2019
HALF YEAR FINANCIAL REPORT

SUMMARY

1. FIRST HALF 2019 CONSOLIDATED FINANCIAL STATEMENTS

1.1 Consolidated income statement

(in millions of euros)	Notes	30 June 2019	30 June 2018
Sales	4	1 229,6	1 064,5
Other revenues	4	63,3	60,6
Revenue		**1 292,9**	**1 125,1**
Cost of goods sold		(236,9)	(216,4)
Selling expenses		(399,7)	(380,8)
Research and development expenses		(176,3)	(141,6)
General and administrative expenses		(90,4)	(78,3)
Other operating income	5	9,9	31,1
Other operating expenses	5	(72,6)	(53,5)
Restructuring costs	6	(9,0)	(16,0)
Impairment losses	7	-	-
Operating Income	4	**317,8**	**269,7**
Investment income	*8*	*0,8*	*1,1*
Financing costs	*8*	*(12,5)*	*(4,2)*
Net financing costs	8	(11,7)	(3,1)
Other financial income and expense	8	(23,2)	(10,1)
Income taxes	9,1	(67,9)	(59,8)
Share of net profit (loss) from entities accounted for using the equity method		1,4	0,6
Net profit (loss) from continuing operations		**216,4**	**197,3**
Net profit (loss) from discontinued operations		4,1	0,1
Consolidated net profit (loss)		**220,6**	**197,3**
- Attributable to shareholders of Ipsen S.A.		220,1	197,5
- Attributable to non-controlling interests		0,5	(0,2)

Basic earnings per share, continuing operations (in euros)		2,60	2,39
Diluted earnings per share, continuing operations (in euros)		2,59	2,38

Basic earnings per share, discontinued operations (in euros)		0,05	0,00
Diluted earnings per share, discontinued operations (in euros)		0,05	0,00

Basic earnings per share (in euros)		2,65	2,39
Diluted earnings per share (in euros)		2,64	2,38

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 2019	30 June 2018
Consolidated net profit (loss)	**220.6**	**197.3**
Actuarial gains and (losses) on defined benefit plans, net of taxes	(7.3)	2.8
Financial assets at fair value through other comprehensive income (OCI), net of taxes	(3.5)	(0.2)
Other items of comprehensive income that will not be reclassified to the income statement	**(10.7)**	**2.6**
Revaluation of financial derivatives for hedging, net of taxes	3.9	(7.9)
Foreign exchange differences, net of taxes	4.5	7.1
Other items of comprehensive income likely to be reclassified to the income statement	**8.3**	**(0.8)**
Comprehensive income: Consolidated net profit (loss) and gains and (losses) recognized directly in equity	**218.2**	**199.1**
- Attributable to shareholders of Ipsen S.A.	217.6	199.2
- Attributable to non-controlling interests	0.5	(0.1)

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 2019	31 December 2018
ASSETS			
Goodwill	10	622.5	395.6
Other intangible assets	11	1,949.7	1,011.9
Property, plant & equipment	12	664.7	474.5
Equity investments	14	67.3	65.2
Investments in companies accounted for using the equity method		15.2	15.5
Non-current financial assets	15	88.6	92.9
Deferred tax assets	9.2	168.5	131.9
Other non-current assets		6.7	4.4
Total non-current assets		**3,583.2**	**2,191.8**
Inventories	16	197.2	198.5
Trade receivables	16	549.5	463.0
Current tax assets	16	52.6	47.7
Current financial assets		53.3	5.5
Other current assets	16	155.6	126.4
Cash and cash equivalents		213.2	344.5
Total current assets		**1,221.4**	**1,185.6**
TOTAL ASSETS		**4,804.6**	**3,377.4**
EQUITY & LIABILITIES			
Share capital	17.1	83.8	83.8
Additional paid-in capital and consolidated reserves		1,670.9	1,366.0
Net profit (loss) for the period		220.1	389.5
Foreign exchange differences		6.5	1.8
Equity attributable to Ipsen S.A. shareholders		**1,981.3**	**1,841.1**
Equity attributable to non-controlling interests		2.0	2.3
Total shareholders' equity		**1,983.3**	**1,843.4**
Retirement benefit obligation		68.2	63.8
Non-current provisions	18	33.8	44.5
Non-current financial liabilities	19	728.9	386.0
Deferred tax liabilities	9.2	273.4	19.7
Other non-current liabilities	16	47.1	61.0
Total non-current liabilities		**1,151.5**	**574.9**
Current provisions	18	9.6	21.1
Current financial liabilities	19	968.6	184.2
Trade payables	16	394.2	379.8
Current tax liabilities	16	19.2	11.4
Other current liabilities	16	246.0	329.0
Bank overdrafts		32.2	33.6
Total current liabilities		**1,669.8**	**959.2**
TOTAL EQUITY & LIABILITIES		**4,804.6**	**3,377.4**

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 2019	30 June 2018
Consolidated net profit (loss)		**220.6**	**197.3**
Share of profit (loss) from entities accounted for using the equity method before impairment losses		3.2	0.3
Net profit (loss) before share from entities accounted for using the equity method		**223.8**	**197.6**
Non-cash and non-operating items			
- Depreciation, amortization, provisions		65.0	77.6
- Impairment losses included in operating Income and net financial income	7	(0.0)	-
- Change in fair value of financial derivatives		7.2	1.9
- Net gains or losses on disposals of non-current assets		0.8	0.6
- Foreign exchange differences		(1.8)	1.1
- Change in deferred taxes	9.2	14.7	(12.6)
- Share-based payment expense		7.8	5.7
- Gain or (loss) on sales of treasury shares			
- Other non cash items	8	17.6	0.7
Cash flow from operating activities before changes in working capital requirement		***335.0***	***272.4***
- (Increase)/decrease in inventories	16	(11.4)	(20.3)
- (Increase)/decrease in trade receivables	16	(88.8)	(34.7)
- Increase/(decrease) in trade payables	16	(1.9)	4.8
- Net change in income tax liability	16	5.4	45.6
- Net change in other operating assets and liabilities	16	(45.7)	(58.9)
Change in working capital requirement related to operating activities		***(142.2)***	***(63.4)***
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		**192.7**	**209.0**
Acquisition of property, plant & equipment	12	(76.0)	(35.2)
Acquisition of intangible assets	11	(23.2)	(67.5)
Proceeds from disposal of intangible assets and property, plant & equipment		0.3	2.8
Acquisition of shares in non-consolidated companies	14	0.0	(22.1)
Payments to post-employment benefit plans		(0.6)	(0.8)
Impact of change in the consolidation scope	10	(817.2)	(7.4)
Deposits paid		0.0	(0.5)
Change in working capital related to investment activities	16	(64.0)	20.6
Other cash flow related to investment activities		(10.1)	20.5
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES		**(990.8)**	**(89.6)**
Additional long-term borrowings	19	8.1	1.1
Repayment of long-term borrowings	19	(1.3)	(25.1)
Net change in short-term borrowings	19	743.9	119.1
Capital increase	17.1	0.3	2.4
Treasury shares		(3.4)	2.0
Dividends paid by Ipsen S.A.	17.2	(83.2)	(83.0)
Dividends paid by subsidiaries to non-controlling interests		(0.3)	(0.2)
Change in working capital related to financing activities		(1.5)	(3.0)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		**662.5**	**13.3**
CHANGE IN CASH AND CASH EQUIVALENTS		**(135.6)**	**132.7**
Opening cash and cash equivalents		**310.9**	**209.3**
Impact of exchange rate fluctuations		5.6	2.9
Closing cash and cash equivalents		**181.0**	**344.9**

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 [2]	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 31 December 2018	**83.8**	**741.7**	**718.0**	**(25.1)**	**(3.4)**	**(63.3)**	**389.5**	**1,841.1**	**2.3**	**1,843.3**
Consolidated net profit (loss) for the period	-	-	-	-	-	-	220.1	220.1	0.5	220.6
Gains and (losses) recognized directly in equity [1]	-	-	1.0	(7.3)	3.9	-	-	(2.4)	0.0	(2.4)
Consolidated net profit (loss) and gains and losses recognized directly in equity	**-**	**-**	**1.0**	**(7.3)**	**3.9**	**-**	**220.1**	**217.6**	**0.5**	**218.2**
Allocation of net profit (loss) from the prior period	-	-	389.5	-	-	-	(389.5)	0.0	-	0.0
Capital increases (decreases)	0.0	0.1	(0.0)	-	-	-	-	0.1	-	0.1
Share-based payments	-	-	0.5	-	-	7.4	-	7.9	-	7.9
Own share purchases and disposals	-	-	-	-	-	(2.3)	-	(2.3)	-	(2.3)
Dividends	-	-	(83.2)	-	-	-	-	(83.2)	(0.3)	(83.5)
Other changes	-	-	0.1	-	-	-	-	0.1	(0.5)	(0.4)
Balance at 30 June 2019	**83.8**	**741.9**	**1,025.7**	**(32.4)**	**0.4**	**(58.3)**	**220.1**	**1,981.3**	**2.0**	**1,983.3**

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

[2] The main sources of consolidated reserves were as follows:

- Reserves on financial assets at fair value;
- Translation reserves;
- Retained earnings.

(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 31 December 2017	**83.7**	**739.1**	**532.5**	**(32.7)**	**14.6**	**(84.1)**	**272.3**	**1,525.4**	**10.5**	**1,535.9**
First application of IFRS15 - Revenue from contracts with customers			14.0					14.0		14.0
Balance at 1 January 2018	**83.7**	**739.1**	**546.5**	**(32.7)**	**14.6**	**(84.1)**	**272.3**	**1,539.4**	**10.5**	**1,549.9**
Consolidated net profit (loss) for the period	-	-	-	-	-	-	197.5	197.5	(0.2)	197.3
Gains and (losses) recognized directly in equity [1]	-	-	6.8	2.8	(7.9)	-	-	1.7	-	1.7
Consolidated net profit (loss) and gains and losses recognized directly in equity	**-**	**-**	**6.8**	**2.8**	**(7.9)**	**-**	**197.5**	**199.2**	**(0.1)**	**199.1**
Allocation of net profit (loss) from the prior period	-	-	272.3	-	-	-	(272.3)	0.0	-	0.0
Capital increases (decreases)	0.1	2.2	-	-	-	(0.2)	-	2.1	-	2.1
Share-based payments	-	-	5.7	-	-	6.5	-	12.3	-	12.3
Own share purchases and disposals	-	-	-	-	-	(4.6)	-	(4.6)	-	(4.6)
Dividends	-	-	(83.0)	-	-	-	-	(83.0)	(0.4)	(83.4)
Other changes [2]	-	-	-	-	-	-	-	-	(7.5)	(7.5)
Balance at 30 June 2018	**83.8**	**741.3**	**748.3**	**(29.9)**	**6.7**	**(82.3)**	**197.5**	**1,665.3**	**2.5**	**1,667.9**

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

[2] The decline in minority interests resulted from the acquisition of the outstanding share of Akkadeas Pharma S.R.L.'s capital not already owned.

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

On 17 April 2019, Ipsen completed the acquisition of 100% of Clementia Pharmaceuticals to significantly enhance its Rare Disease portfolio. Ipsen acquired Clementia Pharmaceuticals' late-stage drug candidate palovarotene, with pediatric disease and breakthrough therapy designations for the treatment of an ultra-rare bone disorder and a path to approval in 2020 in the United States.

Under the terms of the agreement, Ipsen paid $25 per share in cash upfront on the completion of the transaction, for an initial aggregate consideration of $953 million, plus deferred payments on the achievement of future regulatory milestones in the form of contingent value rights (CVRs) of $6 per share, which will be paid upon U.S. Food and Drug Administration 's (FDA) acceptance of the regulatory filing for palovarotene for the treatment of multiple osteochondromas, representing an additional potential payment of $263 million.

The transaction has been fully financed by Ipsen's available cash and existing credit lines and has significantly increased its level of net debt.

Note 2. Changes in the scope of consolidation

In January 2019, Ipsen Group purchased the minority interests of its Greek subsidiary raising its ownership to 100%. Ipsen was already controlling Ipsen E.P.E. entity before the acquisition of the residual interests.

In light of new facts and circumstances, Ipsen has reassessed the nature of the partnerships between Ipsen and Schwabe Group. Subsidiaries involved in this partnership, previously consolidated as joint operations are now consolidated applying the equity method; the Group does not have any more direct right on the partnership's assets and liabilities.

During the first half of 2019, the Group has incorporated Ipsen Pharma Schweiz GmbH in Switzerland. This subsidiary as well as the Czech Republic subsidiary, created in 2018, have been integrated in the scope of consolidation and consolidated for 100% applying the full integration method. Finally, Akkadeas Pharma Srl has been renamed Ipsen CHC Srl.

The acquisition of Clementia Pharmaceuticals led to a 100% integration of three new entities in the consolidation scope, applying the full integration method:

- Entity 11188291 Canada Inc. newly incorporated in Canada which holds Clementia Pharmaceuticals shares,
- Clementia Pharmaceuticals Inc. in Canada,
- Clementia Pharmaceuticals USA Inc. in the United States, a 100% Clementia Pharmaceuticals Inc.'s subsidiary.

The Clementia Pharmaceuticals France SARL company, part of the acquisition and 100% Clementia Pharmaceuticals Inc.'s subsidiary, is not consolidated as of 30 June 2019 considering its non-material size.

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 included 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 24 July 2019.

3.1. General principles and compliance statement

In compliance with the European regulation n°1606 / 2002 adopted on 19 July 2002 by the European Parliament and the European Council, the Group's consolidated financial statements as at 30 June 2019 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 International Financial Reporting Standard Interpretations Committee (IFRS IC) and the Standard Interpretations Committee (SIC).

The condensed consolidated financial statements as of 30 June 2019 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 notes to 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 2018.

All the texts adopted by the European Union are available on the European Commission's website:

https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-endorsement-process

IFRS as applied on 30 June 2019

The condensed consolidated financial statements are prepared in accordance with the accounting principles and methods applied by the Group for the financial statements of 2018 financial year (described in note 3 of the consolidated financial statements for the year ended 31 December 2018) and in compliance with other standards and interpretations in force as of 1 January 2019, with the exception to the application of the new standards and interpretations described below.

3.2. Standards and interpretations that became applicable as of 1 January 2019

The mandatory standards, amendments and interpretations published by the IASB and applicable as of 2019 financial year are listed below:

- IFRS 16 - Leases
- IFRIC 23 - Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 - Prepayment Features with Negative Compensation
- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19 - Plan amendment, Curtailment or Settlement
- Annual Improvements to IFRS standards - 2015-2017

The consequence of IFRS 16 and IFRIC 23 on the half-year accounts of the Group are detailed in notes 3.2.1 and 3.2.2. The review of the other texts entering into force on 1 January 2019 showed that their application had a non-material impact on the Group's half-year financial statements, which accordingly were not restated.

3.2.1. Application of IFRS 16 standard – Leases

IFRS 16 standard, effective from 1 January 2019, replaces IAS 17 standard and establishes accounting principles applicable for the recognition, measurement, presentation and disclosures of leases contracts. The main impact of the standard on the Group's financial statements results in the introduction of a single model of accounting for the lessee, leading to the recognition of assets and liabilities arising from lease contracts.

The main contracts impacted by the standard included property and vehicle leases. The Group has applied the simplified retrospective approach for IFRS 16 first-time-application on 1 January 2019. In compliance with IFRS 16 provisions, the aggregate impact of IFRS 16, at the date of transition has been recognized in equity, and comparative data have not been restated.

In accordance with the options authorized by the standard, lease agreements with a term of less than twelve months or whose original asset value is less than five thousand U.S. dollars have not been restated.

The review of commercial leases relied on contractual provisions to determine the assumptions used for estimating right-of-use assets or lease liabilities.

- The term of the lease used corresponds to the non-cancellable period provided for in the agreement unless the Group is reasonably certain that it will exercise an extension option;
- Lease liabilities have been measured at the present value of remaining lease payments and discounted using an incremental borrowing rate, for each lease agreement, which has taken into account the remaining term of the lease commitment. A marginal incremental interest rate has been applied. The Group has used a swap curve adjusted for Ipsen's financing spread depending on the currency zone in which the lessee operates;
- Pending the IFRS IC conclusions, Ipsen considered that the exemption for the initial recognition of deferred taxes called for in IAS 12 should apply to the recognition of the right of use and the lease liability during the transition to IFRS 16. As a result, no deferred tax has been recognized.

Lease contracts are recognized in the balance sheet at commencement date for the discounted value of future cash outflows. These contracts are booked as "Non-current financial liabilities" and "Current financial liabilities" for the liability and as "Property, plant and equipment" for the asset. They are amortized according to the lease term of the contract which corresponds to the economic life as determined for similar tangible assets. In the consolidated income statement, amortization expenses are accounted for on each line of the Operating Income to which lease contract relates (Cost of goods sold, Selling expenses, Research and development expenses,…) and interests expenses in "Net financing costs".

IFRS 16 transition led to an increase in tangible assets recognized as right of use as of 1 January 2019 for €169.4 million and to an increase in financial liabilities of €188.2 million. The impact on the Operating Income reached a profit of €0.7 million as at 30 June 2019; the impact on the Consolidated net profit reached a loss of €(2.3) million.

3.2.2. IFRIC 23 first application

IFRIC 23 interpretation, effective from 1 January 2019, clarifies how to apply IAS 12 - Income taxes and how to account for and measure income tax uncertainties. This interpretation had no impact on deferred and current taxes, nor on financial statements presentation.

3.3. Standards, amendments and interpretations adopted by the European Union and not adopted early by the Group

The European Union did not adopt standards, amendments and interpretations that could have been anticipated on 1 January 2019.

3.4. Standards, amendments and interpretations published but not yet approved by the European Union

Standards, amendments and interpretations published but not yet approved by the European Union are listed below:

- Amendments to IFRS 3 - Business combination – Definition of a Business
- Amendments to IAS 1 and IAS 8 - Definition of Material
- Amendments to references to the Conceptual Framework in IFRS standards
- IFRS 17 - Insurance contracts

At the closing date of the half-year financial statements, IFRS 17 - Insurance contracts standard and the amendments to the IFRS 3 - Business combination standard on the definition of a business are currently under review by the Group to assess their impact.

3.5. 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 2018.

3.6. Seasonal effects

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

Note 4. Operating segments

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

All costs allocated to these two segments are presented in the key performance indicators. Only corporate overhead costs and the impact of the currency hedging policy are not allocated to the two operating segments.

The Group uses Core Operating Income to measure its performance. Core Operating Income is the indicator used by the Group to measure operating performance and to allocate resources.

Core Operating Income excludes amortization expenses for intangible assets (excluding software), restructuring costs, impairment losses on intangible assets and property, plant and equipment, as well as other items arising from significant events that could distort the reading of the Group's performance from one year to another.

Those performance indicators are not replacements for IFRS indicators and should not be viewed as such. They are used in addition to IFRS indicators.

4.1 Core Operating Income by operating segment

(in millions of euros)	Specialty Care	Consumer Healthcare	Other (unallocated)	30 June 2019
Sales	1,100.0	129.6	-	**1,229.6**
Other revenues	37.2	26.1	-	**63.3**
Revenue	**1,137.2**	**155.7**	**-**	**1,292.9**
Core Operating Income	**447.6**	**34.3**	**(94.5)**	**387.5**

(in millions of euros)	Specialty Care	Consumer Healthcare	Other (unallocated)	30 June 2018
Sales	920.2	144.3	-	**1,064.5**
Other revenues	30.3	30.3	-	**60.6**
Revenue	**950.5**	**174.6**	**-**	**1,125.1**
Core Operating Income	**356.3**	**41.8**	**(75.6)**	**322.5**

The unallocated portion of the Core Operating Income is €(94.5) million in the first half of 2019, compared to €(75.6) million in the previous year. It mainly includes unallocated administrative costs and the impact of foreign exchange.

The reconciliation of Core Operating Income and Operating Income is presented in the following table:

(in millions of euros)	30 June 2019	30 June 2018
Core Operating Income	**387.5**	**322.5**
Amortization of intangible assets, excluding software	(41.0)	(33.1)
Other operating income and expenses	(19.7)	(3.7)
Restructuring costs	(9.0)	(16.0)
Impairment losses	-	-
Operating Income	**317.8**	**269.7**

4.2 Sales by therapeutic area and product

(in millions of euros)	30 June 2019	30 June 2018
Oncology	879.1	709.7
Somatuline ®	*478.9*	*402.6*
Decapeptyl ®	*198.4*	*183.3*
Cabometyx ®	*111.8*	*62.0*
Onivyde ®	*74.4*	*48.9*
Other Oncology	*15.6*	*13.0*
Neurosciences	187.7	174.5
Dysport ®	*186.3*	*172.8*
Rare diseases	33.1	36.0
NutropinAq ®	*21.9*	*24.1*
Increlex ®	*11.3*	*11.8*
Specialty Care	**1,100.0**	**920.2**
Smecta ®	57.9	62.4
Forlax ®	19.1	19.1
Tanakan ®	17.6	15.9
Fortrans/Eziclen ®	16.7	14.0
Other Consumer Healthcare	18.4	32.9
Consumer Healthcare	**129.6**	**144.3**
Group Sales	**1,229.6**	**1,064.5**

4.3 Other information

(in millions of euros)	Specialty Care	Consumer Healthcare	Other (unallocated)	30 June 2019
Acquisition of property, plant & equipment	(65.6)	(8.1)	(2.3)	(76.0)
Acquisition of intangible assets	(14.8)	(0.8)	(7.6)	(23.2)
Total investments	**(80.4)**	**(8.9)**	**(9.9)**	**(99.1)**
Net depreciation, amortization and provisions (excluding financial assets)	(44.2)	(8.9)	4.4	(48.7)
Share-based payment expenses with no impact on cash flow			(7.8)	(7.8)

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

(in millions of euros)	Specialty Care	Consumer Healthcare	Other (unallocated)	30 June 2018
Acquisition of property, plant & equipment	(28.4)	(5.9)	(0.9)	(35.2)
Acquisition of intangible assets	(59.8)	(0.7)	(7.0)	(67.5)
Total investments	**(88.2)**	**(6.7)**	**(7.9)**	**(102.7)**
Net depreciation, amortization and provisions (excluding financial assets)	(41.5)	(7.6)	(28.4)	(77.5)
Share-based payment expenses with no impact on cash flow			(5.7)	(5.7)

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

Note 5. Other operating income and expenses

At the end of June 2019, Other operating income and expenses presented a charge of €62.7 million in the first half of 2019, mainly related to the amortization of intangible assets related to Cabometyx® and Onivyde®, to Clementia integration costs, to costs arising from the Group's transformation programs and to the impact of the currency hedging policy.

Other operating income and expenses presented a charge of €22.4 million in the first half of 2018, mainly related to the amortization of intangible assets from Cabometyx® and Onivyde®, the termination of R&D studies and costs arising from the Group's transformation programs, partially compensated by a favorable settlement with a U.S. partner and by the impact of the currency hedging policy.

Note 6. Restructuring costs

Restructuring costs represent a charge of €9.0 million in the first half of 2019, mainly related to the costs of the relocations of the U.S. and German commercial affiliates.

Restructuring costs represent a charge of €16.0 million in the first half of 2018, mainly related to the relocation of the U.S. commercial affiliate.

Note 7. Impairment losses

As of 30 June 2019, as well as 30 June 2018, no impairment loss or reversal of loss was recognized in the Group accounts.

Note 8. Net financial income

At the end of June 2019, the Group incurred Net financial expenses of €34.9 million, versus €13.2 million in the first half of 2018.

Net financing costs reached a loss of €11.7 million mainly driven by the financing cost linked to the Clementia acquisition and to IFRS16 - Lease standard implemented on 1 January 2019.

Other financial income and expense represent an expense of €23.2 million for the first half-year of 2019.

As of June 30, 2019, Ipsen has recognized a net loss of €16.1 million in Other financial income or expenses from the reassessment of the contingent payments recognized in the context of the Onivyde® intangible asset's acquisition following the recent publication of interim positive results related to the on-going Onivyde® clinical trial and the revision of the probability of success of the indications and the expected dates of the triggering events. Financial assets and liabilities fair values have respectively been increased by €16.5 million and €32.7 million. This reassessment are booked in Other non cash items in the Consolidated statement of cash flow.

Other expenses are mainly related to the costs of the hedging policy as well as dividends received form Group investments.

Note 9. Income taxes

9.1. Effective tax rate

(in millions of euros)	**30 June 2019**	**30 June 2018**
Net profit (loss) from continuing operations	216.4	197.3
Share of net profit (loss) from entities accounted for using the equity method	1.4	0.6
Profit from continuing operations before share of results from companies accounted for using the equity method	**215.0**	**196.6**
Current tax	(53.2)	(72.4)
Deferred tax	(14.7)	12.6
Income taxes	**(67.9)**	**(59.8)**
Pre-tax profit from continuing operations before share of results from companies accounted for using the equity method	**282.9**	**256.5**
Effective tax rate	**24.0%**	**23.3%**

On 30 June 2019, the effective tax rate came to 24.0% of profit before tax from continuing operations and before the share of profit (loss) from companies accounted for using the equity method, compared with an effective tax rate of 23.3% on 30 June 2018.

9.2. Movements during the first half of 2019

(in millions of euros)	31 December 2018	Movements during the period						30 June 2019
		Income statement income / expense	Deferred taxes recorded directly to reserves	SoRIE	Changes in consolidation scope	Foreign exchange differences	Other movements	
Deferred tax assets	131.9	11.0	-	(0.7)	54.2	0.4	(28.3)	168.5
Deferred tax liabilities	(19.7)	(25.6)	(1.8)	-	(255.3)	0.8	28.3	(273.4)
Net assets / (liabilities)	**112.2**	**(14.7)**	**(1.8)**	**(0.7)**	**(201.1)**	**1.2**	**(0.0)**	**(104.9)**

The deferred tax assets increase is mainly related to tax loss carryforwards on Clementia Pharmaceuticals, recognized in "Changes in consolidation scope" at the first consolidation date (see note 10.3).

The deferred tax liabilities increase is explained by the deferred tax liabilities related to the intangible asset acquired in the context of Clementia Pharmaceuticals acquisition for 255.7 million euros (see note 10.3).

Note 10. Goodwill

10.1. Net goodwill carried in the balance sheet

The Group's operating segments are Specialty Care and Consumer Healthcare. 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 Consumer Healthcare 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 Consumer Healthcare business. The goodwill related to the acquisition of Akkadeas Pharma S.R.L during the first semester 2017 has been allocated to the Consumer Healthcare CGU.

The goodwill related to the acquisition of Vernalis Inc. and Ipsen Biopharmaceuticals Inc. in the second half of 2008, the goodwill related to the acquisition of BioInnovation Ltd in 2013, the goodwill arising from the acquisition of Octreopharm in 2015 and the goodwill arising from the acquisition of Onivyde® during the first semester 2017, have been allocated to the Specialty Care CGU. The goodwill arising from the acquisition of Clementia Pharmaceuticals during the half-year 2019 has also been fully allocated to Specialty Care CGU.

10.2. Movements of goodwill

In the first half of 2019, movements for the period are as follows:

- The acquisition of Clementia Pharmaceuticals (see note 10.3). The goodwill generated by this transaction has reached €227.2 million as of 30 June 2019. It has been allocated to the Specialty Care segment;
- Foreign exchanges differences of €(0.3) million on gross goodwill.

(in millions of euros)	31 December 2018	Movements during the period				30 June 2019
		Increase	Decrease	Changes in consolidation scope	Foreign exchange differences	
Gross goodwill	403.7	-	-	227.2	(0.3)	630.6
Impairment losses	(8.1)	-	-	-	(0.0)	(8.2)
Net goodwill	**395.6**	**-**	**-**	**227.2**	**(0.4)**	**622.5**

The impairment tests for goodwill are realized at least once a year. In the absence of an indication of impairment as of 30 June 2019, no test has been performed.

10.3. Analysis of Clementia Pharmaceuticals acquisition cost

On 17 April 2019 Ipsen completed the signing of the agreement to acquire Clementia Pharmaceutical with the view to enhance its Rare Disease portfolio. Ipsen has notably acquired palovarotene, Clementia late-stage drug candidate. Ipsen has acquired 100% of the entity and controls it since this date. The acquisition has been analyzed as a Business Combination as defined in IFRS 3.

The purchase price allocation has been performed and the impacts have been included in 30 June 2019 financial statements. The Group may adjust this allocation within the twelve months following the acquisition.

On 30 June 2019 the goodwill of the transaction has reached €227.2 million allocated to Specialty Care. This goodwill results from an entity value of €1,002.4 million less the fair value of the net assets and liabilities acquired. It encompasses deferred tax assets and liabilities for a net amount of €231.4 million, acquired workforce for €2.6 million and the residual economic goodwill fair value of €(6.8) million.

Accounting for the business combination related to Clementia Pharmaceuticals' acquisition led the Group to:

- Recognize an intangible asset for €964.8 million corresponding to the value of the intellectual property acquired (palovarotene);
- Assess the fair value of the deferred contingent payments related to the Contingent Value Rights (CVR) for €139.6 million, which may be paid upon the Food and Drug Administration (FDA) acceptance of the regulatory filing of palovarotene for the treatment of multiple osteochondromas. This CVR of $6 per share has been assessed at the acquisition date, weighted by the probability of success to obtain market approval of the compound on this additional indication and discounted;
- Assess at fair value, for €23.3 million, the additional regulatory and commercial milestones related to contracts signed between Clementia Pharmaceuticals and its partners Roche and Thomas Jefferson University (TJU).
- Recognize other intangible and tangible assets as well as working capital.

Details of the acquisition price are presented below:

(in million of euros)	
Cash paid for the acquisition	839.4
Fair value of deferred contingent consideration (CVR)	139.6
Fair value of contingent liabilities (Roche / TJU milestone	23.3
Fair value of the acquisition	**1,002.4**

At the acquisition date, the Group has assessed its goodwill and the acquisition of Clementia Pharmaceuticals assets and liabilities as follows:

(in million of euros)	
Fair value of the Clementia Pharmaceuticals acquisition	**1,002.4**
Intangible assets	(965.7)
Tangible assets	(0.1)
Other non-current assets	(0.4)
Other current assets	(4.8)
Cash and cash equivalent	(25.0)
Deferred tax asset	(54.2)
Other non current liabilities	1.2
Current liabilities	18.2
Deferred tax liability	255.7
Goodwill	**227.2**

Between 17 April 2019 and 30 June 2019 Clementia Pharmaceuticals contributed to the Consolidated net profit for an loss of €(16.7) million. As the product is not commercialized yet, the acquisition of these entities had no impact on sales recognition.

Had Clementia Pharmaceuticals been acquired on 1 January 2019, the impact on the Consolidated net profit would have been a loss of €(35.4) million .

Costs related to the acquisition have been accounted for in the Operating Income for €(11.8) million, mostly representing lawyers' and bank fees, and integration costs.

Note 11. Other intangible assets

- Movements during the first half of 2019:

(in millions of euros)	31 December 2018	Movements during the period					30 June 2019
		Increase	Decrease	Changes in consolidation scope	Foreign exchange differences	Other movements	
Intellectual property	1.542,6	14,9	(23,9)	965,6	0,1	2,2	2.501,6
Intangible assets in progress	19,7	8,2	-	-	0,0	(3,1)	24,8
Gross assets	**1.562,3**	**23,2**	**(23,9)**	**965,6**	**0,1**	**(0,8)**	**2.526,5**
Depreciation	(358,1)	(48,2)	3,0	0,1	(0,1)	(3,8)	(407,1)
Impairment losses	(192,3)	(0,8)	19,9	-	(0,3)	3,8	(169,7)
Net assets	**1.011,9**	**(25,8)**	**(0,9)**	**965,7**	**(0,3)**	**(0,8)**	**1.949,7**

On 30 June 2019, the increase in intangible assets is mainly explained by the acquisition of Clementia Pharmaceuticals and its main compound palovarotene. In this context, intangible assets have been recognized in the Group's balance sheet for a total amount of €964.8 million.

- Movements during the first half of 2018:

(in millions of euros)	31 December 2017	Movements during the period					30 June 2018
		Increase	Decrease	Changes in consolidation scope	Foreign exchange differences	Other movements	
Intellectual property	1,371.8	59.7	(1.3)		7.9	4.7	1,442.8
Intangible assets in progress	13.9	7.8			0.0	(4.3)	17.4
Gross assets	**1,385.7**	**67.5**	**(1.3)**	**-**	**8.0**	**0.3**	**1,460.2**
Depreciation	(273.9)	(39.2)	1.0		(2.3)	(1.9)	(316.2)
Impairment losses	(181.5)				(1.1)	2.2	(180.4)
Net assets	**930.2**	**28.4**	**(0.3)**	**-**	**4.6**	**0.6**	**963.6**

On 30 June 2018, most of the increase in intangible assets is explained by:

- the recognition of intangible assets related to milestones payments to Exelixis for €50.4 million as part of the exclusive licensing agreement signed in 2016;
- the acquisition of a license for €5.8 million ($7 million) from the MD Anderson Cancer Center for a pre-clinical oncology drug candidate, discovered by researchers at the Institute for Applied Cancer Science (IACS) of MD Anderson;
- the registration of intangible assets related to a milestone payment to 3B Pharmaceuticals for €2 million.

Note 12. Property, plant & equipment

- Movements during the first half of 2019

(in millions of euros)	31 December 2018	1st application of IFRS16	1st January 2019	Movements during the period					30 June 2019
				Increase	Decrease	Changes in consolidation scope	Foreign exchange differences	Other movements	
Assets excluding IFRS16									
Land	23,9	-	23,9	0,0	-	(6,3)	0,0	0,7	18,2
Buildings	342,2	-	342,2	2,5	(1,6)	(9,3)	0,5	3,1	337,4
Plant & equipment	374,4	-	374,4	1,9	(1,1)	(38,6)	0,7	7,3	344,7
Other assets	88,5	-	88,5	1,8	(1,4)	(5,3)	0,2	0,9	84,7
Assets in progress	105,3	-	105,3	63,8	-	(0,0)	(0,3)	(11,1)	157,7
Advance payments	0,2	-	0,2	0,0	(0,0)	-	0,0	(0,1)	0,2
Gross assets excluding IFRS16	**934,5**	**-**	**934,5**	**70,0**	**(4,1)**	**(59,5)**	**1,2**	**0,8**	**942,8**
Depreciation	(455,3)	-	(455,3)	(20,4)	3,3	40,2	(0,5)	(0,5)	(433,1)
Impairment losses	(4,7)	-	(4,7)	-	0,8	-	(0,0)	0,5	(3,5)
Depreciation & Impairment losses	**(460,0)**	**-**	**(460,0)**	**(20,4)**	**4,1**	**40,2**	**(0,5)**	**(0,0)**	**(436,6)**
Net assets excluding IFRS16	**474,5**	**-**	**474,5**	**49,5**	**(0,0)**	**(19,3)**	**0,7**	**0,8**	**506,3**
Assets IFRS16									
Buildings	-	156,3	156,3	2,7	(0,4)	0,1	0,9	(1,5)	158,0
Plant & equipment	-	0,6	0,6	0,3	(0,1)	-	0,0	0,0	0,8
Other assets	-	12,6	12,6	3,0	(0,9)	-	0,3	0,0	15,0
Gross assets IFRS16	**-**	**169,4**	**169,4**	**6,0**	**(1,3)**	**0,1**	**1,1**	**(1,5)**	**173,8**
Depreciation	-	-	-	(15,7)	0,3	-	0,1	(0,0)	(15,3)
Impairment losses	-	-	-	-	-	-	-	-	-
Depreciation & Impairment losses	**-**	**-**	**-**	**(15,7)**	**0,3**	**-**	**0,1**	**(0,0)**	**(15,3)**
Net assets IFRS16	**-**	**169,4**	**169,4**	**(9,6)**	**(1,0)**	**0,1**	**1,2**	**(1,5)**	**158,5**
Total assets	**474,5**	**169,4**	**643,9**	**39,9**	**(1,1)**	**(19,2)**	**1,9**	**(0,7)**	**664,7**

- Movements during the first half of 2018

(in millions of euros)	31 December 2017	Movements during the period					30 June 2018
		Increase	Decrease	Changes in consolidation scope	Foreign exchange differences	Other movements	
Land	23.0	-	(0.8)	-	0.0	0.0	22.3
Buildings	335.9	1.7	(8.5)	-	0.9	6.5	336.5
Plant & equipment	357.5	4.1	(9.1)	-	0.8	3.4	356.5
Other assets	81.4	2.5	(2.8)	-	0.1	2.6	83.8
Assets in progress	77.2	26.9	(0.0)	-	0.1	(12.8)	91.4
Advance payments	0.3	0.1	-	-	0.0	(0.3)	0.1
Gross assets	**875.2**	**35.2**	**(21.3)**	**-**	**1.9**	**(0.6)**	**890.5**
Depreciation	(451.8)	(19.8)	18.2	-	(0.8)	(0.5)	(454.6)
Impairment losses	(4.6)	(4.0)	0.1	-	(0.2)	0.5	(8.2)
Depreciation &	**(456.3)**	**(23.7)**	**18.2**	**-**	**(1.0)**	**-**	**(462.8)**
Net assets	**418.9**	**11.5**	**(3.1)**	**-**	**0.9**	**(0.6)**	**427.7**

Note 13. Leases

- Right of use

(in millions of euros)	1st January 2019	Movements of the period					30 June 2019
		Increase / Decrease	Changes in consolidation scope	Depreciations	Foreign exchange differences	Other movements	
Buildings	156.3	2.3	0.1	(11.9)	0.9	(1.5)	146.2
Cars	12.6	2.2	-	(3.3)	0.3	0.0	11.7
Other	0.6	0.2	-	(0.2)	0.0	0.0	0.6
Total right of use IFRS16	**169.4**	**4.7**	**0.1**	**(15.4)**	**1.2**	**(1.5)**	**158.5**

- Lease liabilities

(in millions of euros)	30 June 2019
Non-current	151.2
Current	29.6
30 June 2019	**180.8**

The amount of IFRS 16 liability represents Ipsen's lease payment commitments at 31 December 2018, *i.e.* € 204.8 million discounted over the remaining term of the leases and adjusted for any prepaid or accrued lease payment

- Amounts booked in the Cash-flow statement

(in millions of euros)	30 June 2019
Total cash out	(13.8)

Note 14. Equity investments

- Movements during the first half of 2019

(in millions of euros)	31 December 2018	Movements during the period				30 June 2019
		Acquisitions and increases	Disposals and decreases	Foreign exchange differences	Other movements	
Equity investments at fair value through other comprehensive income	38.8	2.2	-	0.0	(3.5)	37.5
Equity investments at fair value through profit or loss	26.4	4.6	-	-	(1.2)	29.7
Equity investments	**65.2**	**6.8**		**0.0**	**(4.7)**	**67.3**

Equity investments at fair value in the Shareholder's equity include the following holdings as of 30 June 2019:

- A €10.1 million interest in Arix Bioscience plc, including a change in fair value of this equity investment for €(2.2) million;
- A €16.1 million interest in Rhythm Pharmaceuticals, including a change in the fair value of the entity for €(3.5) million over the period;
- A €5.5 million interest in Radius Health Inc, including a change in fair value of €1.8 million over the period.

Equity investments at fair value in the Income Statement include the following holdings as of 30 June 2019:

- A €10.1 million investment in the Innobio Venture Capital Fund, including a change in fair value for €(1.1) million over the period;
- A €18.7 million investment in the Agent Capital Fund I LP including a €4.6 million additional investment.

Note 15. Non-current financial assets

In the first half of 2019, the variation of the non-current financial assets is mainly explained by the reevaluation of financial assets related to Onivyde® acquisition following the reassessment of probability of success of the indications and timing of triggering event for €16.5 million (see Note 8). A reclassification of €21.2 million occurred between non-current financial assets and current financial assets to reflect the timing of occurrence of the underlying events.

Note 16. Detail of the change in working capital requirement (WCR)

- Movements during the first half of 2019

(in millions of euros)	31 December 2018	1st application of IFRS16	1 January 2019	Movements during the period						30 June 2019
				Change in w/cap related to operating activites	Change in w/cap related to investing activities	Change in w/cap related to financing activities	Change in consolidation scope	Foreign exchange differences	Other movements	
Inventories	198.5	-	198.5	11.4	-	-	(13.5)	0.5	0.3	197.2
Trade receivables	463.0	-	463.0	88.8	-	-	(3.5)	2.1	(0.9)	549.5
Current tax assets	47.7	-	47.7	(13.9)	-	-	2.5	(0.0)	16.3	52.6
Other current assets	126.4	(0.5)	125.9	28.5	1.8	(0.3)	0.7	0.1	(1.1)	155.6
WCR assets (1)	**835.6**	**(0.5)**	**835.1**	**114.8**	**1.8**	**(0.3)**	**(13.8)**	**2.7**	**14.7**	**954.9**
Trade payables	(379.8)		(379.8)	1.9	-	-	(15.2)	(0.5)	(0.6)	(394.2)
Current tax liabilities	(11.4)		(11.4)	8.5	-	-	0.0	0.1	(16.3)	(19.2)
Other current liabilities	(329.0)	2.9	(326.1)	22.9	62.3	1.9	(1.2)	(1.8)	(3.9)	(246.0)
Other non-current liabilities	(61.0)	16.4	(44.6)	(5.8)	-	0.0	-	(0.3)	3.5	(47.1)
WCR liabilities (2)	**(781.2)**	**19.3**	**(761.9)**	**27.5**	**62.3**	**1.9**	**(16.4)**	**(2.6)**	**(17.3)**	**(706.5)**
Total	**54.3**	**18.8**	**73.2**	**142.2**	**64.0**	**1.5**	**(30.1)**	**0.1**	**(2.6)**	**248.4**

(1) The fair value on items comprising “WCR assets” corresponds to the value disclosed in the balance sheet (at transaction date, less depreciations corresponding to expected losses booked since inception and reassessed at each closing 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, trade payables and inventories resulted primarily from the growth in commercial activity during the period.

Deferred income amounts received under partnership agreements are recorded in “Other current liabilities”. Milestone payments received by the Group under partnership agreements related to dynamic licenses are recognized on a straight-line basis over the life of the contracts in "Other revenues" in the income statement. The portion unrecognized as income is recorded as "Other non-current liabilities" if due after 12 months, and as "Other current liabilities" if due within one year.

In the application of the standard IFRS 16 – Lease, rent-free period and tenant improvement allowance have been restated from Other non-current liabilities for €16.4 million (see note 3.2.1).

Note 17. Consolidated equity

17.1. Share capital

On 30 June 2019, Ipsen's share capital was comprised of 83,814,526 ordinary shares each with a nominal value of €1, including 48,146,053 shares with double voting rights, compared with 83,808,761 ordinary shares each with a nominal value of €1, including 48,047,154 shares with double voting rights at 31 December 2018.

On the first half of 2019, these changes arose from the creation of 5,765 new shares following the exercise of stock options.

17.2. Dividends

On 30 June 2019, a dividend of €1 per share, which was approved by the General Shareholders’ Meeting of 28 May 2019, was paid to shareholders.

The dividend paid to shareholders a year earlier amounted to €1 per share.

Note 18. Provisions

(in millions of euros)	31 December 2018	Movements during the period						30 June 2019
		Change in consolidation scope	Charges	Reversals		Foreign exchange differences	Other movements	
				Applied	Released			
Business and operating risks	19.4	-	2.8	(9.5)	(1.6)	0.0	0.1	11.2
Legal risks	23.2	1.1	3.2	(2.4)	(1.9)	0.0	(0.1)	23.2
Restructuring costs	15.3	-	1.8	(10.9)	(0.6)	0.1	0.0	5.8
Other	7.6	(0.0)	0.5	(4.8)	(0.0)	0.0	-	3.2
Total provisions	**65.5**	**1.1**	**8.3**	**(27.6)**	**(4.1)**	**0.2**	**(0.0)**	**43.4**
- of which current	21.1	(0.0)	1.7	(17.4)	(0.2)	0.1	4.4	9.6
- of which non-current	44.5	1.2	6.7	(10.2)	(3.9)	0.0	(4.4)	33.8

On 30 June 2019, 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 terminate commercial contracts or resolve various disagreements of commercial origin. The reversals for the period are mainly related to the termination of R&D studies.

- **Legal risks**

These provisions include:

- €19.6 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;
- €3.4 million for costs related to corporate litigation that the Group may incur;
- €0.2 million for various other legal risks.

- **Restructuring costs**

These provisions correspond mainly to costs incurred by the Group to adapt its structure. As of 30 June 2019, the decrease is mainly explained by the U.S. and German commercial affiliates relocation programs.

- **Other**

On 30 June 2019, a provision has been recorded for Group performance-related medium-term bonus plans, in correlation with the Group performance. The variation for the period is linked to the compensation paid at the end of each of the related plans.

Note 19. Bank loans and financial liabilities

(in millions of euros)	31 December 2018	1st application of IFRS16	1 January 2019	Additions	Repayments	Net change in interest	Other movements	Changes in consolidation scope	Foreign exchange differences	30 June 2019
Bonds and bank loans	297.9	-	297.9	-	-	-	0.2	-	-	298.2
Other financial liabilities	6.0	162.4	168.3	7.2	(1.2)	0.1	(18.3)	0.0	1.4	157.6
Non-Current financial liabilities (measured at amortized cost)	**303.9**	**162.4**	**466.3**	**7.2**	**(1.2)**	**0.1**	**(18.1)**	**0.0**	**1.4**	**455.8**
Other financial liabilities (1)	82.1	-	82.1	-	(0.1)	(0.1)	29.2	163.0	(0.8)	273.2
Non-Current financial liabilities (measured at fair value)	**82.1**	**-**	**82.1**	**-**	**(0.1)**	**(0.1)**	**29.2**	**163.0**	**(0.8)**	**273.2**
Non-Current financial liabilities	**386.0**	**162.4**	**548.4**	**7.2**	**(1.3)**	**(0.0)**	**11.1**	**163.0**	**0.6**	**728.9**
Credit lines and bank loans	4.1	-	4.1	796.0	-	-	0.2	(4.0)	-	796.2
Other financial liabilities (2)	146.2	25.9	172.0	0.1	(51.2)	(3.2)	21.4	0.6	(3.5)	136.2
Current financial liabilities (measured at amortized cost)	**150.2**	**25.9**	176.1	**796.0**	**(51.2)**	**(3.2)**	**21.6**	**(3.4)**	**(3.5)**	**932.4**
Derivative financial instruments (3)	16.5	-	16.5	-	-	-	(1.3)	-	-	15.1
Other financial liabilities (1)	17.5	-	17.5	-	-	(0.0)	3.5	-	0.0	21.0
Current financial liabilities (measured at fair value)	**34.0**	**-**	**34.0**	**-**	**-**	**(0.0)**	**2.1**	**-**	**0.0**	**36.2**
Current financial liabilities	**184.2**	**25.9**	**210.1**	**796.0**	**(51.2)**	**(3.2)**	**23.7**	**(3.4)**	**(3.5)**	**968.6**
Total financial liabilities	**570.2**	**188.2**	**758.4**	**803.2**	**(52.6)**	**(3.2)**	**34.8**	**159.7**	**(2.9)**	**1,697.5**

(1) Other financial liabilities measured at fair market value mainly comprise contingent liabilities related to acquisitions falling under IFRS3 – Business combination.
(2) Additions and repayments of other financial liabilities are mainly related to commercial paper and employee profit sharing.
(3) The €(1.3) million in other movements corresponds to the change in the fair value of derivative financial instruments used to hedge foreign exchange risk.

Following the implementation, on 1 January 2019, of IFRS16 – Leases standard, the Group has recognized an increase of €162.4 million in Other financial liabilities non-current measured at amortized cost and €25.9 million in Other financial liabilities current measured at amortized cost.

On 16 June 2016, Ipsen S.A. issued €300 million in unsecured, seven-year public bonds. The bonds mature on 16 June 2023 with coupon at an annual interest rate of 1.875%.

Ipsen S.A. program of emission of NEU CP - Negotiable EUropean Commercial Paper of €600 million were drawn for €104 million on 30 June 2019.

Ipsen S.A. has refinanced its Revolving Credit Facility (RCF) and existing bilateral bank facilities. The new Revolving Credit Facility of €1,500 million signed on 24 May 2019 has a five-year maturity and includes two one-year extension options. In this new Revolving Credit Facility, the Group has to comply with a Net Debt / EBITDA covenant to remain below 3.5 time at each financial closing and the facility includes specific indicators linked to CSR (Corporate Social Responsibility) to be annually assessed.

The previous financing has been fully terminated on 28 June 2019.

On 30 June 2019, the facility was drawn by €795 million and the Group was complying with its covenant ratio.

Other movements have been impacted by the reevaluation of Other financial liabilities measured at fair market value related to Onivyde® acquisition following the reassessment of probability of success of the indications and timing of triggering event for €29.0 million for the non-current part and €3.5 million for the current part (see note 8).

The change in consolidation scope of the other non-current financial liabilities corresponds to:

- The fair value of the deferred contingent payments related to the Contingent Value Rights (CVR) for €139.6 million, which may be paid upon the Food and Drug Administration (FDA) acceptance of the regulatory filing of palovarotene for the treatment of multiple osteochondromas (see note 10.3); and,
- The fair value, for €23.3 million, of the additional regulatory and commercial milestones related to contracts signed between Clementia Pharmaceuticals and its partners (see note 10.3).

Note 20. Derivative financial instruments

Part 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, GBP, CNY, RUB, CHF, PLN, AUD, and BRL, 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.

As of 30 June 2019 and 31 December 2018, derivative financial instruments held by the Group broke down as follows:

(in millions of euros)		30 June 2019						31 December 2018		
		Face value	Fair value		Nominal value by maturity			Face value	Fair value	
			Assets	Liabilities	Less than 1 year	1 to 5 years	Over 5 years		Assets	Liabilities
Exchange rate risk hedging - Business transactions										
Put forward contracts	Cash Flow Hedge	321.0	0.1	(14.3)	321.0	-	-	702.0	3.6	(13.2)
Put option contracts	Cash Flow Hedge	0.0	0.0	0.0	0.0	-	-	21.2	0.0	-
Seller at maturity foreign exchange swaps	Cash Flow Hedge	172.1	0.8	(0.3)	172.1	-	-	88.6	0.2	(0.2)
Call forward contracts	Cash Flow Hedge	69.6	0.8	(0.1)	69.6	-	-	243.2	0.3	(2.5)
Call option contracts	Cash Flow Hedge	0.0	0.0	0.0	0.0	-	-	11.1	0.1	-
Buyer at maturity foreign exchange swaps	Cash Flow Hedge	92.4	0.3	(0.3)	92.4	-	-	38.0	0.1	(0.0)
Total business transactions		**655.1**	**1.9**	**(14.9)**	**655.1**			**1,104,1**	**4.3**	**(15.8)**
Exchange rate risk hedging - Financial transactions										
Put forward contracts	Derivatives not qualified	2.1	0.0	(0.1)	2.1	-	-	15.3	0.2	(0.0)
Seller at maturity foreign exchange swaps	Derivatives not qualified	211.4	0.5	(0.1)	211.4	-	-	321.7	0.3	(0.2)
Call forward contracts	Derivatives not qualified	0.3	0.0	0.0	0.3	-	-	43.3	0.1	(0.1)
Buyer at maturity foreign exchange swaps	Derivatives not qualified	10.3	0.0	(0.0)	10.3	-	-	334.0	0.1	(0.3)
Financial transactions		**224.1**	**0.5**	**(0.2)**	**224.1**			**714.3**	**0.7**	**(0.6)**
Total hedging of business and financial transactions		**879.2**	**2.4**	**(15.1)**	**879.2**			**1,818,5**	**4.9**	**(16.5)**

Impact of financial instruments used for future cash flow hedges on equity

On 30 June 2019, the future cash flow hedge reserve for business transactions came to a pre-tax reserve €0.6 million, compared to a pre-tax reserve of € 5.1 million at 31 December 2018.

- **Impact of financial instruments used for future cash flow hedges on Operating income**

On 30 June 2019, financial instruments used for future cash flow hedges on business transactions positively impacted Operating income a € (10.6) million amount, mainly as a result of gains from hedging RUB-denominated and CNY-denominated transactions.

- **Impact of financial instruments used for future cash flow hedges on Net financial income (expense)**

On 30 June 2019 ineffective impact of financial instruments used for future cash flow hedges recognized in Net financial income (expense) came to € (7.5) million.

- **Impact of financial instruments not qualified for future cash flow hedges on Net financial income (expense)**

On 30 June 2019, the ineffective impact of financial instruments classified in "Financial assets and liabilities at fair value through profit or loss" totaled € (0.9) million.

Derivative financial instruments reported in the balance sheet at 30 June 2019 and 31 December 2018 were as follows:

(in millions of euros)	30 June 2019		31 December 2018	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Market value of currency instruments	2.4	15.1	4.9	16.5
Total	**2.4**	**15.1**	**4.9**	**16.5**

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.

30 June 2019 commitments did not significantly change since 31 December 2018.

Note 23. Post-closing events with no impact on the consolidated financial statements as of 30 June 2019

On 23 July 2019, Ipsen S.A. obtained a $300 million long-term financing on the U.S. market (U.S. Private Placement - USPP) from a group of investors.

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 Quarter and First Half 2019 and 2018:

All variations in sales are stated excluding foreign exchange impacts, established by recalculating net sales for the relevant period at the rates from the previous period.

Subsidiaries involved in the partnership between Ipsen and Schwabe Group are consolidated in accordance with the equity method starting 1 January, 2019. Group and Consumer Healthcare variations in sales presented below are restated to exclude 2018 sales from the Schwabe partnership.

Sales by therapeutic area and by product

	2nd Quarter				6 Months			
(in million euros)	**2019**	**2018**	% Variation	% Variation at constant currency and consolidation scope	**2019**	**2018**	% Variation	% Variation at constant currency and consolidation scope
Oncology	**458.4**	**372.4**	**23.1%**	**20.3%**	**879.1**	**709.7**	**23.9%**	**20.7%**
Somatuline®	243.5	206.9	17.7%	14.0%	478.9	402.6	19.0%	14.8%
Decapeptyl®	109.6	100.2	9.5%	9.1%	198.4	183.3	8.2%	7.9%
Cabometyx®	57.9	33.8	71.2%	71.3%	111.8	62.0	80.3%	80.3%
Onivyde®	39.8	25.1	58.4%	47.8%	74.4	48.9	52.3%	41.6%
Other Oncology	7.6	6.4	19.9%	19.4%	15.6	13.0	20.1%	19.8%
Neuroscience	**93.4**	**89.5**	**4.4%**	**3.5%**	**187.7**	**174.5**	**7.6%**	**6.5%**
Dysport®	92.5	88.4	4.7%	3.7%	186.3	172.8	7.8%	6.8%
Rare Diseases	**17.3**	**17.9**	**-3.4%**	**-4.8%**	**33.1**	**36.0**	**-7.9%**	**-9.4%**
NutropinAq®	11.4	12.0	-5.2%	-5.0%	21.9	24.1	-9.4%	-9.3%
Increlex®	6.0	5.9	0.2%	-4.3%	11.3	11.8	-4.7%	-9.5%
Specialty Care	**569.1**	**479.8**	**18.6%**	**16.2%**	**1,100.0**	**920.2**	**19.5%**	**16.9%**
Smecta®	28.0	33.3	-16.0%	-16.3%	57.9	62.4	-7.3%	-7.7%
Forlax®	10.6	8.9	19.1%	18.9%	19.1	19.1	-0.3%	-0.4%
Tanakan®	8.2	8.1	1.2%	0.9%	17.6	15.9	10.7%	10.8%
Fortrans/Eziclen®	8.9	8.0	10.9%	10.6%	16.7	14.0	19.7%	19.6%
Other Consumer Healthcare	7.7	16.1	-52.3%	-35.6%	18.4	32.9	-44.2%	-19.7%
Consumer Healthcare	**63.3**	**74.4**	**-14.9%**	**-10.1%**	**129.6**	**144.3**	**-10.2%**	**-3.7%**
Group Sales	**632.4**	**554.2**	**14.1%**	**12.9%**	**1,229.6**	**1,064.5**	**15.5%**	**14.3%**

In the first half of 2019, Group sales reached €1,229.6 million, up 14.3%, driven by Specialty Care sales growth of 16.9%, while Consumer Healthcare sales decreased by 3.7%.

Specialty Care sales amounted to €1,100.0 million, up 16.9%. Oncology and Neuroscience sales grew by 20.7% and 6.5%, respectively, while Rare Diseases sales decreased by 9.4%. Over the period, the relative weight of Specialty Care continued to increase to reach 89.5% of total Group sales, compared to 86.4% in 2018.

In **Oncology,** sales reached €879.1 million, up 20.7% year-on-year, driven by continued strong performance across all major products and geographies. Over the period, Oncology sales represented 71.5% of total Group sales, compared to 66.7% in 2018.

> **Somatuline®** – Sales reached €478.9 million, up 14.8% year-on-year, driven by 19.6% growth in North America primarily from volume growth, as well as by continued double-digit growth in Europe.
>
> **Decapeptyl®** – Sales reached €198.4 million, up 7.9% year-on-year, driven by volume growth in major Western European countries, good sales performance in China and by higher sales in Latin America, Middle East and Asia.
>
> **Cabometyx®** – Sales reached €111.8 million, up 80.3% year-on-year, driven by good performance in all European countries, as well as launches in Canada and in several countries in Asia and Oceania.
>
> **Onivyde®** – Sales reached €74.4 million, up 41.6% year on year, including growing demand in the U.S. and a high level of sales to Ipsen's ex-U.S. partner.

In **Neuroscience**, sales of **Dysport®** reached €186.3 million, up 6.8%, driven by the good performance in the U.S. both in the therapeutics and aesthetics markets. In the second quarter of 2019, Dysport performance was impacted by the phasing of shipments to our aesthetics partner in Europe. Over the period, Neuroscience sales represented 15.3% of total Group sales, compared to 16.4% in 2018.

In **Rare Diseases**, sales of **NutropinAq®** reached €21.9 million, down 9.3% year-on-year, impacted by lower volumes across Europe. Sales of **Increlex®** reached €11.3 million, down 9.5% year-on-year mainly due to lower demand in the U.S. Over the period, Rare Diseases sales represented 2.7% of total Group sales, compared to 3.4% in 2018.

Consumer Healthcare sales reached €129.6 million, down 3.7%, impacted by a decline in Smecta® sales of 7.7% year-on-year mainly due to the new hospital competitive environment in China and some manufacturing delays in Algeria. Fortrans/Eziclen® sales were up 19.6% year-on-year driven by Russia. Tanakan® year-on-year growth reached 10.8%, due to the low 2018 Vietnam baseline and the good performance in Russia. Over the period, Consumer Healthcare sales represented 10.5% of total Group sales, compared to 13.6% in 2018.

Sales by geographical area

(in million euros)	2nd Quarter 2019	2nd Quarter 2018	% Variation	% Variation at constant currency and consolidation scope	6 Months 2019	6 Months 2018	% Variation	% Variation at constant currency and consolidation scope
France	86.8	65.5	32.5%	31.0%	168.8	133.7	26.3%	25.3%
Germany	49.2	46.8	5.1%	15.6%	94.6	91.0	3.9%	16.8%
Italy	30.2	26.9	12.3%	12.3%	60.0	53.1	12.9%	12.9%
Spain	27.0	23.1	17.2%	17.2%	50.8	44.0	15.4%	15.4%
United Kingdom	25.4	24.0	5.8%	4.7%	50.6	46.5	8.7%	7.9%
Major Western European countries	**218.6**	**186.3**	**17.4%**	**19.4%**	**424.7**	**368.4**	**15.3%**	**18.1%**
Eastern Europe	53.8	50.1	7.3%	7.4%	101.6	92.6	9.7%	10.9%
Others Europe	61.9	61.7	0.3%	2.1%	127.7	127.9	-0.2%	0.9%
Other European Countries	**115.7**	**111.9**	**3.4%**	**4.5%**	**229.2**	**220.5**	**4.0%**	**5.0%**
North America	**181.8**	**144.5**	**25.8%**	**18.2%**	**361.0**	**278.1**	**29.8%**	**21.0%**
Asia	54.6	54.8	-0.4%	-0.8%	105.0	94.3	11.4%	10.0%
Other countries in the Rest of the World	61.7	56.7	8.8%	7.6%	109.6	103.3	6.2%	5.9%
Rest of the World	**116.3**	**111.5**	**4.3%**	**3.5%**	**214.6**	**197.5**	**8.7%**	**7.8%**
Group Sales	**632.4**	**554.2**	**14.1%**	**12.9%**	**1,229.6**	**1,064.5**	**15.5%**	**14.3%**

Sales in **Major Western European countries** reached €424.7 million, up 18.1% year-on-year. Over the period, sales in Major Western European countries represented 34.5% of total Group sales, compared to 34.6% in 2018.

France – Sales reached €168.8 million, up 25.3% year-on-year, driven by the continued Cabometyx® launch ramp-up, sustained growth of Somatuline®, Decapeptyl®, and Prontalgine® as well as the contribution of Onivyde® sales to Ipsen's ex-U.S. partner since September 2018.

Germany – Sales reached €94.6 million, up 16.8% year-on-year, driven by Cabometyx® which was supported by the launch in first-line renal cell carcinoma (RCC) and second-line hepatocellular cell carcinoma (HCC) and the strong double-digit growth of Somatuline®.

Italy – Sales reached €60.0 million, up 12.9% year-on-year, mainly driven by Cabometyx®, double-digit growth of Somatuline® and solid performance of Decapeptyl®.

Spain – Sales reached €50.8 million, up 15.4% year-on-year, driven by the increasing contribution from Cabometyx® and the strong growth of Somatuline®.

United Kingdom – Sales reached €50.6 million, up 7.9% year-on-year, driven by the strong performance of Somatuline® and Decapeptyl® as well as the contribution from Cabometyx®.

Sales in **Other European countries** reached €229.2 million, up 5.0% year-on-year, driven by the launch of Cabometyx® in certain countries and the strong growth of Somatuline®. Over the period, sales in the region represented 18.6% of total Group sales, compared to 20.7% in 2018.

Sales in **North America** reached €361.0 million, up 21.0% year-on-year driven by continued strong demand growth of Somatuline®, Onivyde® and Dysport® and the contribution of the launch of Cabometyx® in Canada. Over the period, sales in North America represented 29.4% of total Group sales, compared to 26.1% in 2018.

Sales in the **Rest of the World** reached €214.6 million, up 7.8% year-on-year, driven by Cabometyx® launches in some countries and the good performance of Decapeptyl®, partly offset by delays in local manufacturing in Algeria and lower Smecta® sales in China. Over the period, sales in the Rest of the World represented 17.5% of total Group sales, compared to 18.6% in 2018.

Comparison of Core consolidated income statement for 2019 and 2018

Core financial measures are performance indicators. Reconciliation between these indicators and IFRS aggregates is presented in Appendix 4 “Bridges from IFRS consolidated net profit to Core consolidated net profit”.

(in million euros)	30 June 2019	% of sales	30 June 2018	% of sales	% change
Sales	1,229.6	100%	1,064.5	100%	15.5%
Other revenues	63.3	5.1%	60.6	5.7%	4.4%
Revenue	**1,292.9**	**105.1%**	**1,125.1**	**105.7%**	**14.9%**
Cost of goods sold	(236.9)	-19.3%	(216.4)	-20.3%	9.5%
Selling expenses	(399.7)	-32.5%	(380.8)	-35.8%	5.0%
Research and development expenses	(176.3)	-14.3%	(141.6)	-13.3%	24.5%
General and administrative expenses	(90.4)	-7.4%	(78.3)	-7.4%	15.5%
Other core operating income	0.1	0.0%	14.6	1.4%	N.A.
Other core operating expenses	(2.1)	-0.2%	(0.2)	0.0%	N.A.
Core Operating Income	**387.5**	**31.5%**	**322.5**	**30.3%**	**20.1%**
Net financing costs	(11.7)	-0.9%	(3.1)	-0.3%	277.2%
Other financial income and expense	(7.1)	-0.6%	(10.1)	-1.0%	-29.9%
Core income taxes	(87.1)	-7.1%	(72.8)	-6.8%	19.6%
Share of net profit (loss) from entities accounted for using the equity method	1.4	0.1%	0.6	0.1%	114.0%
Core consolidated net profit	**283.0**	**23.0%**	**237.1**	**22.3%**	**19.3%**
- Attributable to shareholders of Ipsen S.A.	282.5	23.0%	237.3	22.3%	19.1%
- Attributable to non-controlling interests	0.5	0.0%	(0.2)	0.0%	N.A.
Core EPS fully diluted - attributable to Ipsen S.A. shareholders (in € per share)	**3.38**		**2.86**		**18.5%**

Reconciliation from Core consolidated net profit to IFRS consolidated net profit

	30 June 2019	30 June 2018
Core consolidated net profit	**283.0**	**237.1**
Amortization of intangible assets (excl software)	(30.0)	(24.2)
Other operating income or expenses	(13.8)	(4.0)
Restructuring	(6.6)	(11.6)
Impairment losses	-	-
Other	(12.0)	0.1
IFRS consolidated net profit	**220.6**	**197.3**
IFRS EPS fully diluted - attributable to Ipsen S.A. shareholders (in € per share)	**2.64**	**2.38**

- **Sales**

At the end of June 2019, the Group's consolidated Sales reached €1,229.6 million, up 15.5% year-on-year and up 14.3% excluding the impact of foreign exchange and change in consolidation scope.

- **Other revenues**

Other revenues for the half year 2019 totaled €63.3 million, up 4.4% versus €60.6 million at the end of June 2018. The evolution was attributable to higher royalties received from partners, mainly Galderma for Dysport® and Shire for Onivyde® and despite lower royalties paid by Menarini for Adenuric®.

- **Cost of goods sold**

At the end of June 2019, Cost of goods sold amounted to €236.9 million, representing 19.3% of sales compared to €216.4 million, or 20.3% of sales at the end of June 2018. The favorable impact of Specialty Care growth on the product mix continued to drive the decrease of the cost of goods sold as a percentage of sales, partly offset by the increase of royalties paid to partners.

- **Selling expenses**

For the first half of 2019, Selling expenses amounted to €399.7 million, up 5.0% versus the same period in 2018. The expenses increase reflects the commercial efforts deployed to support the Cabometyx® growth in Europe, the growth of Somatuline® in the United States and in Europe as well Onivyde® in the United States. Selling expenses represented 32.5% of sales, a decrease by more than 3 points year-on-year.

- **Research and development expenses**

In the first half of 2019, Research and development expenses totaled €176.3 million compared to €141.6 million at the end of June 2018. The Group continued to invest in Research and development in Oncology, especially for Cabometyx®, Onivyde® and the systemic radiation therapy (SRT) programs, and in Neuroscience, mainly for Dysport® lifecycle management and the next-generation neurotoxin programs but also in Rare Diseases with the acquisition of Clementia Pharmaceutical in April 2019.

- **General and administrative expenses**

At the end of June 2019, General and administrative expenses amounted to €90.4 million, compared to €78.3 million at the end of June 2018 with a stable ratio of sales year-on-year. The increase resulted primarily from the reinforcement of the corporate functions and some additional expenses from Clementia.

- **Other core operating income and expenses**

In the first half of 2019, Other core operating income and expenses amounted to an expense of €2.0 million versus a profit of €14.4 million in the first half of 2018, mainly due to the impact of the currency hedging policy.

- **Core Operating Income**

Core Operating Income for the first half of 2019 reached €387.5 million, representing 31.5% of sales, compared to €322.5 million at the end of June 2018, representing 30.3% of sales, a growth of 20.1% and an increase in profitability by 1.2 points.

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

At the end of June 2019, the Group incurred Net financial expenses of €18.8 million, versus €13.2 million in the first half of 2018.

Net financing costs increased by €8.6 million driven by the financing cost linked to the Clementia acquisition and to IFRS16 - Lease standard implemented on 1 January 2019.

Other financial income and expense decreased by €3.0 million, mainly related to dividends received from Group investments.

- **Core income taxes**

At the end of June 2019, Core income tax expense of €87.1 million resulted from a core effective tax rate of 23.6% on core profit before tax in line with the rate at the end of June 2018.

- **Core consolidated net profit**

For the first half of 2019, Core consolidated net profit increased by 19.3% to €283.0 million, with €282.5 million fully attributable to Ipsen S.A. shareholders. This compares to Core consolidated net profit of €237.1 million at end of June 2018, with €237.3 million fully attributable to Ipsen S.A. shareholders.

- **Core Earning per share**

At the end of June 2019, Core EPS fully diluted came to €3.38, up 18.5% versus €2.86 per share at the end of June 2018.

From Core financial measures to IFRS reported figures

Reconciliations between IFRS June 2018 / June 2019 results and the Core financial measures are presented in Appendix 4.

At the end of June 2019, the main reconciling items between Core consolidated net income and IFRS consolidated net income were:

- **Amortization of intangible assets (excluding software)**

Amortization of intangible assets (excluding software) for the first half of 2019 amounted to €41.0 million before tax, compared to €33.1 million before tax at the end of June 2018, mainly due to the higher amortization of intangible assets related to Cabometyx®.

- **Other operating income and expenses and Restructuring costs**

Other non-core operating income and expenses for the first half of 2019 amounted to an expense of €19.7 million before tax, mainly related to Clementia integration costs and costs arising from the Group's transformation programs. Restructuring costs came to €9.0 million before tax, mainly impacted by the costs of the relocations of the U.S. and German commercial affiliates.

At the end of June 2018, Other non-core operating expenses totaled €3.7 million before tax and restructuring expenses amounted to €16.0 million, consisting mainly of termination of R&D studies and costs arising from the Group's transformation programs and the cost of the relocation of the U.S. commercial affiliate.

- **Impairment losses**

In the first half of 2019, no impairment loss or gain was recognized.

- **Other**

At the end of June 2019, Other items amounted to a loss of €12.0 million versus a profit of €0.1 million at the end of June 2018. It included a net loss of €16.1 million from the reassessment of the contingent payments recognized in the context of the Onivyde® intangible asset's acquisition following the recent publication of interim positive results related to the on-going Onivyde® clinical trial and the revision of the probability of success of the indications and the expected dates of the triggering events. Other items included also the impact of discontinued operations for a profit of €4.1 million.

Therefore, IFRS reported indicators are:

- **Operating income**

At the end of June 2019, Operating income totaled €317.8 million versus €269.7 million at the end of June 2018, with an Operating margin of 25.8%, up 0.5 points compared to the first half of 2018.

- **Consolidated net profit**

Consolidated net profit was €220.6 million at the end of June 2019, an increase of 11.8% versus the end of June 2018 at €197.3 million.

- **Earning per share**

Fully diluted EPS was €2.64 at the end of June 2019 versus €2.38 at the end of June 2018.

Operating segments: Core Operating Income by therapeutic area

Segment information is presented according to the Group's two operating segments, Specialty Care and Consumer Healthcare.

All costs allocated to these two segments are presented in the key performance indicators. Only corporate overhead costs and the impact of the currency hedging policy are not allocated to the two operating segments.

The Group uses Core operating income to measure its performance. Core operating income is the indicator used by the Group to measure operating performance and to allocate resources.

Sales, Revenue and Core Operating Income are presented by therapeutic area for the 2019 and 2018 half years in the following table:

(in million euros)		30 June 2019	30 June 2018	Change	%
Specialty Care					
Sales		1,100.0	920.2	179.8	*19.5%*
Revenue		1,137.2	950.5	186.7	*19.6%*
Core Operating Income		447.6	356.3	91.3	*25.6%*
	% of sales	*40.7%*	*38.7%*		
Consumer Healthcare					
Sales		129.6	144.3	(14.7)	*-10.2%*
Revenue		155.7	174.6	(18.9)	*-10.8%*
Core Operating Income		34.3	41.8	(7.5)	*-17.9%*
	% of sales	*26.5%*	*29.0%*		
Total Unallocated					
Core Operating Income		(94.5)	(75.6)	(18.9)	*25.0%*
Group total					
Sales		1,229.6	1,064.5	165.1	*15.5%*
Revenue		1,292.9	1,125.1	167.7	*14.9%*
Core Operating Income		387.5	322.5	65.0	*20.1%*
	% of sales	*31.5%*	*30.3%*		

At the end of June 2019, **Specialty Care** sales grew to €1,100.0 million, up 19.5% as compared to the end of June 2018 (16.9% at constant exchange rates), reaching 89.5% of total consolidated sales, versus 86.4% a year earlier. In the first half of 2019, **Core Operating Income** for Specialty Care amounted to €447.6 million, representing 40.7% of sales. This compares to €356.3 million in the prior-year period, representing 38.7% of sales. The improvement reflects the continued growth of Somatuline® in the United States and Europe, the contribution of Cabometyx® and Onivyde® as well as the performance of Dysport®, despite increased commercial and Research & development investments including those related to Clementia.

At the end of June 2019, **Consumer Healthcare** sales reached €129.6 million, down 10.2% year-on-year or down -3.7% at constant exchange rates and adjusted for the impact of the consolidation under the equity method for joint arrangements related to the Schwabe partnership. For the first half of 2019, **Core Operating Income** for Consumer Healthcare amounted to €34.3 million, representing 26.5% of sales, compared to 29.0% at the end of June 2018, reflecting lower sales and commercial investments to support the OTx strategy.

At the end of June 2019, **Unallocated Core Operating Income** amounted to a negative €94.5 million, compared to a negative €75.6 million in the year-earlier period. The evolution is mainly attributable to the positive impact from the currency hedging policy in 2018, as well as the reinforcement of the corporate infrastructure.

Net cash flow and financing

The implementation of IFRS 16 - Leases standard has led to an increase in financial liabilities of €188.2 million as of 1 January 2019 bringing the opening net debt to €(430.7) million.

The Group had a net debt increase of €1,068.8 million over the first half of 2019 after Clementia acquisition, bringing closing net debt to €1,499.5 million.

- **Analysis of the consolidated net cash flow statement**

(in million euros)	30 June 2019	30 June 2018
Opening net cash / (debt) (*)	**(430.7)**	**(463.3)**
Core Operating Income	**387.5**	**322.5**
Non-cash items	36.0	14.2
Change in operating w orking capital requirement	(102.0)	(50.2)
(Increases) decreases in other w orking capital requirement	(26.8)	(1.5)
Net capex (excluding milestones paid)	(96.3)	(47.8)
Dividends received from entities accounted for using the equity method	0.9	0.9
Operating Cash Flow	**199.2**	**238.2**
Other non-core operating income and expenses and restructuring costs (cash)	(33.9)	(0.6)
Financial income (cash)	(18.7)	(9.0)
Current income tax (P&L, excluding provisions for tax contingencies)	(53.2)	(72.8)
Other operating cash flow	7.6	8.7
Free Cash Flow	**101.0**	**164.5**
Dividends paid	(83.5)	(83.2)
Net investments (business development and milestones)	(1,058.2)	(42.8)
Share buyback	(4.0)	(4.4)
FX on net indebtedness	3.7	(6.2)
Other (discontinued operations and financial instrument)	(27.8)	(2.5)
Shareholders return and external growth operations	**(1,169.8)**	**(139.2)**
CHANGE IN NET CASH / (DEBT)	**(1,068.8)**	**25.3**
Closing net cash / (debt)	**(1,499.5)**	**(438.0)**

(*) including €188.2 million impact due to IFSR16 – Leases implementation

- **Operating Cash Flow**

Operating Cash Flow in the first half of 2019 totaled €199.2 million, down €39.0 million (-16.4%) versus the first half of 2018, driven by higher Core Operating Income (up €65.0 million) fully compensated by higher working capital requirements and net capital investments.

Non-cash items increased in the first half of 2019 by €36.0 million versus an increase of €14.2 million in the first half of 2018, impacted by €14.9 million, as a result of IFRS16 – Leases standard implementation on 1 January, 2019.

Working capital requirement for operating activities increased by €102.0 million for the first half of 2019, compared to an increase of €50.2 million in the first half of 2018. The increase in the first half of 2019 stemmed mainly from:

- a €11.4 million increase in inventories during the year, to support business growth;
- a €88.8 million increase in trade receivables, in-line with the phasing of sales and impacted by longer payment terms in some countries;
- a €1.9 million decrease in trade payables as of 30 June 2019, as compared to an increase of €4.8 million in the first half of 2018.

At the end of June 2019, other working capital requirement needs increased by €26.8 million, mainly driven by variable compensation payments in the first half of the year, compensated by an increase in tax liabilities.

Net capital expenditure amounted to €96.3 million for the first half of 2019, €6.0 million of which was due to IFRS16 - Leases implementation, compared to €47.8 million in 2018, and mainly included projects to support increased production capacity at industrial sites in the United Kingdom, the United States and France, as well as corporate investments in information technology and digital projects.

- **Free Cash Flow**

Free Cash Flow for the first six months of 2019 came to €101.0 million, down €63.5 million versus 2018, mainly driven by lower Operating Cash Flow combined with higher Other operating expenses, restructuring costs and current income tax.

Other non-core operating income and expenses and restructuring costs of €33.9 million mainly included the integration costs related to the Clementia acquisition as well as cash out from the U.S. and German affiliates relocation and from the Group's transformation programs.

The €18.7 million in financial expenses paid in the first half of 2019, increased by €9.7 million compared to the end of June 2018, resulted from financing costs related to the Clementia acquisition and hedging costs.

The change in current income tax stemmed mainly from the decrease in Operating Income combined with higher financial expenses.

- **Shareholders return and external growth operations**

In the first half of 2019, the dividend payout to Ipsen S.A. shareholders amounted to €83.2 million.

Net investments in the first half of 2019 amounted to €1,058 million, including the acquisition of Clementia for €986 million (including transaction fees) and additional milestones of €53 million paid to Exelixis and of €13 million to MD Anderson.

Net investments in the first half of 2018 amounted to €43 million, including additional milestones paid to Exelixis for €29 million, an equity investment in Arix Bioscience for €17 million, the final payment of the acquisition of Akkadeas Pharma for €8 million, partly offset by the milestone received from Servier for Onivyde® for €21 million.

Other included mainly the negative impact for €32.7 million on net debt of the reassessment of the contingent payments recognized in the context of Onivyde® intangible asset's acquisition following the recent publication of positive results related to the on-going developments on Onivyde® and the revision of the probabilities of success of the indications and the expected occurrence dates of the triggering events.

Reconciliation of cash and cash equivalents and net cash

Following the implementation, on 1 January 2019, of IFRS16 – Leases standard, the Group has recognized an increase of €151.2 million in Other financial liabilities non-current and €29.6 million in Financial liabilities on 30 June 2019.

(in million euros)	30 June 2019	30 June 2018
Current financial assets (derivative instruments on financial operations)	**0.5**	**0.4**
Closing cash and cash equivalents	**181.0**	**344.9**
Bonds	(298.2)	(297.7)
Other financial liabilities (excluding derivative instruments) (**)	(430.8)	(83.2)
Non-current financial liabilities	**(728.9)**	**(380.9)**
Credit lines and bank loans	(796.2)	(4.1)
Financial liabilities (excluding derivative instruments) (**)	(155.8)	(398.3)
Current financial liabilities	**(952.1)**	**(402.4)**
Debt	**(1,681.0)**	**(783.3)**
Net cash / (debt) (*)	**(1,499.5)**	**(438.0)**

(*) Net cash / (debt): derivative instruments booked in financial assets and related to financial operations, cash and cash equivalents, less bank overdrafts, bank loans and other financial liabilities and excluding financial derivative instruments on commercial operations.

(**) Financial liabilities mainly exclude €14.9 million in derivative instruments related to commercial operations at the end of June 2019, compared with €15.5 million one year earlier.

- **Analysis of Group cash**

On 16 June 2016, Ipsen S.A. issued €300 million in unsecured, seven-year public bonds. The bonds mature on 16 June 2023 with coupon at an annual interest rate of 1.875%.

Ipsen S.A. program of emission of NEU CP - Negotiable EUropean Commercial Paper of €600 million were drawn for €104 million on 30 June 2019.

Ipsen S.A. has refinanced its Revolving Credit Facility (RCF) and existing bilateral bank facilities. The new Revolving Credit Facility of €1,500 million signed on 24 May 2019 has a five-year maturity and includes two one-year extension options. In this new Revolving Credit Facility, the Group has to comply with a Net Debt / EBITDA covenant to remain below 3.5 time at each financial closing and the facility includes specific indicators linked to CSR (Corporate Social Responsibility) to be annually assessed.

The previous financing has been fully terminated on 28 June 2019.

On 30 June 2019, the facility was drawn by €795 million and the Group was complying with its covenant ratio.

- **Impact of IFRS 16 standard**

The application of IFRS 16 has led to an increase in the tangible assets of €169.4 million and financial liabilities of €188.2 million as of 1 January 2019.

The impact on the Operating Income reached a profit of €0.7 million as of 30 June 2019; the impact on the Consolidated Net profit reached a loss of €2.3 million.

23.1. APPENDICES

Appendix 1 – Consolidated income statement

(in million euros)	30 June 2019	30 June 2018
Sales	**1,229.6**	**1,064.5**
Other revenues	63.3	60.6
Revenue	**1,292.9**	**1,125.1**
Cost of goods sold	(236.9)	(216.4)
Selling expenses	(399.7)	(380.8)
Research and development expenses	(176.3)	(141.6)
General and administrative expenses	(90.4)	(78.3)
Other operating income	9.9	31.1
Other operating expenses	(72.6)	(53.5)
Restructuring costs	(9.0)	(16.0)
Impairment losses	-	-
Operating Income	**317.8**	**269.7**
Investment income	*0.8*	*11*
Financing costs	*(12.5)*	*(4.2)*
Net financing costs	(11.7)	(3.1)
Other financial income and expense	(23.2)	(10.1)
Income taxes	(67.9)	(59.8)
Share of net profit (loss) from entities accounted for using the equity method	1.4	0.6
Net profit (loss) from continuing operations	**216.4**	**197.3**
Net profit (loss) from discontinued operations	4.1	0.1
Consolidated net profit (loss)	**220.6**	**197.3**
- Attributable to shareholders of Ipsen S.A.	220.1	197.5
- Attributable to non-controlling interests	0.5	(0.2)

Basic earnings per share, continuing operations (in euros)	2.60	2.39
Diluted earnings per share, continuing operations (in euros)	2.59	2.38
Basic earnings per share, discontinued operations (in euros)	0.05	0.00
Diluted earnings per share, discontinued operations (in euros)	0.05	0.00
Basic earnings per share (in euros)	2.65	2.39
Diluted earnings per share (in euros)	2.64	2.38

Appendix 2 – Consolidated balance sheet before allocation of net profit

(in million euros)	30 June 2019	31 December 2018
ASSETS		
Goodwill	622.5	395.6
Other intangible assets	1,949.7	1,011.9
Property, plant & equipment	664.7	474.5
Equity investments	67.3	65.2
Investments in companies accounted for using the equity method	15.2	15.5
Non-current financial assets	88.6	92.9
Deferred tax assets	168.5	131.9
Other non-current assets	6.7	4.4
Total non-current assets	**3,583.2**	**2,191.8**
Inventories	197.2	198.5
Trade receivables	549.5	463.0
Current tax assets	52.6	47.7
Current financial assets	53.3	5.5
Other current assets	155.6	126.4
Cash and cash equivalents	213.2	344.5
Total current assets	**1,221.4**	**1,185.6**
TOTAL ASSETS	**4,804.6**	**3,377.4**
EQUITY AND LIABILITIES		
Share capital	83.8	83.8
Additional paid-in capital and consolidated reserves	1,670.9	1,366.0
Net profit (loss) for the period	220.1	389.5
Foreign exchange differences	6.5	1.8
Equity attributable to Ipsen S.A. shareholders	**1,981.3**	**1,841.1**
Equity attributable to non-controlling interests	2.0	2.3
Total shareholders' equity	**1,983.3**	**1,843.4**
Retirement benefit obligation	68.2	63.8
Non-current provisions	33.8	44.5
Other non-current financial liabilities	728.9	386.0
Deferred tax liabilities	273.4	19.7
Other non-current liabilities	47.1	61.0
Total non-current liabilities	**1,151.5**	**574.9**
Current provisions	9.6	21.1
Current financial liabilities	968.6	184.2
Trade payables	394.2	379.8
Current tax liabilities	19.2	11.4
Other current liabilities	246.0	329.0
Bank overdrafts	32.2	33.6
Total current liabilities	**1,669.8**	**959.2**
TOTAL EQUITY & LIABILITIES	**4,804.6**	**3,377.4**

Appendix 3 – Cash flow statements

Appendix 3.1 – Consolidated statement of cash flow

(in million euros)	30 June 2019	30 June 2018
Consolidated net profit (loss)	**220.6**	**197.3**
Share of profit (loss) from entities accounted for using the equity method before impairment losses	3.2	0.3
Net profit (loss) before share from entities accounted for using the equity method	**223.8**	**197.6**
Non-cash and non-operating items		
- Depreciation, amortization, provisions	65.0	77.6
- Impairment losses included in operating income and net financial income	-	-
- Change in fair value of financial derivatives	7.2	1.9
- Net gains or losses on disposals of non-current assets	0.8	0.6
- Foreign exchange differences	(1.8)	1.1
- Change in deferred taxes	14.7	(12.6)
- Share-based payment expense	7.8	5.7
- Other non-cash items	17.5	0.7
Cash flow from operating activities before changes in working capital requirement	***335.0***	***272.4***
- (Increase) / decrease in inventories	(11.4)	(20.3)
- (Increase) / decrease in trade receivables	(88.8)	(34.7)
- Increase / (decrease) in trade payables	(1.9)	4.8
- Net change in income tax liability	5.4	45.6
- Net change in other operating assets and liabilities	(45.7)	(58.9)
Change in working capital requirement related to operating activities	***(142.2)***	***(63.4)***
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**192.7**	**209.0**
Acquisition of property, plant & equipment	(76.0)	(35.2)
Acquisition of intangible assets	(23.2)	(67.5)
Proceeds from disposal of intangible assets and property, plant & equipment	0.3	2.8
Acquisition of shares in non-consolidated companies	-	(22.1)
Payments to post-employment benefit plans	(0.6)	(0.8)
Impact of changes in the consolidation scope	(817.2)	(7.4)
Deposits paid	-	(0.5)
Change in working capital related to investment activities	(64.0)	20.6
Other cash flow related to investment activities	(10.1)	20.5
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES	**(990.8)**	**(89.6)**
Additional long-term borrowings	8.1	1.1
Repayment of long-term borrowings	(1.3)	(25.1)
Net change in short-term borrowings	743.9	119.1
Capital increase	0.3	2.4
Treasury shares	(3.4)	2.0
Dividends paid by Ipsen S.A.	(83.2)	(83.0)
Dividends paid by subsidiaries to non-controlling interests	(0.3)	(0.2)
Change in working capital related to financing activities	(1.5)	(3.0)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**662.5**	**13.3**
CHANGE IN CASH AND CASH EQUIVALENTS	**(135.6)**	**132.7**
Opening cash and cash equivalents	**310.9**	**209.3**
Impact of exchange rate fluctuations	5.6	2.9
Closing cash and cash equivalents	**181.0**	**344.9**

Appendix 3.2 – Consolidated net cash flow statement

(in million euros)	30 June 2019	30 June 2018
Opening net cash / (debt)	**(430.7)**	**(463.3)**
CORE OPERATING INCOME	**387.5**	**322.5**
Non-cash items	**36.0**	**14.2**
(Increase) /decrease in inventories	(11.4)	(20.3)
(Increase) / decrease in trade receivables	(88.8)	(34.7)
Increase / (decrease) in trade payables	(1.9)	4.8
Change in operating working capital requirement	**(102.0)**	**(50.2)**
Change in income tax liability	5.4	45.6
Change in other operating assets and liabilities (excluding milestones received)	(32.3)	(47.1)
Other changes in working capital requirement	**(26.8)**	**(1.5)**
Acquisition of property, plant & equipment	(76.0)	(35.2)
Acquisition of intangible assets (excluding milestones paid)	(10.4)	(8.9)
Disposal of fixed assets	0.3	2.8
Change in w orking capital related to investment activities	(10.2)	(6.5)
Net capex (excluding milestones paid)	**(96.3)**	**(47.8)**
Dividends received from entities accounted for using the equity method	**0.9**	**0.90**
Operating Cash Flow	**199.2**	**238.2**
Other non-core operating income and expenses and restructuring costs (cash)	(33.9)	(0.6)
Financial income (cash)	(18.7)	(9.0)
Current income tax (P&L, excluding provisions for tax contingencies)	(53.2)	(72.8)
Other operating cash flow	7.6	8.7
Free Cash Flow	**101.0**	**164.5**
Dividends paid (including payout to non-controlling interests)	**(83.5)**	**(83.2)**
Acquisition of shares in non-consolidated companies (1)	(0.1)	(22.1)
Acquisition of other financial assets	(3.3)	-
Impact of changes in consolidation scope (2)	(984.7)	(8.0)
Milestones paid (3)	(70.0)	(31.6)
Milestones received (4)	-	20.6
Other Business Development operations	-	(1.8)
Net investments (business development and milestones)	**(1,058.2)**	**(42.8)**
Share buybacks	**(4.0)**	**(4.4)**
FX on net indebtedness	3.7	(6.2)
Other (discontinued operations and financial instrument)	**(27.8)**	**(2.5)**
Shareholders return and external growth operations	**(1,169.8)**	**(139.2)**
CHANGE IN NET CASH / (DEBT)	**(1,068.8)**	**25.3**
Closing net cash / (debt)	**(1,499.5)**	**(438.0)**

(1) Acquisition of shares in non-consolidated companies mainly reflected investments in external innovation funds.

(2) Impact of change in consolidation scope notably reflects Clementia acquisition.

(3) Milestones paid correspond to payments subject to the terms and conditions set out in the Group's partnership agreements including €53 million milestone paid to Exelixis and €13 million paid to MD Anderson in the first half of 2019. 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 4.1).

(4) Milestones received are amounts collected by Ipsen from its partners. No milestone was received at the end of June 2019 while the Group received €21 million from Servier, in the first half of 2018, related to the Onivyde® acquisition closed in 2017. In the consolidated balance sheet, the Servier milestones not yet received are booked in “Current financial assets” and in “Non-current financial assets”, depending on the forecasted cash-in timing. Shire milestones received are included in the "Other cash flow related to investment activities" line item in the consolidated statement of cash flow (see Appendix 3.1).

- **Appendix 4 – Bridges from IFRS consolidated net profit to Core consolidated net profit**

23.2.

	IFRS						CORE
(in million euros)	30 June 2019	Amortization of intangible assets (excl software)	Other operating income or expenses	Restructuring	Impairment losses	Other	30 June 2019
Sales	1,229.6						1,229.6
Other revenues	63.3						63.3
Revenue	**1,292.9**	**-**	**-**	**-**	**-**	**-**	**1,292.9**
Cost of goods sold	(236.9)						(236.9)
Selling expenses	(399.7)						(399.7)
Research and development expenses	(176.3)						(176.3)
General and administrative expenses	(90.4)						(90.4)
Other operating income	9.9		(9.8)				0.1
Other operating expenses	(72.6)	41.0	29.5				(2.1)
Restructuring costs	(9.0)			9.0			-
Impairment losses	-				-		-
Operating Income	**317.8**	**41.0**	**19.7**	**9.0**	**-**	**-**	**387.5**
Net financing costs	(11.7)						(11.7)
Other financial income and expense	(23.2)					16.1	(7.1)
Income taxes	(67.9)	(11.0)	(5.9)	(2.4)	-	-	(87.1)
Share of net profit (loss) from entities accounted for using the equity method	1.4						1.4
Net profit (loss) from continuing operations	**216.4**	**30.0**	**13.8**	**6.6**	**-**	**16.1**	**283.0**
Net profit (loss) from discontinued operations	4.1					(4.1)	-
Consolidated net profit	**220.6**	**30.0**	**13.8**	**6.6**	**-**	**12.0**	**283.0**
- Attributable to shareholders of Ipsen S.A.	220.1	30.0	13.8	6.6	-	12.0	282.5
- Attributable to non-controlling interests	0.5						0.5
Earnings per share fully diluted - attributable to Ipsen S.A. shareholders (in € per share)	2.64	0.36	0.17	0.08	-	0.14	3.38

The reconciliation items between Core consolidated net profit and IFRS consolidated net profit are described in the paragraph "From Core financial measures to IFRS reported figures".

	IFRS						CORE
(in million euros)	30 June 2018	Amortization of intangible assets (excl software)	Other operating income or expenses	Restructuring	Impairment losses	Other	30 June 2018
Sales	1,064.5						1,064.5
Other revenues	60.6						60.6
Revenue	**1,125.1**	**-**	**-**	**-**	**-**	**-**	**1,125.1**
Cost of goods sold	(216.4)						(216.4)
Selling expenses	(380.8)						(380.8)
Research and development expenses	(141.6)						(141.6)
General and administrative expenses	(78.3)						(78.3)
Other operating income	31.1		(16.5)				14.6
Other operating expenses	(53.5)	33.1	20.2				(0.2)
Restructuring costs	(16.0)			16.0			-
Impairment losses	-						-
Operating Income	**269.7**	**33.1**	**3.7**	**16.0**	**-**	**-**	**322.5**
Net financing costs	(3.1)						(3.1)
Other financial income and expense	(10.1)						(10.1)
Income taxes	(59.8)	(8.9)	0.3	(4.4)			(72.8)
Share of net profit (loss) from entities accounted for using the equity method	0.6						0.6
Net profit (loss) from continuing operations	**197.3**	**24.2**	**4.0**	**11.6**	**-**	**-**	**237.1**
Net profit (loss) from discontinued operations	0.1					(0.1)	-
Consolidated net profit	**197.3**	**24.2**	**4.0**	**11.6**	**-**	**(0.1)**	**237.1**
- Attributable to shareholders of Ipsen S.A.	197.5	24.2	4.0	11.6		(0.1)	237.3
- Attributable to non-controlling interests	(0.2)						(0.2)

Earnings per share fully diluted - attributable to Ipsen S.A. shareholders (in € per share)	2.38	0.29	0.05	0.14		(0.00)	2.86

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 2018 Registration Document available on its website (www.ipsen.com).

Business Risks:

- The Group operates in well-stablished, rapidly-evolving, and very competitive markets, in particular, Oncology. Since a few products make up the majority of Group sales, the competitive threat to Ipsen's business model and performance is accrued.

- In order to build an innovative and sustainable pipeline the Group invests substantial amounts in Research and Development. In 2018, the Group spent €302.1 million on Research and Development, representing around 13.6% of consolidated sales. Ipsen will be unable to recover these investments if the Group's clinical trials are not as successful as anticipated or if such products do not receive regulatory approval. The Research and Development process is long and there is a substantial risk that drugs may not be approved.

- The Group's activities are largely dependent on information systems. Despite all the measures in place to secure its processes, the Group may have to deal with incidents, notably connected to malicious acts against such information systems, such as cyber-attacks.

- Ipsen depends on third parties: (1) To optimize the Research and Development portfolio; (2) To develop and market certain products; (3) Related to intellectual property. Third parties could behave in ways that are damaging to the Group's business.

- The Group is dependent on prices that are set for drugs and is vulnerable to the potential withdrawal of certain drugs from the list of reimbursable products by governments and the relevant regulatory authorities in the countries in which it operates.

- The Group operates throughout the world. As such, the Group faces various risks specific to its international activities, for instance:
  - Risks arising from unexpected regulatory or political changes
  - Risks arising from limitations on the repatriation of earnings
  - Risk of financial default on the part of certain public and private operators
  - Risks arising from political or economic changes
  - Risks arising from the occurrence of natural disasters
  - Risk incurred by employees when travelling for their missions

- To build a sustainable pipeline of innovative assets, the Group is transforming the R&D model by accelerating focused internal projects, de-prioritizing select internal programs and externally sourcing assets. In this respect, the Group invests in business development through innovative deal structures in its three key therapeutic areas. Despite dedicated processes in place, acquisitions could fail or underperform in case of inappropriate due diligence or unsuccessful integration.

- Despite its continued commitment to upholding the highest ethical standards, Ipsen could face various Ethics and Compliance risks, such as:
  - Risk of off-label promotion
  - Risk of improper influence / conflict of interests
  - Risk of corruption
  - Risk of non-compliance with pharmaceutical regulations / code

Industrial and Environmental Risks:

- Despite a strong end-to-end supply chain organization, the marketing of certain products by the Group has been and could be affected by supply shortages and other disruptions.

- Stricter laws relating to the environment, health, and safety as well as more rigorous enforcement measures than those in force currently could generate considerable liabilities and costs for the Group and make the Group's handling, production, use, reuse, or processing of substances or pollutants subject to more rigorous inspection measures than those currently observed.

Other risks detailed in the Group's 2018 Registration Document:

- Financial risks:
  - › Exchange rate risks
  - › Interest rate risks
  - › Liquidity and counterparty risks
  - › Share price fluctuation

- Regulatory and Legal Risks
  - › Risks related to intellectual property
  - › Undesired disclosure of critical information
  - › Counterfeiting risks
  - › Product liability risks

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.

Registered office: 65, Quai Georges Gorse - 92650 Boulogne-Billancourt

Statutory Auditors' Review Report on the Half-yearly Financial Information 2019

For the period from 1st January to 30 June 2019

To the Shareholders,

In compliance with the assignment entrusted to us by the annual general meeting of shareholders 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 1st January 2019 to 30 June 2019,
- 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.

Without qualifying our conclusion, we draw your attention to the matter set out in note 3.2.1 to the condensed half-yearly consolidated financial statements "Application of IFRS 16 – Leases" which disclose the change of accounting principle and method relating to the first application, since January 1, 2019, of IFRS 16 standard.

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.

Paris La Défense, on the 24 July 2019	Paris La Défense, on the 24 July 2019
KPMG Audit	Deloitte et associés
A division of KPMG S.A.	

French original signed by

Catherine Porta	Cédric Adens	Jean Marie Le Guiner
Partner	*Partner*	*Partner*

6. ATTESTATION OF THE PERSON RESPONSIBLE FOR THE 2019 HALF YEAR FINANCIAL REPORT

I hereby declare that, to the best of my knowledge, the financial condensed consolidated 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 2019 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.

July 25, 2019

Mr. David Meek

Chief executive officer