PRESS RELEASE

Ipsen delivers strong results for the first half of 2018 with sales growth of 21.5%[1] and upgrades its guidance for full year 2018

- Sales growth of 26.7%[1] for Specialty Care and 2.0%[1,2] for Consumer Healthcare
- Core Operating Income growth of 34.1%
- Upgraded full year 2018 guidance of Group sales growth greater than 19.0%[1] (versus prior guidance greater than 16.0%) and Core operating margin of around 29.0% of sales (versus prior guidance greater than 28.0%)

Paris (France), 26 July 2018 – Ipsen (Euronext: IPN; ADR: IPSEY), a global specialty-driven biopharmaceutical group, today announced financial results for the first half of 2018.

H1 2018 Key figures

(in millions of euros)	**H1 2018**	**H1 2017**	***% change***
Group sales	**1,064.5**	**919.5**	**+21.5%[1]**
Specialty Care sales	920.2	764.6	+26.7%[1]
Consumer Healthcare sales	144.3	154.8	+2.0%[1,2]
Core Operating Income[3]	**322.5**	**240.5**	**+34.1%**
Core operating margin (as a % net sales)	*30.3%*	*26.2%*	*+4.1 pts*
Core consolidated net profit[3]	**237.1**	**169.2**	**+40.1%**
Core EPS – fully diluted (€)	2.86	2.04	+40.2%
IFRS			
Operating Income	**269.7**	**176.4**	**+52.9%**
Operating margin (as a % net sales)	25.3%	19.2%	+6.2 pts
Consolidated net profit	**197.3**	**125.9**	**+56.7%**
EPS – fully diluted (€)	2.38	1.52	+56.6%
Free cash flow	164.5	94.9	+73.3%
Net cash / (debt) position[4]	(438.0)	(669.4)	n.a.

David Meek, Chief Executive Officer of Ipsen, stated: *"We executed very well against our objectives in the first half of 2018. We delivered outstanding Group sales growth of 21.5% and significant core operating margin improvement, leading to upgraded guidance for the full year 2018. We also continued to increase the value proposition of Cabometyx® with approval for first-line renal cell cancer by the European Commission and the validation of the regulatory submission for second-line hepatocellular carcinoma by the EMA. In the second half of the year, we remain focused on maintaining the growth momentum of our Oncology and Neuroscience franchises and reinforcing our R&D strategy to build an innovative and sustainable pipeline."*

[1] Year-on-year growth excluding foreign exchange impacts
[2] Reported sales in Consumer Healthcare down 3.9%, non-restated from the new contractual set-up of Etiasa®
[3] Excludes amortization of intangible assets (excluding software), gain or loss on disposal of fixed assets, restructuring costs, impairment losses and other non-core items
[4] Cash and cash equivalents, less bank overdrafts, bank loans and other financial liabilities and excluding financial derivative instruments

Upgraded Full Year 2018 guidance

Following the strong performance in the first half of 2018, the Group raises its financial targets for the full year 2018:

- **Group sales growth** of **greater than +19.0%**, based on the strong momentum of the Specialty Care business. Sales growth at current exchange rates should still be negatively impacted by approximately 4.0% based on the current level of exchange rates;

- **Core operating margin** of **around 29.0% of sales**

	Previous guidance	Updated guidance
Sales growth[1]	> +16.0%	> +19.0%
Core operating margin (as a % of net sales)	> 28.0%	around 29.0%

Review of the first half 2018 results

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

Group sales reached €1,064.5 million, up 21.5% year-on-year.

Specialty Care sales reached €920.2 million, up 26.7%, driven by the strong growth of Somatuline® (26.1% with a continued volume growth in North America and a solid performance throughout Europe), the contribution of new products Cabometyx® and Onivyde®, as well as the good performance of Dysport® (13.0% fueled by our partner Galderma in the aesthetics market in Europe, and a strong growth in Brazil and in the U.S. therapeutics market) and Decapeptyl® (8.9% impacted by good volume growth, notably in France, Spain and Algeria).

Consumer Healthcare sales reached €144.3 million, up 2.0%[2], driven by the good performance of the Smecta® brand, which grew by 3.6%.

Core Operating Income was €322.5 million, up 34.1%, driven by the strong Specialty Care sales growth and reflecting increased commercial investments for the Oncology product launches and R&D investments to support the advancement of the pipeline.

Core operating margin reached 30.3% of sales, up 4.1 points.

Core consolidated net profit was €237.1 million, compared to €169.2 million in 2017, up 40.1%, after higher financial and income tax expenses and benefitting from a lower effective tax rate due to the U.S. tax reform.

Core earning per share fully diluted grew by 40.2% to reach €2.86, compared to €2.04 in 2017.

IFRS Operating income was €269.7 million after amortization of intangible assets, the costs of relocation of the U.S. commercial affiliate to Cambridge, Massachusetts and the termination of certain R&D studies. Operating income margin at 25.3% is up 6.2 points compared to the first half of 2017.

IFRS Consolidated net profit was €197.3 million versus €125.9 million in 2017, up 56.7% after financial and income tax expenses.

IFRS Fully diluted EPS (Earning per share) was €2.38 versus €1.52 in 2017, up 56.6%.

Free cash flow reached €164.5 million, up by €69.5 million or 73.3% versus 2017, from higher operating cash flow, lower restructuring costs and higher income tax.

Closing net debt reached €438.0 million at the end of June 2018, versus €669.4 million at the end of June 2017, reflecting positive cash flow generation of the Group over the last twelve months and after payment in June 2018 of €83.0 million in dividends.

[1] Year-on-year growth excluding foreign exchange impacts
[2] Reported sales in Consumer Healthcare down 3.9%, non-restated from the new contractual set-up of Etiasa®

The interim financial report, with regard to regulated information, is available on the Group's website, under the Regulated Information tab in the Investor Relations section.

The company's auditors performed a limited review of the accounts.

Conference call

Ipsen will hold a conference call Thursday, 26 July 2018 at 1:30 p.m. (Paris time, GMT+1). Participants should dial in to the call approximately five to ten minutes prior to its start. No reservation is required to participate in the conference call.

Standard International: +44 (0) 1452 555 566
France and continental Europe: + 33 (0) 1 76 74 24 28
UK: +44 (0) 8444 933 800
United States: 1-631-510-7498
Conference ID: 2791758

A recording will be available for seven days on Ipsen's website.

About Ipsen

Ipsen is a global biopharmaceutical company focused on innovation and specialty care. The group develops and commercializes innovative medicines in three key therapeutic areas - Oncology, Neuroscience and Rare Diseases. Its commitment to Oncology is exemplified through its growing portfolio of key therapies for prostate cancer, neuroendocrine tumors, renal cell carcinoma and pancreatic cancer. Ipsen also has a well-established Consumer Healthcare business. With total sales over €1.9 billion in 2017, Ipsen sells more than 20 drugs in over 115 countries, with a direct commercial presence in more than 30 countries. Ipsen's R&D is focused on its innovative and differentiated technological platforms located in the heart of the leading biotechnological and life sciences hubs (Paris-Saclay, France; Oxford, UK; Cambridge, US). The Group has about 5,400 employees worldwide. Ipsen is listed in Paris (Euronext: IPN) and in the United States through a Sponsored Level I American Depositary Receipt program (ADR: IPSEY). For more information on Ipsen, visit www.ipsen.com.

Forward-Looking Statement

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

conditions; manufacturing difficulties or delays; financial instability of international economies and sovereign risk; dependence on the effectiveness of the Group's patents and other protections for innovative products; and the exposure to litigation, including patent litigation, and/or regulatory actions. The Group also depends on third parties to develop and market some of its products which could potentially generate substantial royalties; these partners could behave in such ways which could cause damage to the Group's activities and financial results. The Group cannot be certain that its partners will fulfil their obligations. It might be unable to obtain any benefit from those agreements. A default by any of the Group's partners could generate lower revenues than expected. Such situations could have a negative impact on the Group's business, financial position or performance. The Group expressly disclaims any obligation or undertaking to update or revise any forward-looking statements, targets or estimates contained in this press release to reflect any change in events, conditions, assumptions or circumstances on which any such statements are based, unless so required by applicable law. The Group's business is subject to the risk factors outlined in its registration documents filed with the French Autorité des Marchés Financiers.
The risks and uncertainties set out are not exhaustive and the reader is advised to refer to the Group's 2017 Registration Document available on its website (www.ipsen.com).

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Comparison of Consolidated Sales for the Second Quarter and First Half of 2018 and 2017:

Sales by therapeutic area and by product[1]

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

Currency effects are established by recalculating net sales for the relevant period at the exchange rates from the previous period.

The following table shows sales by therapeutic area and by product for the second quarter and first half 2018 and 2017:

	2nd Quarter				6 Months			
(in millions euros)	2018	2017	% Variation	% Variation at constant currency	2018	2017	% Variation	% Variation at constant currency
Oncology	**372.4**	**299.9**	**24.2%**	**29.2%**	**709.7**	**560.8**	**26.5%**	**32.8%**
Somatuline®	206.9	171.5	20.7%	27.0%	402.6	340.4	18.3%	26.1%
Decapeptyl®	100.2	93.5	7.2%	8.7%	183.3	171.0	7.2%	8.9%
Cabometyx®	33.8	9.3	264.1%	265.5%	62.0	16.9	267.7%	268.9%
Onivyde®	25.1	19.3	30.2%	43.9%	48.9	19.3	153.4%	184.1%
Other Oncology	6.4	6.4	-0.7%	-0.5%	13.0	13.3	-2.5%	-2.2%
Neurosciences	**89.5**	**78.8**	**13.6%**	**22.0%**	**174.5**	**165.4**	**5.5%**	**13.0%**
Dysport®	88.4	77.8	13.5%	21.8%	172.8	163.6	5.6%	13.0%
Rare diseases	**17.9**	**19.4**	**-7.9%**	**-5.9%**	**36.0**	**38.4**	**-6.4%**	**-3.7%**
NutropinAq®	12.0	13.8	-13.2%	-13.1%	24.1	27.1	-10.9%	-10.7%
Increlex®	5.9	5.7	5.1%	12.0%	11.8	11.3	4.2%	13.4%
Specialty Care	**479.8**	**398.1**	**20.5%**	**26.1%**	**920.2**	**764.6**	**20.3%**	**26.7%**
Smecta®	33.3	31.2*	6.8%	10.2%	62.4	62.6*	-0.3%	3.6%
Forlax®	8.9	11.3	-21.3%	-20.0%	19.1	21.3	-10.1%	-8.7%
Tanakan®	8.1	9.1	-11.2%	-7.2%	15.9	15.5	2.8%	6.7%
Fortrans/Eziclen®	8.0	8.8	-8.7%	-4.4%	14.0	15.8	-11.7%	-7.6%
Etiasa®	0.1	6.7	-98.9%	-98.8%	0.1	9.4	-98.5%	-98.4%
Other Consumer Healthcare	16.0	16.2	-0.7%	0.3%	32.7	30.3	8.2%	9.3%
Consumer Healthcare	**74.4**	**83.3**	**-10.6%**	**-8.0%**	**144.3**	**154.8**	**-6.8%**	**-3.9%**
Group Sales	**554.2**	**481.4**	**15.1%**	**20.1%**	**1,064.5**	**919.5**	**15.8%**	**21.5%**

*including Smectite sales previously recorded in Other Consumer Healthcare

Group sales reached €1,064.5 million, up 21.5%, driven by Specialty Care sales growth of 26.7% and Consumer Healthcare sales growth of 2.0%[2].

Specialty Care sales amounted to €920.2 million, up 26.7%. Oncology and Neuroscience sales grew by 32.8% and 13.0%, respectively, and Rare Diseases sales decreased by 3.7%. Over the period, the relative weight of Specialty Care continued to increase to reach 86.4% of Group sales, compared to 83.2% in 2017.

[1] New sales reporting according to main therapeutic indication of each product
[2] Reported sales in Consumer Healthcare down 3.9%, non-restated from the new contractual set-up of Etiasa®

In **Oncology,** sales reached €709.7 million, up 32.8% year-on-year, driven by the continued strong performance of Somatuline® as well as the launches of Cabometyx® and Onivyde®. Over the period, Oncology sales represented 66.7% of total Group sales, compared to 61.0% in 2017.

Somatuline® – Sales reached €402.6 million, up 26.1% year-on-year, driven by strong volume growth in North America and strong performance in most European countries, notably France, Germany and the UK, as well as the contribution from Japan following the launch of the neuroendocrine tumor indication in 2017.

Decapeptyl® – Sales reached €183.3 million, up 8.9% year-on-year, positively impacted by good volume growth, notably in France, Spain and Algeria.

Cabometyx® – Sales reached €62.0 million, driven by good performance in Germany, France and the UK as well as by volume growth in Spain, Italy and new launches in other European countries. In the second quarter of 2018, sales increased 19.8% over the first quarter of 2018.

Onivyde® – Sales reached €48.9 million, as compared to €19.3 million in the first half of 2017 (including only one quarter of sales following the acquisition completed in early April 2017). In the second quarter of 2018, sales were up 43.9% year-on-year and increased by 2.7% over the first quarter of 2018, including continued double-digit growth in the U.S.

In **Neuroscience**, sales of **Dysport®** reached €172.8 million, up 13.0%, driven by the resupply and strong performance in Brazil, as well as the good performance of Galderma in the aesthetics market in Europe. In the first half of 2018, Neuroscience sales represented 16.4% of total Group sales, compared to 18.0% in 2017.

In **Rare Diseases**, sales of **NutropinAq®** reached €24.1 million, down 10.7% year-on-year, impacted by lower volumes across Europe. Sales of **Increlex®** reached €11.8 million, growing by 13.4% year-on-year, driven by the performance in the United States. Over the period, Rare Diseases sales represented 3.4% of total Group sales, compared to 4.2% in 2017.

Consumer Healthcare sales reached €144.3 million, up 2.0%[1] year-on-year. Sales were positively impacted by the good performance of the Smecta® brand in France and Algeria, contribution of the new products acquired in 2017, as well as higher Tanakan® sales. Over the period, Consumer Healthcare sales represented 13.6% of total Group sales, compared to 16.8% in 2017.

Smecta® – Sales reached €62.4 million, up 3.6% year-on-year, driven by the launch of a new formulation in France, sales growth in Algeria and Korea and the market growth in China, offset by the negative impact of inventory in the first quarter of 2017 in Russia and China.

Forlax® – Sales reached €19.1 million, down 8.7% year-on-year, impacted by lower volumes due to an importation delay in Algeria.

Tanakan® – Sales reached €15.9 million, up 6.7% year-on-year, positively impacted by the lower inventory in Russia in the first quarter of 2017.

Fortrans/Eziclen® – Sales reached €14.0 million, down 7.6% year-on-year, impacted by the negative inventory impact and competitive pressure in Russia, partly offset by good performance in China.

Etiasa® – Sales reached €0.1 million, down 98.4% year-on-year due to the new contractual set-up in China which started to occur in the third quarter of 2017.

Other Consumer Healthcare – Sales reached €32.7 million, up 9.3% year-on-year, supported by the contribution of new products, higher sales of Bedelix® in Algeria and other drug-related products.

[1] Reported sales in Consumer Healthcare down 3.9%, non-restated from the new contractual set-up of Etiasa®

IPSEN Innovation for patient care

Sales by geographical area

Group sales by geographical area in the second quarter and first half 2018 and 2017:

	2nd Quarter				6 Months			
(in million euros)	2018	2017	% Variation	% Variation at constant currency	2018	2017	% Variation	% Variation at constant currency
France	65.5	62.7	4.4%	4.4%	133.7	124.2	7.7%	7.7%
Germany	46.8	35.6	31.3%	31.3%	91.0	70.3	29.5%	29.5%
Italy	26.9	25.2	6.7%	6.7%	53.1	48.9	8.6%	8.6%
United Kingdom	24.0	19.6	22.1%	24.3%	46.5	38.4	21.2%	23.9%
Spain	23.1	18.3	25.7%	25.7%	44.0	35.4	24.4%	24.4%
Major Western European countries	**186.3**	**161.6**	**15.3%**	**15.5%**	**368.4**	**317.2**	**16.2%**	**16.5%**
Eastern Europe	50.1	51.2	-2.1%	4.5%	92.6	98.1	-5.6%	-0.6%
Others Europe	61.7	46.2	33.7%	36.8%	127.9	96.3	32.8%	34.9%
Other European countries	**111.9**	**97.4**	**14.9%**	**20.0%**	**220.5**	**194.4**	**13.4%**	**17.2%**
North America	**144.5**	**117.9**	**22.6%**	**33.4%**	**278.1**	**220.3**	**26.2%**	**41.1%**
Asia	54.8	60.2	-8.9%	-6.0%	94.3	100.1	-5.8%	-1.1%
Other countries in the Rest of the world	56.7	44.4	27.7%	37.9%	103.3	87.4	18.1%	27.3%
Rest of the World	**111.5**	**104.6**	**6.6%**	**12.7%**	**197.5**	**187.5**	**5.4%**	**12.2%**
Group Sales	**554.2**	**481.4**	**15.1%**	**20.1%**	**1,064.5**	**919.5**	**15.8%**	**21.5%**

Sales in **Major Western European countries** reached €368.4 million, up 16.5% year-on-year. Over the period, sales in Major Western European countries represented 34.6% of total Group sales, compared to 34.5% in 2017.

France – Sales reached €133.7 million, up 7.7% year-on-year, mainly driven by the Cabometyx® launch, the strong sales of Decapeptyl® and the sustained growth of Somatuline®.

Germany – Sales reached €91.0 million, up 29.5% year-on-year, driven by the Cabometyx® launch and the strong growth of Somatuline®.

Italy – Sales reached €53.1 million, up 8.6% year-on-year, mainly driven by the launch of Cabometyx®.

United Kingdom – Sales reached €46.5 million, up 23.9% year-on-year, driven by the strong performance of Cabometyx® and Somatuline®.

Spain – Sales reached €44.0 million, up 24.4% year-on-year, driven by the contribution of Cabometyx® and the good performance of Somatuline® and Decapeptyl®.

Sales in **Other European countries** reached €220.5 million, up 17.2% year-on-year, supported by the launch of Cabometyx® in certain countries, Onivyde® sales to partner, the strong growth of Dysport®, as well as the solid performance of Somatuline® and Decapeptyl®. Over the period, sales in the region represented 20.7% of total Group sales compared to 21.1% in 2017.

Sales in **North America** reached €278.1 million, up 41.1% year-on-year, driven by continued strong growth of Somatuline®, as well as the Onivyde® launch contribution and the good performance of Dysport® in the therapeutics market. Over the period, sales in North America represented 26.1% of total Group sales, compared to 24.0% in 2017.

Sales in the **Rest of the World** reached €197.5 million, up 12.2% year-on-year, driven by the resupply and the strong performance of Dysport® in Brazil, the volume growth in Algeria and the growth of Somatuline® in Japan, partly offset by the negative impact of the new Etiasa® contractual set up in China. Over the period, sales in the Rest of the World represented 18.6% of total Group sales, compared to 20.4% in 2017.

Comparison of Core consolidated income statement for 2018 and 2017

Core financial measures are performance indicators. Reconciliation between these indicators and IFRS aggregates is presented in Appendix 5 “Bridges from IFRS consolidated net profit to Core consolidated net profit”.

(in millions of euros)	30 June 2018	% of sales	30 June 2017 Restated [1]	% of sales	% change
Sales	1,064.5	*100%*	919.5	*100%*	*15.8%*
Other revenues	60.6	*5.7%*	50.2	*5.5%*	*20.7%*
Revenue	**1,125.1**	***105.7%***	**969.7**	***105.5%***	***16.0%***
Cost of goods sold	(216.4)	*-20.3%*	(189.0)	*-20.6%*	*14.5%*
Selling expenses	(380.8)	*-35.8%*	(341.1)	*-37.1%*	*11.6%*
Research and development expenses	(141.6)	*-13.3%*	(126.1)	*-13.7%*	*12.2%*
General and administrative expenses	(78.3)	*-7.4%*	(66.9)	*-7.3%*	*17.0%*
Other core operating income	14.6	*1.4%*	0.3	*0.0%*	*N.A.*
Other core operating expenses	(0.2)	*0.0%*	(6.3)	*-0.7%*	*-97.5%*
Core Operating Income	**322.5**	***30.3%***	**240.5**	***26.2%***	***34.1%***
Net financing costs	(3.1)	*-0.3%*	(4.2)	*-0.5%*	*-25.5%*
Other financial income and expense	(10.1)	*-1.0%*	(7.5)	*-0.8%*	*35.9%*
Core income taxes	(72.8)	*-6.8%*	(60.7)	*-6.6%*	*19.9%*
Share of net profit (loss) from entities accounted for using the equity method	0.6	*0.1%*	1.0	*0.1%*	*-37.0%*
Core consolidated net profit	**237.1**	***22.3%***	**169.2**	***18.4%***	***40.1%***
- Attributable to shareholders of Ipsen S.A.	237.3	*22.3%*	169.2	*18.4%*	*40.2%*
- Attributable to non-controlling interests	(0.2)	*0.0%*	0.0	*0.0%*	*N.A.*
Core EPS fully diluted - attributable to Ipsen S.A. shareholders (in € per share)	**2.86**		**2.04**		***40.2%***

Reconciliation from Core consolidated net profit to IFRS consolidated net profit

	30 June 2018	30 June 2017 Restated
Core consolidated net profit	**237.1**	**169.2**
Amortization of intangible assets (excl software)	(24.2)	(15.0)
Other operating income or expenses	(4.0)	(22.5)
Restructuring	(11.6)	(7.3)
Impairment losses	-	-
Other	0.1	1.6
IFRS consolidated net profit	**197.3**	**125.9**
IFRS EPS fully diluted - attributable to Ipsen S.A. shareholders (in € per share)	**2.38**	**1.52**

(1) As part of the effort to implement its new organization, the Group reviewed the presentation of its financial statements and changed the classification of certain items on its income statement, with the view that the new presentation would provide more relevant information to financial statement readers. These reclassifications had no impact on Operating income or Consolidated net profit. The impact of the various reclassifications on the consolidated income statement for the period ended 30 June 2017 is presented in Appendix 2.

- **Sales**

At the end of June 2018, the Group's consolidated Sales reached €1,064.5 million, up 15.8% year-on-year and up 21.5% excluding the impact of foreign exchange.

- **Other revenues**

Other revenues for the half year 2018 totaled €60.6 million, up 20.7% versus €50.2 million at the end of June 2017. The evolution was attributable to higher royalties received from partners, mainly Galderma for Dysport®, Menarini for Adenuric® and Shire for Onivyde®. Other revenues were also positively impacted in 2018 by the new contractual set-up implemented since the third quarter of 2017 for Etiasa® in China.

- **Cost of goods sold**

At the end of June 2018, Cost of goods sold amounted to €216.4 million, representing 20.3% of sales compared to €189.0 million, or 20.6% of sales at the end of June 2017. The slight improvement of the cost of goods sold as a percentage of sales is driven by the favorable impact of Specialty Care growth in the product mix, partly offset by the increase of royalties paid to partners.

- **Selling expenses**

For the first half of 2018, Selling expenses amounted to €380.8 million, representing 35.8% of sales, up 11.6% versus the same period in 2017. The increase reflects the commercial efforts deployed to support the Cabometyx® launch in Europe, the growth of Somatuline® in the United States and in Europe as well as the commercial investment for Onivyde® in the United States.

- **Research and development expenses**

For the first half of 2018, Research and development expenses totaled €141.6 million, compared to €126.1 million at the end of June 2017. The Group increased investments in Research and development in Oncology, especially for Cabometyx®, Onivyde® and the peptide receptor radionuclide therapy program, and in Neuroscience, mainly for Dysport® life cycle management and the new neurotoxin programs.

- **General and administrative expenses**

At the end of June 2018, General and administrative expenses amounted to €78.3 million, compared to €66.9 million at the end of June 2017. The increase resulted primarily from the reinforcement of the corporate functions supporting Ipsen's growth and the impact of the Group's positive performance on variable compensation.

- **Other core operating income and expenses**

In the first half of 2018, Other core operating income and expenses amounted to a profit of €14.4 million versus an expense of €6.0 million in the first half of 2017. This evolution is mainly due to the impact of the currency hedging policy.

- **Core Operating Income**

Core Operating Income for the first half of 2018 reached €322.5 million, representing 30.3% of sales, compared to €240.5 million at the end of June 2017, representing 26.2% of sales, a growth of 34.1% and an increase of profitability by 4.1 points.

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

At the end of June 2018, the Group incurred Net financial expenses of €13.2 million, versus €11.6 million in the first half of 2017. Net financing costs decreased by €1.1 million driven by the decrease of the net debt level over the period. Other financial income and expense increased by €2.6 million, mainly attributable to the cost of hedging implemented to mitigate the foreign exchange exposure of the Group.

- **Core income taxes**

At the end of June 2018, Core income tax expense of €72.8 million resulted from a core effective tax rate of 23.5% on core profit before tax compared to a core effective tax rate of 26.5% in the same period in

2017. The decrease in the core effective tax rate is mainly attributable to the positive impact of the U.S. tax reform.

- **Core consolidated net profit**

For the first half of 2018, Core consolidated net profit increased by 40.1% to €237.1 million, with €237.3 million fully attributable to Ipsen S.A. shareholders. This compares to Core consolidated net profit of €169.2 million, fully attributable to Ipsen S.A. shareholders at the end of June 2017.

- **Core Earning per share**

At the end of June 2018, Core EPS fully diluted came to €2.86, up 40.2% versus €2.04 per share at the end of June 2017.

From Core financial measures to IFRS reported figures

Reconciliations between IFRS June 2017 / June 2018 results and the Core financial measures are presented in Appendix 5.

At the end of June 2018, 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 2018 amounted to €33.1 million before tax, compared to €21.5 million before tax at the end of June 2017, mainly due to the higher amortization of intangible assets from Cabometyx® and Onivyde®.

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

Other non-core operating income and expenses for the first half of 2018 amounted to an expense of €3.7 million before tax, mainly related to 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. Restructuring costs came to €16.0 million before tax, impacted by the relocation of the U.S. commercial affiliate to Cambridge, Massachusetts.

At the end of June 2017, Other non-core operating expenses totaled €34.8 million before tax and restructuring expenses of €7.9 million, consisting mainly of integration costs related to the Onivyde® acquisition, the adaptation of the R&D structure and programs and the cost of a settlement with a partner in Japan.

- **Impairment losses**

In the first half of 2018, no impairment loss or gain was recognized.

- **Other**

At the end of June 2018, Other items amounted to an expense of €0.1 million versus €1.6 million at the end of June 2017, and were related to discontinued operations.

As a consequence, IFRS reported indicators are:

- **Operating income**

At the end of June 2018, Operating income totaled €269.7 million versus €176.4 million at the end of June 2017, with an Operating margin of 25.3%, up 6.2 points compared to the first half of 2017.

- **Consolidated net profit**

Consolidated net profit was €197.3 million at the end of June 2018, showing an increase of 56.7% versus the end of June 2017 at €125.9 million.

- **Earning per share**

Fully diluted EPS was €2.38 at the end of June 2018 versus €1.52 at the end of June 2017.

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 2018 and 2017 half years in the following table:

(in millions of euros)		30 June 2018	30 June 2017	Change	%
Specialty Care					
Sales		920.2	764.6	155.6	*20.3%*
Revenue		950.5	789.2	161.3	*20.4%*
Core Operating Income		356.3	281.3	75.0	*26.6%*
	% of sales	*38.7%*	*36.8%*		
Consumer Healthcare					
Sales		144.3	154.8	(10.5)	*-6.8%*
Revenue		174.6	180.5	(5.9)	*-3.3%*
Core Operating Income		41.8	47.1	(5.3)	*-11.2%*
	% of sales	*29.0%*	*30.4%*		
Total Unallocated					
Core Operating Income		(75.6)	(87.8)	12.2	*-13.9%*
Group total					
Sales		1,064.5	919.5	145.0	*15.8%*
Revenue		1,125.1	969.7	155.4	*16.0%*
Core Operating Income		322.5	240.5	82.0	*34.1%*
	% of sales	*30.3%*	*26.2%*		

At the end of June 2018, **Specialty Care** sales grew to €920.2 million, up 20.3% as compared to the end of June 2017 (26.7% at constant exchange rates), reaching 86.4% of total consolidated sales at 30 June 2018, versus 83.2% a year earlier. In the first half of 2018, **Core Operating Income** for Specialty Care amounted to €356.3 million, representing 38.7% of sales. This compares to €281.3 million in the prior-year period, representing 36.8% 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®, along with increased commercial and Research & development investments.

At the end of June 2018, **Consumer Healthcare** sales came to €144.3 million, down 6.8% year-on-year (or -3.9% at constant exchange rates), impacted by the new contractual set-up in China for Etiasa®, partially compensated by the good performance of the Smecta® brand, contribution of the new products acquired in 2017 as well as higher Tanakan® sales. For the first half of 2018, **Core Operating Income** for Consumer Healthcare amounted to €41.8 million, representing 29.0% of sales, compared to 30.4% at the end of June 2017, reflecting commercial investments to support the OTx strategy.

At the end of June 2018, **Unallocated Core Operating Income** came to a negative €75.6 million, compared to a negative €87.8 million in the year-earlier period. The evolution is mainly attributable to the positive impact from the currency hedging policy, partially compensated by the reinforcement of the unallocated corporate functions and the impact of the Group's positive performance on variable compensation.

Net cash flow and financing

The Group had a net cash increase of €25.3 million over the first half of 2018, bringing closing net debt to €438.0 million.

Analysis of the consolidated net cash flow statement

(in millions of euros)	30 June 2018	30 June 2017
Opening net cash / (debt)	**(463.3)**	**68.6**
Core Operating Income	**322.5**	**240.5**
Non-cash items	14.2	(4.5)
Change in operating working capital requirement	(50.2)	(35.4)
(Increases) decreases in other working capital requirement	(1.5)	(20.0)
Net capex (excluding milestones paid)	(47.8)	(37.2)
Dividends received from entities accounted for using the equity method	0.9	0.0
Operating Cash Flow	**238.2**	**143.4**
Other non-core operating income and expenses and restructuring costs (cash)	(0.6)	(18.3)
Financial income (cash)	(9.0)	(9.1)
Current income tax (P&L, excluding provisions for tax contingencies)	(72.8)	(32.6)
Other operating cash flow	8.7	11.5
Free Cash Flow	**164.5**	**94.9**
Dividends paid	(83.2)	(70.6)
Net investments (business development and milestones)	(42.8)	(759.8)
Share buyback	(4.4)	(4.0)
FX on net indebtedness	(6.2)	0.0
Other (discontinued operations and financial instrument)	(2.5)	1.6
Shareholders return and external growth operations	**(139.2)**	**(832.9)**
CHANGE IN NET CASH / (DEBT)	**25.3**	**(738.0)**
Closing net cash / (debt)	**(438.0)**	**(669.4)**

- **Operating cash flow**

Operating cash flow in the first half of 2018 totaled €238.2 million, up €94.8 million (+66.1%) versus the first half of 2017, mainly driven by higher Core Operating Income (up €82.0 million).

Non-cash items decreased in the first half of 2018 by €14.2 million versus an increase of €4.5 million in the first half of 2017, impacted by a change in long-term management incentive programs.

Working capital requirement for operating activities increased by €50.2 million for the first half of 2018, compared to an increase of €35.4 million in the first half of 2017. The increase in the first half of 2018 stemmed mainly from:

- a €20.3 million increase in inventories during the year, in-line with business growth;
- a €34.7 million increase in trade receivables, in-line with sales growth, compared to a €34.0 million increase in trade receivables at the end of June 2017;
- a €4.8 million increase in trade payables as of 30 June 2018, as compared to an increase of €18.1 million in the first half of 2017.

At the end of June 2018, other Working capital requirement needs decreased by €1.5 million, mainly driven by variable compensation payments in the first half of the year, fully compensated by an increase in tax liabilities.

Net capital expenditure amounted to €47.8 million for the first half of 2018, compared to €37.2 million in 2017, 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 2018 came to €164.5 million, up €69.5 million (+73.3%) versus 2017, mainly driven by an improvement in Operating cash flow and lower Other operating income or expenses and restructuring costs, partially compensated by higher current income tax.

Other non-core operating income and expenses and restructuring costs of €0.6 million included a positive settlement with a U.S. partner, offset by costs arising from the Group's transformation programs. In the first half of 2017, €18.3 million of payments included Onivyde® integration costs, the impact of the transformation of the R&D model and a settlement with a partner in Japan.

The €9.0 million in financial expenses paid in the first half of 2018, in-line with June 2017, resulted from hedging costs, the impact of the bond issued in June 2016 and financing costs.

The change in current income tax stemmed mainly from the growth of the income, partially compensated by the improvement in the effective tax rate induced by the U.S. tax reform.

- **Shareholders return and external growth operations**

In the first half of 2018, the dividend payout to Ipsen S.A. shareholders amounted to €83.0 million.

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 Shire for Onivyde® for €21 million.

Net investments in the first half of 2017 amounted to €760 million, including the acquisition of Onivyde® assets for €666 million (including the purchase price and future earn-outs), the acquisition of Consumer Healthcare products in European territories for €86 million and the equity stake in Akkadeas Pharma for €5 million as well as an additional commercial milestone paid to Exelixis for €9 million, partly offset by a €8 million regulatory milestone payment received from Radius.

Reconciliation of cash and cash equivalents and net cash

(in millions of euros)	30 June 2018	30 June 2017
Current financial assets (derivative instruments on financial operations)	**0.4**	**-**
Closing cash and cash equivalents	**344.9**	**170.9**
Bonds	(297.7)	(297.3)
Other financial liabilities (excluding derivative instruments) (**)	(83.2)	(134.9)
Non-current financial liabilities	**(380.9)**	**(432.1)**
Credit lines and bank loans	(4.1)	(92.7)
Financial liabilities (excluding derivative instruments) (**)	(398.3)	(315.5)
Current financial liabilities	**(402.4)**	**(408.1)**
Debt	**(783.3)**	**(840.3)**
Net cash / (debt) (*)	**(438.0)**	**(669.4)**

(*) 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 €15.5 million in derivative instruments related to commercial operations at the end of June 2018, compared with €20.4 million one year earlier.

- **Analysis of Group cash**

Ipsen S.A. issued on 16 June 2016, a €300 million unsecured seven-year public bond loan with an annual interest rate of 1.875%. In addition, €300 million in bilateral long-term bank loans were contracted with a maturity of 6.5 years. As of 30 June 2018, none of the bank loans were drawn down.

Ipsen S.A. also has a syndicated loan of €600 million maturing on 17 October 2022. As of 30 June 2018, no amount was drawn down on this facility.

Ipsen S.A. has a program of “NEU CP - Negotiable EUropean” Commercial Paper, for €600 million, of which €367 million was issued as of 30 June 2018.

- **Estimated impact of IFRS 16 standard**

The Group completed the diagnostic of the main impacts of the standard IFRS 16 – Leases. The main contracts concerned by this standard are property leases and vehicle rentals.

The Group will utilize the simplified retrospective method from the first application of this standard as of 1 January 2019.

The Group estimates that the application of IFRS 16 will lead to an increase in the financial liabilities of approximately €170 million as of 1 January 2019.

APPENDICES

▪ Appendix 1 – Consolidated income statement

(in millions of euros)	30 June 2018	30 June 2017 Restated [(1)]
Sales	**1,064.5**	**919.5**
Other revenues	60.6	50.2
Revenue	**1,125.1**	**969.7**
Cost of goods sold	(216.4)	(189.0)
Selling expenses	(380.8)	(341.1)
Research and development expenses	(141.6)	(126.1)
General and administrative expenses	(78.3)	(66.9)
Other operating income	31.1	1.9
Other operating expenses	(53.5)	(64.2)
Restructuring costs	(16.0)	(7.9)
Impairment losses	-	-
Operating Income	**269.7**	**176.4**
Investment income	*1.1*	*0.6*
Financing costs	*(4.2)*	*(4.8)*
Net financing costs	(3.1)	(4.2)
Other financial income and expense	(10.1)	(7.5)
Income taxes	(59.8)	(41.4)
Share of net profit (loss) from entities accounted for using the equity method	0.6	1.0
Net profit (loss) from continuing operations	**197.3**	**124.4**
Net profit (loss) from discontinued operations	0.1	1.6
Consolidated net profit (loss)	**197.3**	**125.9**
- Attributable to shareholders of Ipsen S.A.	197.5	125.9
- Attributable to non-controlling interests	(0.2)	0.0

Basic earnings per share, continuing operations (in euros)	2.39	1.51
Diluted earnings per share, continuing operations (in euros)	2.38	1.50
Basic earnings per share, discontinued operations (in euros)	0.00	0.02
Diluted earnings per share, discontinued operations (in euros)	0.00	0.02
Basic earnings per share (in euros)	2.39	1.53
Diluted earnings per share (in euros)	2.38	1.52

(1) As part of the effort to implement its new organization, the Group reviewed the presentation of its financial statements and changed the classification of certain items on its income statement, with the view that the new presentation would provide more relevant information to financial statement readers. These reclassifications had no impact on Operating income or Consolidated net profit. The impact of the various reclassifications on the consolidated income statement for the period ended 30 June 2017 is presented in Appendix 2.

- **Appendix 2 – Reconciliation of the income statement reported as of 30 June 2017 published in 2017 and the restated income statement as of 30 June 2017 published in 2018**

As part of the effort to implement its new organization, the Group reviewed the presentation of its financial statements and changed the classification of certain items on its income statement, with the view that the new presentation would provide more relevant information to financial statement readers.

In order to better reflect the substance of the operations related to global medical affairs, the Group has decided starting from 2017 to recognize global medical affairs expenses in “Research and development expenses”. These costs, which amounted to €14.2 million at the end of June 2017, were previously recognized in “Selling expenses”.

The allocation of internal costs within the various functions was revised in the consolidated income statement. As a result, certain support function expenses were reclassified within the income statement, a move deemed by the Group to be more relevant given the activity of the concerned services and the new organization.

These reclassifications had no impact on the Operating result and on the Net profit.

Starting December 2017, the Group restated the comparison reporting periods in accordance with IAS 1 Revised. The impact of the various reclassifications on the consolidated income statement for the period ended 30 June 2017 is presented in the following table:

(in millions of euros)	30 June 2017 Restated	Presentation restatement	30 June 2017 Published
Sales	919.5		919.5
Other revenues	50.2		50.2
Revenue	**969.7**		**969.7**
Cost of goods sold	(189.0)	1.2	(190.2)
Selling expenses	(341.1)	8.6	(349.6)
Research and development expenses	(126.1)	(11.1)	(115.0)
General and administrative expenses	(66.9)	1.4	(68.3)
Other operating income	1.9		1.9
Other operating expenses	(64.2)		(64.2)
Restructuring costs	(7.9)		(7.9)
Impairment losses	-		-
Operating Income	**176.4**	**0.0**	**176.4**
Investment income	*0.6*		*0.6*
Financing costs	*(4.8)*		*(4.8)*
Net financing costs	(4.2)		(4.2)
Other financial income and expense	(7.5)		(7.5)
Income taxes	(41.4)		(41.4)
Share of net profit (loss) from entities accounted for using the equity method	1.0		1.0
Net profit (loss) from continuing operations	**124.4**	**0.0**	**124.4**
Net profit (loss) from discontinued operations	1.6		1.6
Consolidated net profit	**125.9**	**0.0**	**125.9**
- Attributable to shareholders of Ipsen S.A.	125.9		125.9
- Attributable to non-controlling interests	0.0		0.0

Basic earnings per share, continuing operations (in euros)	1.51		1.51
Diluted earnings per share, continuing operations (in euros)	1.50		1.50
Basic earnings per share, discontinued operations (in euros)	0.02		0.02
Diluted earnings per share, discontinued operations (in euros)	0.02		0.02
Basic earnings per share (in euros)	1.53		1.53
Diluted earnings per share (in euros)	1.52		1.52

Appendix 3 – Consolidated balance sheet before allocation of net profit

(in millions of euros)	30 June 2018	31 December 2017
ASSETS		
Goodwill	392.1	389.0
Other intangible assets	963.6	930.2
Property, plant & equipment	427.7	418.9
Equity investments	65.2	43.3
Investments in companies accounted for using the equity method	14.8	14.7
Non-current financial assets	96.2	112.7
Deferred tax assets	151.0	142.0
Other non-current assets	4.7	4.8
Total non-current assets	**2,115.3**	**2,055.6**
Inventories	188.3	167.4
Trade receivables	469.8	437.2
Current tax assets	28.1	58.0
Current financial assets	16.5	29.6
Other current assets	118.2	96.3
Cash and cash equivalents	359.3	228.0
Total current assets	**1,180.2**	**1,016.4**
TOTAL ASSETS	**3,295.5**	**3,072.0**

EQUITY AND LIABILITIES		
Share capital	83.8	83.7
Additional paid-in capital and consolidated reserves	1,379.6	1,171.7
Net profit (loss) for the period	197.5	272.3
Foreign exchange differences	4.5	(2.3)
Equity attributable to Ipsen S.A. shareholders	**1,665.3**	**1,525.4**
Equity attributable to non-controlling interests	2.5	10.5
Total shareholders' equity	**1,667.9**	**1,535.9**
Retirement benefit obligation	66.7	67.6
Non-current provisions	50.2	33.3
Other non-current financial liabilities	384.4	400.3
Deferred tax liabilities	16.8	21.5
Other non-current liabilities	55.2	71.7
Total non-current liabilities	**573.2**	**594.3**
Current provisions	17.9	16.6
Current financial liabilities	415.0	294.7
Trade payables	325.2	319.1
Current tax liabilities	11.2	2.4
Other current liabilities	270.7	290.2
Bank overdrafts	14.4	18.7
Total current liabilities	**1,054.4**	**941.8**
TOTAL EQUITY & LIABILITIES	**3,295.5**	**3,072.0**

- **Appendix 4 – Cash flow statements**
- **Appendix 4.1 – Consolidated statement of cash flow**

(in millions of euros)	30 June 2018	30 June 2017
Consolidated net profit (loss)	**197.3**	**125.9**
Share of profit (loss) from entities accounted for using the equity method before impairment losses	0.3	(1.0)
Net profit (loss) before share from entities accounted for using the equity method	**197.6**	**124.9**
Non-cash and non-operating items		
- Depreciation, amortization, provisions	77.6	53.3
- Impairment losses included in operating income and net financial income	-	-
- Change in fair value of financial derivatives	1.9	(12.1)
- Net gains or losses on disposals of non-current assets	0.6	0.1
- Foreign exchange differences	1.1	15.9
- Change in deferred taxes	(12.6)	8.8
- Share-based payment expense	5.7	4.5
- Other non-cash items	0.7	0.2
Cash flow from operating activities before changes in working capital requirement	***272.4***	***195.5***
- (Increase) / decrease in inventories	(20.3)	(19.5)
- (Increase) / decrease in trade receivables	(34.7)	(34.0)
- Increase / (decrease) in trade payables	4.8	18.1
- Net change in income tax liability	45.6	16.4
- Net change in other operating assets and liabilities	(58.9)	(47.0)
Change in working capital requirement related to operating activities	***(63.4)***	***(66.0)***
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**209.0**	**129.6**
Acquisition of property, plant & equipment	(35.2)	(28.1)
Acquisition of intangible assets	(67.5)	(93.4)
Proceeds from disposal of intangible assets and property, plant & equipment	2.8	0.1
Acquisition of shares in non-consolidated companies	(22.1)	(0.7)
Payments to post-employment benefit plans	(0.8)	(0.2)
Impact of changes in the consolidation scope	(7.4)	(547.6)
Deposits paid	(0.5)	(0.1)
Change in working capital related to investment activities	20.6	(11.6)
Other cash flow related to investment activities	20.5	(0.2)
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES	**(89.6)**	**(682.0)**
Additional long-term borrowings	1.1	1.6
Repayment of long-term borrowings	(25.1)	(2.8)
Net change in short-term borrowings	119.1	375.5
Capital increase	2.4	3.5
Treasury shares	2.0	(3.3)
Dividends paid by Ipsen S.A.	(83.0)	(70.2)
Dividends paid by subsidiaries to non-controlling interests	(0.2)	(0.4)
Change in working capital related to financing activities	(3.0)	(2.8)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**13.3**	**301.1**
CHANGE IN CASH AND CASH EQUIVALENTS	**132.7**	**(251.3)**
Opening cash and cash equivalents	**209.3**	**422.5**
Impact of exchange rate fluctuations	2.9	(0.4)
Closing cash and cash equivalents	**344.9**	**170.9**

▪ Appendix 4.2 – Consolidated net cash flow statement

(in millions of euros)	30 June 2018	30 June 2017
Opening net cash / (debt)	**(463.3)**	**68.6**
CORE OPERATING INCOME	**322.5**	**240.5**
Non-cash items	**14.2**	**(4.5)**
(Increase) /decrease in inventories	(20.3)	(19.5)
(Increase) / decrease in trade receivables	(34.7)	(34.0)
Increase / (decrease) in trade payables	4.8	18.1
Change in operating working capital requirement	**(50.2)**	**(35.4)**
Change in income tax liability	45.6	16.4
Change in other operating assets and liabilities (excluding milestones received)	(47.1)	(36.4)
Other changes in working capital requirement	**(1.5)**	**(20.0)**
Acquisition of property, plant & equipment	(35.2)	(28.1)
Acquisition of intangible assets (excluding milestones paid)	(8.9)	(7.0)
Disposal of fixed assets	2.8	0.1
Change in w orking capital related to investment activities	(6.5)	(2.1)
Net capex (excluding milestones paid)	**(47.8)**	**(37.2)**
Dividends received from entities accounted for using the equity method	**0.9**	**-**
Operating Cash Flow	**238.2**	**143.4**
Other non-core operating income and expenses and restructuring costs (cash)	(0.6)	(18.3)
Financial income (cash)	(9.0)	(9.1)
Current income tax (P&L, excluding provisions for tax contingencies)	(72.8)	(32.6)
Other operating cash flow	8.7	11.5
Free Cash Flow	**164.5**	**94.9**
Dividends paid (including payout to non-controlling interests)	**(83.2)**	**(70.6)**
Acquisition of shares in non-consolidated companies (1)	(22.1)	(0.7)
Acquisition of other financial assets	-	-
Impact of changes in consolidation scope (2)	(8.0)	(671.1)
Milestones paid (3)	(31.6)	(9.5)
Milestones received (4)	20.6	8.0
Other Business Development operations	(1.8)	(86.5)
Net investments (business development and milestones)	**(42.8)**	**(759.8)**
Share buybacks	**(4.4)**	**(4.0)**
FX on net indebtedness	(6.2)	-
Other (discontinued operations and financial instrument)	**(2.5)**	**1.6**
Shareholders return and external growth operations	**(139.2)**	**(832.9)**
CHANGE IN NET CASH / (DEBT)	**25.3**	**(738.0)**
Closing net cash / (debt)	**(438.0)**	**(669.4)**

(1) Acquisition of shares in non-consolidated companies is mainly comprised of an equity investment in Arix Bioscience for €17 million and an investment in an external innovation fund for €5 million.

(2) Impact of change in consolidation scope reflects the last equity stake in Akkadeas Pharma.

(3) Milestones paid correspond to payments subject to the terms and conditions set out in the Group's partnership agreements including €29 million milestone paid to Exelixis in the first half of 2018. 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. The €21 million received in the first half of 2018 is related to a milestone from Shire following the Onivyde® acquisition closed in 2017. In the consolidated balance sheet, the Shire 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 4.1).

- **Appendix 5 – Bridges from IFRS consolidated net profit to Core consolidated net profit**

(in millions of euros)	IFRS 30 June 2018	Amortization of intangible assets (excl software)	Other operating income or expenses	Restructuring	Impairment losses	Other	CORE 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

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 millions of euros)	30 June 2017 Restated (1)	Amortization of intangible assets (excl software)	Other operating income or expenses	Restructuring	Impairment losses	Other	30 June 2017 Restated (1)
Sales	919.5						919.5
Other revenues	50.2						50.2
Revenue	**969.7**	**-**	**-**	**-**	**-**	**-**	**969.7**
Cost of goods sold	(189.0)						(189.0)
Selling expenses	(341.1)						(341.1)
Research and development expenses	(126.1)						(126.1)
General and administrative expenses	(66.9)						(66.9)
Other operating income	1.9		(1.6)				0.3
Other operating expenses	(64.2)	21.5	36.4				(6.3)
Restructuring costs	(7.9)			7.9			-
Impairment losses	-						-
Operating Income	**176.4**	**21.5**	**34.8**	**7.9**	**-**	**-**	**240.5**
Net financing costs	(4.2)						(4.2)
Other financial income and expense	(7.5)						(7.5)
Income taxes	(41.4)	(6.5)	(12.3)	(0.5)			(60.7)
Share of net profit (loss) from entities accounted for using the equity method	1.0						1.0
Net profit (loss) from continuing operations	**124.4**	**15.0**	**22.5**	**7.3**	**-**	**-**	**169.2**
Net profit (loss) from discontinued operations	1.6					(1.6)	-
Consolidated net profit	**125.9**	**15.0**	**22.5**	**7.3**	**-**	**(1.6)**	**169.2**
- Attributable to shareholders of Ipsen S.A.	125.9	15.0	22.5	7.3		(1.6)	169.2
- Attributable to non-controlling interests	0.0						0.0

Earnings per share fully diluted - attributable to Ipsen S.A. shareholders (in € per share)	1.52	0.18	0.27	0.09		(0.02)	2.04

(1) As part of the effort to implement its new organization, the Group reviewed the presentation of its financial statements and changed the classification of certain items on its income statement, with the view that the new presentation would provide more relevant information to financial statement readers. These reclassifications had no impact on Operating income or Consolidated net profit. The impact of the various reclassifications on the consolidated income statement for the period ended 30 June 2017 is presented in Appendix 2.

RISK FACTORS

The Group operates in an environment which is undergoing rapid change and exposes its operations to a number of risks, some of which are outside its control. The risks and uncertainties set out below are not exhaustive and the reader is advised to refer to the Group's 2017 Registration Document available on its website (www.ipsen.com).

- The Group is faced with uncertainty in relation to the prices set for all its products, in so far as medication prices have come under severe pressure over the last few years as a result of various factors, including the tendency for governments and payers to reduce prices or reimbursement rates for certain drugs marketed by the Group in the countries in which it operates, or even to remove those drugs from lists of reimbursable drugs.
- The Group depends on third parties to develop and market some of its products, which generates or may generate substantial royalties for the Group, but these third parties could behave in ways that cause damage to the Group's business. The Group cannot be certain that its partners will fulfill their obligations. It might be unable to obtain any benefit from those agreements. A default by any of the Group's partners could generate lower revenues than expected. Such situations could have a negative impact on the Group's business, financial position or performance.
- Actual results may depart significantly from the objectives given that a new product can appear to be promising at a development stage, or after clinical trials, but never be launched on the market, or be launched on the market but fail to sell, notably for regulatory or competitive reasons.
- The Research and Development process typically lasts between eight and twelve years from the date of discovery to a product being brought to market. This process involves several stages; at each stage, there is a substantial risk that the Group could fail to achieve its objectives and be forced to abandon its efforts in respect of products in which it has invested significant amounts. Thus, in order to develop viable products from a commercial point of view, the Group must demonstrate, by means of pre-clinical and clinical trials, that the molecules in question are effective and are not harmful to humans. The Group cannot be certain that favorable results obtained during pre-clinical trials will subsequently be confirmed during clinical trials, or that the results of clinical trials will be sufficient to demonstrate the safety and efficacy of the product in question such that the required marketing approvals can be obtained.
- The Group must deal with or may have to deal with competition (i) from generic products, particularly in relation to Group products which are not protected by patents (ii), products which, although they are not strictly identical to the Group's products or which have not demonstrated their bioequivalence, may obtain a marketing authorization for indications similar to those of the Group's products pursuant to the bibliographic reference regulatory procedure (well established medicinal use) before the patents protecting its products expire. Such a situation could result in the Group losing market share which could affect its current level of growth in sales or profitability.
- Third parties might claim the benefit of intellectual property rights with respect to the Group's inventions. The Group provides the third parties with which it collaborates (including universities and other public or private entities) with information and data in various forms relating to the research, development, manufacturing and marketing of its products. Despite the precautions taken by the Group with regard to these entities, in particular of a contractual nature, they (or certain of their members or affiliates) could claim ownership of intellectual property rights arising from the trials carried out by their employees or any other intellectual property right relating to the Group's products or molecules in development.
- The Group's strategy includes acquiring companies or assets which may enable or facilitate access to new markets, research projects or geographical regions or enable the Group to realize synergies with its existing businesses. Should the growth prospects or earnings potential of such assets as well as

valuation assumptions change materially from initial assumptions, the Group might be under the obligation to adjust the values of these assets in its balance sheet, thereby negatively impacting its results and financial situation.

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

- The Group's activities are largely dependent on information systems. Despite the procedures and security measures in place internally and at the providers with which the Group operates, the Group may have to deal with incidents, notably connected to malicious acts against such information systems, such as cyber-attacks that could lead to activity disruptions, the loss or alteration of critical data, or the theft or corruption of data.

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

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

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