Press release

Ipsen's 2014 results and 2015 financial objectives

- **Solid operating performance above expectations, with a core operating margin of 20.4%[1]**
- **Core diluted EPS of €2.22, up 20.3%**
- **Operating cash-flow of €246.2 million, up 30.7%**
- **Proposition to increase dividend to €0.85 per share**

Paris (France), 3 March 2015 – The Board of Directors of Ipsen (Euronext: IPN; ADR: IPSEY), chaired by Marc de Garidel, met on 2 March 2015 to review the Group's results for 2014, published today. The annual financial report, with regards to the regulated information, will be available on the Group's website, www.ipsen.com, Investor Relations section.

Extract from audited consolidated results for 2014 and 2013 restated[2] (in million euros)

	2014	***2013 restated[2]***	***% change***
Drug sales	1 259.0	1 191.3	+7.4%[3]
Sales	1 274.8	1 224.8	+5.7%[3]
Total revenues	1 332.4	1 281.8	+4.0%
Core operating profit	260.6	228.0	+14.3%
Core operating margin[1]	*20.4%*	*18.6%*	-
Operating profit	**221.4**	**210.5**	**+5.2%**
Operating margin	*17.4%*	*17.2%*	-
Consolidated net profit	**154.0**	**153.1**	***+0.6%***
Earnings per share – fully diluted (€)	1.87	1.83	*+2.2%*
Core consolidated net profit	182.6	153.7	+18.8%
Core EPS – fully diluted (€)	**2.22**	**1.84**	**+20.3%**
Weighted average number of shares:			
Outstanding	*82,093,561*	*83,029,957*	-
Fully diluted	*82,220,289*	*83,163,230*	-

Commenting on the full year 2014 performance, **Marc de Garidel, Chairman and Chief Executive Officer of Ipsen,** said: *"In 2014, Ipsen exhibits an improvement in all key performance indicators, with an acceleration of sales growth and a core operating margin above expectations, demonstrating continuous cost control. 2014 was marked by major regulatory milestones for the Group with the US approval of Somatuline® in GEP-NETs[4] and the*

[1] In % of sales
[2] For purposes of comparison between the two financial years, the 2013 income statement has been restated in accordance with IAS 19 revised (see appendix 5)
[3] Growth at constant currency
[4] GEP-NET: Gastroenteropancreatic neuroendocrine tumor

filing of Dysport® in adult upper limb spasticity. Finally, we expanded our neurotoxin research and marketing partnership with Galderma to now include the US territory". **Marc de Garidel** added: *"As a result of a good 2014 performance, we are pleased to propose a 6% dividend increase to the general shareholders' meeting. In 2015, we intend to continue to deliver sustained sales growth and maintain a good level of operating margin, despite the required investments to launch Somatuline® in GEP-NETs in various geographies and prepare for tasquinimod in prostate cancer, the phase 3 clinical results of which are expected in the second quarter of 2015".*

Comparison of 2014 performance with financial objectives announced for the period

	Financial objectives[1]	***Realized in 2014***
Specialty care sales	[+9% ; +10%][2]	+9.9%[2]
Primary care sales	[-1% ; +1%][2]	+0.5%[2]
Core operating marging	Around 20.0% of sales	20.4% of sales

Highlights of the full year 2014 sales

In 2014, Group drug sales increased 7.4% excluding foreign exchange impact or 5.7% at current exchange rate.

Consolidated Group sales reached €1,274.8 million in 2014, up 4.1% year-on-year and up 5.7% excluding foreign exchange impact.

Other revenues totaled €57.6 million, up 1.2% over the €57.0 million generated in 2013.

Total revenues reached €1,332.4 million, up 4.0% compared to 2013.

The cost of goods sold amounted to €310.0 million, representing 24.3% of sales, compared to €305.3 million representing 24.9% of sales for the same period in 2013. The higher cost of goods sold was mainly driven by the positive mix effect resulting from the 10% growth in specialty care sale volumes. The cost of goods sold, however, benefited from a change in the method of consolidation of the Swiss company Linnea. The costs borne by Linnea are now consolidated using the equity method[3].

Research and development expenses reached €186.9 million, representing 14.7% of sales, compared with 16.0% of sales a year earlier. The year-on-year decline stemmed from the favorable impact of research tax credits, with other research and development costs up slightly. The main research and development projects undertaken in 2014 concerned Dysport® in spasticity and glabellar lines indications with the liquid formulation (Dysport® Next Generation), tasquinimod's phase II proof of concept and phase III prostate cancer in China, Somatuline® and Dopastatin (endocrinology).

Selling expenses totaled €464.1 million, representing 36.4% of sales, up 4.8% versus 2013. The increase was driven by organic growth and recruitment by the US affiliate of an oncology sales force to launch Somatuline® Depot® (lanreotide) 120 mg Injection in the treatment of gastrointestinal and pancreatic neuroendocrine tumors (GEP NETs). The US Food and Drug Administration (FDA) approved the treatment on 16 December 2014. The rise in selling expenses was partially offset by the favorable tail-end impact from the primary care sales forces restructuring in France and the Dysport® sales force restructuring in the US, both carried out in 2013.

[1] 2014 revised financial objectives communicated on 29 October 2014
[2] Sales growth excluding foreign exchange impact, calculated by applying the average 2014 rates to the 31 December 2013 sales figures
[3] In accordance with the norm IFRS11 « Partnerships » applicable since 1st January 2014 on the accounting treatment of joint ventures

General and administrative expenses amounted to €111.2 million, up 7.2%.

Core operating income amounted to €260.6 million, representing 20.4% of sales. The accelerated implementation of the Group's strategy, in particular the transformation and the business unit organization, triggered strong sales performance and led to tightly managed costs, enabling the Group to improve its profitability by 1.8 percentage points in 2014.

Restructuring costs reached €21.9 million. They correspond mainly to costs incurred by the Group to accelerate the rollout of the transformation project, such as measures to adapt support functions, to continue the restructuring of R&D activities, and to restructure the specialty care business model, as well as the costs incurred from transferring the operations of US-based subsidiary Ipsen Bioscience Inc. from Milford to Cambridge. At 31 December 2013, restructuring costs totaled €0.2 million and were derived chiefly from the reversal of an accrual related to the primary care restructuring plan in France, offset by restructuring costs in the US.

An impairment loss of €8.0 million was recorded as a result of the write-down of a Syntaxin Ltd. intangible asset, which has no impact on ongoing studies. At 31 December 2013, the Group recognized an €11.6 million impairment loss on the Increlex® IGF-1 active ingredient following supply interruptions in the market and uncertainty over the date of resupply in the US. Ipsen also recognized a €1.0 million impairment loss following a decision by the Group not to exercise its right to develop a neurology program.

Net financing costs showed expense of €3.0 million, compared to income of €5.8 million a year earlier. The 2013 net income stemmed mainly from a financial gain on the repayment of Debtor-in-Possession (DIP)-type financing granted by Ipsen to Inspiration Biopharmaceuticals Inc. at the end of 2012, following the sale of its hemophilia assets to Baxter and Cangene.

Other financial expenses amounted to €12.0 million, a €2.8 million improvement over the prior year. The 2014 expense arose primarily from a negative €10.1 million foreign exchange impact resulting mainly from the sharp depreciation of the Russian ruble in the fourth quarter of the year. In 2013, other financial expenses stemmed primarily from a negative €11.2 million foreign exchange impact and €2.0 million in write-down on convertible bonds subscribed by the Group to develop a neurology program.

The effective tax rate amounted to 26.1% of pre-tax profit from continuing operations, compared with an effective rate of 29.4% a year earlier. The Group benefitted from the favorable outcome of a number of tax audits ended in 2014. Furthermore, the effective tax rate benefitted from a decline in non-deductible spending from 2013 to 2014.

Profit from continuing operations came to €154.5 million, up 8.6% from €142.2 million at 31 December 2013.

Net loss from discontinued operations totaled €0.5 million. It included the rebilling of production costs for OBI-1 clinical samples to Baxter. At 31 December 2013, net profit from discontinued operations totaled €10.9 million. That result stemmed primarily from the rebilling of production costs for OBI-1 clinical samples to Baxter, prior to the effective transfer of the production site and personnel, as well as from the negotiated repayment of advisory fees paid by Ipsen during the joint asset-sale process with Inspiration Biopharmaceuticals Inc., and the tax impact related to the compensation paid by the Group to the US subsidiary that sold the assets.

Consolidated net profit came to €154.0 million (€153.5 million attributable to Ipsen S.A. shareholders), relatively flat against €153.1 million (€152.5 million attributable to Ipsen S.A shareholders) at 31 December 2013.

Core net profit amounted to 182.6 million euros, sharply up compared to the 153.7 million euros recorded at 31 December 2013.

Net cash flow from operating activities amounted to 246.2 million euros, up 64.8 million euros year-on-year. At 31 December 2014, **closing cash and cash equivalents** reached 180.1 million euros, compared to cash and cash equivalents of 125.4 million euros in 2013.

Dividend for the 2014 financial year proposed for the approval of Ipsen's shareholders

Ipsen S.A. Board of Directors, which met on 2 March 2015, has decided to propose at Ipsen's annual shareholders' meeting to be held on 27 May 2015 the payment of a dividend of €0.85 per share, up €0.05 year-on-year, representing a pay-out ratio of approximately 45% of consolidated net profit (attributable to the Group's shareholders), compared to a pay-out ratio of approximately 44% for the 2013 financial year.

Update on European regulatory review for Somatuline® Autogel® in gastroenteropancreatic neuroendocrine tumors (GEP NETs)

After the approval granted by the U.S. Food and Drug Administration (FDA) in December 2014, the EU procedure recommended granting a new indication for the treatment of gastroenteropancreatic neuroendocrine tumors (GEP NETs) for Somatuline® Autogel® (lanreotide) 120mg Injection in 25 countries of the European Union. The decision will be implemented by the competent authority in each of these countries. The first approval was granted in the UK on 27 February 2015.

2015 financial objectives

Based on information currently available, the Group has set the following financial targets for 2015:

- **Specialty Care** drug sales growth year-on-year **between 8.0% and 10.0%**;
- **Primary Care** drug sales decline year-on-year **between -3.0% and 0.0%**;
- **Core operating income between 19.0% and 20.0%** of sales, excluding any major further deterioration of the economic environment in Russia.

Sales objectives are set at constant currency and, from 2015 onwards, the drug-related sales (active substances and raw materials) will be recorded in the Primary Care sales line.

Press conference (in French)

Ipsen will host a press conference on Tuesday 3 March 2015 at 9:00 a.m. (Paris time, GMT +1) at Pavillon Kléber - 7 rue Cimarosa - 75116 Paris (France).

Meeting, webcast and Conference Call (in English) for the financial community

Ipsen will host an analyst meeting on Tuesday 3 March 2015 at 14:30 p.m. (Paris time, GMT+1) at its headquarters in Boulogne-Billancourt (France). A web conference (audio and video webcast) and conference call will take place simultaneously. The web conference will be available at www.ipsen.com. Participants in the conference call should dial in approximately 5 to 10 minutes prior to its start. No reservation is required to participate. The reference for the conference is ID 951405. No access code is required. Phone numbers to call in order to connect to the conference are: from France and continental Europe +33 (0)17 0993 209, from UK +44 (0)207 1312 711 and from the United States +1 646 461 1757. A recording will be available shortly after the call. Phone numbers to access the replay of the conference are: from France and continental Europe +33 (0)1 70 99 35 29, from UK +44 (0)20 7031 4064 and from the United States +1 954 334 0342 and access code is 951405. This replay will be available for one week following the meeting.

About Ipsen

Ipsen is a global specialty-driven pharmaceutical company with total sales exceeding €1.2 billion in 2014. Ipsen's ambition is to become a leader in specialty healthcare solutions for targeted debilitating diseases. Its development strategy is supported by 3 franchises: neurology, endocrinology and urology-oncology. Moreover, the Group has an active policy of partnerships. Ipsen's R&D is focused on its innovative and differentiated technological platforms, peptides and toxins. In 2014, R&D expenditure totaled close to €187 million, representing about 15% of Group sales. Moreover, Ipsen also has a significant presence in primary care. The Group has more than 4,500 employees worldwide. Ipsen's shares are traded on segment A of Euronext Paris (stock code: IPN, ISIN code: FR0010259150) and eligible to the "Service de Règlement Différé" ("SRD"). The Group is part of the SBF 120 index. Ipsen has implemented a Sponsored Level I American Depositary Receipt (ADR) program, which trade on the over-the-counter market in the United States under the symbol IPSEY. For more information on Ipsen, visit www.ipsen.com.

Forward Looking Statement

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

damage to the Group's activities and financial results. The Group cannot be certain that its partners will fulfil their obligations. It might be unable to obtain any benefit from those agreements. A default by any of the Group's partners could generate lower revenues than expected. Such situations could have a negative impact on the Group's business, financial position or performance. The Group expressly disclaims any obligation or undertaking to update or revise any forward looking statements, targets or estimates contained in this press release to reflect any change in events, conditions, assumptions or circumstances on which any such statements are based, unless so required by applicable law. The Group's business is subject to the risk factors outlined in its registration documents filed with the French Autorité des Marchés Financiers.

For further information:

Media

Didier Véron
Senior Vice-Président, Public Affairs
and Communication
Tel.: +33 (0)1 58 33 51 16
Fax: +33 (0)1 58 33 50 58
E-mail: didier.veron@ipsen.com

Brigitte Le Guennec
Corporate External Communication Manager
Tel.: +33 (0)1 58 33 51 17
Fax: +33 (0)1 58 33 50 58
E-mail : brigitte.le.guennec@ipsen.com

Financial Community

Stéphane Durant des Aulnois
Investor Relations Director
Tel.: +33 (0)1 58 33 60 09
Fax: +33 (0)1 58 33 50 63
E-mail: stephane.durant.des.aulnois@ipsen.com

Thomas Peny-Coblentz, CFA
Investor Relations Deputy Director
Tel.: +33 (0)1 58 33 56 36
Fax: +33 (0)1 58 33 50 63
E-mail: thomas.peny-coblentz@ipsen.com

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 2013 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, such as Forlax® and Smecta® (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. More specifically, in their US Hopkinton facility, Lonza, our supplier of IGF-1 (Increlex® drug substance), experienced manufacturing issues with Increlex® which led in 2013 to supply interruption in the US, Europe and the rest of the world. Consultations with the National competent authorities of the European Union have allowed a resupply in Europe early 2014. In the United States, Ipsen has released a first batch of Increlex®'s active ingredient on 2 June 2014 and a second one in September 2014. Ipsen anticipates that additional lots will be released in the coming months, as the company continues to work closely with the FDA to make additional Increlex® lots available as soon as possible.

- 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.

MAJOR DEVELOPMENTS

During 2014, major developments included:

- On **10 January 2014** – Ipsen announced the appointment of Jonathan Barnsley as Executive Vice President in charge of Technical Operations. He is a member of the Executive Committee of the Ipsen group. He took up his new position on April 1st, 2014, reporting directly to Christel Bories, Deputy CEO of the Ipsen group.

- On **14 January 2014** – Ipsen and GW Pharmaceuticals plc announced that they have entered into an exclusive agreement for Ipsen to promote and distribute Sativex®, a sublingual cannabis extract spray intended for the treatment of spasticity due to multiple sclerosis in Latin America (excluding Mexico and the Islands of the Caribbean). GW will be responsible for commercial product supply to Ipsen. GW Pharmaceuticals and Ipsen aim to start regulatory filings in selected countries in Latin America during 2014 for the multiple sclerosis spasticity indication.

- On **14 January 2014** – Ipsen announced its decision to set up its own oncology team to commercialize Somatuline® Depot® (lanreotide) 120 mg Injection (« Somatuline® ») in neuroendocrine tumors in the US. Over the past few months, the Group had been considering both a "go-it-alone" and a partnership strategy following the communication of the data from the investigational CLARINET® phase III clinical study evaluating the antiproliferative effect of Somatuline® in the treatment of non-functioning gastrointestinal & pancreatic NETs (GEP NETs). Ipsen expects that these encouraging results will support a key long-term opportunity for the Group to access an US addressable market in excess of $500 million[1]. Ipsen considers success in the US as a strategic priority. The "go-it-alone" option maximizes long term value creation and helps the US affiliate in reaching critical mass. Ipsen anticipates filing a Supplemental New Drug Application seeking an indication for Somatuline® in NETs in the first half of 2014. Maximum incremental annual cost associated with the launch of Somatuline® in the NET indication in the US is expected to range from €30 million to €40 million. As a result, US breakeven[2], initially expected in 2014, is postponed to 2017. Ipsen will continue to implement cost containment initiatives to minimize impact on overall Group profitability.

- On **17 January 2014** – Ipsen announced at ASCO GI that ELECT® clinical trial of Somatuline® in the control of symptoms in GEP-NET patients with carcinoid syndrome met its primary endpoint. Results of the ELECT® phase III study (poster 268) showed that treatment with Somatuline® 120 mg versus placebo resulted in a statistically significant reduction in the number of days in which immediate release octreotide was used as rescue medication, representing a mean difference of -14.8% (95%CI: -26.8, -2.8; p = 0.017). Somatuline® significantly improved the rates of complete/partial treatment success versus placebo (odds ratio = 2.4; 95%CI: 1.1, 5.3; p = 0.036).

- On **22 January 2014** – Ipsen announced the implementation of new governance in the United States, following its recently announced decision to launch Somatuline® for oncology indications. Marc de Garidel will personally oversee this projected launch. Cynthia Schwalm will join Ipsen's US Operations to head up the Endocrinology/Oncology Business Unit as of 3 February, 2014. As of mid-August 2014, she will take over as General Manager of the US commercial affiliate.

- On **5 February 2014** – Ipsen announced the results of the international Phase III clinical trial of Dysport® Next Generation (DNG) in cervical dystonia and the results of the European Phase II clinical trial of DNG in glabellar lines. In the light of these results, Ipsen announces its intention to file the first ready-to-use liquid toxin A in Europe and in the Rest of the World[3] (ROW). DNG was clinically and statistically superior to placebo in the cervical dystonia Phase III study at the dose of 500 units at week 4 after single dose (adjusted mean reduction of 12.5 with DNG versus 3.9 with placebo as assessed by the Toronto Western Spasmodic Torticollis Rating Scale, or TWSTRS, total score). When compared to Dysport®, DNG did not demonstrate the statistical non-inferiority in efficacy at week 4 (adjusted mean reduction of 12.5 with DNG versus 14.0 with Dysport® in TWSTRS total score). This efficacy difference is unlikely to be of clinical relevance. After repeated dose, DNG showed comparable efficacy to that of Dysport® as observed in former Phase III studies[4]. DNG was clinically and statistically superior to placebo and comparable to Dysport® in

[1] Ipsen 2013 estimates of US NET market
[2] Commercial contribution excluding Increlex® (mecasermin [rDNA origin]) Injection sales and revenues from US collaboration withGalderma in aesthetic medicine
[3] Latin America, Middle East and Asia (excl. China and Japan)
[4] Truong D. et al. Mov. Disord., 2005; 20 (7) 783-791; Truong et al., Parkinsonism Relat Disord. 2010 Jun;16(5):316-23

the glabellar lines Phase II study at the dose of 50 units after single dose. Across the studies, DNG showed safety profiles consistent with the known safety profile of Dysport®. Regarding DNG stability, analysis is still ongoing. The stability data trends are positive, providing confidence of achieving a commercially viable product. Ipsen is continuing stability testing to establish maximum shelf life across full product range. On the basis of these results and feedback from the Principal Investigator of the Phase III study, Ipsen intends to initiate a dialog with key agencies on the regulatory approach to file the first ready-to-use liquid toxin A in Europe and ROW[1].

- On **7 February 2014** – Ipsen announced that the phase III clinical trial evaluating Decapeptyl® (triptorelin pamoate) 11.25 mg administered subcutaneously in patients with locally advanced or metastatic prostate cancer has met its primary endpoints. The full study results will be presented this year during a medical congress. Based on these results, Ipsen intends to apply for the addition of the subcutaneous route, alongside the intramuscular route, to the label of triptorelin pamoate 11.25 mg.

- On **18 March 2014** – Ipsen announced positive results from its phase IIa clinical trial assessing Dysport® in the treatment of Neurogenic Detrusor Overactivity (NDO) in patients with urinary incontinence not adequately managed by anticholinergics. Results show that treatment with Dysport® was associated with a mean reduction from baseline of urinary incontinence episodes greater than 75%, 12 weeks after the injection, regardless of how the drug is administered. These results were achieved with a single dose of Dysport® 750 Units injected in either 15 or 30 sites in the detrusor muscle. Efficacy was confirmed by improvement in urodynamic parameters and quality of life. The safety profile observed in the study is consistent with the safety profile expected in this indication.

- On **20 March 2014** – Ipsen announced that Mayroy, its controlling shareholder, had completed an institutional private placement of 5 888 290 shares representing c.7% of Ipsen's share capital, at a price of €29.50 per share. As part of this transaction, Ipsen purchased 842 542 of its own shares (representing 1% of its share capital) to be cancelled.Ipsen has been informed that the proceeds of this sale will be used to partially finance the repurchase by Mayroy of the entire stake held in its share capital by its minority shareholder, Opera Finance Europe, a Luxembourg-registered company controlled by Mrs Véronique Beaufour. Opera Finance Europe and its stakeholders do not sit on the Board of Directors of Ipsen and play no active role in the management of the Group. The repurchase of the balance of the stake of Opera Finance Europe will be financed by the delivery by Mayroy of Ipsen shares representing c.4% of Ipsen share capital. These shares will be placed into an escrow account for a period of 12 months following completion of the transaction.
  As a result of this transaction, Ipsen's free-float increases to c.40%[2] from c.30%. Mayroy's stake in Ipsen's share capital and voting rights now amounts to c.57.6%[3] and c.73.3%[3] respectively. The indirect stake held by Beech Tree (controlling shareholder of Mayroy) in Ipsen has slightly increased. Ipsen has also been informed that the shareholders' agreement between Beech Tree, its subsidiaries and the Schwabe family, which was entered into on December 31, 2008 in order to preserve the stability of Mayroy's controlling share ownership structure, has been renewed until 30 June 2015.

- On **9 April 2014** – Ipsen confirmed its eligibility for the PEA-PME scheme, in accordance with the French decree n° 2014-283 of 4 March 2014. The Group complies with the thresholds set by the legislator for eligibility to the PEA-PME scheme, namely having less than 5,000 employees and total revenue below €1,500 million or total assets below €2,000 million. As a consequence, investment in company shares can be made through PEA-PME accounts, benefiting from the same tax advantages as the traditional Equity Savings Plan (PEA). Ipsen was included by Euronext in the CAC® PME index.

- On **12 April 2014** – Ipsen announced that a first set of results on phase III clinical study of Dysport® in the treatment of adults suffering from Upper Limb Spasticity was presented on Saturday, April 12th, at the 8th World Congress for NeuroRehabilitation in Istanbul (Turkey). Four weeks after Dysport® injection, the Phase III clinical study results demonstrated that:

  - Patients treated with Dysport® showed a statistically significantly ($p<0.0001$) higher proportion of responders in muscle tone improvement versus placebo (i.e. exhibiting ≥1 point improvement as measured by the Modified Ashworth Scale, MAS). At week 4, patients treated with Dysport® 500 units

[1] Latin America, Middle East and Asia (excl. China and Japan)
[2] Calculation taking into account the placement aforementioned, the cancellation of the Ipsen shares purchased as part of this transaction, and the cancellation of the 800 000 shares purchased as part of the program announced on 6 November 2013

and 1000 units showed responding rates of 73.8% and 78.5%, respectively, compared to 22.8% in the placebo arm;

- Patients treated with Dysport® showed a statistically significantly ($p<0.0001$) higher clinical benefit versus placebo, as measured by the Physician Global Assessment (PGA). At week 4, the mean PGA score for patients treated with Dysport® 500 units and 1000 units were 1.4 and 1.8, respectively, compared to 0.6 in the placebo arm.

- Additionally, patients treated with Dysport® showed a higher proportion of responders from baseline in improved passive function versus placebo (exhibiting ≥1 grade decrease as measured by the disability assessment scale). At week 4, patients treated with Dysport® 1000 units showed a statistically significant response rate of 62%. Patients treated with Dysport® 500 units showed a clinically relevant response rate of 50%. Placebo arm showed a 39% response rate.

- On **13 May 2014** – Ipsen announced that a supply of Increlex® will be available in the U.S. starting 2 June 2014. In collaboration with the FDA (Food and Drug Administration), Ipsen is releasing one batch of Increlex®'s active ingredient. Ipsen anticipates that additional lots will be released in the coming months, as the company continues to work closely with the FDA to make additional Increlex® lots available as soon as possible.

- On **1 July 2014** – Ipsen announced that it has submitted a Supplemental New Drug Application to the U.S. Food and Drug Administration (FDA) for Somatuline® Depot® 120mg injection for the treatment of gastroenteropancreatic neuroendocrine tumors (GEP-NETs). In the European Union, Ipsen has submitted national marketing authorization variations for Somatuline® Autogel® 120mg injection to the drug regulatory authorities in 25 countries of the European Union. Following EU and US submissions, Ipsen intends to implement worldwide submission roll-out.

- On **11 July 2014** – Ipsen and Galderma, a global healthcare company focused on dermatology and skin health, announced that they have significantly expanded the scope of their neurotoxin partnership. Under the terms of the agreement, the Dysport® distribution rights in the US and Canada, held originally by Valeant, have been included in the partnership between Ipsen and Galderma for the distribution of Dysport®/Azzalure® in aesthetic and dermatology indications. This partnership now covers the US, Canada, Brazil and Europe[1] for a period extending to 2036. As part of this renegotiated agreement, Galderma will pay €25 million to Ipsen and benefit from improved margins in those territories. Ipsen will manufacture and supply the finished product to Galderma and receive royalties from Galderma. In addition, the companies will increase the scope of their R&D collaboration through which each company will benefit from the other party's research compounds within its respective and exclusive areas of focus. In this regard, Ipsen will gain control of the intellectual property for Galderma's liquid toxin in the US, Canada, Brazil and Europe[1] in exchange for a €10 million payment, while Galderma retains commercialization rights.

- On **17 July 2014** – Ipsen announced that the New England Journal of Medicine has published clinical trial results showing that Somatuline® Autogel® / Somatuline® Depot® (lanreotide) Injection 120 mg (referred to as Somatuline®) achieved statistically significant prolongation of progression free survival over placebo in patients with metastatic gastroenteropancreatic neuroendocrine tumors (GEP-NETs). CLARINET®, an investigational phase III randomized, double-blind, placebo-controlled study of the antiproliferative effects of Somatuline® was conducted in 48 centers across 14 countries. The article titled "Lanreotide in Metastatic Enteropancreatic Neuroendocrine Tumors" is available online at NEJM.org and has been published in the July 17th edition (N. Engl. J. Med. 2014; 371: 224-233). The data gathered from 204 GEP-NET patients over the 96-week study showed that placebo-treated patients had a median PFS of 18.0 months and 33.0% had not progressed or died at 96 weeks, whereas the median PFS for Somatuline® treated patients was not reached and 65.1% had not progressed or died at 96 weeks (stratified logrank test, $p<0.001$). This represented a 53% reduction in risk of disease progression or death based on a hazard ratio of 0.47 (95% CI: 0.30–0.73). These statistically and clinically significant antiproliferative effects of Somatuline® were observed in a large population of patients with grade G1 or G2 (World Health Organization classification) GEP-NETs, and independent of hepatic tumor volume (≤25% or >25%). Quality of life measures were not different between the Somatuline® and placebo groups. Safety data generated from the study are consistent with the known safety profile of Somatuline®.

[1] Excluding Russia

- On **26 August 2014** – The North-American affiliate announced that a new supply of Increlex® would be available starting in September 2014. In collaboration with the U.S. Food and Drug Administration (FDA), Ipsen released a second batch of Increlex® in 2014. The first batch was made available for distribution in June of 2014.

- On **1st September 2014** – Ipsen announced that the U.S. Food and Drug Administration (FDA) had accepted and granted priority review of its supplemental New Drug Application (sNDA) for Somatuline® Depot® 120mg injection in the treatment of gastroenteropancreatic neuroendocrine tumors (GEP-NETs). The FDA designates priority review status to drug candidates that have the potential to offer a significant improvement in treatment compared to currently approved options. Decision is expected in early Q1 2015. In the European Union, the dossier of the national marketing authorization variations for Somatuline® Autogel® 120mg injection has been validated by all national 25 drug regulatory authorities. The first decisions are expected by Q2 2015.The regulatory submissions and variations were supported by the results of the CLARINET® Phase III study, which demonstrated the antitumor effect of Somatuline® in the treatment of patients with GEP-NETs, and which was recently published in the July 17th issue of The New England Journal of Medicine.

- On **27 September 2014** – Ipsen announced the presentation at the ESMO 2014 Congress (26-30 September in Madrid) of the preliminary results of the phase II proof-of-concept clinical trial with tasquinimod in monotherapy, evaluating the compound in four advanced tumor types. The main objective of the study was to determine the clinical activity of tasquinimod in advanced hepatocellular (HCC), ovarian (OC), renal cell (RCC) and gastric (GC) carcinomas in patients who had progressed after standard anti-tumor therapies. Primary endpoint was the PFS rate at a predefined time for each cohort. Secondary objectives included PFS, response rate, OS, safety, pharmacokinetics and biomarkers.The data did not support further development of tasquinimod in monotherapy in heavily pretreated patients with advanced OC, RCC and GC. Pharmacokinetic and biomarkers analyses are ongoing. Preliminary results from the futility analysis reported sufficient clinical activity to complete the recruitment of the HCC cohort for which results are expected in 2015.The safety profile was consistent with the known safety profile of tasquinimod in previous studies.

- On **2nd October 2014** – Ipsen announced that Susheel Surpal would step down as Chief Financial Officer of Ipsen as of 31st October 2014 to pursue new opportunities.

- On **10 October 2014** – Ipsen announced the appointment of Aymeric Le Chatelier as Executive Vice President, Chief Financial Officer effective as of 3 November 2014. He will report directly to Marc de Garidel, Chairman and Chief Executive Officer and to Christel Bories, Deputy Chief Executive Officer. He will be a member of the Chairman Committee and of the Executive Committee.

- On **10 October 2014** – Ipsen announced positive results from the phase III study of triptorelin pamoate 11.25 mg (Decapeptyl® 3 months) administered subcutaneously in patients with locally advanced or metastatic prostate cancer at the European Association of Urology (EAU) 14th Central European Meeting in Cracow, Poland (10-12 October 2014). The primary objective of the study was to assess the efficacy and safety profile of the sustained-release triptorelin pamoate 11.25 mg (Decapeptyl® 3 months) formulation when administered by the subcutaneous route in men with locally advanced or metastatic prostate cancer. This objective was met with castration levels of testosterone achieved in 97.6% [95% CI: 93.2-99.5] of men at week 4 and castration maintained in 96.6% of these men [95% CI: 91.6-99.1] at week 26.

- On **22 October 2014** – Ipsen and Lexicon Pharmaceuticals, Inc. announced that they have entered into an exclusive licensing agreement for Ipsen to commercialize telotristat etiprate outside of North America and Japan, with a focus on the treatment of carcinoid syndrome. Lexicon retains sole rights to commercialize telotristat etiprate in the United States, Canada and Japan. Lexicon will continue to lead the global Phase 3 clinical program for telotristat etiprate in carcinoid syndrome, from which data are expected in 2015. The pivotal Phase 3 trial is comparing telotristat etiprate to placebo on a background of somatostatin analog (SSA) therapy, the current standard of care, in patients whose carcinoid syndrome is not adequately controlled with lanreotide or octreotide. The clinical Phase 3 study is recruiting in approximately 70 centers worldwide. Lexicon will continue to be responsible for the potential registration of telotristat etiprate in the U.S., Canada and Japan, while Lexicon and Ipsen will collaborate to seek regulatory approvals in Europe and other countries within the Ipsen licensed territory, with Ipsen assuming the lead responsibility in those markets. Under the financial terms of the agreement, Lexicon is eligible to receive up to $145 million, comprising $23 million upfront payment and additional payments contingent upon achievement of clinical,

regulatory and commercial milestones. In addition, Lexicon is also eligible to receive royalties on net sales of telotristat etiprate in the licensed territory.

- On **6 November 2014** – Otonomy, Inc., a clinical-stage biopharmaceutical company focused on the development and commercialization of innovative therapeutics for diseases and disorders of the inner and middle ear, and Ipsen, a global specialty-driven pharmaceutical company, announced that they have entered into an exclusive licensing agreement enabling Otonomy to utilize Ipsen's gacyclidine data in the development and registration of OTO-311. OTO-311 is Otonomy's sustained-exposure formulation of gacyclidine, an N-MethylD-Aspartate (NMDA) receptor antagonist, in development for the treatment of tinnitus.

- On **18 November 2014** – Ipsen and the Salk Institute for Biological Studies (Salk Institute) announced that they have agreed to renew their collaboration in medical sciences for another three years. The common objective for Ipsen and the Salk Institute is to achieve critical insights in the understanding of human diseases so as to develop new therapies for the treatment of patients afflicted with serious medical conditions.

- On **20 November 2014** – Ipsen and French National Center for Scientific Research (CNRS) announced the creation of the Archi-Pex (peptide architectures and formulations) joint research and innovation lab in collaboration with the French Alternative Energies and Atomic Energy Commission (CEA) and the University of Rennes 1. This is the result of a public-private partnership active since 1999. The joint Archi-Pex lab, supported by the French National Research Agency, seeks to conduct multi-disciplinary research bringing together academic teams in physics and biology with the researchers at Ipsen's center for pharmaceutical development based in Dreux (France). The aim is to innovate in the formulation of hormonal peptides and to reduce the development time. Understanding of the pharmaceutical efficacy arising from basic knowledge is the key to Archi-Pex project.

- On **28 November 2014** – Ipsen announced that the U.S. Food and Drug Administration (FDA) has accepted for review its supplemental Biologics License Application (sBLA) for Dysport® (abobotulinumtoxinA) in the treatment of upper limb spasticity in adult patients. The regulatory filing was based on a clinical Phase III study involving nearly 250 adult patients with upper limb spasticity. The international, multi-center, double-blind, randomized, placebo controlled trial compared the efficacy of Dysport® versus placebo in hemiparetic patients following a stroke or brain trauma. The data showed that those treated with Dysport® demonstrated a statistically significant ($p<0.0001$) improvement in muscle tone and a higher clinical benefit, versus placebo. The safety profile observed in the study was consistent with the known safety profile of Dysport®.

- On **12 December 2014** – Ipsen announced that the International Breast Cancer Study Group (IBCSG) presented results of the randomized phase III SOFT clinical trial at the 2014 San Antonio Breast Cancer Symposium. Suppression of Ovarian Function Trial (SOFT) assessed the value of ovarian suppression in reducing breast cancer recurrence in young women receiving tamoxifen, and evaluated the role of the aromatase inhibitor exemestane plus ovarian suppression in this population. Ovarian suppression was obtained entirely by monthly injections of triptorelin (active ingredient of Ipsen's Decapeptyl®) over 5 years for 81% of patients. Treatment combining tamoxifen plus ovarian suppression reduced the relative risk of developing invasive breast cancer recurrence by 22% in women who did not transition into menopause after receiving chemotherapy, when compared to treatment with tamoxifen alone.

- On **16 December 2014** – François Garnier has been appointed Executive Vice President, General Counsel for the Ipsen Group effective as of January 5, 2015. As such, he will sit on the Chairman's Committee and on the Executive Committee.

- On **16 December 2014** – Ipsen announced that Somatuline® Depot® (lanreotide) Injection 120 mg (referred to as Somatuline®) was approved by the U.S. Food and Drug Administration (FDA) for the treatment of adult patients with unresectable, well- or moderately-differentiated, locally advanced or metastatic gastroenteropancreatic neuroendocrine tumors (GEP-NETs).Somatuline®'s approval was based on demonstration of improved progression-free survival (PFS) in CLARINET® multi-center, international, randomized (1:1), double-blind, placebo controlled study that enrolled 204 patients with unresectable, well- or moderately-differentiated, locally advanced or metastatic, non-functioning GEP-NETs. Patients were randomized to receive either Somatuline® (lanreotide) 120 mg or placebo subcutaneously every 28 days. The primary efficacy endpoint was PFS as determined by independent central radiology review. The trial demonstrated a significant prolongation of PFS for the Somatuline® (lanreotide) arm [HR 0.47 (95% CI:

0.30, 0.73); p < 0.001; stratified log-rank test]. The median PFS in the Somatuline® (lanreotide) arm had not been reached at the time of the final analysis and therefore is greater than 22 months. The median PFS in the placebo arm was 16.6 months. Safety data were evaluated in 101 patients who received at least one dose of Somatuline® (lanreotide). The most commonly (greater than or equal to 10%) reported adverse reactions in Somatuline® (lanreotide)-treated patients were abdominal pain, musculoskeletal pain, vomiting, headache, injection site reaction, hyperglycemia, hypertension, and cholelithiasis. The most common serious adverse reaction of Somatuline® (lanreotide) observed in this trial was vomiting (4%).

After **31 December 2014**, major developments included:

- On **26 January 2015** – Ipsen announced topline results for two double-blind phase III studies of Dysport® (abobotulinumtoxinA) in Pediatric Lower Limb (PLL) spasticity in children with cerebral palsy and in Adult Lower Limb (ALL) spasticity in patients who had experienced a stroke or traumatic brain injury. In the PLL phase III study, conducted in children with hemiparetic or diplegic cerebral palsy, treatment with Dysport® showed a statistically significant response versus placebo in the improvement of muscle tone, as measured by the Modified Ashworth Scale (MAS; primary endpoint), and a statistically significant overall benefit versus placebo, as measured by the Physician Global Assessment (PGA; first secondary endpoint). In the ALL phase III study, conducted in hemiparetic patients who had experienced a stroke or traumatic brain injury, treatment with Dysport® at the dose of 1500U showed a statistically significant response versus placebo in the improvement of muscle tone, as measured by the Modified Ashworth Scale (MAS; primary endpoint). An overall benefit (measured by the Physician Global Assessment (PGA); first secondary endpoint) versus placebo was observed but did not reach statistical significance according to the pre-specified statistical analysis. Other spasticity and functional outcome results are currently being analyzed. The safety profile observed in the studies was consistent with the known safety profile of Dysport® in these indications. Comprehensive results from these double-blind studies will be disclosed in the next few months at major international congresses. Ipsen will share these results with key regulatory agencies this year.

- On **24 February 2015** – Ipsen and Canbex Therapeutics Ltd (Canbex) announced that Canbex has granted Ipsen an option giving Ipsen the exclusive right to purchase 100% of Canbex shares upon completion of the Phase IIa study of Canbex's lead candidate for the treatment of spasticity in people with multiple sclerosis (MS), known as VSN16R. Canbex is a spin-off of University College London (UCL) that raised a Series A financing of GBP 2.3 million in 2013 from MS Ventures (the corporate venture arm of Merck Serono, Merck KGaA), the Wellcome Trust and UCL Business Plc. Under the financial terms of the agreement, Ipsen has paid an option fee of €6 million to Canbex. If Ipsen elects to exercise its option to acquire Canbex at the end of the proof of concept Phase IIa study, Canbex's shareholders will be eligible to receive a total of up to an additional €90 million , comprising an acquisition payment, and additional milestone payments contingent upon launch subsequent to achievement of clinical and regulatory success. In addition, Canbex shareholders will be eligible to receive royalties on world-wide annual net sales of VSN16R.

- On **2 March 2015** – Ipsen announced that Dominique Laymand has been appointed Senior Vice President, Chief Ethics and Compliance Officer for the Ipsen group, effective as of 16th of March. She will report directly to Marc de Garidel, Chairman and CEO of Ipsen. Dominique Laymand will be a member of the Chairman's Committee.

- On **2 March 2015** – Ipsen announced that additional supply of Increlex® has been made available in the United States. In collaboration with the FDA (Food and Drug Administration), Ipsen is releasing a third batch of Increlex® since product supply was resumed in May 2014.

GOVERNMENT MEASURES

In the current context of financial and economic crisis, the governments of many countries in which the Group operates continue to introduce new measures to reduce public health expenses, some of which have affected the Group sales and profitability in 2014. In addition, certain measures introduced in 2013 have continued to affect the Group's accounts year-on-year.

Measures that have impacted 2014

In the Major Western European countries:

- In France, the price of Smecta® was cut by 7.5% as of 1st July 2014, following a first price cut of the same magnitude as of 1st January 2014. Moreover, health authorities have required a 4.0% price cut on Decapeptyl® as of 1st April 2014;
- In the UK, Decapeptyl® has been sold at 100.0% of the NHS (*National Health Service*) price since March 2014.

In the Other European countries:

- In Belgium, Dysport® experienced a 2.4% price decrease as of January 2015 as the product has been reimbursed for more than 15 years in the market. In Luxemburg, Dysport® will be impacted by the same decrease as the country references the Belgium price;
- In Czech Republic, as of October 2014, the Ministry of Health decided to increase drug prices to compensate for the Czech Kroun devaluation. Ipsen benefited from a price increase of around 7.0% on all its products;
- In Denmark, in May 2014, the DHMA (*The Danish Health and Medicines Authority*) granted a 50.0% price increase on Increlex®, based on the Pharmacist Purchase Price;
- In Estonia, the Ministry of Health decreased the price of Decapeptyl® 1M by 9.7% following application of international reference pricing. However, the reimbursement rate increased to 100.0% from 50.0% for use as adjuvant therapy to radiotherapy;
- In Greece, the €2.44 billion claw-back introduced end of 2013 has not been readjusted by the Ministry of Health as initially anticipated. Health authorities are targeting €2 billion for 2014. Decapeptyl® was impacted by a significant increase in patient co-payment. In addition, since 1st April 2014, the Ministry of Health has recognized the difference between biological products, biosimilars and generics. It will therefore not be possible for these different product types to be part of common tenders;
- In Italy, Hexvix® experienced a 13.0% price cut in February 2014 after it became eligible for reimbursement at the national level;
- In Lithuania, Somatuline® was granted national reimbursement in April 2014 in the acromegaly indication;
- In Poland, Decapeptyl® and Somatuline® have been affected by a price revision applicable as of 1st January 2014. Dysport® obtained reimbursement in spasticity indications, effective from July 2014 to July 2016. In Primary Care, the price of Fortrans® increased by 10.0% in September 2014 following strong support from the Polish Endoscopy Medical Society;
- In Portugal, the Ministry of Health is pressing the local pharmaceutical association (APIFARMA) in the context of negotiations with the industry on the spending exceeding a certain threshold in 2014. For the 2015 government budget, the Ministry of Finance contemplates the introduction of an extraordinary tax with a particular attention to pharmaceutical industry profits;
- In the Netherlands, the application of international reference pricing led to a price decrease on NutropinAq® and to price increases on Somatuline®, Dysport® and Decapeptyl® as of 1st April 2014. Somatuline® benefited from a second price increase as of 1st October 2014;

- In Norway, the December 2013 review of international reference pricing led to price cuts on Dysport® and NutropinAq®, and to a price increase on Somatuline®. In addition, Somatuline® benefited from a price increase in November 2014 following the application of international reference pricing;

- In Slovakia, in April 2014, Ipsen submitted prices for the second yearly revision based on the average 3 lowest prices in EU 28. This led to price decreases on all Ipsen products;

- In Slovenia, the official price of Dysport® was cut in June 2014 to be aligned with the reimbursed price;

- In Sweden, since January 2014, products that have been marketed for more than 15 years (notably Decapeptyl®) are subject to a mandatory price cut of 7.5%. In June 2014, TLV (*The Dental and Pharmaceutical Benefits Agency*) granted a 25.0% price increase on the Pharmacist Purchase Price to Increlex®;

- In Switzerland, Dysport® was impacted by a price cut in December 2013 following the application of international reference price;

In the Rest of the World:

- In Brazil, products with no generics on the market benefited from a 1.0% price increase in 2014;

- In Colombia, the "National Committee of Drug Prices" (*Comisión Nacional de Precios de Medicamentos*) imposed a price cut on 364 medicines in December 2013, including Dysport®. In August 2013, the prices of 195 medicines had already been regulated, including Somatuline®;

- In China, the NDRC (National Development & Reform Commission) issued a "Low-Price Drug List" in May 2014 to align the prices of all ginkgo biloba tablets. However, Tanakan® is excluded from this list and will keep its original retail price;

- In Turkey, due to a revision of international reference pricing in September 2014, the price of Somatuline® was raised. However, the mandatory rebate on the reimbursement price was also raised.

Furthermore, and in the context of the financial and economic crisis, governments of many countries in which the Group operates continue to introduce new measures to reduce public health expenses, some of which will affect the Group sales and profitability beyond 2014.

Measures impacting beyond 2014

In the Major Western European countries:

- In France, the 2014 Social Security Finance Bill (PLFSS) was introduced, with the possibility for the first time for the pharmacist to substitute biotechnology products by biosimilars, except when forbidden by the physician on the prescription. This rule was not enforced yet, pending the publication of a decree. In addition, the French government presented the new Social Security Finance Bill (PLFSS), which sets forth expenditure targets in the healthcare sector for 2015. The target growth of healthcare expenditure has been fixed at 2.1% year-on-year, down from 2.4% in 2014. This is expected to result in €3.2 billion savings. In addition, Decapeptyl® will experience a 3.0% price decrease as of 1st January 2015. Finally, the two Smecta® price cuts will fully impact countries that reference French prices (incl. European Union, sub-Saharan Africa) in 2015;

- In Germany, the mandatory sales rebate for the official price of prescription drugs, initially set at 16.0%, was reduced to 7.0% as of 1st January 2014;

- In Spain, the final Royal Decree List arising from the implementation of the Reference Price System was published on 15 July 2014. As a result, the official published prices of Decapeptyl® and Dysport® will be affected. Additionally, the mandatory rebate of 15.0% applicable on the official price of Decapeptyl® was canceled;

- In the UK, the new PPRS (*Pharmaceutical Price Regulation Scheme*) was implemented, with the option for pharmaceutical companies to apply a 5.0% to 7.0% price cut on the NHS (*National Health Service*) selling

price modulated over the whole portfolio, or the option to reimburse this amount through pay back. Moreover, since January 2014, tenders are managed at the regional level instead of the hospital level.

In the Other European countries:

- In Bulgaria, the Ministry of Health published a new ordinance to extend the limitation of price increases of over-the-counter (OTC) medicines to 1.0% for another year;
- In Czech Republic, the Parliament approved the introduction of a reduced VAT rate on medicines, down to 10.0% from 21.0% as of 2015. The reduced VAT rate will have a positive impact on access to medicines;
- In Croatia, Czech Republic replaced France in the basket of countries included in the international reference pricing system;
- In Kazakhstan, pressurized to address corruption issues, the Ministry of Healthcare and Social Development will amend the methodology and mechanism for price determination, hence increasing transparency within government procurement process. It intends to create a national drug formulary that will include maximum pricing for medications with proven clinical efficacy and for brands within the context of international non-proprietary name (INN);
- In Ukraine, the Ministry of Health published a draft resolution that introduces Internal and External Reference Pricing for prescription drugs and for medicines procured through state funds. Rule will be to take the average price of the countries of origin: Bulgaria, the Czech Republic, Hungary, Latvia, Moldova, Poland, Serbia, Slovakia. This development reflects the intent of the Ukrainian government to monitor drug prices, notably given the average price rise of 16.0% reported this year, resulting from the "anti-crisis" measures (currency devaluation and implementation of a 7.0% VAT on drug prices as of 1st April 2014). The potential state price regulation would reportedly affect 10,000 drugs, or approximately 80.0% of the market, with the maximum margin on bulk purchases being 10.0%, and retail mark-up of 25.0%;

In the Rest of the World:

- In Algeria, marketing authorisations for the Primary Care portfolio were renewed. In addition, Smecta® "localization" has successfully undergone review from the Algerian Price Committee. Ipsen secured a price for the next 5 years and price revision will only occur when a Smecta® generic is approved. In the context of the sharp and continuous decline in oil prices, authorities are looking at drastically reducing import costs, as of January 2015. This will impact pharmaceuticals which account for €3 billion in the state budget;
- In South Africa, the Department of Health published draft legislation governing pricing of novel drugs in the country. The guidelines set forth a potential international reference pricing system. No timeline for advancement is known yet;
- In China, the NDRC (National Development & Reform Commission) will deregulate the national drug pricing system from 2015. It will theoretically allow the free setting of drug prices, rather than forcing companies to adhere to government regulated price caps on drug retail prices. However, local government tender centers will keep control over the bidding price, which is the price to patients plus the hospital margin;
- In Morocco, the Ministry of Health is looking at lowering the prices of several ranges of medications. This will affect drugs used for the treatment of various chronic conditions, including cardiovascular diseases, diabetes, inflammatory, infectious, digestive diseases, as well as some cancer drugs and treatments for benign prostatic hyperplasia**;**
- In Tunisia, the creation of a National Medicines Agency ("*Agence nationale du Médicament*") is at an advanced stage of preparation. The Ministry of Health updated existing texts on regulatory and clinical requirements so as to meet the highest international standards;
- In Turkey, authorities are thinking of introducing a flexible price system in 2014. The exact content is not yet known but measures such as not including countries under Troïka (countries where policies are imposed by the European Commission, the European Central Bank and the International Monetary Fund), an update of foreign exchange rates, and a price increase for products under shortage, are currently under consideration.

Comparison of consolidated income statement for 2014 and 2013

(in million euros)	31 december 2014		31 december 2013 restated		Change
		% Sales		% Sales	
Sales	**1 274.8**	**100.0%**	**1 224.8**	**100.0%**	***4.1%***
Other revenues	57.6	*4.5%*	57.0	*4.7%*	*1.2%*
Revenues	**1 332.4**	**104.5%**	**1 281.8**	**104.7%**	***4.0%***
Cost of goods sold	(310.0)	*-24.3%*	(305.3)	*-24.9%*	*1.5%*
Selling and marketing expenses	(464.1)	*-36.4%*	(442.9)	*-36.2%*	*4.8%*
Research and development expenses	(186.9)	*-14.7%*	(195.8)	*-16.0%*	*-4.5%*
General and administrative expenses	(111.2)	*-8.7%*	(103.8)	*-8.5%*	*7.2%*
Other core operating income	9.4	*0.7%*	3.8	*0.3%*	*147.5%*
Other core operating expenses	(9.1)	*-0.7%*	(9.8)	*-0.8%*	*-6.9%*
Core Operating Income	**260.6**	***20.4%***	**228.0**	***18.6%***	***14.3%***
Other operating income	0.4	*0.0%*	1.9	*0.2%*	*-81.8%*
Other operating expenses	(9.6)	*-0.8%*	(6.6)	*-0.5%*	*44.7%*
Restructuring costs	(21.9)	*-1.7%*	(0.2)	*0.0%*	-
Impairment losses	(8.0)	*-0.6%*	(12.6)	*-1.0%*	*-36.5%*
Operating Income	**221.4**	***17.4%***	**210.5**	***17.2%***	***5.2%***
Investment income	1.7	*0.1%*	8.0	*0.7%*	*-79.2%*
Financing costs	(4.7)	*-0.4%*	(2.2)	*-0.2%*	*108.6%*
Net financing costs	(3.0)	***-0.2%***	5.8	***0.5%***	-
Other financial income and expenses	(12.0)	*-0.9%*	(14.8)	*-1.2%*	-
Income taxes	(53.8)	*-4.2%*	(59.3)	*-4.8%*	-
Share of profit (loss) from associates and joint ventures	1.9	*0.1%*	0.0	-	-
Net profit / (loss) from continuing operations	**154.5**	***12.1%***	**142.2**	***11.6%***	***8.6%***
Net profit / (loss) from discontinued operations	(0.5)	*0.0%*	10.9	*0.9%*	-
Consolidated net profit	**154.0**	***12.1%***	**153.1**	***12.5%***	***0.6%***
- Attributable to shareholders of Ipsen S.A.	153.5		152.5		
- Non-controlling interest	0.5		0.6		

Sales

Consolidated Group sales reached €1,274.8 million in 2014, up 4.1% year-on-year and up 5.7% excluding foreign exchange impact[1].

Other revenues

Other revenues totaled €57.6 million at 31 December 2014, up 1.2% over the €57.0 million generated in 2013.

The growth stemmed from the following:

- Higher royalties received from Group partners, in particular for Adenuric® and for Dysport® following a contract renegotiation with Galderma in July 2014;

[1] Excluding foreign exchange impact, variations were calculated by restating the 31 December 2013 consolidated financial statements with currency rates at 31 December 2014

- Lower milestone payments related to licensing agreements after receiving a milestone payment in 2013 for meeting a Somatuline® sales target;

- Lower Group co-promotion income after recognizing in 2013 remaining compensation paid by Novartis, following the termination of the Exforge co-promotion agreement in April 2012.

Other revenues break down as follows:

(in millions of euros)	31 december 2014	31 december 2013 restated	Change	
			in value	*in %*
Breakdown by type of revenue				
- Royalties received	18,6	15,3	*3,3*	*21,9%*
- Milestone payments - Licensing agreements (1)	23,0	24,0	*(1,0)*	*-4,0%*
- Other (co-promotion revenues, re-billings)	16,0	17,7	*(1,7)*	*-9,8%*
Total	**57,6**	**57,0**	***0,6***	***1,2%***

(1) Milestone payments relating to licensing agreements are recognized primarily as milestone payments received on a pro rata basis over the life of the licensing agreements

Cost of goods sold

At 31 December 2014, the cost of goods sold amounted to €310.0 million, representing 24.3% of sales, compared to €305.3 million representing 24.9% of sales for the same period in 2013.

The higher cost of goods sold resulted primarily from the increase in royalties paid – as the later are correlated with sales, from a nearly 10% growth in specialty care sale volumes and from a decrease in the restated value of inventories related to lower industrial cost prices in 2014.

The cost of goods sold, however, benefited from a change in the method of consolidation of the Swiss company Linnea. The costs borne by Linnea are now consolidated using the equity method[1].

Selling expenses

At 31 December 2014, selling expenses totaled €464.1 million, representing 36.4% of sales, up 4.8% versus 2013. The increase was driven by organic growth and recruitment by the US affiliate of an oncology sales force to launch Somatuline® Depot® (lanreotide) 120 mg Injection in the treatment of gastrointestinal and pancreatic neuroendocrine tumors (GEP NETs). The US Food and Drug Administration (FDA) approved the treatment on 16 December 2014. The rise in selling expenses was partially offset by the favorable tail-end impact from the primary care sales forces restructuring in France and the Dysport® sales force restructuring in the US, both carried out in 2013.

Research and development expenses

At 31 December 2014, research and development expenses reached €186.9 million, representing 14.7% of sales, compared with 16.0% of sales a year earlier.

The year-on-year decline stemmed from the favorable impact of research tax credits, with other research and development costs up slightly.

The main research and development projects undertaken in 2014 concerned Dysport® in spasticity and glabellar lines indications with the liquid formulation (Dysport® Next Generation), tasquinimod's phase II proof of concept and phase III prostate cancer in China, Somatuline® and Dopastatin (endocrinology).

A comparison of research and development expenses for the years ended 31 December 2014 and 2013 is presented in the following table.

[1] In accordance with the norm IFRS11 « Partnerships » applicable since 1st January 2014 on the accounting treatment of joint ventures

(in millions of euros)	31 december 2014	31 december 2013 restated	Change in value	Change in %
Breakdown by type of expense				
- Drug-related research and development [1]	(168,8)	(167,4)	*(1,4)*	*0,9%*
- Industrial and pharmaceutical development [2]	(41,2)	(40,9)	*(0,3)*	*0,6%*
- Strategic development [3]	(7,2)	(7,2)	*0,0*	*-0,1%*
- Research tax credits [4]	30,3	19,7	*10,6*	*53,4%*
Total	**(186,9)**	**(195,8)**	***8,9***	***-4,5%***

[1] Drug-related research & development is aimed at identifying new agents, determining their biological characteristics and developing small-scale manufacturing processes. Patent-related expenses are included in this type of expense.

[2] Industrial development includes the chemical, biotechnical and development-process research costs to industrialize the small-scale production of agents developed by the research laboratories. The role of pharmaceutical development is to lead new product development projects, such as bibliographic research, formulation feasibility studies, method adaptation, method development and validation, and transpositions.

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

[4] In accordance with IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance, research tax credits are now recognized in core operating income.

General and administrative expenses

General and administrative expenses increased 7.2% in 2014, notably as a result of measures aimed at supporting the Group's transformation and a heavier tax burden in France.

Other core operating income and expenses

Other core operating income came to €0.3 million, versus other core operating expenses of €6.0 million in 2013. The income stemmed primarily from revenue generated by subleasing Ipsen's headquarters, as well as the favorable impact of the cash flow hedging policy put into place at the end of 2013.

Core operating income

At 31 December 2014, core operating income amounted to €260.6 million, representing 20.4% of sales. The accelerated implementation of the Group's strategy, in particular the transformation and the business unit organization, triggered strong sales performance and led to tightly managed costs, which — when coupled with the favorable impact of research tax credits — enabled the Group to improve its profitability by 1.8 percentage points in 2014.

Operating segments: Core operating income by therapeutic area

Segment information is now presented to reflect the primary care business and the specialty care business, the Group's two operating segments, in line with the new organization put into place and announced by the Group on 2 October 2013.

There is no allocation of general and administrative expenses between these two segments. Likewise, the Group's research and development spending is not allocated according to the two operating segments. R&D continues to be managed on a global basis, with investment decisions made independently by the Executive Committee, even when a successful program generates revenue for just one of the two segments.

The Group uses core operating income to measure its segment performance and to allocate resources.

For purposes of comparison between the two financial years, operating segment information was restated for the financial year ended 31 December 2013.

Sales, revenue and core operating income are presented by therapeutic area for the 2014 and 2013 financial years in the following table.

(in millions of euros)	31 december 2014		31 december 2013 restated		Change	
		% sales		% sales		%
Specialty Care						
Sales	947,1	*100,0%*	871,1	*100,0%*	*76,0*	*8,7%*
Revenue	974,9	*102,9%*	901,0	*103,4%*	*73,9*	*8,2%*
Core operating income	400,5	*42,3%*	361,7	*41,5%*	*38,8*	*10,7%*
Primary care (*)						
Sales	327,8	*100,0%*	353,7	*100,0%*	*(25,9)*	*-7,3%*
Revenue	357,5	*109,1%*	380,8	*107,7%*	*(23,3)*	*-6,1%*
Core operating income	127,2	*38,8%*	133,1	*37,6%*	*(5,9)*	*-4,4%*
Total allocated						
Sales	1 274,8	*100,0%*	1 224,8	*100,0%*	*50,0*	*4,1%*
Revenue	1 332,4	*104,5%*	1 281,8	*104,7%*	*50,6*	*4,0%*
Core operating income	527,7	*41,4%*	494,7	*40,4%*	*33,0*	*6,7%*
Total unallocated						
Core operating income (expenses)	(267,2)	-	(266,7)	-	*(0,5)*	*0,2%*
Group total						
Sales	1 274,8	*100,0%*	1 224,8	*100,0%*	*50,0*	*4,1%*
Revenue	1 332,4	*104,5%*	1 281,8	*104,7%*	*50,6*	*4,0%*
Core operating income	260,6	*20,4%*	228,0	*18,6%*	*32,6*	*14,3%*

(*) including active ingredients and raw materials

Specialty care sales grew 8.7% to €947.1 million in 2014. The relative weight of specialty care products continued to increase to reach 74.3% of total Group sales, compared to 71.1% in 2013.

Decapeptyl® sales, up 6.0% in 2014, benefitted from the product's weak performance in China during the first nine months of 2013, and a favorable base effect in the Middle East. Somatuline® sales, which increased 16.4% to €287.5 million, were driven by strong volume and value growth in the United States, strong volume growth in Germany together with a reduction in mandatory rebates on prescription drug sales, and solid volume momentum in the United Kingdom. Sales of Increlex® grew 1.4% year-on-year to €12.9 million, after supply gradually resumed in Europe in early 2014 and in the United States in June 2014. Dysport® sales increased 5.1% to €254.5 million, but were severely penalized by an unfavorable foreign exchange impact. Dysport® sales were fuelled by the strong volume performance of the therapeutic and aesthetic segments in Brazil, as well as by the supply of the product to Galderma for aesthetic indications. In 2014, core operating income totaled €400.5 million, representing 42.3% of sales. That result compares to 2013 core operating income of €361.7 million, representing 41.5% of sales. The improvement reflects the favorable sales trend and the positive tail-end impact of the Dysport® sales force restructuring in the United States, offset by expenses incurred to set up US sales operations and to launch Somatuline® in neuroendocrine tumors.

In 2014, sales of **primary care** products, including active ingredients and raw materials, came to €327.8 million, down 7.3% year-on-year. The decline was mainly triggered by the unfavorable impact of the change in consolidation method[1] for the Swiss company Linnea. Excluding Linnea, sales of primary care drugs decreased 2.6%. In France, sales fell 9.9% as a result of two consecutive 7.5% price reductions for Smecta® and the launch of a competing product to Tanakan® in March 2013. Internationally, sales grew 0.6%, driven by strong performances in China, Algeria and Russia, offsetting the decline in France. Primary care sales in France accounted for 27.8% of the Group's total primary care sales in 2014, compared with 30.1% in the previous year. In 2014, core operating income for primary care amounted €127.2 million, representing 38.8% of sales. That result compares to 2013 core operating income of €133.1 million, representing 37.6% of sales. The increase in profitability mainly resulted from the ultimate impact of the primary care sales force restructuring in France.

[1] In accordance with the norm IFRS11 « Partnerships » applicable since 1st January 2014 on the accounting treatment of joint ventures

Unallocated core operating income (expenses) came to (€267.2) million, compared with (€266.7) million in 2013. The expenses consisted mainly of the Group's research and development costs, which totaled €183.4 million in 2014, compared with €190.7 million in 2013, and unallocated general and administrative expenses.

- **Other operating income and expenses**

At 31 December 2014, non-core other operating expenses amounted to €9.2 million, compared with non-core other operating expenses of €4.7 million a year earlier. Non-core other operating expenses at 31 December 2014 arose primarily from costs related to the transfer of the Group's US-based subsidiary Ipsen Bioscience Inc.'s operations from Milford to Cambridge, and expenses related to the renegotiation of the partnership contract with Galderma. In 2013, non-core other operating expenses primarily included costs related to the acquisition of Syntaxin Ltd., the reorganization of the US-based subsidiary Ipsen Biopharmaceuticals Inc., and the settlement of a trade dispute with a partner, as well as the settlement of an administrative proceeding brought against the Group.

- **Restructuring costs**

Restructuring costs reached €21.9 million at 31 December 2014. They correspond mainly to costs incurred by the Group to accelerate the rollout of the transformation project, such as measures to adapt support functions, to continue the restructuring of R&D activities, and to restructure the specialty care business model, as well as the costs incurred from transferring the operations of US-based subsidiary Ipsen Bioscience Inc. from Milford to Cambridge.

At 31 December 2013, restructuring costs totaled €0.2 million and were derived chiefly from the reversal of an accrual related to the primary care restructuring plan in France, offset by restructuring costs in the US.

- **Impairment losses**

At 31 December 2014, the Group recorded an €8.0 million impairment loss resulting from the write-down of a Syntaxin Ltd. intangible asset, which has no impact on ongoing studies.

At 31 December 2013, the Group recognized an €11.6 million impairment loss on the Increlex® IGF-1 active ingredient following supply interruptions in the market and uncertainty over the date of resupply in the US. Ipsen also recognized a €1.0 million impairment loss following a decision by the Group not to exercise its right to develop a neurology program.

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

At 31 December 2014, the Group had net financial expense of €15.1 million, versus net financial expense of €9.0 million a year earlier.

- **Net financing costs** amounted to €3.0 million, compared to income of €5.8 million a year earlier. The 2013 net income stemmed mainly from a financial gain on the repayment of Debtor-in-Possession (DIP)-type financing granted by Ipsen to Inspiration Biopharmaceuticals Inc. at the end of 2012, following the sale of its hemophilia assets to Baxter and Cangene.

- At 31 December 2014, **other financial expenses** amounted to €12.0 million, a €2.8 million improvement over the prior year. The 2014 expense arose primarily from a negative €10.1 million foreign exchange impact resulting mainly from the sharp depreciation of the Russian ruble in the fourth quarter of the year. In 2013, other financial expenses stemmed primarily from a negative €11.2 million foreign exchange impact and €2.0 million in write-down on convertible bonds subscribed by the Group to develop a neurology program.

- **Income taxes**

At 31 December 2014, the effective tax rate amounted to 26.1% of pre-tax profit from continuing operations, compared with an effective rate of 29.4% a year earlier.

The Group benefitted from the favorable outcome of a number of tax audits ended in 2014. Furthermore, the effective tax rate benefitted from a decline in non-deductible spending from 2013 to 2014.

- **Share of profit (loss) from associated companies and joint ventures**

During the 2014 financial year, Ipsen recorded €1.9 million in profit from associated companies and joint ventures owing to a change in the method for consolidating sales of the Swiss company Linnea. Ipsen's share of the profit of Linnea, a company jointly controlled by Ipsen and the Schwabe Group, is now consolidated using the equity method, in accordance with the norm IFRS11 « Partnerships » applicable since 1st January 2014 on the accounting treatment of joint ventures.

- **Net profit (loss) from continuing operations**

As a result of the items above, at 31 December 2014, profit from continuing operations came to €154.5 million, up 8.6% from €142.2 million at 31 December 2013.

- **Net profit (loss) from discontinued operations**

At 31 December 2014, the net loss from discontinued operations totaled €0.5 million. It included the rebilling of production costs for OBI-1 clinical samples to Baxter.

At 31 December 2013, net profit from discontinued operations totaled €10.9 million. That result stemmed primarily from the rebilling of production costs for OBI-1 clinical samples to Baxter, prior to the effective transfer of the production site and personnel, as well as from the negotiated repayment of advisory fees paid by Ipsen during the joint asset-sale process with Inspiration Biopharmaceuticals Inc., and the tax impact related to the compensation paid by the Group to the US subsidiary that sold the assets.

- **Consolidated net profit**

Consolidated net profit came to €154.0 million (€153.5 million attributable to Ipsen S.A. shareholders), relatively flat against €153.1 million (€152.5 million attributable to Ipsen S.A shareholders) at 31 December 2013.

- **Earnings per share**

At 31 December 2014, basic earnings attributable to the Group amounted to €1.87 per share, up from 1.84 a year earlier.

- **Milestone payments collected but not yet recognized in the Group's income statement**

At 31 December 2014, milestone payments collected by the Group but not yet recognized in the income statement amounted to €143.5 million, compared with €125.7 million a year earlier.

For the 2014 financial year, the Group recorded €25.0 million as part of the renegotiated partnership contract with Galderma.

Deferred income will be recognized in the Group's future income statement as follows:

(in millions of euros)	31 december 2014	31 december 2013
Total (*)	**143,5**	**125,7**
The deferred income will be recognized over time as follows:		
In the year n+1	24,9	21,7
In the years n+2 and subsequent	118,6	104,0

(*) Amounts converted at average exchange rates respectively at 31 December 2014 and 31 December 2013.

CASH FLOW AND CAPITAL

The consolidated cash flow statement at 31 December 2014 shows that the Group generated net cash flow of €54.4 million, up €46.5 million over the prior year.

Breakdown of cash flow statement

(in millions of euros)	31 december 2014	31 december 2013
Cash flow from operating activities before changes in working capital requirement	240,9	201,6
(Increase) / decrease in working capital requirement for operations	5,3	(20,1)
Net cash flow from operating activities	**246,2**	**181,4**
Net investments in financial and tangible and intangible assets	(84,2)	(62,3)
Other cash flow from investments	(9,5)	(41,4)
Net cash provided (used) by investment activities	**(93,7)**	**(103,7)**
Net cash provided (used) by financing activities	**(97,7)**	**(76,5)**
Net cash provided (used) by discontinued operations	**(0,4)**	**6,7**
CHANGES IN CASH AND CASH EQUIVALENTS	**54,4**	**7,9**
Opening cash and cash equivalents	125,4	113,3
Impact of exchange rate fluctuations	0,4	4,1
Closing cash and cash equivalents	**180,1**	**125,4**

Net cash flow from operating activities

In 2014, cash flow from operating activities before changes in working capital requirement amounted to €240.9 million, up from the €201.6 million generated in 2013.

Working capital requirement for operating activities decreased by €5.3 million in 2014, compared to an increase of €20.1 million in the prior year. The 2014 decrease stemmed from the following items:

- In 2014, inventories declined by €7.6 million, versus a decrease of €2.9 million in 2013. The execution of action plans helped improve the Group's productivity;
- In 2014, trade receivables grew by €8.5 million, versus an increase of €1.8 million at 31 December 2013. Strong business growth accounted for the lion's share of the increase, which was offset by the collection of trade receivables in Southern Europe, the unblocking of the economic situation in some Middle Eastern countries and tighter management of payment terms in Russia;
- In 2014, trade payables increased by €19.5 million, compared to a €4.6 million decrease in 2013. The increase resulted primarily from the seasonal effects of external costs, as well as a favorable base effect at the end of 2013;
- In 2014, the net change in other operating assets and liabilities constituted a source of funds amounting to €11.6 million, versus a use of funds totaling €30.8 million in 2013. For the 2014 financial year, the Group recognized €25.0 million in deferred income related to the renegotiated partnership contract with Galderma;
- The change in net tax liability in 2014 represented a use of funds totaling €24.9 million. That result compares to a source of funds a year earlier amounting to €14.2 million, which stemmed primarily from the reimbursement in 2013 of an excess amount of tax paid for the 2012 financial year.

Net cash flow used by investment activities

In the 2014 financial year, net cash used by investment activities amounted to €93.7 million in net use of funds, compared with a €103.7 million net use of funds in the prior year. It included:

- Investments in tangible and intangible assets, net of disposals, totaling €84.2 million, versus €62.3 million at 31 December 2013. This cash outflow mainly included:

    - €47.4 million in acquisitions of property, plant and equipment, compared with €42.0 million in 2013. The increase was generated mainly by capital spending to transfer the US research and development site from Milford to Cambridge, capital spending at manufacturing sites, in particular in the United Kingdom, and spending on IT assets;

    - €37.0 million in acquisitions of intangible assets, compared with €20.4 million in 2013. In July 2014, Ipsen acquired control of the intellectual property of Galderma's liquid toxin in the US, Canada, Brazil, and Europe, in exchange for a €10.0 million payment. In October 2014, Ipsen invested €18.0 million as part of a licensing agreement with Lexicon Pharmaceuticals Inc. to market telotristat etiprate outside of North America and Japan. In 2013, this item included €12.0 million as part of the Group's partnership policy with Active Biotech for tasquinimod.

- In 2014, cash flow used by other investment activities included €3.6 million in changes in the scope of consolidation corresponding to the change in consolidation method for the Swiss company Linnea[1]. In 2013, this item included the use of €26.2 million to acquire Syntaxin Ltd. on 12 July 2013, and a €12.7 million decrease in working capital requirement corresponding mainly to a milestone payment made to Active Biotech for tasquinimod in 2013 and recognized in 2012.

Net cash provided (used) by financing activities

In 2014, net cash used in financing activities represented a net use of funds totaling €97.7 million, compared with €76.5 million in net use of funds in 2013. The movement resulted primarily from a €65.7 million dividend payment and €31.7 million in own share purchases.

Net cash provided (used) by discontinued operations

At 31 December 2014, net cash provided (used) by discontinued operations amounted to use of funds totaling €0.4 million related to the supply of clinical samples to Baxter. That result compares to a €6.7 million source of funds a year earlier, corresponding primarily to the recovery of USD 22.5 million in OBI-1 sales rights as part of the renegotiation of the strategic partnership with Inspiration Biopharmaceuticals Inc. announced 21 August 2012.

[1] In accordance with the norm IFRS11 « Partnerships » applicable since 1st January 2014 on the accounting treatment of joint ventures

Breakdown of Group cash flow

(in millions of euros)	31 december 2014	31 december 2013
Cash	69,1	63,1
Short-term investments	117,1	67,8
Interest-bearing deposits	0,1	0,1
Cash and cash equivalents	**186,3**	**131,0**
Bank overdrafts	(6,1)	(5,6)
Closing net cash and cash equivalents	**180,1**	**125,4**
Other financial liabilities	(12,1)	(12,3)
Non-current liabilities	**(12,1)**	**(12,3)**
Bank loans	(4,0)	(4,0)
Financial liabilities	(4,0)	(3,5)
Current liabilities	**(8,0)**	**(7,5)**
Debt	**(20,1)**	**(19,9)**
Derivative financial instruments	0,8	0,2
Net cash and cash equivalents (*)	**160,8**	**105,7**

(*) Net cash and cash equivalents: Cash and cash equivalents, less bank overdrafts, bank loans and other financial liabilities, with derivative financial instruments added back.

On 17 October 2014, Ipsen S.A. refinanced a syndicated loan it had contracted in 2012. As a result, the total amount of the loan increased from €400 million to €500 million for a duration of five years with two one-year extension options.

This new, multiple-currency credit line was established to meet the general financing needs of the Group's operations. At the initiative of the borrower, the line may be drawn down for short-term periods.

Under the terms of the contract, the Group must respect the following covenant ratios at the close of each half-year period:

- Net debt to equity: less than 1x
- Net debt to EBITDA[1]: less than 3.5x

In the event of default, the bank syndicate may demand early repayment of the loan agreement.

At 31 December 2014, the Group had a positive net cash position. As a result, the net-debt-to-equity and net-debt-to-EBITDA[1] covenant ratios were not meaningful.

[1] EBITDA: Earnings Before interest, Taxes, Depreciation and Amortization

APPENDIX 1

Consolidated income statement

(in millions of euros)	31 dedember 2014	31 december 2013 restated
Sales	**1 274,8**	**1 224,8**
Other revenues	57,6	57,0
Revenue	**1 332,4**	**1 281,8**
Cost of goods sold	(310,0)	(305,3)
Selling expenses	(464,1)	(442,9)
Research and development expenses	(186,9)	(195,8)
General and administrative expenses	(111,2)	(103,8)
Other core operating income	9,4	3,8
Other core operating expenses	(9,1)	(9,8)
Core operating income	**260,6**	**228,0**
Other operating income	0,4	1,9
Other operating expenses	(9,6)	(6,6)
Restructuring costs	(21,9)	(0,2)
Impairment losses	(8,0)	(12,6)
Operating income	**221,4**	**210,5**
Investment income	1,7	8,0
Financing costs	(4,7)	(2,2)
Net financing costs	**(3,0)**	**5,8**
Other financial income and expense	(12,0)	(14,8)
Income taxes	(53,8)	(59,3)
Share of profit (loss) from associates and joint ventures	1,9	-
Net profit (loss) from continuing operations	**154,5**	**142,2**
Net profit (loss) from discontinued operations	(0,5)	10,9
Consolidated net profit	**154,0**	**153,1**
- Attributable to shareholders of Ipsen S.A.	153,5	152,5
- Non-controlling interest	0,5	0,6

Basic earnings per share, continuing operations (in € per share)	1,88	1,71
Diluted earnings per share, continuing operations (in € per share)	1,87	1,70
Basic earnings per share, discontinued operations (in € per share)	(0,01)	0,13
Diluted earnings per share, discontinued operations (in € per share)	(0,01)	0,13
Basic earnings per share (in € per share)	1,87	1,84
Diluted earnings per share (in € per share)	1,87	1,83

APPENDIX 2

Consolidated balance sheet before allocation of net profit

(in millions of euros)	31 december 2014	31 december 2013
ASSETS		
Goodwill	324,4	310,7
Other intangible assets	160,9	144,8
Property, plant & equipment	309,6	287,5
Equity investments	15,0	6,7
Investments in associates and joint ventures	13,7	-
Non-current financial assets	4,2	1,5
Other non-current assets	9,3	9,7
Deferred tax assets	204,6	202,5
Total non-current assets	**1 041,7**	**963,5**
Inventories	105,5	121,5
Trade receivables	243,5	243,5
Current tax assets	65,9	42,8
Other current assets	67,8	60,3
Current financial assets	0,1	0,2
Cash and cash equivalents	186,3	131,0
Assets of disposal group classified as held for sale	2,6	2,6
Total current assets	**671,6**	**601,8**
TOTAL ASSETS	**1 713,3**	**1 565,3**

EQUITY AND LIABILITIES		
Share capital	82,9	84,2
Additional paid-in capital and consolidated reserves	801,7	743,4
Net profit (loss) for the period	153,5	152,5
Exchange differences	27,1	(8,7)
Equity attributable to Ipsen shareholders	**1 065,2**	**971,5**
Attributable to minority interests	2,7	2,2
Total shareholders' equity	**1 067,9**	**973,8**
Retirement benefit obligation	59,6	45,7
Provisions	42,1	45,0
Other financial liabilities	12,1	12,3
Deferred tax assets	5,6	6,8
Other non-current liabilities	115,8	105,6
Total non-current liabilities	**235,2**	**215,4**
Provisions	26,0	20,7
Bank loans	4,0	4,0
Financial liabilities	4,0	3,5
Trade payables	179,8	154,8
Current tax liabilities	4,1	5,8
Other current liabilities	186,1	181,7
Bank overdrafts	6,1	5,6
Total current liabilities	**410,2**	**376,2**
TOTAL EQUITY & LIABILITIES	**1 713,3**	**1 565,3**

APPENDIX 3

Consolidated statement of cash flow

(in millions of euros)	31 december 2014			31 december 2013		
	Continuing operations	Operations held for sale / discontinued operations	Total	Continuing operations	Operations held for sale / discontinued operations	Total
Consolidated net profit	**154,5**	**(0,5)**	**154,0**	**142,2**	**10,9**	**153,1**
Share of profit (loss) from associates before impairment losses	(0,3)	-	(0,3)	-	-	-
Profit (loss) before share from associated companies and join ventures	**154,2**	**(0,5)**	**153,7**	**142,2**	**10,9**	**153,1**
Non-cash and non-operating items						
- Depreciation, amortization, provisions	50,2	-	50,2	25,6	0,1	25,7
- Impairment losses included in operating income and net financial income	8,0	-	8,0	12,6	-	12,6
- Change in fair value of financial derivatives	(2,7)	-	(2,7)	(0,1)	-	(0,1)
- Profit on disposals of non-current assets	2,6	-	2,6	0,6	0,1	0,7
- Share of government grants released to profit and loss	(0,0)	-	(0,0)	(0,1)	-	(0,1)
- Exchange differences	9,8	-	9,8	3,4	-	3,4
- Change in deferred taxes	13,8	-	13,8	11,6	(3,4)	8,2
- Share-based payment expense	4,8	-	4,8	5,0	-	5,0
- Gain or loss on sales of treasury shares	0,1	-	0,1	0,2	-	0,2
- Other non-cash items	(0,0)	-	(0,0)	0,4	-	0,4
Cash flow from operating activities before changes in working capital requirement	***240,9***	***(0,5)***	***240,5***	***201,6***	***7,7***	***209,3***
- (Increase)/decrease in inventories	7,6	-	7,6	2,9	-	2,9
- (Increase)/decrease in trade receivables	(8,5)	-	(8,5)	(1,8)	-	(1,8)
- Increase/(decrease) in trade payables	19,5	-	19,5	(4,6)	-	(4,6)
- Net change in income tax liability	(24,9)	-	(24,9)	14,2	(0,2)	13,9
- Net change in other operating assets and liabilities	11,6	0,0	11,6	(30,8)	(0,7)	(31,5)
Change in working capital requirement related to operating activities	**5,3**	**0,0**	**5,3**	**(20,1)**	**(1,0)**	**(21,1)**
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**246,2**	**(0,4)**	**245,8**	**181,4**	**6,7**	**188,1**
Acquisition of property, plant & equipment	(47,4)	-	(47,4)	(42,0)	-	(42,0)
Acquisition of intangible assets	(37,0)	-	(37,0)	(20,4)	-	(20,4)
Proceeds from disposal of intangible assets and property, plant & equipment	0,3	-	0,3	0,2	-	0,2
Acquisition of shares in non-consolidated companies	(0,1)	-	(0,1)	0,0	-	0,0
Payments to post-employment benefit plans	(1,0)	-	(1,0)	(2,3)	-	(2,3)
Impact of changes in the consolidation scope	(3,6)	-	(3,6)	(26,2)	-	(26,2)
Other cash flow related to investment activities	(2,5)	-	(2,5)	(0,4)	-	(0,4)
Deposits paid	0,3	-	0,3	0,3	-	0,3
Change in w orking capital related to operating activities	(2,6)	-	(2,6)	(12,7)	-	(12,7)
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES	**(93,7)**	**-**	**(93,7)**	**(103,7)**	**-**	**(103,7)**
Additional long-term borrow ings	2,2	-	2,2	-	-	-
Repayment of long-term borrow ings	(5,2)	-	(5,2)	(0,2)	-	(0,2)
Net change in short-term borrow ings	-	-		0,1	-	0,1
Capital increase by Ipsen	3,1	-	3,1	0,8	-	0,8
Treasury shares	(31,7)	-	(31,7)	(16,4)	-	(16,4)
Dividends paid by Ipsen	(65,5)	-	(65,5)	(66,6)	-	(66,6)
Dividends paid by subsidiaries to minority interests	(0,2)	-	(0,2)	(0,3)	-	(0,3)
DIP financing	-	-	-	7,1	-	7,1
Change in w orking capital related to operating activities	(0,5)	-	(0,5)	(1,0)	-	(1,0)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**(97,7)**	**-**	**(97,7)**	**(76,6)**	**-**	**(76,6)**
CHANGE IN CASH AND CASH EQUIVALENTS	**54,9**	**(0,4)**	**54,4**	**1,2**	**6,7**	**7,9**
Opening cash and cash equivalents	125,4	-	**125,4**	113,3	-	**113,3**
Impact of exchange rate fluctuations	0,4	-	0,4	4,1	-	4,1
Closing cash and cash equivalents	**180,6**	**(0,4)**	**180,1**	**118,6**	**6,7**	**125,4**

APPENDIX 4

Reconciliation of the income statement reported at 31 December 2013 and the restated income statement at 31 December 2013 released in 2014

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.

- The Group decided to present core operating income as the main management indicator for understanding and measuring the performance of its activities going forward. Items not included in core operating income are not tabbed as "exceptional" or "extraordinary" but correspond to unusual, abnormal or infrequent items of disclosure targeted in paragraph 28 of the IASB Framework.

- Research tax credits were reclassified as operating grants, in accordance with common practice within the pharmaceutical industry. In accordance with IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance, operating grants are now recognized in core operating income, after the R&D expenses to which they are directly linked have been deducted. In previous years, research tax credits were disclosed in income taxes.

- Royalties paid under a license for products marketed by the Group are now recognized in the cost of goods sold, in accordance with common practices within the pharmaceutical industry. In previous years, they were recognized as selling expenses.

- The allocation of internal costs within the various functions was revised on the consolidated income statement following the implementation of the new organization. As a result, certain support function expenses previously recognized as research and development costs were reclassified as selling expenses, 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 net profit.

The Group on 31 December 2014 applied the new income statement format, which complies with IAS 1 Revised, and restated the comparison reporting periods in accordance with the new presentation as well.

The impact of the various reclassifications on the consolidated income statement for the period ended 31 December 2013 is presented in the following table:

(in millions of euros)	31 december 2013 reported	Royalties	Research tax credit	Internal Medical department	Reclassification of other operating income and expenses	Amortization of intangible assets		31 december 2013 restated
Sales	1 224,8	-	-	-	-	-	Sales	1 224,8
Other revenues	57,0	-	-	-	-	-	Other revenues	57,0
Revenues	1 281,8	-	-	-	-	-	**Revenues**	1 281,8
Cost of Goods sold	(253,4)	(51,9)	-	-	-	-	Cost of Goods sold	(305,3)
Selling expenses	(451,3)	51,9	-	(43,5)	-	-	Selling expenses	(442,9)
Research and development expenses	(259,1)	-	19,7	43,5	-	-	Research and development expenses	(195,8)
General and administrative expenses	(103,8)	-	-	-	-	-	General and administrative expenses	(103,8)
					3,8	-	Other Core operating income	3,8
					(5,4)	(4,4)	Other Core operating expenses	(9,8)
							Core Operating income	228,0
Other operating income	5,7	-	-	-	(3,8)	-	Other operating income	1,9
Other operating expenses	(12,0)	-	-	-	5,4	-	Other operating expenses	(6,6)
Amortization of intangible assets	(4,4)	-	-	-		4,4		-
Restructuring costs	(0,2)	-	-	-	-	-	Restructuring costs	(0,2)
Impairment gain/(losses)	(12,6)	-	-	-	-	-	Impairment gain/(losses)	(12,6)
Operating income	190,7	-	19,7	-	-	-	**Operating income**	210,5
Adjusted recurring operating income	208,6							
Net financing costs	5,8	-	-	-	-	-	Net financing costs	5,8
Other financial income and expense	(14,8)	-	-	-	-	-	Other financial income and expense	(14,8)
Income taxes	(39,6)	-	(19,7)	-	-	-	Income taxes	(59,3)
Share of profit (loss) from associates	-	-	-	-	-	-	Share of profit (loss) from associates	-
Net profit (loss) from continuing operations	142,2	-	-	-	-	-	**Net profit (loss) from continuing operations**	142,2
Net profit (loss) from discontinued operations	10,9	-	-	-	-	-	Net profit (loss) from discontinued operations	10,9
Consolidated net profit	153,1	-	-	-	-	-	**Consolidated net profit**	153,1
- Attributable to shareholders of Ipsen S.A.	152,5	-	-	-	-	-	- Attributable to shareholders of Ipsen S.A.	152,5
- Non-controlling interest	0,6	-	-	-	-	-	- Non-controlling interest	0,6

APPENDIX 5

Core consolidated net profit for 2014, versus prior year

(in millions of euros)	31 december 2014	Non-Core items	31 december 2014 Core	31 december 2013	Non-Core items	31 december 2013 restated Core
Core operating income	**260.6**	**-**	**260.6**	**228.0**	**-**	**228.0**
Other operating income	0.4	(0.4)	-	1.9	(1.9)	-
Other operating expenses	(9.6)	9.6	-	(6.6)	6.6	-
Restructuring costs	(21.9)	21.9	-	(0.2)	0.2	-
Impairment losses	(8.0)	8.0	-	(12.6)	12.6	-
Operating income	**221.4**	**39.1**	**260.6**	**210.5**	**17.5**	**228.0**
Investment income	1.7	-	1.7	8.0	-	8.0
Financing costs	(4.7)	-	(4.7)	(2.2)	-	(2.2)
Net financing costs	(3.0)	-	(3.0)	5.8	-	5.8
Other financial income and expense	(12.0)	-	(12.0)	(14.8)	(5.7)	(20.5)
Income taxes	(53.8)	(11.0)	(64.8)	(59.3)	(0.3)	(59.6)
Share of profit (loss) from associates and joint ventures	1.9	-	1.9	-	-	-
Net profit (loss) from continuing operations	**154.5**	**28.1**	**182.6**	**142.2**	**11.5**	**153.7**
Net profit (loss) from discontinued operations	(0.5)	0.5	-	10.9	(10.9)	-
Consolidated net profit	**154.0**	**28.6**	**182.6**	**153.1**	**0.6**	**153.7**
- Attributable to shareholders of Ipsen S.A.	153.5	28.6	182.1	152.5	0.6	153.2
- Non-controlling interest	0.5	-	0.5	0.6	-	0.6
Diluted earnings per share - attributable to Ipsen S.A. shareholders (in € per share)	1.87		2.22	1.83		1.84

Under the new presentation format for its income statement, the Group uses core operating income as the main management indicator for understanding and measuring the performance of its activities going forward. Items not included in core operating income are not tabbed as "exceptional" or "extraordinary" but correspond to unusual, abnormal or infrequent items of disclosure targeted in paragraph 28 of the IASB Framework.

Similarly, core consolidated net profit corresponds to net profit adjusted for non-core items as defined above, net of taxes.