2016 HALF YEAR FINANCIAL REPORT

2016 HALF YEAR FINANCIAL REPORT SUMMARY

1. FIRST HALF 2016 CONSOLIDATED FINANCIAL STATEMENTS

1.1 Consolidated income statement

(in millions of euros)	Notes	30 June 2016	30 June 2015
Sales	4	763.8	713.9
Other revenues	4	42.8	38.0
Revenue		**806.6**	**751.9**
Cost of goods sold		(172.2)	(168.3)
Selling expenses		(283.2)	(259.9)
Research and development expenses		(95.0)	(91.8)
General and administrative expenses		(59.0)	(61.3)
Other core operating income	5	0.2	1.9
Other core operating expenses	5	(8.6)	(4.8)
Core Operating Income		**188.8**	**167.6**
Other operating income	6	0.9	1.4
Other operating expenses	6	(6.4)	(8.0)
Restructuring costs	7	(0.4)	(0.7)
Impairment losses	8	(8.4)	(57.0)
Operating Income	4	**174.6**	**103.4**
Investment income	9	0.4	0.6
Financing costs	9	(1.5)	(2.5)
Net financing costs	9	**(1.1)**	**(1.9)**
Other financial income and expense	9	(1.8)	5.1
Income taxes	10.1	(39.4)	(17.9)
Share of net profit (loss) from entities accounted for using the equity method		1.3	1.5
Net profit (loss) from continuing operations		**133.6**	**90.2**
Net profit (loss) from discontinued operations		(0.3)	0.3
Consolidated net profit (loss)		**133.3**	**90.5**
- Attributable to shareholders of Ipsen S.A.		133.0	90.1
- Attributable to non-controlling interests		0.3	0.3

Basic earnings per share, continuing operations (in euros)		1.62	1.09
Diluted earnings per share, continuing operations (in euros)		1.61	1.09

Basic earnings per share, discontinued operations (in euros)		(0.00)	0.00
Diluted earnings per share, discontinued operations (in euros)		(0.00)	0.00

Basic earnings per share (in euros)		1.62	1.10
Diluted earnings per share (in euros)		1.61	1.09

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

1.2 Comprehensive consolidated income statement

(in millions of euros)	30 June 2016	30 June 2015
Consolidated net profit (loss)	**133.3**	**90.5**
Actuarial gains and (losses) on defined benefit plans, net of taxes	(10.2)	3.7
Other items of comprehensive income that will not be reclassified to the income statement	**(10.2)**	**3.7**
Revaluation of financial derivatives for hedging, net of taxes	0.0	3.0
Foreign exchange differences, net of taxes	(18.9)	33.0
Financial assets available for sale, net of taxes	(4.2)	4.8
Other items of comprehensive income likely to be reclassified to the income statement	**(23.1)**	**40.8**
Comprehensive income: Consolidated net profit (loss) and gains and (losses) recognized directly in equity	**100.0**	**135.0**
- Attributable to shareholders of Ipsen S.A.	99.7	134.5
- Attributable to non-controlling interests	0.3	0.5

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

1.3 Consolidated balance sheet before allocation of net profit

(in millions of euros)	Notes	30 June 2016	31 December 2015
ASSETS			
Goodwill	11	350.1	353.3
Other intangible assets	12	326.8	151.5
Property, plant & equipment	13	350.6	348.7
Equity investments	14	19.2	25.6
Investments in companies accounted for using the equity method		15.0	15.9
Non-current financial assets		0.2	-
Deferred tax assets	10.2	216.4	217.7
Other non-current assets	15	10.6	15.5
Total non-current assets		**1,288.9**	**1,128.1**
Inventories	16	112.7	107.4
Trade receivables	16	334.8	311.0
Current tax assets	16	54.4	82.9
Current financial assets		4.2	6.8
Other current assets	16	80.4	75.6
Cash and cash equivalents		377.6	226.1
Assets of disposal group classified as held for sale		-	-
Total current assets		**964.0**	**809.9**
TOTAL ASSETS		**2,253.0**	**1,938.0**

EQUITY & LIABILITIES			
Share capital	17.1	83.3	83.2
Additional paid-in capital and consolidated reserves		1,000.2	892.3
Net profit (loss) for the period		133.0	189.9
Foreign exchange differences		38.7	57.0
Equity attributable to Ipsen S.A. shareholders		**1,255.1**	**1,222.5**
Equity attributable to non-controlling interests		3.0	3.1
Total shareholders' equity		**1,258.1**	**1,225.6**
Retirement benefit obligation		66.7	51.2
Non-current provisions	18	35.2	31.4
Other non-current financial liabilities	19	315.8	20.6
Deferred tax liabilities	10.2	21.8	23.1
Other non-current liabilities	16	122.6	124.5
Total non-current liabilities		**562.1**	**250.8**
Current provisions	18	5.0	29.9
Current financial liabilities	19	39.4	11.0
Trade payables	16	194.7	195.1
Current tax liabilities	16	5.0	12.0
Other current liabilities	16	170.5	201.5
Bank overdrafts		18.1	12.1
Total current liabilities		**432.7**	**461.5**
TOTAL EQUITY & LIABILITIES		**2,253.0**	**1,938.0**

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

1.4 Consolidated statement of cash flow

(in millions of euros)	Notes	30 June 2016	30 June 2015
Consolidated net profit (loss)		**133.3**	**90.5**
Share of profit (loss) from entities accounted for using the equity method before impairment losses		(0.2)	(0.8)
Net profit (loss) before share from entities accounted for using the equity method		**133.1**	**89.6**
Non-cash and non-operating items			
- Depreciation, amortization, provisions		5.1	5.8
- Impairment losses included in operating income and net financial income	8	8.4	57.0
- Change in fair value of financial derivatives		10.7	2.6
- Net gains or losses on disposals of non-current assets		0.3	0.0
- Foreign exchange differences		(5.2)	(4.7)
- Change in deferred taxes	10.2	4.6	(9.3)
- Share-based payment expense		3.2	1.9
- Gain or (loss) on sales of treasury shares		(0.0)	0.1
Cash flow from operating activities before changes in working capital requirement		***160.1***	***143.0***
- (Increase)/decrease in inventories	16	(7.0)	0.6
- (Increase)/decrease in trade receivables	16	(22.4)	(60.2)
- Increase/(decrease) in trade payables	16	3.1	(12.4)
- Net change in income tax liability	16	23.0	5.6
- Net change in other operating assets and liabilities	16	(25.8)	(40.4)
Change in working capital requirement related to operating activities		***(29.1)***	***(106.8)***
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		**131.0**	**36.2**
Acquisition of property, plant & equipment	13	(35.2)	(16.4)
Acquisition of intangible assets	12	(194.1)	(5.4)
Acquisition of shares in non-consolidated companies		0.0	(31.3)
Payments to post-employment benefit plans		(0.3)	(0.5)
Change in working capital related to investment activities		0.5	0.4
Deposits paid		2.2	0.4
Other cash flow related to investment activities		-	(5.3)
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES		**(226.8)**	**(57.8)**
Additional long-term borrowings	19	318.0	1.1
Repayment of long-term borrowings	19	(3.1)	(3.7)
Capital increase	17.1	0.5	2.3
Treasury shares		0.6	(2.0)
Dividends paid by Ipsen S.A.	17.2	(70.0)	(70.0)
Dividends paid by subsidiaries to non-controlling interests		(0.4)	(0.5)
Change in working capital related to financing activities		(0.5)	(1.6)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		**245.1**	**(74.4)**
CHANGE IN CASH AND CASH EQUIVALENTS		**149.3**	**(96.1)**
Opening cash and cash equivalents		**214.0**	**180.1**
Impact of exchange rate fluctuations		(3.9)	3.8
Closing cash and cash equivalents		**359.5**	**87.8**

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

1.5 Statement of change in consolidated shareholders' equity

(in millions of euros)	Share capital	Share premiums	Consolidated reserves	Reserves related to retirement benefit obligations	Cash flow hedge reserves	Treasury shares	Net profit (loss) for the period	Total Group equity	Equity attributable to non-controlling interests	Total equity
Balance at 1 January 2016	**83.2**	**720.1**	**299.6**	**(20.4)**	**1.3**	**(51.2)**	**189.9**	**1,222.5**	**3.1**	**1,225.6**
Consolidated net profit (loss) for the period	-	-	-	-	-	-	133.0	133.0	0.3	133.3
Gains and (losses) recognized directly in equity [1]	-	-	(23.0)	(10.2)	0.0	-	-	(33.3)	(0.1)	(33.3)
Consolidated net profit (loss) and gains and losses recognized directly in equity	**-**	**-**	**(23.0)**	**(10.2)**	**0.0**	**-**	**133.0**	**99.7**	**0.3**	**100.0**
Allocation of net profit (loss) from the prior period	-	-	189.9	-	-	-	(189.9)	-	-	-
Capital increases (decreases)	0.0	0.5	-	-	-	-	-	0.5	-	0.5
Share-based payments	-	-	3.2	-	-	0.6	-	3.8	-	3.8
Own share purchases and disposals	-	-	(0.1)	-	-	(1.1)	-	(1.1)	-	(1.1)
Dividends	-	-	(70.0)	-	-	-	-	(70.0)	(0.4)	(70.3)
Other changes	-	-	(0.3)	-	-	-	-	(0.3)	-	(0.3)
Balance at 30 June 2016	**83.3**	**720.6**	**399.3**	**(30.6)**	**1.4**	**(51.7)**	**133.0**	**1,255.1**	**3.0**	**1,258.1**

[1] Detailed in the note "Comprehensive income statement".

(in millions of euros)	Share capital	Share premiums	Consolidated reserves	Reserves related to retirement benefit obligations	Cash flow hedge reserves	Treasury shares	Net profit (loss) for the period	Total Group equity	Equity attributable to non-controlling interests	Total equity
Balance at 1 January 2015	**82.9**	**714.9**	**171.4**	**(29.4)**	**0.8**	**(28.8)**	**153.5**	**1,065.2**	**2.7**	**1,067.9**
Consolidated net profit (loss) for the period	-	-	-	-	-	-	90.1	90.1	0.3	90.5
Gains and (losses) recognized directly in equity [1]	-	-	37.7	3.7	3.0	-	-	44.4	0.1	44.5
Consolidated net profit (loss) and gains and losses recognized directly in equity	**-**	**-**	**37.7**	**3.7**	**3.0**	**-**	**90.1**	**134.5**	**0.5**	**135.0**
Allocation of net profit (loss) from the prior period	-	-	153.5	-	-	-	(153.5)	-	-	-
Capital increases (decreases)	0.2	2.2	(0.1)	-	-	-	-	2.3	-	2.3
Share-based payments	-	-	1.9	-	-	2.7	-	4.6	-	4.6
Own share purchases and disposals	-	-	0.1	-	-	(4.8)	-	(4.6)	-	(4.6)
Dividends	-	-	(70.0)	-	-	-	-	(70.0)	(0.5)	(70.5)
Other changes	-	-	0.0	-	-	-	-	0.0	-	0.0
Balance at 30 June 2015	**83.1**	**717.1**	**294.5**	**(25.7)**	**3.8**	**(31.0)**	**90.1**	**1,132.0**	**2.6**	**1,134.6**

[1] Detailed in the note "Comprehensive income statement".

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

1.6 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant events during the period

1.1 Exclusive licensing agreement signed with 3B Pharmaceuticals GmbH

On 17 February 2016, Ipsen and 3B Pharmaceuticals GmbH (3B Pharmaceuticals), a German private life sciences company focusing on targeted radiopharmaceutical drugs and diagnostics for oncology indications, announced the signature of an exclusive license agreement for novel radiopharmaceuticals in oncology.
Under the financial terms of the agreement, 3B Pharmaceuticals received an upfront licensing payment and will be eligible to receive development and regulatory milestone payments for several indications, as well as tiered royalties on worldwide annual net sales of products developed and commercialized by Ipsen.

1.2 Exclusive licensing agreement signed with Exelixis

On 1 March 2016, Ipsen announced that it had entered into an exclusive licensing agreement for the commercialization and further development of cabozantinib, Exelixis' lead oncology drug. As part of the agreement, Ipsen acquired exclusive commercialization rights for current and potential future cabozantinib indications outside the United States, Canada and Japan, including COMETRIQ®, which is currently approved in the European Union (EU) for the treatment of adult patients with progressive, unresectable, locally advanced or metastatic medullary thyroid cancer (MTC). The companies agreed to collaborate on the development of cabozantinib for current and potential future indications. Exelixis will maintain exclusive commercial rights for cabozantinib in the United States and Canada, and will continue its discussions to partner commercial rights in Japan.

Under the agreement, Exelixis will receive a $200 million upfront payment. Exelixis is eligible to receive regulatory milestones, including a $60 million milestone upon the approval of cabozantinib in Europe for advanced renal cell carcinoma (RCC), and $50 million upon the filing and approval of cabozantinib in Europe for advanced hepatocellular carcinoma (HCC), as well as additional regulatory milestones for potential further indications. The agreement also includes up to $545 million of potential commercial milestones and provides for Exelixis to receive tiered royalties up to 26% on Ipsen's net sales of cabozantinib in its territories.

1.3 €300 million in seven-year notes issued

On 16 June 2016, Ipsen S.A. issued €300 million in unsecured, seven-year notes. The notes mature on 16 June 2023 and pay interest at an annual rate of 1.875%. The purpose of the issue was to diversify and extend the maturity of Ipsen's financial resources and to support its investment and business development strategy.

At 30 June 2016, after factoring in issuing expenses and the issue premium, the debt related to the issue came to €296.9 million and was recognized in non-current financial liabilities (see note 19).

1.4 New share buyback program launched

On 28 June 2016, Ipsen announced that, starting from 4 July 2016, it had granted Natixis a mandate to purchase 400,000 Ipsen S.A. shares, representing 0.48% of the company's share capital at that date. The mandate is valid for a minimum period of two months and a maximum period ending 30 December 2016. The purchased shares will be allocated primarily to cover share awards as part of the company's bonus share plans. The buyback program is in line with the authorizations granted by the Combined Shareholder's Meeting.

Note 2. Changes in the scope of consolidation

At 30 June 2016, Ipsen Pharma Singapore Pte. Ltd., a newly established company, was 100%-owned and controlled by the Group and included in the scope of consolidation.

Note 3. Accounting principles and methods, and compliance statement

Preliminary remarks:

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

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

The condensed consolidated financial statements were approved by the Board of Directors on 27 July 2016.

3.1 General principles and compliance statement

In compliance with European regulation n°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 2015 were prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union on the date of preparation.

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

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

The notes to the condensed consolidated financial statements at 30 June 2016 were prepared in accordance with IAS 34 - Interim Financial Reporting, as endorsed by the European Union, which requires the disclosure of selected explanatory notes only.

The condensed financial statements do not include all disclosures required for annual financial statements and should therefore be read in conjunction with the consolidated financial statements for year ended 31 December 2015.

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

IFRS as applied at 30 June 2016

The condensed consolidated financial statements were prepared in accordance with the accounting principles and methods used by the Group for the 2015 financial statements and described in note 3 to consolidated financial statements for the year ended 31 December 2015. Furthermore, the condensed consolidated financial statements were prepared in compliance with other standards and interpretations in force as of 1 January 2016, with the exception of the application of the new standards and interpretations described below.

3.2 Other standards and interpretations that became applicable as of 1 January 2016

The mandatory standards, amendments and interpretations published by the ASB and applicable as of the 2016 financial year are listed below.

- Amendments to IAS 1 – Disclosure Initiative
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization
- Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants
- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions
- Annual Improvements – 2010-2012 Cycle
- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations
- Annual Improvements – 2012-2014 Cycle
- Amendments to IAS 27 – Equity Method in Separate Financial Statements

A review of these amendments showed that their application had a non-material impact on the Group's interim financial statements, which - consequently - were not restated.

3.3 Use of estimates

In the course of preparing its interim financial statements, Ipsen's management made estimates, judgments and assumptions impacting the application of accounting principles and methods as well as the carrying value of assets and liabilities and income and expense items.

The main sources of uncertainty with respect to key estimates and judgments made by Ipsen were identical to those applied in the consolidated financial statements for the year ended 31 December 2015.

3.4 Seasonal effects

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

Note 4. Operating segments

The Group's two operating segments are primary care and specialty care. All costs allocated to these two segments are presented in the key performance indicators. Only Research and Development costs and corporate overhead costs are not allocated to the two operating segments.

The Group uses Core Operating Income to measure its segment performance and to allocate resources.

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

4.1 Operating Income by operating segment

(in millions of euros)	Primary care	Specialty care	Other (unallocated)	30 June 2016
Sales	150.4	613.5	-	**763.8**
Other revenues	23.6	19.2	-	**42.8**
Revenue	**174.0**	**632.6**	**-**	**806.6**
Core Operating Income	**53.5**	**288.1**	**(152.8)**	**188.8**
Other operating income			0.9	0.9
Other operating expenses			(6.4)	(6.4)
Restructuring costs			(0.4)	(0.4)
Impairment losses			(8.4)	(8.4)
Operating Income	**53.5**	**288.1**	**(167.1)**	**174.6**

(in millions of euros)	Primary care	Specialty care	Other (unallocated)	30 June 2015
Sales	165.0	548.9	-	**713.9**
Other revenues	21.8	16.3	-	**38.0**
Revenue	**186.7**	**565.2**	**-**	**751.9**
Core Operating Income	**68.2**	**239.0**	**(139.6)**	**167.6**
Other operating income			1.4	1.4
Other operating expenses			(8.0)	(8.0)
Restructuring costs			(0.7)	(0.7)
Impairment losses			(57.0)	(57.0)
Operating Income	**68.2**	**239.0**	**(203.8)**	**103.4**

4.2 Sales by therapeutic area and product

(in millions of euros)	30 June 2016	30 June 2015
Oncology	431.9	366.2
of which Somatuline®	*254.9*	*188.2*
of which Decapeptyl®	*167.6*	*169.2*
of which Hexvix®	*9.4*	*8.8*
Neurosciences	140.5	141.1
of which Dysport®	*139.6*	*140.6*
Endocrinology	41.1	41.6
of which NutropinAq®	*30.4*	*31.7*
Increlex®	*10.7*	*9.9*
Specialty care	**613.5**	**548.9**
Gastroenterology	103.4	113.8
of which Smecta®	*54.1*	*62.3*
Forlax®	*20.1*	*18.8*
Cognitive disorders	18.9	24.2
of which Tanakan®	*18.9*	*24.2*
Other pharmaceutical products	13.4	14.9
Drug-related sales	14.7	12.1
Primary care	**150.4**	**165.0**
Consolidated sales	**763.8**	**713.9**

4.3 Other information

(in millions of euros)	30 June 2016			Total
	Primary care	Specialty care	Other (unallocated)	
Acquisition of property, plant & equipment	(6.2)	(28.0)	(0.9)	(35.2)
Acquisition of intangible assets	(0.3)	(190.1)	(3.7)	(194.1)
Total investments [(1)]	**(6.5)**	**(218.1)**	**(4.6)**	**(229.3)**
Net depreciation, amortization and provisions (excluding financial assets)	(1.2)	(3.6)	0.8	(4.0)
Share-based payment expenses with no impact on cash flow			(3.2)	(3.2)

NB. Share-based payment expenses are not broken down by operating segment.

[(1)] At 30 June 2016, the increase in intangible assets for the specialty care segment resulted mainly from the exclusive licensing agreement to commercialize and develop cabozantinib, Exelixis' lead oncology drug (see note 1.2).

(in millions of euros)	30 June 2015			Total
	Primary care	Specialty care	Other (unallocated)	
Acquisition of property, plant & equipment	(3.8)	(12.1)	(0.4)	(16.4)
Acquisition of intangible assets	(0.2)	(1.7)	(3.5)	(5.4)
Total investments	**(4.1)**	**(13.8)**	**(4.0)**	**(21.8)**
Net depreciation, amortization and provisions (excluding financial assets)	(3.7)	(10.2)	6.2	(7.7)
Share-based payment expenses with no impact on cash flow			(1.9)	(1.9)

NB. Share-based payment expenses are not broken down by operating segment.

Note 5. Other core operating income and expenses

In the first half of 2016, other core operating expenses totaled €8.4 million, compared with other core operating expenses of €2.9 million in the first half of 2015. This evolution is mainly driven by the impact of the currency hedging policy.

Note 6. Other operating income and expenses

Other non-core operating expenses for the six months ended 30 June 2016 amounted to €5.5 million and consisted mainly of the impact from the change in corporate governance and expenses arising from consolidating Ipsen's UK R&D capacities to the Oxford site.

In the first half of 2015, those expenses totaled €6.6 million. They corresponded mainly to the amount booked following the discontinuation of the tasquinimod studies for prostate cancer.

Note 7. Restructuring costs

At 30 June 2016, restructuring costs came to €0.4 million, compared with €0.7 million a year earlier.

Note 8. Impairment losses

At 30 June 2016, Ipsen recorded impairment of an intangible asset in the amount of €8.4 million.

At 30 June 2015, the Group recorded a €57.0 million impairment loss after writing down all intangible assets related to the tasquinimod program, after the decision was made to discontinue clinical studies in prostate cancer.

Note 9. Net financial income

In the first half of 2016, the Group had net financial expenses of €2.9 million, versus net financial income of €3.2 million in the first half of 2015.

Net financing costs amounted to €1.1 million, versus €1.9 million at end June 2015, resulting mainly from the general context of interest rates decrease.

In the first half of 2016, other financial expense amounted to €1.8 million, compared to other financial income of €5.1 million in the first half of 2015 related to a final €4.9 million earnout payment received in 2015 from the sale of PregLem shares, and to foreign exchange fluctuations.

Note 10. Income taxes

10.1 Effective tax rate

(in millions of euros)	30 June 2016	30 June 2015
Net profit (loss) from continuing operations	133.6	90.2
Share of net profit (loss) from entities accounted for using the equity method	1.3	1.5
Profit from continuing operations before share of results from companies accounted for using the equity method	132.3	88.7
Current tax	(34.8)	(27.4)
Deferred tax	(4.6)	9.5
Income taxes	**(39.4)**	**(17.9)**
Pre-tax profit from continuing operations before share of results from companies accounted for using the equity method	171.7	106.6
Effective tax rate	**23.0%**	**16.8%**

At 30 June 2016, the effective tax rate came to 23.0% of pre-tax profit from continuing operations before the share of profit (loss) from companies accounted for using the equity method, compared with an effective rate of 16.8% at 30 June 2015.

The Group's effective tax rate was lower in 2015 as a result of writing down tasquinimod-related intangible assets, which were tax deductible at a 38% rate.

10.2 Movements during the first half of 2016

(in millions of euros)	31 December 2015	Movements during the period					30 June 2016
		Income statement income / expense	Deferred taxes recorded directly to reserves	SoRIE	Foreign exchange differences	Other movements	
Deferred tax assets	217.7	(0.8)	-	2.9	(0.6)	(2.7)	216.4
Deferred tax liabilities	(23.1)	(3.8)	2.2	0.3	0.7	1.8	(21.8)
Net assets / (liabilities)	**194.6**	**(4.6)**	**2.2**	**3.2**	**0.1**	**(0.9)**	**194.6**

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

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

Note 11. Goodwill

11.1 Net goodwill carried in the balance sheet

The Group's operating segments are primary care and specialty care. Accordingly, goodwill is allocated to these two Cash Generating Units (CGUs) in accordance with the Group's organization.
Goodwill totaling €135.3 million related to the Group's 1998 structuring operations was allocated to the primary care and specialty care segments in proportion to the sales generated.

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

The goodwill related to the acquisition of Vernalis Inc. and Ipsen Biopharmaceuticals Inc. in the second half of 2008, as well as the goodwill related to the acquisition of BioInnovation Ltd in 2013, and goodwill arising from the acquisition of Octreopharm in 2015, was allocated to the specialty care CGU.

11.2 Movement of goodwill

In the first half of 2016, movements for the period included (€4.4) million in foreign exchange differences on gross goodwill and €1.2 million on impairment losses.

(in millions of euros)	31 December 2015	Movements during the period			30 June 2016
		Increase	Decrease	Foreign exchange differences	
Gross goodwill	363.2	-	-	(4.4)	358.8
Impairment losses	(10.0)	-	-	1.2	(8.8)
Net goodwill	**353.3**	**-**	**-**	**(3.2)**	**350.1**

Since 2016, the Group conducts goodwill impairment testing at 30 June. The perpetual growth rates and discount rates of both CGUs were reviewed at that date and found to be unchanged versus the rates at 31 December 2015.

At 30 June 2016, no impairment losses related to goodwill were recorded. The previously recorded impairment loss concerned solely the goodwill arising from the acquisition of Sterix Ltd.

Note 12. Other intangible assets

- Movements during the first half of 2016

(in millions of euros)	31 December 2015	Movements during the period					30 June 2016
		Increase	Decrease	Changes in consolidation scope	Foreign exchange differences	Other movements	
Intellectual property	539.4	190.0	(1.9)	-	(13.0)	2.5	717.0
Intangible assets in progress	7.9	4.2	-	-	(0.1)	(2.2)	9.7
Gross assets	**547.3**	**194.1**	**(1.9)**	**-**	**(13.1)**	**0.3**	**726.7**
Depreciation	(185.8)	(7.0)	1.9	-	1.5	(4.1)	(193.5)
Impairment losses	(210.1)	(8.4)	0.0	-	8.0	4.1	(206.4)
Net assets	**151.5**	**178.7**	**(0.0)**	**-**	**(3.6)**	**0.3**	**326.8**

At 30 June 2016, the €184 million (USD200 million) upfront payment for the exclusive licensing agreement to commercialize and develop cabozantinib, Exelixis' main oncology product, accounted for most of the increase in intangible assets (see note 1.2).

An upfront payment totaling €5 million for the exclusive licensing agreement with 3B Pharmaceuticals GmbH concerning new radiopharmaceutical product in oncology was also recorded in intangible assets (see note 1.1).

Further, at 30 June 2016, Ipsen wrote down an intangible asset in the amount of €8.4 million.

- Movements during the first half of 2015

(in millions of euros)	31 December 2014	Movements during the period					30 June 2015
		Increase	Decrease	Changes in consolidation scope	Foreign exchange differences	Other movements	
Intellectual property	503.2	1.7	(57.3)	-	25.0	3.1	475.6
Intangible assets in progress	6.8	3.7	-	-	0.1	(2.7)	7.9
Gross assets	**510.0**	**5.4**	**(57.3)**	**-**	**25.1**	**0.4**	**483.5**
Depreciation	(155.5)	(6.6)	0.3	-	(6.7)	(4.3)	(172.9)
Impairment losses	(193.6)	(57.0)	57.0	-	(15.4)	4.1	(204.9)
Net assets	**160.9**	**(58.2)**	**-**	**-**	**3.0**	**0.2**	**105.8**

At 30 June 2015, the Group recorded a €57.0 million impairment loss after writing down all the intangible assets related to the tasquinimod program, following a decision to discontinue tasquinimod clinical studies in prostate cancer. Accordingly, the tasquinimod-related gross assets as well as the corresponding impairment losses were derecognized.

Note 13. Property, plant & equipment

- Movements during the first half of 2016

(in millions of euros)	31 December 2015	Movements during the period					30 June 2016
		Increase	Decrease	Changes in consolidation scope	Foreign exchange differences	Other movements	
Land	20.8	0.0	-	-	(0.5)	0.5	20.9
Buildings	228.6	0.3	(0.1)	-	(2.9)	1.9	227.7
Plant & equipment	266.2	1.6	(3.0)	-	(8.1)	3.5	260.1
Other assets	132.1	1.8	(3.8)	-	(2.4)	3.3	131.0
Assets in progress	143.6	31.2	-	-	(12.8)	(9.5)	152.5
Advance payments	-	0.2	-	-	(0.0)	0.0	0.3
Gross assets	**791.2**	**35.2**	**(7.0)**	**-**	**(26.7)**	**(0.2)**	**792.4**
Depreciation	(430.0)	(15.4)	6.7	-	9.8	(0.0)	(428.9)
Impairment losses	(12.5)	(0.5)	0.1	-	-	-	(12.9)
Net assets	**348.7**	**19.3**	**(0.3)**	**-**	**(16.9)**	**(0.2)**	**350.6**

- Movements during the first half of 2015

(in millions of euros)	31 December 2014	Movements during the period					30 June 2015
		Increase	Decrease	Changes in consolidation scope	Foreign exchange differences	Other movements	
Land	19.4	0.0	-	-	0.5	0.8	20.7
Buildings	204.2	0.6	(0.0)	-	3.5	19.3	227.7
Plant & equipment	246.4	0.9	(1.2)	-	8.5	10.7	265.2
Other assets	112.6	1.5	(0.8)	-	2.4	10.8	126.4
Assets in progress	121.5	13.4	-	-	9.5	(14.6)	129.7
Advance payments	-	0.0	-	-	(0.0)	-	0.0
Gross assets	**704.0**	**16.4**	**(2.0)**	**-**	**24.3**	**27.1**	**769.8**
Depreciation	(381.9)	(16.4)	2.1	-	(10.1)	(14.1)	(420.4)
Impairment losses	(12.5)	-	-	-	-	-	(12.5)
Net assets	**309.6**	**(0.0)**	**0.1**	**-**	**14.2**	**13.0**	**336.9**

At 30 June 2015, other movements included €10.6 million in gross value on buildings corresponding to the reclassification of indemnification paid to a U.S. subsidiary by its lessor in 2014. The purpose of the indemnification was to finance the outfitting of the premises occupied by the subsidiary.

Other movements also included €16.8 million in gross value (€2.6 million net) related to reclassifying assets at the Sant Feliu site in Spain as continuing operations. The assets were previously classified as "assets held for sale" for over 12 months.

Note 14. Equity investments

- Movements during the first half of 2016

(in millions of euros)	31 December 2015	Movements during the period				30 June 2016
		Acquisitions and increases	Disposals and decreases	Foreign exchange differences	Other movements	
Investments in non-consolidated companies	42.0	(0.0)	-	(1.6)	(6.4)	34.1
Write-downs & impairment losses	(16.4)	(0.1)	-	1.6	-	(14.9)
Net book value (Available-for-sale financial assets)	**25.6**	**(0.1)**	**-**	**(0.0)**	**(6.4)**	**19.2**

Net equity investments classified as financial assets available for sale notably included the following equity investments at 30 June 2016:

- An €8.6 million interest in Radius Health Inc. based on the company's unit share price of $36.75 at that date. During the first six months of 2016, the value of the Radius Health interest decreased by €5.9 million, which was recorded in other movements against consolidated equity.
- An €8.9 million investment in the Innobio venture capital fund. Based on the 30 June 2016 share price, the value of that interest decreased by €0.5 million.

Note 15. Other non-current assets

At 30 June 2016, other non-current assets totaled €10.6 million, down €4.9 million from 31 December 2015. The decline resulted primarily from the repayment of security deposits.

Note 16. Detail of the change in working capital requirement

- Movements during the first half of 2016

(in millions of euros)	31 December 2015	Movements during the period					30 June 2016
		Change in w/cap related to operating activities	Change in w/cap related to investing activities	Change in w/cap related to financing activities	Foreign exchange differences	Other movements	
Inventories	107.4	7.0	-	-	(1.7)	-	112.7
Trade receivables	311.0	22.4	-	-	(0.9)	2.3	334.8
Current tax assets	82.9	(18.6)	-	-	(0.1)	(9.8)	54.4
Other current assets	75.6	11.7	(0.5)	-	(1.7)	(4.8)	80.4
WCR assets [1]	**576.9**	**22.5**	**(0.5)**	**-**	**(4.4)**	**(12.4)**	**582.2**
Trade payables	(195.1)	(3.1)	-	-	3.3	0.2	(194.7)
Current tax liabilities	(12.0)	(4.4)	-	-	0.7	10.7	(5.0)
Other current liabilities	(201.5)	25.2	0.0	-	3.6	2.2	(170.5)
Other non-current liabilities	(124.5)	(8.7)	-	-	10.5	0.1	(122.6)
WCR liabilities [2]	**(533.1)**	**9.0**	**0.0**	**-**	**18.1**	**13.1**	**(492.8)**
Total	**43.9**	**31.5**	**(0.5)**	**-**	**13.7**	**0.7**	**89.4**

[1] Impairment losses on "WCR assets" were not reported due to their immaterial nature. The fair value of "WCR assets" 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 carrying amount of items comprising "WCR liabilities" was deemed to be a reasonable estimation of fair value.

The increase in trade receivables resulted primarily from the growth in sales during the period.

The decrease in current tax assets was due mainly to the reimbursement of a €21.2 million research tax credit stemming from the 2012 financial year.

The increase in other current assets chiefly reflects the rise in prepayments and advance payments to suppliers.

The growth in other current liabilities arose primarily from a €16.8 million increase of social debts at 30 June 2016.

Deferred income amounts received under partnership agreements were also recorded in other current liabilities. Milestone payments received by the Group under partnership agreements were recognized on a straight-line basis over the life of the contracts in "Other revenues" in the income statement. The portion unrecognized as income was recorded as "Other non-current liabilities" if due after 12 months, and as "Other current liabilities" if due within one year.

Note 17. Consolidated equity

17.1 Share capital

At 30 June 2016, Ipsen's share capital was comprised of 83,259,682 ordinary shares each with a nominal value of €1, including 47,864,000 shares with double voting rights, compared with 83,245,602 ordinary shares each with a nominal value of €1, including 47,778,755 shares with double voting rights at 31 December 2015.

These changes arose from the issuance of 14,080 new shares following the exercise of warrants in the first half of 2016.

17.2 Dividends

At 30 June 2016, a dividend of €0.85 per share, approved by the General Shareholders Meeting of 31 May 2016, was paid to shareholders. The dividend paid to shareholders a year earlier also amounted to €0.85 per share.

Note 18. Provisions

(in millions of euros)	31 December 2015	Movements during the period					30 June 2016
		Charges	Reversals		Foreign exchange differences	Other movements	
			Applied	Released			
Business and operating risks	2.6	-	(0.2)	(1.0)	(0.1)	(0.2)	1.1
Legal risks	17.3	4.0	(2.6)	(0.5)	0.0	(0.1)	18.0
Restructuring costs	10.3	1.4	(3.2)	(1.8)	(0.0)	-	6.7
Other	31.1	6.0	(22.1)	(0.3)	(0.3)	0.0	14.3
Total provisions	**61.3**	**11.3**	**(28.1)**	**(3.7)**	**(0.4)**	**(0.3)**	**40.1**
- of which current	29.9	1.0	(24.4)	(1.5)	(0.3)	0.3	5.0
- of which non-current	31.4	10.4	(3.7)	(2.3)	(0.1)	(0.6)	35.2

At 30 June 2016, provisions broke down as follows:

- **Business and operating risks**

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

- **Legal risks**

These provisions include:

- €12.4 million for the risk of tax reassessment by local authorities at certain Group subsidiaries and certain additional taxes that the Group may be required to pay;
- €4.1 million for costs related to corporate litigation that the Group may incur;
- €1.5 million for various other legal risks.

- **Restructuring costs**

These provisions correspond mainly to costs incurred by the Group to adapt is structure.

- **Other**

At 30 June 2016, a provision was recorded for Group performance-related medium-term bonus plans approved by the Board of Directors.

Note 19. Bank loans and financial liabilities

(in millions of euros)	31 December 2015	Additions	Repayments	Net change in interest	Other movements	Changes in consolidation scope	Foreign exchange differences	30 June 2016
Bonds and bank loans	-	296.9	-	0.0	-	-	-	296.9
Other financial liabilities (1)	20.6	1.1	(2.8)	(0.0)	0.4	-	(0.3)	18.9
Non-current financial liabilities (measured at amortized cost)	**20.6**	**298.0**	**(2.8)**	**0.0**	**0.4**	**-**	**(0.3)**	**315.8**
Credit lines and bank loans	4.0	-	-		-	-	-	4.0
Other financial liabilities	2.5	20.0	(0.3)	0.2	0.2	-	0.1	22.7
Current financial liabilities (measured at amortized cost) (2)	**6.5**	**20.0**	**(0.3)**	**0.2**	**0.2**	**-**	**0.1**	**26.7**
Derivative financial instruments	4.5	-	-	-	8.1	-	-	12.6
Current financial liabilities (financial liabilities measured at fair value) (3)	**4.5**	**-**	**-**	**-**	**8.1**	**-**	**-**	**12.6**
Current financial liabilities	**11.0**	**20.0**	**(0.3)**	**0.2**	**8.4**	**-**	**0.1**	**39.4**

Total financial liabilities	**31.6**	**318.0**	**(3.1)**	**0.2**	**8.7**	**-**	**(0.2)**	**355.2**

(1) Additions and repayments of other financial liabilities were related to employee profit sharing.
(2) The carrying book amount of current financial liabilities measured at amortized cost was deemed to be a reasonable estimation of fair value.
(3) Fair value corresponds to the market value. The €8.1 million in other movements corresponds to the change in the fair value of derivative financial instruments used to hedge foreign exchange risk.

On 16 June 2016, Ipsen S.A. issued €300 million in unsecured, seven-year bonds. The bonds mature on 16 June 2023 and pay an annual interest rate of 1.875%. The purpose of the issue was to diversify and extend the maturity of Ipsen's sources of funds and to support its investment and development strategy.

Further, on 24 June 2016, Ipsen S.A. appended a rider to a €500 million syndicated loan that it had contracted on 17 October 2014. As a result, the syndicated loan amount was reduced to €300 million, and the covenants, i.e. the leverage and gearing ratios, were removed. This multiple-currency credit line was established to meet the general financing needs of the Group's operations. At the initiative of the borrower, the line may be drawn down for short-term periods. At 30 June 2016, this credit line remained untapped.

In addition, €300 million in depreciable bank loans were contracted with a maturity of 6.5 years.

At 30 June 2016, none of these bank loans had been tapped.

Further, Ipsen S.A. on 2 December 2015 established a €300 million program to issue commercial papers to meet its short term general financing requirements. At 30 June 2016, €20 million in commercial papers have been issued.

Note 20. Derivative financial instruments

The majority of the Group's business is conducted in countries where the euro, Ipsen's reporting currency, is the functional currency. However, owing to its international business scope, the Group is exposed to exchange rate fluctuations that can affect its results.

Several types of risks can be identified:

- Transactional foreign exchange risk related to business activities. The Group has hedged its main foreign currencies, including the USD, RUB, GBP, BRL, and CNY/CNH, based on its budget forecasts;
- Financing foreign exchange risk related to financing contracted in a currency other than the functional currencies of Group entities.

Ipsen implemented a foreign exchange rate hedging policy to reduce the exposure of its net profit to foreign currency fluctuations.

At 30 June 2016 and 31 December 2015, derivative financial instruments held by the Group broke down as follows:

	Fair value of financial derivatives	
(in millions of euros)	**30 June 2016**	**31 December 2015**
Put forward contracts	(1.9)	(2.8)
Call forward contracts	1.8	3.9
Seller at maturity foreign exchange swaps	(1.2)	-
Buyer at maturity foreign exchange swaps	(0.9)	1.2
Sales transactions	**(2.2)**	**2.3**
Financial transactions	**(6.1)**	**(0.0)**
Total net position	**(8.4)**	**2.3**

Derivative financial instruments reported in the balance sheet at 30 June 2016 and 31 December 2015 were as follows:

	30 June 2016		31 December 2015	
(in millions of euros)	**Financial assets**	**Financial liabilities**	**Financial assets**	**Financial liabilities**
Market value of currency instruments	4.3	12.6	6.8	4.5
Total	**4.3**	**12.6**	**6.8**	**4.5**

Note 21. Information on related parties

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

Note 22. Commitments and contingent liabilities

Within the scope of its business activity, in particular with strategic development operations that lead to the formation of partnerships, the Group regularly enters into agreements that may result in potential financial commitments, subject to the completion of certain events.

At 30 June 2016, commitments given by the Group under such agreements totaled €1,331.1 million, versus commitments of €411.4 million at 31 December 2015. The increase in commitments given stemmed mainly from future milestone payments as part of the acquisition of the cabozantinib license from Exelixis, and as part of partnership agreements with PeptiMimesis and 3B Pharmaceuticals (see note 1).

Other commitments existing at 31 December 2015 had not changed significantly at 30 June 2016.

Note 23. Post closing events with no impact on the consolidated financial statements at 30 June 2016

On 11 July 2016, the Board of Directors of Ipsen appointed David Meek as Chief Executive Officer, effective July 18, 2016, At the same time, Marc de Garidel will assume the role of non-executive Chairman and will continue to serve the Board of Directors through his in-depth industry epxertise. David Meek has over 25 years of experience in the pharmaceutical industry, where he has held various global executive positions at major pharmaceutical and biotechnology companies. He was most recently Executive Vice-President and President of the oncology division at Baxalta Inc., a company recently acquired by Shire.

No other event occurring between the closing date of the consolidated financial statements and the date of their approval by the Board of Directors, and not taken into consideration, was likely to call into question Ipsen S.A.'s interim consolidated financial statements themselves or make it necessary to mention such an event in the notes to the interim consolidated financial statements.

2. ACTIVITY REPORT

Comparison of consolidated sales for the second quarters and first halves of 2016 and 2015:

Sales by therapeutic area and by product[1]

Note: Unless stated otherwise, all variations in sales are stated excluding foreign exchange impacts.

The following table shows sales by therapeutic area and by product for the second quarters and first halves 2016 and 2015:

	2nd Quarter				1st Half			
(in millions euros)	2016	2015	% Variation	% Variation at constant currency	2016	2015	% Variation	% Variation at constant currency
Oncology	**227.5**	**189.7**	**19.9%**	**22.8%**	**431.9**	**366.2**	**17.9%**	**19.7%**
Somatuline®	133.2	98.9	34.6%	37.4%	254.9	188.2	35.4%	37.0%
Decapeptyl®	89.4	86.3	3.5%	6.7%	167.6	169.2	-1.0%	1.1%
Hexvix®	4.9	4.5	10.9%	11.2%	9.4	8.8	7.2%	7.4%
Neurosciences	**76.9**	**72.3**	**6.5%**	**12.6%**	**140.5**	**141.1**	**-0.4%**	**4.6%**
Dysport®	76.4	72.0	6.2%	12.2%	139.6	140.6	-0.7%	4.3%
Endocrinology	**21.0**	**21.2**	**-0.8%**	**0.3%**	**41.1**	**41.6**	**-1.1%**	**-0.5%**
NutropinAq®	15.2	15.9	-4.1%	-3.4%	30.4	31.7	-4.1%	-3.6%
Increlex®	5.7	5.3	9.0%	11.5%	10.7	9.9	8.7%	9.3%
Specialty Care	**325.4**	**283.2**	**14.9%**	**18.6%**	**613.5**	**548.9**	**11.8%**	**14.3%**
Gastroenterology	**52.4**	**54.6**	**-4.0%**	**2.4%**	**103.4**	**113.8**	**-9.1%**	**-5.5%**
Smecta®	24.9	26.4	-5.7%	1.7%	54.1	62.3	-13.2%	-9.2%
Forlax®	10.1	9.7	3.7%	5.8%	20.1	18.8	7.0%	8.6%
Cognitive disorders	**9.1**	**13.7**	**-33.6%**	**-30.8%**	**18.9**	**24.2**	**-22.0%**	**-18.9%**
Tanakan®	9.1	13.7	-33.6%	-30.8%	18.9	24.2	-22.0%	-18.9%
Other Primary Care	**6.8**	**6.9**	**-1.8%**	**-1.3%**	**13.4**	**14.9**	**-9.9%**	**-9.8%**
Drug-related Sales	**8.2**	**5.5**	**50.6%**	**50.7%**	**14.7**	**12.1**	**21.3%**	**21.3%**
Primary Care	**76.5**	**80.6**	**-5.2%**	**-0.1%**	**150.4**	**165.0**	**-8.9%**	**-5.9%**
Group Sales	**401.9**	**363.8**	**10.5%**	**14.5%**	**763.8**	**713.9**	**7.0%**	**9.7%**

In the second quarter of 2016, sales reached €401.9 million, up 14.5%, driven by the 18.6% growth of Specialty Care sales, while Primary Care sales slightly declined by 0.1%. In the first half of 2016, sales amounted to €763.8 million, up 9.7%, driven by the 14.3% growth of Specialty Care sales, while Primary Care sales declined by 5.9%.

In the second quarter of 2016, sales of **Specialty Care** products reached €325.4 million, up 18.6% year-on-year. In the first half of 2016, sales amounted to €613.5 million, up 14.3%. Oncology and neurosciences sales grew by 19.7% and 4.6%, respectively, while endocrinology sales decreased by 0.5%. In the first half of 2016, the relative weight of Specialty Care continued to increase to reach 80.3% of Group sales, compared to 76.9% in the previous year.

In **oncology**, sales reached €227.5 million in the second quarter of 2016, up 22.8% year-on-year, driven by the continued acceleration of Somatuline® growth. In the first half of 2016, sales amounted to €431.9 million, up 19.7%, driven by the strong growth of Somatuline® while Decapeptyl® was slightly up by 1.1%. Oncology sales represented 56.5% of total Group sales, compared to 51.3% in the previous year.

Somatuline® – In the second quarter of 2016, sales reached €133.2 million, up 37.4%. In the first half of 2016, sales amounted to €254.9 million, up 37.0%, driven by strong volume growth in North America following the launch of the new

[1] New sales reporting according to the main therapeutic indication of each product

neuroendocrine tumor indication at the beginning of 2015 and by a strong performance in most European countries, notably in Germany, Poland and France.

Decapeptyl® – In the second quarter of 2016, sales reached €89.4 million, up 6.7% year-on-year, driven by strong volume growth in Europe. In the first half of 2016, sales amounted to €167.6 million, up 1.1%, negatively impacted by inventory trends in the Middle East and price pressure in China.

Hexvix® – In the second quarter of 2016, sales reached €4.9 million, up 11.2% year-on-year. In the first half of 2016, sales of reached €9.4 million, up 7.4%, mainly driven by the good performance in Germany, which accounted for a majority of the product sales.

In **neurosciences**, sales of **Dysport®** reached €76.4 million in the second quarter of 2016, up 12.2% year-on-year, driven by strong performance in the US and in Russia. In the first half of 2016, sales amounted to €139.6 million, up 4.3%, driven by the good performance in Russia, the US and Germany despite the negative impact of inventory trends in the Middle East and Brazil. Over the period, neurosciences sales represented 18.4% of total Group sales, compared to 19.8% in the previous year.

In **endocrinology**, sales of **NutropinAq®** reached €15.2 million in the second quarter of 2016, down 3.4% year-on-year. In the first half of 2016, sales amounted to €30.4 million, down 3.6%, impacted by lower volumes especially in Germany and Italy, partly offset by good performance in France. In the second quarter of 2016, sales of **Increlex®** reached €5.7 million, up 11.5% year-on-year, notably driven by the United States. In the first half of 2016, sales amounted to €10.7 million, up 9.3%. Over the period, endocrinology sales represented 5.4% of total Group sales, compared to 5.8% in the previous year.

In the second quarter of 2016, **Primary Care** sales reached €76.5 million, slightly down 0.1% year-on-year. In the first half of 2016, sales amounted to €150.4 million, down 5.9%, mainly impacted by lower **Smecta®** sales in Asia and **Tanakan®** sales in Russia. Over the period, Primary Care sales represented 19.7% of total Group sales, compared to 23.1% in the previous year.

In the second quarter of 2016, **gastroenterology** sales reached €52.4 million, up 2.4% year-on-year. In the first half of 2016, sales amounted to €103.4 million, down 5.5%, negatively impacted by inventory trends in Asia for **Smecta®**, and for **Fortrans®** following the product shortage at the beginning of the year.

Smecta® – In the second quarter of 2016, sales reached €24.9 million, up 1.7% year-on-year. In the first half of 2016, sales amounted to €54.1 million, down 9.2%, affected by high inventories in China in the first half of 2015, as well as inventory build in Vietnam, offsetting good performance in Russia.

Forlax® – In the second quarter of 2016, sales reached €10.1 million, up 5.8% year-on-year. In the first half of 2016, sales amounted to €20.1 million, up 8.6%, supported by growing sales to partners and a good performance in Italy.

In the **cognitive disorders** area, sales of **Tanakan®** reached €9.1 million in the second quarter of 2016, down 30.8% year-on-year, due to a market slowdown in France and in Russia. Sales in the first half of 2016 amounted to €18.9 million, down 18.9%.

Sales of **Other Primary Care** products reached €6.8 million in the second quarter of 2016, down 1.3% year-on-year. In the first half of 2016, sales amounted to €13.4 million, down 9.8%, mainly affected by the 20.7% decline of **Nisis®/Nisisco®**, an additional 40.0% price cut in February 2015 in France, and by **Adrovance®** underperformance, down 16.1% sales over the semester.

In the second quarter of 2016, **Drug-related sales (active ingredients and raw materials)** reached €8.2 million, up 50.7% year-on-year. In the first half 2016, sales amounted to €14.7 million, up 21.3% driven by solid sales to the Group partner Schwabe.

Sales by geographical area

Group sales by geographical area in the second quarters and first halves 2016 and 2015 were as follows:

(in million euros)	2nd Quarter 2016	2nd Quarter 2015	2nd Quarter % Variation	2nd Quarter % Variation at constant currency	1st Half 2016	1st Half 2015	1st Half % Variation	1st Half % Variation at constant currency
France	56.4	52.8	6.9%	6.9%	111.5	106.9	4.4%	4.4%
Germany	31.4	27.0	16.4%	16.4%	60.8	53.5	13.7%	13.7%
Italy	21.4	20.8	3.0%	3.0%	43.0	42.0	2.4%	2.4%
United Kingdom	18.6	18.7	-0.2%	8.6%	37.1	37.1	0.1%	6.1%
Spain	18.0	15.8	13.9%	13.9%	34.9	32.6	7.0%	7.0%
Major Western European countries	**145.9**	**135.0**	**8.0%**	**9.2%**	**287.4**	**272.1**	**5.6%**	**6.4%**
Eastern Europe	45.6	44.7	1.9%	13.7%	85.1	84.1	1.2%	10.2%
Others Europe	43.2	39.2	10.4%	10.6%	84.1	76.6	9.9%	10.3%
Other European Countries	**88.8**	**83.9**	**5.9%**	**12.2%**	**169.2**	**160.7**	**5.3%**	**10.2%**
North America	**64.8**	**37.6**	**72.2%**	**75.3%**	**118.2**	**67.5**	**75.2%**	**75.1%**
Asia	55.4	57.1	-3.0%	2.8%	101.4	116.8	-13.2%	-10.2%
Other countries in the Rest of the world	47.0	50.2	-6.2%	-0.8%	87.7	96.9	-9.5%	-4.5%
Rest of the World	**102.4**	**107.3**	**-4.5%**	**1.1%**	**189.1**	**213.7**	**-11.5%**	**-7.6%**
Group Sales	**401.9**	**363.8**	**10.5%**	**14.5%**	**763.8**	**713.9**	**7.0%**	**9.7%**

In the second quarter of 2016, sales in the **Major Western European countries** reached €145.9 million, up 9.2% year-on-year. In the first half of 2016, sales in the Major Western European countries amounted to €287.4 million, up 6.4%. Sales in the Major Western European countries represented 37.6% of total Group sales, compared to 38.1% in the previous year.

France – In the second quarter of 2016, sales reached €56.4 million, up 6.9% year-on-year. In the first half of 2016, sales amounted to €111.5 million, up 4.4%, driven by the sustained growth of Somatuline® and NutropinAq®. Primary Care sales continued to decrease, notably due to Tanakan®, Adrovance® and Nisis®/Nisisco®, but partly offset by the good performance of Ginkor® and Forlax®. The relative weight of France in the Group's consolidated sales has continued to decrease to represent 14.6% of total Group sales, compared to 15.0% in the previous year.

Germany – In the second quarter of 2016, sales reached €31.4 million, up 16.4% year-on-year. In the first half of 2016, sales amounted to €60.8 million, up 13.7%, driven by strong growth of Somatuline® and Dysport® as well as the supply sales to the Group partner Schwabe. Over the period, sales in Germany represented 8.0% of total Group sales, compared to 7.5% in the previous year.

Italy – In the second quarter of 2016, sales reached €21.4 million, up 3.0% year-on-year. In the first half of 2016, sales amounted to €43.0 million, up 2.4%. The strong growth of Somatuline® and Forlax® was partly offset by the sales decline of Dysport® and NutropinAq®. Over the period, sales in Italy represented 5.6% of total Group sales, compared to 5.9% in the previous year.

United Kingdom – In the second quarter of 2016, sales reached €18.6 million, up 8.6% year-on-year. In the first half of 2016, sales amounted to €37.1 million, up 6.1%, driven by Somatuline® and Decapeptyl® growth and a positive impact from the 2016 price adjustment mechanism (PPRS[2]). Over the period, the United Kingdom represented 4.9% of total Group sales, compared to 5.2% in the previous year.

Spain – In the second quarter of 2016, sales reached €18.0 million, up 13.9% year-on-year. In the first half of 2016, sales amounted to €34.9 million, up 7.0%, affected by a 5% price decrease on Somatuline® 120mg implemented in March 2016, and offset by strong volume growth for the product, as well as for Decapetpyl®. Over the period, sales in Spain represented 4.6% of total Group sales, stable year-on-year.

In the second quarter of 2016, sales in **Other European countries** reached €88.8 million, up 12.2% year-on-year. In the first half of 2016, sales amounted to €169.2 million, up 10.2%, supported by the strong performance of Somatuline® across the region and of Dysport®, Decapeptyl® and Smecta® in Russia, partly offset by the Tanakan® slowdown. Over the period, sales in the region represented 22.2% of total Group sales compared to 22.5% in the previous year.

In the second quarter of 2016, sales generated in **North America** reached €64.8 million, up 75.3% year-on-year. In the first half of 2016, sales amounted to €118.2 million, up 75.1%, supported by the acceleration of Somatuline® growth following the launch of the

[2] Pharmaceutical Price Regulation Scheme

neuroendocrine tumor indication and the growth of Dysport® after the launch in spasticity. Over the period, sales in North America represented 15.5% of total Group sales, compared to 9.4% in the previous year.

In the second quarter of 2016, sales in the **Rest of the World** reached €102.4 million, up 1.1% year-on-year. In the first half of 2016, sales amounted to €189.1 million, down 7.6%. Sales were impacted by unfavorable inventory effects on Smecta® in China, on Decapeptyl® in the Middle East and on Dysport® in southeast Asia and Brazil. Over the period, sales in the Rest of the World represented 24.8% of total Group sales, compared to 29.9% in the previous year.

First half 2016 consolidated income statement versus prior-year period

(in millions of euros)	30 June 2016		30 June 2015		Change
		% of sales		% of sales	
Sales	**763.8**	**100.0%**	**713.9**	**100.0%**	***7.0%***
Other revenues	42.8	*5.6%*	38.0	*5.3%*	*12.4%*
Revenue	**806.6**	**105.6%**	**751.9**	**105.3%**	***7.3%***
Cost of goods sold	(172.2)	*-22.5%*	(168.3)	*-23.6%*	*2.3%*
Selling expenses	(283.2)	*-37.1%*	(259.9)	*-36.4%*	*8.9%*
Research and development expenses	(95.0)	*-12.4%*	(91.8)	*-12.9%*	*3.4%*
General and administrative expenses	(59.0)	*-7.7%*	(61.3)	*-8.6%*	*-3.7%*
Other core operating income	0.2	*0.0%*	1.9	*0.3%*	*-86.8%*
Other core operating expenses	(8.6)	*-1.1%*	(4.8)	*-0.7%*	*79.0%*
Core Operating Income	**188.8**	***24.7%***	**167.6**	***23.5%***	***12.6%***
Other operating income	0.9	*0.1%*	1.4	*0.2%*	*-34.0%*
Other operating expenses	(6.4)	*-0.8%*	(8.0)	*-1.1%*	*-18.9%*
Restructuring costs	(0.4)	*0.0%*	(0.7)	*-0.1%*	*-46.8%*
Impairment losses	(8.4)	*-1.1%*	(57.0)	*-8.0%*	*-85.3%*
Operating Income	**174.6**	***22.9%***	**103.4**	***14.5%***	***68.8%***
Investment income	0.4	*0.1%*	0.6	*0.1%*	*-35.1%*
Financing costs	(1.5)	*-0.2%*	(2.5)	*-0.4%*	*-42.1%*
Net financing costs	**(1.1)**	***-0.1%***	**(1.9)**	***-0.3%***	***-44.3%***
Other financial income and expense	(1.8)	*-0.2%*	5.1	*0.7%*	*-135.8%*
Income taxes	(39.4)	*-5.2%*	(17.9)	*-2.5%*	*120.1%*
Share of net profit (loss) from entities accounted for using the equity method	1.3	*0.2%*	1.5	*0.2%*	*-10.3%*
Net profit (loss) from continuing operations	**133.6**	***17.5%***	**90.2**	***12.6%***	***48.2%***
Net profit (loss) from discontinued operations	(0.3)	*0.0%*	0.3	*0.0%*	*-202.0%*
Consolidated net profit (loss)	**133.3**	***17.5%***	**90.5**	***12.7%***	***47.4%***
- Attributable to shareholders of Ipsen S.A.	133.0		90.1		
- Attributable to non-controlling interests	0.3		0.3		
Basic earnings per share - attributable to Ipsen S.A. shareholders (in euros)	1.62		1.10		
Diluted earnings per share - attributable to Ipsen S.A. shareholders (in euros) (*)	1.74		1.50		

(*) Core consolidated net profit is detailed in Appendix 4.

Sales

At the end of June 2016, the Group's consolidated sales came to €763.8 million, up 7.0% year-on-year and up 9.7% excluding the impact from foreign exchange fluctuations.

Other revenues

Other revenues for the first semester totaled €42.8 million, up 12.4% over the €38.0 million recorded in the six-month period ended 30 June 2015.

The evolution was attributable to the following:

- higher royalties received from Group partners, mainly Galderma for Dysport® and Menarini for the Adenuric® product;
- the new distribution model for Etiasa® in China;
- partially offset by the recognition in 2015 of an upfront payment of €3.4 million received by Ipsen as part of its sale of Ginkor Fort® licensing rights in Group territories to Tonipharm.

Cost of goods sold

For the six months ended 30 June 2016, cost of goods sold amounted to €172.2 million, representing 22.5% of sales compared to €168.3 million, or 23.6% of sales, in the prior-year period.

The improvement in cost of goods sold as a percentage of sales is primarily due to a favorable product mix arising from the growth of the Specialty Care business, and from productivity efforts deployed at manufacturing sites. Moreover, royalties paid to partners increased in line with Group sales.

Selling expenses

At the end of June 2016, selling expenses came to €283.2 million, representing 37.1% of sales, up 8.9% versus end of June 2015. The increase reflects the commercial efforts deployed to support the growth of Somatuline® and to launch Dysport® in spasticity indications in the United States. It also resulted from strengthening the sales force in China following a change in the Primary Care distribution model.

Research and development expenses

For the half-year period ended 30 June 2016, research and development expenses totaled €95.0 million, compared with €91.8 million in the same period in 2015.

In neurosciences, expenditures were committed to continue managing the lifecycle of Dysport®, in particular by extending its indications in spasticity. New oncology programs based on peptide receptor radionuclide therapy were also under way.

At 30 June 2016, the research tax credit amounted to €12.4 million, down €1.2 million versus a year earlier.

General and administrative expenses

For the six months ended 30 June 2016, general and administrative expenses came to €59.0 million, down €2.3 million versus the same period in 2015. The decline resulted primarily from the change in the Group's corporate governance.

Other core operating income and expenses

In the first half of 2016, other core operating expenses totaled €8.4 million, compared with other core operating expenses of €2.9 million in the first half of 2015. This evolution is mainly driven by the impact of the currency hedging policy.

Core Operating Income

Core Operating Income in the first half of 2016 came to €188.8 million, representing 24.7% of sales, compared with €167.6 million in Core Operating Income in the first half of 2015, representing 23.5% of sales. The robust Somatuline® performance in the United States and Europe, coupled with the strengthening partnership with Galderma, enabled the Group to intensify its commercial investments, while improving its profitability by 1.2 points. The growth of the Core Operating Income between June 2015 and June 2016 reached 12.6%.

Other operating income and expenses

Other non-core operating expenses for the six months ended 30 June 2016 amounted to €5.5 million and consisted mainly of the impact from the change in corporate governance and expenses arising from consolidating Ipsen's UK R&D capacities to the Oxford site.

In the first half of 2015, those expenses totaled €6.6 million. They corresponded mainly to the amount booked following the discontinuation of the tasquinimod studies for prostate cancer.

- **Restructuring costs**

For the period ended 30 June 2016, restructuring costs came to €0.4 million, compared with €0.7 million for the prior-year period.

- **Impairment losses**

At 30 June 2016, Ipsen recorded impairment of an intangible asset in the amount of €8.4 million.

At 30 June 2015, the Group recorded a €57.0 million impairment loss after writing down all intangible assets related to the tasquinimod program after the decision was made to discontinue clinical studies in prostate cancer.

- **Net financing costs and other financial income and expense**

In the first half of 2016, the Group had net financial expenses of €2.9 million, versus net financial income of €3.2 million in the first half of 2015.

- **Net financing costs** amounted to €1.1 million, versus €1.9 million at end June 2015, resulting mainly from the general context of interest rates decrease.

- In the first half of 2016**, other financial expense** amounted to €1.8 million, compared to other financial income of €5.1 million in the first half of 2015 related to a final €4.9 million earnout payment received in 2015 from the sale of PregLem shares, and to foreign exchange fluctuations.

- **Income taxes**

In the first half of 2016, income tax expense of €39.4 million resulted from an effective tax rate of 23.0% on pre-tax profit from continuing operations, excluding the share of net profit (loss) from entities accounted for using the equity method. That compares with an effective rate of 16.8% in the year-earlier period.

The Group's effective tax rate was lower at 30 June 2015 as a result of writing down tasquinimod-related intangible assets, which were tax deductible at a 38.0% rate.

- **Consolidated net profit**

At the end of June 2016, consolidated net profit increased 47.4% to €133.3 million, with €133.0 million attributable to Ipsen S.A. shareholders. That performance compares with consolidated net profit of €90.5 million, with €90.1 million attributable to Ipsen S.A. shareholders, at the end of June 2015.

- **Earnings per share**

For the six months ended 30 June 2016, basic earnings per share attributable to Ipsen S.A. shareholders amounted to €1.62, up from basic earnings per share of €1.10 in the prior-year period, which included the impact of the tasquinimod impairment.

At the end of June 2016, diluted core earnings per share (see Appendix 4) came to €1.74, up 16.0% versus €1.50 per share at the end of June 2015.

Operating segments: Core Operating Income by therapeutic area

Segment information is presented according to the Group's two operating segments, i.e. Specialty Care and Primary Care.

All costs allocated to these two segments are presented in the key performance indicators. Only Research and Development costs and corporate overhead costs are not allocated to the two operating segments.

The Group uses Core Operating Income to measure its segment performance and to allocate resources.

Sales, revenue and Core Operating Income are presented by therapeutic area for the 2016 and 2015 half-year periods in the following table.

(in millions of euros)		30 June 2016	30 June 2015	Change	
					%
Specialty care					
Sales		613.5	548.9	64.6	*11.8%*
Revenue		632.6	565.2	67.5	*11.9%*
Core Operating Income		288.1	239.0	49.1	*20.5%*
	% of sales	*47.0%*	*43.5%*		
Primary care (*)					
Sales		150.4	165.0	(14.6)	*-8.9%*
Revenue		174.0	186.7	(12.8)	*-6.8%*
Core Operating Income		53.5	68.2	(14.7)	*-21.5%*
	% of sales	*35.6%*	*41.3%*		
Total unallocated					
Core Operating Income		(152.8)	(139.6)	(13.2)	*9.5%*
Group total					
Sales		763.8	713.9	50.0	*7.0%*
Revenue		806.6	751.9	54.7	*7.3%*
Core Operating Income		188.8	167.6	21.2	*12.6%*
	% of sales	*24.7%*	*23.5%*		

(*) including drug related sales.

For the half year period ended 30 June 2016, **Specialty Care** sales grew to €613.5 million, up 11.8% over the first six months of 2015, driven by oncology sales that advanced from 17.9% at current rates. The relative weight of Specialty Care products continued to increase, reaching 80.3% of total consolidated sales at 30 June 2016, versus 76.9% a year earlier. In the first half of 2016, **Core Operating Income** for Specialty Care amounted to €288.1 million, representing 47.0% of sales. That result compares to €239.0 million in the prior-year period, representing 43.5% of sales. The improvement reflects Somatuline®'s continued sales growth in the United States and Europe, along with increased commercial investments, notably in the United States.

For the six months ended 30 June 2016, sales of **Primary Care** products came to €150.4 million, down 8.9% year on year, impacted by a decline of international sales. In the first half of 2016, **Core Operating Income** for Primary Care amounted €53.5 million, representing 35.6% of sales.

In the first half of 2016, **unallocated Core Operating Income** came to a negative €152.8 million, compared with a negative €139.6 million in the year-earlier period. These expenses consisted mainly of the Group's research and development costs, which totaled €93.1 million in 2016, versus €90.6 million in 2015, of unallocated headquarter expenses and of the effects of the currency hedging policy.

Net cash flow and financing

In the first half of 2016, the Group generated a net cash flow decrease of €169.7 million, bringing closing net cash to €17.3 million.

Analysis of the consolidated net cash flow statement

(in millions of euros)	30 June 2016	30 June 2015
Opening net cash / (debt)	**186.9**	**160.8**
Core Operating Income	**188.8**	**167.6**
Non-cash items	(2.9)	9.6
Change in operating w orking capital requirement	(26.3)	(72.0)
(Increases) decreases in other w orking capital requirement	(8.9)	(21.9)
Net capex (excluding milestones paid)	(34.9)	(19.9)
Dividends received from entities accounted for using the equity method	1.2	1.6
Operating Cash Flow	**117.0**	**65.1**
Other operating income and expenses and restructuring costs (cash)	(10.2)	(20.8)
Financial income (cash)	2.3	2.1
Current income tax (P&L, excluding provisions for tax contingencies)	(34.8)	(30.2)
Other operating cash flow	(0.6)	6.2
Free Cash Flow	**73.6**	**22.4**
Dividends paid	(70.3)	(70.5)
Net investments (business development and milestones)	(172.6)	(38.5)
Share buyback	-	(3.9)
Other (discontinued operations)	(0.3)	0.5
Shareholders return and external growth operations	**(243.3)**	**(112.5)**
CHANGE IN NET CASH / (DEBT)	**(169.7)**	**(90.1)**
Closing net cash / (debt)	**17.3**	**70.8**

Operating Cash Flow

At 30 June 2016, Operating Cash Flow totaled €117.0 million, up €51.9 million versus 30 June 2015. The increase was driven by higher Core Operating Income and by the improvement in working capital requirement (WCR), but was partially offset by higher net capital expenditure (excluding milestones paid).

Working capital requirement for operating activities increased by €26.3 million at 30 June 2016, compared with an increase of €72.0 million at 30 June 2015. The change at 30 June 2016 stemmed mainly from the following:

- A €7.0 million rise in inventories during the first half, in step with business growth;
- A €22.4 million advance in trade receivables at 30 June 2016, in line with sales growth. That result compares to a €60.2 million increase in trade receivables at the end of June 2015, arising primarily from extraordinary sales growth, notably in the United States;
- A limited €3.1 million rise in trade payables at the end of June 2016. At the end of June 2015, trade payables declined by €12.4 million.

In the first half of 2016, other WCR increased €8.9 million, compared with a €21.9 million increase in other WCR in the first half of 2015. The variation arose chiefly from recognizing deferred income and from the reimbursement of the 2012 R&D tax credit received in 2016.

Net capital expenditure advanced €15.0 million year-on-year to €34.9 million at 30 June 2016. These investments mainly encompassed capital spending to boost production capacity in the United Kingdom and France.

Free Cash Flow

At 30 June 2016, Free Cash Flow came to €73.6 million, up €51.2 million versus 30 June 2015. This evolution is mainly driven by the Operating Cash Flow improvement.

Other non-core operating income and expenses and restructuring costs included €10.2 million in costs arising from the change in corporate governance, as well as payments for earlier restructuring plans that were staggered over several fiscal periods. At the end of June 2015, €20.8 million of such payments were primarily comprised of restructuring costs and expenses arising from discontinuing clinical trials of tasquinimod.

The €2.3 million in financial income collected at the end of June 2016 resulted mainly from the collection of dividends, an earnout payment related to the sale of Spirogen shares and realized foreign exchange gains. In comparison, the €2.1 million in financial income collected at end June 2015 were derived from a €4.9 million earnout payment from the PregLem shares that was partially offset by an unfavorable foreign exchange fluctuations effect.

The change in current income tax stemmed from the change in the effective tax rate.

Shareholders return and external growth operations

At 30 June 2016, the dividend payout to Ipsen S.A. shareholders amounted to €70.0 million.

Net financial investments at 30 June 2016 mainly encompassed a €183.8 million upfront payment to Exelixis, following the signature of an exclusive licensing agreement to commercialize and develop cabozantinib and a €5 million upfront payment to 3B Pharmaceuticals GmbH, following the signature of an exclusive licensing agreement for new radiopharmaceutical products in oncology.

This amount is partially offset by regulatory milestone payments received from Acadia (€7 million) and Radius (€3 million) and by scheduled payments related to the agreement signed with Galderma in December 2015 for Asia-Pacific markets (collection of a net €7 million).

At 30 June 2015, net investments primarily included the €31.3 million acquisition of OctreoPharm Sciences GmbH and the purchase of a €6.0 million call option to acquire Canbex Therapeutics.

Reconciliation of cash and cash equivalents and net cash

(in millions of euros)	30 June 2016	30 June 2015
Closing cash and cash equivalents	**359.5**	**87.8**
Bonds	(296.9)	-
Other financial liabilities	(18.9)	(10.4)
Non-current financial liabilities	**(315.8)**	**(10.4)**
Credit lines and bank loans	(4.0)	(4.0)
Financial liabilities (excluding derivative instruments) (**)	(22.3)	(2.6)
Current financial liabilities	**(26.3)**	**(6.6)**
Debt	**(342.2)**	**(17.0)**
Net cash / (debt) (*)	**17.3**	**70.8**

(*) Net cash / (debt): cash and cash equivalents, less bank overdrafts, bank loans and other financial liabilities and excluding financial derivative instruments.

(**) Financial liabilities mainly exclude €12.6 million in derivative instruments at 30 June 2016, compared with €0.5 million in derivative instruments at 30 June 2015.

Analysis of Group cash

On 16 June 2016, Ipsen S.A. issued €300 million in unsecured, seven-year bonds. The bonds mature on 16 June 2023 and pay an annual interest rate of 1.875%. The purpose of the issue was to diversify and extend the maturity of Ipsen's sources of funds and to support its investment and development strategy.

Further, on 24 June 2016, Ipsen S.A. appended a rider to a €500 million syndicated loan that it had contracted on 17 October 2014. As a result, the syndicated loan amount was reduced to €300 million, and the covenants, i.e. the leverage and gearing ratios, were removed. This multiple-currency credit line was established to meet the general financing needs of the Group's operations. At the initiative of the borrower, the line may be drawn down for short-term periods. At 30 June 2016, this credit line remained untapped.

In addition, €300 million in depreciable bank loans were contracted with a maturity of 6.5 years.

At 30 June 2016, none of these bank loans had been tapped.

Further, Ipsen S.A. on 2 December 2015 established a €300 million program to issue commercial papers to meet its short term general financing requirements. At 30 June 2016, €20 million in commercial papers have been issued.

APPENDICES

Appendix 1 – Consolidated income statement

(in millions of euros)	30 June 2016	30 June 2015
Sales	**763.8**	**713.9**
Other revenues	42.8	38.0
Revenue	**806.6**	**751.9**
Cost of goods sold	(172.2)	(168.3)
Selling expenses	(283.2)	(259.9)
Research and development expenses	(95.0)	(91.8)
General and administrative expenses	(59.0)	(61.3)
Other core operating income	0.2	1.9
Other core operating expenses	(8.6)	(4.8)
Core Operating Income	**188.8**	**167.6**
Other operating income	0.9	1.4
Other operating expenses	(6.4)	(8.0)
Restructuring costs	(0.4)	(0.7)
Impairment losses	(8.4)	(57.0)
Operating Income	**174.6**	**103.4**
Investment income	0.4	0.6
Financing costs	(1.5)	(2.5)
Net financing costs	**(1.1)**	**(1.9)**
Other financial income and expense	(1.8)	5.1
Income taxes	(39.4)	(17.9)
Share of net profit (loss) from entities accounted for using the equity method	1.3	1.5
Net profit (loss) from continuing operations	**133.6**	**90.2**
Net profit (loss) from discontinued operations	(0.3)	0.3
Consolidated net profit (loss)	**133.3**	**90.5**
- Attributable to shareholders of Ipsen S.A.	133.0	90.1
- Attributable to non-controlling interests	0.3	0.3

Basic earnings per share, continuing operations (in euros)	1.62	1.09
Diluted earnings per share, continuing operations (in euros)	1.61	1.09
Basic earnings per share, discontinued operations (in euros)	(0.00)	0.00
Diluted earnings per share, discontinued operations (in euros)	(0.00)	0.00
Basic earnings per share (in euros)	1.62	1.10
Diluted earnings per share (in euros)	1.61	1.09

Appendix 2 – Consolidated balance sheet before allocation of net profit

(in millions of euros)	30 June 2016	31 December 2015
ASSETS		
Goodwill	350.1	353.3
Other intangible assets	326.8	151.5
Property, plant & equipment	350.6	348.7
Equity investments	19.2	25.6
Investments in companies accounted for using the equity method	15.0	15.9
Non-current financial assets	0.2	-
Deferred tax assets	216.4	217.7
Other non-current assets	10.6	15.5
Total non-current assets	**1,288.9**	**1,128.1**
Inventories	112.7	107.4
Trade receivables	334.8	311.0
Current tax assets	54.4	82.9
Current financial assets	4.2	6.8
Other current assets	80.4	75.6
Cash and cash equivalents	377.6	226.1
Assets of disposal group classified as held for sale	-	-
Total current assets	**964.0**	**809.9**
TOTAL ASSETS	**2,253.0**	**1,938.0**
EQUITY AND LIABILITIES		
Share capital	83.3	83.2
Additional paid-in capital and consolidated reserves	1,000.2	892.3
Net profit (loss) for the period	133.0	189.9
Foreign exchange differences	38.7	57.0
Equity attributable to Ipsen S.A. shareholders	**1,255.1**	**1,222.5**
Equity attributable to non-controlling interests	3.0	3.1
Total shareholders' equity	**1,258.1**	**1,225.6**
Retirement benefit obligation	66.7	51.2
Non-current provisions	35.2	31.4
Other non-current financial liabilities	315.8	20.6
Deferred tax liabilities	21.8	23.1
Other non-current liabilities	122.6	124.5
Total non-current liabilities	**562.1**	**250.8**
Current provisions	5.0	29.9
Current financial liabilities	39.4	11.0
Trade payables	194.7	195.1
Current tax liabilities	5.0	12.0
Other current liabilities	170.5	201.5
Bank overdrafts	18.1	12.1
Total current liabilities	**432.7**	**461.5**
TOTAL EQUITY & LIABILITIES	**2,253.0**	**1,938.0**

Appendix 3 – Cash flow statements

Appendix 3.1 – Consolidated statement of cash flow

(in millions of euros)	30 June 2016	30 June 2015
Consolidated net profit (loss)	**133.3**	**90.5**
Share of profit (loss) from entities accounted for using the equity method before impairment losses	(0.2)	(0.8)
Net profit (loss) before share from entities accounted for using the equity method	**133.1**	**89.6**
Non-cash and non-operating items		
- Depreciation, amortization, provisions	5.1	5.8
- Impairment losses included in operating income and net financial income	8.4	57.0
- Change in fair value of financial derivatives	10.7	2.6
- Net gains or losses on disposals of non-current assets	0.3	0.0
- Foreign exchange differences	(5.2)	(4.7)
- Change in deferred taxes	4.6	(9.3)
- Share-based payment expense	3.2	1.9
- Gain or (loss) on sales of treasury shares	(0.0)	0.1
Cash flow from operating activities before changes in working capital requirement	***160.1***	***143.0***
- (Increase) / decrease in inventories	(7.0)	0.6
- (Increase) / decrease in trade receivables	(22.4)	(60.2)
- Increase / (decrease) in trade payables	3.1	(12.4)
- Net change in income tax liability	23.0	5.6
- Net change in other operating assets and liabilities	(25.8)	(40.4)
Change in working capital requirement related to operating activities	***(29.1)***	***(106.8)***
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**131.0**	**36.2**
Acquisition of property, plant & equipment	(35.2)	(16.4)
Acquisition of intangible assets	(194.1)	(5.4)
Proceeds from disposal of intangible assets and property, plant & equipment	0.0	0.0
Acquisition of shares in non-consolidated companies	0.0	(31.3)
Payments to post-employment benefit plans	(0.3)	(0.5)
Impact of changes in the consolidation scope	(0.0)	-
Deposits paid	2.2	0.4
Change in working capital related to investment activities	0.5	0.4
Other cash flow related to investment activities	(0.0)	(5.3)
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES	**(226.8)**	**(57.8)**
Additional long-term borrowings	318.0	1.1
Repayment of long-term borrowings	(3.1)	(3.7)
Capital increase	0.5	2.3
Treasury shares	0.6	(2.0)
Dividends paid by Ipsen S.A.	(70.0)	(70.0)
Dividends paid by subsidiaries to non-controlling interests	(0.4)	(0.5)
Change in working capital related to financing activities	(0.5)	(1.6)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**245.1**	**(74.4)**
CHANGE IN CASH AND CASH EQUIVALENTS	**149.3**	**(96.1)**
Opening cash and cash equivalents	**214.0**	180.1
Impact of exchange rate fluctuations	(3.9)	3.8
Closing cash and cash equivalents	**359.5**	**87.8**

○ Appendix 3.2 – Consolidated statement of net cash flow

(in millions of euros)	30 June 2016	30 June 2015
Opening cash and cash equivalents	214.0	180.1
Opening current and non-current financial liabilities	(27.1)	(19.3)
Opening net cash / (debt)	**186.9**	**160.8**
CORE OPERATING INCOME	**188.8**	**167.6**
Non-cash items	**(2.9)**	**9.6**
(Increase) /decrease in inventories	(7.0)	0.6
(Increase) / decrease in trade receivables	(22.4)	(60.2)
Increase / (decrease) in trade payables	3.1	(12.4)
Change in operating working capital requirement	**(26.3)**	**(72.0)**
Change in income tax liability	23.0	5.6
Change in other operating assets and liabilities (excluding milestones received)	(31.9)	(27.4)
Other changes in working capital requirement	**(8.9)**	**(21.9)**
Acquisition of property, plant & equipment	(35.2)	(16.4)
Acquisition of intangible assets (excluding milestones paid)	(4.7)	(4.0)
Change in w orking capital related to investment activities	5.0	0.4
Net capex (excluding milestones paid)	**(34.9)**	**(19.9)**
Dividends received from entities accounted for using the equity method	**1.2**	**1.6**
Operating Cash Flow	**117.0**	**65.1**
Other operating income and expenses and restructuring costs (cash)	(10.2)	(20.8)
Financial income (cash)	2.3	2.1
Current income tax (P&L, excluding provisions for tax contingencies)	(34.8)	(30.2)
Other operating cash flow	(0.6)	6.2
Free Cash Flow	**73.6**	**22.4**
Dividends paid (including payout to non-controlling interests)	**(70.3)**	**(70.5)**
Acquisition of shares in non-consolidated companies	0.0	(31.3)
Acquisition of other financial assets	(0.0)	(6.0)
Proceeds from sales of investment securities	-	0.1
Milestones paid (a)	(193.9)	(1.4)
Milestones received (b)	21.3	-
Net investments (business development and milestones)	**(172.6)**	**(38.5)**
Share buybacks	**-**	**(3.9)**
Other (discontinued operations)	**(0.3)**	**0.5**
Shareholders return and external growth operations	**(243.3)**	**(112.5)**
CHANGE IN NET CASH / (DEBT)	**(169.7)**	**(90.1)**
Closing cash and cash equivalents	359.5	87.8
Closing current and non-current financial liabilities	(342.2)	(17.0)
Closing net cash / (debt)	**17.3**	**70.8**

(a) Milestones paid correspond to payments subject to the terms and conditions set out in the Group's partnership agreements. The €183.8 million in milestones paid to Exelixis accounted for the majority of the milestones paid at 30 June 2016. The amounts paid were recorded as an increase in intangible assets on the consolidated balance sheet. The transactions were included in the "Acquisition of intangible assets" line item in the consolidated statement of cash flow (see Appendix 3.1).

(b) Milestones received are amounts collected by Ipsen from its partners. Of the €21.3 million in milestones received at 30 June 2016, €11.1 million were paid by Galderma in accordance with the partnership agreement signed in December 2015 for the Asia Pacific region. The amounts were recorded as deferred income in the consolidated balance sheet and then recognized in the income statement as "Other revenues". Milestones received were included in the "Net change in other operating assets and liabilities" line item in the consolidated statement of cash flow (see Appendix 3.1).

Appendix 4 – Core consolidated net profit for the first half of 2016, versus the prior-year period

(in millions of euros)	30 June 2016	Non-core items	30 June 2016 Core	30 June 2015	Non-core items	30 June 2015 Core
Core Operating Income	**188.8**	**-**	**188.8**	**167.6**	**-**	**167.6**
Other operating income	0.9	(0.9)	-	1.4	(1.4)	-
Other operating expenses	(6.4)	6.4	-	(8.0)	8.0	-
Restructuring costs	(0.4)	0.4	-	(0.7)	0.7	-
Impairment losses	(8.4)	8.4	-	(57.0)	57.0	-
Operating Income	**174.6**	**14.3**	**188.8**	**103.4**	**64.2**	**167.6**
Investment income	0.4	-	0.4	0.6	-	0.6
Financing costs	(1.5)	-	(1.5)	(2.5)	-	(2.5)
Net financing costs	**(1.1)**	**-**	**(1.1)**	**(1.9)**	**-**	**(1.9)**
Other financial income and expense	(1.8)		(1.8)	5.1	(4.9)	0.2
Income taxes	(39.4)	(3.9)	(43.3)	(17.9)	(25.3)	(43.2)
Share of net profit (loss) from entities accounted for using the equity method	1.3	-	1.3	1.5	-	1.5
Net profit (loss) from continuing operations	**133.6**	**10.4**	**144.0**	**90.2**	**34.0**	**124.2**
Net profit (loss) from discontinued operations	(0.3)	0.3	-	0.3	(0.3)	-
Consolidated net profit (loss)	**133.3**	**10.7**	**144.0**	**90.5**	**33.7**	**124.2**
- Attributable to shareholders of Ipsen S.A.	133.0	10.7	143.7	90.1	33.7	123.9
- Attributable to non-controlling interests	0.3	-	0.3	0.3	-	0.3
Basic earnings per share - attributable to Ipsen S.A. shareholders (in euros)	1.62		1.75	1.10		1.51
Diluted earnings per share - attributable to Ipsen S.A. shareholders (in euros)	1.61		1.74	1.09		1.50

Core Operating Income is the key performance indicator for understanding and measuring the performance of the Group's activities. Items not included in Core Operating Income are not tabbed as "exceptional" or "extraordinary" but correspond to unusual, abnormal or infrequent items of disclosure targeted in paragraph 28 of the IASB Framework.

Similarly, Core consolidated net profit corresponds to net profit adjusted for non-core items as defined above and unusual events affecting financial income (expense) items, net of taxes, or the taxes themselves.

3. INFORMATION ON RELATED PARTIES

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

4. 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 2015 Registration Document available on its website (www.ipsen.com).

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

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

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

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

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

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

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

- The marketing of certain products by the Group has been and could be affected by supply shortages and other disruptions. Such difficulties may be of both a regulatory nature (the need to correct certain technical problems in order to bring production sites into compliance with applicable regulations) and a technical nature (difficulties in obtaining supplies of satisfactory quality or difficulties in manufacturing active ingredients or drugs complying with their technical specifications on a sufficiently reliable and uniform basis). This situation may result in inventory shortages and/or in a significant reduction in the sales of one or more products.

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

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

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

5. STATUTORY AUDITOR'S REVIEW REPORT ON THE HALF YEARLY FINANCIAL INFORMATION

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Ipsen S.A.

Siège social : 65, Quai Georges Gorse - 92650 Boulogne-Billancourt

Statutory Auditors' Review Report on the Half-yearly Financial Information For the period from January 1st 2016 to June 30, 2016

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 review of the accompanying condensed half-yearly consolidated financial statements of Ipsen S.A., for the period from January 1st, 2016 to June 30, 2016
- the verification of the information presented in the half-yearly management report.

These condensed half yearly 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 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 half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

II – Specific verification

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

The Statutory Auditors

Paris La Défense, July 27, 2016

KPMG Audit
Department of KPMG S.A.

French original signed by

Philippe Grandclerc
Partner

Neuilly-sur-Seine, July 27, 2016

Deloitte & Associés

French original signed by

Jean-Marie Le Guiner
Partner

6. ATTESTATION OF THE PERSON RESPONSIBLE FOR THE 2016 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 2016 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.

28 July 2016

Mr. David Meek

Chief executive officer