PURSUING DIALOGUE
for patient care

CONVENING NOTICE

Combined Shareholders' Meeting 2018

Wednesday 30 May 2018 at 3.00 p.m. (Paris time) at the Maison des Arts et Métiers
(Salon La Rochefoucauld), 9 bis, avenue d'Iéna, 75116 Paris

IPSEN
Innovation for patient care

CONTENTS

The present Convening Notice is available on the Ipsen website (www.ipsen.com).

HOW TO PARTICIPATE IN THE MEETING?

The Ipsen Shareholders are convened at the Combined Shareholders' Meeting to be held on Wednesday 30 May 2018 at 3 p.m. (Paris time) at the Maison des Arts et Métiers (Salon La Rochefoucauld), 9 bis, avenue d'Iéna, 75116 Paris – France.

Formalities to be complied with prior to participating in the Shareholders' Meeting

All shareholders, regardless of how many shares are held, are entitled to participate in this Shareholders' Meeting, vote by post or be represented at such under the conditions set forth and in accordance with legal and regulatory provisions.

Shareholders who wish to attend the Shareholders' Meeting, be represented or vote by post, must provide proof of registration of their shares no later than two business days before the date of Shareholders' Meeting at 0.00 a.m., Paris time (*i.e.* Monday 28 May 2018, at 0.00 a.m., Paris time):

- for registered shareholders, by the registration of their shares in registered shares account managed for the Company by its agent Société Générale Securities Services;
- for holders of bearer shares, by the registration of their shares, in their own name or the name of the intermediary registered on their behalf for their securities accounts, managed by the authorized banking or financial intermediary.

This registration of shares held in the form of bearer shares must be evidenced by means of a shareholding certificate *(attestation de participation)* issued by the authorized intermediary, thereby providing proof of shareholder status.

The shareholding certificate issued by the authorized intermediary shall be attached to the postal or proxy voting form, or to the request for an admission card sent by the authorized intermediary to *Société Générale, Service des Assemblées*, CS 30812, 44308 Nantes Cedex 3, or else, for shareholder who has not received his or her admission card, this certificate shall be presented on the day of the Shareholders' Meeting.

In accordance with the requirements set out in Article R.225-85 of the French Commercial Code recalled hereinabove, only those shareholders who have so provided proof of their shareholding status on Monday 28 May 2018 at 0.00 a.m., Paris time, shall be entitled to take part in the Shareholders' Meeting.

If you wish to attend the Shareholders' Meeting and vote in person

You must request an admission card to be admitted to the Meeting and vote.

➔ **Please check box A at the top left-hand side of the form.**

➔ **Please date and sign at the bottom of the form.**

For holders of registered shares, please return the form using the prepaid postage envelope enclosed to Société Générale.

For holders of bearer shares, please ask the authorized intermediary who manages your securities account to send you an admission card. Your financial intermediary will send your voting form along with a shareholding certificate to the above address

If you cannot or do not wish to attend the Shareholders' Meeting in person

➔ **Select one from the three available options by marking the corresponding box.**

- **Voting by post:** mark the boxes corresponding to the resolutions on which you wish to vote no, if any.
- **Be represented by giving proxy to the Chairman of the Meeting:** the Chairman will vote in favor of the adoption of the proposed resolutions presented or approved by the Board of Directors and a vote against the adoption of any other proposed resolutions.
- **Be represented by giving a proxy to any legal or natural person of your choice:** indicate the name and contact details of the person to whom you are granting the power to attend the Shareholders' Meeting and vote in your place.

For postal voting forms to be taken into account, the *Service des Assemblées* of *Société Générale* must receive them at the latest on 26 May 2018, along with, in the case of holders of bearer shares, their shareholding certificate.

In accordance with the provisions of Article R.225-79 of the French Commercial Code, notification of the appointment and revocation of a proxy may also be done by electronic means, namely by sending back the signed and scanned form to the following email address: assemblee.generale@ipsen.com. The proxy form must be accompanied by a copy (double-sided) of the shareholder's identity document and, in the case of holders of bearer shares, a shareholding certificate. It is mandatory for holders of bearer shares to ask their financial intermediary in charge of managing their securities account to send written confirmation to *Société Générale, Service des Assemblées* (CS 30812, 44308 Nantes Cedex 3.).

Proxy granted in this way may be revoked by following the same procedures. Only notifications of appointment or revocation of proxies that are duly signed and completed will be considered. Furthermore, only notifications of appointment or revocation of proxies may be sent to the email address: assemblee.generale@ipsen.com, and no other request or notification on any other subject can be considered and/or processed.

Regardless of how you choose to participate (1)

➔ **Please date and sign the postal or proxy voting form.**

For holders of registered shares, please return the form using the prepaid postage envelope enclosed to Société Générale.

For holders of bearer shares, please return as soon as possible the form to the authorized intermediary who manages your securities account Your financial intermediary will send your voting form along with a shareholding certificate to Société Générale.

Under no circumstances should the requests for admission cards or voting or proxy forms be returned to Ipsen SA.

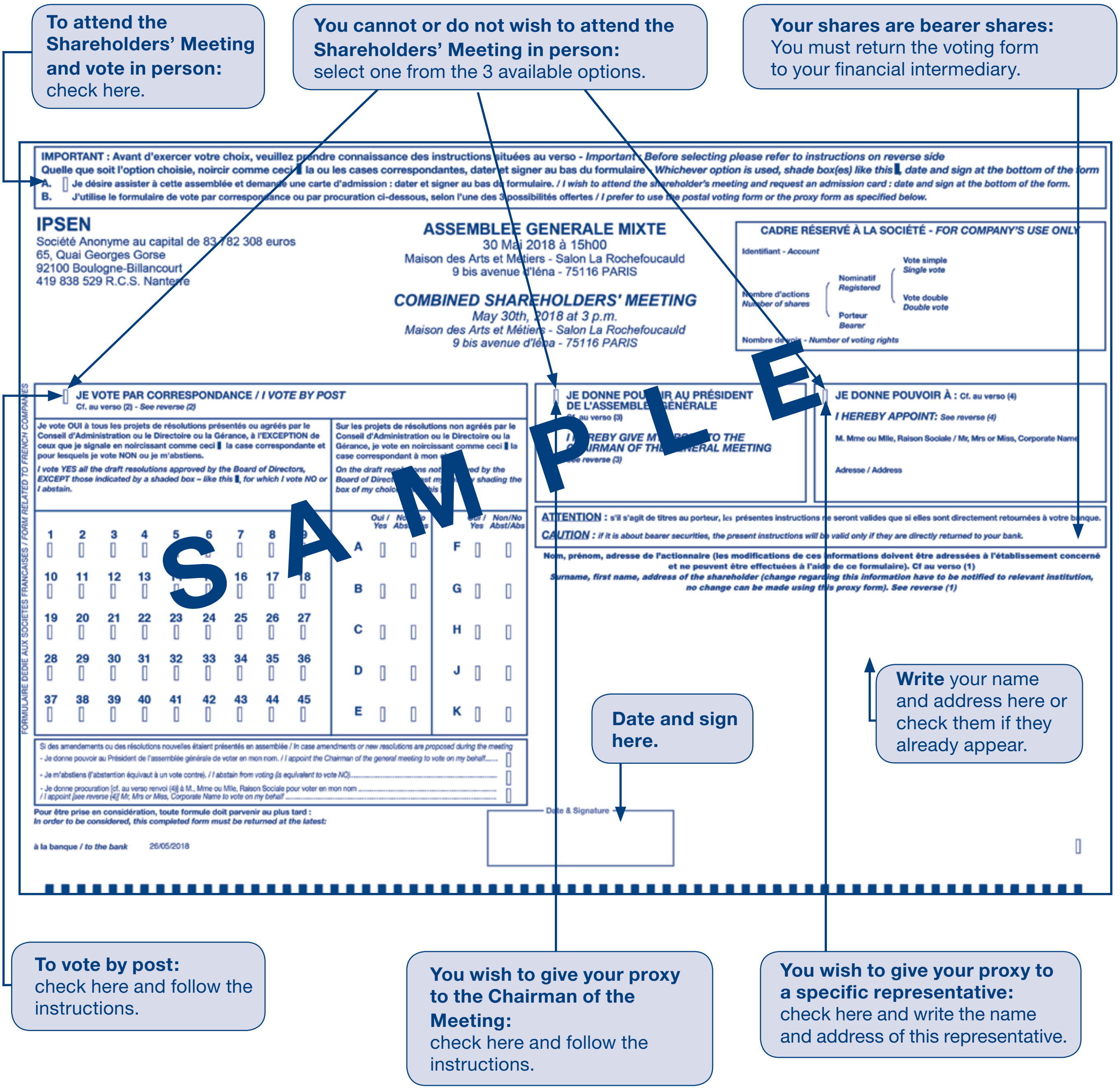
It is specified that any shareholder who has already expressed his/her vote, sent a proxy, requested an admission card or notified a shareholding certificate (Article R.225-85 III and IV of the French Commercial Code):

- may not thereafter choose any other mode of participation in the Shareholders' Meeting;
- has the possibility of selling all or part of his/her shares.

However, if the sale takes place before Monday 28 May 2018 0.00 a.m., Paris time, the Company will invalidate or modify, as appropriate, the vote cast, the proxy form, the admission card or the shareholding certificate. For this purpose, the authorized intermediary that holds the account shall notify the Company or its agent and provide all the necessary information. No transfer of ownership occurring after Monday, 28 May 2018 at 0.00 a.m., Paris time, regardless of the means used, shall be notified by the authorized intermediary or taken into account by the Company, notwithstanding any other agreement to the contrary.

(1) Except in case of notification, at the abovementioned email address, of appointment or revocation of proxy.

How to complete the form?



BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD AS OF 31 DECEMBER 2017

Name	Function	End of term of office	Committee membership				
			Innovation and Development Committee	Audit Committee	Nomination and Governance Committee	Compensation Committee	Ethics Committee
Marc de Garidel	Chairman of the Board of Directors	ASM 2019	●		•		
Antoine Flochel	Vice-Chairman and Director	ASM 2021	•			●	
Anne Beaufour	Director	ASM 2018	Guest		●		
Henri Beaufour	Director	ASM 2019	Guest		•		
Hervé Couffin	Independent Director	ASM 2018		•	•		
Margaret Liu	Independent Director	ASM 2021	•				•
Pierre Martinet	Independent Director	ASM 2018		●		•	
Mayroy SA (represented by Philippe Bonhomme)	Director	ASM 2020					•
David Meek	Chief Executive Officer and Director	ASM 2021	Guest				
Michèle Ollier	Independent Director	ASM 2019	•		•		
Hélène Auriol-Potier	Independent Director	ASM 2018				•	●
Carol Stuckley	Independent Director	ASM 2021		•			
Christophe Vérot	Director	ASM 2019		•	•		
Carol Xueref	Director	ASM 2020	•				•

● Chairmanship
• Membership

AGENDA

As an Ordinary Shareholders' Meeting

- Approval of the annual financial statements for the financial year ending 31 December 2017
- Approval of the consolidated financial statements for the financial year ending 31 December 2017
- Allocation of the results for the 2017 financial year and setting of the dividend at €1.00 per share
- Special report of the Statutory Auditors on regulated agreements and commitments – Finding of absence of new agreement
- Renewal of the term of office of Ms. Anne BEAUFOUR, as a Director
- Appointment of Mr. Philippe BONHOMME, to replace MAYROY SA, as a Director
- Appointment of Mr. Paul SEKHRI, to replace Mr. Hervé COUFFIN, as a Director
- Appointment of Mr. Piet WIGERINCK, to replace Ms. Hélène AURIOL-POTIER, as a Director
- Non-renewal and non-replacement of Mr. Pierre MARTINET, as a Director
- Approval of the fixed, variable and exceptional elements making up the total compensation and the benefits of any kind paid or granted for the past financial year to Mr. Marc de GARIDEL, Chairman of the Board of Directors
- Approval of the fixed, variable and exceptional elements making up the total compensation and the benefits of any kind paid or granted for the past financial year to Mr. David MEEK, Chief Executive Officer
- Approval of the principles and criteria for determining, allocating and granting fixed, variable and exceptional elements making up the total compensation and the benefits of any kind attributable to the Chairman of the Board of Directors
- Approval of principles and criteria for determining, allocating and granting fixed, variable and exceptional elements making up the total compensation and the benefits of any kind attributable to the Chief Executive Officer and/or any other executive officers
- Authorization to be given to the Board of Directors to allow the company to repurchase its own shares pursuant to the provisions of article L.225-209 of the French Commercial Code, duration of the authorization, purposes, terms and conditions, ceiling

As an Extraordinary Shareholders' Meeting

- Authorization to be given to the Board of Directors to carry out free grants of existing shares and/or to be issued to salaried staff members and/or certain corporate officers of the Company or related companies, waiver by shareholders of their preferential subscription rights, duration of the authorization, ceiling, duration of acquisition, in particular in the case of disability, and holding period
- Modification of the Articles of Association providing for procedures for appointing Directors representing the employees on the Board of Directors
- Modification of Article 16.3 of the Articles of Association – removal of the casting vote of the Chairman
- Powers to carry out any filings and formalities required by law

REPORT OF THE BOARD OF DIRECTORS ON THE PROPOSED RESOLUTIONS SUBMITTED TO THE COMBINED SHAREHOLDERS' MEETING OF 30 MAY 2018

The Board of Directors convenes the Shareholders of the Company to the Combined Shareholders' Meeting to be held on 30 May 2018, in order to report on the Company's operations during the financial year closed 31 December 2017 and submit the following proposed resolutions to their approval:

Approval of the 2017 annual financial statements and allocation of results (1st to 3rd ordinary resolutions)

The first items on the agenda relate to the approval of the annual financial statements (**first resolution**) and the consolidated financial statements (**second resolution**).

Ipsen SA's annual financial statements for the year closed 31 December 2017 show a loss of €17,369,249.12.

The consolidated financial statements for the year closed 31 December 2017, show a profit (Group share) of 272,280 thousands of euros.

Detailed comments on the annual and consolidated financial statements are given in the 2017 Registration Document.

The **third resolution** aims at deciding the allocation of the results and the setting of the dividend for the 2017 financial year.

The Board of Directors proposes to the Shareholders' Meeting to distribute a gross dividend of €1.00 for each share and subsequently to allocate 2017 results as follows:

Origin:

- Loss for the financial year €17,369,249.12
- Previous retained earnings €158,866,831.82
- Distributable profit €141,497,582.70

Allocation:

- No allocation to the legal reserve –
  (the amount being beyond 10% of the share capital)
- Dividends €83,782,308.00
- Retained earnings €57,715,274.70

The ex-dividend date for the total gross dividend of €1.00 due for each share would be 4 June 2018 and its payment date 6 June 2018.

In the event of a change in the number of shares carrying a right to a dividend in comparison with the 83,782,308 shares comprising the share capital on 14 February 2018, the overall amount of dividends would be accordingly adjusted and the amount allocated to the retained earnings would be determined on the basis of the dividends effectively paid.

As a consequence, it is proposed to the Shareholders' Meeting to authorize the Chief Executive Officer, with the option to sub-delegate this authorization, to debit or credit the retained earnings with the necessary amounts within the conditions mentioned above.

When it is paid to natural persons fiscally domiciled in France, the dividend is subject, either to a single flat-rate withholding tax of 12.8% (Article 200 A of the French General Tax Code), or, as an express, irrevocable and overall option by the taxpayer, to income tax in accordance with a progressive scale particularly after a 40% allowance (Article 200 A, 13, and 158 of the French General Tax Code). The dividend is moreover subject to social contributions at the rate of 17.2%.

In accordance with the provisions of Article 243 bis of the French General Tax Code, the Shareholders' Meeting acknowledged that dividends distributed and incomes for the three previous financial years were as follows:

For financial year	Incomes eligible for tax allowance		Incomes not eligible for tax allowance
	Dividends	Other incomes paid out	
2014	€70,450,514.30 (*) *i.e.* €0.85 per share	–	–
2015	€70,759,526.70 (*) *i.e.* €0.85 per share	–	–
2016	€71,043,419.90 (*) *i.e.* €0.85 per share	–	–

(*) Including the amount of the unpaid dividend corresponding to treasury shares and allocated to the retained earnings.

Regulated agreements and commitments (4th ordinary resolutions)

From the outset, it is reminded that only the new agreements entered into during the last financial year ended shall be submitted to this Shareholders' Meeting.

The Board of Directors hereby informs the Shareholders' Meeting that no new agreement of the kind specified in articles L.225-38 *et seq.* of the French Commercial Code has been authorized and entered into during the last period and asks to purely and simply note this fact (**fourth resolution**).

Directors (5th to 9th ordinary resolutions)

As the terms of office of Ms. Anne BEAUFOUR and Hélène AURIOL-POTIER and Mr. Pierre MARTINET and Hervé COUFFIN expire at the end of the present Meeting and MAYROY SA resigned as a Director, which took effect today at the opening of this Shareholders' Meeting, the Board of Directors, upon proposal of the Nomination and Governance Committee, proposes to the Shareholders' Meeting to:

- renew the term of office of Ms. Anne BEAUFOUR, as a Director, for a duration of four years, expiring at the end of the Shareholders' Meeting to be held in 2022, called to approve the financial statements for the previous financial year (**fifth resolution**).

  Ms. Anne BEAUFOUR, Director of Ipsen SA since 2005, is currently the Chairperson of the Nomination and Governance Committee and guest of the Innovation and Development Committee.

  The Board of Directors, upon the advice of the Nomination and Governance Committee, considers that Ms. Anne BEAUFOUR may not be qualified as an independent member according to the independence criteria set out in the AFEP-MEDEF Code.

  Additional information concerning this Director, whose renewal is proposed, is set out in Appendix 1 of the present convening notice.

- appoint Mr. Philippe BONHOMME in replacement of MAYROY SA, as a Director, for the remaining term of office of his predecessor, *i.e.* until the conclusion of the Shareholders' Meeting held in 2020 called to approve the financial statements for the previous financial year (**sixth resolution**).

  In accordance with Articles 14 and 15 of the company's articles of association, the Director's term of office lasts four (4) years; in the event of a vacancy due to death or resignation, the Director appointed as a replacement only stays in office during the remaining term of office of his or her predecessor.

  MAYROY SA was re-appointed Director during the Shareholders' Meeting held on 31 May 2016, for a period of four years, expiring at the conclusion of the Shareholders' Meeting held in 2020 called to approve the financial statements of the previous financial year. In accordance with the company's articles of association, the recommendations of the AFEP-MEDEF Code and to comply with the staggering of the terms of office decided in 2011, it is proposed that Mr. Philippe BONHOMME be appointed in replacement of MAYROY SA, as a Director, for the remaining term of office of his predecessor, *i.e.* for a period of two years expiring at the conclusion of the Shareholders' Meeting in 2020 called to approve the financial statements for the previous financial year.

  Mr. Philippe BONHOMME is the permanent representative of the Company MAYROY SA, a Director of Ipsen SA since 2012. MAYROY SA is currently a member of the Ethics Committee.

  The Board of Directors, upon the advice of the Nomination and Governance Committee, considers that Mr. Philippe BONHOMME may not be qualified as an independent member according to the independence criteria set out in the AFEP-MEDEF Code.

  Additional information concerning Mr. Philippe BONHOMME, whose appointment as a Director is set out in Appendix 1 of the present convening notice.

- appoint Mr. Paul SEKHRI to replace Mr. Hervé COUFFIN, as the latter has not wished to renew his office, as a Director, for a duration of four years, expiring at the end of the Shareholders' Meeting to be held in 2022 called to approve the financial statements for the previous financial year (**seventh resolution**).

  Mr. Paul SEKHRI, of US citizenship, is a seasoned Life Sciences executive with more than 30 years of international experience in general management, drug development, technology identification and commercial strategy, in large pharma companies, biotech and private equity firms.

  The Board of Directors, upon the advice of the Nomination and Governance Committee, considers that Mr. Paul SEKHRI may be qualified as an independent member in respect of the independence criteria set out in the AFEP-MEDEF Code.

  Complementary information concerning Mr. Paul SEKHRI, whose nomination as a Director is proposed, is set out in Appendix 1 of the present convening notice.

- appoint Mr. Piet WIGERINCK to replace Ms. Hélène AURIOL-POTIER, as the latter has not wished to renew her office, as a Director, for a duration of four years, expiring at the end of the Shareholders' Meeting to be held in 2022, called to approve the financial statements for the previous financial year (**eighth resolution**).

  Mr. Piet WIGERINCK, of Belgian citizenship, is a senior and renowned scientist with a strong experience and understanding of the drug discovery pipeline, from target identification and validation through to clinical Proof Of Concept, in large international pharmaceutical and biotechnology companies.

  The Board of Directors, upon the advice of the Nomination and Governance Committee, considers that Mr. Piet WIGERINCK may be qualified as an independent member with respect to the independence criteria set out in the AFEP-MEDEF Code.

  Complementary information concerning Mr. Piet WIGERINCK, whose nomination as a Director is proposed, is set out in Appendix 1 of the present convening notice.

- duly note the non-renewal and non-replacement of Mr. Pierre MARTINET, as the latter has not wished to renew his office, as a Director, at the end of this Shareholders' Meeting (**nineth resolution**).

The Board would like to thank Ms. Hélène AURIOL-POTIER, Mr. Hervé COUFFIN and Pierre MARTINET, for their major contribution to the work of the Board of Directors.

Compensation of the corporate officers (10th to 13th ordinary resolutions)

Approval of the fixed, variable and exceptional elements making up the total compensation and the benefits of any kind paid or granted for the past financial year to Mr. Marc de GARIDEL, Chairman of the Board of Directors and Mr. David MEEK, Chief Executive Officer

The Board of Directors proposes to the Shareholders' Meeting, to rule on the fixed, variable and exceptional elements making up the total compensation and the benefits of any kind paid or granted in respect of the past financial year and in respect of their term of office, to Mr. Marc de GARIDEL, Chairman of the Board of Directors (**tenth resolution**) and to Mr. David MEEK, Chief Executive Officer (**eleventh resolution**), determined in application of the compensation principles and criteria approved by the Shareholders' Meeting of 7 June 2017 in its 15th and 17th ordinary resolutions.

The individual compensation elements are detailed in tables attached to this report (Appendix 2).

Approval of the principles and criteria for determining, allocating and granting fixed, variable and exceptional elements making up the total compensation and the benefits of any kind attributable to the Chairman of the Board of Directors and the Chief Executive Officer and/or any other corporate officers

The Board of Directors proposes to the Shareholders' Meeting to approve the principles and criteria for determining, allocating and granting fixed, variable and exceptional elements making up the total compensation and the benefits of any kind attributable to the Chairman of the Board of Directors (**twelfth resolution**) and the Chief Executive Officer and/or any other corporate officers (**thirteenth resolution**).

The report of the Board of Directors on these compensation elements is set out in the 2017 Registration Document and is attached to the present report (Appendix 3).

Repurchasing by the Company of its own shares (14th ordinary resolution)

Authorization to be given to the Board of Directors to allow the Company to repurchase its own shares pursuant to the provisions of article L.225-209 of the French Commercial Code

Pursuant to the terms and conditions of the **fourteenth resolution**, it is proposed to the Shareholders' Meeting to authorize the Board of Directors, with the ability to subdelegate, for a period of eighteen months, the powers required to purchase, on one or several occasions as it shall see fit, Company shares within the limit of 10%, of the number of shares comprising the share capital, adjusted, if applicable, to take into account any share capital increases or reductions that may occur during the period covered by the program.

This authorization would terminate the authorization given to the Board of Directors by the Shareholders' Meeting held on 7 June 2017 in its eighteenth ordinary resolution.

The acquisitions may be carried out in order to:

- stimulate the secondary market or ensure the liquidity of the IPSEN shares through the activities of an investment service provider *via* a liquidity agreement compliant with the AMAFI Code of ethics admitted by the regulations, it being specified that in this framework, the number of shares used to calculate the above-mentioned limit corresponds to the number of shares purchased, decreased by the number of shares sold;
- retain the purchased shares and subsequently deliver them within the context of an exchange or a payment related to possible external growth transactions;
- ensure the hedging of stock option plans and/or free share plans (or similar plans) in favor of Group employees and/or corporate officers as well as all allocations of shares under a Company or Group savings plan (or a similar plan), as part of the sharing of the Company's profits and/or all other forms of allocation of shares to Group employees and/or corporate officers;
- ensure the coverage of negotiable securities giving rights to the allocation of Company shares in accordance with the regulations in force;
- possibly cancel acquired shares, subject to the authorization granted or to be granted by the Extraordinary Shareholders' Meeting.

These share purchases, sales, transfers or exchanges may be carried out by all means, including on the market or off-market or by multilateral negotiations systems or through systematic internalizers, or over the counter, including through the acquisition or sale of blocks of securities, and at any times as the Board shall see fit.

The Company reserves the right to use options or derivative instruments in accordance with applicable regulations.

The Board of Directors may not, without prior authorization by the Shareholders' Meeting, make use of this authorization from the filing by a third party of a public offer for the Company's shares and until the end of the offer period.

It is proposed to fix the maximum purchase price at €250 per share and, in consequence, the maximum amount of the transaction at €2,094,557,500.

The Board of Directors shall dispose of all the powers required to undertake the necessary actions in such matters.

Detailed information on share purchase operations carried out in 2017 is set out in the 2017 Registration Document.

Free grants of shares (15th extraordinary resolution)

Authorization to be given to the Board of Directors to carry out free grants of existing shares and/or to be issued to salaried staff members and/or certain corporate officers of the Company or related companies, waiver by shareholders of their preferential subscription rights, duration of the authorization, ceiling, duration of acquisition, in particular in the case of disability, and, if applicable, holding periods

In order to enable an attractive policy concerning employee share ownership of a nature to ensure the development of the Company, we propose to renew the authorization to carry out free grants of existing shares and/or to be issued to salaried staff members of the Company and related companies and/or certain corporate officers.

We hereby request to authorize the Board of Directors, for a period of 26 months to grant, pursuant to Article L.225-197-1 of the French Commercial Code, new free shares resulting from a capital increase by capitalization of reserves, premiums or profit, and/or with existing shares (**fifteenth resolution**).

The persons benefiting from these free shares may be:

- salaried staff members of the Company or of companies that are directly or indirectly affiliated to it under the meaning of Article L.225-197-2 of the French Commercial Code;
- and/or company officers who meet the conditions defined by Article L.225-197-1 of the French Commercial Code.

The total number of free shares thus allocated shall not exceed 3% of the share capital at the date of the present Shareholders' Meeting, taking into account that the total number of shares which the options that could be granted by the Board of Directors, pursuant to twenty-seventh extraordinary resolution approved by the Combined Shareholders' Meeting held on 7 June 2017, will count towards this upper limit.

The total number of free shares that may be granted to the corporate officers shall not exceed 20% of this envelope and the final acquisition of these free shares will be subject to performance conditions set by the Board of Directors.

The allocation of shares to beneficiaries would be final at the end of an acquisition period that will last as long as determined by the Board of Directors, which shall not be less than two years.

The Shareholders' Meeting would authorize the Board of Directors to provide or not a holding period at the end of the acquisition period.

Exceptionally, the final acquisition shall occur before the end of the acquisition period in the event of disability of the beneficiary corresponding to a classification in the second and the third categories defined by Article L.341-4 of the French Social Security Code.

This authorization would entail the waiver by shareholders of their preferential subscription rights to the new shares issued by the means of the capitalization of reserves, premiums and profits.

In consequence, the Board would dispose, within the limits fixed above, of all powers to set the conditions and, if applicable, the criteria for granting and performance conditions of the shares; determine the identity of beneficiaries as well as the number of shares allocated to every one of them; if applicable, check whether there are sufficient reserves and transfer to an unavailable reserve account at every allocation the sums required to pay up the new shares to be allocated; decide, in due course, the capital increase or increases by capitalization of reserves, premiums or profits related to the issuance of the new free shares; acquire the necessary shares under the share repurchase program and transfer them to the plan; determine the impacts on the rights of beneficiaries, of transactions affecting the share capital or likely to affect the value of the allocated and acquired shares during the acquisition period and, accordingly, change or adjust, if necessary, the number of shares allocated in order to safeguard the rights of beneficiaries; decide whether or not to establish a holding period at the end of the acquisition period and, where appropriate, to determine its duration and take all appropriate measures to ensure compliance of the beneficiaries; and, more generally, do everything implementing this authorization will require in accordance with the legislation in force.

This authorization would cancel and supersede, where appropriate, up to the unused portion, any previous authorization having the same purpose.

Directors representing the employees at the Board of Directors (16th extraordinary resolution)

Modification concerning the Articles of Association specifying the procedure to designate the Directors representing the employees at the Board of Directors

Pursuant to **sixteenth resolution**, it is proposed to the Shareholders' Meeting, in accordance with Article L.225-27-1 of the French Commercial Code to insert in Article 12 of the Articles of Association, after the second paragraph, paragraphs to determine the procedure for designating one or more directors representing the employees at the Board of Directors.

It is proposed that the Company's Articles of Association provide for the designation of the employee representative(s) on the Board of Directors (i) by the Central Works Council of the existing Economic and Social Unit within Ipsen Group, for the first Board member representing the employees having to be designated and (ii) by the European Works Council if a second Board member representing the employees must be designated.

In accordance with the legal provisions, the proposed amendment to the Company's Articles of Association provides in effect that:

- when the number of members of the Board of Directors, calculated in accordance with Article L.225-27-1-II of the French Commercial Code, is lower than or equal to twelve, a Director representing the employees will be appointed by the Works Council of the existing economic and social unit within the IPSEN Group;
- when the number of members of the Board of Directors, calculated in accordance with Article L.225-27-1-II of the French Commercial Code, is greater than twelve, and subject to this condition still being satisfied on the day of appointment, a second Director representing the employees will be appointed by the European Works Council.

The Director representing the employees would be appointed for four years, *i.e.* for the same duration as the term of office of the other Directors.

The term of the Director representing the employees would prematurely come to an end in the conditions provided for by law, and in particular in case of termination of his employment contract.

Subject to the specific legal provisions applicable to the Director representing the employees, the latter would have the same rights and obligations as other Board members.

Modification of Article 16.3 of the Articles of Association – removal of the casting vote of the Chairman (17th extraordinary resolution)

It is recalled that the Board of Directors has proposed to the Shareholders' Meeting an evolution of the governance consisting in particular in the non-renewal and non-replacement of a Director and in the modification of the

Articles of Association about the designation of the Directors representing the employees at the Board of Directors.

To take into account these changes in governance, the Board of Directors proposes to the Shareholders' Meeting to amend the Articles of Association (**seventeenth resolution**) to remove the casting vote of the Chairman in the event of a split vote in the Board's deliberations.

Subject to the approval of this resolution, a Board of Directors will meet after the Shareholders' Meeting to amend accordingly the Internal Rules of the Board of Directors.

Powers to carry out formalities (18th resolution)

The Board of Directors proposes to the Shareholders' Meeting to grant, pursuant to the **eighteenth resolution**, powers necessary for the performance of legal formalities in connection with the present Meeting.

The Board of Directors

APPENDIX 1 – INFORMATION CONCERNING DIRECTORS WHOSE RENEWAL OR NOMINATION IS PROPOSED

Information concerning the Director whose renewal is proposed

Ms. Anne Beaufour

<table>
<tr><th>Anne Beaufour
Director</th><th colspan="2">Nationality:
French</th><th>Shares owned: 1
Voting rights: 2</th></tr>
<tr><td rowspan="6">Committees:
Nomination and Governance Committee (Chairperson)
Innovation and Development Committee (Guest)

Date of birth:
8 August 1963

Date of 1st appointment:
30 August 2005

Last renewal date:
4 June 2014

Term of office:
2018 Shareholders' Meeting</td><td colspan="3">Biography and experience</td></tr>
<tr><td colspan="3">Anne Beaufour holds a Bachelor's degree in geology (University of Paris Orsay).
Anne Beaufour is the shareholder of several companies, as described in the 2017 Registration document of the Company (section 5.2.3.1), which directly and/or indirectly hold shares of the Company.</td></tr>
<tr><td colspan="3">Positions and functions currently held</td></tr>
<tr><td>Main function:
• Mayroy SA (Luxembourg), Vice Chairperson of the Board of Directors and Managing Director</td><td colspan="2">Other positions:
• Beech Tree SA (Luxembourg), Director and Chairperson of the Board of Directors
• Highrock S.à.r.l. (Luxembourg), Legal Manager*
• Bluehill Participations S.à.r.l. (Luxembourg), Legal Manager*
• South End Consulting Limited (SEC Ltd) (United Kingdom), Director*</td></tr>
<tr><td colspan="3">Positions previously held that expired during the last five years</td></tr>
<tr><td colspan="3">• FinHestia S.à.r.l. (Luxembourg), Legal Manager</td></tr>
</table>

* Outside Ipsen Group.

Information concerning Directors whose nomination is proposed

Mr. Philippe Bonhomme

<table>
<tr><th>Philippe Bonhomme
Director</th><th colspan="2">Nationality:
French</th><th>Shares owned: 500
Voting rights: 1,000</th></tr>
<tr><td rowspan="6">Date of birth:
5 November 1969</td><td colspan="3">Biography and experience</td></tr>
<tr><td colspan="3">Since 2005, Phillippe Bonhomme has been Partner, Director and a member of the management committee of Hottinguer Corporate Finance, which is the investment banking arm of Hottinguer bank. He has been advising in France and abroad on numerous transactions in the pharma and healthcare sectors as well as on private equity-backed transactions.
From 1993 to 2005, Philippe Bonhomme was first an auditor and then, a Corporate Finance consultant with Coopers & Lybrand renamed into PricewaterhouseCoopers.
From 2012 to 2018, Philippe Bonhomme was the pemanent representative of the Company Mayroy SA, a Director of Ipsen SA.
Philippe Bonhomme is a graduate of École des Hautes Études Commerciales (HEC, Paris) and a French Certified Public Accountant (CPA).</td></tr>
<tr><td colspan="3">Positions and functions currently held</td></tr>
<tr><td>Main function:
• Hottinguer Corporate Finance SA (France), Partner, Director and Member of the Management Committee*</td><td colspan="2">Other positions:
• Mayroy SA (Luxembourg), Director
• Ipsen SA, permanent representative of the Company Mayroy SA**</td></tr>
<tr><td colspan="3">Positions previously held that expired during the last five years</td></tr>
<tr><td colspan="3">None</td></tr>
</table>

* Outside Ipsen Group.
** Until 30 May 2018.

Mr. Paul Sekhri

Paul Sekhri Independent Director		Citizenship: USA	Shares owned: none Voting rights: none
Date of birth: 28 April 1958	**Biography and experience**		
	Paul Sekhri has been President and Chief Executive Officer of Lycera Corp., a US biopharma company focused on treatments for cancer and autoimmune diseases since 3 February 2015. Prior to this, he served as Senior Vice President, Integrated Care for Sanofi from April 2014 through January 2015. Previously, he served as Group Executive Vice President, Global Business Development and Chief Strategy Officer for Teva Pharmaceutical Industries, Ltd. Before joining Teva he spent five years as Operating Partner and Head of the Biotechnology Operating Group at TPG Biotech, the life sciences venture capital arm of TPG Capital. From 2004 to 2009, Paul Sekhri was Founder, President, and Chief Executive Officer of Cerimon Pharmaceuticals, Inc. Prior to founding Cerimon, he was President and Chief Business Officer of ARIAD Pharmaceuticals, Inc. Between 1999 and 2003, Paul Sekhri spent four years as Senior Vice President, and Head of Global Search and Evaluation, Business Development and Licensing for Novartis Pharma AG and also developed the Disease Area Strategy. His first role was as Global Head, Early Commercial Development – a department he established to ensure the differential competitive advantage of Novartis' pipeline. Paul Sekhri has been a Director on twenty-four private and public company Boards, and is currently a member of the Board of Directors of Compugen Ltd., Petra Pharma Corp., Topas Therapeutics GmbH, Alpine Immune Sciences, Inc., Pharming Group NV and Veeva Systems, Inc. Additionally, he is on the Board of Directors of the TB Alliance, the Bioexec Institute, and The Metropolitan Opera. Paul Sekhri received his BS in Zoology from the University of Maryland, College Park and completed graduate work in Neuroscience at the University of Maryland School of Medicine.		
	Positions and functions currently held		
	Main function: • Lycera Corp. (USA), President and Chief Executive Officer*	**Other positions:** • Compugen, Ltd. (Israel)**, Chairman of the Board* • Petra Pharma Corp. (USA), Chairman of the Board* • Topas Therapeutics GmbH (Germany), Chairman of the Board of Supervisory Directors* • Alpine Immune Sciences, Inc. (USA)**, Independent Director* • Pharming Group NV (The Netherlands)**, Chairman of the Board of Supervisory Directors* • Veeva Systems, Inc. (USA)**, Independent Director* • TB Alliance, Board of Trustees* • The Metropolitan Opera, Board of Trustees*	
	Positions previously held that expired during the last five years		
	• Enumeral Biomedical, Inc. (USA), Director* • Nivalis Therapeutics, Inc. (USA) Director*		

* Outside Ipsen Group.
** Listed Company.

Mr. Piet Wigerinck

Piet Wigerinck Independent Director		Citizenship: Belgian	Shares owned: none Voting rights: none
Date of birth: 22 December 1964	**Biography and experience**		
	Piet Wigerinck, Ph.D., joined Galapagos NV in April 2008 as SVP Development and was appointed Chief Scientific Officer in 2010. Under his leadership, Galapagos has developed a large pipeline of novel mechanism of action drugs. He has supervised multiple successful proofs-of-concept patient studies, including filgotinib, GLPG1690, and MOR106. Prior to his tenure at Galapagos, Piet Wigerinck was Vice President, Drug Discovery, Early Development and CM&C at Tibotec-Virco Comm. VA (a subsidiary of Johnson & Johnson Services, Inc.). Under his leadership at Tibotec, TMC114 (Prezista™) and TMC435 (Olysio™) were selected and moved forward into clinical trials. Piet Wigerinck played a key role in Tibotec's expansion into novel diseases such as Hepatitis C and advanced several compounds into Phase 1 and Phase 2 clinical trials. Piet Wigerinck has over 30 years of R&D experience in the pharmaceutical industry and biotechnology. He holds a Ph.D. from the K.U. Leuven and is inventor on more than 25 patent applications.		
	Positions and functions currently held		
	Main function: • Galapagos NV (Belgium)**, Chief Scientific Officer*	**Other positions:** None	
	Positions previously held that expired during the last five years		
	None		

* Outside Ipsen Group.
** Listed Company.

APPENDIX 2 – APPROVAL OF THE FIXED, VARIABLE AND EXCEPTIONAL ELEMENTS MAKING UP THE TOTAL COMPENSATION AND THE BENEFITS OF ANY KIND PAID OR GRANTED FOR THE PAST FINANCIAL YEAR TO MR. MARC DE GARIDEL, CHAIRMAN OF THE BOARD OF DIRECTORS AND MR. DAVID MEEK, CHIEF EXECUTIVE OFFICER

Regarding Mr. Marc de Garidel

Compensation elements paid or granted for the 2017 financial year to Mr. Marc de Garidel in application of the principles and criteria approved by the Shareholders' Meeting held on 7 June 2017	Amounts or accounting valuation submitted to the vote	Presentation
Fixed compensation	€800,000 (amount paid)	Fixed compensation is subject to be reviewed by the Board of Directors according to the Company's market position and taking account changing responsibilities. For the 2017 financial year, the Board of Directors, upon recommendation of the Compensation Committee, fixed, at its meeting held on 22 February 2017, the compensation elements and benefits in kind of the Chairman of the Board. The amount of the gross fixed compensation for 2017 remained unchanged, *i.e.* €800,000. This compensation takes into account the particular missions performed by the Chairman of the Board as part of the separation of the functions.
Exceptional compensation	No amount due in respect of the financial year	Mr. Marc de Garidel did not benefit from any exceptional compensation during the 2017 financial year.
Compensation elements due to the termination or change of functions, retirement undertakings and non-compete agreements	No amount due in respect of the financial year	The Board of Directors meeting held on 8 July 2016 decided: • to grant Mr. Marc de Garidel the right to a severance payment; • to enable Mr. Marc de Garidel to benefit from the defined benefit additional pension scheme existing within the Company; • to put in place a non-compete agreement. *These undertakings were approved by the Company Shareholders' Meeting of 7 June 2017 in its 4th and 5th ordinary resolutions.* The details of these undertakings are provided in the 2017 Registration Document, section 5.1.2.
Benefits of any kind	€6,075 (accounting valuation)	Mr. Marc de Garidel receives benefits resulting from the conditions linked to the performance of his duties at Ipsen, representing in particular: assistance with filing his personal income tax returns, reimbursement of reasonable attorney fees and expenses incurred in connection with the finalization of the terms and conditions of his corporate mandate, a company car and driver, business travel and accommodation expenses incurred whilst exercising his duties, healthcare under a global healthcare policy, and death and disability coverage under the Group's policy or a specific policy, D&O liability insurance.

Regarding Mr. David Meek

Compensation elements paid or granted for the 2017 financial year to Mr. David MEEK in application of the principles and criteria approved by the Shareholders' Meeting held on 7 June 2017	Amounts or accounting valuation submitted to the vote	Presentation
Fixed compensation	€900,000 (amount paid)	Fixed compensation takes into account our reference markets. It is subject to be reviewed by the Board of Directors, typically at relatively long intervals, according to the Company's market position and taking account changing responsibilities. The Board of Directors, at its meeting held on 22 February 2017 and upon recommendation of the Compensation Committee, has set Mr. David Meek's fixed compensation at a gross annual amount of €900,000.
Annual variable compensation	€1,314,000 (amount to be paid after approval by the Shareholders' Meeting)	For the 2017 financial year, the Board of Directors, during its meeting held on 22 February 2017, has decided to grant to Mr. David Meek a gross target bonus of €900,000, which may vary within a range between 0% and 200% (*i.e.* from 0 to €1,800,000) based on the following quantifiable and qualitative performance criteria: the two-thirds of this target bonus depend on quantifiable criteria of equal weighting based on the achievement of level of consolidated net sales, core operating income, diluted earnings per share and cash-flow from operations ; the balance is based on qualitative criteria concerning managerial and strategic objectives. The detail of qualitative criteria was precisely pre-established by the Board but is not made public for confidentiality reasons. The level of achievement of this quantifiable and qualitative criteria is provided in the 2017 Registration Document, section 5.1.2.3.1, p. 214.
Multi-annual variable compensation in cash	No amount due in respect of the financial year	Mr. David Meek did not benefit from any multi-annual variable compensation during the 2017 financial year.
Grant of stock options	Not applicable	No option was granted to the Chief Executive Officer, Mr. David Meek, during the 2017 financial year.
Performance shares	€1,248,291 (accounting valuation on the grant day)	At its meeting held on 29 March 2017, upon recommendation of the Compensation Committee, the Board of Directors decided to award Mr. David Meek, Chief Executive Officer, 13,365 shares in the form of performance shares under article L.225-197-1 of the French Commercial Code, representing 0.02% of the share capital. The definitive acquisition of the performance shares is subject to a presence condition in the Company. The definitive number of performance shares acquired will depend on the level of achievement of the performance conditions applicable, that will be assessed annually by comparing the target level of performance achieved by the Company during the first and the second financial years set by the plan. Each of the conditions is assessed on a scale of 0 to 250%. The performance conditions are based, for the one third of the granted shares, on an internal criterion based on the Core Operating Income, for the second third on an internal criterion based on specific incomes and, for the last third, on an external criterion based on the relative performance of Ipsen's stock price compared to that of the other companies which are part of the STOXX TMI 600 Health Care index. The details of these internal and external performance conditions as well as the degree of achievement (expected and achieved), that have been precisely determined by the Board but are not disclosed for confidentiality reasons. In case of over achievement of the expected performance (*i.e.* 100%), the number of performance shares granted will be adjusted accordingly. These performance shares are subject to a 2-year acquisition period from the date of grant and 50% of the shares thus acquired will be subject to a 2-year holding period. *Authorization of the Shareholders' Meeting of 31 May 2016 – 13th resolution*
Exceptional compensation	No amount due in respect of the financial year	Mr. David Meek did not benefit from any exceptional compensation during the 2017 financial year.

Compensation elements paid or granted for the 2017 financial year to Mr. David MEEK in application of the principles and criteria approved by the Shareholders' Meeting held on 7 June 2017	Amounts or accounting valuation submitted to the vote	Presentation
Compensation elements due to the termination or change of functions, retirement undertakings and non-compete agreements	No amount due in respect of the financial year	The Board of Directors meeting held on 8 July 2016 decided: • to grant Mr. David Meek the right to a severance payment; • to enable Mr. David Meek to benefit from the defined benefit additional pension scheme existing within the Company; • to put in place a non-compete agreement. *These undertakings were approved by the Shareholders' Meeting of 7 June 2017 in its 4th and 6th ordinary resolutions.* The details of these undertakings are provided in the 2017 Registration Document, section 5.1.2.
Benefits of any kind	€2,155 (accounting valuation)	Mr. David Meek receives benefits resulting from the conditions linked to the performance of his duties at Ipsen, in particular: a relocation package in France, assistance with filing his personal income tax returns, reimbursement of reasonable attorney fees and expenses incurred in connection with the finalization of the terms and conditions of his corporate mandate, company car and driver, business travel and accommodation expenses incurred whilst exercising his duties, healthcare under a global healthcare policy, and death and disability coverage under the Group's policy or a specific policy, D&O liability insurance.

APPENDIX 3 – APPROVAL OF THE PRINCIPLES AND CRITERIA FOR DETERMINING, ALLOCATING AND GRANTING FIXED, VARIABLE AND EXCEPTIONAL ELEMENTS MAKING UP THE TOTAL COMPENSATION AND THE BENEFITS OF ANY KIND ATTRIBUTABLE TO THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER AND/OR ANY OTHER EXECUTIVE OFFICERS

The principles and criteria for determining, allocating and granting fixed, variable and exceptional elements making up the total compensation and the benefits of any kind attributable to the Company officers in respect of their duties, constituting the compensation policy concerning them, are decided by the Board of Directors upon recommendation of the Compensation Committee. They are presented below, and submitted to the approval of the Shareholders' Meeting to be held in 2018.

Principles and criteria governing the compensation of Company officers

The compensation policy with regard to Company officers and their individual compensation is decided by the Board of Directors upon recommendation of the Compensation Committee, outside the presence of the Company officers concerned. The Board of Directors also refers to the AFEP-MEDEF recommendations on compensation paid to executive officers of listed companies.

This policy covers all aspects of the fixed, variable and exceptional compensation and of the benefits of any kind, paid by the Company.

It is decided not only on the basis of the work carried out, the results obtained and the responsibility assumed, but also on the basis of practices for comparable companies and the compensation of the Company's other senior executives.

The compensation paid to Company officers is structured as follows:

- fixed compensation;
- annual variable compensation (only for executive officers);
- if applicable, multi-annual variable compensation (only for executive officers);
- if applicable, benefits for taking up a position (only for executive officers);

- if applicable, eligibility for directors' fees paid to Directors;
- allocation of stock options and performance shares under plans approved by the Board of Directors (only for executive officers);
- if applicable, other benefits;
- if applicable, payments, benefits and compensation granted to Company officers upon termination of their functions.

In the event that the Board of Directors decides to appoint one or more Deputy Chief Executive Officers, the principles and compensation criteria applicable to the Chief Executive Officer would be applicable to the Deputy Chief Executive Officers.

In the event that the Board of Directors decides to combine the functions of Chairman and Chief Executive Officer, the principles and compensation criteria applicable to the Chief Executive Officer would apply to the Chairman and Chief Executive Officer.

Fixed compensation

Fixed compensation takes into account our reference markets. It is subject to be reviewed by the Board of Directors, typically at relatively long intervals, according to the Company's market position and taking account changing responsibilities.

Annual variable compensation

Annual variable compensation is linked to the Group's overall performance and to the achievement of Executive Company officers' personal targets. Every year, the Board of Directors defines and precisely predetermines qualitative and quantifiable criteria for determining the variable compensation and the target objectives. Quantifiable criteria are preponderant to the determination of annual variable compensation and a limit is set on the qualitative part.

Annual variable compensation is set on the basis of a target bonus equal to 100% of the fixed compensation, within a range between zero to a certain percentage, predetermined by the Board of Directors, in case of under or overperformance. The detail of qualitative criteria is not made public for confidentiality reasons.

As part of the separation of the offices of Chairman of the Board and Chief Executive Officer, the Board of Directors has decided that no annual variable compensation shall be paid to the non-executive Chairman of the Board.

The criteria for determining annual variable compensation for the 2018 financial year are presented at paragraph 5.1.2.3.1 B of the 2017 registration document.

Multi-annual variable compensation

The Board of Directors may decide, depending on opportunities and in light of legislatives changes concerning free shares, to grant to Executive Company officers, as well as some senior executives of the group, a Mid-Term Bonus in the scope of the plans approved by the Board of Directors upon recommendation of the Compensation Committee; it is determined on the basis of a percentage of fixed compensation.

These plans are subject to attendance and, if applicable, precisely predetermined performance conditions, which must be fulfilled during an acquisition period set by the Board of Directors. Nevertheless, in the event of death, disability, retirement or exception granted by the Board of Directors before the end of the acquisition period, the beneficiary may retain his rights. The details of the external and internal criteria and the completion levels (expected and realized) of the external and internal criteria are not disclosed for confidentiality reasons.

The Board of Directors has decided that no multi-annual compensation shall be paid to the non-executive Chairman of the Board.

Exceptional compensation and/or financial indemnity

The Board of Directors may decide, in case of specific circumstances or events, to grant exceptional compensation.

It can decide to grant exceptional compensation and/or an exceptional financial indemnity to the Company officers while taking into account the specific circumstances in which they carry out their duties.

Special financial indemnity

The Board of Directors may grant a special financial indemnity to a new executive company officer coming from a company outside the Group on taking up duty in order to offset the loss of previously-held benefits.

Directors' fees

The Company officers who are members of the Board of Directors may receive directors' fees due on the basis of their positions as Directors according to the rules applicable to all of the Directors.

The Board of Directors has decided that no directors' fees shall be paid to the non-executive Chairman of the Board and to the Chief Executive Officer.

Stock options and performance shares

Executive Company officers as well as certain senior executives of the Group may benefit from stock options and/or performance shares under plans approved and set each year by the Board of Directors upon recommendation of the Compensation Committee. In accordance with the recommendations of the AFEP-MEDEF Code (§24.2), non-executive officers shall not benefit from stock option and/or performance shares plans.

The definitive number of performance shares that will be vested will depend upon the level of achievement of the performance conditions set by the Board of Directors, which are based on one or several internal criteria (e.g., quantifiable financial ratio) and on one or several external criteria (e.g., share price compared to a benchmark of comparable companies). Each of these conditions shall be assessed by comparing the target threshold and the actual performance of the Company over the period used as reference for the applicable plan. Each of these conditions may generate a payout varying within a range between zero to a certain percentage pre-established and determined by the Board of Directors at the implementation of the plan.

The Board of Directors decided that the Company officers must retain, until the end of their term of office, a number of shares equivalent to 20% of the net capital gain that would be realized upon the sale of the shares resulting from the exercise of stock options and/or from the performance shares.

These plans are subject to attendance (subject to exceptions) and, if applicable, performance conditions, which must be fulfilled during a minimum acquisition period of two years depending on the beneficiaries' country of residence and, if applicable, a holding period. Nevertheless, in the event of death, disability, retirement or exception granted by the Board of Directors before the end of the acquisition period, the beneficiary or, if applicable, its assignees, can keep their rights.

The Company officers who are beneficiaries of these stock options and/or performance shares undertook a formal commitment not to engage in hedging transactions either on their options or on shares issued following the exercise of options or on performance shares granted until the end of the holding period that has been decided by the Board of Directors.

The Board of Directors has established periods preceding the publication of half-yearly and annual financial statements and sales figures during which it is not permitted to carry out any transaction on Company shares and has established the following procedure:

- the dates of the blackout periods for each financial year are communicated at the beginning of each year and before each blackout period;
- outside blackout periods, an identified person must be consulted to ensure that no insider information is held.

Other benefits

Company officers may also be awarded benefits in respect of their duties carried out within Ipsen, including: benefits in kind (company car and temporary accommodation), assistance for the preparation and filing of personal income tax returns, global healthcare coverage (mutual and life/disability schemes) under the Group's policy, reimbursement of travel expenses and expenses incurred with the exercise of their corporate duties, D&O liability insurance.

Payments, benefits and compensation granted to Company officers upon termination of their functions

Severance payment

Company officers may benefit from a severance payment clause, due in the event of termination of their duties, of which the terms have been decided by the Board of Directors in accordance with the recommendations of the AFEP-MEDEF Code:

- payment due only in the event of a forced departure (*départ contraint)* within the meaning of the AFEP-MEDEF Code,
- in an amount corresponding to 24 months' fixed and annual variable remuneration in respect of their term of office,
- which includes, for a portion equal to 50% of the amount hereof, the amount due in respect of any non-compete undertaking, if applicable,
- payment of which is subject to a predetermined performance condition, assessed at least on two financial years.

Non-compete payment

The Board of Directors may conclude a non-compete agreement with the Company officers in case of their departure from the Group for a reason other than a change of control. This agreement shall be valid for a certain period following the date of departure.

The non-compete payment may not exceed a ceiling of 24 months of compensation (fixed and annual variable), including, if applicable, the amount of a severance payment, up to 50 %.

Additional pension scheme

The Company officers may benefit from defined contribution pension plan or defined benefit additional pension commitment which more broadly benefits the company's executives, in accordance with the recommendations of the AFEP-MEDEF Code and article L.225-42-1 of the French Commercial Code.

RESOLUTIONS PROPOSED BY THE BOARD OF DIRECTORS

As an Ordinary Shareholders' Meeting

First resolution – Approval of the annual financial statements for the financial year ending 31 December 2017

The Shareholders' Meeting, having considered the reports of the Board of Directors and of the Statutory Auditors on the annual financial statements for the financial year ending 31 December 2017, approves, as they have been presented, the annual financial statements with a loss of €17,369,249.12.

Second resolution – Approval of the consolidated financial statements for the financial year ending 31 December 2017

The Shareholders' Meeting, having considered the reports of the Board of Directors and of the Statutory Auditors on the consolidated financial statements for the financial year ending 31 December 2017, approves, as they have been presented, said financial statements with a profit (Group share) of 272,280 thousands of euros.

Third resolution – Allocation of the results for the 2017 financial year and setting of the dividend at €1.00 per share

The Shareholders' Meeting, upon proposal of the Board of Directors, and having noted that the loss for the past financial year amounted to €17,369,249.12:

- notes that the previous retained earnings of €158,866,831.82, decreased by the loss for the 2017 financial year, brings the distributable profit to €141,497,582.70;
- decides to allocate the distributable income as follows:
  - no allocation to the legal reserve; it already amounts to more than one-tenth of the share capital,
  - to the dividend for an amount of €83,782,308,
  - to the retained earnings for an amount of €57,715,274.70.

The Shareholders' Meeting takes note that the gross total dividend allocated for each share is set at €1.00.

When it is paid to natural persons fiscally domiciled in France, the dividend is subject, either to a single flat-rate withholding tax of 12.8% (article 200 A of the French General Tax Code), or, as an express, irrevocable and overall option by the taxpayer, to income tax in accordance with a progressive scale particularly after a 40% allowance (article 200 A, 13, and 158 of the French General Tax Code). The dividend is moreover subject to social contributions at the rate of 17.2%.

The ex-dividend date is set on 4 June 2018.

Payment of the dividend will take place 6 June 2018.

In the event of a change in the number of shares carrying a right to a dividend in comparison with the 83,782,308 shares comprising the share capital on 14 February 2018, the overall amount of dividends would be accordingly adjusted and the amount allocated to the retained earnings would be determined on the basis of the dividends effectively paid.

In accordance with the provisions of article 243 bis of the French General Tax Code, the Shareholders' Meeting acknowledged that dividends distributed and incomes for the three previous financial years were as follows:

For financial year	Incomes eligible for tax allowance		Incomes not eligible for tax allowance
	Dividends	Other incomes paid out	
2014	€70,450,514.30 (*) *i.e.* €0.85 per share	–	–
2015	€70,759,526.70 (*) *i.e.* €0.85 per share	–	–
2016	€71,043,419.90 (*) *i.e.* €0.85 per share	–	–

(*) Including the amount of the unpaid dividend corresponding to treasury shares and allocated to the retained earnings.

Fourth resolution – Special report of the Statutory Auditors on regulated agreements and commitments – Finding of absence of new agreement

The Shareholders' Meeting, after having considered the Statutory Auditors' special report mentioning the absence of new agreement of the type referred to article L.225-38 *et seq.* of the French Commercial Code, shall take note thereof purely and simply.

Fifth resolution – Renewal of the term of office of Ms. Anne BEAUFOUR, as a Director

The Shareholders' Meeting decides to renew the term of office of Ms. Anne BEAUFOUR, as a Director, for a duration of four years, expiring at the end of the Shareholders' Meeting to be held in 2022 called to approve the financial statements for the previous financial year.

Sixth resolution – Appointment of Mr. Philippe BONHOMME, to replace MAYROY SA, as a Director

The Shareholders' Meeting takes note of the resignation of MAYROY SA from its mandate as a Director, which took effect today at the opening of this Shareholders' Meeting and decides to appoint Mr. Philippe BONHOMME as a Director for the remaining term of office of his predecessor, *i.e.* until the end of the Shareholders' Meeting to be held in 2020 called to approve the financial statements for the previous financial year.

Seventh resolution – Appointment of Mr. Paul SEKHRI, to replace Mr. Hervé COUFFIN, as a Director

The Shareholders' Meeting decides to appoint Mr. Paul SEKHRI as a Director, to replace Mr. Hervé COUFFIN, which term will expire at the end of this Shareholders' Meeting, for a duration of four years, expiring at the end of the Shareholders' Meeting to be held in 2022 called to approve the financial statements for the previous financial year.

Eighth resolution – Appointment of Mr. Piet WIGERINCK, to replace Ms. Hélène AURIOL-POTIER, as a Director

The Shareholders' Meeting decides to appoint Mr. Piet WIGERINCK as a Director, to replace Ms. Hélène AURIOL-POTIER, which term will expire at the end of this Shareholders' Meeting, for a duration of four years, expiring at the end of the Shareholders' Meeting to be held in 2022 called to approve the financial statements for the previous financial year.

Ninth resolution – Non-renewal and non-replacement of Mr. Pierre MARTINET, as a Director

The Shareholders' Meeting after establishing that the term of office as Director of Mr. Pierre MARTINET will expire at the end of this Shareholders' Meeting, decides not to proceed with his renewal and replacement.

Tenth resolution – Approval of the fixed, variable and exceptional elements making up the total compensation and the benefits of any kind paid or granted for the past financial year to Mr. Marc de GARIDEL, Chairman of the Board of Directors

The Shareholders' Meeting, acting pursuant to article L.225-100 paragraph II of the French Commercial Code, approves the fixed, variable and exceptional elements making up the total compensation and the benefits of any kind paid or granted for the past financial year in respect of his duties to Mr. Marc de GARIDEL, Chairman of the Board of Directors, as presented in the Board of Directors' report to the Shareholders' Meeting.

Eleventh resolution – Approval of the fixed, variable and exceptional elements making up the total compensation and the benefits of any kind paid or granted for the past financial year to Mr. David MEEK, Chief Executive Officer

The Shareholders' Meeting, acting pursuant to article L.225-100 paragraph II of the French Commercial Code, approves the fixed, variable and exceptional elements making up the total compensation and the benefits of any kind paid or granted for the past financial year in respect of his duties to Mr. David MEEK, Chief Executive Officer, as presented in the Board of Directors' report to the Shareholders' Meeting.

Twelfth resolution – Approval of the principles and criteria for determining, allocating and granting fixed, variable and exceptional elements making up the total compensation and the benefits of any kind attributable to the Chairman of the Board of Directors

The Shareholders' Meeting, acting pursuant to article L.225-37-2 of the French Commercial Code, approves the principles and criteria for determining, allocating and granting fixed, variable and exceptional elements making up the total compensation and the benefits of any kind attributable, in respect of his duties, to the Chairman of the Board of Directors, as presented in the report provided for in the last paragraph of article L.225-37 of the French Commercial Code, presented in the Board of Directors' report to the Shareholders' Meeting.

Thirteenth resolution – Approval of principles and criteria for determining, allocating and granting fixed, variable and exceptional elements making up the total compensation and the benefits of any kind attributable to the Chief Executive Officer and/or any other executive officers

The Shareholders' Meeting, acting pursuant to article L.225-37-2 of the French Commercial Code, approves the principles and criteria for determining, allocating and granting fixed, variable and exceptional elements making up the total compensation and the benefits of any kind attributable, in respect of his duties, to the Chief Executive Officer and/or any other executive officers, as presented in the report provided for in the last paragraph of article L.225-37 of the French Commercial Code, presented in the Board of Directors' report to the Shareholders' Meeting.

Fourteenth resolution – Authorization to be given to the Board of Directors to allow the company to repurchase its own shares pursuant to the provisions of article L.225-209 of the French Commercial Code

The Shareholders' Meeting, having considered the Board of Directors' report, authorizes the Board, with the ability to subdelegate, for a period of eighteen months, in accordance with articles L.225-209 *et seq.* of the French Commercial Code, to purchase, on one or several occasions as it shall see fit, Company shares within the limit of 10%, of the number of shares comprising the share capital, adjusted, if applicable, to take into account any share capital increases or reduction that may occur during the period covered by the program.

This authorization terminates the authorization given to the Board of Directors by the Shareholders' Meeting held on 7 June 2017 in its eighteenth ordinary resolution.

Such acquisitions may be carried out in order to:

- stimulate the secondary market or ensure the liquidity of the IPSEN shares through the activities of an investment service provider *via* a liquidity agreement compliant with the AMAFI Code of ethics admitted by the regulations, it being specified that in this framework, the number of shares used to calculate the above-mentioned limit corresponds to the number of shares purchased, decreased by the number of shares sold;
- retain the purchased shares and subsequently deliver them within the context of an exchange or a payment related to possible external growth transactions;
- ensure the hedging of stock option plans and/or free share plans (or similar plans) in favor of Group employees and/or corporate officers as well as all allocations of shares under a Company or Group savings plan (or a similar plan), as part of the sharing of the Company's profits and/or all other forms of allocation of shares to Group employees and/or corporate officers;
- ensure the coverage of negotiable securities giving rights to the allocation of Company shares in accordance with the regulations in force;
- possibly cancel acquired shares, subject to the authorization granted or to be granted by the Extraordinary Shareholders' Meeting.

These share purchases, sales, transfers or exchanges may be carried out by all means, including on the market or off-market or by multilateral negotiations systems or through systematic internalizers, or over the counter, including through the acquisition or sale of blocks of securities, and at any times as the Board shall see fit.

The Company reserves the right to use options or derivative instruments in accordance with applicable regulations.

The Board of Directors may not, without prior authorization by the Shareholders' Meeting, make use of this authorization from the filing by a third party of a public offer for the Company's shares and until the end of the offer period.

The maximum purchase price is set at €250 per share. In the event of an equity transaction, in particular a stock split or a reverse stock split or an allocation of free shares, the afore-mentioned amount will be adjusted in the same proportions (multiplier coefficient equal to the ratio between the number of shares comprising the share capital before the transaction and the number of shares after the transaction).

The maximum amount of the transaction is set at €2,094,557,500.

The Shareholders' Meeting grants all powers to the Board of Directors to carry out these transactions, determine their terms and conditions, sign all necessary agreements and carry out all formalities.

As an Extraordinary Shareholders' Meeting

Fifteenth resolution – Authorization to be given to the Board of Directors to carry out free grants of existing shares and/or to be issued to salaried staff members and/or certain corporate officers

The Shareholders' Meeting, having considered the Board of Directors' report and the Statutory Auditors' special report, authorizes the Board of Directors, to carry out free grants, on one or several occasions, in accordance with articles L.225-197-1 and L.225-197-2 of the French Commercial Code, of Company ordinary shares, whether existing and/or to be issued, in favor of:

- salaried staff members of the Company or of companies that are directly or indirectly affiliated to it under the meaning of article L.225-197-2 of the French Commercial Code;
- and/or corporate officers who meet the conditions defined by article L.225-197-1 of the French Commercial Code.

The total number of free shares thus allocated shall not exceed 3% of the share capital at the date of the present Shareholders' Meeting, taking into account that the total number of shares which the options that could be granted by the Board of Directors, pursuant to twenty-seventh extraordinary resolution approved by the Combined Shareholders' Meeting held on 7 June 2017, will count towards this upper limit.

The total number of free shares that may be granted to the corporate officers may not exceed 20% of this envelope and the final acquisition of these free shares will be subject to performance conditions set by the Board of Directors.

The allocation of shares to beneficiaries will be final at the end of an acquisition period that will last as long as determined by the Board of Directors, which shall not be less than two years.

The Shareholders' Meeting authorizes the Board of Directors to provide or not a holding period at the end of the acquisition period.

Exceptionally, the final acquisition will occur before the end of the acquisition period in the event of disability of the beneficiary corresponding to a classification in the second and the third categories defined by article L.341-4 of the French Social Security Code.

All powers are granted to the Board of Directors in order to:

- set the conditions and, if applicable, the criteria for granting and performance conditions of the shares;
- determine the identity of beneficiaries as well as the number of shares allocated to every one of them;
- if applicable:
  - check whether there are sufficient reserves and transfer to an unavailable reserve account at every allocation the sums required to pay up the new shares to be allocated,
  - decide, in due course, the capital increase or increases by capitalization of reserves, premiums or profits related to the issuance of the new free shares,
  - acquire the necessary shares under the share repurchase program and transfer them to the plan,
  - determine the impacts on the rights of beneficiaries, of transactions affecting the share capital or likely to affect the value of the allocated and acquired shares during the acquisition period and, accordingly, change or adjust, if necessary, the number of shares allocated in order to safeguard the rights of beneficiaries,
  - decide whether or not to establish a holding period at the end of the acquisition period and, where appropriate, to determine its duration and take all appropriate measures to ensure compliance of the beneficiaries;
- and, more generally, do everything implementing this authorization will require in accordance with the legislation in force.

This authorization entails the waiver by shareholders of their preferential subscription rights to the new shares issued by the means of the capitalization of reserves, premiums and profits.

It is given for a period of twenty-six months from the day of this Meeting.

It cancels and supersedes, where appropriate, up to the unused portion, any previous authorization having the same purpose.

Sixteenth resolution – Modification of the Articles of Association providing for procedures for appointing Directors representing the employees on the Board of Directors

The Shareholders' Meeting, having considered the Board of Directors' report, decide:

- to harmonize the Articles of Association of the Company with the provisions of article L.225-27-1 of the French

Commercial Code as amended by Law No. 2015-994 of 17 August 2015 to allow for the appointment of Directors representing the employees on the Board of Directors of the Company;

- to amend accordingly article 12 of the Articles of Association, the rest of the article remaining unchanged, by adding the following provisions after the second paragraph:

  "Pursuant to statutory provisions, when the number of members of the Board of Directors, calculated in accordance with article L.225-27-1-II of the French Commercial Code, is lower than or equal to twelve, a Director representing the employees will be appointed by the Works Council of the existing economic and social unit within the IPSEN Group.

  When the number of members of the Board of Directors, calculated in accordance with article L.225-27-1-II of the French Commercial Code, is greater than twelve, and subject to this condition still being satisfied on the day of appointment, a second Director representing the employees will be appointed by the European Works Council.

  When the number of members of the Board of Directors, calculated in accordance with article L.225-27-1-II of the French Commercial Code, was initially greater than twelve members but becomes lower than or equal to twelve members, the term of the Director appointed by the European Works Council will be upheld until its end date and it will not be renewed. If the number of members of the Board of Directors, calculated in accordance with article L.225-27-1-II of the French Commercial Code, becomes again greater than twelve at a later stage, and subject to this condition still being satisfied on the day of appointment, a second Director representing the employees will be appointed by the European Works Council within a period of 6 months from the appointment of the additional member of the Board by the Shareholders' Meeting.

  By way of exception to the provisions of article 13 of these Articles of Association, the Director representing the employees appointed under this article is not required to own any share in the Company.

  The Director representing the employees is appointed for four years expiring at the end of the Shareholders' Meeting called for the shareholders to rule on the accounts of the preceding financial year and held in the year during which his term expires. The term of the Director representing the employees is renewable.

  The term of the Director representing the employees will prematurely come to an end in the conditions provided for by law, and in particular in case of termination of his employment contract. If the conditions for the application of article L.225-27-1 of the French Commercial Code are no longer satisfied at the end of a financial year, the term of the Director(s) representing the employees will come to an end at the end of the Shareholders' Meeting called to rule on the accounts of said financial year.

  In case of a vacancy for a Director representing the employees for any reason whatsoever, the vacancy shall be filled under the conditions determined by these Articles of Association and by article L.225-34 of the French Commercial Code.

  In addition to the provisions of the second paragraph of article L.225-29 of the French Commercial Code, it is specified, where appropriate, that the failure to appoint a Director representing the employees by the authority designated in these Articles of Association, pursuant to the law and this article, will not affect the validity of the deliberations of the Board of Directors."

Seventeenth resolution – Modification of Article 16.3 of the Articles of Association – removal of the casting vote of the Chairman

The Shareholders' Meeting, having considered the Board of Directors' report, decides:

- to remove the casting vote of the Chairman in the event of a split vote;
- to amend accordingly the first paragraph of article 16.3 ("Quorum and majority") as follows:

  The last sentence of the first paragraph of article 16.3 of the Articles of Association is amended as follows: *"In the event of a split vote, the Chairman does not have a casting vote"*.

  The remainder of Article 16.3 remains unchanged.

Eighteenth resolution – Power to carry out formalities

The Shareholders' Meeting grants full authority to the holder of an original, copy or extract of the minutes of this Meeting to carry out any filings and formalities required by law.

STATUTORY AUDITOR'S REPORT

Statutory Auditor's Report on the annual financial statements

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.
The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.
This report also includes information relating to the specific verification of information given in the Group's management report.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Ipsen S.A.

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

Statutory Auditors' Report on the Annual Financial Statements

Year ended 31 December 2017

At the Annual General Meeting of Ipsen S.A.,

Opinion

In compliance with the assignment entrusted to us by your Annual General Meeting, we performed the audit of the annual financial statements of Ipsen S.A. for the year ended 31 December 2017 as attached to the present report.

We certify that the annual financial statements, in accordance with French accounting principles, give a true and fair view of the result of its operations as well as of the financial situation and of the assets and liabilities of the company for the year ended.

The above-mentioned opinion is consistent with the content of our report to the Audit Committee.

Basis for the opinion

Audit standards

We performed our audit in accordance with professional standards applicable in France. We believe that the evidence we have collected is sufficient and appropriate to form a basis for our audit opinion.

The responsibilities we bear by virtue of these standards are indicated in the section "Responsibilities of the statutory auditors with regard to the audit of the annual financial statements" of the present report.

Independence

We conducted our audit assignment in accordance with the independence rules applicable to us, during the period from 1 January 2017 to the issuance date of our report, and in particular we have not provided any services prohibited by Article 5, Paragraph 1, of Regulation (EU) no. 537/2014 or by the code of ethics of the profession of statutory auditor.

Furthermore, the services other than the certification of the financial statements that we have provided during the financial year to our company and to the entities it controls and that are not mentioned in the Management Report or in the annexes to the consolidated financial statements are the following:

The services other than the certification of the financial statements provided by Deloitte & Associés correspond to its appointment as an independent third party in relation to the CSR disclosures in the Management Report. Those services provided by KPMG S.A. are constituted of procedures carried out in relation to the issuance of attestations provided for by the reference texts of the profession of statutory auditor.

Justification of the assessments – Key point of the audit

In application of the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code *(Code de commerce)* regarding the justification of our assessments, we draw your attention to the key point of the audit pertaining to the risk of material misstatement that, in our professional judgement, was the most important for the audit of the annual financial statements of the year ended, as well as to the responses we have provided with regard to this risk.

The assessments thus made are part of the context of the audit of the annual financial statements taken as a whole and of the forming of our opinion expressed hereinabove. We do not express opinions on the components of these annual financial statements taken individually.

Assessment of equity investments

Identified risk

Equity investments are listed in the balance sheet as of 31 December 2017 in the net amount of 1,167.5 million euros, accounting for one of the largest items in the balance sheet. They are recognised at the time of their entry at their acquisition cost and depreciated based on their inventory value representing what the Company would accept to outlay to obtain them if it had to acquire them.

As indicated in note 2.1.2.2. in the annexe to the annual financial statements, the Company estimates at each year-end closing the inventory value of each one of the investments in order to determine whether this value is lower than the net carrying amount.

The analysis conducted was performed while taking into account the cashflow forecasts produced by the operational divisions of the Company.

In this context and due to the uncertainty inherent to certain elements and in particular the likelihood of meeting forecasts, we considered that the correct assessment of the equity investments, related receivables constituted a key point of the audit.

Audit procedures implemented with regard to the identified risk

To assess the reasonableness of the estimated inventory values of the equity investments, based on the information disclosed to us, our procedures primarily entailed verifying that the estimated values used by Management were based on an appropriate justification for the evaluation method and the quantitative data used and, depending on the equity investments concerned:

For the assessments based on historic data:

– verify that the equity retained matches the financial statements of the entities that have been audited or undergone cost accounting procedures and that, when applicable, the adjustments carried out with regard to this equity are based on documented evidence;

For the assessments based on forecast data:

– obtain the cashflow forecasts and operations forecasts for the activities of the entities concerned produced by their operational divisions and assess their consistency with the forecast data taken from the latest strategic plans, produced under the supervision of their general management for each one of these activities and approved, when applicable, by the Board of Directors;
– verify the consistency of the assumptions retained with the economic environment on the dates of the closing and preparing of the financial statements;
– verify that the value resulting from the cashflow forecasts has been adjusted to reflect the amount of debt held by the entity considered.

Verification of the Management report and other documents sent to the Ipsen S.A. shareholders

We have also performed, in accordance with the professional standards applicable in France, the specific verifications required by law.

Information disclosed in the Management report and in the other documents sent to the shareholders regarding the financial situation and the annual financial statements

We have no observations to make regarding the fair presentation and the consistency with the annual financial statements of the information disclosed in the Board of Directors' Management Report and in the other documents sent to the Ipsen S.A. shareholders regarding the financial situation and the annual financial statements.

Report on corporate governance

We certify the disclosure, in the Board of Director's report, of the information required by Articles L.225-37-3 and L.225-37-4 of the French Commercial Code *(Code de commerce)*.

Concerning the information disclosed in application of the provisions of Article L.225-37-3 of the French Commercial Code *(Code de commerce)* regarding compensation and benefits paid to the Directors as well as regarding the commitments made in their favour, we have verified their consistency with the financial statements or with the data that have been used to produce these financial statements and, when applicable, with the information collected by your Company from the companies controlling your Company or that are controlled by it. Based upon these procedures, we certify the accuracy and fair presentation of this information.

Other information

In application of the law, we verified that the information pertaining to equity and controlling stakes and to the identity of the share capital owners or of the voting rights was disclosed to you in the Management Report.

Information resulting from other legal and regulatory obligations

Appointment of the statutory auditor

We were appointed statutory auditors of Ipsen S.A. by the General Shareholders' Meeting on 18 June 2005 for KPMG Audit and on 17 December 1998 for Cogerco Flipo, which was acquired by Deloitte & Associés in 2001.

As of 31 December 2017, KPMG Audit was in the 13th consecutive year of its assignment and Deloitte & Associés in its 20th year, including 13 years for both firms since the shares of the company have been admitted to trading on a regulated market.

Responsibilities of Management and of the persons constituting the corporate governance related to the annual financial statements

Management is required to produce annual financial statements presenting a true and fair view in accordance with French accounting rules and principles, in addition to setting up the internal controls it deems necessary in order to produce consolidated financial statements free of material misstatements, whether these are due to fraud or result from errors.

When producing the annual financial statements, Management is required to assess the Company's ability to continue its operations, to present in its financial statements, when necessary, the required disclosures pertaining to business continuity and to apply the going concern accounting principle, unless there are plans to liquidate the Company or put an end to its activity.

The Audit Committee is required to monitor the process of compiling financial information and to monitor the effectiveness of the internal control and risk management systems, in addition to internal audits when applicable, as regards the procedures related to the compiling and processing of accounting and financial information. The annual financial statements were approved by the Board of Directors.

Responsibilities of the statutory auditors with regard to the audit of the annual financial statements

Objective and audit approach

We are required to produce a report on the annual financial statements. Our objective is to obtain reasonable assurance that the annual financial statements taken as a whole are free of material misstatement. Reasonable assurance corresponds to a high level of assurance, without however guaranteeing that an audit performed in accordance with professional standards enables systematic detection of any material misstatements. Misstatements may be due to fraud or result from errors and are considered to be material when it can be reasonably expected that they may, taken individually or in combination, influence the economic decisions that the financial statement users make based on them.

As outlined by Article L.823-10-1 of the French Commercial Code *(Code de commerce)*, our assignment to certify the financial statements does not entail guaranteeing the viability or the quality of the management of your Company.

In the framework of an audit performed in accordance with professional standards applicable in France, the statutory auditor exercises his professional judgement throughout this audit.

Furthermore:

- he identifies and assesses the risks that the annual financial statements are materially misstated, whether these misstatements are due to fraud or result from errors, defines and implements audit procedures with regard to these risks, and gathers the elements that he deems to be a sufficient and appropriate basis for forming his opinion. The risk of non-detection of a material misstatement arising from fraud is higher than that of a material misstatement resulting from an error, because fraud may imply collusion, falsification, voluntary omissions, false statements or bypassing of internal control;
- he familiarises himself with the relevant internal control for the audit in order to define the audit procedures appropriate to the circumstances, and not with the aim of expressing an opinion on the effectiveness of internal control;
- he assesses the appropriateness of the accounting methods retained and the reasonableness of the accounting estimates made by Management, in addition to the disclosures provided in the annual financial statements;
- he assesses the appropriateness of Management's application of the continuity assumption accounting principle and, depending on the elements collected, the probable existence of material uncertainty related to events or circumstances likely to cast significant doubt about the Company's ability to continue as a going concern. This assessment is based on the elements collected up until the date of his report, with a reminder however that subsequent circumstances or events could cast significant doubt about the continuity of operations. If he concludes that there is material uncertainty, he draws the report readers' attention to the information disclosed in the annual financial statements regarding this uncertainty or, if this information is not disclosed or is not relevant, he issues his certification with reservations or refuses to certify;
- he assesses the overall presentation of the annual financial statements and assesses whether the annual financial statements reflect the underlying transactions and events so as to provide a true and fair view.

Report to the Audit Committee

We are submitting a report to the Audit Committee presenting in particular the extent of the audit and the work programme implemented, as well as the resulting conclusions of our work. We also draw their attention, when applicable, to the material weaknesses of internal control that we have identified as regards the procedures related to the compiling and processing of accounting and financial information.

The disclosures in the report to the Audit Committee include the risks of material misstatement that we deem to be the most important for the audit of the consolidated financial statements of the year ended and that thus constitute the key point of the audit, that we are required to describe in the present report.

We also are providing to the Audit Committee the statement pursuant to Article 6 of Regulation (EU) no. 537-2014 confirming our independence, within the meaning of the rules applicable in France as outlined in particular by Articles L.822-10 to L.822-14 of the French Commercial Code *(Code de commerce)* and in the code of ethics of the profession of statutory auditor. When applicable, we discuss with the audit committee the risks to our independence and the safeguard measures applied.

The Statutory Auditors

Paris La Défense, 14 February 2018

KPMG Audit
Department of KPMG S.A.

Catherine Porta
Partner

Cédric Adens
Partner

Neuilly-sur-Seine, 14 February 2018

Deloitte & Associés

Jean-Marie Le Guiner
Partner

Statutory Auditors' report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.
The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.
This report also includes information relating to the specific verification of information given in the Group's management report.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Ipsen S.A.

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

Statutory Auditors' report on the consolidated financial statements

Year ended 31 December 2017

At the Annual General Meeting of Ipsen S.A.,

Opinion

In compliance with the assignment entrusted to us by your Annual General Meeting, we have conducted an audit of the consolidated financial statements of Ipsen S.A. pertaining to the year ended 31 December 2017, as attached to the present report.

We certify that, with regard to the IFRS accounting standards as adopted in the European Union, the consolidated financial statements present a true and fair view of the results of the transactions for the year then ended, of the financial position and of the assets and liabilities, at the end of the year, of the Group made up of the persons and entities included in the consolidation.

The above-mentioned opinion is consistent with the content of our report to the Audit Committee.

Basis for the opinion

Audit standards

We have performed our audit according to the professional standards applicable in France. We believe that the evidence we have collected is sufficient and appropriate to form a basis for our audit opinion.

The responsibilities we bear by virtue of these standards are indicated in the section "Responsibilities of the statutory auditors with regard to the audit of the consolidated financial statements" of the present report.

Independence

We conducted our audit in accordance with the independence rules applicable to us, during the period from 1 January 2017 to the issuance date of our report, and in particular we have not provided any services prohibited by Article 5, Paragraph 1, of Regulation (EU) no. 537/2014 or by the code of ethics of the profession of statutory auditor.

Furthermore, the services other than the certification of the financial statements that we have provided during the financial year to our company and to the entities it controls and that are not mentioned in the Management Report or in the annexes to the consolidated financial statements are the following:

The services other than the certification of the financial statements provided by Deloitte & Associés correspond to its appointment as an independent third-party organisation in relation to the CSR disclosures in the Management Report. Those services provided by KPMG S.A. are constituted of procedures carried out in relation to the issuance of attestations provided for by the reference texts of the profession of statutory auditor.

Justification of the assessment – Key points of the audit

In application of the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) regarding the justification of our assessments, we are bringing to your attention the key points of the audit pertaining to the risks of material misstatement that, in our professional judgement, were the most important for the audit of the consolidated financial statements for this year, as well as to the responses we have provided with regard to these risks.

The assessments thus made are part of the context of the audit of the consolidated financial statements taken as a whole and of the forming of our opinion expressed hereinabove. We do not express opinions on the components of these consolidated financial statements taken individually.

Accounting of the acquisition of oncology assets from Merrimack Pharmaceuticals

Notes 1.1, 3.9, 3.17 and 12.1.1. to the consolidated financial statements

Identified risk

As part of its development, in April 2017 the Group acquired assets from Merrimack Pharmaceuticals, in particular in oncology in the United States, in the amount of 546.3 million euros. This transaction was analysed, with regard to the revised IFRS 3 standard, as a business combination, and led the group in particular to recognise intangible assets in the amount of 466.6 million euros, for intellectual property and rights to acquired royalties, a financial asset of 122.6 million euros and a financial liability of 118.9 million euros for the additional payments that may take place based on the achievement of key development and sales steps, in addition to goodwill in the amount of 45.7 million euros.

The Group mandated an independent expert to assist it in the process of identifying and assessing the main assets and liabilities.

The accounting of the acquisition of oncology assets from Merrimack Pharmaceuticals was considered to be a key point of the audit due to the judgement exercised by Management, in particular to identify the assets and liabilities acquired and to determine their fair value.

Audit procedures implemented with regard to the identified risk

We analysed the compliance of the methodology applied by the Group based on a report by an independent expert to identify the acquired assets and liabilities and determine their fair value according to the applicable accounting standards. With the assistance of our assessment specialists, we also appraised:

- through interviews with Management the consistency of the cash flow forecasts with the forecast data presented to the Board of Directors of the Company;
- the reasonableness of the assumptions and the conditions retained for the assessment of the fair value of the acquired assets and liabilities and more particularly the intangible assets, the financial assets and the financial liabilities and in particular the exchange rates, growth rates and discount rates retained.

Last, we assessed the appropriateness of the information disclosed in the notes in the annexes 1.1, 3.9, 3.17 and 12.1.1.

Assessment of the recoverable amount of licences

Notes 3.14, 3.17, 3.32 and 13 to the consolidated financial statement

Identified risk

On 31 December 2017, the net value of the Group licences, presented in other intangible assets, stands at 832.4 million euros versus a total balance sheet of 3,072 million euros.

These licences concern acquired rights for pharmaceutical specialities that may be:

- retailed and depreciated on a straight-line basis over their useful life. Useful life is determined based on the cash flow forecasts that take into consideration, among other factors, the protection period of the underlying patents;
- in an advanced phase of development and are therefore not yet being retailed, and thus not yet depreciated. As indicated in note 3.17 of the annexes to the consolidated financial statements, licences with definite and indefinite useful life, primarily accounting for intellectual property rights and licences to use intellectual property rights, undergo impairment testing annually or when there is an indicator of impairment.

Impairment tests involve comparing the net carrying amount of the asset, of the group of assets or the cash-generating unit (CGU) to which the licence belongs, to its recoverable amount, which is the highest value between its fair value minus disposal costs and its value in use. Value in use is determined based on the estimated future cash flows expected from the use of the asset (CGU to which the asset belongs).

The conditions for implementing impairment tests are described in note 3.17 to the consolidated financial statements.

We considered that the assessment of the recoverable amount of these licences is a key point of the audit due to the significance of these licences in the Group's financial statements and that the method of determining their recoverable amount is based to a very large extent to Management's judgement and the use of estimates in relation to the forecasts of discounted future cash flows in order to carry out the tests.

Audit procedures implemented with regard to the identified risk

We analysed the conditions for the implementation of the impairment tests on the acquired licenses. In particular, the licences acquired during the development phase have received special attention on our part due to the difficulty in estimating the evolution of research and the expected outlook for growth.

With our evaluation specialists we assessed the reasonableness of the main estimates, in particular the cash flow forecasts, long-term growth rates and the discount rates retained. We also analysed the consistency of the evolution of the research programmes, of the cash flow forecasts with the forecast data presented to the Group's Board of Directors and we have reviewed the sensitivity analyses of the impairment tests.

Last, we also assessed the appropriateness of the information disclosed in the notes to the consolidated financial statements 3.14, 3.17, 3.32 and 13.

Evaluation of deferred tax assets recognised in the United States

Notes 3.34, 10.2 and 10.3 to the consolidated financial statements

Risk identified

On 31 December 2017, deferred tax assets amounted to 142 million euros. The Company recorded deferred tax assets related to tax loss carryforwards for a net total of 84.1 million euros on 31 December 2017 including a 72.9 million tax loss carryforward claimable in the United States.

A deferred tax asset is only recognised when it is likely that the Group will have future taxable profits against which it may be utilised.

The Group's ability to recover its deferred tax assets related to tax loss carryforwards is appraised by Management at the closing of each financial year, taking into consideration the forecasts of future taxable income and in particular the likelihood of using the tax loss carryforwards in the future in the United States for which the recovery horizon is close. These projections are based on assumptions that are made at Management's judgement and approved by the Board of Directors.

We have considered the recoverability of the deferred tax assets related to tax loss carryforwards in the United States to be a key point in our audit due to the importance of Management's judgement in the recording of these assets and the significant size of the amounts involved.

Audit procedures implemented with regard to the identified risk

Our audit approach consisted of assessing the likelihood that the Group would be able to make future use of its tax-loss carryforwards generated in the United States, in particular with regard to the ability of the subsidiary concerned to generate future taxable profits enabling the use of the existing tax-loss carryforwards.

As such we assessed the reasonableness of the main data and assumptions (growth in income, sustainability of operations, horizon of future profits) used as a basis for the tax earnings forecasts underlying the recording and recoverability of the deferred tax assets related to tax-loss carryforwards in the United States.

With the assistance of our tax experts, we assessed the reliability of the process for establishing the business plan based upon which the Group develops its future tax earnings forecasts in the United States by:

- examining the procedure for developing and improving the last business plan that was used as a basis for the estimates;
- comparing the earnings projections for the previous fiscal years with the real earnings of the fiscal years concerned;
- analysing the earnings of the American subsidiary over the past two years with regard to the actions implemented by Management;
- verifying the consistency of the assumptions retained for the assessment of the deferred taxes with those retained for the impairment tests on non-current assets carried out for the activities of the American subsidiary;
- carrying out a critical examination of the assumptions used by Management to establish the earnings projections beyond the period of the business plan, in particular taking a look at their consistency with regard to the economic data of the sector in which the American subsidiary operates and the information collected during our interviews with the members of Management.

We also verified the appropriateness of the information presented in the notes 3.34, 10.2 and 10.3 to the consolidated financial statements.

Verification of the information pertaining to the Group disclosed in the Management report

In accordance with professional standards applicable in France, we also carried out the specific verification provided for by the law on information pertaining to the Group, disclosed in the Board of Directors' Management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Information resulting from other legal and regulatory obligations

Appointment of the statutory auditors

We were appointed statutory auditors for Ipsen S.A. by the Annual General Meeting held on 18 June 2005 for KPMG S.A. and on 17 December 1998 for Cogerco Flipo which was acquired by Deloitte & Associés in 2001.

As of 31 December 2017, KPMG S.A. was in the 13th consecutive year of its assignment and Deloitte & Associés was in its 20th year, including 13 years for both firms since the shares of the company have been admitted to trading on a regulated market.

Responsibilities of Management and of the persons constituting the corporate governance related to the consolidated financial statements

Management is required to produce consolidated financial statements providing a true and fair view, in accordance with the IFRS accounting standards as adopted in the European Union, in addition to setting up the internal controls it deems necessary in order to produce consolidated financial statements free of material misstatements, whether these are due to fraud or result from errors.

When producing the consolidated financial statements, Management is required to assess the Company's ability to continue its operations, to present in its financial statements, when necessary, the required disclosures pertaining to business continuity and to apply the going concern accounting principle, unless there are plans to liquidate the Company or put an end to its activity.

The Audit Committee is required to monitor the process of compiling financial information and to monitor the effectiveness of the internal control and risk management systems, in addition to internal audits when applicable, as regards the procedures related to the compiling and processing of accounting and financial information. The consolidated financial statements are approved by the Board of Directors.

Responsibilities of the statutory auditors with regard to the audit of the consolidated financial statements

Objective and audit approach

We are required to produce a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements taken as a whole are free of material misstatement. Reasonable assurance corresponds to a high level of assurance, without however guaranteeing that an audit performed in accordance with professional standards enables systematic detection of any material misstatements.

Misstatements may be due to fraud or result from errors and are considered to be material when it can reasonably be expected that they may, taken individually or in combination, influence the economic decisions that the financial statement users make based on them.

As outlined in Article L.823-10-1 of the French Commercial Code *(Code de commerce)*, our assignment to certify the financial statements does not entail guaranteeing the viability or the quality of the management of your Company.

In the framework of an audit performed in accordance with professional standards applicable in France, the statutory auditor exercises his professional judgement throughout this audit.

Furthermore:

- he identifies and assesses the risks that the consolidated financial statements are materially misstated, whether these misstatements are due to fraud or result from errors, defines and implements audit procedures with regard to these risks, and gathers the elements that he deems to be a sufficient and appropriate basis for forming his opinion. The risk of non-detection of a material misstatement arising from fraud is higher than that of a material misstatement resulting from an error, because fraud may imply collusion, falsification, voluntary omissions, false statements or bypassing of internal control;
- he familiarises himself with the relevant internal control for the audit in order to define the audit procedures appropriate to the circumstances, and not with the aim of expressing an opinion on the effectiveness of internal control;
- he assesses the appropriateness of the accounting methods retained and the reasonableness of the accounting estimates made by Management, in addition to the disclosures provided in the consolidated financial statements;
- he assesses the appropriateness of Management's application of the continuity assumption accounting principle and, depending on the elements collected, the probable existence of material uncertainty related to events or circumstances likely to cast significant doubt about the Company's ability to continue as a going concern. This assessment is based on the elements collected up until the date of his report, with a reminder however that subsequent circumstances or events could cast significant doubt about the continuity of operations. If he concludes that there is material uncertainty, he draws the report readers' attention to the information disclosed in the consolidated financial statements regarding this uncertainty or, if this information is not disclosed or is not relevant, he issues his certification with reservations or refuses to certify;
- he assesses the overall presentation of the consolidated financial statements and assesses whether the consolidated financial statements reflect the underlying transactions and events so as to provide a true and fair view;
- concerning the financial information of the persons or entities included within the consolidation scope, he collects elements he deems to be sufficient and appropriate to express an opinion regarding the consolidated financial statements. He is responsible for the direction, supervision and completion of the audit of the consolidated financial statements in addition to the opinion expressed regarding these financial statements.

Audit Committee Report

We are submitting a report to the Audit Committee presenting in particular the extent of the audit and the work programme implemented, as well as the resulting conclusions of our work. We also draw their attention, when applicable, to the material weaknesses of internal control that we have identified as regards the procedures related to the compiling and processing of accounting and financial information.

The disclosures in the report to the Audit Committee include the risks of material misstatement that we deem to be the most important for the audit of the consolidated financial statements of the year ended and that thus constitute one of the key points of the audit that we are required to describe in the present report.

We are also providing to the Audit Committee the statement pursuant to Article 6 of Regulation (EU) no. 537-2014 confirming our independence, within the meaning of the rules applicable in France as outlined in particular by Articles L.822-10 to L.822-14 of the French Commercial Code *(Code de commerce)* and in the code of ethics of the profession of statutory auditor. When applicable, we discuss with the audit committee the risks to our independence and the safeguard measures applied.

The Statutory Auditors

Paris La Défense, 14 February 2018

KPMG Audit
Department of KPMG S.A.

Catherine Porta
Partner

Cédric Adens
Partner

Neuilly-sur-Seine, 14 February 2018

Deloitte & Associés

Jean-Marie Le Guiner
Partner

Statutory Auditors' special report on regulated agreements and commitments

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

Ipsen

Société Anonyme

65, Quai Georges Gorse – 92650 Boulogne-Billancourt Cedex

Statutory Auditors' special report on regulated agreements and commitments

Shareholders' Meeting to approve the accounts for the financial year ended 31 December 2017

To the shareholders,

In our capacity as Statutory Auditors of your Company, we hereby present to you our report on the regulated agreement and commitments.

We are required to inform you, on the basis of the information provided to us, the features, key terms and conditions and the reasons for the interest of the Company, in the agreements and commitments of which we were notified or which we were able to find in the course of our work. It is not our role to determine whether these are beneficial or appropriate, or to ascertain whether any other agreements or commitments exist. It is your responsibility, under the terms of Article R.225-31 of the French Commercial Code, to evaluate the benefits arising from these agreements and commitments prior to their approval.

We are also required, where appropriate, to inform you of the terms of Article R.225-31 of the French Commercial Code relating to the implementation, over the past financial year, of the agreements and commitments already approved by the Shareholders' Meeting.

We performed the procedures we considered necessary in accordance with professional guidance issued by the French National Institute of Auditors *("Compagnie nationale des commissaires aux comptes")*, relating to this engagement. Our work involved verifying that the information provided to us is consistent with the underlying documentation from which it was extracted.

AGREEMENTS AND COMMITMENTS SUBJECT TO APPROVAL BY THE SHAREHOLDERS' MEETING

Agreements and commitments authorised during the past financial year

We inform you that we have not been advised of any agreement or commitment authorised during the past financial year to be submitted for approval by the Shareholders' Meeting pursuant to Article L.225-38 of the French Commercial Code.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

Agreements and commitments approved in previous financial years

a) the implementation of which continued during the past financial year

We inform you that we have not been advised of any agreement or commitment already approved by the Shareholders' Meeting which continued to be implemented over the past financial year.

b) which were not implemented during the past financial year

Furthermore, we have been notified of the continuation of the following agreements and commitments, which had already been approved by the Shareholders' Meeting in previous financial years, the implementation of which did not continue into the past financial year.

Undertakings in the event of termination of duties in favour of Mr Marc de Garidel, Chairman of the Board of Directors

Your Board of Directors, at its meeting of 8 July 2016, approved the compensation elements of Mr Marc de Garidel, Chairman of the Board of Directors from 18 July 2016.

These compensation elements include:

- The benefit of membership of the additional pension scheme in force within the Company, giving right to, on retirement and subject to (i) a minimum length of service of five years within the Group, already acquired (ii) an eligibility to social security retirement at the full rate (*i.e.* a retirement age of 62, at the earliest, in accordance with the current French law), and (iii) the respect of a performance condition mentioned below, the payment of an annuity calculated by reference to seniority within the Group, (x) at a rate of 0.6% of the total gross remuneration ("TGR") per year of service for the portion of the TGR lower than eight times the French annual social security ceiling and (y) at a rate of 1% per year of service for the portion of the TGR exceeding eight times the French annual social security ceiling (with the French annual social security ceiling amounting to €38,616 in 2016). The grant of this Company pension scheme will be subject to the same performance condition as the one applicable to the severance payment (the maintaining of the Group's recurring operating margin for the three years prior to departure at a minimum threshold of 15%).

The Board of Directors also decided that Mr Marc de Garidel is to benefit from three additional years of service within the context of the Company's additional pension scheme in return for his undertaking to continue his involvement within the Group as Chairman of the Board, provided that his effective departure from the Company does not take place prior to the month of November of the year he reaches 62 years of age. These additional years of service will allow Mr Marc de Garidel to benefit from an annuity equal to at least €80,000, *i.e.* an annuity comparable to the one that would result from the pension entitlements at the end of the 2015 financial year (about €88,000 euros), should he leave on the year of his 62nd birthday. The accrual of these additional years of service would take place on a year-by-year basis starting with financial year 2017 and subject to compliance with the performance conditions described above for the year in question. This benefit would not result in Mr Marc de Garidel accruing conditional entitlements at a pace exceeding the maximum accrual allowed by law (*i.e.*, currently, 3% of the annual benchmark compensation used to calculate the annuity paid under the Company's supplementary pension plan).

- A severance payment with identical terms and conditions, in accordance with the recommendations set out in the AFEP-MEDEF Code, namely:
  - an indemnity which will only be due in the event of a forced departure *(départ contraint)* within the meaning of the AFEP-MEDEF Code,
  - of an amount equal to the compensation received from the Company over the last 24 rolling calendar months preceding the effective date of his departure,
  - the grant of which will be subject to the same performance condition as that applicable to the severance payment, namely maintaining the recurring operating margin of the Group during the three years preceding his departure at a minimum threshold of 15%, and
  - including, for a portion equal to 50% of the amount hereof, the amount payable in consideration of the non-compete undertaking referred to below.

Non-compete undertaking of Mr Marc de Garidel, Chairman of the Board of Directors

At its meeting of 11 October 2010, your Board of Directors had approved the undertakings of Mr Marc de Garidel for a reason other than a change in control, upon his appointment as Chairman and Chief Executive Officer of the Company, in the event of departure from the Group, for a period of twenty four (24) months following the date of his actual departure, not to operate or refrain from any operational involvement (including in the capacity of consultant), within the territory of the European Economic Area (EEA) and/or the continent of North America, in an activity relating to the development and/or marketing of products belonging to the same therapeutic category (source: IMS-Health) as the two best selling products of the Ipsen Group which generate the highest turnover on the actual date of departure.

During the meeting of the Board of Directors held on 8 July 2016, Mr Marc de Garidel accepted to maintain this undertaking in the framework of his sole functions as Chairman of the Board of Directors, it being specified that the non-compete obligation will now focus on the three leading products of the Group in terms of turnover on the date of Mr Marc de Garidel's effective departure. The indemnity owed by the Company in consideration of this non-compete undertaking will be deemed to be included in the severance package referred to above, if the latter is also due.

Undertakings in the event of termination of duties in favour of Mr David Meek, Chief Executive Officer

Your Board of Directors, in its meeting held on 8 July 2016, approved the compensation elements of Mr David Meek, Chief Executive Officer from 18 July 2016.

These compensation elements include:

- The benefit of membership of the additional pension scheme in force within the Company, giving right to, on retirement and subject to (i) a minimum length of service of five years within the Group, (ii) an eligibility to social security retirement at the full rate (*i.e.* a retirement age of 62 at the earliest in accordance with the current French law), and (iii) the respect of a performance condition mentioned below, the payment of an annuity calculated by reference to length of service within the Group, (x) at a rate of 0.6% of the total gross remuneration ("TGR") per year of service for the portion of the TGR lower than eight times the French annual social security ceiling and (y) at a rate of 1% per year of service for the portion of the TGR exceeding eight times the French annual social security ceiling (with the French annual social security ceiling amounting to €38,616 in 2016). The grant of this Company pension scheme will be subject to the same performance condition as the one applicable to the severance payment (the maintaining of the Group's recurring operating margin for the three years prior to departure at a minimum threshold of 15%).
- A severance payment whose terms and conditions are in accordance with the recommendations set out in the AFEP-MEDEF Code, namely:
  - an indemnity which will only be due in the event of a forced departure *(départ contraint)* within the meaning of the AFEP-MEDEF Code,
  - equal to 24 months of gross (fixed and variable) compensation paid for his duties as Chief Executive Officer,
  - the grant of which will be subject to a performance condition (the maintaining of the recurring operating margin of the Group during the three years preceding his departure at a minimum threshold of 15%), and
  - including, for a portion equal to 50% of the amount hereof, the amount payable in consideration for the non-compete undertaking of Mr David Meek referred to below.

Non-compete undertaking of Mr David Meek, Chief Executive Officer

During the meeting of the Board of Directors held on 8 July 2016, Mr David Meek agreed, in the event of his departure from the Group, for a period of twenty four (24) months following the date of his effective departure from the Company, not to perform or participate from an operational standpoint (including as a consultant), within the territory of the European Economic Area (EEA) and/

or North America, in any activity relating to the development and/or the marketing of products belonging to the same therapeutic category (source IMS-Health) as:

(1) one of the top three products of the Group based on the turnover generated by such products or their importance from a strategic standpoint (as assessed by the Board of Directors) on the date of Mr David Meek's effective departure, and

(2) any product acquired by the Company between 1 January 2016 and the date of Mr David Meek's effective departure for a total financial consideration exceeding €300 million (this financial consideration being the sum of any initial payment and any commercial or regulatory payment from a subsequent stage or, in the event of a corporate acquisition, the portion of the acquisition price - corresponding to the initial price plus any earn-out or other price supplement - corresponding to the product in question) .

The indemnity owed by the Company in consideration of this non-compete undertaking will be deemed to be included in the severance package referred to above, if the latter is also due.

Paris La Défense and Neuilly-sur-Seine, 14 February 2018

The Statutory Auditors

KPMG Audit
A Division of KPMG S.A.

Catherine Porta
Partner

Cédric Adens
Partner

Deloitte & Associés

Jean-Marie Le Guiner
Partner

EXECUTIVE SUMMARY: IPSEN GROUP IN 2017

Financial highlights

- Full Year 2017 Group sales growth of 21.1%(1) driven by Specialty Care sales growth of 25.9%(1) reflecting continued Somatuline® momentum and increasing contribution from the Cabometyx® and Onivyde® launches, and Consumer Healthcare back to growth at 1.4%(1).
- Full Year 2017 Core Operating margin at 26.4%, up 3.4 points after investments for the Cabometyx® and Onivyde® launches.
- Financial guidance for 2018 of Group sales growth greater than 16.0%(1) and Core operating margin greater than 28.0% of net sales.

Extract of audited consolidated results for the full year 2017 and 2016

(in millions of euros)	FY 2017	FY 2016	% change
Group sales	**1,908.7**	**1,584.6**	**+21.1%(1)**
Specialty Care sales	1,591.9	1,273.0	+25.9%(1)
Consumer Healthcare sales	316.8	311.6	+1.4%(1)
Core Operating Income	**503.6**	**363.9**	**+38.4%**
Core operating margin (as a % net sales)	*26.4%*	*23.0%*	*+3.4 pts*
Core consolidated net profit	**362.7**	**263.6**	**+37.6%**
Core EPS – fully diluted (€)	4.36	3.18	+37.0%
IFRS			
Operating Income	**397.2**	**304.7**	**+30.4%**
Operating margin (as a % net sales)	*20.8%*	*19.2%*	*+1.6 pts*
Consolidated net profit	**272.9**	**226.6**	**+20.5%**
EPS – fully diluted (€)	3.28	2.73	+19.9%
Free cash flow	309.0	228.8	+35.1%
Net cash / (debt) position (2)	(463.3)	68.6	NA

(1) Year-on-year growth excluding foreign exchange impacts. Currency effects are established by recalculating net sales for the relevant period at the exchange rates used for the previous period.
(2) 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.

David Meek, Chief Executive Officer of Ipsen, *stated: "Our outstanding performance in 2017 exceeded expectations with record highs for sales growth and core operating margin. Sales grew by an impressive 21.1%(1) and core operating margin improved by 3.4 points year-on-year, driven by the excellent Specialty Care performance.*

In 2018, we will maintain the positive momentum of the current business to deliver continued strong growth and further margin improvement, well on track to meet our 2020 financial objectives. Business development and the accelerated transformation of the R&D organization also remain top priorities to expand our innovative pipeline and sustain long-term growth."

Review of full year 2017 results

Note: Unless stated otherwise, all variations in sales are calculated excluding foreign exchange impacts. Currency effects are established by recalculating net sales for the relevant period at the exchange rates used for the previous period.

Group sales reached €1,908.7 million, up 21.1% year-on-year.

Specialty Care sales reached €1,591.9 million, up 25.9%, driven by the strong growth of Somatuline® and the €108.6 million contribution from key new products Cabometyx® (mainly sales from Germany and France) and Onivyde® (consolidated since April 2017 following the acquisition from Merrimack Pharmaceuticals). Somatuline® growth of 31.9% was driven by continued positive momentum in North America (62.1% growth in the U.S.) and solid performance throughout Europe. Dysport® growth was fueled by the good performance of Galderma as well as a strong growth in the Middle East and some Eastern European

(1) Year-on-year growth excluding foreign exchange impacts. Currency effects are established by recalculating net sales for the relevant period at the exchange rates used for the previous period.

countries. Decapeptyl® sales reflect good volume growth across Europe and a positive trend in China despite some continued pricing pressure.

Consumer Healthcare sales reached €316.8 million, up 1.4% (up 3.2% adjusted for the impact of the Etiasa® contractual set-up in China), driven by the good performance of Smecta® and Fortrans/Eziclen® as well as the contribution of the newly acquired products (including Prontalgine® and Buscopan®).

Core Operating Income totaled €503.6 million, up 38.4%, driven by the sales growth and after increased commercial investments for the new products Cabometyx® and Onivyde® and R&D investments to support the development of the growing pipeline.

Core operating margin reached 26.4% of net sales, up 3.4 points compared to 2016.

Core consolidated net profit was €362.7 million, compared to €263.6 million in 2016, up 37.6% and impacted by higher financial and income tax expenses.

Fully diluted core earnings per share grew by 37.0% to reach €4.36, compared to €3.18 in 2016.

IFRS Operating income was €397.2 million, up 30.4% after higher amortization of intangible assets (excl. software), restructuring and integration costs, slightly offset by lower impairment charges. Operating income margin at 20.8% is up 1.6 points compared to 2016.

IFRS Consolidated net profit was €272.9 million versus €226.6 million in 2016, up 20.5%, after higher financial and income tax expenses, mainly from the recent U.S. tax reform.

IFRS Fully diluted EPS (Earning per share) was €3.28 versus €2.73 in 2016.

Free cash flow reached €309.0 million, up by €80.2 million or 35.1%, driven by the improvement in Operating Cash Flow, partially compensated by higher restructuring and financial costs.

Closing net debt reached €463.3 million at the end of 2017, versus a net cash position of €68.6 million at the end of 2016, reflecting the acquisitions completed during the first half of 2017 for Onivyde®, the Consumer Healthcare OTC product portfolio and the equity stake in Akkadeas Pharma, as well as the additional milestones paid for Cabometyx® and Xermelo®.

Impact of U.S. tax reform

The Group booked an expense of €46.0 million related to the negative impact of the newly signed U.S. tax reform on the value of its U.S. tax losses carried forward. This expense was partly offset by the recognition of previously unrecognized deferred tax assets in the U.S. for €19.7 million.

Subject to further analysis and interpretation of the U.S. tax reform, the combined effect of our growth in the U.S. and the reduction of the Federal tax rate will lead to a reduction of the Group effective tax rate by 2 to 3 points in 2018.

Comparison of 2017 performance with financial objectives

The Group exceeded the limit of its updated guidance provided on 27 July 2017 for Specialty Care and Consumer Healthcare sales growth and for Core operating margin.

The table below shows the comparison between the financial objectives provided on 27 July 2017 and 2017 actuals.

	Financial objectives (1)	Actuals 2017
Specialty Care sales	> +24% (2)	+25.9% (2)
Consumer Healthcare sales	> +0.0% (2)	+1.4% (2)
Core operating margin (as a percentage of sales)	> 25.0%	26.4%

(1) 2017 revised financial objectives communicated on 27 July 2017.
(2) Year-on-year growth excluding foreign exchange impacts. Currency effects are established by recalculating net sales for the relevant period at the exchange rates used for the previous period.

Dividend for the 2017 financial year proposed for the approval of Ipsen's shareholders

The Ipsen S.A. Board of Directors, which met on 14 February 2018, has decided to propose at the annual shareholders' meeting on 30 May 2018 the payment of a dividend of €1.00 per share, up from €0.85 for the 2016 financial year.

2018 Financial guidance

Consistent with its 2020 ambition, the Group has set the following financial targets for 2018:

- **Group sales growth** year-on-year at constant currency greater than +16.0%, fueled by strong double-digit growth of Specialty Care and low single-digit growth of Consumer Healthcare. Based on the current level of exchange rates, sales growth at current exchange rates should be negatively impacted by approximately 4%;
- **Core operating margin greater than 28.0%** of net sales.

Comparison of Consolidated Sales for the Fourth Quarter and Full Year 2017 and 2016

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 used for the previous period.

The following table shows sales by therapeutic area and by product for the fourth quarter and full year 2017 and 2016:

(in millions euros)	4th Quarter				Full Year			
	2017	2016	% Variation	% Variation at constant currency	2017	2016	% Variation	% Variation at constant currency
Oncology	325.2	247.3	31.5%	35.2%	1 185.2	904.9	31.0%	32.4%
Somatuline®	*189.2*	*146.5*	*29.2%*	*33.9%*	*702.5*	*538.3*	*30.5%*	*31.9%*
Decapeptyl®	*89.6*	*88.0*	*1.8%*	*3.2%*	*348.7*	*339.8*	*2.6%*	*3.6%*
Cabometyx®	*20.6*	*7.2*	*N/A*	*N/A*	*51.7*	*7.2*	*N/A*	*N/A*
Onivyde®	*19.7*	*0.0*	*N/A*	*N/A*	*56.9*	*0.0*	*N/A*	*N/A*
Other Oncology	6.2	5.7	8.0%	8.6%	25.4	19.5	30.2%	30.5%
Neurosciences	88.2	71.9	22.6%	25.4%	331.6	286.7	15.7%	14.8%
Dysport®	*87.2*	*71.2*	*22.5%*	*25.3%*	*328.2*	*284.7*	*15.3%*	*14.5%*
Rare Diseases	17.7	20.5	– 13.6%	– 11.8%	75.1	81.5	– 7.8%	– 7.1%
NutropinAq®	*12.3*	*14.0*	*– 12.2%*	*– 12.1%*	*51.8*	*57.7*	*– 10.2%*	*– 9.9%*
Increlex®	*5.0*	*6.5*	*– 22.7%*	*– 17.2%*	*22.9*	*23.7*	*– 3.5%*	*– 1.9%*
Specialty Care	**431.1**	**339.8**	**26.9%**	**30.3%**	**1 591.9**	**1 273.0**	**25.1%**	**25.9%**
Smecta®	*33.3*	*31.6*	*5.6%*	*8.3%*	*115.5*	*111.0*	*4.0%*	*4.1%*
Forlax®	*10.4*	*10.2*	*1.9%*	*2.6%*	*42.1*	*39.3*	*7.1%*	*7.0%*
Tanakan®	*14.8*	*15.8*	*– 6.7%*	*– 6.6%*	*41.4*	*43.6*	*– 4.9%*	*– 6.0%*
Fortrans®/Eziclen®	*8.7*	*7.8*	*11.3%*	*12.3%*	*32.1*	*26.8*	*19.8%*	*16.5%*
Etiasa®	*3.1*	*11.5*	*– 72.7%*	*– 70.8%*	*17.8*	*29.3*	*– 39.3%*	*– 37.2%*
Other Consumer Healthcare	17.6	13.5	31.0%	28.9%	67.8	61.5	10.2%	9.8%
Consumer Healthcare	**88.0**	**90.4**	**– 2.6%**	**– 1.6%**	**316.8**	**311.6**	**1.7%**	**1.4%**
Group Sales	**519.2**	**430.2**	**20.7%**	**23.6%**	**1 908.7**	**1 584.6**	**20.5%**	**21.1%**

(1) New sales reporting according to main therapeutic indication of each product.

Full year 2017 sales highlights

Group sales reached €1,908.7 million, up 21.1%, driven by the 25.9% growth of Specialty Care sales and 1.4% growth of Consumer Healthcare sales.

Specialty Care sales amounted to €1,591.9 million, up 25.9%. Oncology and Neurosciences sales grew by 32.4% and 14.8%, respectively, while Rare Diseases sales decreased by 7.1%. Over the period, the relative weight of Specialty Care continued to increase to reach 83.4% of Group sales, compared to 80.3% in 2016.

In **Oncology,** sales reached €1,185.2 million, up 32.4% year-on-year, driven by the launches of Onivyde® and Cabometyx® as well as the continued strong performance of Somatuline®. Over the period, Oncology sales represented 62.1% of total Group sales, compared to 57.1% in 2016.

Somatuline® –Sales reached €702.5 million, up 31.9% year-on-year, driven by strong volume growth in North America as well as strong performance in most European countries, notably in the UK, Germany and France. The U.S. represented 46.7% of total Somatuline® sales in 2017, with a 62.1% growth rate over 2016.

Decapeptyl® – Sales totaled €348.7 million, up 3.6% year-on-year, positively impacted by good volume growth across Europe, notably in France and Spain, and in Algeria, as well as a good sales trend in China despite some continued pricing pressure.

Cabometyx® – Sales reached €51.7 million, driven by good performance in Germany and France which accounted for the majority of sales, as well as volume growth in the Netherlands and in the UK. In the fourth quarter 2017, sales were up 44.4% versus the third quarter 2017.

Onivyde® – Sales amounted to €56.9 million, representing three quarters of sales in the U.S. following the completion of the acquisition from Merrimack in April 2017. In the fourth quarter 2017, sales were up 10.8% versus the third quarter 2017.

In **Neurosciences,** sales of ***Dysport®*** reached €328.2 million, up 14.5%, driven by the good performance of Galderma in North America, as well as strong growth in the Middle East and some Eastern European countries. In addition, the Good Manufacturing Practices (GMP) certificate was reissued in Brazil in January 2018. Over the period, Neurosciences sales represented 17.4% of total Group sales, compared to 18.1% in 2016.

In **Rare Diseases**, sales of ***NutropinAq®*** reached €51.8 million, down 9.9% year-on-year, impacted by lower volumes across Europe, especially in Germany and France. Sales of ***Increlex®*** reached €22.9 million, slightly down 1.9% year-on-year, impacted by lower prices in Poland. Over the period, Rare Diseases sales represented 3.9 % of total Group sales, compared to 5.1% in 2016.

Consumer Healthcare sales reached €316.8 million, up 1.4% year-on-year or up 3.2% adjusted for the impact of the Etiasa® contractual setup in China, driven by the good performance of Smecta® and Fortrans/Eziclen® as well as the contribution of the newly acquired OTC products (including Prontalgine® and Buscopan®). Over the period, Consumer Healthcare sales represented 16.6% of total Group sales, compared to 19.7% in 2016.

Smecta® – Sales reached €115.5 million, up 4.1% year-on-year, driven by a good volume trend in China reflecting the commercial efforts deployed to support the implementation of the OTx strategy, (partly offset by the destocking impact during the 3rd quarter of 2017) and by the Diosmectal® launch in Italy and the Smebiocta® launch in France and Eastern Europe.

Forlax® – Sales reached €42.1 million, up 7.0% year-on-year, driven by growing sales to partners.

Tanakan® – Sales reached €41.4 million, down 6.0% year-on-year, mainly impacted by a continued market slowdown in France, while performance in Russia remains in line with 2016.

Fortrans®/Eziclen® – Sales reached €32.1 million, up 16.5% year-on-year, due to the good performance in China and Europe and by a favorable basis of comparison due to shortage issues in the first half of 2016.

Etiasa® – Sales reached €17.8 million, down 37.2% year-on-year, impacted by the new contractual set-up in China which started to take effect in the third quarter of 2017, and by a negative inventory impact.

Other Consumer Healthcare – Sales reached €67.8 million, up 9.8% year-on-year, supported by the new acquired products Prontalgine® and Buscopan® slightly offset by some pressure on Nisis®/Nisisco® after the January 2017 price cut.

Sales by geographical area

Group sales by geographical area in the fourth quarter and full year 2017 and 2016:

(in million euros)	4th Quarter				Full Year			
	2017	2016	% Variation	% Variation at constant currency	2017	2016	% Variation	% Variation at constant currency
France	64.9	61.5	5.6%	5.6%	247.7	225.5	9.8%	9.8%
Germany	43.3	31.6	37.1%	36.5%	152.1	123.2	23.5%	23.5%
Italy	22.5	18.8	19.8%	19.8%	90.7	81.2	11.8%	11.8%
United Kingdom	22.3	18.2	22.6%	24.6%	80.3	72.8	10.2%	17.9%
Spain	20.5	18.5	10.6%	10.6%	73.6	69.2	6.4%	6.4%
Major Western European countries	**173.6**	**148.6**	**16.8%**	**17.0%**	**644.4**	**571.9**	**12.7%**	**13.7%**
Eastern Europe	53.9	50.6	6.4%	4.7%	196.4	176.2	11.5%	6.3%
Others Europe	54.7	47.1	16.0%	16.7%	199.0	173.0	15.0%	15.7%
Other European Countries	**108.5**	**97.7**	**11.0%**	**10.6%**	**395.3**	**349.2**	**13.2%**	**10.9%**
North America	**127.7**	**83.3**	**53.3%**	**64.6%**	**467.0**	**273.0**	**71.1%**	**74.5%**
Asia	55.5	62.8	– 11.7%	– 6.9%	205.7	218.8	– 6.0%	– 3.3%
Other countries in the Rest of the world	54.0	37.7	43.0%	45.5%	196.3	171.7	14.3%	12.5%
Rest of the World	**109.4**	**100.5**	**8.8%**	**12.5%**	**401.9**	**390.5**	**2.9%**	**3.7%**
Group Sales	**519.2**	**430.2**	**20.7%**	**23.6%**	**1 908.7**	**1 584.6**	**20.5%**	**21.1%**

Sales in **Major Western European countries** reached €644.4 million, up 13.7% year-on-year. This represents 33.8% of total Group sales, compared to 36.1% in 2016.

France – Sales reached €247.7 million, up 9.8% year-on-year, driven by the Cabometyx® launch contribution, the sustained growth of Somatuline®, the positive sales trend of Decapeptyl® and the contribution of Prontalgine®.

Germany – Sales reached €152.1 million, up 23.5% year-on-year, driven by the Cabometyx® launch contribution and the strong growth of Somatuline®.

Italy – Sales reached €90.7 million, up 11.8% year-on-year, mainly driven by the launch of Diosmectal® in Italy following the acquisition of Akkadeas Pharma in January 2017 and the good performance of Somatuline®.

United Kingdom – Sales reached €80.3 million, up 17.9% year-on-year, driven by the strong performance of Somatuline® and the first sales contribution of Cabometyx®.

Spain – Sales reached €73.6 million, up 6.4% year-on-year, driven by the good performance of Somatuline® and Decapeptyl®, as well as the first sales of Cabometyx®.

Sales in **Other European countries** reached €395.3 million up 10.9% year-on-year, supported by the strong growth of Dysport®, the launch of Cabometyx® in certain countries, Onivyde® sales to Ipsen's partner, 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 22.0% in 2016.

Sales generated in **North America** reached €467.0 million, up 74.5% year-on-year, driven by the continued strong growth of Somatuline®, partially attributed to new contracts, as well as the Onivyde® launch contribution and the good performance of Dysport® in therapeutic and by Galderma in the aesthetics market. Over the period, sales in North America represented 24.5% of total Group sales, compared to 17.2% in 2016.

Sales in the **Rest of the World** reached €401.9 million, up 3.7% year-on-year, driven by the resupply of Dysport® in Brazil in 2017, the good performance of Dysport® in Australia, and the growth of Somatuline® in certain countries. These variances were partly offset by the Etiasa® performance in China (mainly impacted by the new contractual set-up and a negative inventory impact). Over the period, sales in the Rest of the World represented 21.0% of total Group sales, compared to 24.6% in 2016.

Comparison of Core consolidated income statement for 2017 and 2016

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".

	31 December 2017		31 December 2016 Restated [(1)]		% variation
	(in millions of euros)	% of sales	(in millions of euros)	% of sales	
Sales	**1,908.7**	**100%**	**1,584.6**	**100%**	**20.5%**
Other revenues	103.0	5.4%	86.5	5.5%	19.1%
Revenue	**2,011.8**	**105.4%**	**1,671.1**	**105.5%**	**20.4%**
Cost of goods sold	(385.6)	– 20.2%	(351.1)	– 22.2%	9.8%
Selling expenses	(715.9)	– 37.5%	(592.0)	– 37.4%	20.9%
Research and development expenses	(265.8)	– 13.9%	(231.3)	– 14.6%	14.9%
General and administrative expenses	(140.8)	– 7.4%	(125.6)	– 7.9%	12.1%
Other core operating income	0.4	0.0%	0.9	0.1%	– 57.4%
Other core operating expenses	(0.5)	0.0%	(8.0)	– 0.5%	– 93.9%
Core Operating Income	**503.6**	**26.4%**	**363.9**	**23.0%**	**38.4%**
Net financing costs	(8.1)	– 0.4%	(5.0)	– 0.3%	62.8%
Other financial income and expense	(18.4)	– 1.0%	(9.3)	– 0.6%	98.6%
Core income taxes	**(115.7)**	**– 6.1%**	**(88.0)**	**– 5.6%**	**31.5%**
Share of net profit (loss) from entities accounted for using the equity method	1.4	0.1%	1.9	0.1%	– 26.5%
Core consolidated net profit	**362.7**	**19.0%**	**263.6**	**16.6%**	**37.6%**
– Attributable to shareholders of Ipsen S.A.	362.1	19.0%	262.9	16.6%	37.7%
– Attributable to non-controlling interests	0.6	0.0%	0.6	0.0%	0.1%
Core EPS fully diluted – attributable to Ipsen S.A. shareholders (in € per share)	*4.36*		*3.18*		37.0%

(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 31 December 2016 is presented in Appendix 2.

Reconciliation from Core consolidated net profit to IFRS consolidated net profit

(in millions of euros)	31 December 2017	31 December 2016 Restated [(1)]
Core consolidated net profit	**362.7**	**263.6**
Amortization of intangible assets (excl. softwares)	(37.6)	(5.1)
Other operating income or expenses	(33.6)	(4.4)
Restructuring	(13.0)	(1.1)
Impairment losses	12.8	(32.1)
Other	(18.5)	5.7
IFRS consolidated net profit	**272.9**	**226.6**
IFRS EPS fully diluted – attributable to Ipsen S.A. shareholders (in € per share)	*3.28*	*2.73*

(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 31 December 2016 is presented in Appendix 2.

Sales

In 2017, the Group's consolidated sales came to €1,908.7 million, up 20.5% year-on-year and up 21.1% excluding the impact of foreign exchange.

Other revenues

Other revenues for the financial year 2017 totaled €103.0 million, up 19.1% versus €86.5 million in 2016.

The evolution was attributable to higher royalties received from Group partners, mainly Galderma for Dysport®, Menarini for Adenuric® and Shire for Onivyde®. Other revenues were also positively impacted in 2017 by the new contractual set-up for Etiasa® in China.

Cost of goods sold

In 2017, Cost of goods sold amounted to €385.6 million, representing 20.2% of sales compared to €351.1 million, or 22.2% of sales in 2016.

The growth in Specialty Care sales drove a favorable product mix that improved the cost of goods sold as a percentage of sales.

Royalties paid to partners increased due to Group sales growth.

Selling expenses

In 2017, Selling expenses came to €715.9 million, representing 37.5% of sales, up 20.9% versus 2016. The increase reflects the commercial efforts deployed to support the Cabometyx® launch in Europe, the growth of Somatuline® in the United States as well as the commercial investment for Onivyde® in the United States following the closing of the acquisition in April 2017.

Research and development expenses

For the financial year 2017, Research and development expenses totaled €265.8 million, compared to €231.3 million in 2016.

The Group increased development costs in Oncology, especially for Cabometyx®, Onivyde®, the peptide receptor radionuclide therapy program, and in Neurosciences, mainly for the short acting toxin program and the development of new indications for Dysport®. In the meantime, the Group discontinued internal investments in peptide discovery during the year.

General and administrative expenses

In 2017, General and administrative expenses came to €140.8 million, compared to €125.6 million in 2016. The increase resulted primarily from investments to support the Onivyde® launch in the United States and Ipsen's overall growth as well as the impact of the Group's positive performance on variable compensation.

Other core operating income and expenses

At year end 2017, Other core operating income was in line with last year.

In 2017, Other core operating expenses totaled €0.5 million, versus €8.0 million in 2016. This evolution is mainly due to the impact of the currency hedging policy.

Core Operating Income

Core Operating Income in 2017 came to €503.6 million, representing 26.4% of sales, compared to €363.9 million in Core Operating Income in 2016, representing 23.0% of sales. The strong performance of Specialty Care including the contribution from new products Cabometyx® and Onivyde®, the continued performance of Somatuline®, combined with higher commercial and R&D investments enabled the Group to increase its profitability by 3.4 points. Core Operating Income increased by 38.4% compared to 2016.

Net financing costs and Other financial income and expense

In 2017, the Group incurred net financial expenses of €26.6 million, versus €14.3 million in 2016. Net financing costs amounted to €8.1 million versus €5.0 million in 2016, driven by the full year impact of interest expenses on the bond issued in 2016 and by financing costs related to the debt raised for the acquisitions completed during 2017.

In 2017, Other financial income and expense amounted to an expense of €18.4 million, compared to €9.3 million in 2016, mainly attributable to the cost of hedging implemented to mitigate the foreign exchange risk of the Group.

Core income taxes

In 2017, Core income tax expense of €115.7 million resulted from a core effective tax rate of 24.3% on profit before tax compared to a core effective rate of 25.2% in 2016.

Core consolidated net profit

For the year ended 31 December 2017, Core consolidated net profit increased by 37.6% to €362.7 million, with €362.1 million fully attributable to Ipsen S.A. shareholders. This compares to Core consolidated net profit of €263.6 million, with €262.9 million attributable to Ipsen S.A. shareholders, in 2016.

Core Earning per share

In 2017, Core EPS fully diluted came to €4.36, up 37.0% versus €3.18 per share in 2016.

From Core financial measures to IFRS reported figures

Reconciliations between IFRS 2016 / 2017 results and the Core financial measures are presented in Appendix 5.

In 2017, 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 2017 amounted to €53.3 million before tax, compared to €7.7 million before tax in 2016, mainly due to the amortization of intangible assets from Cabometyx®, Onivyde® and assets acquired from Sanofi.

Other operating income and expenses and Restructuring costs

Other non-core operating income and expenses for 2017 amounted to €48.9 million before tax and Restructuring costs came to €18.8 million before tax.

Those expenses consisted mainly of integration costs related to the Onivyde® acquisition, the adaptation of the R&D structure and programs, a settlement with a partner in Japan and a reorganization plan in Europe.

In 2016, Other non-core operating expenses totaled €6.8 million before tax and consisted mainly of costs from the change in the Group's corporate governance and costs from the move to the new research and development site in Oxford, UK. Restructuring costs were €1.9 million before tax in 2016.

Impairment losses

In 2017, a net reversal of impairment of €14.8 million before tax was recognized at Group level mainly related to:

- the reversal of the IGF-1 / Increlex® impairment for €50.4 million following the completion of the transfer to the new manufacturing site, approved by both the EMA (European Medicines Agency) and the FDA (Food and Drug Administration), securing the production of Increlex®;
- the impairment of Prontalgine® for €33.9 million following the consequence of the decree announced by the French Ministry of Health on 12 July 2017, listing all medicines containing codeine, dextromethorphan, ethylmorphine or noscapine on the list of medicines available on prescription.

In 2016, Ipsen recorded a €42.9 million impairment charge before tax on several intangible assets (OctreoPharm, MCNA from Telesta Therapeutics and Canbex Therapeutics).

Other

EIn 2017, Other items amounted to an expense of €18.5 million and were mainly related to the negative impact of the newly signed U.S. tax reform on U.S. tax losses carried forward offset by the recognition of previously unrecognized deferred tax assets in the U.S. as well as to discontinued operations.

In 2016, Other items amounted to an income of €5.7 million, mainly comprised of €5.3 million in dividends from Rhythm Holding, €2.4 million in dividends from the InnoBio fund as well as the Spirogen earn-out payment.

As a consequence, IFRS reported indicators are:

Operating income

In 2017, Operating income totaled €397.2 million versus €304.7 million in 2016, with an Operating margin at 20.8%, up 1.6 points compared to 2016.

Consolidated net profit

Consolidated net profit was €272.9 million at 31 December 2017, an increase of 20.5% versus last year at €226.6 million.

Earning per share

Fully diluted EPS was €3.28 in 2017 versus €2.73 in 2016.

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 segment performance and to allocate resources.

Sales, Revenue and Core Operating Income are presented by therapeutic area for the 2017 and 2016 financial years in the following table.

(in millions of euros)	31 December 2017	31 December 2016	Change	%
Specialty Care				
Sales	1,591.9	1,273.0	319.0	25.1%
Revenue	1,643.1	1,308.0	335.1	25.6%
Core Operating Income	570.6	415.0	155.6	37.5%
% of sales	*35.8%*	*32.6%*		
Consumer Healthcare				
Sales	316.8	311.6	5.2	1.7%
Revenue	368.7	363.1	5.5	1.5%
Core Operating Income	91.8	99.6	(7.9)	– 7.9%
% of sales	*29.0%*	*32.0%*		
Total Unallocated				
Core Operating Income	(158.8)	(150.7)	(8.1)	5.4%
Group total				
Sales	1,908.7	1,584.6	324.1	20.5%
Revenue	2,011.8	1,671.1	340.7	20.4%
Core Operating Income	503.6	363.9	139.7	38.4%
% of sales	*26.4%*	*23.0%*		

In 2017, **Specialty Care** sales grew to €1,591.9 million, up 25.1% over 2016 (or 25.9% at constant exchange rates), reaching 83.4% of total consolidated sales at 31 December 2017, versus 80.3% a year earlier. In 2017, Core Operating Income for Specialty Care amounted to €570.6 million, representing 35.8% of sales. This compares to €415.0 million in the prior-year period, representing 32.6% of sales. The improvement reflects the continued growth of Somatuline® in the United States and Europe and the contribution of Cabometyx® and Onivyde®, along with increased commercial investments to support growth and the commercial launches.

In 2017, **Consumer Healthcare** sales came to €316.8 million, up 1.7% year on year (or 1.4% at constant exchange rates), driven by the good performance of Smecta® and Fortrans/Eziclen® and despite the new contractual set-up in China for Etiasa®. In 2017, **Core Operating Income** for Consumer Healthcare amounted €91.8 million, representing 29.0% of sales in comparison of 32.0% in 2016. This variance reflects the commercial efforts deployed to support the implementation of the OTx strategy as well as an increase in medical study expenses.

In 2017, **Unallocated Core Operating Income** came to a negative €158.8 million, compared to a negative €150.7 million in the year-earlier period. The evolution is mainly attributable to the Group's positive performance on higher variable compensation and investments to support Ipsen's growth. These expenses consisted mainly of unallocated corporate expenses and the impact from the currency hedging policy.

Net cash flow and financing

In 2017, the Group had a net cash decrease of €531.9 million after the acquisition of the Onivyde® assets, the OTC product portfolio from Sanofi and the equity stake in Akkadeas Pharma, bringing closing net debt to €463.3 million.

Analysis of the consolidated net cash flow statement

(in millions of euros)	31 December 2017	31 December 2016
Opening net cash / (debt)	**68.6**	**186.9**
Core Operating Income	**503.6**	**363.9**
Non-cash items	18.1	15.6
Change in operating working capital requirement	(45.2)	(2.8)
(Increases) decreases in other working capital requirement	40.1	12.1
Net capex (excluding milestones paid)	(94.7)	(84.0)
Dividends received from entities accounted for using the equity method	0.9	2.3
Operating Cash Flow	**422.8**	**307.1**
Other operating income and expenses and restructuring costs (cash)	(53.4)	(20.8)
Financial income (cash)	(16.8)	(3.1)
Current income tax (P&L, excluding provisions for tax contingencies)	(53.0)	(65.5)
Other operating cash flow	9.4	11.1
Free Cash Flow	**309.0**	**228.8**
Dividends paid	(70.6)	(70.3)
Net investments (business development and milestones)	(789.2)	(252.9)
Share buyback	(18.1)	(24.0)
FX on net indebtedness	33.8	–
Other (discontinued operations and financial instrument)	3.3	0.1
Shareholders return and external growth operations	**(840.9)**	**(347.2)**
CHANGE IN NET CASH / (DEBT)	**(531.9)**	**(118.4)**
Closing net cash / (debt)	**(463.3)**	**68.6**

Operating cash flow

In 2017, Operating Cash Flow totaled €422.8 million, up €115.7 million (37.7%) versus 2016. The increase was driven by higher Core Operating Income, partially offset by an increase in working capital requirement (WCR) and net capital expenditure (excluding milestones paid).

Working capital requirement for operating activities increased by €45.2 million in 2017, compared with an increase of €2.8 million in 2016. The change at 31 December 2017 stemmed mainly from the following:

- a €38.2 million increase in inventories during the year, in step with business growth and recent acquisitions;
- a €84.6 million increase in trade receivables, in line with sales growth over the last quarter, compared with a €42.7 million increase in trade receivables in 2016;
- a €77.6 million increase in trade payables at 31 December 2017, in correlation with the phasing of operating expenses mainly to support the growth of the business. At 31 December 2016, trade payables rose by €47.6 million.

In 2017, other WCR need decreased by €40.1 million, mainly driven by the positive seasonality on working capital components at the end of the year notably due to the provision for higher variable compensation. Other WCR decreased by €12.1 million in 2016.

Net capital expenditure amounted to €94.7 million at 31 December 2017, compared with €84.0 million in 2016. These investments included mainly capital 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.

Free cash flow

In 2017, Free Cash Flow came to €309.0 million, up €80.2 million (+35.0%) versus 31 December 2016. This evolution is mainly driven by an improvement in Operating Cash Flow, partially compensated by higher Other operating income or expenses and restructuring costs, and increased Financial expenses.

Other non-core operating income and expenses and restructuring costs of €53.4 million included Onivyde® integration costs, the adaptation of the R&D structure and programs, a settlement with a partner in Japan and costs arising from the change in corporate governance. At the end of December 2016, €20.8 million of such payments were primarily comprised of costs arising from the change in corporate governance, as well as payments for earlier restructuring plans that were staggered over several fiscal periods.

The €16.8 million in financial expenses paid at the end of December 2017 resulted from a full year of interest on the bond issued in June 2016, financing costs related to the debt raised for acquisitions completed during this year and hedging costs. In comparison, the €3.1 million in financial income paid at the end of December 2016 resulted mainly from the collection of dividends, an earnout payment related to the sale of Spirogen shares and realized foreign exchange gains.

The change in current income tax stemmed mainly from the reimbursement of the 3% tax on dividends partially compensated by the temporary surtax in France.

■ Shareholders return and external growth operations

At 31 December 2017, the dividend payout to Ipsen S.A. shareholders amounted to €70.2 million.

Net investments at 31 December 2017 amounted to €789 million, including the acquisition of Onivyde® from Merrimack Pharmaceuticals on April 3, 2017 for €665 million, corresponding to the purchase price and future earn-outs (discounted and probabilized under IFRS), the acquisition of Consumer Healthcare products in European territories from Sanofi for €86 million, and the equity stake in Akkadeas Pharma for €5 million, as well as additional milestones paid to Exelixis for €26 million following the exclusive license agreement signed in 2016 and to Lexicon for €10 million. This was partially offset by milestone payment received from Radius and from Galderma for the territory extension in Asia for a total of €15 million.

At 31 December 2016, net financial investments mainly encompassed a €184 million upfront payment to Exelixis for the exclusive licensing agreement for Cabometyx® and a €5 million upfront payment to 3B Pharmaceuticals GmbH, partially offset by regulatory milestone payments received from Acadia and Radius (€10 million) and by scheduled payments related to the agreement signed with Galderma in December 2015 for Asia-Pacific markets (collection of net €6 million).

Reconciliation of cash and cash equivalents and net cash

(in millions of euros)	31 December 2017	31 December 2016
Current financial assets (derivative instruments on financial operations)	**1.4**	**–**
Closing cash and cash equivalents	**209.3**	**422.5**
Bonds	(297.5)	(297.1)
Other financial liabilities (**)	(102.8)	(17.8)
Non-current financial liabilities	**(400.3)**	**(314.8)**
Credit lines and bank loans	(46.0)	(4.0)
Current financial liabilities (**)	(227.6)	(35.1)
Current financial liabilities	**(273.6)**	**(39.1)**
Debt	**(673.9)**	**(353.9)**
Net cash / (debt) (*)	**(463.3)**	**68.6**

(*) 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 €20.4 million in derivative instruments related to commercial operations in 2017, compared with €18.2 million in 2016.

■ Analysis of Group cash

On 16 June 2016, Ipsen S.A. issued 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. At 31 December 2017, none of the bank loans were drawn down.

On 6 June 2017, Ipsen S.A. amended its syndicated loan to increase the facility amount from €300 million to €600 million and to extend its maturity until 17 October 2022. At 31 December 2017, €42 million were drawn on this facility.

On 27 June 2017, Ipsen S.A. increased its program of “NEU CP - Negotiable EUropean” Commercial Paper, from €300 million to €600 million, among which €202 million were issued on 31 December 2017.

Appendices

Appendix 1 – Consolidated income statement

(in millions of euros)	31 December 2017	31 December 2016 Restated
Sales	**1,908.7**	**1,584.6**
Other revenues	103.0	86.5
Revenue	**2,011.8**	**1,671.1**
Cost of goods sold (1)	(385.6)	(351.1)
Selling expenses (1)	(715.9)	(592.0)
Research and development expenses (1)	(265.8)	(231.3)
General and administrative expenses (1)	(140.8)	(125.6)
Other operating income	3.1	6.9
Other operating expenses	(105.5)	(28.6)
Restructuring costs	(18.8)	(1.9)
Impairment losses	14.8	(42.9)
Operating Income	**397.2**	**304.7**
Investment income	1.1	0.9
Financing costs	(9.2)	(5.8)
Net financing costs	**(8.1)**	**(5.0)**
Other financial income and expense	(18.4)	(1.6)
Income taxes	(101.4)	(73.5)
Share of net profit (loss) from entities accounted for using the equity method	1.4	1.9
Net profit (loss) from continuing operations	**270.7**	**226.5**
Net profit (loss) from discontinued operations	2.3	0.1
Consolidated net profit (loss)	**272.9**	**226.6**
– Attributable to shareholders of Ipsen S.A.	272.3	225.9
– Attributable to non-controlling interests	0.6	0.6
Basic earnings per share, continuing operations (in euros)	*3.27*	*2.74*
Diluted earnings per share, continuing operations (in euros)	*3.25*	*2.73*
Basic earnings per share, discontinued operations (in euros)	*0.03*	*0*
Diluted earnings per share, discontinued operations (in euros)	*0.03*	*0*
Basic earnings per share (in euros)	*3.3*	*2.74*
Diluted earnings per share (in euros)	*3.28*	*2.73*

(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 31 December 2016 is presented in Appendix 2.

Appendix 2 – Reconciliation of the income statement reported at 31 December 2016 published in 2016 and the restated income statement at 31 December 2016 published in 2017

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 €26.7 million euros in 2016, 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.

On 31 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 31 December 2016 is presented in the following table:

(in millions of euros)	31 December 2016 Restated	Presentation restatement	31 December 2016 Published
Sales	**1,584.6**		**1,584.6**
Other revenues	86.5		86.5
Revenue	**1,671.1**		**1,671.1**
Cost of goods sold	(351.1)	2.1	(353.3)
Selling expenses	(592.0)	16.4	(608.4)
Research and development expenses	(231.3)	(22.3)	(208.9)
General and administrative expenses	(125.6)	3.8	(129.4)
Other operating income	6.9		6.9
Other operating expenses	(28.6)		(28.6)
Restructuring costs	(1.9)		(1.9)
Impairment losses	(42.9)		(42.9)
Operating Income	**304.7**	-	**304.7**
Investment income	0.9		0.9
Financing costs	(5.8)		(5.8)
Net financing costs	**(5.0)**		**(5.0)**
Other financial income and expense	(1.6)		(1.6)
Income taxes	(73.5)		(73.5)
Share of net profit (loss) from entities accounted for using the equity method	1.9		1.9
Net profit (loss) from continuing operations	**226.5**	-	**226.5**
Net profit (loss) from discontinued operations	0.1		0.1
Consolidated net profit (loss)	**226.6**	-	**226.6**
– Attributable to shareholders of Ipsen S.A.	225.9		225.9
– Attributable to non-controlling interests	0.6		0.6

Basic earnings per share, continuing operations (in euros)	*2.74*		*2.74*
Diluted earnings per share, continuing operations (in euros)	*2.73*		*2.73*
Basic earnings per share, discontinued operations (in euros)	*0.00*		*0.00*
Diluted earnings per share, discontinued operations (in euros)	*0.00*		*0.00*
Basic earnings per share (in euros)	*2.74*		*2.74*
Diluted earnings per share (in euros)	*2.73*		*2.73*

Appendix 3 – Consolidated balance sheet before allocation of net profit

(in millions of euros)	31 December 2017	31 December 2016
ASSETS		
Goodwill	389.0	357.2
Other intangible assets	930.2	380.1
Property, plant & equipment	418.9	379.0
Equity investments	43.3	21.2
Investments in companies accounted for using the equity method	14.7	15.6
Non-current financial assets	112.7	0.2
Deferred tax assets	142.0	213.2
Other non-current assets	4.8	6.7
Total non-current assets	**2,055.6**	**1,373.1**
Inventories	167.4	113.3
Trade receivables	437.2	363.5
Current tax assets	58.0	66.3
Current financial assets	29.6	6.6
Other current assets	96.3	75.2
Cash and cash equivalents	228.0	425.5
Total current assets	**1,016.4**	**1,050.4**
TOTAL ASSETS	**3,072.0**	**2,423.5**
EQUITY AND LIABILITIES		
Share capital	83.7	83.6
Additional paid-in capital and consolidated reserves	1,171.7	998.5
Net profit (loss) for the period	272.3	225.9
Foreign exchange differences	(2.3)	50.9
Equity attributable to Ipsen S.A. shareholders	**1,525.4**	**1,358.9**
Equity attributable to non-controlling interests	10.5	3.3
Total shareholders' equity	**1,535.9**	**1,362.2**
Retirement benefit obligation	67.6	58.4
Non-current provisions	33.3	21.6
Non-current financial liabilities	400.3	314.8
Deferred tax liabilities	21.5	14.6
Other non-current liabilities	71.7	90.6
Total non-current liabilities	**594.3**	**500.0**
Current provisions	16.6	27.8
Current financial liabilities	294.7	58.6
Trade payables	319.1	241.5
Current tax liabilities	2.4	4.1
Other current liabilities	290.2	226.4
Bank overdrafts	18.7	3.0
Total current liabilities	**941.8**	**561.3**
TOTAL EQUITY & LIABILITIES	**3,072.0**	**2,423.5**

Appendix 4 – Cash flow statements

Appendix 4.1 – Consolidated statement of cash flow

(in millions of euros)	31 December 2017	31 December 2016
Consolidated net profit (loss)	**272.9**	**226.6**
Share of profit (loss) from entities accounted for using the equity method before impairment losses	(0.5)	0.4
Net profit (loss) before share from entities accounted for using the equity method	**272.4**	**227.0**
Non-cash and non-operating items		
– Depreciation, amortization, provisions	105.8	39.1
– Impairment losses included in operating income and net financial income	(14.8)	42.9
– Change in fair value of financial derivatives	(1.3)	9.7
– Net gains or losses on disposals of non-current assets	2.7	(2.3)
– Share of government grants released to profit and loss	(0.1)	(0.4)
– Foreign exchange differences	16.9	(13.7)
– Change in deferred taxes	48.3	8.1
– Share-based payment expense	10.1	5.6
– Other non-cash items	3.9	2.7
Cash flow from operating activities before changes in working capital requirement	***444.0***	***318.7***
– (Increase) / decrease in inventories	(38.2)	(7.7)
– (Increase) / decrease in trade receivables	(84.6)	(42.7)
– Increase / (decrease) in trade payables	77.6	47.6
– Net change in income tax liability	6.6	10.5
– Net change in other operating assets and liabilities	17.4	(8.6)
Change in working capital requirement related to operating activities	***(21.2)***	***(0.9)***
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**422.9**	**317.8**
Acquisition of property, plant & equipment	(84.9)	(81.2)
Acquisition of intangible assets	(155.9)	(291.1)
Proceeds from disposal of intangible assets and property, plant & equipment	0.4	3.6
Acquisition of shares in non-consolidated companies	(1.6)	(1.0)
Payments to post-employment benefit plans	(0.6)	(1.3)
Impact of changes in the consolidation scope	(549.5)	–
Deposits paid	(0.1)	1.8
Change in working capital related to investment activities	20.5	12.2
Other cash flow related to investment activities	(5.4)	(0.1)
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES	**(777.2)**	**(357.1)**
Additional long-term borrowings	1.5	327.9
Repayment of long-term borrowings	(3.3)	(3.9)
Net change in short-term borrowings	218.3	–
Capital increase	6.9	12.7
Treasury shares	(17.5)	(17.7)
Dividends paid by Ipsen S.A.	(70.2)	(70.0)
Dividends paid by subsidiaries to non-controlling interests	(0.4)	(0.4)
Change in working capital related to financing activities	(0.1)	3.4
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**135.2**	**252.0**
CHANGE IN CASH AND CASH EQUIVALENTS	**(219.1)**	**212.7**
Opening cash and cash equivalents	**422.5**	**214.0**
Impact of exchange rate fluctuations	5.9	(4.2)
Closing cash and cash equivalents	**209.3**	**422.5**

Appendix 4.2 – Consolidated net cash flow statement

(in millions of euros)	31 December 2017	31 December 2016
Opening net cash / (debt)	**68.6**	**186.9**
CORE OPERATING INCOME	**503.6**	**363.9**
Non-cash items	**18.1**	**15.6**
(Increase) /decrease in inventories	(38.2)	(7.7)
(Increase) / decrease in trade receivables	(84.6)	(42.7)
Increase / (decrease) in trade payables	77.6	47.6
Change in operating working capital requirement	**(45.2)**	**(2.8)**
Change in income tax liability	6.6	10.5
Change in other operating assets and liabilities (excluding milestones received)	33.5	1.6
Other changes in working capital requirement	**40.1**	**12.1**
Acquisition of property, plant & equipment	(84.9)	(81.2)
Acquisition of intangible assets (excluding milestones paid)	(19.2)	(13.3)
Disposal of fixed assets	0.4	3.6
Change in working capital related to investment activities	8.9	6.9
Net capex (excluding milestones paid)	**(94.7)**	**(84.0)**
Dividends received from entities accounted for using the equity method	**0.9**	**2.3**
Operating Cash Flow	**422.8**	**307.1**
Other operating income and expenses and restructuring costs (cash)	(53.4)	(20.8)
Financial income (cash)	(16.8)	(3.1)
Current income tax (P&L, excluding provisions for tax contingencies)	(53.0)	(65.5)
Other operating cash flow	9.4	11.1
Free Cash Flow	**309.0**	**228.8**
Dividends paid (including payout to non-controlling interests)	**(70.6)**	**(70.3)**
Acquisition of shares in non-consolidated companies	(1.6)	(1.0)
Acquisition of other financial assets	(5.4)	–
Impact of changes in consolidation scope [(a)]	(671.1)	–
Milestones paid [(b)]	(39.3)	(272.5)
Milestones received [(c)]	14.7	20.7
Other Business Development operations	(86.5)	–
Net investments (business development and milestones)	**(789.2)**	**(252.9)**
Share buybacks	**(18.1)**	**(24.0)**
FX on net indebtedness	33.8	–
Other (discontinued operations and financial instrument)	**3.3**	**0.1**
Shareholders return and external growth operations	**(840.9)**	**(347.2)**
CHANGE IN NET CASH / (DEBT)	**(531.9)**	**(118.4)**
Closing net cash / (debt)	**(463.3)**	**68.6**

(a) Impact of change in consolidation scope reflects the recent acquisition of Onivyde® assets from Merrimack Pharmaceuticals and the equity stake in Akkadeas Pharma.

(b) Milestones paid correspond to payments subject to the terms and conditions set out in the Group's partnership agreements. The €26 million milestone paid to Exelixis and the €10 million paid to Lexicon accounted for the majority of the milestones paid at 31 December 2017. 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).

(c) Milestones received are amounts collected by Ipsen from its partners. The €15 million milestone received at 31 December 2017 were comprised of €8 million paid by Radius and €7 million paid by Galderma. The amounts were recorded as deferred income in the consolidated balance sheet and then recognized in the income statement as "Other revenues". Milestones received were included in the "Net change in other operating assets and liabilities" line item in the consolidated statement of cash flow (see Appendix 4.1).

■ Appendix 5 – Bridges from IFRS consolidated net profit to Core consolidated net profit

(in millions of euros)	IFRS 31 December 2017	Amortization of intangible assets (excl. softwares)	Other operating income or expenses	Restructuring	Impairment losses	Other	CORE 31 December 2017
Sales	1,908.7						1,908.7
Other revenues	103.0						103.0
Revenue	**2,011.8**	**–**	**–**	**–**	**–**	**–**	**2,011.8**
Cost of goods sold	(385.6)						(385.6)
Selling expenses	(715.9)						(715.9)
Research and development expenses	(265.8)						(265.8)
General and administrative expenses	(140.8)						(140.8)
Other operating income	3.1		(2.7)				0.4
Other operating expenses	(105.5)	53.3	51.7				(0.5)
Restructuring costs	(18.8)			18.8			–
Impairment losses	14.8				(14.8)		–
Operating Income	**397.2**	**53.3**	**48.9**	**18.8**	**(14.8)**	**–**	**503.6**
Net financing costs	(8.1)						(8.1)
Other financial income and expense	(18.4)						(18.4)
Income taxes	**(101.4)**	**(15.7)**	**(15.4)**	**(5.9)**	**1.9**	**20.7**	**(115.7)**
Share of net profit (loss) from entities accounted for using the equity method	1.4						1.4
Net profit (loss) from continuing operations	270.7	37.6	33.6	13.0	(12.8)	20.7	362.7
Net profit (loss) from discontinued operations	2.3					(2.3)	–
Consolidated net profit	**272.9**	**37.6**	**33.6**	**13.0**	**(12.8)**	**18.5**	**362.7**
– Attributable to shareholders of Ipsen S.A.	272.3	37.6	33.6	13.0	(12.8)	18.5	362.1
– Attributable to non-controlling interests	0.6						0.6
Earnings per share fully diluted – attributable to Ipsen S.A. shareholders (in € per share)	*3.28*	*0.45*	*0.40*	*0.16*	(0.15)	0.22	4.36

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”.

(in millions of euros)	IFRS 31 December 2016 Restated	Amortization of intangible assets (excl. softwares)	Other operating income or expenses	Restructuring	Impairment losses	Other	CORE 31 December 2016 Restated
Sales	1,584.6						1,584.6
Other revenues	86.5						86.5
Revenue	**1,671.1**	**–**	**–**	**–**	**–**	**–**	**1,671.1**
Cost of goods sold (1)	(351.1)						(351.1)
Selling expenses (1)	(592.0)						(592.0)
Research and development expenses (1)	(231.3)						(231.3)
General and administrative expenses (1)	(125.6)						(125.6)
Other operating income	6.9		(6.1)				0.9
Other operating expenses	(28.6)	7.7	12.9				(8.0)
Restructuring costs	(1.9)			1.9			–
Impairment losses	(42.9)				42.9		–
Operating Income	**304.7**	**7.7**	**6.8**	**1.9**	**42.9**	**–**	**363.9**
Net financing costs	(5.0)	-	-	-	-	-	(5.0)
Other financial income and expense	(1.6)					(7.7)	(9.3)
Income taxes	(73.5)	(2.6)	(2.5)	(0.8)	(10.7)	2.1	(88.0)
Share of net profit (loss) from entities accounted for using the equity method	1.9						1.9
Net profit (loss) from continuing operations	**226.5**	**5.1**	**4.4**	**1.1**	**32.1**	**(5.6)**	**263.6**
Net profit (loss) from discontinued operations	0.1					(0.1)	-
Consolidated net profit	**226.6**	**5.1**	**4.4**	**1.1**	**32.1**	**(5.7)**	**263.6**
– Attributable to shareholders of Ipsen S.A.	225.9	5.1	4.4	1.1	32.1	(5.7)	262.9
– Attributable to non-controlling interests	0.6						0.6
Earnings per share fully diluted – attributable to Ipsen S.A. shareholders (in € per share)	*2.73*	*0.06*	*0.05*	*0.01*	0.39	(0.07)	3.18

(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 31 December 2016 is presented in Appendix 2.

Major developments during the second half of 2017

During second half 2017, major developments included [1]:

- **16 August 2017** – Ipsen announced that its partner Exelixis completed the submission of a supplemental New Drug Application (sNDA) to the U.S. Food and Drug Administration (FDA) for CABOMETYX® (cabozantinib) tablets as a treatment for patients with previously untreated advanced renal cell carcinoma (RCC).
- **8 September 2017** – Ipsen announced that the European Medicines Agency (EMA), the European regulatory authority, validated the application for variation to the Cabometyx® (cabozantinib) marketing authorization for the addition of a new indication in first-line treatment of advanced renal cell carcinoma.
- **10 September 2017** – Ipsen and its partner Exelixis announced updated results from the CABOSUN randomized Phase II trial of cabozantinib in patients with previously untreated advanced renal cell carcinoma (RCC) with intermediate- or poor-risk disease per the International Metastatic Renal Cell Carcinoma Database Consortium (IMDC).

(1) For major developments during first half of 2017, please refer to the press release of the half year 2017 financial results.

- **18 September 2017** – Ipsen announced that the U.S. Food and Drug Administration (FDA) has approved a supplemental indication for Somatuline® Depot (lanreotide) Injection 120 mg for the treatment of carcinoid syndrome.
- **19 September 2017** – Ipsen announced that the European Commission approved Xermelo (telotristat ethyl) 250 mg three times a day for the treatment of carcinoid syndrome diarrhea in combination with somatostatin analogue (SSA) therapy in adults inadequately controlled by SSA therapy.
- **16 October 2017** – Ipsen and its partner Exelixis announced that its global Phase III CELESTIAL trial met its primary endpoint of overall survival (OS), with cabozantinib providing a statistically significant and clinically meaningful improvement in median OS compared to placebo in patients with advanced hepatocellular carcinoma (HCC).
- **29 November 2017** – Ipsen announced publication in Neurology of results of two studies demonstrating the efficacy and safety of Dysport® (abobotulinumtoxinA) in adult patients with lower limb spasticity following a stroke or traumatic brain injury.

Year-to-date 2018, major developments included:

- **10 January 2018** – Ipsen announced the appointment of Dr Aidan Murphy as Executive Vice-President, Technical Operations, effective 1st January 2018.
- **12 January 2018** – Ipsen announced the appointment of Richard Paulson as Executive Vice-President and Chief Executive Officer of Ipsen North America, responsible for all commercial operations throughout the region.
- **16 January 2018** – Ipsen and Exelixis announced detailed results of the pivotal Phase III CELESTIAL trial in patients with previously treated advanced hepatocellular carcinoma (HCC).

Appendices

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.
- 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.

FINANCIAL RESULTS FOR THE LAST FIVE YEARS

	2013	2014	2015	2016	2017
Share capital at year-end (in millions of euros)					
– Share capital	84.2	82.9	83.2	83.6	83.7
– *Number of shares outstanding (in thousands)*	*84,242.7*	*82,869.1*	*83,245.6*	*83,557.9*	*83,732.1*
– *Number of outstanding preferred shares without voting rights*	–	–	–	–	–
– *Maximum number of shares to be created*	–	–	–	–	–
Transactions and results for the year (in millions of euros)					
– Net sales	10.2	16.1	21.1	18.2	20.1
– *Profits before income tax, employee profit-sharing, amortization, depreciation and provisions*	*57.1*	*113.3*	*164.0*	*(76.5)*	*(27.6)*
– Income tax – Gain (losses)	5.0	8.6	5.5	1.0	12.6
– *Employee profit-sharing for the year*	*(0.0)*	*(0.0)*	*0.0*	*0.0*	*0.0*
– *Earnings after income tax, employee profit-sharing, amortization, depreciation and provisions*	*62.1*	*114.2*	*191.4*	*(24.3)*	*(17.4)*
– Dividends paid out**	66.6	65.5	70.0	70.0	70.2
Earnings per share (in euros per share)					
– Earnings after income tax and employee profit-sharing, but before amortization, depreciation and provisions	1.0	1.0	2.0	(1.0)	0.0
– Earnings after income tax, employee profit-sharing, amortization, depreciation and provisions	1.0	1.0	2.0	0.0	0.0
– Dividend per share	0.80	0.80	0.85	0.85	0.85
Personnel (in millions of euros)					
– Average number of employees during the year*	17	16	17	15	11
– Total payroll for the year	10.1	16.6	25.1	22.9	20.7
– Total payroll on-costs for the year (social security, welfare, etc.)	4.2	6.2	8.2	8.4	7.6

(*) Including Management bodies.
(**) Dividends on treasury shares are posted to retained earnings.

IPSEN
Innovation for patient care

REQUEST FOR MATERIALS AND INFORMATION

Pursuant to Articles R.225-81 and R.225-83 of the French Commercial Code

Ipsen encourages its Shareholders to opt in favour of the sending of documents by email in order to reduce the quantity of printed materials.

Combined Shareholders' Meeting of 30 May 2018

I, the undersigned,

Ms. ☐ Mr. ☐

Last Name (or company name): ____

First Name: ____

Address: ____

Zip Code: |_|_|_|_|_| City: ______________________ Country: ____________

Email address: ____________________ @ ____________________

Owner of: ______________ registered shares

And/or ______________ bearer shares held by ______________________________
(Please attach a copy of the certificate of registration of the shares in the securities accounts of your financial intermediary)

☐ Hereby request to receive the materials and information set forth by Articles R.225-81 and R.225-83 of the French Commercial Code relating to the Combined Shareholders' Meeting of 30 May 2018.

☐ Hereby request to receive the materials and information set forth by Article R.225-83 of the French Commercial Code relating to the Combined Shareholders' Meeting of 30 May 2018, having already received those provided for by Article R.225-81 of the French Commercial Code together with my notice.

These documents and information are available on the Ipsen website (www.ipsen.com), in particular under the "Shareholders Meetings" section.

☐ By post

☐ By email (subject to your acceptance of the use of electronic means under the terms set out by law)

In: ______________________ Date: ______________ 2018

Signature

This request is to be sent to *Société Générale, Service des Assemblées*, CS 30812, 44308 Nantes Cedex 3, France or to the intermediary who manages your shares.

Information: In accordance with the provisions of Article R.225-88 of the French Commercial Code, registered shareholders may request through a single demand, that the documents and information set forth in Articles R.225-81 and R.225-83 of the French Commercial Code, be sent to them for any subsequent shareholders' meetings. In this case, mention must be made in this present request indicating specifications for sending documents (post or email) and, if applicable, the email address. In this regard, it is indicated that the sending by email could be used for all formalities provided for in Articles R.225-68 (convening notice), R.225-72, R.225-74, R.225-88 and R.236-3 of the French Commercial Code. Shareholders whose have agreed to the use of the email could request the return to the sending by post at least thirty five days before the date of the publication of the convening notice referred to in Article R.225-67 of the French Commercial Code, either by post or by electronic means.

IPSEN
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Innovation for patient care

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