (€ 3,467 thousand transferred to the sublingual route).

Sales and non-current assets changed as follows, analysed by geographic region:

| (€ thousands) | HY1 2012 *reclassified (i)* | % | HY1 2013 | % | 13/12 % change |
|---|---|---|---|---|---|
| Southern Europe *(1)* | 91'945 | 72 | 92'420 | 72 | 0.5 |
| Other EU *(2)* | 29'199 | 23 | 29'583 | 23 | 1.3 |
| Other markets | 5'968 | 5 | 6'706 | 5 | 12.4 |
| **Sales** | **127'111** | **100** | **128'709** | **100** | **1.3** |
| Southern Europe | 101'300 | 94 | 100'904 | 94 | - 0.4 |
| Other EU | 6'703 | 6 | 6'599 | 6 | - 1.6 |
| Other markets | 287 | - | 380 | - | 32.4 |
| **Non-current assets** *(3)* | **108'290** | **100** | **107'882** | **100** | **- 0.4** |

*(1) Portugal, Spain France, Italy (2) Greece and Switzerland included*

*(3) excluding deferred taxation and rights attached to insurance policies*

Sales for the first half of 2013 include a € 1,330 thousand positive prior year adjustment on sublingual products in relation to the regulatory discount in Germany.

The Company's business of allergen immunotherapy addresses more than 500,000 patients per year. No customer acting as a middleman in the distribution supply chain (distributor, hospitals and pharmacies) accounted for more than 5% of Group sales.

## 2.5 NON-CURRENT ASSETS

Movements in non-current assets were as follows:

| (€ thousands) | Non-current assets | | | | | Total |
|---|---|---|---|---|---|---|
| | Goodwill | Intangible assets | PPE | Financial assets | Deferred taxation | |
| **31 December 2011 - opening balance** | **33,387** | **21,124** | **104,267** | **594** | **1,058** | **160,429** |
| Accumulated amortisation, depreciation and provisions | - | (11,550) | (35,363) | - | - | (46,913) |
| **Net book value at end 2011** | **33,387** | **9,574** | **68,904** | **594** | **1,058** | **113,517** |
| Acquisitions | - | 1,401 | 1,828 | 53 | - | 3,281 |
| Disposals (net) | - | - | (38) | (2) | - | (39) |
| Amortisation, depreciation and provision charges for the period | - | (1,444) | (4,126) | - | - | (5,569) |
| Deferred tax income (charge) | - | - | - | - | (364) | (364) |
| Value restatements (1) | (48) | 12 | (1,807) | 1 | | (1,842) |
| **30 June 2012 - Opening balance** | **33,339** | **21,705** | **104,252** | **646** | **694** | **160,636** |
| Accumulated amortisation, depreciation and provisions | - | (12,162) | (39,491) | - | - | (51,653) |
| **Net book value** | **33,339** | **9,543** | **64,762** | **646** | **694** | **108,983** |
| **31 December 2012 - opening balance** | **33,339** | **23,285** | **110,811** | **595** | **1,114** | **169,144** |
| Accumulated amortisation, depreciation and provisions | - | (13,945) | (43,649) | - | - | (57,594) |
| **Net book value** | **33,339** | **9,340** | **67,162** | **595** | **1,114** | **111,550** |
| Acquisitions | | 2,026 | 1,687 | 16 | | 3,729 |
| Disposals (net) | | (5) | (0) | (17) | | (22) |
| Amortisation, depreciation and provision charges for the period | | (1,593) | (4,610) | | | (6,203) |
| Deferred tax income (charge) | | | | | (56) | (56) |
| Translation adjustment | | (22) | (33) | (2) | | (57) |
| **30 June 2013 - opening balance** | **33,339** | **25,090** | **112,755** | **593** | **1,058** | **172,835** |
| Accumulated amortisation, depreciation and provision charges | - | (15,344) | (48,550) | - | - | (63,894) |
| **Net book value** | **33,339** | **9,746** | **64,205** | **593** | **1,058** | **108,940** |

(1) **2012 comparative financial statements, value restatements**:

Other movements totalling € 1,807 thousand on property, plant and equipment were due to an adjustment, which was offset by a symmetrical reduction in amounts due to providers of non-current assets (see the half-year financial statements at 30 June 2012, Note 2.6).

### 2.6 WORKING CAPITAL REQUIREMENTS

Movements in working capital requirements were as follows:

| (€ thousands) | Notes | 30 June 2012 | days of sales | 31 December 2012 | days of sales | 30 June 2013 | days of sales | (Incr.)/Decr. 2012 | Forex effect |
|---|---|---|---|---|---|---|---|---|---|
| Inventories | | 26'014 | *36* | 28'233 | *42* | 29'667 | *41* | (1'571) | 137 |
| Trade receivables | | 23'118 | *32* | 31'271 | *47* | 24'975 | *35* | 6'255 | 41 |
| Other current assets | | 8'064 | *11* | 6'509 | *10* | 7'255 | *10* | (772) | 26 |
| Current income tax - net | | (349) | *(0)* | 4'613 | *7* | 2'130 | *3* | 2'492 | (9) |
| Trade payables | | (26'952) | *(38)* | (27'811) | *(42)* | (20'719) | *(29)* | (7'058) | (34) |
| Other current liabilities | | (23'970) | *(34)* | (31'782) | *(48)* | (26'204) | *(37)* | (5'507) | (71) |
| **W.C.R. from operating activities** | *1.4* | **5'924** | ***8*** | **11'033** | ***17*** | **17'104** | ***24*** | **(6'160)** | **88** |
| Deferred income | *1.4* | (10'742) | | (12'916) | | (7'828) | | (5'088) | - |
| Due to suppliers of non-current assets | *1.4* | (3'074) | | (4'312) | | (3'062) | | (1'250) | - |
| **Other W.C.R.** | | **(13'816)** | | **(17'228)** | | **(10'890)** | | **(6'338)** | **-** |
| **Total W.C.R.** | | **(7'892)** | | **(6'196)** | | **6'214** | | **(12'498)** | **88** |
| Inventories | *1.1* | 26'014 | | 28'233 | | 29'667 | | (1'571) | 137 |
| Trade and other receivables | *1.1* | 42'083 | | 44'713 | | 35'452 | | 9'194 | 67 |
| Trade and other payables | *1.1* | (75'988) | | (79'142) | | (58'906) | | (20'121) | (115) |
| **Balance sheet W.C.R. cross-reference** | | **(7'892)** | | **(6'196)** | | **6'214** | | **(12'498)** | **88** |

Business development in other non-European markets and the building up of inventories for the launch of Oralair in the US resulted in an increase in the “inventories” and “trade receivables” items, which had an adverse effect on operating working capital requirements. “Trade payables” decreased temporarily due to the clinical trial cycle.

### 2.7 NET CASH POSITION

The net cash position changed as follows:

| (€ thousands) | Analysis by maturity | | | At 30 June 2013 | Au 31 December 2012 | At 30 June 2012 |
|---|---|---|---|---|---|---|
| | More than five years | One to five years | Less than one year | | | |
| Cash equivalents *(1)* | - | - | 76,627 | 76,627 | 74,033 | 78,834 |
| Cash | - | - | 32,620 | 32,620 | 21,821 | 9,475 |
| **Cash and cash equivalents (A)** | - | - | 109,247 | **109,247** | **95,853** | **88,309** |
| Property leases | - | 2,830 | 1,731 | 4,561 | 5,389 | 6,191 |
| Bank overdrafts | - | - | - | - | 95 | 178 |
| **Total borrowings (B)** | - | 2,830 | 1,731 | **4,561** | **5,484** | **6,369** |
| **Net cash and cash equivalents (A) - (B)** | - | (2,830) | 107,516 | **104,685** | **90,370** | **81,939** |
| Translation adjustment | | | | 97 | (1) | (1) |
| Other movements during the year see 1.4 | | | | 14,218 | 20,367 | 11,936 |

*(1)* The cash equivalents caption includes a cash facility of € 1,174 thousand made available to an investment service provider to fund a market-making contract. According to this contract, one month’s notice must be given before the Company can use these funds.

### 2.8 PROVISIONS

The movement in provisions was as follows:

| (€ thousands) | Notes | Long-term employee benefits | Current provisions | Total |
|---|---|---|---|---|
| **At 31 December 2011** | | **2'749** | **1'377** | **4'126** |
| Net provision charges | *1.4* | 443 | 901 | 1'344 |
| Unused reversals | | 7 | - | 7 |
| Value restatements | | 624 | - | 624 |
| **At 30 June 2012** | | **3'823** | **2'278** | **6'101** |
| **At 31 December 2012** | | **2'819** | **2'651** | **5'470** |
| Net provision charges | *1.4* | (332) | 1'757 | 1'425 |
| Unused reversals | | | | - |
| Translation adjustment | | (18) | | (18) |
| Value restatements | *(1)* | 529 | | 529 |
| **At 30 June 2013** | | **2'998** | **4'408** | **7'406** |

*(1)* Pursuant to the revised IAS 19R adopted by the Group, restatements to actuarial gains and losses are directly recognised under comprehensive income, for an amount of € 347 thousand net of tax.

The discount rate used to estimate the net commitment of retirement benefits in France has not changed since December 2012 (i.e.: 3.10%). The same rate is used to calculate the expected return on plan assets.

### 2.9 INCOME STATEMENT BY NATURE OF EXPENSE

Movements in the income statement were as follows:

| (€ thousands) | Notes | HY1 2012 (recl.) | HY1 2013 | 13/12 % change |
|---|---|---|---|---|
| **Sales** | | **127,111** | **128,709** | **1.3** |
| Other operating revenues | | 7,046 | 9,002 | 27.8 |
| Raw materials consumed | | (9,877) | (9,923) | 0.5 |
| Personnel costs | *2.12* | (44,383) | (47,527) | 7.1 |
| External charges (incl. taxes) | | (35,223) | (35,963) | 2.1 |
| Amortisation and depreciation charges | *2.5* | (5,569) | (6,203) | 11.4 |
| Provision charges | *2.8* | (1,344) | (1,425) | 6.0 |
| Other income and expenses | | (26) | (356) | ns |
| **Total charges** | | **(89,377)** | **(92,395)** | **3.4** |
| **Profit from recurring operations** | | **37,735** | **36,314** | **(3.8)** |

### 2.10 TRANSFORMATION COSTS

For the past 18 months, the Company has been committed to a transformation process of its business model, specifically to seek greater efficiency. Transformation costs primarily relate to declines in business activity felt in certain markets, particularly in Southern Europe, which led the Company to take steps to reduce the headcount in certain functions, see Note 2.12, at a cost estimated at € 2,829 thousand over the first half of 2013. The same costs totalled € 146 thousand in the first half of 2012. Management considers that such costs are not linked to Stallergenes' ordinary business and are of an unusual, non-recurring and significant nature. Management has therefore presented them on a separate line on the income statement, below profit from recurring operations.
They can be analysed as follows, it being specified that restructuring costs include legal and contractual redundancy payments to personnel and legal and consultancy fee linked to these redundancies:

| **(€ thousands)** | *Notes* | **HY1 2012 reclassified** | **HY1 2013** |
|---|---|---|---|
| Re-engineering fees | | | (129) |
| Corporate functions restructuring costs | | (146) | (1,866) |
| Distribution network restructuring costs | | - | (834) |
| **Transformation costs** | | **(146)** | **(2,829)** |

### 2.11 INCOME TAX

Income tax has been estimated using the provisional effective tax rate of 34.0% for the financial year 2013 (33.0% in the first half-year 2012). Note that the actual effective tax rate for 2012 was 34.0%.

### 2.12 SIZE OF WORKFORCE AND PERSONNEL COSTS

The Group's workforce and personnel costs at the end of the period may be analysed as follows:

| **End of period** | **HY1 2012 reclassified** | **HY1 2013** | **13/12 % change** |
|---|---|---|---|
| Supply chain and production laboratories | 274 | 303 | 10.8 |
| Distribution | 131 | 121 | (7.6) |
| Selling | 299 | 273 | (8.8) |
| Administrative | 124 | 112 | (9.3) |
| Research & development | 218 | 231 | 6.0 |
| **Personnel costs** | **1,045** | **1,040** | **(0.5)** |

| **(€ thousands)** | *Notes* | **HY1 2012 reclassified** | **HY1 2013** | **13/12 % change** |
|---|---|---|---|---|
| Supply chain and production laboratories | | 9,658 | 10,489 | 8.6 |
| Distribution | | 3,671 | 3,520 | (4.1) |
| Selling | | 13,779 | 14,777 | 7.2 |
| Administrative | | 7,378 | 7,176 | (2.7) |
| Research & development | | 9,898 | 11,564 | 16.8 |
| **Personnel costs** | *2.9* | **44,383** | **47,527** | **7.1** |
| *As % of sales* | | *34.92* | *36.93* | *2.0* |

As detailed in Note 2.1, the general management personnel costs of major subsidiaries and corresponding workforce have been reclassified as "administrative" personnel costs. Furthermore, corporate personnel costs (bonuses, profit sharing, retirement benefits, share-based payments, etc.) have been reclassified by function.

### 2.13 POST BALANCE SHEET EVENTS

No event liable to have a significant impact on the financial statements at 30 June 2012 occurred after the first half-year balance sheet date.

## 3. HALF-YEAR BUSINESS REPORT

### 3.1 SALES

Stallergenes' consolidated sales were € 128.7 million for the first half of 2013, an increase of 1.3% compared to the first half of 2012 (see Section 1.2 above).

Developments in Group sales by product line and market are disclosed in section 2.4 above.

The withdrawal of Staloral Mites in Germany in August 2012 had a € 2.2 million negative impact on half-year sales. This was partly offset by a € 1.3 million reimbursement for previous financial years of the regulatory discount applicable in this country.

The European market continues to be adversely affected by the impact of the recession in Southern Europe and by measures taken to curb public healthcare costs. The pollen season, which was very short for tree pollen and weak for grass pollen, had a negative impact on the Group's sales growth.

Against this challenging background, the first half-year sales growth reflects the solid performance of sublingual products in the allergic immunotherapy market. The Group continues its international expansion and the recently-created subsidiaries contributed significantly to Company growth.

### 3.2 BUSINESS PROFITABILITY

Stallergenes' operating profit for the first half of 2013 was € 33.5 million, a decrease of 10.9% compared to the first half of 2012 (see Section 1.2 above).

This level of operating profit was primarily due to three factors: i) an increase in selling expenses related to the expansion of international activities and the recent creation of subsidiaries, particularly in Russia and Argentina; ii) additional expenses related to the preparation of the launch of Oralair® in the US, which affected production and R&D costs; and iii) costs related to the transformation of the organisation to increase efficiency, both at Company head office and in subsidiaries affected by a decline in business activity. R&D-related income derived from the partnership with Shionogi in Japan increased substantially (€ 5.1 million against € 3.6 million the previous year), linked to progress made in the relevant programmes. No milestone instalment was received during the first half in relation to this contract.

Net profit amounted to € 22.5 million (down 11.9%) and diluted net earnings per share decreased from € 1.89 to € 1.65. Comprehensive income totalled € 22.1 million (down 12.3%). This was impacted by an actuarial loss related to the calculation of pension commitments in France (see Note 2.8).

### 3.3 FINANCIAL POSITION

Movements in the Group's financial position are disclosed in section 1.4 above

EBITDA for the half-year decreased by 7.3% to € 41.6 million. It represented 32.3% of sales. Net cash flow from operating activities decreased by € 9.3 million to € 19.1 million. Working capital requirements increased by € 6.1 million during the first six months of the current year, whereas it had decreased by € 1.2 million over the same period of the previous year. This change resulted from the development of international operations, an increase in inventories ahead of the launch of Oralair in the US and a temporary decrease in trade payables. The cash outflow related to capital expenditure decreased by 30% during the half-year to € 5.0 million. Free cash flow after capital expenditure (or free cash flow) was € 14.1 million, a decline of 33% compared to the first half of 2012, which had itself displayed a year-on-year increase of 70%.

The impact of cash outflows of a financial nature remained quite limited during the first half-year, since the principal shareholder and 50% of minority shareholders opted for the payment of dividends in shares, thus demonstrating their confidence in the future development of the Company. The payment of dividends resulted in a cash outflow of € 1.2 million this year, compared to € 10.1 million in the previous financial year.

The net cash flow increased by 19.1% to € 14.2 million. The Group's net cash resources continued to grow, topping the € 100 million mark for the first time with € 105 million at 30 June 2013, a year-on-year increase of 28%. Group equity increased by 20% year-on-year to € 210 million. It represented € 74 million of total assets (66% at the end of June 2012).

## 3.4 HY1 HIGHLIGHTS

Oralair®, the grass pollen sublingual immunotherapy tablet, continues its rapid expansion with growth of 35% during the first half of 2013. This product is currently available in 22 countries with additional launches planned over the coming months. With a steady increase in market share, Oralair® is the immunotherapy tablet experiencing the strongest growth in the market.

The first half of 2013 was marked by significant efforts to prepare the launch of Oralair® in the US, primarily at the dedicated production unit in Antony and in regulatory research and development activities.

In order to successfully take this next step in its development, the Group has set itself the objective of gaining in both efficiency and quality. This is the reason why the first half of 2013 was also marked by efforts to transform the organisation. Ad hoc restructuring was initiated in certain subsidiaries affected by a decline in business activity and at the Antony head office in France. Furthermore, the Company launched a comprehensive lean management initiative with the goal of increasing the efficiency of its supply chain, production and sales administration, and improve the relevance of its Research and Development activities. This initiative will continue into the second half of 2013.

## 3.5 SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

All transactions with related parties are disclosed on pages 46 of the 2012 business report and will be the subject of a further detailed analysis in the 2013 business report. At 30 June 2013, the group that controls Ares Life Sciences directly and indirectly owns 10,591,604 shares in the Company, representing 77.20% of the share capital and 77.28% of voting rights.

## 3.6 2013 FULL-YEAR TARGET

Stallergenes targets a moderate sales growth rate for 2013, under stable reimbursement conditions within the European Union, and an EBITDA representing at least 25% of sales before taking non-recurring costs and revenues into account. Sales growth will be enhanced by the buoyant new international markets and should gather pace beyond 2013.

## 3.7 RISKS AND UNCERTAINTIES FOR THE SECOND HALF-YEAR

The Group remains exposed to a number of risks, which are disclosed on pages 53-57 of the 2012 reference document. These risks are consistent with the risks that generally affect the pharmaceutical industry, which are linked to public health policies: application of the precautionary principle in assessing medicines, control over public health expenditure through regulatory pricing and the level of medicine reimbursement. However, the worsening of the financial crisis in Europe and the need to contain public deficits are putting public reimbursement schemes under severe pressure, to such extent that it can be reasonably assumed that the level of risk relating to controls over public health spending is increasing, especially in Southern Europe. In France, public authorities are therefore set an objective of reducing the cost to the State of funding health expenditure, and more specifically the terms and conditions of reimbursement of major medicines.

## 4. CERTIFICATION STATEMENTS

### 4.1 STATEMENT OF THE PERSON RESPONSIBLE FOR THE HALF-YEAR REPORT

"I certify that, to my knowledge, the condensed consolidated financial statements for the half-year just ended have been prepared in accordance with applicable accounting standards in France and provide a fair view of the assets, financial position and performance of the Company and of all companies included in the consolidation scope, and that the half-year business report gives a fair view of the significant events arising over the first six months of the financial year, their impact on the half-year financial statements, the main transactions between related parties, as well as a description of the main risks and uncertainties for the remaining six months of the financial year".

Antony, France, 25 July 2013.

Roberto Gradnik,
Chairman and Chief Executive Officer.

### 4.2 STATUTORY AUDITORS' REPORT ON THE 2013 HALF-YEAR FINANCIAL INFORMATION

In compliance with the assignment entrusted to us by your General Meeting and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code, we hereby report to you on:
- our limited review of the accompanying condensed half-year consolidated financial statements of Stallergenes SA, for the six months ended 2013;
- our verification of the information contained in the half-year management report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors. Our role is to express an opinion on these financial statements based on our limited review.

**1. Opinion on the financial statements**

We conducted our limited review in accordance with professional standards applicable in France. A limited review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

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

Without qualifying the opinion issued above, we draw your attention to Notes 2.1 "General information" and 2.10 "Transformation costs", which set out a number of changes made to the presentation of the income statement.

**2. Specific verification**

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

Neuilly-sur-Seine and Paris, 25 July 2013

The Statutory Auditors

**PricewaterhouseCoopers Audit**

Cyrille Dietz

**Grant Thornton**

Jean-Pierre Colle