2012

HALF YEAR FINANCIAL REPORT

IPSEN
Innovation for patient care

2012 HALF YEAR FINANCIAL REPORT SUMMARY

2012 HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed consolidated income statement

(in thousands of euros)	Notes	30 June 2012	30 June 2011
Sales of goods	6.2	629,807	583,095
Other revenues	6.3	45,219	36,301
Revenue	**6.2**	**675,026**	**619,396**
Cost of goods sold		(128,996)	(120,875)
Research and development expenses		(131,469)	(105,784)
Selling expenses		(229,639)	(205,558)
General and administrative expenses		(48,965)	(42,628)
Other operating income	8	2,505	20,001
Other operating expenses	8	(14,075)	(12,490)
Amortisation of intangible assets (*)	9	(5,610)	(3,149)
Restructuring costs	11	(3,860)	(28,150)
Impairment losses	10	10,770	-
Operating income	**6.1**	**125,687**	**120,764**
Investment income		2,548	1,915
Financing costs		(1,059)	(873)
Net financing costs	**12.1**	**1,489**	**1,042**
Other financial income and expenses	12.2	13,966	168
Income taxes	13	(36,497)	(26,187)
Share of profit/loss from associated companies	17	(14,155)	(4,113)
Net profit from continuing operations		**90,490**	**91,674**
Net profit from discontinued operations		-	181
Consolidated net profit		**90,490**	**91,855**
– attributable to shareholders of Ipsen		90,211	91,660
– attributable to minority interests		279	195
Basic earnings per share, continuing operations (in euros)	21.3	1.07	1.09
Diluted earnings per share, continuing operations (in euros)	21.3	1.07	1.09
Basic earnings per share, discontinued operations (in euros)	21.3	-	-
Diluted earnings per share, discontinued operations (in euros)	21.3	-	-
Basic earnings per share (in euros)	21.3	1.07	1.09
Diluted earnings per share (in euros)	21.3	1.07	1.09

(*) Excluding software

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

Condensed comprehensive income statement

(in thousands of euros)	**30 June 2012**	**30 June 2011**
Consolidated net profit	**90,490**	**91,855**
Other comprehensive income		
Foreign exchange differences, net of taxes	16,024(*) (**)	(32,056) (*) (**)
Revaluation of financial instruments derived from hedging, net of taxes		-
Actuarial gains and losses on defined benefit plans, net of taxes		-
Share of gains and losses recorded directly to equity of associate companies, net of taxes		-
Other items, net of taxes		53(**)
Total of other comprehensive income, net of taxes	**16,024**	**(32,003)**
Comprehensive income	**106,514**	**59,852**
– attributable to shareholders of Ipsen	106,197	59,683
– attributable to minority interests	317	169

(*) Effect of changes to the dollar and the pound sterling over the period, particularly on opening shareholders' equity and the Goodwill expressed at the closing rate.
(**) The items above are not subject to deferred taxes.

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

Condensed consolidated balance sheets before allocation of net profit

(in thousands of euros)	Notes	30 June 2012	31 December 2011
ASSETS			
Goodwill	14	304,033	299,545
Other intangible assets	15	141,973	135,588
Property, plant & equipment	16	291,670	271,728
Equity investments		12,235	12,314
Investments in associated companies	17	-	-
Non-current financial assets	18	2,563	2,925
Other non-current assets	18	111,715	93,979
Deferred tax assets	13.3	186,449	184,562
Total non-current assets		**1,050,638**	**1,000,641**
Inventories	19.1	121,629	117,834
Trade receivables	19.1	293,380	259,374
Current tax assets	19.1	10,117	39,126
Other current assets	19.2.1	73,766	71,400
Current financial assets	19.2.1	1,114	9
Cash and cash equivalents	20	84,800	145,007
Total current assets		**584,806**	**632,750**
Assets of discontinued operations		-	-
TOTAL ASSETS		**1,635,444**	**1,633,391**

EQUITY & LIABILITIES			
Share capital	21.1	84,253	84,227
Additional paid-in capital and consolidated reserves		863,505	929,587
Net profit for the period		90,211	424
Foreign exchange differences		15,250	(1,401)
Equity - attributable to shareholders of Ipsen	21.2	**1,053,219**	**1,012,837**
Equity - attributable to minority interests		1,874	2,588
Total shareholders' equity		**1,055,093**	**1,015,425**
Retirement benefit obligation		22,824	19,469
Long-term provisions	22	28,087	25,683
Bank loans	23	-	-
Other financial liabilities	23	16,638	16,560
Deferred tax liabilities	13.3	3,036	2,569
Other non-current liabilities	19.2.2	174,014	183,275
Total non-current liabilities		**244,599**	**247,556**
Short-term provisions	22	11,182	24,464
Bank loans	23	4,000	4,000
Financial liabilities	23	5,072	5,013
Trade payables	19.1	141,133	149,805
Current tax liabilities	19.1	16,367	5,607
Other current liabilities	19.2.2	157,399	181,345
Bank overdrafts		582	176
Total current liabilities		**335,735**	**370,410**
Liabilities of discontinued operations		17	-
TOTAL EQUITY & LIABILITIES		**1,635,444**	**1,633,391**

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

Condensed consolidated statement of cash flows

(in thousands of euros)	Notes	30 June 2012	30 June 2011
Consolidated net profit		**90,490**	**91,855**
Net loss from discontinued operations		-	(181)
Share of profit/loss from associated companies	17	14,155	4,113
Impairment loss included in the share of profit/loss from associated companies		-	-
Net profit from continuing operations before share from associated companies		**104,645**	**95,787**
Non-cash and non-operating items:			
– Depreciation, amortization, provisions		4,136	49,638
– Impairment losses		(10,770)	-
– Change in fair value of derivative financial derivatives		(2,560)	(1,415)
– Net gains or losses on disposals of non-current assets		(277)	321
– Share of government grants released to profit and loss		(38)	(45)
– Foreign exchange differences		(7,076)	2,141
– Change in deferred taxes	13.3	4,082	(24,820)
– Share-based payment expense		1,881	1,955
– Gain/loss on sales of treasury shares		(104)	36
– Other non-cash items		1,358	204
Cash flow from operating activities before changes in working capital		***95,277***	***123,802***
– (Increase)/decrease in inventories	19.1	(303)	(5,013)
– (Increase)/decrease in trade receivables	19.1	(33,256)	(39,312)
– Increase/(decrease) in trade payables	19.1	(9,319)	(9,054)
– Net change in income tax liability	19.1	39,570	58,171
– Net change in other operating assets and liabilities	19.1	(28,708)	(31,283)
Change in working capital related to operating activities	19.1	***(32,016)***	***(26,491)***
NET CASH PROVIDED BY OPERATING ACTIVITIES		**63,261**	**97,311**
Acquisitions of property, plant & equipment	16	(18,758)	(14,717)
Acquisitions of intangible assets	15	(13,721)	(29,445)
Proceeds from disposal of intangible assets and property, plant & equipment		17	91
Acquisition of shares in non-consolidated companies		(60)	(5,650)
Convertible note subscriptions	18	(28,602)	(818)
Proceeds from sales of investment securitie		12,304	
Liquidity agreement		1,385	
Payments to post-employment benefit plans		(1,073)	(1,241)
Other cash flow related to investment activities	18	(182)	166
Deposits paid	18	103	(97)
Change in working capital related to investing activities	19.1	(7,637)	3,622
NET CASH USED IN INVESTING ACTIVITIES		**(56,224)**	**(48,089)**
Repayment of long-term borrowings	23	(178)	(178)
Capital increase by Ipsen		-	89
Treasury shares		(1,223)	22
Dividends paid by Ipsen	21.4	(66,444)	(66,519)
Dividends paid by subsidiaries to minority interests		(1,032)	-
Deposits received		12	
Change in working capital related to financing activities	19.1	(71)	(552)
NET CASH USED IN FINANCING ACTIVITIES		**(68,936)**	**(67,138)**
Impact of businesses to be sold or discontinued		17	3
CHANGE IN CASH AND CASH EQUIVALENTS		**(61,882)**	**(17,913)**
Opening cash and cash equivalents	20	**144,831**	**177,928**
Impact of exchange rate fluctuations		1,270	(4,975)
Closing cash and cash equivalents	20	**84,219**	**155,040**

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

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

(in thousands of euros)	Share capital	Share premiums	Consolidated reserves	Treasury shares	Net profit for the period	Foreign exchange difference	Total Group equity	Minority interests	Total equity
Balance at 1 January 2012	**84,227**	**711,111**	**257,076**	**(38,600)**	**424**	**(1,401)**	**1,012,837**	**2,588**	**1,015,425**
Consolidated net profit					90,211		90,211	279	90,490
Other comprehensive income [(1)]						15,986	15,986	38	16,024
Consolidated net profit and other comprehensive income	**-**	**-**	**-**	**-**	**90,211**	**15,986**	**106,197**	**317**	**106,514**
Allocation of net profit from the prior period			(241)		(424)	665	-		-
Capital increase	26		(26)				-		-
Share-based payments			1,881				1,881		1,881
Own share purchases and disposals			(104)	(1,222)			(1,326)		(1,326)
Dividends			(66,444)				(66,444)	(1 031)	(67,475)
Other changes			74				74		74
Balance at 30 June 2012	**84,253**	**711,111**	**192,216**[(2)]	**(39,822)**	**90,211**	**15,250**	**1,053,219**	**1 874**	**1,055,093**

[(1)] Detailed in the note “Condensed comprehensive income statement”.

[(2)] Including the impact of the restructuring programme in the reserves.

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

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

Condensed consolidated statement of changes in equity
from 1 January to 30 June 2011

(in thousands of euros)	Share capital	Share premiums	Consolidated reserves	Treasury shares	Net profit for the period	Foreign exchange difference	Total Group equity	Minority interests	Total equity
Balance at 1 January 2011	**84,196**	**711,026**	**224,463**	**(41,070)**	**95,271**	**3,304**	**1,077,190**	**2,040**	**1,079,230**
Consolidated net profit	-	-	-	-	91,660	-	91,660	195	91,855
Other comprehensive income [(1)]	-	-	53	-	-	(32,030)	(31,977)	(26)	(32,003)
Consolidated net profit and other comprehensive income	**-**	**-**	**53**	**-**	**91,660**	**(32,030)**	**59,683**	**169**	**59,852**
Allocation of net profit from the prior period	-	-	96,449	-	(95,271)	(1,178)	-	-	-
Capital increase	27	85	(23)	-	-	-	89	-	89
Share-based payments	-	-	1,953		-	-	1,953	-	1,953
Own share purchases and disposals	-	-	(954)	1,012	-	-	58	-	58
Dividends	-	-	(66,519)	-	-	-	(66,519)	-	(66,519)
Other changes	-	-	(108)	426	-	-	318	-	318
Balance at 30 June 2011	**84,223**	**711,111**	**255,314**[(2)]	**(39,632)**	**91,660**	**(29,904)**	**1,072,772**	**2,209**	**1,074,981**

[(1)] Detailed in the note “Condensed comprehensive income statement”.

[(2)] Including the impact of the restructuring programme in the reserves.

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

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Note 1. Significant events during the period and having an impact on the condensed consolidated financial statements at 30 June 2012

1.1. Partnerships

1.1.1 Inspiration Biopharmaceuticals Inc.

On 17 April 2012 – The Group announced that its partner, Inspiration Biopharmaceuticals Inc. has submitted a Biologics License Application (BLA) to the U.S. Food and Drug Administration (FDA) for the approval of IB1001, an intravenous recombinant factor IX (rFIX) for the treatment and prevention of bleeding in individuals with hemophilia B.

Based on the terms of this partnership, Inspiration has received a $35 million milestone payment from the Group associated to the filing of the IB1001 BLA. In return, Inspiration has issued a convertible note to the Group.

In accordance with the Group's accounting principles and methods described in note 4 of chapter 2 from 2011 Registration Document, the convertible bond is recorded in "Other non-current assets" under "Loans and advances", the posting being based on the intention of holding by the Group, the lack of trading of the Inspiration Biopharmaceuticals Inc. and the lack of comparable and observable market data.

1.1.2 Active Biotech AB

On 21 May 2012 – Active Biotech and the Group announced that recruitment to the global, pivotal, randomized, double-blind, placebo-controlled phase III study of tasquinimod (TASQ) in patients with metastatic castrate-resistant prostate cancer (CRPC) has reached an inclusion of 600 patients, half of the planned accrual. This triggers a €10 million milestone payment from the Group to Active Biotech.

In accordance with the Group's accounting principles and methods described in note 4 of chapter 2 from 2011 Registration Document, the upfront payment of €10 million is recorded as "other intangible assets" under "intellectual property". Furthermore, given that this right to a proprietary oncology drug in an advanced stage of development has not yet received a marketing authorisation, it has not been amortised in the accounts as at 30 June 2012.

1.2. Government measures

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

In the Major Western European countries:

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

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

In the Other European countries:

- In Belgium, since April 1st 2012, as soon as a generic or an hybrid is introduced on the market, products are then grouped by active ingredients whatever their pharmaceutical form, and their price can be decreased up to 31%;

- In Poland, a new Reimbursement Law Reform was enforced on January 1st 2012, introducing an obligatory pay-back in case of budget excess, a tax on manufacturers' income to publicly fund clinical trials and lower regulated margins. As a result, prices of Decapeptyl® and Somatuline® were both reduced by 3.0% on January 1st 2012;

- Greece has voted new measures designed to cut pharmaceutical expenditure. Key measures include revised wholesale and retail pharmacy rebates (9% instead of 4% - retroactive effect as of 1 January 2012), a compulsory International Non-proprietary Name (INN) prescribing system, and the introduction of a payback contribution in case of Health public budget overrun;

- In 2011, Portugal has introduced an electronic system encouraging the prescription of the cheapest product (including generics). A new basket of countries for International Pricing System taking in consideration Spanish, Italian and Slovenia prices, has also been introduced. For 2013, new measures have already been published, with a 6% price decrease on all medicines and the introduction of a 2% tax on sales to contribute to the reduction of the healthcare deficit;

In the Rest of the World:

- China is finalizing the introduction of an international reference pricing system, including ten countries among which the USA, France, Germany, Korea and Japan;

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

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

In the Major Western European countries:

- The Spanish Health Minister confirmed a 14% reduction in healthcare budget for 2012. Patients co-payments will also be reviewed periodically. The new Royal Decree published in April, establishes that molecules introduced in Europe for more than ten years will be grouped by active ingredients and their price aligned on the cheapest daily dosage.

In the Other European countries:

- Within the frame of the Healthcare Reform, Russian Health Authorities are considering a possible change in the price-setting methodology for the Vital and Essential Medicines list (EDL). Future registered price for medicines on such list should be set as the average weighted price of all medicines with the same International Non-proprietary Name (INN);
- Ukrainian Health Authorities to implement an International Price Referencing System. The system is being introduced and aims at reducing prices of drug by 25–30% by aligning prices on a basket of twelve countries from Central Europe among which Serbia, Hungary, Moldavia and Poland.

In the Rest of the World:

- In Colombia, a new International Reference pricing system is expected during the second semester 2012, as well as maximum reimbursement prices, to be applied on expensive drugs. Somatuline® might face a price decrease in the magnitude of 40-50%.
- In Korea, price-volume agreements negotiated in 2011 and having lead to a price decrease of Decapetpyl® and Dysport® by 7% will continue to have negative impacts in the year to come.

Note 2. Significant events and transactions between the reporting date and the approval date by the Board during the period and having an impact on the condensed consolidated financial statements at 30 June 2012

2.1. Inspiration Biopharmaceuticals Inc.

On 10 July 2012 - The Group announced that its partner Inspiration Biopharmaceuticals Inc. was notified by the Food and Drug Administration (FDA) that both clinical trials evaluating the safety and efficacy of IB1001, an investigational intravenous recombinant factor IX (rFIX) therapy for the treatment and prevention of bleeding episodes in people with hemophilia B, were placed on clinical hold.

During the course of routine laboratory evaluations conducted as part of the ongoing phase III clinical trials, Inspiration observed, and reported to the FDA, a trend towards a higher proportion of IB1001 treated individuals developing a positive response to testing of antibodies to Chinese Hamster Ovary (CHO) protein, the product's host cell protein (HCP). While this finding may be a potential safety concern, no evidence suggests a change in the current overall clinical benefit and risk profile of IB 1001.

On 21 August 2012 – Ipsen announced the renegotiation of its 2010 strategic partnership agreement with Inspiration Biopharmaceuticals, Inc. for the development and commercialization of Inspiration's recombinant product portfolio: OBI-1 and IB1001. The new agreement aims to establish an effective structure whereby Ipsen gains commercial rights in key territories. Inspiration remains responsible for the world-wide development of OBI-1 and IB1001.

As part of the renegotiation, Ipsen paid Inspiration $30.0 million (approximately €24.0 million, based on current exchange rates) upfront. Including this upfront payment, Ipsen is entitled to pay Inspiration milestones for a total amount of up to $200m, of which $27.5m are regulatory milestones and the remaining are commercial milestones. Both companies believe this new agreement will facilitate Inspiration's ability to raise independent third party financing to meet its financing needs until a potential equity offering in 2013.

Under the new agreement and in its territories *(Europe (EU, Switzerland, Monaco, Norway, Lichtenstein, Georgia, Bosnia, Albania and all EU candidates excluding Turkey), Russia and CIS (Community of Independent States), part of Asia Pacific (main countries are Australia, New Zealand, China, Singapore, South Korea and Vietnam) and certain countries in North Africa (Morocco, Algeria, Tunisia, Libya))*:
• Ipsen recovers commercial rights to OBI-1;
• Ipsen is granted commercial rights for IB1001.

Consequently, Ipsen will:
• Record sales of OBI-1 and IB1001 in its drug sales line;
• Pay Inspiration a mid-teen royalty on OBI-1 sales (around 15%) and a higher double digit royalty on IB1001's sales;

In Inspiration's territories *(Countries outside Ipsen territories)*, Ipsen will receive a mid-twenties royalty on sales of OBI-1.

Previous contractual obligations have also been reset, notably:
• The remaining potential $29.0m milestone payments by Ipsen are cancelled;
• Ipsen's call option to acquire full control of Inspiration is now to expire upon successful refinancing of Inspiration;
• Ipsen will no longer act as Inspiration's commercial agent, as such the European commercial organization is no longer billed to Inspiration.

Furthermore, under the new terms, Ipsen has agreed to invest up to $20.0 million in Inspiration, as follows:
• If Inspiration raises external funding prior to August 31, 2012, Ipsen will pay $20.0 million in exchange for equity;
• If Inspiration does not raise external funding prior to August 31, 2012, Ipsen will pay $7.5 million and receive a warrant for 15% of Inspiration's equity. Ipsen has an option to exercise the warrant should Inspiration fail to raise external funding by September 30, 2012;
• If Inspiration raises external funding prior to September 30, 2012, Ipsen will pay an additional $12.5 million in exchange for equity.

The elements above represent an indication of impairment loss for the net investment the Group holds in Inspiration. At the time the Board of Directors approved the financial statements, on 27 August 2012, Inspiration is still actively seeking external funds to secure its financing needs. The Group ran an impairment test under the assumption that Inspiration would successfully raise external financing in the short term. Accordingly, no further impairment loss was recorded in the consolidated financial statements as of 30 June 2012. In case Inspiration wasn't successful in raising external financing, the Group, according to the terms of the new partnership agreement signed with Inspiration, would have several options to protect its interest. As of 30 June 2012, based on the consolidated condensed financial statements, the total amount of Inspiration-related assets on the Group's balance sheet reached approximately 81 million euros after tax.

2.2. Dreux (France) – based industrial facility

On 11 July 2012 - The Group announced its decision to retain the Dreux - based industrial facility within the scope of its activity. Considering the perspectives of the Group's primary care activity internationally and as a result the higher than expected production volumes at this site since the beginning of this year, the Group has decided to keep its Dreux industrial site.
Industrial activities and employment will be maintained at the site in the light of these revised forecasts.

Following this announcement, the Group reassessed the value of the assets considering all new elements and recorded an impairment write-back by €12.5 million in the financial consolidated statements as of 30 June 2012.

Note 3. Changes in consolidation scope

The Shareholders' Meeting held on 26 January 2012 approved the merger of Ipsen Pharma GmbH and Intersan GmbH with effect on 1 January 2012.

This internal legal restructuring has no impact on the Group condensed consolidated financial statements as at 30 June 2012.

Note 4. Principles and accounting methods and declaration of conformity

Preliminary remarks:

The Group's condensed consolidated financial statements are expressed in thousands of euros, unless indicated otherwise.

The reporting date for the condensed consolidated financial statements is 30 June. The individual financial statements of consolidated subsidiaries are prepared at the same reporting date i.e. 30 June, and cover the same period.

The condensed consolidated financial statements were approved on 27 August 2012 by the Board of Directors.

4.1. Accounting principles and declaration of conformity

In compliance with Regulation 1606/2002 adopted on 19 July 2002 by the European Parliament and the European Council, the Group's consolidated financial statements for the year ending 31 December 2011 have been prepared in accordance with *International Financial Reporting Standards* (IFRS) as endorsed by the European Union on the date of preparation and mandatory on that date.

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

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

The condensed consolidated financial statements at 30 June 2012 have been prepared in accordance with IAS 34 – Interim Financial Reporting, as endorsed by the European Union, which requires the disclosure of selected explanatory notes only.

The condensed financial statements do not include all disclosures required for annual financial statements and should therefore be read in conjunction with the consolidated financial statements for year ended 31 December 2011.

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

IFRS applied as at 30 June 2012:

The condensed consolidated financial statements have been prepared according to the Group's accounting principles and methods which were used for the 2011 financial statements (described in note 4 of consolidated financial statements as at 31 December 2011).

4.2. Other standards and interpretations which became applicable on 1 January 2012

The other amendments of standards and interpretations which became applicable on 1 January 2012 were not required to be applied by the Group or did not have a significant impact on the condensed consolidated financial statements on 30 June 2012. They are:

- *IFRS 7 : financial disclosure – transfers of financial assets*

The Group did not opt for the early adoption of standards and interpretations that were not mandatory as of January 1, 2012.

Note 5. Seasonal effects

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

Note 6. Operating segments

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

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

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

6.1. Operating income by operating segment

(in thousands of euros)	30 June 2012		30 June 2011	
	Amounts	% share	Amounts	% share
Major Western European countries	122,069	46%	120,020	50%
Rest of Europe	73,856	28%	66,965	28%
North America	2,207	1%	(7,053)	(3)%
Rest of the world	66,475	25%	58,435	25%
Total allocated	**264,607**	**100%**	**238,368**	**100%**
Unallocated	(138,920)		(117,604)	
"Operating income" from condensed consolidated income statement	**125,687**		**120,764**	

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

6.2. Revenue

6.2.1. Revenue by operation segment

(in thousands of euros)	30 June 2012		30 June 2011	
	Amounts	% share	Amounts	% share
Major Western European countries	288,221	44%	286,106	47%
Rest of Europe	162,597	25%	147,035	24%
North America	45,300	7%	41,589	7%
Rest of the world	161,624	25%	133,361	22%
Total allocated	**657,742**	**100%**	**608,091**	**100%**
Unallocated	17,284		11,305	
"Revenue" from condensed consolidated income statement	**675,026**		**619,396**	

Within "Revenue", sales of goods, co-promotion income and a portion of "other revenues" have been allocated. However, certain "other revenues" have not been allocated, since it does not lend itself to this type of segmentation. This is the case for milestone payments linked with the OBI-1 agreement with Inspiration Biopharmaceuticals Inc. (€1.3 million in 2012 and 2011), or even the re-billing of research and development costs and more specifically those recognised in relation with the agreements signed with Inspiration Biopharmaceuticals Inc. (2012: €13.6 million; 2011: €9.5 million).

6.2.2. Revenue by operation segment

(in thousands of euros)	30 June 2012		30 June 2011	
	Amounts	% share	Amounts	% share
Major Western European countries	272,434	43%	273,689	47%
Rest of Europe	159,751	25%	144,427	25%
North America	36,318	6%	33,079	6%
Rest of the world	161,304	26%	131,900	22%
"Sale of goods" from condensed consolidated income statement	**629,807**	**100%**	**583,095**	**100%**

6.2.3. Sales by brands and by products

(in thousands of euros)	**30 June 2012**	**30 June 2011**
Oncology	162,119	139,188
of which Hexvix®	*6,020*	-
of which Décapeptyl®	*156,088*	*139,170*
Endocrinology	154,417	133,912
of which Somatuline®	*113,334*	*94,983*
of which Nutropin®	*26,501*	*26,050*
of which Increlex®	*14,582*	*12,883*
Neurology	123,249	107,857
of which Dysport®	*123,133*	*104,951*
of which Apokyn®)	*116*	*2,906*
Specialty care	**439,785**	**380,957**
Gastroenterology	98,333	99,224
of which Smecta®	*54,478*	*51,972*
of which Forlax®	*20,671*	*21,649*
Cognitive disorders	44,922	45,163
of which Tanakan®	*44,922*	*45,163*
Cardiovascular	22,429	33,891
of which Nisis® et Nisisco®	*13,746*	*24,657*
of which Ginkor®	*7,116*	*7,112*
Other pharmaceutical products	6,550	7,360
of which Adrovance®	*5,967*	*5,747*
Primary care	**172,234**	**185,637**
Total drug sales	**612,019**	**566,595**
Drug-related sales	**17,788**	**16,500**
Group sales	**629,807**	**583,095**

6.3. Other revenues

(in thousands of euros)	**30 June 2012**	**30 June 2011**
Royalties received(1)	5,892	4,209
Milestone payments – Licenses(2)	13,614	14,084
Rebilled research and development expenses(3)	13,934	9,755
Co-promotion income(3)	11,779	8,253
"Other revenues" from condensed consolidated income statement	**45,219**	**36,301**

(1) Royalties received amounted to €5.9 million in the first half 2012, up €1.7 million over the previous year due to the increase in royalties paid by Medicis, Galderma and Menarini.

(2) Milestone payments relating to licensing agreements amounted at €13.6 million, mainly from partnerships with Medicis, Galderma, Recordati, Menarini and Inspiration Biopharmaceuticals Inc., relatively stable year-on-year.

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

6.4. Balance sheet items by operating segment (based on location of assets)

(in thousands of euros)	30 June 2012					
	Major Western European countries	**Rest of Europe**	**North America**	**Rest of the world**	**Eliminations**	**Total**
Goodwill (*)	143,819	18,708	115,024	26,482		304,033
Property, plant & equipment	203,694	49,279	28,221	10,476		291,670
Inventories	42,957	30,401	5,401	42,870		121,629
Trade receivables	288,089	43,628	32,548	43,373	(114,258)	293,380
Total segment assets	**678,559**	**142,016**	**181,194**	**123,201**	**(114,258)**	**1,010,712**
Trade payables	167,931	17,775	6,304	63,381	(114,258)	141,133
Total segment liabilities	**167,931**	**17,775**	**6,304**	**63,381**	**(114,258)**	**141,133**

(*) Note 14

(in thousands of euros)	30 June 2011					
	Major Western European countries	**Rest of Europe**	**North America**	**Rest of the world**	**Eliminations**	**Total**
Goodwill (*)	143,819	18,708	101,673	26,507	-	290,707
Property, plant & equipment	196,654	47,220	22,609	8,732	-	275,215
Inventories	19,697	40,966	6,871	48,601	-	116,135
Trade receivables	311,189	39,776	10,969	32,374	(114,293)	280,015
Total segment assets	**671,359**	**146,670**	**142,122**	**116,215**	**(114,293)**	**962,072**
Trade payables	136,951	38,809	5,979	62,997	(114,293)	130,443
Total segment liabilities	**136,951**	**38,809**	**5,979**	**62,997**	**(114,293)**	**130,443**

(*) Note 14

6.5. Other information

(in thousands of euros)	30 June 2012					
	Major Western European countries	**Rest of Europe**	**North America**	**Rest of the world**	**Unallocated**	**Total**
Capital expenditures	(13,396)	(1,781)	(2,785)	(795)	(13,721)	**(32,479)**
Net depreciation, amortisation and provisions (excluding financial and current assets)	8,571	(2,341)	4,068	(1,779)	(12,439)	**(3,920)**
Share-based payment expenses with no impact on cash flow	-	-	-	-	(1,881)	**(1,881)**

(in thousands of euros)	30 June 2011					
	Major Western European countries	**Rest of Europe**	**North America**	**Rest of the world**	**Unallocated**	**Total**
Capital expenditures	(9,146)	(2,300)	(2,944)	(328)	(29,445)	**(44,163)**
Net depreciation, amortisation and provisions (excluding financial and current assets)	(9,728)	(21,276)	(10,548)	(2,975)	(5,285)	**(49,812)**
Share-based payment expenses with no impact on cash flow	-	-	-	-	(1,954)	**(1,954)**

Note 7. Employees

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

(in thousands of euros)	**30 June 2012**	**30 June 2011**
Wages and salaries	(149,842)	(128,022)
Employer's social security contributions and payroll taxes	(53,057)	(46,157)
Sub-total	***(202,899)***	***(174,179)***
Employee benefit expenses	(3,841)	(2,591)
Half-year accounting expenses associated to share-based payments	(1,739)	(1,865)
Social security contributions on share-based payments	(143)	(89)
Share-based payment expenses sub-total	***(1,882)***	***(1,954)***
Employee profit-sharing	(4,957)	(5,273)
Total	**(213,579)**	**(183,997)**

At 30 June 2012, the average rate of employer's social security contributions and payroll taxes was 35.4% of gross payroll (36,1% at 30 June 2011).

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

The evolution of wages and salaries was due mainly to the increase in staff in some regions in growth and the strengthening of certain support services within the Group in the context of the establishment of the new strategy announced June 9, 2011.

Changes in employee benefits expense is explained mainly by the introduction of a Short Term Incentive granted to the Chairman and Chief Executive, the Executive Committee members and certain beneficiaries. On 30 March 2012, the Board of Directors granted:

- to the Chairman and Chief Executive: 23,940 bonus shares *(vesting period : 2 years with a 2-year lock-up period)*, 166,000 SARS *(Stock Appreciation Right)* and €274,564 as short term incentive. These attribution is subject to length of service criteria and contingent upon performance criteria relating to Ipsen (net sales, recurring adjusted EBIT, earnings per share) or a Group's affiliate.

- to members of the Executive Committee: 60,745 bonus shares *(vesting period : 2 years with a 2-year lock-up period)*, 421,300 SARS *(Stock Appreciation Right)* and €696,707 as short term incentive. These attribution is subject to length of service criteria and contingent upon performance criteria relating to Ipsen (net sales, recurring adjusted EBIT, earnings per share) or a Group's affiliate.

- to beneficiaries of American subsidiaries: 35,645 bonus shares *(vesting period : 2 years with a 2-year lock-up period)* and €471,493 as short term incentive. These attribution is subject to length of service criteria and contingent upon performance criteria (net sales, recurring adjusted EBIT).

- to beneficiaries of other subsidiaries according to a defined reank: 74,515 bonus shares *(French tax residents: vesting period : 2 years with a 2-year lock-up period; Foreign Tax residents : vesting period : 4 years without lock-up period)* and €3,086,975 as short term incentive. These attribution is subject to length of service criteria and contingent upon performance criteria (net sales, recurring adjusted EBIT).

- to beneficiaries of other subsidiaries according to another defined reank: 29,750 bonus shares *(French tax residents: vesting period : 2 years with a 2-year lock-up period; Foreign Tax residents : vesting period : 4 years without lock-up period)*. These attribution is subject to length of service criteria and is not contingent upon performance criteria.

Note 8. Other operating income and expenses

Other operating income amounted to €2.5 million in 2012, compared with €20.0 million a year earlier. At 30 June 2011, the other operating income was composed of a non-recurring income of €17.2 million following the enforceable court judgment relating to the trade dispute between the Group and Mylan. The other operating income mainly includes revenue from the sublease of headquarters building.

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

Note 9. Amortisation of intangible assets (excluding software)

This item includes depreciation and amortization related to intangible assets, with the exception of software.
In the first half 2012, amortization charges of intangible assets represented an expense of €5.6 million, compared to €3.1 million a year earlier. This increase mainly includes the amortization of Hexvix® rights acquired from Photocure in September 2011 and the amortization of the trademarck of Nisis®-Nisisco® Primary care product which active promotion has been deprioritized following the arrival of generics on the market resulting from the patent loss in November 2011. This increase was partially offset by the change in IGF-1 amortization plan following the impairment loss recorded at 31 December 2011.

Note 10. Impairment losses

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

Note 11. Restructuring costs

At 30 June 2012, the Group recorded €3.9 million non-recurring restructuring costs as part of the strategy announced on 9 June 2011, compared to €28.1 million a year earlier. At 30 June 2011 restructuring costs included a €18.4 million cost relating to the closure of the Barcelona Research and Development centre (effective on 31 December 2011) and a €8.7 million cost (3 million on 30 June 2012) related to the transfer to the East coast of the Group's North American subsidiary .

Note 12. Financial income/(expense)

12.1. Net financing costs

(in thousands of euros)	**30 June 2012**	**30 June 2011**
Proceeds from sales of short-term investments	809	837
Total income from financial assets held for trading	**809**	**837**
Other financial income	1,739	1,078
Total income from loans and receivables	**1,739**	**1,078**
Investment income	**2,548**	**1,915**
Interest on debt	(727)	(320)
Interest on employee profit sharing fund	(282)	(216)
Total expenses on financial liabilities measured at amortised cost	**(1,010)**	**(536)**
Financial expenses on exchange rate hedging instruments	(49)	(337)
Total expenses on financial assets held for trading	**(49)**	**(337)**
Financing costs	**(1,059)**	**(873)**
Net financing cost	**1,489**	**1,042**

The cost of net financial debt represented an income of €1.5 million, compared with €1.0 million, a year earlier. It mainly includes the interests recorded on the five convertible bonds issued by Inspiration Biopharmaceuticals Inc. and subscribed by the Group (versus two at 30 June 2011), as well as non-utilisation fees on the new credit line subscribed on 31 January 2012 (note 23).

12.2. Other financial income and expenses

(in thousands of euros)	**30 June 2012**	**30 June 2011**
Other exchange differences	2,342	1,041
Income and expenses on financial assets and liabilities at fair value	**2,342**	**1,041**
Net impairment of investments in non-consolidated companies	11,618	(28)
Net impairment of other financial assets	1	(73)
Net gains or losses on available-for-sale financial assets	545	
Income and expenses on available-for-sale financial assets	**12,164**	**(101)**
Financial income on employee benefits	830	614
Financial expenses on employee benefits	(1,713)	(1,384)
Other financial income and expenses	343	(2)
Total other financial income and expenses	**13,966**	**168**

The other financial income and expenses represented an income of €14.0 million, versus €0.2 million a year earlier. This increase was mainly due to positive effect of exchange rates, non-recurrent profits from additional payments received up on the divestment by the Group in 2010 of its PregLem Holding S.A shares and profit derived from the sale of its Spirogen shares during the period.

Note 13. Income taxes

13.1. Breakdown of the tax expense

(in thousands of euros)	30 June 2012	30 June 2011
Current tax	(32,416)	(51,007)
Deferred tax	(4,082)	24,820
Income taxes	**(36,497)**	**(26,187)**

13.2. Effective tax rate

(in thousands of euros)	30 June 2012	30 June 2011
Net profit from continuing operations	90,490	91,674
Share of profit/loss from associated companies (note 17)	(14,155)	(4,113)
Profit from continuing operations before the share in results of associated companies	**104,645**	**95,787**
Income taxes	(36,497)	(26,187)
Pre-tax profit from continuing operations before the share in results of associated companies	**141,142**	**121,974**
Effective tax rate	**25.9%**	**21.5%**

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

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

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

13.3. Deferred tax assets and liabilities

- Movements during the first half 2012

(in thousands of euros)	31 December 2011	Movements during the period					30 June 2012
		Exchange differences	Changes in consolidation scope	Deferred taxes recorded directly to equity	Condensed consolidated income statement Income / Expense	Other movements	
Deferred tax assets	184,562	5,516	-	-	(3,629)	-	186,449
Deferred tax liabilities	(2,569)	(14)	-	-	(453)	-	(3,036)
Net assets/(liabilities)	**181,993**	**5,502**	**-**	**-**	**(4,082)**	**-**	**183,413**

A significant portion of the Group's deferred tax assets / liabilities are related to tax losses carryforwards and temporary differences of Ipsen Biopharmaceuticals Inc..
The review of the deferred tax assets performed by the Group did not raise any additional risk that certain tax losses carryforwards would expire within the time frame of their potential use.

In addition, following to the announcement dated 11 July 2012 (note 2.2) indicating the decision of the Group to retain the Dreux-based industrial facility within the scope of its activity, the Group reassessed the value of the assets considering all new elements and recorded an impairment write-back by €12.5 million in the financial consolidated statements as of 30 June 2012. This impairment write-back led the Group to record a reduction of the deferred tax assets by €4.5 million.

- Movements during the first half 2011

(in thousands of euros)	31 December 2010	Movements during the period					30 June 2011
		Exchange differences	Changes in consolidation scope	Deferred taxes recorded directly to equity	Condensed consolidated income statement Income / Expense	Other movements	
Deferred tax assets	141,630	(8,353)	-	-	24,217	-	157,494
Deferred tax liabilities	(11,955)	379	-	-	603	(96)	(11,069)
Net assets/(liabilities)	**129,675**	**(7,974)**	**-**	**-**	**24,820**	**(96)**	**146,425**

A significant portion of the Group's deferred tax assets/liabilities are related to the American subsidiary, Tercica Inc., based on the subsidiary's tax loss carryforwards and temporary differences as well as those concerning the intangible asset recognised for the license in relation to the allocation of the goodwill of Tercica Inc. The review of the deferred tax assets conducted by the Group at 30 June 2011 did not indicate an additional risk that certain tax loss carryforwards would expire within the time frame of their potential use.

Note 14. Goodwill

14.1. Net goodwill carried in the balance sheet

- Movements during the first half 2012

(in thousands of euros)	31 December 2011	Movements during the period				30 June 2012
		Increases	Decreases	Changes in consolidation scope	Exchange differences	
Gross goodwill	308,316	-	-	-	4,803	313,121
Impairment losses	(8,771)	-	-	-	(315)	(9,087)
Net goodwill	**299,545**	**-**	**-**	**-**	**4,488**	**304,033**

Gross goodwill shown on the balance sheet at 30 June 2012 resulted from:

- €135.3 million arising on the Group's structuring between 1998 and 2004 as a result of the Group's acquisition of SCRAS and its subsidiaries and €53.5 million arising on the acquisition of BB et Cie;
- €8.2 million arising on the acquisition of Sterix Ltd in 2004, which was fully impaired at the time of the business combination;
- €0.2 million arising on the acquisition of Beaufour Ipsen Farmaceutica LTA in 2007;
- €3.5 million arising on the acquisition of Vernalis Inc. on 1 July 2008 and €159.2 million arising on the acquisition of Tercica Inc. on 16 October 2008, transactions which generated residual goodwill in the amount of €115.0 million.

- Movements during the first half 2011

(in thousands of euros)	31 December 2010	Movements during the period				30 June 2011
		Increases	Decreases	Changes in consolidation scope	Exchange differences	
Gross goodwill	307,710	-	-	-	(8,788)	298,922
Impairment losses	(8,605)	-	-	-	390	(8,215)
Net goodwill	**299,105**	**-**	**-**	**-**	**(8,398)**	**290,707**

14.2. Impairment of Goodwill

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

Thus, Goodwill related to the Group's structuring between 1998 and 2004 was allocated to the "Major Western European countries", "Rest of Europe" and "Rest of the world" operating segments in proportion to the revenue generated as of the effective historical date of the business combination (1999), and Goodwill related to the acquisition of Vernalis Inc. and Tercica Inc. in the second half 2008 was allocated to the "North America" operating segment.

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

At 30 June 2012, 31 December 2011, 30 June 2011 and 31 December 2010, no impairment loss related to Goodwill was recorded.

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

Note 15. Other intangible assets

15.1. Movements in this item during the first half 2012

(in thousands of euros)	31 December 2011	Movements during the period					30 June 2012
		Increases	Decreases	Change in consolida-tion scope	Exchange differences	Other movements	
Intellectual property	399,125	11,898	(595)	-	9,129	2,570	422,126
Intangible assets in progress	2,448	370	-	-	-	(1,657)	1,161
Advance payments	4,202	1,454	-	-	-	(1,123)	4,533
Gross assets	**405,775**	**13,721**	**(595)**	**-**	**9,129**	**(211)**	**427,820**
Amortisation	(92,049)	(9,019)	593	-	(1,796)	207	(102,064)
Impairment losses	(178,138)	(40)	660	-	(6,264)	-	(183,782)
Net assets	**135,588**	**4,663**	**658**	**-**	**1,069**	**(4)**	**141,973**

Movements in “Intellectual property” are mainly due to the recognition of an additional payment of €10 million to Active Biotech as part of the partnership to co-develop and commercialise Tasquinimod “TASQ” (see note 1.1.2).

Movements in “Advance payments” and “Intangible assets in progress” mainly include capital expenditure related to the renewal of the Group’s information systems.

“Amortisation” includes the addition during the period for the intangible asset related to the IGF-1 license recognised in the final allocation of Tercica Inc.’s Goodwill in the amount of €0.4 million, as well as the amortization of the trademarck of the Primary care product Nisis®-Nisisco® active promotion of which has been deprioritized with the arrival of generics on the market following the loss of its patent in November 2011 for €2.6 million.

15.2. Movements in this item during the first half 2011

(in thousands of euros)	31 December 2010	Movements during the period					30 June 2011
		Increases	Decreases	Changes in consolida-tion scope	Exchange differences	Other movements	
Intellectual property	345,179	26,221	(701)	-	(16,138)	7,019	361,580
Intangible assets in progress	2,267	485	(15)	-	-	(1,098)	1,639
Advance payments	5,086	2,739	-	-	-	(1,392)	6,433
Gross assets	**352,532**	**29,445**	**(716)**	**-**	**(16,138)**	**4,529**	**369,652**
Amortisation	(73,297)	(6,497)	220	-	2,866	(4,498)	(81,206)
Impairment losses	(112,698)	(5)	22	-	6,915	-	(105,765)
Net assets	**166,538**	**22,943**	**(474)**	**-**	**(6,357)**	**31**	**182,681**

Movements in “Intellectual property” are mainly due to the recognition of the upfront payment of €25 million to Active Biotech as part of the partnership to co-develop and commercialise Tasquinimod "TASQ".

Movements in “Advance payments” and “Intangible assets in progress” mainly include capital expenditure related to the renewal of the Group’s information systems.

“Amortisation” includes the addition during the period for the intangible asset related to the IGF-1 license recognised in the final allocation of Tercica Inc.’s Goodwill in the amount of €1.6 million.

Given the new strategic directions presented on 9 June 2011, the Group has updated the business plans based on the information available in order to take that into account. Based on these items, no impairment loss was recorded at 30 June 2011.

Note 16. Property, plant & equipment

16.1. Movements during the first half 2012

(in thousands of euros)	31 December 2011	Movements during the period					30 June 2012
		Increases	Decreases	Changes in consolidation scope	Exchange differences	Other movements	
Land	18,049	-	-	-	156	-	18,205
Buildings	190,119	705	(99)	-	1,832	1,216	193,774
Plant & equipment	234,978	904	(1,738)	-	3,360	2,467	239,970
Other assets	100,742	3,519	(2,845)	-	647	760	102,823
Assets in progress	102,374	13,279	-	-	2,324	(5,168)	112,810
Advance payments	321	350	-	-	2	(309)	365
Gross assets	**646,583**	**18,758**	**(4,683)**	**-**	**8,321**	**(1,034)**	**667,946**
Amortisation	(351,202)	(13,111)	4,400	-	(3,548)	750	(362,710)
Impairment losses (*)	(23,653)	(1,753)	11,840	-	-	-	(13,565)
Net assets	**271,728**	**3,894**	**11,557**	**-**	**4,773**	**(284)**	**291,670**

(*) On 11 July 2012, the Group decided to retain the Dreux - based industrial facility within the scope of its activity. Following this announcement, the Group reassessed the value of the assets considering all new elements and recorded an impairment write-back of €12.5 million in the financial consolidated statements as of 30 June 2012, partially offset by an additional impairment loss of €1.7 million concerning assets linked to deprioritized research and development projects.

16.2. Movements during the first half 2011

(in thousands of euros)	31 December 2010	Movements during the period					30 June 2011
		Increases	Decreases	Changes in consolidation scope	Exchange differences	Other movements	
Land	16,771	-	-	-	(200)	-	16,571
Buildings	177,230	808	(96)	-	(2,200)	4,332	180,074
Plant & equipment	228,767	2,399	(613)	-	(3,681)	3,418	230,290
Other assets	102,843	1,429	(4,020)	-	(1,147)	2,342	101,447
Assets in progress	86,606	9,708	(1)	-	(2,742)	(10,216)	83,355
Advance payments	798	373	-	-	-	(81)	1,090
Gross assets	**613,015**	**14,717**	**(4,730)**	**-**	**(9,970)**	**(205)**	**612,827**
Amortisation	(330,728)	(15,214)	4,626	-	3,704	-	(337,612)
Impairment losses	-	-	-	-	-	-	-
Net assets	**282,287**	**(497)**	**(104)**	**-**	**(6,266)**	**(205)**	**275,215**

Note 17. Investments in associated companies

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

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

Note 18. Other non-current assets

18.1. Movements during the first half 2012

(in thousands of euros)	31 December 2011	Movements during the period								30 June 2012
		Cash flows related to investing activities	Cash flows related to financing activities	Change in plan assets	Reclassification of derivatives	Fair value changes in profit and loss	Discounting	Exchange differences	Other movements	
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	
Net assets of post-employment benefit plans	2,925	-	-	930		(1,297)	-	5	-	2,563
Non-current financial assets (financial assets at fair value)	**2,925**	**-**	**-**	**930**	**-**	**(1,297)**	**-**	**5**	**-**	**2,563**
Convertible bonds [1]	83,575	26,683	-	-	-	-	-	-	(9,910)	100,348
Liquidity agreement	2,072	(1,385)	-	-	-	-	-	-	2	689
Loans – non-consolidated companies	77	143	-	-	-	-	-	-	(66)	154
Other financial assets [2]	3,951	1,958	-	-	-	-	-	9	(286)	5,632
Deposits	4,304	(103)	-	-	-	-	243	10	438	4,892
Other non-current assets (loans, receivables and other) [3]	**93,979**	**27,296**	**-**	**-**	**-**	**-**	**243**	**19**	**(9,822)**	**111,715**

[1] Movements in this item are due to the subscription of a new convertible bond issued by Inspiration Biopharmaceuticals Inc. for $35 million, the revaluation to the closing rate of the convertible bonds issued by Inspiration Biopharmaceuticals Inc. to the Group (note 1.1.1) and the transfer of negative investment in associated companies (note 17). At 30 June 2012, the Group did not identify an additional impairment loss to the net investment in Inspiration Biopharmaceuticals Inc. equity (note 2.1).

[2] Movements in this item are mainly due to the accrued interests on the above-mentioned convertible bonds.

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

18.2. Movements during the first half 2011

(in thousands of euros)	31 December 2010	Movements during the period								30 June 2011
		Cash flows related to investing activities	Cash flows related to financing activities	Change in plan assets	Reclassification of derivatives	Fair value changes in profit and loss	Discounting	Exchange differences	Other movements	
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	
Net assets of post-employment benefit plans	2,172	-	-	(44)	-	-	-	(2)	-	2,126
Non-current financial assets (financial assets at fair value)	**2,172**	**-**	**-**	**(44)**	**-**	**-**	**-**	**(2)**	**-**	**2,126**
Convertible bonds [1]	74,184	2	-		-	(1,821)	-	-		72,365
Liquidity agreement	1,229	55	-		-	-	-	-	22	1,306
Loans – non-consolidated companies	152	-	**-**		**-**	**-**	**-**	**-**	(75)	77
Other financial assets [2]	2,108	574	**-**		**-**	**-**	**-**	(5)	(24)	2,653
Deposits	3,970	97	-		-	-	34	(6)	-	4,095
Other non-current assets (loans, receivables and other) [3]	**81,643**	**728**	**-**	**-**	**-**	**(1,821)**	**34**	**(11)**	**(77)**	**80,496**

[1] Movements in this item are due to the revaluation to the closing rate of the convertible bonds issued by Inspiration Biopharmaceuticals Inc. to the Group.

[2] Movements in this item are mainly due to the accrued interests on the above-mentioned convertible bonds.

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

Note 19. Working capital items

19.1. Movements

- Movements during the first half 2012

(in thousands of euros)	31 December 2011	Movements during the period							30 June 2012
		Change in w/cap related to operating activities	Change in w/cap related to investing activities	Change in w/cap related to financing activities	Changes in consolidation scope	Exchange differences	Fair value changes in profit and loss	Other movements	
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	
Inventories	117,834	303	-	-	-	3,576	-	(84)	121,629
Trade receivables	259,374	33,256	-	-	-	1,022	-	(272)	293,380
Current tax assets	39,126	(29,118)	-	-	-	109	-	-	10,117
Other current assets	71,400	1,380	(16)	(107)	-	1,019	-	90	73,766
Loans and receivables [1]	**487,734**	**5,821**	**(16)**	**(107)**	**-**	**5,726**	**-**	**(266)**	**498,892**
Current financial assets	9	-	-	-	-	-	1,105	-	1,114
Financial assets held for trading [2]	**9**	**-**	**-**	**-**	**-**	**-**	**1,105**	**-**	**1,114**
Trade payables	(149,805)	9,319	-	-	-	(997)	-	350	(141,133)
Current tax liabilities	(5,607)	(10,452)	-	-	-	(254)	-	(54)	(16,367)
Other current liabilities	(181,345)	19,143	7,653	455	-	(2)	-	(3,303)	(157,399)
Other non-current liabilities	(183,275)	8,185	-	-	-	(3,728)	-	4,804	(174,014)
Interest on other financial liabilities [3]	(598)	-	-	(277)	-	-	-	455	(420)
Financial liabilities measured at amortised cost [4]	**(520,630)**	**26,195**	**7,653**	**178**	**-**	**(4,981)**	**-**	**2,252**	**(489,333)**
Total	**(32,887)**	**32,016**	**7,637**	**71**	**-**	**745**	**1,105**	**1,987**	**10,673**

[1] Impairment of “loans and receivables” are not reported due to their immaterial nature. The fair value of “loans and receivables” corresponds to the value reported in the balance sheet (value at the transaction date and then tested for impairment on each reporting date).
[2] Fair value of financial assets held for trading corresponds to their market value.
[3] Interests on other financial liabilities are included in the balance sheet under financial liabilities.
[4] The carrying amount of financial liabilities measured at amortised cost is deemed to be a reasonable estimation of fair value.

The changes in other non-current liabilities are due in part to the recording of “deferred income” of the payments received. Within the framework of the partnership agreements with Medicis, Recordati, Galderma, Menarini and Inspiration Biopharmaceuticals Inc., the milestone payments received by the Group for these contracts are recognised on a straight line basis over the life of the contracts. The portion unrecognised as income is recorded as “other non-current liabilities” if realised after 12 months and in “other current liabilities” if realised within one year.

The Group was led to recognise additional impairment losses on certain Greek, Spanish, Italian and Portuguese public hospitals accounts receivables for a total amount of €0.4 million for the first half 2012, mainly due to significant delays in payment.

- Movements during the first half 2011

(in thousands of euros)	31 December 2010	Movements during the period							30 June 2011
		Change in w/cap related to operating activities	Change in w/cap related to investing activities	Change in w/cap related to financing activities	Changes in consolidation scope	Exchange differences	Fair value changes in profit and loss	Other movements	
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	
Inventories	112,149	5,013	-	-	-	(1,020)	-	(7)	116,135
Trade receivables	241,890	39,312	-	-	-	(1,193)	-	6	280,015
Current tax assets	44,655	(34,394)	-	-	-	(187)	-	(4,217)	5,857
Other current assets	62,917	5,514	(5,056)	1	-	(1,046)	-	28	62,358
Loans and receivables [1]	**461,611**	**15,445**	**(5,056)**	**1**	**-**	**(3,446)**	**-**	**(4,190)**	**464,365**
Current financial assets	49	-	-	-	-	1	542	-	592
Financial assets held for trading [2]	**49**	**-**	**-**	**-**	**-**	**1**	**542**	**-**	**592**
Trade payables	(140,671)	9,054	-	-	-	811	-	363	(130,443)
Current tax liabilities	(6,565)	(23,777)	-	-	-	146	-	4,354	(25,842)
Other current liabilities	(173,764)	29,384	1,434	412	-	3,038	-	(12,199)	(151,695)
Other non-current liabilities	(198,998)	(3,615)	-	-	-	5,388	-	13,615	(183,610)
Interest on other financial liabilities [3]	(612)	-	-	139	-	-	-	150	(323)
Financial liabilities measured at amortised cost [4]	**(520,610)**	**11,046**	**1,434**	**551**	**-**	**9,383**	**-**	**6,283**	**(491,913)**
Total	**(58,950)**	**26,491**	**(3,622)**	**552**	**-**	**5,937**	**542**	**2,093**	**(26,956)**

[1] Impairment of “loans and receivables” are not reported due to their immaterial nature. The fair value of “loans and receivables” corresponds to the value reported in the balance sheet (value at the transaction date and then tested for impairment on each reporting date).
[2] Fair value of financial assets held for trading corresponds to their market value.
[3] Interests on other financial liabilities are included in the balance sheet under financial liabilities.
[4] The carrying amount of financial liabilities measured at amortised cost is deemed to be a reasonable estimation of fair value.

The changes in other non-current liabilities are due in part to the recording of “deferred income” of the payments received. Within the framework of the partnership agreements with Medicis, Recordati, Galderma, Menarini and Inspiration Biopharmaceuticals Inc., the milestone payments received by the Group for these contracts are recognised on a straight line basis over the life of the contracts. The portion unrecognised as income is recorded as “other non-current liabilities” if realised after 12 months and in “other current liabilities” if realised within one year.

The Group was led to recognise additional impairment losses on certain Greek, Spanish, Italian and Portuguese public hospitals accounts receivables for a total amount of €1.3 million for the first half 2011, mainly due to significant delays in payment.

19.2. Breakdown

19.2.1. Other current assets and current financial assets

(in thousands of euros)	30 June 2012	31 December 2011
Advance payments to suppliers	10,835	8,292
Receivables related to the sale of non-current assets	3	18
VAT recoverable	18,014	22,820
Other assets	22,670	27,344
Prepayments	22,244	12,926
Total current assets (loans and receivables) [(1)]	**73,766**	**71,400**
Derivative financial instruments	1,114	9
Total current financial assets (financial assets held for trading) [(2)]	**1,114**	**9**

[(1)] Impairment of "loans and receivables" was immaterial and therefore not reported. The fair value of "loans and receivables" corresponds to the value reported in the balance sheet (value at the transaction date and then tested for impairment on each reporting date).
[(2)] The Fair value of financial assets held for trading corresponds to their market value.

19.2.2. Other current and non-current liabilities

(in thousands of euros)	30 June 2012	31 December 2011
VAT payable	11,637	13,061
Other current tax liabilities	5,458	5,330
Employment-related liabilities	75,421	91,953
Amounts due to non-current asset suppliers	11,216	18,839
Other liabilities	25,113	22,588
Deferred income	28,554	29,574
Total other current liabilities (financial liabilities measured at amortised cost)	**157,399**	**181,345**
Non-current deferred income	174,014	183,275
Total other current liabilities (financial liabilities measured at amortised cost) [(1)]	**174,014**	**183,275**

[(1)] The carrying amount of financial liabilities measured at amortised cost is deemed to be a reasonable estimation of fair value.

The movements in "other non-current liabilities" are presented in note 19.1.

Note 20. Net cash and cash equivalents

(in thousands of euros)	30 June 2012	31 December 2011
Financial assets held for trading:		
– French SICAV / Euro money market UCITS	28,820	92,292
– Certificates of deposit (with a maturity date of less than 3 months)	-	-
Loans and receivables:		
– Interest-bearing deposits	2,103	414
Cash in hand	**53,877**	**52,301**
Cash and cash equivalents – assets	**84,800**	**145,007**

The short-term investments include investments in monetary mutual funds (mostly money market UCITS or similar funds) which are carried at fair value (market value).
Short-term investments held at 30 June 2012 are saleable immediately, subject to 24 hours' notice maximum. No interest-bearing deposits held at 30 June 2012 matured later than the end of July 2012.

Note 21. Consolidated equity

21.1. Share capital

At 30 June 2012, Ipsen's share capital was set at €84,252,573 divided into €84,252,573 shares each with a nominal value of €1, including 57,361,902 shares with double voting rights, compared with a share capital of €84,226,573 at 31 December 2011 divided into 84,226,573 shares each with a nominal value of €1, with 57,365,810 shares with double voting rights.

This change follows the definitive allocation of 26,000 bonus shares in connection with the plan dated 31 March 2010.

21.2. Equity attributable to Ipsen shareholders

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

(in thousands of euros)	**30 June 2012**	**31 December 2011**
Ipsen share capital	84,253	84,227
Share premium	29,809	29,809
Issue premium	681,303	681,303
Ipsen statutory reserve	44,686	44,686
Other Ipsen reserves	153,162	153,188
Other consolidated reserves and retained earnings	60,006	19,624
Total	**1,053,219**	**1,012,837**

21.3. Earnings per share

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

No stock option plans were dilutive at 30 June 2012 and 30 June 2011 except the November 2005 Plan at 30 June 2011.

All stock option plans were accretive at 30 June 2012, but could be potentially dilutive in case of future appreciation of the market price of the firm.

The bonus share plans of 2007, 2008, 2009, 2010, 2011 and 2012 which are free of performance conditions are included in the weighted average number of shares for basic earnings per share, and are therefore included in diluted earnings.

There were no share transactions occurred after 30 June 2012 that would have significantly modified the number of shares used in computing earnings per share and diluted earnings per share.

The indicated adjustment corresponds to the retroactive effect at 1 January 2011 of the end of the vesting period during the first half 2011 of the bonus share plans of 31 March 2010.

	30 June 2012	30 June 2011 (adjusted)	30 June 2011
Number of ordinary shares at 31 December 2011 and 2010	84,226,573	84,196,213	84,196,213
Treasury shares (weighted average number)	(51,006)	33,836	33,836
Impact of bonus shares – 29 September 2008 plan – Foreign tax residents beneficiaries - without performance conditions	9,850	9,850	11,450
Impact of bonus shares – 22 January 2009 plan – French tax residents beneficiaries - without performance conditions	-	22,860	22,860
Impact of bonus shares – 22 January 2009 plan – Foreign tax residents beneficiaries - without performance conditions	31,770	31,770	38,850
Impact of bonus shares – 30 March 2009 plan – Foreign tax residents beneficiaries - without performance conditions	13,110	13,110	15,640
Impact of bonus shares – 10 November 2009 plan – French tax residents beneficiaries - change of chairman	11,000	11,000	11,000
Impact of bonus shares – 10 November 2009 plan – French tax residents beneficiaries - without performance conditions	-	2,500	2,500
Impact of bonus shares – 31 March 2010 plan – French tax residents beneficiaries - without performance conditions	41,900	41,900	45,790
Impact of bonus shares – 31 March 2010 plan – Foreign tax residents beneficiaries - without performance conditions	22,110	22,110	26,060
Impact of bonus shares – 31 March 2010 plan – French tax residents beneficiaries – change of chairman	4,490	4,490	4,490
Impact of bonus shares – 30 June 2011 plan – French tax residents beneficiaries - without performance conditions	71,160	-	-
Impact of bonus shares – 30 June 2011 plan – Foreign tax residents beneficiaries - without performance conditions	51,380	-	-
Impact of bonus shares – 30 March 2012 plan – French and Foreign (except US) tax residents beneficiaries - without performance conditions	29,750	-	-
Impact of options exercised during the first half 2011 – Stock option plan of 14 November 2005	-	4,000	4,000
Adjustment	-	216,478	-
Weighted average number of shares outstanding at 30 June 2012 and 30 June 2011 used to determine the basic earnings per share	**84,462 ,087**	**84,610,117**	**84,412,689**
Dilutive effect of stock options	-	22,548	-
Weighted average number of shares outstanding at 30 June 2012 and 30 June 2011 used to determine diluted earnings per share	**84,462,087**	**84,632,664**	**84,412,689**

21.4. Dividends paid

At 30 June 2012 an 2011, a dividend of €0.80 per share was paid to shareholders.

Note 22. Provisions

22.1. Movements during the first half 2012

(in thousands of euros)	31 December 2011	Movements during the period						30 June 2012
		Changes in consolidation scope	Charges	Reversals		Exchange differences	Other movements	
				Applied	Released			
Business and operating risks	1,032	-	2,095	(13)		76	-	3,190
Legal risks	22,459	-	2,724	(807)	(1,713)	1	-	22,664
Restructuring	22,581	-	1,972	(15,085)	(39)	218	-	9,647
Other	4,075	-	18		(331)	6	-	3,768
Total provisions[(1)]	**50,147**	**-**	**6,809**	**(15,905)**	**(2,083)**	**301**	**-**	**39,269**
– of which current	24,464	-	2,383	(15,373)	(508)	216	-	11,182
– of which non-current	25,683	-	4,426	(532)	(1,575)	85	-	28,087

[(1)] All increases / reversals of provisions are included in the operating income.

At 30 June 2012, provisions can be broken down as follows:

• Business and operating risks

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

• Legal risks

These provisions include:

- €14.7 million for the risk of tax reassessment in the Group's various subsidiaries and additional taxes which the Group may be required to pay;
- €2.9 million for costs that the Group may incur related to corporate litigation;
- €5.0 million for various other legal risks.

• Restructuring costs

These provisions corresponding to restructuring costs as part of the strategic review implemented by the Group in 2011: the closure of the Barcelona Research and Development site for a total of € 5.1 million and the transfer of the American site from the West Coast to the East Coast for a total of €4.5 million.

• Other

Under the grouping of all sites on the new Paris headquarters in Boulogne-Billancourt in 2008, a provision of €3.6 million was accounted for covering the difference in rents for the areas not used by the Group between the estimated market price based on the sublease actually signed and the amounts owed by the Group under its lease contract.

The maturity dates of the above-mentioned provisions cannot be determined at this time. If a maturity date may be reasonably ascertained for material cases, investors are informed within the framework of the Group's financial disclosures

22.2. Movements during the first half 2011

(in thousands of euros)	31 December 2010	Movements during the period						30 June 2011
		Changes in consolidation scope	Charges	Reversals		Exchange differences	Other movements	
				Applied	Released			
Business and operating risks	1,389	-	254	(355)	-	-	-	1,287
Legal risks	19,613	-	2,048	(1,930)	(960)	(5)	-	18,766
Restructuring	124	-	27,116	(79)	-	(126)	-	27,035
Other	6,088	-		(11)	(1,651)	(8)	-	4,418
Total provisions[(1)]	**27,214**	**-**	**29,418**	**(2,375)**	**(2,611)**	**(139)**	**-**	**51,507**
– of which current	3,665	-	27,691	(2,015)	(154)	(128)	358	29,417
– of which non-current	23,549	-	1,727	(360)	(2,457)	(11)	(358)	22,090

(1) All increases / reversals of provisions are included in the operating income.

At 30 June 2011, provisions can be broken down as follows:

- **Legal risks**

These provisions include:

- €13.4 million for the risk of tax reassessment in the Group's various subsidiaries and additional taxes that the Group may be required to pay;
- €2.3 million for costs that the Group may incur related to corporate litigation;
- €3.1 million for various other legal risks

- **Restructuring costs**

These provisions corresponding to restructuring costs as part of the strategic review implemented by the Group in 2011: the closure of the Barcelona Research and Development site for a total of €18.4 million and the transfer of the American site from the West Coast to the East Coast for a total of €8.7 million.

- **Other**

Under the grouping of all sites on the new Paris headquarters in Boulogne-Billancourt in 2008, a provision of €4.1 million was accounted for covering the difference in rents for the areas not used by the Group between the estimated market price based on the sublease actually signed and the amounts owed by the Group under its lease contract.

Note 23. Bank loans and financial liabilities

23.1. Movements in bank loans and financial liabilities between 31 December 2011 and 30 June 2012 are as follows:

(in thousands of euros)	31 December 2011	Additions	Repayments	Net change in short-term borrowings	Net change in interest	Change in fair value	Movements	Change in consolidation scope	Exchange differences	30 June 2012
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	
Credit lines and bank loans	-	-	-	-	-	-	-	-	-	-
Other financial liabilities	16,560	12	-	-	139	-	(73)	-	-	16,638
Non-current financial liabilities (measured at amortised cost) [1]	**16,560**	**12**	**-**	**-**	**139**	**-**	**(73)**	**-**	**-**	**16,638**
Credit lines and bank loans	4,000	-	-	-	-	-	-	-	-	4,000
Other financial liabilities	1,982	-	(178)	-	138	-	1 554	-	-	3,496
Current financial liabilities (measured at amortised cost) [1]	**5,982**	**-**	**(178)**	**-**	**138**	**-**	**1 554**	**-**	**-**	**7,496**
Derivative financial instruments	*3,031*	-	-	-	-	*(1,455)*	-	-	-	*1,576*
Current financial liabilities (measured at fair value) [2]	**3,031**	**-**	**-**	**-**	**-**	**(1,455)**	**-**	**-**	**-**	**1,576**
Current financial liabilities	**9,013**	**-**	**(178)**	**-**	**138**	**(1,455)**	**1,554**	**-**	**-**	**9,072**
Total	**25,573**	**12**	**(178)**	**-**	**277**	**(1,455)**	**1,481**	**-**	**-**	**25,710**

[1] The amount reported as financial liabilities as valued at amortised cost is considered to be a reasonable estimation of fair value.
[2] Fair value corresponds to the market value.

On 31 January 2012 the Group contracted a multi-borrower renewable credit line in euros for a maximum amount of €400 million over five years. This credit line will be used for general corporate purposes.

At 30 June 2012, there is no drawing concerning this credit line.

The previous credit line (June 2008) was settled without penalties.

In addition to the customary contractual clauses, these credit lines require the Group to comply with various financial covenants on a consolidated basis at each reporting date. The covenants include a maximum ratio of net debt to equity and a maximum ratio of net debt to EBITDA. According to the loan agreements, the maximum ratios are as follows:

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

In the event of default, the banks have the right to demand early repayment of the credit lines.

23.2. Movements in financial liabilities between 31 December 2010 and 30 June 2011 are as follows:

(in thousands of euros)	31 December 2010	Additions	Repayments	Net change in short-term borrowings	Net change in interest	Change in fair value	Movements	Change in consolidation scope	Exchange differences	30 June 2011
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	
Credit lines and bank loans	-	-	-	-		-	-	-	-	-
Other financial liabilities	15,275	-	-	-	(144)	-	1,973	-	-	17,104
Non-current financial liabilities (measured at amortised cost) [1]	**15,275**	**-**	**-**	**-**	**(144)**	**-**	**1,973**	**-**	**-**	**17,104**
Credit lines and bank loans	4,000	-	-	-	-	-	-	-	-	4,000
Other financial liabilities	2,632	-	(178)	-	2	-	(531)	-	-	1,925
Current financial liabilities (measured at amortised cost) [1]	**6,632**	**-**	**(178)**	**-**	**2**	**-**	**(531)**	**-**	**-**	**5,925**
Derivative financial instruments	*886*	-	-	-	-	*(873)*	-	-	-	*13*
Current financial liabilities (measured at fair value) [2]	**886**	**-**	**-**	**-**	**-**	**(873)**	**-**	**-**	**-**	**13**
Current financial liabilities	**7,518**	**-**	**(178)**	**-**	**2**	**(873)**	**(531)**	**-**	**-**	**5,938**
Total	**22,793**	**-**	**(178)**	**-**	**(142)**	**(873)**	**1,442**	**-**	**-**	**23,042**

[1] The amount reported as financial liabilities as valued at amortised cost is considered to be a reasonable estimation of fair value.
[2] Fair value corresponds to the market value.

In June 2008, the Group contracted a syndicated bank loan for €300.0 million for a term of 5 years. This multi-currency and multi-borrower credit line requires a Group guarantee for any usage by its subsidiaries. Its purpose is to finance the Group's US acquisitions and the Group's business in general. It can be used in the form of short-term drawdowns from 1 to 12 months at the borrower's initiative, to adapt the Group's borrowings to its cash profile. Total drawdowns must at all times remain below the following maximum limits, which decrease over time:

06/04/2012	€150.0 million
06/04/2013	-

In addition to the customary contractual clauses, these credit lines require the Group to comply with various financial covenants on a consolidated basis at each reporting date. The covenants include a maximum ratio of net debt to equity and a maximum ratio of net debt to EBITDA. According to the loan agreements, the maximum ratios are as follows:

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

In the event of default, the banks have the right to demand early repayment of the credit lines.

Note 24. Derivative financial instruments

(in thousands of euros)	30 June 2012		31 December 2011	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Market value of currency instruments	1,114	1,576	9	3,031
Total	**1,114**	**1,576**	**9**	**3,031**

Note 25. Information on related parties

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

Note 26. Commitments and contingent liabilities

The operational commitments existing at 31 December 2011 are impacted by payments done during the first half 2012:

- €10 million paid by the Group within the partnership with Active Biotech AB (note 1.1.2) in uro-oncology;
- $35 million (€26.7 million) paid by the Group within the partnership with Inspiration Biopharmaceuticals Inc. (note 1.1.1) in hematology;
- CHF12,7 million (€10.5 million) received reçus by the Group within the partnership with Preglem (note 12.2).

Furthermore in February 2012, Allergan has commenced legal proceedings against Ipsen in Italy and in the United Kingdom concerning an alleged patent infringement. The patents claim certain therapeutic uses of botulinum toxin products in the field of urology. Ipsen will vigorously defend its rights in these legal proceedings, which are based on patents that are being challenged by Ipsen "inter alia" in opposition proceedings before the European Patent Office.

The financial commitments existing at 31 December 2011 had not changed significantly at 30 June 2012.

Note 27. Post closing events with no impacts in the consolidated financial statements, as of 30 June 2012

Recent major differences arose between Ipsen and its preferred partner regarding the creation of a common structure for their French primary care commercial activities. The lack of alignment regarding the level of ambition for the project led to the termination of late-stage negotiations.
In accordance with the strategy announced on 09 June 2011, the Group continues to work at optimizing this activity and remains open to the creation of a partnership ensuring the long-term viability of this business.
Recent government measures – Tanakan® delisting, Adrovance® and Nisis/Nisisco® price cuts – as well as the introduction of generics of Nisis/Nisisco® and the end of the Exforge® contract with Novartis, have significantly impacted Ipsen's primary care activity in France in the first half 2012 with sales down 21.7% (Tanakan® sales down 33.3% in France).
As a result, an adjustment of French sales organization has become necessary. This adjustment will affect approximately 100 positions in the Group's French commercial operations. The social consultations will start during the fourth quarter of 2012.

II - ACTIVITY REPORT

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

Sales by geographical area

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

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

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

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

United Kingdom – In the second quarter 2012, sales reached €14.9 million, up 44.5% year-on-year, benefiting from a favourable comparison basis related to accruals booked in 2011 in line with the Pharmaceutical Price Regulation Scheme (PPRS) and from a strong performance of specialty care products. Restated to exclude this basis effect, the second quarter 2012 sales were up 21.0% year-on-year. In the first half 2012, sales totalled €27.7 million, up 22.6% excluding foreign exchange impacts[2], fuelled by strong double digit volume growths of Decapeptyl®, Somatuline® and NutropinAq®. Restated to exclude the non-recurring effect of the PPRS, sales were up 12.6%. In the first half 2012, the United Kingdom represented 4.4% of total Group sales compared to 3.7% the previous year.

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

Germany – In the second quarter 2012, sales reached €19.9 million, up 34.2% year-on-year. In the first half 2012, sales amounted to €38.2 million, up 28.8% year-on-year, driven by strong volume growth of Somatuline®, Hexvix® and drug-related sales[3]. In the first half 2012, sales in Germany represented 6.1% of total Group sales compared to 5.1% a year earlier.

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

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

In the second quarter 2012, sales generated in the **Other European countries** reached €82.7 million, up 23.0% year-on-year. In the first half 2012, sales amounted to €159.8 million, up 10.0% excluding foreign exchange impacts[1]. Sales were mainly driven by the good performance of Russia which benefited both from strong volume growth and numerous tenders on specialty care products, partially offset by a destocking effect on Smecta® following the drug re-submission in 2011. Over the period, Poland, the Netherlands and Ukraine also contributed to the volume growth. In the first half 2012, sales in this region represented 25.4% of total consolidated Group sales, compared to 24.8% a year earlier.

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

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

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

Sales by therapeutic area and by product

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

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

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

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

In endocrinology sales continued to grow, reaching €80.4 million in the second quarter 2012, up 18.2% year-on-year. In the first half 2012, sales amounted to €154.4 million, up 13.1% excluding foreign exchange impacts[3], representing 24.5% of total Group sales, compared to 23.0% a year earlier.

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

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

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

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

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

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

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

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

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

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

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

In the cognitive disorders area, sales of **Tanakan®** in the second quarter 2012 reached €21.9 million, down 0.5% year-on-year. Sales in the first half 2012 reached €44.9 million, down 0.8% year-on-year excluding foreign exchange impacts[1], penalized by the delisting in France of the drug as of March 1, 2012 but offset by solid sales in Russia and anticipated orders in Vietnam before the renewal of import licences. In the first half 2012, 34.9% of Tanakan® sales were generated in France compared with 52.0% a year earlier.

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

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

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

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

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

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

[(1)] *See appendix 4*

Sales of goods

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

Other revenues

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

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

Other revenues breakdown as follows:

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

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

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

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

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

Cost of goods sold

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

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

Research and development expenses

In the first half 2012, research and development expenses increased by €25.7 million compared with June 2011 and represented €131.5 million or 20.9% of sales, compared with 18.1% of sales the previous year. Excluding industrial development expenses relating to OBI-1, invoiced to Inspiration Biopharmaceuticals Inc., research and development expenses represented 18.5% of sales and increased by 17.9% year-on-year.
The table below provides a comparison of research and development expenses during the first halves 2012 and 2011, according to the new segmentation of research and development expenses as defined by the new strategy announced on 9 June 2011:

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

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

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

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

- **Research and development drug-related costs** have increased by 26.2% compared to the prior year. The main research and development projects conducted during the first half 2012 focused on Dysport®, Somatuline® NET (neuroendocrine tumours) and tasquinimod. This increase was partially offset by a favourable comparison basis since costs related to the phase II clinical study of Irosustat (BN-83495), booked in the first half 2011, were no longer recorded in the first half 2012 as the program was discontinued on 6 June 2011.

- **Industrial and pharmaceutical development expenses** have increased by 17.2% year-on-year in the first half 2012, primarily as a result from production ramp up of clinical batches of OBI-1 for the phase III studies. These costs were billed to Inspiration Biopharmaceuticals Inc. and recorded in "other revenues".

Selling, general and administrative expenses

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

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

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

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

Other operating income and expenses

Other operating income amounted to €2.5 million in 2012, compared with €20.0 million a year earlier. At 30 June 2011, the other operating income was composed of a non-recurring income of €17.2 million following the enforceable court judgment relating to the trade dispute between the Group and Mylan. Other operating income primarily includes revenues from the sublease of Ipsen's headquarters building.

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

Amortisation of intangible assets (excluding software)

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

Restructuring costs

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

Impairment losses

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

Operating income

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

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

Operating segments: operating income by geographical region

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

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

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

[1] See appendix 4

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

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

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

- In the **major Western European countries**, sales in the first half 2012 amounted to €272.4 million, down 0.9% year-on-year excluding foreign exchange impacts[1]. Dynamic volume sales growth of specialty care products were more than offset by the consequences of a tougher competitive environment in the French primary care landscape and administrative measures in Spain. As a result, sales in the Major Western European countries represented 43.3% of total Group sales at the end of the first half 2012, compared with 46.9% a year earlier. The cost of goods sold, up 5.4% year-on-year, was mainly driven by the growth of specialty care sales and declining volumes in primary care. On 11 July 2012, The Group announced its decision to retain the Dreux–based industrial facility within the scope of its activity. Considering the perspectives of the Group's primary care activity internationally and as a result of the higher than expected production volumes at this site since the beginning of this year, the Group has decided to keep its Dreux industrial site. Consequently, the Group reassessed the value of this asset considering all new elements and recorded an impairment write-back of €12.5 million in the financial consolidated statements as of 30 June 2012. Operating result in the first half 2012 reached €122.1 million, up 1.7% year-on-year, representing 44.8% of sales compared to 43.9% of sales in the first half 2011. Other operating income and expenses in the first half 2011 comprised a non-recurring income of €17.2 million following the enforceable court judgment relating to the trade dispute between the Group and Mylan, as well as a non-recurring expense of €18.4 million corresponding to the closing of the Barcelona (Spain) R&D site. Restated from non-recurring items in the first halves 2012 and 2011, operating result decreased by 2.9% year-on-year.

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

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

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

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

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

Costs of net financial debt and other financial income and expenses

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

- **The cost of net financial debt** represented an income of €1.5 million, compared with €1.0 million a year earlier. It mainly included the interests recorded on the five convertible bonds issued by Inspiration Biopharmaceuticals Inc. and subscribed by the Group (versus two at 30 June 2011) partially offset by the non-utilisation fees on the new credit line subscribed on 31 January 2012.

- **Other financial income and expenses** represented an income of €14.0 million versus €0.2 million a year earlier. This increase was mainly due to positive foreign exchange rates, non-recurring profits from additional payments received up on the divestment by the Group in 2010 of its shares in PregLem and profit derived from the sale of its Spirogen shares during the period.

Income taxes

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

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

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

Share of profit / loss from associated companies

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

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

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

Net profit from continuing operations

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

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

Profit from discontinued operations

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

Consolidated net profit

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

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

Earnings per share

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

The **recurring adjusted[2] diluted earnings per share attributable to the Group** at 30 June 2012 amounted to €1.02, down 19.9% year-on-year.

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

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

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

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

[1] See appendix 4

CASH FLOW AND CAPITAL

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

Analysis of the cash flow statement

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

■ Net cash flow from operating activities

Cash flow from operating activities before changes in working capital requirements decreased in the first half 2012 to reach €95.3 million, compared with €123.8 million generated over the same period the previous year.
Working capital requirements for operating activities increased by €32.0 million in the first six months of 2012 compared to an increase of €26.5 million over the same period in 2011. This change during the first half 2012 was related to the following:

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

Net cash flow from investing activities

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

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

Net cash flow from financing activities

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

Net cash flow from discontinued operations

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

APPENDIX 1

Condensed consolidated income statement

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

APPENDIX 2

Condensed consolidated balance sheet before result allocation

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

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

APPENDIX 3

Condensed consolidated cash flow statement

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

APPENDIX 4

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

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

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

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

[3] Other non-recurring items include:

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

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

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

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

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

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

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

III - INFORMATION ON RELATED PARTIES

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

IV - RISKS FACTORS

The Group operates in an environment which is undergoing rapid change and exposes its operations to a number of risks, some of which are outside its control. The risks and uncertainties set out below are not exhaustive and the reader is advised to refer to the Group's 2011 Registration Document available on its website www.ipsen.com

- The Group is dependent on the setting of prices for medicines and is vulnerable to the possible reduction of prices of certain of its products by public or private payers or to their possible withdrawal from the list of reimbursable products by the relevant regulatory authorities in the countries where it does business. In general terms, the Group is faced with uncertainty in relation to the prices set for all its products, in so far as medication prices have come under severe pressure over the last few years as a result of various factors, including the tendency for governments and payers to reduce prices or reimbursement rates for certain drugs marketed by the Group in the countries in which it operates, or even to remove those drugs from lists of reimbursable drugs.

- The Group depends on third parties to develop and market some of its products which generate or may generate substantial royalties for the Group, but these third parties could behave in ways which cause damage to the Group's business. The Group cannot be certain that its partners will fulfil their obligations. It might be unable to obtain any benefit from those agreements. A default by any of the Group's partners could generate lower revenues than expected. Such situations could have a negative impact on the Group's business, financial position or performance. More specifically the possibly inability for Inspiration Biopharmaceuticals Inc. to raise independent third party financing could result in the depreciation of all Inspiration-related assets for a total net amount of approximately 81 million euros after tax as of 30 June 2012.

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

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

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

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

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

- The marketing of certain products by the Group has been and could be affected by supply shortages and other disruptions. Such difficulties may be of both a regulatory nature (the need to correct certain technical problems in order to bring production sites into compliance with applicable regulations) and a technical nature (difficulties in obtaining supplies of satisfactory quality or difficulties in manufacturing active ingredients or drugs complying with their technical specifications on a sufficiently reliable and uniform basis). This situation may result in inventory shortages and/or in a significant reduction in the sales of one or more products. More specifically, in their US Hopkinton facility, Lonza, supplier of IGF-1 (Increlex® active ingredient), is facing a regulatory challenge by the Food and Drug Administration. Products manufactured for the US in this plant are currently on hold.

- In certain countries exposed to significant public deficits, and where the Group sells its drugs directly to public hospitals, it could face discount or lengthened payment terms or difficulties in recovering its receivables in full. In Greece notably, which represented in 2012 approximately 1.3% of consolidated sales, and where payment terms from public hospitals are particularly long, the Group is closely monitoring the current situation. More generally, the Group may also be unable to purchase sufficient credit insurance to protect itself adequately against the risk of payment default from certain customers worldwide. Such situations could negatively impact the Group's activities, financial situation and results.

- In the normal course of business, the Group is or may be involved in legal or administrative proceedings. Financial claims are or may be brought against the Group in connection with some of these proceedings. Ipsen Pharmaceuticals, Inc. has received an administrative demand from the United States Attorney's Office for the Northern District of Georgia seeking documents relating to its sales and marketing of Dysport® (abobotulinumtoxinA) for therapeutic use. Ipsen's policy is to fully comply with all applicable laws, rules and regulations. Ipsen is cooperating with the U.S. Attorney's Office in responding to the government's administrative demand. Additionally, In February 2012, Allergan has commenced legal proceedings against Ipsen in Italy and in the United Kingdom concerning an alleged patent infringement. The patents claim certain therapeutic uses of botulinum toxin products in the field of urology. Ipsen will vigorously defend its rights in these legal proceedings, which are based on patents that are being challenged by Ipsen in opposition proceedings before the European Patent Office.

V - STATUTORY AUDITOR'S REVIEW REPORT ON THE 2012 HALF YEARLY CONSOLIDATED FINANCIAL STATEMENTS

Ipsen

Société Anonyme

65, quai Georges Gorse
92650 Boulogne Billancourt Cedex

Statutory Auditors' Review Report on the 2012 interim financial information

Period from January 1, 2012 to June 30, 2012

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France

To the shareholders,

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

- the limited review of the accompanying condensed interim consolidated financial statements of Ipsen for the half-year ended June 30, 2012;

- the verification of the information contained in the interim management report.

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

I- Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A 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. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standard, IAS 34, as adopted by the European Union applicable to interim financial information.

Without qualifying the conclusion expressed above, we draw attention to note 2.1 which sets out the major events between the period-end and the signature of the financial statements concerning the company, Inspiration Biopharmaceuticals Inc.

II- Specific verification

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

Paris La Défense and Neuilly-sur-Seine, August 28, 2012

The Statutory Auditors

KPMG AUDIT	Deloitte & Associés
Division of KPMG S.A.	
Philippe Grandclerc	Fabien Brovedani
Partner	*Partner*

VI - ATTESTATION OF THE PERSON RESPONSIBLE FOR THE 2012 HALF YEAR FINANCIAL REPORT

I hereby declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and all the other companies included in the scope of consolidation, and that this half-year financial report gives a fair description of the major developments and their impacts on the Group's first half 2012 accounts and of the main risks and uncertainties for the remaining six months of the year and a fair view of the related parties transactions.

August 28th, 2012

Mr. Marc de Garidel
Chairman and Chief executive officer