PRESS RELEASE

Ipsen delivers strong 2016 results and expects further sales growth and margin enhancement for 2017

- **Strong operating performance exceeds guidance with Group sales up 11.8%[1] driven by Specialty Care and Core Operating Margin improvement despite Cabometyx® launch investments**

- **Acquisition of Onivyde® and new Primary Care products expected to close during the first half of 2017**

Paris (France), 23 February 2017 – Ipsen (Euronext: IPN; ADR: IPSEY), a global specialty-driven pharmaceutical group, today announced financial results for the full year 2016.

Extract of audited consolidated results for the full year 2016 and 2015

(in millions of euros)	FY 2016	FY 2015	*% change*
Group sales	**1,584.6**	**1,443.9**	**+11.8%[1]**
Specialty Care sales	1,273.0	1,114.2	+16.1%[1]
Primary Care sales	311.6	329.7	-2.7%[1]
Core Operating Income[2;3]	**363.9**	**327.7**	**+11.1%**
Core operating margin (as a % net sales)	*23.0%*	*22.7%*	*+0.3 pts*
Core consolidated net profit[2;4]	**263.6**	**233.8**	**+12.8%**
Core EPS – fully diluted (€)[2;4]	**3.18**	**2.82**	**+13.0%**
IFRS operating income	**304.7**	**244.0**	**+24.8%**
Operating margin (as a % net sales)	*19.2%*	*16.9%*	*+2.3 pts*
IFRS consolidated net profit	**226.6**	**190.7**	**+18.8%**
IFRS EPS – fully diluted (€)	**2.73**	**2.30**	**+18.7%**
Free cash flow	228.8	176.3	+29.8%
Closing net cash[5]	68.6	186.9	-63.3%

[1] Year-on-year growth excluding foreign exchange impacts
[2] Excludes amortization of intangible assets (excluding software), gain or loss on disposal of fixed assets, restructuring costs, impairment losses and other non-core items
[3] Reconciliation between this new definition of Core Operating Income and the previous definition is presented on page 3
[4] Bridges from IFRS consolidated net profit to Core consolidated net profit are presented in appendix 4
[5] Cash and cash equivalents, less bank overdrafts, bank loans and other financial liabilities and excluding financial derivative instruments

Commenting on the 2016 full year performance, **David Meek, Chief Executive Officer of Ipsen,** said: *"The strong operating performance in 2016 serves as a solid foundation for the company in this new era of accelerated momentum and transformation. Sales grew by nearly 12% year-on-year, a record high for Ipsen, and core operating margin improved despite additional investments for the Cabometyx® launch in Europe."*

David Meek added: *"2016 was a very productive year for Ipsen with the Cabometyx® approval and launch for second line renal cell carcinoma in Europe, the launch of new indications for Dysport® in the U.S., a new corporate governance structure implemented, and most recently, the acquisition of Onivyde®, which reinforces our specialty oncology strategy. The focus for 2017 will be on building upon the strong momentum of the current business and the successful launch of Cabometyx®, which combined with the expected addition of Onivyde® and the new Primary Care products, will significantly contribute to the growth and profitability of the company in the coming years."*

New definition of Core Financial Measures

Ipsen has updated its definition of Core financial measures (Core Operating income, Core consolidated net profit, Core EPS) to exclude the amortization of intangible assets (excluding software) and the gain or loss on disposal of fixed assets.

Core financial measures are the key performance indicators for understanding and measuring the performance of the Group. Ipsen believes that the updated financial indicators reflect with better clarity the Group's underlying business trends and enable more meaningful comparisons year on year, as they exclude non-core items which may vary significantly.

These performance indicators do not replace IFRS indicators, and should not be relied upon as such.

Reconciliations between IFRS 2015/2016 results and the newly defined Core financial measures are presented in Appendix 4 and in the "Reconciliation from Core consolidated net profit to IFRS consolidated net profit" table on page 12.

Review of the full year 2016 results

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

In 2016, **Group sales** reached €1,584.6 million, up 11.8% year-on-year.

Specialty Care sales reached €1,273.0 million, up 16.1%, driven by the strong growth of Somatuline® in North America, as well as a solid performance throughout Europe.

Dysport® good sales performance in aesthetics in the U.S. through Galderma, and in Russia and the Middle East was offset by importation issues in Brazil that occurred in the second half of the year due to a temporary cancellation of the certificate of Good Manufacturing Practices (cGMP). Decapeptyl® sales reflect good volume growth in Europe and China offset by price pressure in the region. The Group booked during the fourth quarter the first sales of Cabometyx® in Europe, mainly in Germany, Austria and France following the product approval by EMA in September.

Primary Care sales reached €311.6 million, down 2.7%, impacted by lower sales in Russia for Tanakan® and other Primary Care products, while Smecta® sales were slightly up driven by the implementation of the new OTx[1] commercial model.

Core Operating Income totaled €363.9 million, up 11.1%. Core operating margin reached 23.0%, up 0.3 points compared to 2015, mainly driven by strong business performance, partially offset by investments for the Cabometyx® launch and the adverse impact of foreign currencies.

[1] OTx: Combination of prescription and over-the-counter

Core consolidated net profit was €263.6 million, up 12.8% over the period, compared to €233.8 million in 2015.

Core earnings per share - fully diluted (see Appendix 4) grew by 13.0% year-on-year to reach €3.18 for 2016, compared to €2.82 in 2015.

Free cash flow generated in 2016 reached €228.8 million, up by €52.5 million, driven by the strong operating performance and a good management of working capital and capital expenditures.

Closing net cash reached €68.6 million at the end of the period, compared to €186.9 million in 2015, notably after payments to Exelixis for the original cabozantinib license and subsequent extension to Canada, as well as regulatory and commercial milestones, for a total of €257.3 million in 2016.

IFRS Operating Income totaled €304.7 million, up 24.8% from €244.0 million in 2015, impacted by lower impairment charge, with an **Operating margin** at 19.2%, up 2.3 points compared to 2015.

IFRS Consolidated net profit was €226.6 million, up 18.8% over the period, compared to €190.7 million in 2015 and **fully diluted EPS** at €2.73 in 2016, was up 18.7% from €2.30 in 2015.

Comparison of 2016 performance with financial objectives

The Group exceeded the raised guidance provided on 26 October 2016 for Specialty Care sales and Core operating margin and came in at the favorable end of revised guidance for Primary Care sales.

The table below shows the comparison between the financial objectives provided on 26 October 2016 and 2016 actuals, both including the amortization of intangible assets.

	Financial objectives[1]	Actuals 2016
Specialty Care sales	≥+15%[2]	+16.1%[2]
Primary Care sales	[-5% ; -3%][2]	-2.7%[2]
Core operating margin (including amortization of intangible assets)	Around 22.0%	22.5%

Below is a reconciliation of the Core Operating Income from the previous definition to the new reported definition:

(in millions of euros)	FY 2016	FY 2015	*% change*
Core operating income (including amortization of intangible assets)	**355.9**	**322.5**	**+10.3%**
Margin (as a % net sales)	*22.5%*	*22.3%*	*+0.2 pts*
Amortization of intangible assets (excluding software)	7.7	4.7	+63.8%
Gain or loss on disposal of fixed assets	0.3	0.5	-33.6%
Core operating income	**363.9**	**327.7**	**+11.1%**
Core operating margin (as a % net sales)	*23.0%*	*22.7%*	*+0.3 pts*

[1] 2016 revised financial objectives communicated on 26 October 2016
[2] Year-on-year growth excluding foreign exchange impacts

Dividend for the 2016 financial year proposed for the approval of Ipsen's shareholders

The Ipsen S.A. Board of Directors, which met on 22 February 2017, has decided to propose at the annual shareholders' meeting on 7 June 2017 the payment of a dividend of €0.85 per share, stable year-on-year.

2017 Financial objectives

The Group has set the following financial targets for 2017 assuming a successful closing of the Onivyde® transaction with Merrimack by the end of the first quarter 2017, and of the Consumer Healthcare transaction with Sanofi in the second quarter of 2017:

- **Specialty Care** sales growth year-on-year **greater than +18.0%**;
- **Primary Care** sales growth year-on-year **greater than +4.0%**;
- **Core operating margin** (excluding amortization of intangible assets) **greater than 24%** of net sales.

Sales objectives are set at constant currency.

Meeting, webcast and conference call for the press (in English)

Ipsen will host a press conference on Thursday 23 February 2017 at 9:30 a.m. (Paris time, GMT +1) at Salons de l'hôtel des Arts et Métiers – 9 bis avenue d'Iéna – 75116 Paris (France). A conference call will take place and a web conference (audio and video webcast) will be available at www.ipsen.com. Participants should enter the call in approximately 5 to 10 minutes prior to its start. No reservation is required to participate in the conference call.

France and continental Europe: +33 (0)1 70 99 35 34
UK: +44 (0)20 7162 9960
United States: +1 646 851 2094
Conference ID: 961391

A recording will be available for 7 days on Ipsen's website and at the following numbers:
France and continental Europe: +33 (0)1 70 99 35 29
UK: +44 (0)20 7031 4064
United States: +1 954 334 0342
Conference ID: 961391

Meeting, webcast and conference call (in English) for the financial community

Ipsen will host an analyst meeting on Thursday 23 February 2017 at 2:30 p.m. (Paris time, GMT+1) at its headquarters in Boulogne-Billancourt (France). A conference call will take place and a web conference (audio and video webcast) will be available at www.ipsen.com. Participants should dial in to the call approximately 5 to 10 minutes prior to its start. No reservation is required to participate in the conference call.

France and continental Europe: +33 (0)1 70 99 32 08
UK: +44 (0)20 7162 0077
United States: +1 646 851 2407
Conference ID: 961277

A recording will be available for 7 days on Ipsen's website and at the following numbers:

France and continental Europe: +33 (0)1 70 99 35 29
UK: +44 (0)20 7031 4064
United States: +1 954 334 0342
Conference ID: 961277

About Ipsen

Ipsen is a global specialty-driven pharmaceutical group with total sales close to €1.6 billion in 2016. Ipsen sells more than 20 drugs in more than 115 countries, with a direct commercial presence in more than 30 countries. Ipsen's ambition is to become a leader in specialty healthcare solutions for targeted debilitating diseases. Its fields of expertise cover oncology, neurosciences and endocrinology (adult & pediatric). Ipsen's commitment to oncology is exemplified through its growing portfolio of key therapies improving the care of patients suffering from prostate cancer, neuro-endocrine tumors, renal cell carcinoma and pancreatic cancer. Ipsen also has a significant presence in primary care. 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, located in the heart of the leading biotechnological and life sciences hubs (Les Ulis/Paris-Saclay, France; Slough/Oxford, UK; Cambridge, US). In 2016, R&D expenditures exceeded €200 million. The Group has more than 4,900 employees worldwide. Ipsen's shares are traded on segment A of Euronext Paris (stock code: IPN, ISIN code: FR0010259150) and are 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 trades 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 favorable results obtained during pre-clinical trials will be confirmed subsequently during clinical trials, or that the results of clinical trials will be sufficient to demonstrate the safe and effective nature of the product concerned. There can be no guarantees a product will receive the necessary regulatory approvals or that the product will prove to be commercially successful. If underlying assumptions prove inaccurate or risks or uncertainties materialize, actual results may differ materially from those set forth in the forward-looking statements. Other risks and uncertainties include but are not limited to, general industry conditions and competition; general economic factors, including interest rate and currency exchange rate fluctuations; the impact of pharmaceutical industry regulation and health care legislation; global trends toward health care cost containment; technological advances, new products and patents attained by competitors; challenges inherent in new product development, including obtaining regulatory approval; the Group's ability to accurately predict future market conditions; manufacturing difficulties or delays; financial instability of international economies and sovereign risk; dependence on the effectiveness of the Group's patents and other protections for innovative products; and the exposure to litigation, including patent litigation, and/or regulatory actions. The Group also depends on third parties to develop and market some of its products which could potentially generate substantial royalties; these partners could behave in such ways which could cause damage to the Group's activities and financial results. The Group cannot be certain that its partners will fulfil their obligations. It might be unable to obtain

any benefit from those agreements. A default by any of the Group's partners could generate lower revenues than expected. Such situations could have a negative impact on the Group's business, financial position or performance. The Group expressly disclaims any obligation or undertaking to update or revise any forward looking statements, targets or estimates contained in this press release to reflect any change in events, conditions, assumptions or circumstances on which any such statements are based, unless so required by applicable law. The Group's business is subject to the risk factors outlined in its registration documents filed with the French Autorité des Marchés Financiers.
The risks and uncertainties set out are not exhaustive and the reader is advised to refer to the Group's 2015 Registration Document available on its website (www.ipsen.com).

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Comparison of Consolidated Sales for the Fourth Quarter and Full Year 2016 and 2015:

Sales by therapeutic area and by product[1]

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

The following table shows sales by therapeutic area and by product for the fourth quarter and full year 2016 and 2015:

	4th Quarter				12 Months			
(in millions of euros)	2016	2015	% Variation	% Variation at constant currency	2016	2015	% Variation	% Variation at constant currency
Oncology	**247.3**	**197.4**	**25.3%**	**27.0%**	**904.8**	**752.8**	**20.2%**	**22.1%**
Somatuline®	146.5	110.0	33.1%	34.1%	538.3	401.6	34.0%	35.5%
Decapeptyl®	88.0	83.2	5.8%	8.5%	339.8	334.0	1.7%	4.2%
Cabometyx®	7.2	0.0	N/A	N/A	7.2	0.0	N/A	N/A
Other Oncology	5.7	4.3	33.8%	34.6%	19.5	17.2	13.6%	14.0%
Neurosciences	**71.9**	**71.2**	**1.1%**	**-1.2%**	**286.7**	**280.7**	**2.1%**	**4.3%**
Dysport®	71.2	70.7	0.7%	-1.6%	284.7	279.5	1.9%	4.0%
Endocrinology	**20.5**	**21.1**	**-2.9%**	**-2.2%**	**81.5**	**80.7**	**1.0%**	**1.7%**
NutropinAq®	14.0	14.7	-4.8%	-3.8%	57.7	60.3	-4.2%	-3.5%
Increlex®	6.5	6.4	1.6%	1.5%	23.7	20.4	16.4%	16.9%
Specialty Care	**339.8**	**289.7**	**17.3%**	**17.8%**	**1,273.0**	**1,114.2**	**14.2%**	**16.1%**
Gastroenterology	**63.7**	**59.8**	**6.6%**	**9.6%**	**219.1**	**227.2**	**-3.6%**	**0.0%**
Smecta®	31.6	25.7	22.9%	25.5%	111.0	114.8	-3.3%	0.6%
Forlax®	10.2	10.9	-5.9%	-4.9%	39.3	39.7	-0.8%	0.5%
Etiasa®	11.5	8.9	29.3%	38.6%	29.3	26.0	12.7%	19.5%
Fortrans®	7.3	7.5	-2.1%	-0.4%	23.2	23.9	-2.7%	2.7%
Cognitive disorders	**15.8**	**15.1**	**5.1%**	**7.1%**	**43.6**	**52.0**	**-16.3%**	**-14.3%**
Tanakan®	15.8	15.1	5.1%	7.1%	43.6	52.0	-16.3%	-14.3%
Other Primary Care	**5.4**	**5.0**	**8.3%**	**8.3%**	**23.5**	**26.2**	**-10.1%**	**-10.0%**
Drug-related sales	**5.4**	**6.0**	**-9.4%**	**-11.6%**	**25.5**	**24.3**	**4.9%**	**4.9%**
Primary Care	**90.4**	**85.8**	**5.3%**	**7.6%**	**311.6**	**329.7**	**-5.5%**	**-2.7%**
Group Sales	**430.2**	**375.5**	**14.6%**	**15.5%**	**1,584.6**	**1,443.9**	**9.7%**	**11.8%**

In the fourth quarter of 2016, sales reached €430.2 million, up 15.5%, led by the 17.8% growth of Specialty Care sales, while Primary Care sales grew by 7.6%. In 2016, sales amounted to €1,584.6 million, up 11.8%, driven by the 16.1% growth of Specialty Care sales, while Primary Care sales declined by 2.7%.

In the fourth quarter of 2016, sales of **Specialty Care** products of €339.8 million, were up 17.8% year-on-year driven by Oncology sales growth of 27.0%. In 2016, sales of Specialty Care products of €1,273.0 million, were up 16.1% fueled by Oncology sales growth of 22.1%, Neurosciences sales growth of 4.3%,

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

and Endocrinology sales growth of 1.7%. Over the period, the relative weight of Specialty Care continued to increase to reach 80.3% of Group sales, compared to 77.2% in 2015.

In **Oncology,** sales reached €247.3 million in the fourth quarter of 2016, up 27.0% year-on-year, driven by the continued growth of Somatuline® in the United States and in Europe. In 2016, Oncology sales amounted to €904.8 million, up 22.1% and represented 57.0% of total Group sales, compared to 52.1% in 2015.

Somatuline® – In the fourth quarter of 2016, sales reached €146.5 million, up 34.1%. In 2016, sales amounted to €538.3 million, up 35.5%. Somatuline®'s improved performance was driven by strong volume and market share growth in North America and by a strong performance in most European countries, notably in the United Kingdom, France and Germany.

Decapeptyl® – In the fourth quarter of 2016, sales totaled €88.0 million, up 8.5% year-on-year. In 2016, sales amounted to €339.8 million, up 4.2%. Decapeptyl®'s good performance across Europe, notably in France, Spain and UK was negatively impacted by price pressure in China which offset local volume growth.

Cabometyx® – In the fourth quarter of 2016, sales reached €8.3 million, including sales recognized in France under the Cabometyx® Managed Access Program (ATU or Temporary Use Authorization).

Other Oncology – In the fourth quarter of 2016, **Hexvix®** sales amounted to €4.5 million, up 6.6% year-on-year. In 2016, sales of Hexvix® reached €18.3 million, up 7.1%, mainly driven by the good performance in Germany, which accounts for the majority of product sales. The Group also registered first sales of **Cometriq®** of €1.2 million in the fourth quarter 2016.

In **Neurosciences**, sales of **Dysport®** reached €71.2 million in the fourth quarter of 2016, down 1.6% year-on-year. Despite strong volume growth in the aesthetics business in North America with Galderma, and in Russia and the Middle East, sales were negatively impacted by importation issues in Brazil due to a temporary cancellation of the certificate of Good Manufacturing Practices (cGMP). An exceptional import license has been secured for the public market. For the private market, Ipsen is working closely with regulatory authorities on obtaining an exceptional import license. The company expects a new GMP certificate to be issued in the coming months. In 2016, sales amounted to €284.7 million, up 4.0%, driven by the good performance in Russia, the Middle East and in Germany as well as by the strong aesthetics business in North America and in Europe with Ipsen's partner Galderma and despite the negative impact of importation issues in Brazil that arose in the second half of 2016. Over the period, Neurosciences sales represented 18.1% of total Group sales, compared to 19.4% in 2015.

In **Endocrinology**, sales of **NutropinAq®** reached €14.0 million in the fourth quarter of 2016, down 3.8% year-on-year. In 2016, sales amounted to €57.7 million, down 3.5%, impacted by lower volumes, especially in Germany, Italy and the UK, and partly offset by a good performance in France. In the fourth quarter of 2016, sales of **Increlex®** reached €6.5 million, up 1.5% year-on-year, mostly driven by the United States. In 2016, sales amounted to €23.7 million, up 16.9%. Over the period, Endocrinology sales represented 5.1% of total Group sales, compared to 5.6% in 2015.

In the fourth quarter of 2016, **Primary Care** sales reached €90.4 million, up 7.6% year-on-year, driven by the good performance of **Smecta® and Etiasa®.** In 2016, sales amounted to €311.6 million, down 2.7%, impacted by lower **Tanakan®** sales in Russia. Over the period, Primary Care sales represented 19.6% of total Group sales, compared to 22.8% in 2015.

In the fourth quarter of 2016, **Gastroenterology** sales reached €63.7 million, up 9.6% year-on-year led by **Smecta®**. In 2016, sales amounted to €219.1 million, in line with 2015, driven by higher Smecta® sales in Russia and France but offset by negative inventory trends in Asia and the delisting of **Bedelix®** in Algeria.

Smecta® – In the fourth quarter of 2016, sales reached €31.6 million, up 25.5% year-on-year, driven by a favorable basis of comparison in China. In 2016, sales amounted to €111.0 million, up 0.6% with a good performance in Russia and France, driven by the implementation of the OTC commercial model, and slightly offset by the negative stocking impact in China.

Etiasa® – In the fourth quarter of 2016, sales reached €11.5 million up 38.6% year-on-year. In 2016, sales amounted to €29.3 million, up 19.5%.

Forlax® – In the fourth quarter of 2016, sales reached €10.2 million, down 4.9% year-on-year. In 2016, sales amounted to €39.3 million, up 0.5%, supported by a good performance in France, Russia and China, as well as by Ipsen's partners who distribute Macrogol®, the generic version of Forlax®, and offset by the sales decline in Algeria and in Italy.

Fortrans® – In the fourth quarter of 2016, sales reached €7.3 million, down 0.4% year-on-year. In 2016, sales amounted to €23.2 million, up 2.7% due to the good performance in China.

In the **Cognitive Disorders** area, sales of **Tanakan**® reached €15.8 million in the fourth quarter of 2016, up 7.1% year-on-year, driven by a rebound in Russia. Sales in 2016 amounted to €43.6 million, down 14.3%, impacted by continued market challenges in Russia and the market decrease in France.

Sales of **Other Primary Care** products reached €5.4 million in the fourth quarter of 2016, up 8.3% year-on-year. In 2016, sales amounted to €23.5 million, down 10.0%, mainly affected by the underperformance of **Adrovance**®, which was down 15.5% over the period.

In the fourth quarter of 2016, **Drug-related Sales (active ingredients and raw materials)** reached €5.4 million, down 11.6% year-on-year, mostly affected by import difficulties in Algeria. In 2016, sales amounted to €25.5 million, up 4.9% driven by solid sales to the Group partner Schwabe.

Sales by geographical area

Group sales by geographical area in the fourth quarter and full year 2016 and 2015:

	4th Quarter				12 Months			
(in million of euros)	2016	2015	% Variation	% Variation at constant currency	2016	2015	% Variation	% Variation at constant currency
France	61.5	53.9	14.1%	14.1%	225.5	212.4	6.2%	6.2%
Germany	31.6	29.8	5.8%	5.4%	123.2	110.3	11.7%	11.7%
Italy	18.8	19.5	-3.4%	-3.4%	81.2	79.4	2.2%	2.2%
United Kingdom	18.2	19.5	-6.6%	12.6%	72.8	76.0	-4.2%	8.2%
Spain	18.5	17.5	6.0%	6.0%	69.2	65.6	5.5%	5.5%
Major Western European countries	**148.6**	**140.2**	**6.0%**	**8.6%**	**571.9**	**543.8**	**5.2%**	**6.9%**
Eastern Europe	50.6	42.8	18.3%	18.6%	176.2	167.2	5.4%	10.7%
Others Europe	47.1	38.0	24.0%	23.7%	173.0	154.2	12.2%	12.4%
Other European countries	**97.7**	**80.8**	**21.0%**	**21.0%**	**349.2**	**321.4**	**8.7%**	**11.5%**
North America	**83.3**	**48.7**	**71.0%**	**69.4%**	**273.0**	**157.9**	**72.9%**	**72.5%**
Asia	62.8	56.9	10.4%	15.5%	218.8	228.4	-4.2%	-0.4%
Other countries in the Rest of the world	37.7	49.0	-22.9%	-25.6%	171.7	192.4	-10.8%	-9.1%
Rest of the World	**100.5**	**105.8**	**-5.0%**	**-3.9%**	**390.5**	**420.8**	**-7.2%**	**-4.4%**
Group Sales	**430.2**	**375.5**	**14.6%**	**15.5%**	**1 584.6**	**1 443.9**	**9.7%**	**11.8%**

In the fourth quarter of 2016, sales in the **Major Western European countries** reached €148.6 million, up 8.6% year-on-year. In 2016, sales in the Major Western European countries amounted to €571.9 million, up 6.9%. Over the period, sales in the Major Western European countries represented 36.1% of total Group sales, compared to 37.7% in the previous year.

France – In the fourth quarter of 2016, sales reached €61.5 million, up 14.1% year-on-year, driven by the first sales of Cabometyx®. In 2016, sales amounted to €225.5 million, up 6.2%, driven by the sustained growth of Somatuline® and Decapeptyl®, as well as the first sales of Cabometyx® in the fourth quarter. Primary Care sales were stable over the year with a good performance of Smecta®, offset by the decrease of Tanakan®, Adrovance®, and Nisis®/Nisisco®. The relative weight of France in the Group's consolidated sales has continued to decrease to represent 14.2% of total Group sales, compared to 14.7% in the previous year.

Germany – In the fourth quarter of 2016, sales reached €31.6 million, up 5.4% year-on-year. In 2016, sales amounted to €123.2 million, up 11.7%, driven by strong growth of Somatuline® and Dysport® as well as the commercial launch of Cabometyx® and Cometriq® in November. Over the period, sales in Germany represented 7.8% of total Group sales, compared to 7.6% in the previous year.

Italy – In the fourth quarter of 2016, sales reached €18.8 million, down 3.4% year-on-year. In 2016, sales amounted to €81.2 million, up 2.2%. The solid growth of Somatuline® was partly offset by the sales decline of Dysport® and NutropinAq®. Over the period, sales in Italy represented 5.1% of total Group sales, compared to 5.5% in the previous year.

United Kingdom – In the fourth quarter of 2016, sales reached €18.2 million, up 12.6% year-on-year. In 2016, sales amounted to €72.8 million, up 8.2%, driven by Somatuline® and Decapeptyl®. Over the period, the United Kingdom represented 4.6% of total Group sales, compared to 5.3% in the previous year.

Spain – In the fourth quarter of 2016, sales reached €18.5 million, up 6.0% year-on-year. In 2016, sales amounted to €69.2 million, up 5.5%, driven by strong volume growth of Decapeptyl® and

Somatuline®. Over the period, sales in Spain represented 4.4% of total Group sales, compared to 4.5% in the previous year.

In the fourth quarter of 2016, sales in **Other European countries** reached €97.7 million, up 21.0% year-on-year, driven by the launch of Cabometyx® in Austria and the good performance of Dysport® in Russia. In 2016, sales amounted to €349.2 million, up 11.5%, supported by the strong performance of Somatuline® across the region as well as Dysport® and Decapeptyl®, notably in Russia and Ukraine, partly offset by the Tanakan® slowdown in Russia. Over the period, sales in the region represented 22.0% of total Group sales compared to 22.3% in the previous year.

In the fourth quarter of 2016, sales generated in **North America** reached €83.3 million, up 69.4% year-on-year. In 2016, sales amounted to €273.0 million, up 72.5%, supported by the growth of Somatuline® and the growth of Dysport® mainly driven by the strong growth in aesthetics through the Galderma partnership. Over the period, sales in North America represented 17.2% of total Group sales, compared to 10.9% in the previous year.

In the fourth quarter of 2016, sales in the **Rest of the World** reached €100.5 million, down 3.9% year-on-year mainly impacted by Dysport® in Brazil. In 2016, sales amounted to €390.5 million, down 4.4%. Sales were impacted by importation issues in Brazil which negatively impacted Dysport®, as well as the delisting of Bedelix® in Algeria. Over the period, sales in the Rest of the World represented 24.6% of total Group sales, compared to 29.1% in the previous year.

Comparison of Core consolidated income statement for 2016 and 2015

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

(in millions of euros)	31 December 2016		31 December 2015		Change
		% of sales		% of sales	
Sales	**1,584.6**	***100.0%***	**1,443.9**	***100.0%***	***9.7%***
Other revenues	86.5	*5.5%*	76.3	*5.3%*	*13.4%*
Revenue	1,671.1	*105.5%*	1,520.2	*105.3%*	*9.9%*
Cost of goods sold	(353.3)	*-22.3%*	(336.8)	*-23.3%*	*4.9%*
Selling expenses	(608.4)	*-38.4%*	(541.4)	*-37.5%*	*12.4%*
Research and development expenses	(208.9)	*-13.2%*	(192.1)	*-13.3%*	*8.7%*
General and administrative expenses	(129.4)	*-8.2%*	(122.9)	*-8.5%*	*5.3%*
Other core operating income	0.9	*0.1%*	4.8	*0.3%*	*-81.9%*
Other core operating expenses	(8.0)	*-0.5%*	(4.1)	*-0.3%*	*92.7%*
Core Operating Income	**363.9**	***23.0%***	**327.7**	***22.7%***	***11.1%***
Investment income	0.9	*0.1%*	0.7	*0.1%*	*16.7%*
Financing costs	(5.8)	*-0.4%*	(3.6)	*-0.3%*	*61.3%*
Net financing costs	**(5.0)**	***-0.3%***	**(2.9)**	***-0.2%***	***72.6%***
Other financial income and expense	(9.3)	*-0.6%*	(8.4)	*-0.6%*	*10.2%*
Core income taxes	(88.0)	*-5.6%*	(85.1)	*-5.9%*	*3.4%*
Share of net profit (loss) from entities accounted for using the equity method	1.9	*0.1%*	2.5	*0.2%*	*-22.2%*
Core consolidated net profit	**263.6**	***16.6%***	**233.8**	***16.2%***	***12.8%***
- Attributable to shareholders of Ipsen S.A.	262.9	*16.6%*	232.9	*16.1%*	*12.9%*
- Attributable to non-controlling interests	0.6	*0.0%*	0.9	*0.1%*	*-27.4%*
Core EPS fully diluted - attributable to Ipsen S.A. shareholders (in € per share)	**3.18**		**2.82**		**13.0%**

Reconciliation from Core consolidated net profit to IFRS consolidated net profit

(in millions of euros)	31 December 2016	31 December 2015
Core consolidated net profit	**263.6**	**233.8**
Amortization of intangible assets (excl software)	(5.1)	(2.9)
Other operating income or expenses	(4.4)	(5.5)
Restructuring	(1.1)	(4.5)
Impairment losses	(32.1)	(41.4)
Other	5.7	11.3
IFRS consolidated net profit	**226.6**	**190.7**
IFRS EPS fully diluted - attributable to Ipsen S.A. shareholders (in € per share)	**2.73**	**2.30**

- **Sales**

In 2016, the Group's consolidated sales came to €1,584.6 million, up 9.7% year-on-year, and up 11.8% excluding the impact of foreign exchange.

- **Other revenues**

Other revenues for the financial year 2016 totaled €86.5 million, up 13.4% versus €76.3 million generated in 2015.

This change was attributable to higher royalties received from Group partners (mainly Galderma for Dysport® and Menarini for Adenuric®), the new distribution model for Etiasa® in China, partially offset by the recognition in 2015 of an upfront payment of €3.4 million received from the sale of Ginkor Fort® licensing rights to Tonipharm.

- **Cost of goods sold**

In 2016, cost of goods sold amounted to €353.3 million, representing 22.3% of sales compared to €336.8 million, or 23.3% of sales in 2015.

The improvement in cost of goods sold as a percentage of sales was primarily due to a favorable product mix arising from the growth of the Specialty Care business associated with productivity efforts deployed at manufacturing sites.

- **Selling expenses**

In 2016, selling expenses came to €608.4 million, representing 38.4% of sales, up 12.4% versus 2015. The increase reflected the investments to support Cabometyx®'s launch in Europe as well as commercial efforts deployed to support Somatuline®'s growth and to launch Dysport® in spasticity indications in the United States.

- **Research and development expenses**

For the financial year 2016, research and development expenses totaled €208.9 million, compared with €192.1 million in the same period in 2015.

Main expenditures were committed to continue managing the lifecycle of Dysport® and Somatuline® as well as developing new oncology programs based on peptide receptor radionuclide therapy.

In 2016, the research tax credit amounted to €29.6 million, up €1.5 million versus 2015.

- **General and administrative expenses**

In 2016, general and administrative expenses came to €129.4 million, compared to €122.9 million in 2015. This increase resulted primarily from some limited additional support functions costs in accordance with sales growth priorities and the impact of the Group's outperformance on bonus pay.

- **Other core operating income and expenses**

In 2016, other core operating expenses totaled €7.1 million, compared with other core operating income of €0.7 million in 2015. This evolution is mainly due to the impact of the currency hedging policy.

- **Core Operating Income**

Core Operating Income in 2016 came to €363.9 million, representing 23.0% of sales, compared with €327.7 million in Core Operating Income in 2015, representing 22.7% of sales. The continued good performance of Somatuline® in the United States and Europe, along with the strengthening partnership with Galderma, enabled the Group to intensify its commercial investments, notably to support the launch of Cabometyx® in Europe, while maintaining its profitability. The growth of the Core Operating Income between December 2015 and December 2016 reached 11.1%.

Net financing costs and other financial income and expense

In 2016, the Group had net financial expense of €14.3 million, versus net financial expense of €11.3 million in 2015.

- **Net financing costs** amounted to €5.0 million, versus €2.9 million in 2015, impacted by the interest on the €300 million bond issued by the Group in June 2016.

- In 2016, **other financial expense** amounted to €9.3 million, compared to an expense of €8.4 million in 2015 and mainly consisted of the impact of exchange rates differences.

Core income taxes

In 2016, core income tax expense of €88.0 million resulted from a core effective tax rate of 25.2% on pre-tax profit. That compares with a core effective rate of 26.9% in 2015.

Core consolidated net profit

For the year ended 31 December 2016, Core consolidated net profit increased by 12.8% to €263.6 million, with €262.9 million attributable to Ipsen S.A. shareholders. This compares to consolidated net profit of €233.8 million, with €232.9 million attributable to Ipsen S.A. shareholders in 2015.

Core Earning per share

In 2016, Core EPS fully diluted (see Appendix 4) came to €3.18, up 13.0% versus €2.82 per share in 2015.

From Core financial measures to IFRS reported figures

Reconciliations between IFRS 2015/2016 results and the newly defined Core financial measures are presented in Appendix 4.

In 2016, the main reconciling items between Core consolidated net income and IFRS consolidated net income were:

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

Amortization of intangible assets (excluding software) for 2016 amounted to €7.7 million before tax, compared with €4.7 million before tax in 2015. This variance consisted mainly of the amortization of the cabozantinib intangible assets starting with the first sales of the product.

- **Other operating income and expenses**

Other operating expenses for 2016 amounted to €6.8 million before tax and consisted mainly of the costs from the change in the Group's corporate governance and the costs from the move to the new UK research and development site in Oxford.

In 2015, those expenses totaled €7.2 million before tax. They corresponded mainly to the amount booked following the discontinuation of the tasquinimod studies for prostate cancer.

- **Restructuring costs**

In 2016, restructuring costs came to €1.9 million before tax, compared with €6.7 million before tax in 2015.

- **Impairment losses**

In 2016, Ipsen recorded a €42.9 million impairment charge (before tax) on intangible assets related to OctreoPharm for €28.9 million (delayed development), to MCNA for €8.0 million (after the termination of the Telesta Therapeutics partnership), and to Canbex Therapeutics for €5.4 million (purchase option).

In 2015, the Group recorded a €57.0 million loss before tax to impair all intangible assets related to the tasquinimod program, and a €7.6 million impairment loss before tax, resulting from the full write-down of an Ipsen BioInnovation Ltd. intangible asset.

- **Other**

In 2016, Ipsen received €5.3 million of dividends from Rhythm Holding and €2.4 million of dividends from InnoBio fund as well as Spirogen earn-out payment, while in 2015 the Group received a €4.9 million final earn-out from the sale of PregLem shares.

As a consequence, IFRS reported indicators are:

- **Operating income**

In 2016, Operating Income totaled €304.7 million, up 24.8% from €244.0 million in 2015, impacted by a lower impairment charge, with an Operating margin at 19.2%, up 2.3 points compared to 2015.

- **Consolidated net profit**

Consolidated net profit was €226.6 million, up 18.8% over the period, compared to €190.7 million in 2015.

- **Earning per share**

Fully diluted EPS was €2.73 in 2016, up 18.7% from €2.30 in 2015.

Operating segments: Core Operating Income by therapeutic area

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

All costs allocated to these two segments are presented in the key performance indicators. Only corporate overhead costs and the impact of the currency hedging policy are not allocated to the two operating segments. Research and development costs are allocated to operating segments, while formerly included in Unallocated.

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

Sales, revenue and Core Operating Income are presented by therapeutic area for the 2016 and 2015 financial years in the following table.

(in millions of euros)	31 December 2016	31 December 2015	Change	%
Specialty Care				
Sales	1,273.0	1,114.2	158.8	*14.2%*
Revenue	1,308.0	1,146.1	161.9	*14.1%*
Core Operating Income	415.0	328.9	86.1	*26,2%*
% of sales	*32.6%*	*29.5%*		
Primary Care				
Sales	311.6	329.7	(18.1)	*-5.5%*
Revenue	363.1	374.1	(11.0)	*-2.9%*
Core Operating Income	99.6	126.7	(27.1)	*-21.4%*
% of sales	*32.0%*	*38.4%*		
Total unallocated				
Core Operating Income	(150.7)	(127.9)	(22.8)	*17,8%*
Group total				
Sales	1,584.6	1,443.9	140.7	*9.7%*
Revenue	1,671.1	1,520.2	150.9	*9.9%*
Core Operating Income	363.9	327.7	36.2	*11.1%*
% of sales	*23.0%*	*22.7%*		

In 2016, **Specialty Care** sales grew to €1,273.0 million, up 14.2% over 2015, driven by oncology sales that advanced 20.2% at current rates. The relative weight of Specialty Care products continued to increase, reaching 80.3% of total consolidated sales at 31 December 2016, versus 77.2% a year earlier. In 2016, **Core Operating Income** for Specialty Care amounted to €415.0 million, including research and development costs, representing 32.6% of sales. That result compared to €328.9 million in 2015, representing 29.5% of sales. The improvement reflected Somatuline®'s continued sales growth in the United States and Europe, along with increased commercial investments, notably in the United States for Somatuline® and in Europe to support the Cabometyx® launch.

In 2016, sales of **Primary Care** products came to €311.6 million, down 5.5% year on year, mainly related to continued market challenges in Russia for Tanakan® and lower other Primary Care sales. In 2016, **Core Operating Income** for Primary Care amounted to €99.6 million, representing 32.0% of sales.

In 2016, **unallocated Core Operating Income** came to a negative €150.7 million, compared with a negative €127.9 million in 2015. These expenses consisted mainly of unallocated corporate expenses and of the impact from the currency hedging policy.

Net cash flow and financing

In 2016, the Group had a decrease in net cash of €118.4 million, bringing closing net cash to €68.6 million.

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

(in millions of euros)	31 December 2016	31 December 2015
Opening net cash / (debt)	**186.9**	**160.8**
Core Operating Income	**363.9**	**327.7**
Non-cash items	15.6	31.1
Change in operating w orking capital requirement	(2.8)	(53.2)
(Increases) decreases in other w orking capital requirement	12.1	(7.4)
Net capex (excluding milestones paid)	(84.0)	(56.7)
Dividends received from entities accounted for using the equity method	2.3	1.6
Operating Cash Flow	**307.1**	**243.1**
Other operating income and expenses and restructuring costs (cash)	(20.8)	(28.9)
Financial income (cash)	(3.1)	(4.7)
Current income tax (P&L, excluding provisions for tax contingencies)	(65.5)	(51.4)
Other operating cash flow	11.1	18.3
Free Cash Flow	**228.8**	**176.3**
Dividends paid (including to non-controlling interests)	(70.3)	(70.5)
Net investments (business development and milestones)	(252.9)	(52.0)
Share buyback	(24.0)	(28.5)
Other (discontinued operations)	0.1	0.7
Shareholders return and external growth operations	**(347.2)**	**(150.2)**
CHANGE IN NET CASH / (DEBT)	**(118.4)**	**26.1**
Closing net cash / (debt)	**68.6**	**186.9**

- **Operating Cash Flow**

In 2016, Operating Cash Flow totaled €307.1 million, up €64.0 million versus 31 December 2015. The increase was driven by higher Core Operating Income and by the improvement in working capital requirement partially offset by higher net capital expenditures (excluding milestones paid).

The working capital requirement for operating activities increased by €2.8 million at 31 December 2016, compared with an increase of €53.2 million at 31 December 2015. The change at 31 December 2016 stemmed mainly from the following:

- A €7.7 million rise in inventories during the year, in line with business growth and the need to build inventories for Cabometyx® launch;

- A €42.7 million increase in trade receivables in line with sales growth, to compare with a €63.8 million increase in trade receivables in 2015;

- A €47.6 million increase in trade payables at 31 December 2016 in correlation with phasing of operating expenses mainly to support the growing business over the last quarter and the Cabometyx® launch. At 31 December 2015, trade payables increased by €10.8 million.

In 2016, other working capital requirement decreased by €12.1 million, compared with a €7.4 million increase in 2015, mainly due to the reimbursement in 2016 of French R&D tax credit amounts.

Net capital expenditure grew by €27.4 million year-on-year to €84.0 million at 31 December 2016. In 2016, these investments included projects in the Group's manufacturing sites in Ireland and in France to increase production capacity, as well as in the new R&D toxin center in the UK.

- **Free Cash Flow**

In 2016, Free Cash Flow came to €228.8 million, up €52.5 million versus 31 December 2015. This evolution was mainly driven by the Operating Cash Flow improvement.

Other operating income and expenses and restructuring costs amounted to €20.8 million including the impact of the change in the Group's corporate governance, as well as payments for earlier restructuring plans. At the end of December 2015, €28.9 million of such payments were primarily comprised of restructuring costs and expenses arising from discontinuing clinical trials of tasquinimod.

The €3.1 million in financial income paid at the end of December 2016 resulted mainly from hedging costs and realized exchange losses, partially offset by the collection of dividends on Rhythm Holding participation, as well as by an earnout payment related to the sale of Spirogen shares and dividends from Innobio Fund. In comparison, the €4.7 million in financial expense, at the end of December 2015, were derived from a €4.9 million earnout payment from the PregLem shares that was partially offset by an unfavorable foreign exchange effect.

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

- **Shareholders return and external growth operations**

At 31 December 2016, the dividend payout to Ipsen S.A. shareholders amounted to €70.0 million.

Net investments at 31 December 2016 mainly encompassed a €257 million upfront and milestones payment to Exelixis, following the signature of an exclusive licensing agreement to commercialize and develop cabozantinib, a €5 million upfront payment to 3B Pharmaceuticals GmbH, following the signature of an exclusive licensing agreement for new radiopharmaceutical products in oncology and a €5 million milestone paid in relation with the Lexicon license agreement.

These amounts are partially offset by regulatory milestone payments received from Acadia (€7 million) and Radius (€3 million) and by scheduled payments related to the agreement signed with Galderma in December 2015 for Asia-Pacific markets (collection of a net €6 million).

At 31 December 2015, net investments primarily included the €31.4 million acquisition of OctreoPharm Sciences GmbH and the purchase of a €6.0 million call option to acquire Canbex Therapeutics.

Reconciliation of cash and cash equivalents and net cash

(in millions of euros)	31 December 2016	31 December 2015
Closing cash and cash equivalents	**422.5**	**214.0**
Bonds	(297.1)	-
Other financial liabilities	(17.8)	(20.6)
Non-current financial liabilities	**(314.8)**	**(20.6)**
Credit lines and bank loans	(4.0)	(4.0)
Financial liabilities (excluding derivative instruments) (**)	(35.1)	(2.5)
Current financial liabilities	**(39.1)**	**(6.5)**
Debt	**(353.9)**	**(27.1)**
Net cash / (debt) (*)	**68.6**	**186.9**

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

(**) Financial liabilities mainly exclude €18.2 million in derivative instruments in 2016, compared with €4.5 million in derivative instruments in 2015.

- **Analysis of Group cash**

On 16 June 2016, Ipsen S.A. issued a €300 million unsecured seven-year public bond loan with an annual interest rate of 1.875%.

In addition, €300 million of bilateral long term bank loans were contracted with a maximum maturity of 6.5 years from June 2016. At 31 December 2016, none of these bank loans had been tapped.

On 24 June 2016, Ipsen S.A. amended its multiple-currency Revolving Credit Facility to reduce it to €300 million and to remove its financial covenants. This credit line remained undrawn at 31 December 2016.

Ipsen S.A. has also a €300 million short term commercial paper program of which €30 million were issued at 31 December 2016.

APPENDICES

■ Appendix 1 – Consolidated income statement

(in millions of euros)	31 December 2016	31 December 2015 restated
Sales	**1,584.6**	**1,443.9**
Other revenues	86.5	76.3
Revenue	**1 671,1**	**1,520.2**
Cost of goods sold	(353.3)	(336.8)
Selling expenses	(608.4)	(541.4)
Research and development expenses	(208.9)	(192.6)
General and administrative expenses	(129.4)	(122.9)
Other operating income	6.9	7.3
Other operating expenses	(28.6)	(18.6)
Restructuring costs	(1.9)	(6.7)
Impairment losses	(42.9)	(64.6)
Operating Income	**304.7**	**244.0**
Investment income	0.9	0.7
Financing costs	(5.8)	(3.6)
Net financing costs	**(5.0)**	**(2.9)**
Other financial income and expense	(1.6)	(3.6)
Income taxes	(73.5)	(49.8)
Share of net profit (loss) from entities accounted for using the equity method	1.9	2.5
Net profit (loss) from continuing operations	**226.5**	**190.2**
Net profit (loss) from discontinued operations	0.1	0.5
Consolidated net profit (loss)	**226.6**	**190.7**
- Attributable to shareholders of Ipsen S.A.	225.9	189.9
- Attributable to non-controlling interests	0.6	0.9

Basic earnings per share, continuing operations (in euros)	2.74	2.30
Diluted earnings per share, continuing operations (in euros)	2.73	2.29
Basic earnings per share, discontinued operations (in euros)	0.00	0.01
Diluted earnings per share, discontinued operations (in euros)	0.00	0.01
Basic earnings per share (in euros)	2.74	2.31
Diluted earnings per share (in euros)	2.73	2.30

Appendix 2 – Consolidated balance sheet before allocation of net profit

(in millions of euros)	31 December 2016	31 December 2015
ASSETS		
Goodwill	357.2	353.3
Other intangible assets	380.1	151.5
Property, plant & equipment	379.0	348.7
Equity investments	21.2	25.6
Investments in companies accounted for using the equity method	15.6	15.9
Non-current financial assets	0.2	-
Deferred tax assets	213.2	217.7
Other non-current assets	6.7	15.5
Total non-current assets	**1,373.1**	**1,128.1**
Inventories	113.3	107.4
Trade receivables	363.5	311.0
Current tax assets	66.3	82.9
Current financial assets	6.6	6.8
Other current assets	75.2	75.6
Cash and cash equivalents	425.5	226.1
Assets of disposal group classified as held for sale	-	-
Total current assets	**1,050.4**	**809.9**
TOTAL ASSETS	**2,423.5**	**1,938.0**

EQUITY AND LIABILITIES		
Share capital	83.6	83.2
Additional paid-in capital and consolidated reserves	998.5	892.3
Net profit (loss) for the period	225.9	189.9
Foreign exchange differences	50.9	57.0
Equity attributable to Ipsen S.A. shareholders	**1,358.9**	**1,222.5**
Equity attributable to non-controlling interests	3.3	3.1
Total shareholders' equity	**1,362.2**	**1,225.6**
Retirement benefit obligation	58.4	51.2
Non-current provisions	21.6	31.4
Other non-current financial liabilities	314.8	20.6
Deferred tax liabilities	14.6	23.1
Other non-current liabilities	90.6	124.5
Total non-current liabilities	**500.0**	**250.8**
Current provisions	27.8	29.9
Current financial liabilities	58.6	11.0
Trade payables	241.5	195.1
Current tax liabilities	4.1	12.0
Other current liabilities	226.4	201.5
Bank overdrafts	3.0	12.1
Total current liabilities	**561.3**	**461.5**
TOTAL EQUITY & LIABILITIES	**2,423.5**	**1,938.0**

Appendix 3 – Cash flow statements

Appendix 3.1 – Consolidated statement of cash flow

(in millions of euros)	31 December 2016	31 December 2015
Consolidated net profit (loss)	**226.6**	**190.7**
Share of profit (loss) from entities accounted for using the equity method before impairment losses	0.4	(0.8)
Net profit (loss) before share from entities accounted for using the equity method	**227,0**	**189.9**
Non-cash and non-operating items		
- Depreciation, amortization, provisions	39.1	43.7
- Impairment losses included in operating income and net financial income	42.9	64.6
- Change in fair value of financial derivatives	9.7	1.9
- Net gains or losses on disposals of non-current assets	(2.3)	0.5
- Share of government grants released to profit and loss	(0.4)	(0.0)
- Foreign exchange differences	(13.7)	(1.3)
- Change in deferred taxes	8.1	1.4
- Share-based payment expense	5.6	4,0
- Gain or (loss) on sales of treasury shares	(0.0)	0.3
- Other non-cash items	2.7	(0.1)
Cash flow from operating activities before changes in working capital requirement	***318.7***	***304.8***
- (Increase) / decrease in inventories	(7.7)	(0.2)
- (Increase) / decrease in trade receivables	(42.7)	(63.8)
- Increase / (decrease) in trade payables	47.6	10.8
- Net change in income tax liability	10.5	(9,0)
- Net change in other operating assets and liabilities	(8.6)	(18.9)
Change in working capital requirement related to operating activities	***(0.9)***	***(81.2)***
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**317.8**	**223.6**
Acquisition of property, plant & equipment	(81.2)	(50,0)
Acquisition of intangible assets	(291.1)	(25.2)
Proceeds from disposal of intangible assets and property, plant & equipment	3.6	0.2
Acquisition of shares in non-consolidated companies	(1,0)	(0.0)
Payments to post-employment benefit plans	(1.3)	(1.5)
Impact of changes in the consolidation scope	(0.0)	(31.4)
Deposits paid	1.8	0.2
Change in w orking capital related to investment activities	12.2	7.8
Other cash flow related to investment activities	(0.1)	(6.3)
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES	**(357.1)**	**(106.2)**
Additional long-term borrow ings	327.9	1.1
Repayment of long-term borrow ings	(3.9)	(5.6)
Capital increase	12.7	5.4
Treasury shares	(17.7)	(22.4)
Dividends paid by Ipsen S.A.	(70,0)	(70,0)
Dividends paid by subsidiaries to non-controlling interests	(0.4)	(0.5)
Change in w orking capital related to financing activities	3.4	0.8
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**252,0**	**(91.2)**
CHANGE IN CASH AND CASH EQUIVALENTS	**212.7**	**26.3**
Opening cash and cash equivalents	**214,0**	180.1
Impact of exchange rate fluctuations	(4.2)	7.6
Closing cash and cash equivalents	**422.5**	**214,0**

○ Appendix 3.2 – Consolidated net cash flow statement

(in millions of euros)	31 December 2016	31 December 2015
Opening cash and cash equivalents	214.0	180.1
Opening current and non-current financial liabilities	(27.1)	(19.3)
Opening net cash / (debt)	**186.9**	**160.8**
CORE OPERATING INCOME	**363.9**	**327.7**
Non-cash items	**15.6**	**31.1**
(Increase) /decrease in inventories	(7.7)	(0.2)
(Increase) / decrease in trade receivables	(42.7)	(63.8)
Increase / (decrease) in trade payables	47.6	10.8
Change in operating working capital requirement	**(2.8)**	**(53.2)**
Change in income tax liability	10.5	(9.0)
Change in other operating assets and liabilities (excluding milestones received)	1.6	1.6
Other changes in working capital requirement	**12.1**	**(7.4)**
Acquisition of property, plant & equipment	(81.2)	(50.0)
Acquisition of intangible assets (excluding milestones paid)	(13.3)	(10.2)
Disposal of fixed assets	3.6	0.2
Change in w orking capital related to investment activities	6.9	3.2
Net capex (excluding milestones paid)	**(84.0)**	**(56.7)**
Dividends received from entities accounted for using the equity method	**2.3**	**1.6**
Operating Cash Flow	**307.1**	**243.1**
Other operating income and expenses and restructuring costs (cash)	(20.8)	(28.9)
Financial income (cash)	(3.1)	(4.7)
Current income tax (P&L, excluding provisions for tax contingencies)	(65.5)	(51.4)
Other operating cash flow	11.1	18.3
Free Cash Flow	**228.8**	**176.3**
Dividends paid (including payout to non-controlling interests)	**(70.3)**	**(70.5)**
Acquisition of shares in non-consolidated companies	(1.0)	-
Acquisition of other financial assets	-	(6.1)
Milestones paid (a)	(272.5)	(10.4)
Milestones received (b)	20.7	7.9
Net investments (business development and milestones)	**(252.9)**	**(52.0)**
Share buybacks	**(24.0)**	**(28.5)**
Other (discontinued operations)	**0.1)**	**0.7**
Shareholders return and external growth operations	**(347.2)**	**(150.2)**
CHANGE IN NET CASH / (DEBT)	**(118.4)**	**26.1**
Closing cash and cash equivalents	422.5	214.0
Closing current and non-current financial liabilities	(353.9)	(27.1)
Closing net cash / (debt)	**68.6**	**186.9**

(a) Milestones paid correspond to payments subject to the terms and conditions set out in the Group's partnership agreements. The €257.3 million in upfront and milestones paid to Exelixis accounted for the majority of the milestones paid at 31 December 2016. The amounts paid were recorded as an increase in intangible assets on the consolidated balance sheet. The transactions were included in the "Acquisition of intangible assets" line item in the consolidated statement of cash flow (see Appendix 3.1).

(b) Milestones received are amounts collected by Ipsen from its partners. Of the €20.7 million in milestones received at 31 December 2016, €10.5 million were paid by Galderma in accordance with the partnership agreement signed in December 2015 for the Asia Pacific region. The amounts were recorded as deferred income in the consolidated balance sheet and then recognized in the income statement as "Other revenues". Milestones received were included in the "Net change in other operating assets and liabilities" line item in the consolidated statement of cash flow (see Appendix 3.1).

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

	IFRS						CORE
(in millions of euros)	31 December 2016	Amortization of intangible assets (excl. software)	Other operating income or expenses	Restructuring	Impairment losses	Other	31 December 2016
Sales	1,584.6						1,584.6
Other revenues	86.5						86.5
Revenue	**1,671.1**	**-**	**-**	**-**	**-**	**-**	**1,671.1**
Cost of goods sold	(353.3)						(353.3)
Selling expenses	(608.4)						(608.4)
Research and development expenses	(208.9)						(208.9)
General and administrative expenses	(129.4)						(129.4)
Other operating income	6.9		(6.1)				0.9
Other operating expenses	(28.6)	7.7	12.9				(8.0)
Restructuring costs	(1.9			1.9			-
Impairment losses	(42.9)				42.9		-
Operating Income	**304.7**	**7.7**	**6.8**	**1.9**	**42.9**	**-**	**363.9**
Investment income	0.9						0.9
Financing costs	(5.8)						(5.8)
Net financing costs	**(5,0)**	**-**	**-**	**-**	**-**	**-**	**(5,0)**
Other financial income and expense	(1.6)					(7.7)	(9.3)
Income taxes	(73.5)	(2.6)	(2.5)	(0.8)	(10.7)	2.1	(88,0)
Share of net profit (loss) from entities accounted for using the equity method	1.9						1.9
Net profit (loss) from continuing operations	**226.5**	**5.1**	**4.4**	**1.1**	**32.1**	**(5.6)**	**263.6**
Net profit (loss) from discontinued operations	0.1					(0.1)	-
Consolidated net profit	**226.6**	**5.1**	**4.4**	**1.1**	**32.1**	**(5.7)**	**263.6**
- Attributable to shareholders of Ipsen S.A.	225.9	5.1	4.4	1.1	32.1	(5.7)	262.9
- Attributable to non-controlling interests	0.6						0.6
Earnings per share fully diluted - attributable to Ipsen S.A. shareholders (in € per share)	**2.73**	**0.06**	**0.05**	**0.01**	**0.39**	**(0.07)**	**3.18**

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

	IFRS						CORE
(in millions of euros)	31 December 2015	Amortization of intangible assets (excl. software)	Other operating income or expenses	Restructuring	Impairment losses	Other	31 December 2015
Sales	1,443.9						1,443.9
Other revenues	76.3						76.3
Revenue	**1,520.2**	**-**	**-**	**-**	**-**	**-**	**1,520.2**
Cost of goods sold	(336.8)						(336.8)
Selling expenses	(541.4)						(541.4)
Research and development expenses	(192.6)					0.5	(192.1)
General and administrative expenses	(122.9)						(122.9)
Other operating income	7.3		(2.0)			(0.5)	4.8
Other operating expenses	(18.6)	4.7	9.7				(4.1)
Restructuring costs	(6.7)			6.7			-
Impairment losses	(64.6)				64.6		-
Operating Income	**244,0**	**4.7**	**7.7**	**6.7**	**64.6**	**-**	**327.7**
Investment income	0.7						0.7
Financing costs	(3.6)						(3.6)
Net financing costs	**(2.9)**	**-**	**-**	**-**	**-**	**-**	**(2.9)**
Other financial income and expense	(3.6)					(4.9)	(8.4)
Income taxes	(49.8)	(1.8)	(2.2)	(2.2)	(23.2)	(5.9)	(85.1)
Share of net profit (loss) from entities accounted for using the equity method	2.5						2.5
Net profit (loss) from continuing operations	**190.2**	**2.9**	**5.5**	**4.5**	**41.4**	**(10.8)**	**233.8**
Net profit (loss) from discontinued operations	0.5					(0.5)	-
Consolidated net profit	**190.7**	**2.9**	**5.5**	**4.5**	**41.4**	**(11.3)**	**233.8**
- Attributable to shareholders of Ipsen S.A.	189.9	2.9	5.5	4.5	41.4	(11.3)	232.9
- Attributable to non-controlling interests	0.9						0.9

Earnings per share fully diluted - attributable to Ipsen S.A. shareholders (in € per share)	**2.30**	**0.04**	**0.07**	**0.05**	**0.50**	**(0.14)**	**2.82**

MAJOR DEVELOPMENTS

During the year 2016, major developments included:

- 6 January 2016 – Ipsen and Galderma announced that they have expanded the geographical scope of their neurotoxin partnership, whereby Galderma has acquired the exclusive rights to develop, promote and distribute Dysport® in the aesthetic indications in the APAC Territory (China, India, South Korea and Indonesia under certain conditions).

- 26 January 2016 – Ipsen announced that the scientific journal *Pediatrics* published the detailed results of the Phase 3 randomized study (NCT01249417) showing both the efficacy and the safety of Dysport® in the treatment of dynamic equinus foot deformity (also known as pediatric lower limb spasticity), a condition associated with cerebral palsy in children.

- 16 February 2016 – Ipsen announced that at its meeting on 15 February 2016, the Board of Directors decided to change the Company's form of governance by separating the duties of Chairman of the Board of Directors and Chief Executive Officer. The Board of Directors confirmed that Mr. Marc de Garidel shall fulfill the duties of Chairman of the Board of Directors within the framework of the new governance structure and recorded the departure of Mrs. Christel Bories as Deputy Chief Executive Officer.

- 1 March 2016 – Exelixis, Inc. and Ipsen jointly announced an exclusive licensing agreement for the commercialization and further development of cabozantinib, Exelixis' lead oncology drug. Under the agreement, Ipsen will have exclusive commercialization rights for current and potential future cabozantinib indications outside the United States, Canada and Japan, including COMETRIQ®, which is currently approved in the European Union (EU) for the treatment of adult patients with progressive, unresectable, locally advanced or metastatic medullary thyroid cancer (MTC).

- 25 April 2016 – Ipsen announced that its partner Exelixis, Inc. received approval from the U.S. Food and Drug Administration (FDA) for CABOMETYX™ (cabozantinib) tablets for the treatment of patients with advanced renal cell carcinoma (RCC) who have received prior anti-angiogenic therapy.

- 26 April 2016 – Ipsen and Probi jointly announced the signature of a license and supply agreement for the commercialization of Probi's probiotic strain Lactobacillus plantarum 299v (LP299V®). The agreement covers 18 countries, primarily within EU and emerging markets.

- 23 May 2016 – Ipsen announced that its partner Exelixis, Inc. reported positive top-line results from the CABOSUN randomized Phase 2 trial of cabozantinib in patients with previously untreated advanced renal cell carcinoma (RCC). The trial met its primary endpoint, demonstrating a statistically significant and clinically meaningful improvement in progression-free survival (PFS) for cabozantinib compared with sunitinib in patients with advanced intermediate- or poor-risk RCC.

- 31 May 2016 – Ipsen's partner, Lexicon, announced FDA Priority Review of new drug application for telotristat etiprate for the treatment of carcinoid syndrome.

- 5 June 2016 – Exelixis, Inc. and Ipsen announced overall survival (OS) results from the Phase 3 METEOR trial of CABOMETYX™ (cabozantinib) tablets in patients with advanced renal cell carcinoma (RCC) who have received prior anti-angiogenic therapy. The OS results demonstrate that CABOMETYX™ reduces the risk of death by one third versus everolimus.

- 6 June 2016 – Exelixis, Inc. and Ipsen announced the presentation of positive data from subgroup analyses of the pivotal METEOR trial comparing CABOMETYX™ (cabozantinib) tablets with everolimus in 658 patients with advanced renal cell carcinoma (RCC) who have received prior anti-angiogenic therapy. The findings demonstrate that benefits of CABOMETYX™ in progression-free survival (PFS) and overall survival (OS) were independent of the presence of bone metastases, prior anti-PD-1/PD-L1

therapy, and the type of prior vascular endothelial growth factor receptor (VEGFR) tyrosine kinase inhibitor (TKI) therapy.

- 6 June 2016 – Ipsen announced the launch of an employee shareholding plan. This plan aims to align employees with the Group's development and performance. The main terms and conditions of this plan are described hereafter.

- 9 June 2016 – Ipsen announced the successful issue of its inaugural unsecured 7-year Notes for a total of €300 million. These Notes mature on June 16, 2023 and pay interest at an annual rate of 1.875%. Application has been made for the Notes to be admitted to trading on the regulated market of Euronext Paris.

- 11 July 2016 – The Board of Directors of Ipsen met on 8 July 2016, and has appointed David Meek as Chief Executive Officer, effective July 18, 2016. On this date, Marc de Garidel assumes the role of non-executive chairman and continues to serve the Board of Directors through his deep industry expertise.

- 18 July 2016 – Ipsen announced the acceptance by the European Medicines Agency of the marketing authorization application for telotristat etiprate to treat carcinoid syndrome caused by neuroendocrine tumors, in combination with somatostatin analogues.

- 22 July 2016 – Exelixis, Inc. and Ipsen announced that the Committee for Medicinal Products for Human Use (CHMP), the scientific committee of the European Medicines Agency (EMA) provided a positive opinion for Cabometyx™ (cabozantinib) 20, 40, 60mg for the treatment of advanced renal cell carcinoma (RCC) in adults following prior vascular endothelial growth factor (VEGF)-targeted therapy and recommended it for marketing authorization.

- 1 August 2016 – Ipsen reported that the U.S. Food and Drug Administration (FDA) approved Dysport® (abobotulinumtoxinA) for injection for the treatment of pediatric lower limb (PLL) spasticity in children two years of age and older.

- 14 September 2016 – Ipsen disclosed that the European Commission approved Cabometyx™ (cabozantinib) 20, 40, 60 mg tablets for the treatment of advanced renal cell carcinoma (RCC) in adults following prior vascular endothelial growth factor (VEGF)-targeted therapy.

- 7 October 2016 – Ipsen announced that its partner Exelixis released Phase 1 trial results for cabozantinib in combination with nivolumab in advanced genitourinary tumors.

- 10 October 2016 – Ipsen and its partner Exelixis announced detailed results from the CABOSUN randomized phase 2 trial comparing cabozantinib versus sunitinib in patients with previously untreated advanced renal cell carcinoma (RCC) with intermediate- or poor-risk disease per the International Metastatic Renal Cell Carcinoma Database Consortium (IMDC).

- 12 December 2016 – Ipsen announced that Claude Bertrand, Executive Vice President, R&D, Chief Scientific Officer would depart Ipsen on January 2nd, 2017, to join another company.

- 21 December 2016 – Exelixis, Inc. and Ipsen announced an amendment to the exclusive collaboration and licensing agreement for the commercialization and continued development of cabozantinib, to include commercialization rights in Canada for Ipsen.

Year-to-date 2017, major developments included:

- 9 January 2017 – Ipsen announced that it has entered into a definitive agreement to acquire global oncology assets from Merrimack Pharmaceuticals, including its key marketed product ONIVYDE® (irinotecan liposome injection) for the treatment of patients with metastatic adenocarcinoma of the

pancreas after disease progression following gemcitabine-based therapy, in combination with fluorouracil and leucovorin. The transaction also includes Merrimack's commercial and manufacturing infrastructure, and generic doxorubicin HCl liposome injection.

- 20 January 2017 - Ipsen announced the appointment of Harout Semerjian as President, Head of Specialty Care International Region & Global Franchises1, effective February 2, 2017. He will report to David Meek, CEO of Ipsen, and will be a member of the Executive Leadership Team.

- 31 January 2017 - Ipsen announced that it has signed an agreement to take an equity stake in Akkadeas Pharma with an option to take control of the company in the future. Akkadeas Pharma is a privately-held consumer health care company in Italy with a diversified gastrointestinal-focused portfolio including probiotics, medical devices and food supplements.

- 13 February 2017 - Ipsen announced that it has entered into a definitive agreement to acquire from Sanofi five consumer healthcare products in certain European territories. The most significant product is Prontalgine®, an analgesic for the treatment of moderate to severe pain, which has grown at double digit rates over the last four years and is available only in France. Manufacturing will be provided by third parties.

APPENDIX

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

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

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

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

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

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

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

- The Group's strategy includes acquiring companies or assets which may enable or facilitate access to new markets, research projects or geographical regions or enable the Group to realize synergies with its

existing businesses. Should the growth prospects or earnings potential of such assets as well as valuation assumptions change materially from initial assumptions, the Group might be under the obligation to adjust the values of these assets in its balance sheet, thereby negatively impacting its results and financial situation.

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

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

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

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