Josep
Living with liver cancer
Barcelona, Spain

2019 UNIVERSAL REGISTRATION DOCUMENT
INCLUDING THE ANNUAL FINANCIAL REPORT

IPSEN
Innovation for patient care

SUMMARY

This universal registration document has been established in accordance with the Appendix 1 of the European Commission Regulation n° 809/2004 dated April 29, 2004.

Société anonyme with a share capital of €83,814,526
Registered office: 65 quai Georges Gorse – 92650 Boulogne-Billancourt
419 838 529 R.C.S. Nanterre

IPSEN
Innovation for patient care

2019 UNIVERSAL REGISTRATION DOCUMENT

including the Annual Financial Report

AUTORITE DES MARCHÉS FINANCIERS
AMF

Pursuant to the provisions of its general regulations, in particular article 212-13, the *Autorité des Marchés Financiers* (AMF) has registered this Universal Registration Document on 14 April 2020. This document may not be used in support of any financial operation unless it is accompanied by a prospectus approved by the AMF. This document has been prepared by the issuer, and its signatories assume responsibility for its contents.

Pursuant to Article 19 of Regulation (EU) 2017/1129 of the European Parliament and of Council of 14 June 2017, the following financial information are included by reference : (i) historical consolidated financial statement for 2018 fiscal year (including the auditors' reports) and management report for the financial year presented in the universal registration document registered by *Autorité des marchés financiers* on 26 March 2019 under number D.19-0205, and (ii) historical consolidated financial statement for 2017 fiscal year (including the auditors' reports) and management report for the financial year presented in the universal registration document registered by Autorité des marchés financiers on 23 March 2018 under number D.18-0180.

INTRODUCTION

In this universal registration document, unless stated otherwise, the terms "Company" and "Ipsen" refer to Ipsen S.A. and the term "Group" refers to Ipsen and its subsidiaries and shareholdings.

This universal registration document contains forward-looking statements about the Group's targets and forecasts, especially in Chapter 3.1.6. Such statements may in certain cases be identified by the use of the future or conditional tense or by forward-looking words including but not limited to "believes", "targets", "anticipates", "intends", "should", "aims", "estimates", "considers", "wishes" and "may". These statements are based on data, assumptions and estimates that the Company considers to be reasonable. They are subject to change or adjustment owing to uncertainties arising from the vagaries inherent in all research and development activities, as well as in the economic, financial, competitive, regulatory and climatic environment. In addition, the Group's business activities and its ability to meet its targets and forecasts may be affected if certain risk factors described in Chapter 2.1 – "Risk factors" of this universal registration document arise. In addition, attainment of the targets and forecasts implies the success of the strategy presented in section 1.1.2 – "Strategy" of this universal registration document.

The Company makes no undertaking and gives no guarantee as to the attainment of the targets and forecasts shown in this universal registration document.

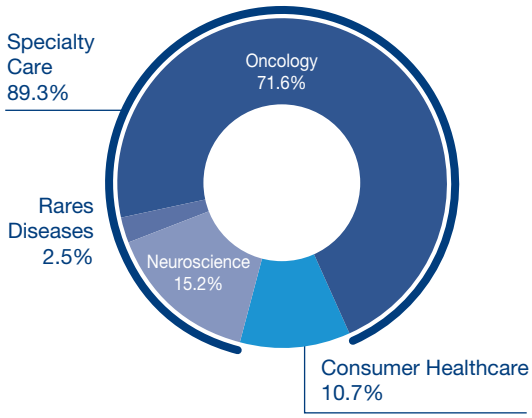
Investors are urged to pay careful attention to the risk factors described in the second chapter of this universal registration document before making their investment decision. One or more of these risks may have an adverse effect on the Group's activities, condition, results of operations or on its targets and forecasts. Furthermore, other risks not yet identified or considered as significant by the Group could have the same adverse effects.

This universal registration document also contains details of the markets in which the Group operates. This information is notably taken from research produced by external organizations. Given the very rapid pace of change in the pharmaceutical sector in France and the rest of the world, this information may prove to be erroneous or out of date.

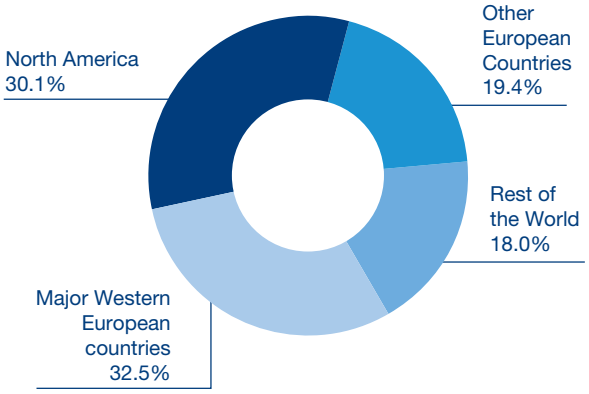
Forward-looking statements, targets and forecasts shown in this universal registration document may be affected by risks, either known or unknown, uncertainties or other factors that may lead to the Group's future results of operations, performance and achievements differing significantly from the stated or implied targets and forecasts. These factors may include changes in economic or trading conditions and regulations, as well as the factors set forth in Chapter 2.1 – "Risk factors" of this universal registration document.

INTRODUCTION: KEY FIGURES

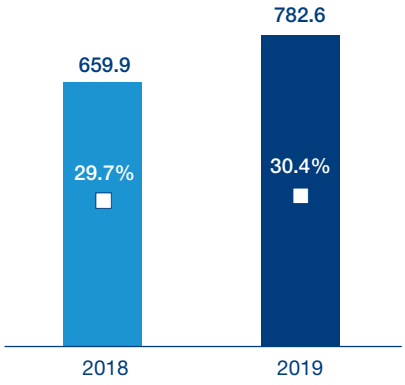
2019 Group Sales by therapeutic area



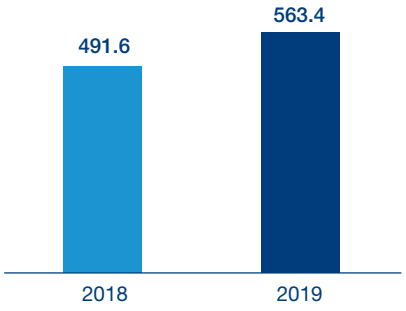
2019 Group Sales by geographic area



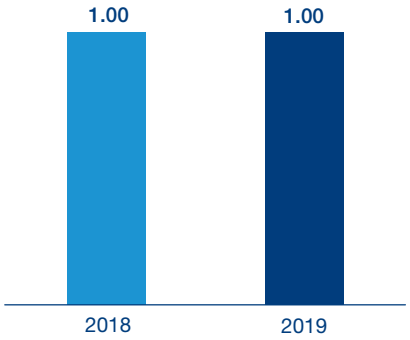
Core Operating Income (in millions euros) and core operating margin (as a % of sales)



Core consolidated Net Profit (in millions euros)

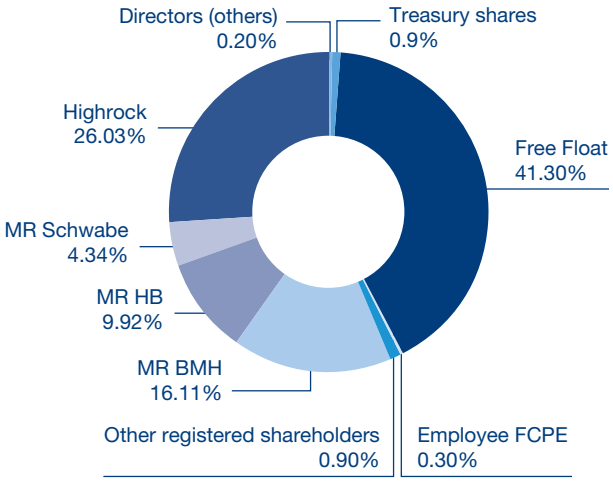


Dividend per share paid for the financial year (in euros)*



* Proposed by the Ipsen S.A. Board of Directors, for vote at the next Annual Shareholders' Meeting.

Ownership of the Company's share capital at 31 December 2019



Share price performance on the stock exchange

Shares in Ipsen S.A. have been traded on the Eurolist by Euronext™ market (Compartment A) since 7 December 2005, when the IPO (Initial Public Offering) price was €22.20 per share.

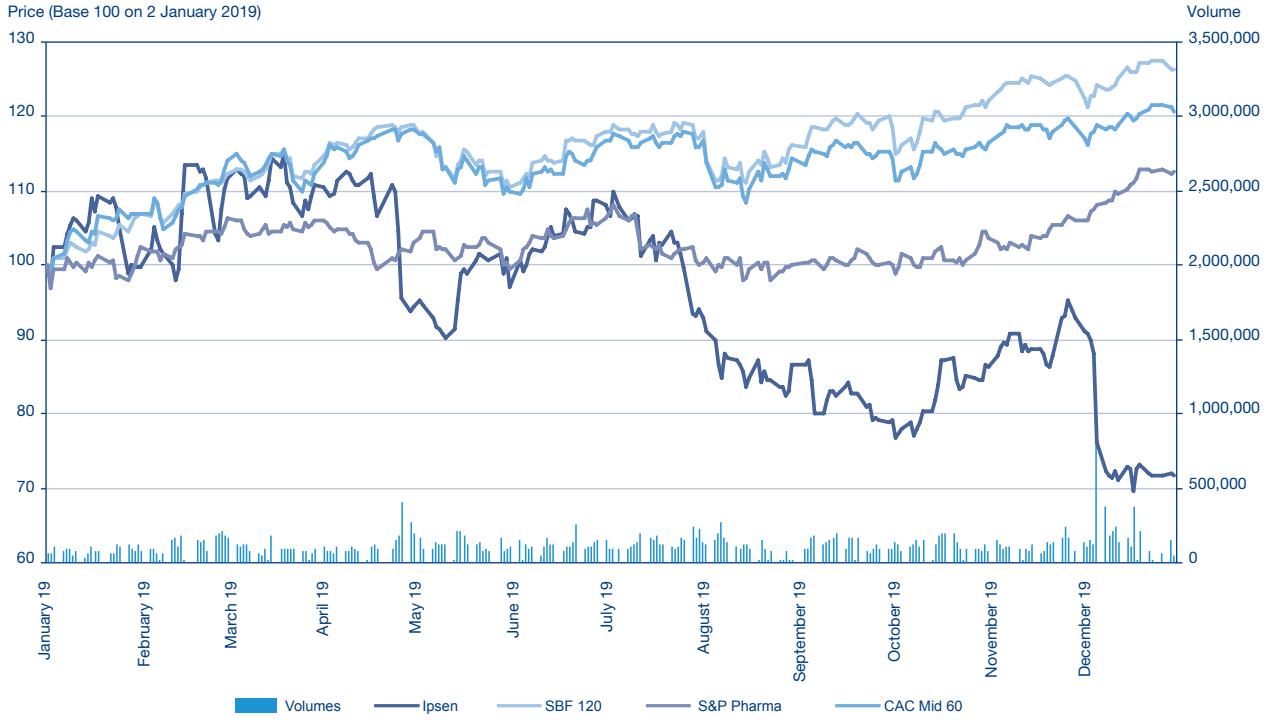
Ipsen shares joined the Deferred Settlement System on 28 March 2007 and joined the SBF120 index on 24 December 2007.

Ipsen has implemented a Sponsored Level I American Depositary Receipt (ADR) program and trades on the over-the-counter market in the United States under the symbol IPSEY.

Share information		2019 trading data	
ISIN Code	FR0010259150	Average share price	€105.52
Euronext Code	IPN.PA	Highest price (19/03/2019)	€126.65
ADR Code	IPSEY	Lowest price (18/12/2019)	€76.65
SRD / PEA Eligibility	Yes / Yes	Stock market capitalization[1]	€6,621.34 M
Total Shares[1]	83.8 M	Average daily volume	127,097

(1) As of 31 December 2019.

Comparison between Ipsen's share price performance and the principal stock market indicators between 2 January 2019 and 31 December 2019 (Source : Onvista)



1 PRESENTATION OF IPSEN AND ITS ACTIVITY

1.1 GROUP'S OVERVIEW AND STRATEGY

1.1.1 History and Development of the Company

1.1.1.1 Legal Entity Overview

Registered name

Ipsen

Registered office

65 Quai Georges Gorse, 92650 Boulogne-Billancourt, France

Telephone number

+33 (0)1 58 33 50 00

Legal Form and applicable laws

The Company is a limited liability company incorporated under French law with a Board of Directors governed by the provisions of Book II of the French Commercial Code.

Registration details

The Company is registered in the Trade and Companies Registry in Nanterre under registration number 419 838 529.

Its Legal Entity Identifier number is 549300M6SGDPB4Z94P11.

Date of incorporation and term

The Company was incorporated on 28 July 1998, for a fixed period, except in the case of early dissolution or extension, of ninety-nine years from its registration in the Trade and Companies Registry, or until 18 August 2097.

1.1.1.2 Group Overview

Ipsen is a global biopharmaceutical group focused on innovation and Specialty Care.

The Group develops and commercializes innovative medicines in three key therapeutic areas – Oncology, Neuroscience and Rare Diseases. Ipsen also has a well-established Consumer Healthcare business. With total sales of €2,576.2 million in 2019, Ipsen sells more than 20 drugs in over 115 countries, with a direct commercial presence in more than 30 countries.

Specialty Care

Ipsen has built its strength in Specialty Care through a robust portfolio of drugs with leading international research hubs and solid long-term partnerships.

The Specialty Care business generated sales of €2,299.4 million in 2019, or 89.3% of the Group's sales. The Group focuses on:

- Oncology (71.6% of Ipsen's sales) with Somatuline® *(lanreotide)*, a best-in-class somatostatin analog with a new delivery system for the treatment of neuroendocrine tumors and acromegaly; Cabometyx® *(cabozantinib)*, the first and only monotherapy tyrosine kinase inhibitor demonstrating significant clinical improvements in both first-line and second-line renal cell carcinoma, and also a tyrosine kinase inhibitor with proven, significant overall survival in a second-line advanced hepatocellular carcinoma population; Onivyde® *(irinotecan liposome injection)*, a differentiated product with overall survival benefit addressing a high unmet medical need in second-line pancreatic cancer; and Decapeptyl® *(triptorelin)*, an established and growing product in Europe and China for the treatment of prostate cancer;
- Neuroscience (15.2% of Ipsen's sales) with the key neurotoxin product Dysport® *(botulinum toxin type A)* for the treatment of therapeutic and aesthetic indications;
- Rare Diseases (2.5% of Ipsen's sales) with Nutropin® *(somatropin)*, a liquid formulation of recombinant human growth hormone and Increlex® *(mecasermin)*, a recombinant insulin-like growth factor 1 (IGF-1) of human origin. The Group's recent acquisition of Clementia Pharmaceuticals and the exclusive license agreement with Blueprint Medicines supplement its Rare Diseases franchise.

Consumer Healthcare

The Consumer Healthcare business is the historical business of the Group with several strong regional brands. It generated sales of €276.8 million in 2019, or 10.7% of the Group's sales. China, France and Russia account for 62% of Consumer Healthcare sales.

The Consumer Healthcare business is transforming from a prescription-based promotional model to a combination of prescription and over-the-counter (OTx).

Key brands include Smecta® *(diosmectite)*, a naturally extracted purified clay for the symptomatic treatment of acute diarrhea; Tanakan® (*Ginkgo biloba extract*), a standardized extract from the leaves of *Ginkgo biloba* for the treatment of various neurological and neuro-sensorial disorders; Forlax® *(macrogol 4000)*, an osmotic laxative indicated for the symptomatic treatment of constipation in adults and children; and Fortrans® *(macrogol 4000)*, a colon cleansing solution indicated for patients in preparation for endoscopic, radiological examinations or colonic surgery.

1.1.1.3 History and Development of the Company

The Group was founded in 1929 when Doctor Henri Beaufour created Laboratoires Beaufour in Dreux for the launch of Romarène®, a naturally-occurring product derived from rosemary for the treatment of digestive disorders. The 1970s were marked by a period of expansion for the Group's activities in organic products during which Ipsen launched Tanakan and Smecta, which remain within the Group products portfolio today.

During the 1970s, the Group focused its activities on engineering peptide products and set up Biomeasure (now known as Ipsen Bioscience, Inc.), which became the Group's peptide product research facility based close to universities around Boston. Through Biomeasure, the Group established

and fostered strong relationships with several American universities. These partnerships led to the marketing of Decapeptyl, which was launched in 1986 and fueled the Group's international expansion.

In the late 1980s and early 1990s, the Group continued its international expansion by setting up subsidiaries and offices outside of France and acquiring foreign companies.

In 1994, the Group acquired the UK-based company Speywood (known at the time as Porton International), which was responsible for developing Dysport and in 1995, the Group launched its second sustained-release peptide, Somatuline in France.

The Group went public in December 2005 on the Eurolist market of Euronext™ in order to accelerate and support its growth in Specialty Care and to enter the world's largest pharmaceutical market in the United States.

From 2010 onwards, the Group increased its focus and investment in its toxin research platform. The Group's active policy of building partnerships to create value through the licensing of products that arise from its research but are not deemed to be part of its core business (see part 1.2.2 "Major Contracts").

More recently, the Group completed important transactions to accelerate its evolution toward becoming a leading global biopharmaceutical company:

In 2016, the Group acquired the exclusive commercialization rights for cabozantinib, including future indications outside of the United States and Japan from Exelixis.

In early 2017, the Group acquired Onivyde, the oncology asset from Merrimack Pharmaceuticals.

In first half of 2019, the Group acquired Clementia Pharmaceuticals including its key late-stage clinical asset palovarotene, an investigational retinoic acid receptor gamma (RARγ) selective agonist, for the treatment of fibrodysplasia ossificans progressiva (FOP), multiple osteochondromas (MO) and other diseases.

In the third quarter of 2019, Ipsen signed an exclusive global license agreement with BluePrint Medicines to develop and commercialize BLU-782 for the treatment of fibrodysplasia ossificans progressiva (FOP) and potential other indications.

Strong Foundation

Ipsen is built on a strong foundation with a 90-year heritage of family ownership, a solid and diversified portfolio with a fast-growing and dynamic Specialty Care business, a solid Consumer Healthcare business, and with significant competitive advantages:

- *proven financial strength* through a significant and recurring cash flow and strong balance sheet;
- *a global footprint in over 100 countries,* with nearly 50% of revenues generated outside Europe. The Group entered the U.S. market in 2008 which now represents the fastest-growing region and the top affiliate in terms of sales. The Group also benefits from an important historical presence in markets such as China and Russia;
- *proven expertise in cutting-edge technologies,* such as toxin engineering and advanced drug delivery systems, which can be employed together at an early stage of development;
- *the geographic proximity of its research, development and innovation teams* based in the United States (Cambridge, MA) and in Europe (Oxford, United Kingdom – Dublin, Ireland – Berlin, Germany – Dreux and Paris Saclay, France) to highly-regarded university research centers which enable the Group to benefit from available scientific expertise and to hire highly-qualified personnel;
- *a recognized ability to secure and manage large-scale partnerships* with the world's leading and innovative pharmaceutical and biotechnology companies such as Exelixis, Lexicon, Servier, Teijin, Galderma and Menarini;
- *an effective management team* with significant experience in the pharmaceutical industry.

1.1.1.4 Group's Main Products

The following table presents the main therapeutic indications for the Group's main marketed products.

Therapeutic area [1]	Product name	2019 sales (in million euros)	Principal therapeutic indications [2]
Specialty Care: 89.3% of full year sales			
Oncology	Somatuline®	1,031.6	Neuroendocrine tumors; acromegaly
Oncology	Decapeptyl®	407.4	Advanced metastatic prostate cancer; uterine fibroids; central precocious puberty; endometriosis; female infertility (*in vitro* fertilization), early stage breast cancer in combination with hormone therapy
Oncology	Cabometyx®	242.2	Renal cell carcinoma, second-line hepatocellular carcinoma
Oncology	Onivyde®	134.7	Second-line metastatic pancreatic cancer
Neuroscience	Dysport®	388.3	Motor muscular disorders (cervical dystonia; adult and children spasticity, blepharospasms and hemifacial spasms) and medical aesthetics (glabellar lines, lateral canthal lines, hyperhidrosis)
Rare Diseases	NutropinAq®	41.8	Growth failure in children due to growth hormone (GH) deficiency, Turner syndrome or chronic renal insufficiency and GH deficiency in adults
Rare Diseases	Increlex®	21.9	Long-term treatment of growth failure in children and adolescents with severe primary insulin-like growth factor-1 deficiency (severe primary IGFD)
Consumer Healthcare: 10.7% of full year sales			
Gastroenterology	Smecta®	125.6	Acute diarrhea and chronic diarrhea; symptomatic treatment of pain associated with functional bowel diseases
Gastroenterology	Forlax®	42.1	Symptomatic treatment of constipation in adults or in children above the age of 6 months
Gastroenterology	Fortrans® / Eziclen®	36.8	Fortrans: Bowel cleansing prior to endoscopy, X-ray examination or colonic surgery Eziclen: Bowel cleansing
Cognitive disorders	Tanakan®	36.7	Symptomatic treatment of cognitive disorders in adults Adjunctive treatment of vertigo of vestibular origin in addition to vestibular rehabilitation Symptomatic treatment of tinnitus

(1) Products are classified into therapeutic areas based on their primary indications.
(2) Therapeutic indications of products vary from country to country.
For more details about the sales geographical breakdown, see the management report (part 3.1.2 "Analysis of results").

1.1.2 Group Strategy

1.1.2.1 General Context

The pharmaceutical industry is facing several macro-trends transforming societies and economies, bringing positive perspectives as well as challenges.

On one hand, the underlying drivers of the pharmaceutical industry open up positive prospects:

- demographic and health shifts, with a growing and aging population and a more sedentary lifestyle driving a higher prevalence of unmet medical needs;
- growing patient influence, with patients becoming central to healthcare delivery due to increasing knowledge and willingness to actively manage their health;
- growth in Big Data capabilities, with technology advancements applied to science and medical fields having the potential to vastly increase therapeutic options and accelerate personalized care delivery.

At the same time, the pharmaceutical industry is impacted by the transformation of healthcare across the world and increasing innovation hurdles:

- continuous increase of healthcare costs, leading to a focus on costs and productivity across healthcare systems, resulting in the rise of value-based care, and the reconfiguration of healthcare delivery (*e.g.* through consolidation);

- increasing innovation hurdles, with patent expiries generating an imperative to innovate in an environment of rapid scientific advancements, supportive regulatory frameworks but with high evidence requirements.

These macro-trends, bringing both opportunities and challenges for pharmaceutical companies to continue to save and improve patient lives, are closely monitored and accounted for in the Group's strategy.

1.1.2.2 Group's vision and ambition

Ipsen is a dynamic and growing global specialty-driven biopharmaceutical group focused on innovation and Specialty Care that is improving people's lives through differentiated and innovative medicines in Oncology, Neuroscience and Rare Diseases. The strong position in Specialty Care, combined with the presence in Consumer Healthcare, provides the Group with the scale, expertise and stability needed to make a sustainable difference for people in a quickly-evolving healthcare environment.

A strengthened leadership position in three therapeutic areas and a sustainable business in Consumer Healthcare

Innovation is driving the business in a rapidly-transforming healthcare environment. The Group's global footprint and recognized leadership across the core focus areas of Oncology, Neuroscience and Rare Diseases position it to take on the challenges faced by patients and caregivers.

Specialty Care

In Specialty Care, Ipsen is focused on three key therapeutic areas: Oncology, Neuroscience and Rare Diseases, where Ipsen can establish a leadership position and leverage its expertise from drug development to commercialization and deliver sustainable long-term growth.

- Oncology where the Group currently has differentiated, best-in-class products in niche indications such as neuroendocrine tumors, renal cell carcinoma, pancreatic cancer, prostate cancer and hepatocellular carcinoma. Life Cycle Management programs are being pursued in additional indications to further grow the existing brands and expand positioning on indications with high unmet needs.
- In Neuroscience Ipsen has expertise in research, development, manufacturing, commercialization, in both the therapeutic area mainly focused on spasticity currently, and the aesthetics area through the partnership with Galderma.
- Rare Diseases, including the acquisition in April 2019 of Clementia Pharmaceuticals, with its key late-stage drug candidate palovarotene for the treatment of rare bone diseases and with the exclusive license agreement with Blueprint Medicines in October 2019 for the development and commercialization of BLU-782, an investigational treatment for similar rare bone diseases.
- Across these three therapeutic areas, Ipsen ambition is to fully leverage its broad geographic presence (in more than 115 countries) and its global commercial powerhouse to grow and roll out its Specialty Care portfolio in all key geographies.

Consumer Healthcare

In Consumer Healthcare, the Group maintains a sustainable business, in an environment of increasing consolidation, impacted by changes in market dynamics, competitive environment and more stringent regulatory requirements. To sustain growth, Ipsen is completing its OTx model transformation and leveraging its three main market-leading brands by enhancing consumer innovations, capturing the underlying market growth in emerging markets and strengthening the European business.

A Development and Commercial Powerhouse driven by innovation

A Development and Commercial Powerhouse driven by innovation, building an innovative and sustainable pipeline is essential for continued growth and is a key objective for the Group. Ipsen has focused its internal resources and efforts on becoming a Development Powerhouse while increasingly turning toward external sourcing for new assets.

Ipsen is built around a culture of open innovation, which drives research, development and commercialization. The Group identifies, develops and integrates innovative products that are a strategic fit for its portfolio and that deliver value to patients. It brings together the best minds to tackle some of the most difficult diseases and it does so by developing long-lasting, mutually-beneficial partnerships and through open and smart collaborative innovation.

Externally-sourcing innovation (see part 1.2.3.1 "Research and Development Activities") is a key tenet of Ipsen's business model. This principle, along with its strong track record and growing U.S. presence has positioned the Group as a partner of choice from early-stage development and academic partnerships to late-stage and product commercialization. With an open innovation model in mind, the Group has placed its three R&D centers at the heart of internationally-reputed scientific hubs: Paris-Saclay in France, Oxford in the United Kingdom and Cambridge in the United States.

The Group's biotech mindset, combined with the scale and advantages of a global pharmaceutical company, has helped establish the company as a development and commercial powerhouse in its core focus areas, with a proven ability to bring new, life-changing therapies to market. This approach is core to Ipsen's ambition to launch at least one new drug or meaningful indication every year.

Business Development

Ipsen will continue to invest in business development in its three key therapeutic areas. The Group continues to be active in its business development efforts and is evaluating assets in its key therapeutic areas in all phases of clinical development.

All transactions should enable to achieve long-term sustainable value and growth potential, meet Group's strategic ambition, be financially viable and generate synergies for the Group.

The ambition for external innovation is to fuel the R&D pipeline across the three therapeutic areas of focus, in order to deliver at least one new product or meaningful indication every year.

- In Oncology, the focus is on rare or niche solid tumors considering all stages of development candidates and marketed products.
- In Neuroscience, the priority is on new technologies/ solutions to enhance Ipsen's neurotoxin therapies and R&D capabilities.
- In Rare Diseases, Ipsen targets different kind of rare diseases including rare bone and musculoskeletal diseases and their adjacencies, with all stages of development candidates and marketed products and all modalities. To further build this franchise, the Group will pursue attractive opportunities in the Rare Diseases space.

1.1.2.3 2022 Financial Outlook

The Group has updated its 2022 outlook taking into account the latest developments in its current business, mainly in the palovarotene development program:

- **Group net sales greater than €2.8 billion,** assuming current level of exchange rates;
- **Core Operating margin greater than 28.0% of net sales**

The outlook has been updated assuming no approval of additional meaningful products or indications (including no contribution from palovarotene), progressive entry of additional octreotide and lanreotide generics globally from 2021 and excluding the impact of incremental investments in pipeline expansion initiatives.

1.2 GROUP'S ACTIVITY AND CORPORATE STRUCTURE

1.2.1 The Group's Products

1.2.1.1 Specialty Care Products

Oncology

Somatuline® and Somatuline® Autogel® / Depot® (lanreotide)

Active substance and indications

Somatuline® *(lanreotide)* is a somatostatin analog which inhibits the secretion of growth hormones and certain other hormones by the digestive system.

Somatuline Autogel® (marketed as Somatuline Depot® in the U.S.) is the first semi-solid formulation for injection without any polymeric excipient since the active substance itself controls the sustained release. Somatuline Autogel releases the active substance over a duration of at least 28 days, thus requiring just one deep subcutaneous injection per month. This unique formulation was launched in 2001 and allows the product to be presented in a pre-filled, ready-to-use syringe for easier administration. A pre-filled ready-to-use device was launched in 2011 with a retractable needle enabling the safe delivery of the full dose with every injection. A new delivery system with a further improved design was approved in 2019 in Europe and in the U.S.

The main indications of Somatuline and Somatuline Autogel / Depot are the following:

- *Neuroendocrine tumors*
  - treatment of symptoms associated with carcinoid syndrome related to neuroendocrine tumors. Somatuline inhibits the production of certain hormones secreted in excess by these tumors;
  - treatment of Gastro-Entero-Pancreatic Neuroendocrine Tumors (GEP-NETs) in adult patients with unresectable locally advanced or metastatic disease to improve progression-free survival (PFS);
- *Acromegaly*

  treatment of acromegaly when circulating levels of growth hormone and/or Insulin-like Growth Factor-1 remain abnormal after surgery and/or radiotherapy, or in patients who otherwise require medical treatment. Somatuline inhibits growth hormone release and thus improves control of this disorder by relieving the symptoms associated with elevated levels of this hormone.

Marketing

Somatuline was initially launched in France in 1995. The Somatuline Autogel formulation was launched in 2001 for the treatment of acromegaly and carcinoid syndrome associated with neuroendocrine tumors. In 2015, the EMA approved Somatuline Autogel for the treatment of Gastro-Entero-Pancreatic Neuroendocrine Tumors in adults with unresectable locally advanced or metastatic disease.

Somatuline Depot was first approved by the U.S. Food and Drug Administration (FDA) in 2007 for the treatment of acromegaly. In 2014, Somatuline Depot was approved for the anti-proliferative treatment of Gastro-Entero-Pancreatic Neuroendocrine Tumors in adults with unresectable locally advanced or metastatic disease. The label was extended

in September 2017 for the treatment of carcinoid syndrome associated with neuroendocrine tumors. Somatuline Depot became the first and only somatostatin analog FDA-approved for these two last indications.

Somatuline Depot received Orphan Drug Designation in the U.S. for the treatment of neuroendocrine tumors with exclusivity until 2021.

As of 31 December 2019, Somatuline Autogel / Depot was marketed in more than 60 countries for the treatment of acromegaly and neuroendocrine tumors.

In 2019, Somatuline Autogel / Depot was the first and fastest growing product of the Group with sales of €1,031.6 million, of which 55% were generated in North America.

Somatuline Autogel / Depot is prescribed mainly by endocrinologists, oncologists, gastroenterologists, and digestive surgeons.

Competition

The main competitor of Somatuline Autogel is Sandostatin LAR, a somatostatin analog called octreotide developed by Novartis for the treatment of acromegaly and neuroendocrine tumors. However, the approved indications are not identical as Sandostatin does not have the anti-proliferative indication for Gastro-Entero-Pancreatic Neuroendocrine Tumors in the U.S. Other competitors in the acromegaly market are: Somavert®, a growth hormone receptor antagonist developed by Pfizer, and Signifor® LAR developed by Novartis.

In April 2019, Teva received European approval under a decentralized procedure for an octreotide generic. The approval included 27 countries, and the first octreotide generic was launched in Germany in July 2019.

Cabometyx® (cabozantinib)

Active substance and indications

Cabometyx® *(cabozantinib)* is a small molecule administered orally in the form of tablets that acts as a targeted tyrosine kinase inhibitor (TKI).

With a unique mechanism of action targeting MET (hepatocyte growth factor receptor) and AXL (tyrosine kinase receptor) beyond VEGFR (Vascular Endothelial Growth Factor Receptor) and other molecular targets like RET, Cabometyx has the potential to overcome the resistance induced by prior antiangiogenic therapies. The mechanism of action for Cabometyx has been shown to inhibit angiogenesis and the migration and proliferation of tumor cells. Cabometyx has also been found to disrupt tumor vasculature and induce tumor cell death in pre-clinical models.

Cabometyx is indicated for the treatment of advanced renal cell carcinoma in both treatment-naïve adults with intermediate or poor risk as well as in adults following prior vascular endothelial growth factor (VEGF)-targeted therapy.

Cabometyx is the first and only targeted therapy in second-line renal cell carcinoma to demonstrate clinically and statistically significant improvement across three endpoints (progression free survival, overall survival, overall response rate), with a convenient regimen of one tablet daily as well as the first and only single agent targeted therapy in first-line treatment of a renal cell carcinoma to demonstrate superiority over sunitinib, the former standard of care across progression free survival and disease control.

Cabometyx is also indicated as monotherapy for the treatment of hepatocellular carcinoma in adults who have previously been treated with sorafenib.

Marketing

Cabometyx was first launched in Europe in Germany in 2016 for second-line renal cell carcinom. As of 31 December 2019, Cabometyx was available in 32 countries with reimbursement in second-line treatment of renal cell carcinoma and in 11 countries with reimbursement in first-line treatment of renal cell carcinoma.

In November 2018, the European Commission approved Cabometyx as a monotherapy for the treatment of hepatocellular carcinoma in adults who have previously been treated with sorafenib. This approval allows for the marketing of Cabometyx in this indication in all 28 member states of the European Union, Norway and Iceland, and 12 other countries have a market authorization for the treatment of hepatocellular carcinoma in second line. As of 31 December 2019, Cabometyx was available in 6 countries with reimbursement in second-line treatment of hepatocellular carcinoma.

In 2019, total sales of Cabometyx amounted to €242.2 million.

Cabometyx is prescribed primarily by oncologists.

Cabometyx stems from a partnership with Exelixis (paragraph 1.2.2 "Major Contracts").

Competition

Many other treatments are approved in Europe for renal cell carcinoma. Some products have been marketed for several years like Sutent® (Pfizer), Nexavar® (Bayer), Afinitor® (Novartis), and Inlyta® (Pfizer). Two other products received approval in 2016 in second-line treatment of renal cell carcinoma: Opdivo® (Bristol-Myers Squibb), and Kisplyx® (Eisai) in combination with Afinitor®.

In the most recent European Society for Medical Oncology (ESMO) renal cell carcinoma guidelines, only Cabometyx and Opdivo® are considered standard of care therapies in second-line post-tyrosine kinase inhibitors use. Nexavar®, Afinitor®, and Inlyta® are only considered as treatment options, while Kisplyx® in combination with Afinitor® was not included.

In first-line treatment of renal cell carcinoma, five other therapies are currently approved as of 31 December 2019: Sutent®, Votrient®, Fotivda® (Aveo Pharmaceuticals), Torisel® (Pfizer) and the combination of Avastin® (Roche) and interferon alfa. Only Cabometyx demonstrated superiority over sunitinib, which was considered as the standard of care to date.

In January 2019, the combination of Yervoy® and Opdivo® (Bristol-Myers Squibbs) received European approval for the initial treatment of advanced renal cell carcinoma patients

with intermediate and poor risk. In September 2019, the combination of Keytruda® (Merck) and Inlyta® (Pfizer) received European approval for the frontline treatment of patients with advanced renal cell carcinoma.

In Europe, Stivarga® (Bayer), is approved for second-line hepatocellular carcinoma after sorafenib treatment as well as Cyramza® (Lilly) indicated for the treatment of adult patients with advanced or unresectable hepatocellular carcinoma who have a serum alpha fetoprotein (AFP) of ≥ 400 ng/ml and who have been previously treated with sorafenib.

Onivyde® (irinotecan liposome injection)

Active substance and indications

Onivyde® *(irinotecan liposome injection)* is a unique encapsulation formulation of irinotecan. Irinotecan sucrose octasulfate is a long-circulating liposomal form, which is designed to increase the length of tumor exposure to irinotecan and its active metabolite SN-38.

Irinotecan, a topoisomerase 1 inhibitor, is a derivative of camptothecin that relieves torsional strain in DNA by inducing single-strand breaks, rotating the cleaved strand around the double-helix axis and re-ligating the cleaved strand to re-establish intact duplex DNA. Both irinotecan and its active metabolite SN-38 bind reversibly to the topoisomerase I-DNA complex and prevent re-ligation of these single-strand breaks. The liposome is a unilamellar lipid bilayer vesicle, which encapsulates an aqueous space containing irinotecan sucrose octasulfate.

Onivyde is indicated, in combination with 5-fluorouracil and leucovorin, for the treatment of patients with metastatic adenocarcinoma of the pancreas after disease progression following gemcitabine-based therapy.

Marketing

Onivyde was approved in the US in 2015 for the treatment of metastatic adenocarcinoma of the pancreas after disease progression with gemcitabine-based therapy, in combination with 5-fluorouracil and leucovorin.

Onivyde was developed by Merrimack Pharmaceuticals and acquired by Ipsen in April 2017. The Group currently markets Onivyde in the U.S. and retains exclusive U.S. commercialization rights to potential future indications for the drug. Servier has ex-U.S., ex-Taiwan commercialization rights to Onivyde and PharmaEngine has commercialization rights in Taiwan.

Onivyde sales reached €134.7 million in 2019 including mainly direct sales in the U.S. but also sales at supply price to Servier.

Onivyde is prescribed by oncologists in the U.S.

Competition

The main competitors of Onivyde are fluorouracil-based combination regimens of generic chemotherapy agents including: Folfirinox® (fluorouracil, leucovorin, irinotecan and oxaliplatin), Folfox® (fluorouracil, leucovorin, and oxaliplatin), and Folfiri® (fluorouracil, leucovorin, and irinotecan).

Onivyde is indicated following gemcitabine-based therapy. The most common gemcitabine-based therapy is gemcitabine in combination with Abraxane®, a microtubule inhibitor, developed and marketed by Celgene, indicated in combination with gemcitabine as first-line treatment for advanced pancreatic cancer.

Decapeptyl® (triptorelin)

Active substance and indications

Decapeptyl® *(triptorelin)* is a synthetic hormone with active ingredient triptorelin, a decapeptide analog of GnRH (Gonadotrophin Releasing Hormone). GnRH is a hormone secreted by the hypothalamus, which initially stimulates the release of pituitary gonadotrophins (hormones produced by the pituitary gland) and in turn controls hormonal secretions by the testicles and ovaries.

The indications of Decapeptyl are as follows:

- *Treatment of locally advanced or metastatic prostate cancer:* Decapeptyl temporarily increases the concentration of testosterone and dihydrotestosterone, but continuous administration paradoxically leads to a reduction in plasmatic testosterone concentration. After two to three weeks of treatment, testosterone is reduced to levels below the castration threshold, thereby depriving prostate tumors of one of the main hormones promoting tumor development;
- *Endometriosis:* Decapeptyl is used as a treatment aimed at suppressing estrogen secretion, which deprives the ectopic endometrial tissue of the critical stimulus it needs to grow;
- *Uterine fibroids:* Decapeptyl is used to reduce the risk of blood loss following ablative surgery to remove uterine fibroids and to relieve symptoms such as abdominal pain, dysmenorrhea (painful menstruation), and menorrhagia (excessive menstrual bleeding) associated with uterine fibroids through the reduction in their hormonal stimulation;
- *In vitro fertilization:* Decapeptyl is used in association with gonadotrophins to induce ovulation for *in vitro* fertilization followed by embryo transfer;
- *Central precocious puberty:* Decapeptyl is used to inhibit over-secretion of hormones by the pituitary gland at a premature age, which improves the height age/bone age ratio;
- *Endocrine-responsive early-stage breast cancer:* Decapeptyl monthly is used in pre-menopausal women at high risk of recurrence following chemotherapy, in combination with tamoxifen or an aromatase inhibitor. Triptorelin leads to ovarian function suppression, which in combination with tamoxifen (anti-œstrogen) or aromatase inhibitor (inhibitor of œstrogen synthesis) deprives the breast tumor of the main hormones promoting its development.
- Decapeptyl is available in daily, monthly, three-month, and six-month sustained-release formulations.

Marketing

Decapeptyl was the Group's second largest product in terms of sales in 2019 with Major Western European countries (G5) accounting for 48% of total sales and China representing a large portion of Decapeptyl sales (21%).

At 31 December 2019, Decapeptyl had marketing authorizations in over 76 countries, including 28 in Europe.

Decapeptyl is prescribed primarily by the following specialists: urologists, oncologists, radiation oncologists, pediatric endocrinologists, gynecologists and *in vitro* fertilization specialists.

Decapeptyl stems from a partnership with Debiopharm (paragraph 1.2.2 "Major Contracts").

Competition

Competitors' products vary depending on therapeutic indications. For prostate cancer, the main competitors are: Enantone® (Takeda/Wyeth/ Abbott), Zoladex® (AstraZeneca), Eligard® (Astellas).

Xermelo® (telotristat ethyl)

Active substance and indications

Xermelo® *(telotristat ethyl)* is a novel, orally-administered, inhibitor of the enzyme tryptophan hydroxylase (TPH). Through inhibition of TPH, the rate-limiting step in the synthesis of serotonin, Xermelo is designed to reduce the production of serotonin within neuroendocrine tumors, thus reducing the presence of some of the symptoms associated with carcinoid syndrome, in particular diarrhea and the secretion of 5HIAA (5 hydroxy-indole acetic acid).

Xermelo is indicated for the treatment of carcinoid syndrome diarrhea in patients inadequately controlled by somatostatin analog therapy.

Marketing

Xermelo was approved by EMA in 2017 for the treatment of carcinoid syndrome diarrhea in combination with a somatostatin analog. As of 31 December 2019, Xermelo is available in 22 countries, including 20 European countries.

Xermelo is prescribed by the same physicians that prescribe Somatuline and other somatostatin analogs (endocrinologists, oncologists, gastroenterologists, and digestive surgeons), as the treatment is an add-on to this therapy.

Xermelo stems from a partnership with Lexicon Pharmaceuticals (paragraph 1.2.2 "Major Contracts").

Competition

Xermelo currently has no direct competition as it is a first-in-class drug, with little or no other validated therapies available in this particular patient segment.

Hexvix® (hexaminolevulinate)

Active substance and indications

Hexvix® *(hexaminolevulinate)* (85 mg) is a photosensitizing agent used in blue-light cystoscopy as adjunct to standard white contributing to the diagnosis and management of bladder cancer. After intravesical instillation of hexaminolevulinate, porphyrins will accumulate intracellularly in bladder wall lesions. The intracellular porphyrins (including Protoporphyrin IX or PpIX) are photoactive, fluorescing compounds which emit red light upon blue light excitation. As a result, premalignant and malignant lesions will glow red on a blue background. False fluorescence may be seen as a result of inflammation. Hexvix enhances the detection and guides the resection of tumors in patients with known or a high suspicion of bladder cancer.

Marketing

Hexvix stems from a partnership with Photocure (paragraph 1.2.2 "Major Contracts"). The Group is responsible for the commercialization of Hexvix primarily in Western European countries.

Cometriq® (cabozantinib)

Active substance and indications

Cometriq® *(cabozantinib)* is a small molecule administered orally in the form of capsules that acts as a targeted tyrosine kinase inhibitor (TKI).

Cometriq targets three important intracellular pathways in medullary thyroid cancer (MTC): RET, VEGFR, and MET, besides other molecular targets like AXL. The mechanism of action for Cometriq has been shown to inhibit angiogenesis and the migration and proliferation of tumor cells. Cometriq has also been found to disrupt tumor vasculature and induce tumor cell death in preclinical models.

Cometriq was approved in Europe based on the Phase 3, international, multicenter, randomized, double-blind study (EXAM).

This study demonstrated a statistically significant and clinically meaningful improvement in progression-free survival with Cometriq as compared to placebo, corresponding to a decrease of 72% of the risk of disease progression in patients with progressive locally advanced (not amenable by surgery) or metastatic medullary thyroid cancer.

Cometriq is indicated for the treatment of adult patients with progressive, unresectable, locally-advanced or metastatic medullary thyroid carcinoma. Cometriq has orphan drug status and fulfils an unmet medical need in medullary thyroid cancer.

Marketing

As of 31 December 2019, Cometriq was approved in 30 countries and available in 12 countries.

Cometriq is prescribed primarily by oncologists and endocrinologists.

Cometriq stems from a partnership with Exelixis (paragraph 1.2.2 "Major Contracts").

Competition

The main competitor for the product is Caprelsa® (Sanofi) which is used to treat patients with medullary thyroid cancer that cannot be removed through surgery or that has spread to other parts of the body.

Neuroscience

Dysport® (botulinum toxin type A)

Active substance and indications

Dysport® is a botulinum neurotoxin type A product, which is a substance derived from a bacterium *(clostridium botulinum)* that blocks acetylcholine release from nerve endings resulting in the relaxation of hyperactive muscles.

Dysport is approved in the following therapeutic indications in adults:

- Treatment of focal spasticity in adult upper and/or lower limbs. Spasticity is characterized by uncontrollable muscle overactivity, which leads to muscle contraction and soft tissue shortening resulting in impairment of activities of daily living, function, mobility and social isolation. Spasticity generally occurs in the first six months following an acute or progressive central or peripheral disorder such as stroke, spinal cord injury, traumatic brain injury, multiple sclerosis or cerebral palsy.
- Treatment of Cervical Dystonia (CD), which is the most common adult-onset form of focal dystonia, an orphan neurological condition characterized by involuntary and sustained muscles spams. Symptomatic presentation of cervical dystonia can be abnormal neck posture and degree of head rotation, neck and shoulder pain and involuntary twisting or jerking of the head.
- Treatment of blepharospasm. Blepharospasm is an abnormal and involuntary contraction of the eyelid, that can be chronic and persistent.
- Treatment of hemifacial spasm. Hemifacial spasm is a benign neuromuscular disease characterized by irregular, involuntary muscles contraction on one side of the face.
- Treatment of severe primary hyperhidrosis of the axillae. Hyperhidrosis (HH) is characterized by excessive sweating due to the overactivity of the sweat glands and affects about 1%-3% of the population.

Dysport is also approved in children aged 2 years and older for:

- treatment of focal spasticity in upper and/or lower limbs.

Cerebral Palsy (CP) is the most frequent cause of spasticity in children and the leading cause of childhood disability affecting movement and posture, causing limitation of activity.

Due to Orphan Drug Exclusivity in the US, treatment of upper limb spasticity in pediatric patients 2 years of age and older, excludes spasticity caused by CP.

Dysport is approved in aesthetics for the temporary improvement in the appearance of moderate to severe:

- glabellar lines,
- lateral canthal lines (crow's feet lines),
- in adult patients under 65 years, when the severity of these lines has an important psychological impact on the patient.

Marketing

Dysport was initially approved in the United Kingdom in 1990 and had marketing authorization in over 90 countries as of 31 December 2019.

In the United States, on 30 April 2009, the Food and Drug Administration (FDA) approved the Biologics License Application (BLA) for Dysport *(abobotulinumtoxinA)* in cervical dystonia and for the temporary improvement in the appearance of moderate to severe glabellar lines in adults aged 65 years and under.

In 2015, the FDA approved the use of Dysport for injection for the treatment of spasticity in adults, based on its supplemental Biologics License Application (sBLA) in upper limb spasticity. In 2017, the FDA expanded the approved use of Dysport for injection for the treatment of spasticity in adults, based on its supplemental Biologics License Application (sBLA) in lower limb spasticity.

Dysport was approved in 2016 to treat pediatric patients with lower limb spasticity aged two and older, making it the first botulinum toxin approved by the FDA for this indication. In September 2019, the use of Dysport for injection in the treatment of upper limb spasticity in children two years of age and older, excluding spasticity caused by cerebral palsy (CP) was granted by the FDA. This approval made Dysport the first botulinum toxin approved by the FDA for both pediatric spasticity indications.

In esthetics, Ipsen and Galderma have been exclusive partners since 2007 for the research, development and distribution of Ipsen's botulinum toxin type A product for esthetic and dermatological indications in some European countries (under the brand name Azzalure®) and in other territories including the United States and Canada since 2014 (these agreements are presented in detail in section 1.2.2 of this universal universal registration document).

Dysport is administered by trained physicians *e.g.* neurologists, physical medicine & rehabilitation specialists, neuropediatricians, orthopedic surgeons, ENT specialists, ophthalmologists, dermatologists, and plastic surgeons.

Competition

Dysport's main competitors are Botox® (Allergan) and Xeomin® (Merz) for both esthetic and therapeutic indications. Competitive intensity in the botulinum neurotoxin market is increasing further as more competitors enter the U.S. and European markets; such as Jeuveau® by Evolus which was launched in the US esthetics market In May 2019.

Rare Diseases

NutropinAq® (somatropin)

Active substance and indications

NutropinAq® *(somatropin)* is a liquid formulation of recombinant human growth hormone administered using the "NutropinAq Pen". Growth hormone is involved in several physiological processes, such as growth in stature and bone development in children and other metabolic effects in adult.

NutropinAq is a ready-to-use liquid formulation for injection.

NutropinAq is indicated for the following:

- long-term treatment of growth failure in children due to inadequate secretion of endogenous growth hormone;
- long-term treatment of growth failure associated with Turner syndrome in girls over 2 years old;
- treatment of growth failure in prepubertal children associated with chronic renal insufficiency ahead of kidney transplantation;
- treatment of adults with growth hormone deficiency of either childhood or adult onset.

Marketing

As of 31 December 2018, the Group had obtained marketing authorizations in 34 countries. The product has been launched in 23 countries across Europe since 2004.

Growth hormones are prescribed by pediatric and adult endocrinologists.

NutropinAq stems from a partnership with Genentech in 2002 (paragraph 1.2.2 "Major Contracts").

Competition

Six other companies have marketed recombinant growth hormones: Pfizer with Genotropin®, Eli Lilly with Humatrope®, Novo Nordisk with Norditropin®, Merck Serono with Saizen® and Ferring with Zomacton®. Sandoz commercialized Omnitrope®, a biosimilar product of Pfizer's Genotropin®.

Increlex® (mecasermin)

Active substance and indications

The active substance in Increlex *(mecasermin)* is a recombinant DNA-derived human insulin-like growth factor (IGF-1). IGF-1 is the direct hormonal mediator of stature and bone growth and must be present for normal growth of bones and cartilage in children.

Increlex is approved for the treatment of Severe Primary IGF-1 deficiency in children and adolescents (from 2 to 18 years of age), an extremely rare disease affecting less than 1/10,000 children.

Marketing

Increlex was granted marketing authorization in 2005 in the United States and under a centralized marketing authorization in 2007 in Europe under exceptional circumstances. Increlex is also marketed in a number of other countries.

Recombinant IGF-1 is prescribed by pediatric endocrinologists.

Competition

Increlex is the only treatment available for patients living with Severe-Primary IGF-1 deficiency in the U.S. and European union. There are no other competitors in these territories.

■ 1.2.1.2 Consumer Healthcare Products

Smecta® (diosmectite)

Active substance and indications

Smecta® *(diosmectite)* is an oral formulation of pharmaceutical clay indicated in the treatment of acute diarrhea in both adults and children, and in the symptomatic treatment of digestive pain and chronic diarrhea in adults. Smecta is a natural clay processed and purified for therapeutic use. Ipsen is actively working on the lifecycle management of its original oral Smecta powder (vanilla and vanilla/orange) with new flavors and new galenic forms including:

- Smectalia® (drug) /SmectaGo® (medical device), a liquid ready-to-use suspension in stick;
- Smecta strawberry, powder for oral use.

Marketing

As of 31 December 2019, Smecta had market authorizations in about 90 countries. In 2019, Smecta sales represented 4.9% of total Ipsen sales, of which 73% were generated in China, France, and Russia, the product's main markets.

Smecta is Ipsen's leading Consumer Healthcare product in terms of sales.

Smecta is prescribed by general practitioners, gastroenterologists, and pediatricians. The product can also be dispensed without prescription under pharmacist advice or as an OTC self-medication for patients.

Competition

Smecta's main competitors are Imodium® (Johnson & Johnson), Ercéfuryl® (Sanofi), Ultralevure® (Biocodex), and Tiorfan® (Bioproject Pharma). French authorities granted reimbursement to a generic player of Smecta in Q3 2019.

Probiotics

Smebiocta®/SmectaFlora Comfort®

Active substance and indications

Smebiocta®/SmectaFlora Comfort® is a food supplement composed of a new combination of the well-documented, with high dosage, probiotic strain *Lactobacillus plantarum 299v*. The probiotic colonizes the gut microbiota and can be taken in the case of irritable bowel syndrome.

Marketing

Ipsen signed a license and supply agreement in 2016 with Probi for the commercialization of its probiotic strain LP299V® *(lactobacillus plantarum 299v)*. Probi is a Swedish publicly-traded bioengineering company that develops effective and well-documented probiotics. The agreement covers 20 countries, many with high-growth potential, with an option to include additional countries.

Competition

The main competitor is Symbiosis® (BIOCODEX).

Smebiocta/SmectaFlora Protect®

Active substance and indications

Smebiocta®/Smecta Flora Protect® is a new food supplement composed of a new combination of the well-documented, with high dosage, yeast and probiotic strains *Saccharomyces boulardii* and *Lactobacillus rhamnosus* manufactured by Lallemand. The product can be taken during antibiotic therapy.

Marketing

The probiotic Smebiocta /SmectaFlora Protect has been launched in France and Czech Republic in 2019.

Competition

Smebiocta/Smecta Flora Protect's main competitors are Ultra Levure® (Biocodex) and Lactibiane ATB® (Pileje).

Forlax® (macrogol 4000)

Active substance and indications

Forlax *(macrogol 4000)* is an oral osmotic laxative, designed and developed by Ipsen, and indicated for the symptomatic treatment of constipation in both adults and children (from 6 months). Forlax is a linear polymer of polyethylene glycol (PEG) of high molecular weight.

Marketing

Forlax was first registered in France in 1995. The marketing authorization was later extended to EU countries through a mutual recognition procedure and is now approved in 17 EU countries.

As of 31 December 2019, Forlax was granted marketing authorizations in almost 60 countries. In 2019, around 47% of Forlax sales were generated in France.

Forlax is also marketed in a ready-to-use stick under the name ForlaxGo®/Forlib®.

Forlax is primarily prescribed by general practitioners, gastroenterologists, gynecologists and pediatricians. The product can also be dispensed without a prescription under pharmacist advice or as an OTC self-medication for patients. To position Forlax as an OTC self-medication product, a liquid form has been launched in selected European markets.

Competition

Forlax's main competitors are other osmotic laxatives, including lactulose products such as Duphalac® (Solvay Pharma), other PEGs such as Transipeg® (Roche Nicholas) and Movicol® (Norgine Pharma), and stimulant laxatives (*e.g.* bisacodyl) such as Dulcolax® (Boehringer Ingelheim).

In France, Forlax generics are marketed by competitors. Today, Ipsen produces two generic products marketed by Biogaran and Sandoz.

Fortrans® (macrogol 4000)

Active substance and indications

Fortrans® is aimed at intestinal cleaning before endoscopy procedure (coloscopy), surgery, or radiology. Fortrans is a linear polymer of polyethylene glycol (PEG) of high molecular weight with added electrolytes.

Marketing

Fortrans is indicated for bowel cleansing preparation before endoscopy, X-ray examination or colonic surgery.

As of 31 December 2019, Fortrans held marketing authorizations in more than 50 countries.

Russia and Poland are the two largest markets for Fortrans.

Eziclen®

Active substance and indications

BLI-800 commercialized under Ipsen trademarks Eziclen® or Izinova® is a new-generation osmotic laxative, indicated in adults, for cleaning the bowel before endoscopy procedure (coloscopy), surgery or radiology. Since 2019, Eziclen is included in the European Society of Gastrointestinal Endoscopy (ESGE) guidelines.

Marketing

On 31 December 2019, Eziclen was marketed by Ipsen or its local partners in 19 countries.

Ipsen acquired in 2009 from Braintree (now Sebela Pharmaceuticals) the exclusive manufacturing, marketing and distribution rights of BLI-800 for the European Union, the Commonwealth of Independent States (CIS), some Asian countries (including China) and some North African and South American countries. The agreement is presented in detail in section 1.2.2 "Major Contracts" of this universal registration document.

Etiasa® (mesalazine)

Active substance and indications

Etiasa® is indicated in inflammatory bowel diseases (ulcerative colitis and Crohn's disease), for the treatment of mildly to moderately-active condition and maintenance of remission.

Marketing

In 2015, Ipsen has renewed its exclusive agreement with Ethypharm for Etiasa in China. The drug is manufactured by Ethypharm in its Shanghai subsidiary and Ipsen has exclusive rights for the distribution activities and promotion of Etiasa.

Competition

The drug's principal competitors in China are other 5-ASA products such as Pentasa® (Ferring Pharmaceuticals), Salofalk® (Vifor Pharma), mesalazine generic, and sulfasalazine.

Tanakan® (Ginkgo biloba extract)

Active substance and indications

Tanakan® (*Ginkgo biloba* extract) is indicated for the treatment of various neurological and neuro-sensorial disorders. Tanakan contains natural substances with antioxidant and neuro-protective properties.

Tanakan is indicated in the symptomatic treatment of cognitive disorders (memory or attention deficit) in adults.

The active substance in Tanakan– EGb 761® – is a standardized extract from the leaves of *Ginkgo biloba* (dioecious tree in the *Ginkgoaceae* family) cultivated and extracted under controlled conditions.

Marketing

As of 31 December 2019, Tanakan was approved in almost 60 countries, mainly in Europe, Russia, and Asia.

In 2019, 27% of Tanakan sales were generated in Russia, where the product is offered as a self-medication OTC product.

Adenuric® (febuxostat)

Active substance and indications

Adenuric® *(febuxostat)* (80 mg and 120 mg) is indicated for the treatment of chronic hyperuricemia with clinical manifestations of urate deposition (including a history or presence of tophus and/or gouty arthritis).

In 2015, some indications were added for Adenuric 120 mg for the prevention and treatment of hyperuricemia in adult patients undergoing chemotherapy for hematologic malignancies at intermediate to high risk of Tumor Lysis Syndrome (TLS).

Marketing

The product was in-licensed from Teijin Pharma Ltd in 2003 for European countries, including EU and Russia. In 2009, Ipsen gained EU Marketing Authorization, and in October 2009, the Group granted exclusive licensing rights to the Menarini Group for Adenuric in 41 countries. The product has now generic versions in certain European Union countries.

Competition

Generics entered the market in April 2019 and revenues have been strongly negatively impacted in 2019.

Other Consumer Healthcare Products

Ipsen Consumer Healthcare has other products mainly in the gastro-intestinal area, including those commercialized in Italy following the acquisition of Akkadeas and some selected OTC products acquired from Sanofi in 2017: Buscopan® *(hyoscine butylbromide)*, Clin4000®, Prontalgine® *(paracetamol)*, Suppositoria Glycerini, and Mucothiol® *(diacetylcysteine)* and Mucodyne® *(carbocysteine)*.

1.2.2 Major Contracts

The Group markets its products either directly through its sales force or through third parties under licensing or other agreements. Furthermore, the Group has earned the confidence of third parties that have entrusted it with selling their products such as Cabometyx, Decapeptyl, Hexvix, and NutropinAq. In certain cases, the Group has entered into agreements with third party companies to manufacture drugs or raw materials.

The Group complements the implementation of its internal Research and Development program by entering into partnership agreements with university teams and pharmaceutical and biotechnology companies. These partnerships help the Group gain access to cutting-edge technologies in complex areas of expertise.

This partnership strategy helps the Group finance the development of its products while extending its range of existing products. The Group is constantly looking for high-quality, complementary, and long-lasting marketing, research and development partnerships.

1.2.2.1 Agreements in Specialty Care

1.2.2.1.1 Agreements in Oncology

Debiopharm (Lausanne, Switzerland)

The Group has maintained an ongoing relationship with Debiopharm since 1983 when it entered into its first licensing agreement to manufacture and market Decapeptyl in locally-advanced cancer or metastatic prostate cancer. This licensing agreement was renewed in June 2019 to extend the collaboration through 2034 for the treatment of metastatic and non-metastatic patients with locally advanced prostate cancer, endometriosis, uterine fibroids, central precocious puberty and endocrine-responsive early-stage breast cancer. The agreement covers Debiopharm's expertise and patents related to the active substance triptorelin and its various salts (particularly the pamoate formulation), which are sold under the Decapeptyl® and Pamorelin® trademarks, both of which were assigned to Ipsen in 2010. The daily, one-month, and three-month acetate and pamoate formulations of Decapeptyl are no longer protected by any patents.

The licensing agreement with Debiopharm grants the Group the right to collaborate with Debiopharm on the development of Decapeptyl as well as the right to manufacture and market Decapeptyl worldwide with the exclusion of North America and certain other countries, principally Israel, Japan, and English-speaking African countries. Pursuant to the agreement, the Group commercializes Decapeptyl under a daily formulation as well as under monthly, 3-month, and 6-month sustained-release formulations. A separate license agreement exists between the Group and Debiopharm for the commercialization by Ipsen of triptorelin under the trade names Salvacyl®, Salvacyl LP®, Moapar®, and Salvapar® for the treatment of paraphilia (sexual perversions).

Exelixis (San Francisco, California, USA)

In 2016, the Group and Exelixis Inc. signed an exclusive licensing agreement for the commercialization and further development of cabozantinib, Exelixis' lead oncology asset. The parties agreed to collaborate on the development of cabozantinib for current and potential future indications, and Ipsen has exclusive commercialization rights worldwide outside the United States and Japan.

This agreement includes the rights to Cometriq currently approved in the United States and the European Union (EU) for the treatment of adult patients with progressive, unresectable, locally-advanced or metastatic medullary thyroid cancer (MTC), and Cabometyx currently approved in a number of countries, among others the U.S., the European Union (EU) and Canada for the second-line treatment of patients with advanced renal cell carcinoma (RCC) who have received first-line antiangiogenic therapy, and for the first-line treatment of adults with intermediate or poor risk advanced RCC, and for the treatment of hepatocellular carcinoma in adults who have previously been treated with sorafenib.

Under the agreement Exelixis received a $200 million upfront payment, several regulatory milestone payments as well as up to $545 million of potential commercial milestones and tiered royalties to Exelixis of up to 26% on Ipsen's net sales of cabozantinib in its territories.

MD Anderson Cancer Center (Houston, Texas, USA)

In 2018, Ipsen and The University of Texas MD Anderson Cancer Center entered into a global licensing agreement for a pre-clinical oncology drug candidate discovered by researchers in MD Anderson's Institute for Applied Cancer Science (IACS). MD Anderson will progress the drug candidate through Phase I clinical development with Ipsen being responsible for further global development and commercialization.

Photocure (Oslo, Norway)

In 2011, the Group signed a marketing and supply agreement with Photocure, a specialty pharmaceutical company specializing in photodynamic technologies applied to cancer and dermatology. Under the agreement, the Group was granted an exclusive license to commercialize Hexvix for the diagnosis and resection of bladder cancer. Ipsen obtained the exclusive license worldwide, except in the United States, the Nordics, and certain other countries where Ipsen has decided to return the rights to Photocure. The product is designed to improve the detection and resection of non-invasive bladder cancer by inducing specific fluorescence in malignant cells in the bladder during a cystoscopic procedure.

1.2.2.1.2 Agreements in Neuroscience

Galderma (Lausanne, Switzerland)

In 2007, under the terms of a development and distribution agreement, Ipsen granted Galderma Pharma S.A., a Swiss company, exclusive rights to develop, promote, and distribute specific formulations of its botulinum toxin type A product in aesthetic medicine indications in the European Union and certain Eastern European countries and Central Asia. The Group also granted Galderma first rights of negotiation for aesthetic medicine indications outside Galderma territories.

The product is distributed in Europe under the Azzalure® trademark owned by Galderma. Azzalure is mainly commercialized in the United Kingdom, France, Germany, Portugal, Denmark, Finland, Sweden, and Poland. Ipsen owns all regulatory approvals and all data arising from development activities.

In 2014, the Dysport distribution rights in the U.S. and Canada, initially held by Valeant, were granted to Galderma. The agreement was further expanded to include new neurotoxins in addition to Azzalure and Dysport, namely their respective liquid formulations. Ipsen gained control of the intellectual property for Galderma's liquid toxin in the U.S., Canada, Brazil, and Europe, while Galderma retained commercialization rights. In addition, the distribution rights were extended until 2036.

In the context of the first rights of negotiations granted to Galderma to further expand the territories, the Group granted to Galderma exclusive rights, to promote and distribute under the trademark Dysport® certain formulations of botulinum toxin in aesthetic indications in Brazil, Argentina, Mexico, Australia, New Zealand, China, India, South Korea, Hong Kong, Macau, Taiwan, Singapore and Thailand. In consideration among others for such expansion granted to Galderma, Ipsen has acquired the title to the intellectual property for Galderma's liquid toxin in the partnership countries.

The Group supplies the finished product to Galderma, and Galderma pays Ipsen royalties based on sales of the product.

Public Health England (PHE) (Porton Down, United Kingdom)

The Group entered a licensing agreement with the PHE in 1994 covering the botulinum toxin type A complex, which is the active substance in Dysport. Until December 2036, the Group holds an exclusive worldwide license to use and sell the botulinum neurotoxin type A produced by the PHE and the co-exclusive right with the PHE to manufacture this toxin using the PHE processes. Further to an amendment in 2001, the Group began producing botulinum toxin type A in 2004. The Group is now discharged from the obligation to purchase botulinum toxin from PHE.

Under this agreement, the Group pays the PHE royalties based on revenues generated from the sale of products containing botulinum toxin type A, particularly those realized under the Dysport brand name, together with minimum royalty clauses.

1.2.2.1.3 Agreements in Rare Diseases

Allergan GI (Madison, New Jersey, USA)

In 2013, Rhythm was split into two entities to continue the development of separate programs and the Group granted Motus Therapeutics an exclusive worldwide license for the research, development and commercialization of Ipsen's compounds and intellectual property related to its peptide ghrelin agonist. Motus Therapeutics was acquired by Allergan in 2016. Allergan GI (formerly Motus Therapeutics) is developing relamorelin for the treatment of diabetic gastroparesis, chronic idiopathic constipation, and anorexia nervosa. Under the terms of the license agreement, Ipsen will receive progressive payments of up to $40 million upon the achievement of certain development and commercial milestones and royalties on future sales of the products.

Blueprint Medicines (Cambridge, Massachusetts, USA)

On 15 October 2019, the Group and Blueprint Medicines entered into an exclusive, worldwide license agreement for the development and commercialization of BLU-782, an oral, highly selective investigational ALK2 inhibitor being developed for the treatment of Fibrodysplasia Ossificans Progressiva (FOP). Blueprint Medicines will be eligible to receive up to $535 million, including an upfront cash payment of $25 million and up to $510 million in potential payments related to development, regulatory and sales-based milestones.

Genentech (San Francisco, California, USA)

The Group entered into a distribution agreement with Genentech in 2002 which covers NutropinAq, a liquid formulation of human growth hormone for daily use produced using recombinant DNA technology. Under this agreement, the Group has the exclusive right to market worldwide (with the exception of North America, Mexico, Brazil, and Japan) NutropinAq and the NutropinAq Pen Cartridge® (*i.e.* the configuration used for the daily administration of the liquid formulation of NutropinAq) and any improvement made to these products for a period of 20 years starting from the date on which NutropinAq was launched in the market.

The Group agreed to pay Genentech milestone payments when certain net sales figures are reached. The Group also agreed to pay royalties based on the total amount of annual sales of each product in the territory covered by the distribution agreement. The European patent owned by Genentech protecting the product expired on 29 July 2013.

Lexicon Pharmaceuticals, (The Woodlands, Texas, USA)

In 2014, the Group entered into an exclusive licensing agreement with Lexicon Pharmaceuticals for Ipsen to commercialize Xermelo outside North America and Japan, with a focus on the treatment of carcinoid syndrome. Through an amendment in March 2015, Ipsen was granted exclusive rights in Canada. Lexicon retains sole rights to commercialize Xermelo in the U.S. and Japan.

Under the agreement, Lexicon is eligible to receive up to $148.5 million, comprising a $24.5 million upfront payment and additional payments contingent upon achievement of clinical, regulatory and commercial milestones. In addition, Lexicon is eligible to receive royalties on net sales of Xermelo in the licensed territory.

In addition to this European submission, Ipsen continues the implementation of its global regulatory filing applications for marketing authorization in the territories where the Group operates.

Rhythm Pharmaceuticals (Boston, Massachusetts, USA)

In 2010, the Group granted Rhythm an exclusive worldwide license for the research, development and commercialization of Ipsen's compounds and intellectual property related to analogs of the peptide hormone MSH and ghrelin, which regulate food intake, energy homeostasis, and gastrointestinal function. Rhythm Pharmaceuticals is developing setmelanotide, an MC4 receptor agonist for the treatment of rare genetic disorders of obesity. Under the terms of the license agreement, Ipsen will receive progressive payments of up to $40 million upon the achievement of certain development and commercial milestones and royalties on future sales of the products.

Teijin (Tokyo, Japan)

The Group granted Teijin exclusive rights in Japan to develop and market Somatuline Autogel for the treatment of acromegaly, SSTR-2 for the treatment of diabetic retinopathy, and BIM 44058 (PTHrP analogue) in the treatment of severe osteoporosis.

In 2012, Teijin received marketing approval in Japan for Somatuline 60/90/120 mg for subcutaneous injection for the treatment of acromegaly and pituitary gigantism.

In 2017, Teijin received approval from the Japanese Ministry of Health, Labour and Welfare for Ipsen's subcutaneous drug Somatuline for the treatment of Gastro-Entero-Pancreatic Neuroendocrine Tumors (GEP NET).

1.2.2.2 Agreements in Consumer Healthcare

Braintree Laboratories (Braintree, Massachusetts, USA)

In 2009, the Group signed a licensing agreement with Braintree Laboratories Inc., a U.S. company specialized in the development, manufacturing, and marketing of specialty pharmaceuticals. Pursuant to the agreement, the Group acquired exclusive distribution, marketing and manufacturing rights to Braintree's proprietary formulation, BLI 800, in colonic cleansing before colonoscopy, a diagnostic procedure for colorectal cancer screening. This agreement covers countries within the European Union, Russia and certain Commonwealth of Independent States, selected Asian countries (including China), and some North African and Latin American countries.

Braintree is to receive royalties on Ipsen's sales as well as payments upon the achievement of certain milestones such as product launches and commercial sales thresholds. The product is marketed under the Eziclen® trademark in most countries of the European Union and under the Izinova® trademark in some other countries, including France and the United Kingdom.

Ethypharm (Saint-Cloud, France)

In 1997, the Group entered into an exclusive agreement with Ethypharm a French pharmaceutical company for the distribution and promotion in China of the product mesalazine (5ASA) developed and manufactured by Ethypharm. The product is commercialized under the trademark Etiasa® for the treatment of Inflammatory Bowel Disease.

Schwabe (Karlsruhe, Germany)

The Group has longstanding links with Schwabe, particularly concerning *Ginkgo biloba* extracts and EGb 761, the active substance in Tanakan. The relationship between the Group and Schwabe are based on the 2005 cooperation agreement concerning, among other things, the procurement and supply of *Ginkgo biloba* leaves, and the manufacture of *Ginkgo biloba* extracts, notably EGb 761.

Teijin (Tokyo, Japan)

In 2006, the Group and Teijin signed a distribution and promotion agreement which determined the definitive terms of Ipsen's exclusive rights to febuxostat in Europe. Febuxostat's development costs in Europe are the responsibility of the Group, except for any costs associated with conducting clinical trials that may be requested by the regulatory authorities prior to the registration of febuxostat in Europe, which are shared between Teijin and the Group.

In 2009, the Group sublicensed its exclusive development and commercialization rights for febuxostat in Europe, including Russia and certain Commonwealth of Independent States (CIS) countries to Menarini. In addition, Ipsen continues to promote the product alongside Menarini in France.

Febuxostat was launched by Menarini in 2010 in Europe and 2017 in Russia, under the trademark Adenuric®.

1.2.3 Research and Development

The Group is transforming and enhancing its R&D operating model with a focus on accelerating priority internal projects, effectively managing the R&D portfolio and actively externally sourcing assets through business development. The mission of the R&D organization is to deliver at least one new molecular entity or meaningful indication every year.

1.2.3.1 Research and Development Activities

The Group's R&D efforts aim to respond to unmet medical needs to develop innovative therapeutic solutions and utilizing an entrepreneurial, collaborative approach to build a sustainable portfolio.

Research and Development primarily focuses on two areas:

- discovery, development, and regulatory approval of new molecular entities;
- lifecycle management of products marketed by the Group through the:
  - extension and expansion of labelled indications;
  - development of new indications;
  - development of new formulations and delivery systems;
  - registration in new geographical areas.

Additionally, the Group partners on in-licensing development opportunities when appropriate to deliver its strategy.

As of 31 December 2019, more than 720 employees were employed in Research and Development including 200 employees in Pharmaceutical Development.

For the financial year 2019, Research and Development expenses totaled €388.8 million, compared to €302.1 million in 2018.

Novel botulinum toxin-based drug discovery in Neuroscience

The engineering of new botulinum toxins is primarily carried out in Ipsen's R&D facilities in Milton Park (Oxford, UK), in partnership with Les Ulis (Paris-Saclay) and/or in collaboration with academic research centers and biotechnology companies. Botulinum toxins have a unique potential for very broad therapeutic applications in many areas including neurology, urology, oncology, endocrinology, regenerative medicine, etc.

The R&D team in Milton Park is very experienced in botulinum toxin biology, and the team's innovations are reflected in an extensive patent portfolio. Additionally, the Group is one of the few to master the manufacturing and testing of botulinum toxins at its plant in Wrexham (United Kingdom) as well as the technologies needed to explore new applications and to develop new toxin-based products. The Group is developing novel recombinant fast-acting and long-acting neurotoxins that have potential advantages of better control, robustness as well as quality and process manufacturing. It also allows the Group to leverage its development, manufacturing and commercialization expertise in the neurotoxin market.

Pharmaceutical development is located at the Dreux, Berlin, Dublin and Wrexham sites and aims to design and develop formulations and innovative delivery systems for new chemical entities or for marketed products. These novel technologies can optimize the efficacy of active ingredients while improving the quality of life of patients and facilitating the use of these products by health care professionals.

Investment in translational sciences

Research and Development at Ipsen strives to be at the forefront of major advances emerging in science and medical practice such as the progression of molecular medicine and biomarkers which are revolutionizing the diagnosis and prognosis of diseases and the selection of the best treatment leading based on genetic markers to the emergence of personalized medicine. This commitment to translational sciences is reflected in a willingness to invest in biobanking during clinical trials, bioinformatics, predictive biometry based on simulation modelling and requiring large data banks, in-depth knowledge of pathophysiological/molecular mechanisms of diseases and from the outset to identify biomarkers which will accompany the development of candidate drugs with the potential to become companion diagnostics.

Partnership policy and open innovation

Internal Research and Development efforts are also supported through an active partnership policy, from basic research through clinical development. The Group's partnership philosophy stems from the recognition that Ipsen's R&D staff members are highly skilled in their fields but are a tiny fraction of the expertise available worldwide in the scientific

community. Thus, it is essential to look for synergies between internal projects and skills and those of other leading-edge players in medical and pharmaceutical R&D in the context of a strong-willed open innovation policy.

At the research stage, the Group has established numerous academic collaborations with *Massachusetts General Hospital, Dana-Farber Cancer Institute, Harvard Medical School, Boston Children's Hospital* in Boston, U.S. *MD Anderson Cancer Center* in Houston, U.S. *Stockholm University* in Stockholm, Sweden and in France with *InnoBio 2*, Inserm, Institut Gustave Roussy and Institut Curie. Since 2008, Ipsen has been involved in a long-term partnership with the prestigious *Salk Institute* (La Jolla, California) on basic research in areas of Ipsen's interest. The Group has also forged partnerships on specific projects with innovative biotechnology companies, thereby accessing new compounds and promising technologies for the discovery of new drug candidates.

Ipsen is considering different ways to invest in innovation and in 2018 contributed to a venture capital fund investing in pre-IND (Investigational New Drug) to late clinical phase assets. In 2018, Ipsen also partnered with Arix Bioscience, MD Anderson and BioLabs.

1.2.3.2 Research and Development Centers

The Group has strategically established an international network of research and development centers in geographical areas where it has access to world-class expertise in scientific and clinical research. The Group believes its Research and Development programs and the geographical distribution of its Research and Development centers allow it to attract talented scientists, which makes the Group highly competitive in the field of pharmaceutical R&D compared with other groups of similar size.

The Research and Development Center in Paris-Saclay (France)

Ipsen Innovation, the Research and Development Center in Les Ulis, located in the Paris-Saclay hub, was opened in 1969 and a new facility was built in 1996. The scientists focus on novel medicines in the fields of Neuroscience and Oncology. Notably, the Pharmacodynamic and Metabolism group in Les Ulis has expanded to support Ipsen projects from discovery to commercialization. The Group has also established a pre-clinical and clinical development organization together with the Global Regulatory Affairs, Pharmacovigilance and Quality departments to support the design and execution of the worldwide development strategy to bring to market the new compounds developed by Ipsen.

The Research and Development Center in Cambridge (Massachusetts, United States)

Ipsen Bioscience is located in the heart of the Cambridge biotech hub in order to allow broader access to external resources and knowledge in terms of innovative molecules and drug candidates. Cambridge is a "Center of Innovation" combining activities of research and assessment of these new molecules based on a strategic and operational partnership between the R&D and Business Development teams.

The Group has clinical Research and Development teams whose task is to coordinate and perform global clinical research related to Oncology, Neuroscience and Rare Diseases, and a dedicated regulatory group that focuses on the Group's regulatory activities with the FDA.

The Research and Development Centers in Westmount (Canada) and Newton (Massachusetts, United States)

Clementia Pharmaceuticals, an Ipsen company located in Westmount (Canada) and Newton (Massachusetts, United States), is focusing on developing palovarotene, an investigational retinoic acid receptor gamma (RARγ) selective agonist, for the treatment of individuals who are affected by fibrodysplasia ossificans progressiva (FOP), multiple osteochondromas (MO) and other diseases.

The Research and Development Center in Milton Park (Oxford, UK)

Ipsen Bioinnovation, located in a leading innovation hub at the Milton Park campus in Oxfordshire, represents Ipsen's technological platform for toxins, with expertise in engineering recombinant and modified toxins for new therapeutic solutions in Neuroscience and co-locates research scientists with the major R&D activities of clinical development, regulatory affairs, pharmacovigilance, project management, and publication.

The Research and Development Center in Shanghai (China)

Ipsen Innovation Hub in Shanghai, located in the Hong Kou district, has opened in 2019. The Group is establishing a Global R&D organization including Clinical Development, Biometry, Regulatory Affairs, Pharmacovigilance and Quality departments. This team will support the design and execution of the appropriate development strategy to register in China new indications and new compounds. The Shanghai Innovation hub will also collaborate closely with Global External Innovation and Partnering to pursue opportunities in China

1.2.3.3 The Portfolio of Research and Development Projects

1.2.3.3.1 The research and development process

At the end of the research stage that results in the selection of a candidate molecule for development, the process of securing approval for this new molecule or compound by the regulatory authorities may take eight to twelve years and is typically broken down into five stages: the pre-clinical stage, Phase 1 FIH clinical trial (Phase 1 or first-in-human study) to assess safety and pharmacokinetics/pharmacodynamics of the compound; Phase 2 to characterize safety and efficacy across a dose-range of the tested compound in patients; Phase 3 to confirm both safety/efficacy and therapeutic benefit in a large patient population and Phase 4 (post-approval).

During the research stage, which usually lasts three to five years, the Group's researchers synthesize innovative molecules and study their effects on cell systems or isolated organs, *in vitro*, or in animal subjects, to better understand their pharmacological, pharmacokinetic, and toxicological properties. An analysis of the study results makes it possible

to select the compound that meets the set treatment goals to move forward in development.

The pre-clinical stage of development aims to gather the pre-clinical safety toxicological and pharmacokinetic data essential for initial administration in humans and for preparing the regulatory dossier to start clinical trials that are subject to approval from regulatory authorities and ethics committees.

The development continues with clinical trials that are principally intended to provide evidence of the safety and efficacy of the drug in humans. When the results support the targeted indication, a registration dossier is then submitted to the regulatory authorities to assess and decide on its marketing authorization.

At Ipsen, once a clinical candidate has been selected, the next stage of project centric and cross-functional development approaches is conducted. The scope of the Exploratory Development phase is up to the clinical proof of concept (PoC). Once both early efficacy and short-term safety have been established from the PoC and meet the Product Target Profile, the drug can proceed to the confirmatory development phase.

Exploratory development benefits from innovative question-based development plans, adaptive design, modeling and simulation, biomarkers, and translational science/medicine.

This approach allows: 1) shortening of the time to decision (Go/No-Go) to proceed to confirmatory trials using a parallel rather than sequential development path, 2) de-risking projects before large investments are made, and 3) more efficient management of the project portfolio.

1.2.3.3.2 The development programs

The table below lists the Group's clinical programs. This table is subject to change depending on numerous factors that can be extremely unpredictable. The Group might experience delayed completion of clinical trials, treatment failures, absence of marketing authorization, and the occurrence of a technical or administrative event beyond the Group's reasonable control. A summary of risks is described in Chapter 2.1 "Risk Factors" of this document and a detailed description of the products development programs is given in part 1.2.1 "The Group's Products".

The molecule portfolio in development is the following:

Product under development	Indications	Development stage
Oncology		
Decapeptyl®	3M Endometriosis – China	Phase III
Cabometyx® in combination with nivolumab(1)	Advanced Renal Cell Carcinoma (RCC) 1L	Phase III
Cabometyx® in combination with atezolizumab(2)	Solid tumors	Phase Ib
	Hepatocellular Carcinoma (HCC) 1L	Phase III
Onivyde®	Small Cell Lung Cancer (SCLC) 2L	Phase III
	Pancreatic ductal adenocarcinoma (PDAC) 1L	Phase III
Satoreotide	Gastro-Entero-Pancreatic Neuroendocrine Tumors	Phase I/II
	Non-Neuroendocrine Tumors indications	Phase I/II
IPN-01087	NTSR1 solid tumors	Phase I
IPN60090 (MD Anderson)		Phase I
Neuroscience		
Dysport®	Paediatric Upper Limb Spasticity (PUL)	Approved US and EU
	Glabellar Lines – China	Submitted
	Hallux Valgus	Phase II
	Vulvodynia	Phase II
Dysport® Solution (liquid)	Glabellar Lines	Submitted
Fast acting toxin rBoNT/E	Glabellar Lines	Phase I
Long acting toxin rBoNT/A	Multiple therapeutic and esthetic indications	Pre-clinical
Long acting toxin rBoNT/A'	Multiple therapeutic and esthetic indications	Pre-clinical

(1) Study sponsored by Exelixis and Bristol-Myers Squibb. Ipsen opted in to co-fund this study.
(2) Study sponsored by Exelixis and Roche. Ipsen opted in to co-fund this study.

Product under development	Indications	Development stage
Rare Diseases		
Somatuline® Autogel®	Acromegaly – China	Approved
	New delivery system	Approved (US)
IPN60120 (palovarotene)	Fibrodysplasia Ossificans Progressiva (FOP)	Phase II
	Fibrodysplasia Ossificans Progressiva (FOP) chronic	Phase III [3] [4]
	Multiple Osteochondromas (MO)	Phase II [3]
BLU-782 (ALK2 inhibitor)	Fibrodysplasia Ossificans Progressiva (FOP)	Phase I

(1) Study sponsored by Exelixis and Bristol-Myers Squibb. Ipsen opted in to co-fund this study.
(2) Study sponsored by Exelixis and Roche. Ipsen opted in to co-fund this study.
(3) Partial clinical hold from the FDA since 5 December 2019 for patients under the age of 14 years.
(4) Trial paused following prespecified interim futility analysis; pending further assessment.

Oncology

Decapeptyl®

The Group continues to develop new indications and formulations of Decapeptyl in China.

Cabometyx®

The Group opted to participate in the funding of several trials with Exelixis and other partners to explore the combination of cabozantinib with other agents in different solid tumors:

Cabozantinib in combination with nivolumab in first-line advanced renal cell carcinoma. The Phase III CheckMate 9ER study, sponsored by Bristol-Myers Squibb and co-funded by Exelixis and Ipsen, was initiated in July 2017. This trial evaluates Cabometyx in combination with nivolumab (Opdivo®) *versus* sunitinib in patients with previously untreated, advanced or metastatic renal cell carcinoma (RCC).

Cabozantinib in combination with nivolumab in patients with advanced liver cancer. The Phase I/II Checkmate 040 sponsored by Bristol-Myers Squibb and co-funded by Exelixis and Ipsen is an open label multi-cohort study nivolumab in combination with other agents including Cabometyx in patients with advanced liver cancer.

Cabozantinib in combination with atezolizumab (Tecentriq®) in previously untreated advanced hepatocellular carcinoma. The Phase III COSMIC-312 study, sponsored by Exelixis and co-funded by Ipsen, was initiated in December 2018. The pivotal trial evaluates Cabometyx in combination with atezolizumab *versus* sorafenib in previously untreated advanced hepatocellular carcinoma (HCC).

Cabozantinib in combination with atezolizumab in locally advanced or metastatic solid tumors. The dose-escalation stage of a Phase I trial sponsored by Exelixis and co-funded by Ipsen was initiated in June 2017 to evaluate cabozantinib in combination with atezolizumab (Tecentriq®) in patients with locally advanced or metastatic solid tumors.

In addition, numerous investigator-sponsored studies are ongoing to explore Cabometyx in monotherapy and in combination with other treatments for different types of cancer.

Onivyde®

The Group continues to advance the Onivyde clinical development program, including clinical studies in patients with previously untreated, metastatic pancreatic adenocarcinoma, patients with small cell lung cancer who have progressed on or after platinum-based first-line therapy, and patients with metastatic breast cancer.

In addition, numerous investigator-sponsored studies are ongoing to explore Onivyde in monotherapy and in combination with other treatments for different types of cancer.

IPN-60090

In 2018, Ipsen and The University of Texas *MD Anderson Cancer Center* announced a global licensing and joint development agreement for a pre-clinical oncology drug candidate discovered by researchers in MD Anderson's *Institute for Applied Cancer Science* (IACS). IPN-60090 is now in Phase I clinical development.

Systemic Radiation Therapy (SRT)

Systemic Radiation Therapy (SRT) uses the ability of one single molecule (peptide or chemical entity) to target specific receptors to deliver a radionuclide directly to a tumor aiming to either diagnose or treat, depending on the radioactive agent. This targeting approach provides a theranostic opportunity for both detection and treatment of the disease with the possibility to reach precision medicine and to differentiate as per other current therapeutic solutions available.

Satoreotide

The Group acquired rights to ^{177}Lu-satoreotide tetraxetan and ^{68}Ga-Satoreotide trizoxetan following the acquisition of OctreoPharm Sciences in 2015. OctreoPharm Sciences was a private German life sciences company focusing on the development of innovative radioactive-labelled compounds for molecular imaging diagnostics and therapeutic

applications. Satoreotide is a novel potent peptide antagonist with high affinity for tumor cells expressing SSTR2+ receptors.

^{68}Ga-satoreotide trizoxetan is a NET imaging tool utilizing positron emission tomography (PET, PET/CT) and is currently in clinical development, and ^{177}Lu-satoreotide tetraxetan is a Systemic Radiation Therapy leveraging beta emission from lutetium 177 to generate double strandbreak in tumor cells DNA. Both products are primarily developed for neuroendocrine tumors indications, with additional development in other tumor types.

IPN-01087

In 2016, the Group entered into a licensing agreement with 3B Pharmaceuticals, a German company, to develop novel radiopharmaceuticals in oncology. Ipsen acquired exclusive worldwide rights to develop and commercialize a novel small molecule radiopharmaceutical targeting the neurotensin receptor-1. The key objective of the Phase I dose-escalation trial is to evaluate the safety and activity, as well as to identify the optimum systemically-administered dose of radiation to treat patients in many solid tumors expressing NTSR1.

Neuroscience

Dysport

The Group has now completed several Phase III trials worldwide including the United States since 2011 to reinforce therapeutic indications, focusing on spasticity. The indication for pediatric upper limb spasticity (PUL) has received an approval in the US following a last spasticity Phase III trial requested by the FDA for all neurotoxin manufacturers.

Ipsen continues to explore the potential for new Dysport (abobotulinum toxin A) indications in two new therapeutic areas to address unmet patient needs with the launch of Phase II clinical trials studies assessing Dysport in the treatment of hallux valgus and vulvodynia in 2018 and also by fostering the development of alternative formulations (*e.g.* liquid formulation that is a ready-to-use and convenient alternative to the current dry formulation)

Since first approval in 2018 in the EU and in 2019 by FDA, the cell-based assay is replacing the *in vivo* mouse-based LD50 assay for establishing the stability and the potency of Ipsen's toxin-based product (Dysport and Azzalure) showing.

Ipsen's world class R&D centers are pushing technological boundaries to develop the next generation of recombinant toxins, including fast and long-acting neurotoxins, expected to address a broad range of clinical conditions. As of 31 December 2019, Ipsen is the only company with recombinant toxins in preclinical and Phase I trials.

Rare Diseases

Somatuline Autogel in acromegaly

The Group continues to expand the potential of this product with the regulatory approval for the acromegaly indication in China in December 2019

Palovarotene

In April 2019, Ipsen completed the acquisition of Clementia Pharmaceuticals to complete its Rare Diseases portfolio. Ipsen acquired Clementia Pharmaceuticals' late-stage drug candidate palovarotene, with pediatric disease and breakthrough therapy designations for the treatment ultra-rare and rare bone disorders, fibrodysplasia ossificans progressiva (FOP) and multiple osteochondromas (MO).

On 6 December 2019, following discussions with the U.S. Food and Drug Administration (FDA), a partial clinical hold was issued for patients under the age of 14 for studies evaluating palovarotene for the chronic treatment of fibrodysplasia ossificans progressiva (FOP) and multiple osteochondromas (MO).

On 24 January 2020, the Group announced it decided to pause dosing in the palovarotene trials based on results of a futility analysis reviewed by the Independent Data Monitoring Committee (IDMC) as part of the prespecified interim analysis. The Group will conduct further assessment of the complete data set.

BLU-782

In October 2019, Ipsen finalized an agreement with Blueprint Medicines to in-license the global rights to BLU-782, an investigational ALK2 inhibitor for the treatment of Fibrodysplasia Ossificans Progressiva (FOP). Now, with the addition of BLU-782, which recently completed dosing in a Phase 1 study in healthy volunteers, Ipsen has the potential to offer a broader suite of treatment options for patients with FOP.

1.2.4 Intellectual Property

1.2.4.1 Patents

The Group's intellectual property – including patents, trademarks, copyrights, trade secrets, and know-how – is of material importance to the success of the business. In some cases, these intellectual property rights are directly owned by the Group, and in other cases, the Group benefits from protections provided by intellectual property rights licensed by the Group from the owner.

Patent exclusivity

To protect the Group's investments in research and development, Ipsen files patent applications covering

significant inventions made throughout the drug discovery and development process. These may include inventions relating to: new active substances (biologics or small molecules); salt forms and polymorphs; pharmaceutical compositions; formulated drug products; therapeutic indications and methods of use, including dosing regimens; manufacturing processes and synthetic intermediates; and general technologies, such as assay methods. Ipsen files patent applications in all countries of importance to the Group's business.

The duration of patent protection generally is 20 years from the filing date, although the United States provides a patent term adjustment (PTA) to compensate for patent office delay. Because the pharmaceutical development and regulatory review process requires many years, and because pharmaceutical patents often are filed early in the process, the patent term remaining at the time of market authorization typically is significantly less than 20 years.

In some countries, notably including the United States, Europe, and Japan, mechanisms exist to extend pharmaceutical patent protection following product approval to partially compensate for the term lost during clinical development and regulatory review. The law and procedures governing such extensions of patent protection vary considerably from country to country. In the United States, up to five years of patent term extension (PTE) is available, provided the total extended patent term does not exceed 14 years from the NDA approval date. In Europe, a patent protecting a pharmaceutical product may be granted a supplementary protection certificate (SPC) of up to five years, provided that the extended patent term does not exceed 15 years from the first marketing authorization for the product in the EU. In Japan, up to five years of patent term extension is available. Recently, the Canadian patent law was amended to provide up to two years of extended patent protection in the form of a certificate of supplementary protection (CSP).

The protection a patent provides to a product depends on the type of patent and its scope. Protection also may vary from country to country. For a pharmaceutical product, a patent that covers the active substance itself provides the strongest protection, since it is effective to prevent a competitor from marketing another product containing the same active substance in any formulation for any method of use. By contrast, patents that cover formulations or methods of use (so-called "secondary patents") do not prevent a competitor from marketing a product containing the same active substance, but in an alternative formulation or for a different method of use.

Regulatory exclusivity

In addition to patent protection, the Group's products also may benefit from regulatory exclusivity protections. During the exclusivity period, a generic manufacturer is not able to rely on the Group's clinical data demonstrating drug safety and efficacy. Regulatory exclusivity is particularly important to incentivize the investment in clinical development of products for which patent protection is limited. Regulatory exclusivity periods run in parallel to any patent protection that may exist for the product.

United States

In the United States, new small molecule products benefit from five years of New Chemical Entity (NCE) exclusivity. For five years after the first marketing authorization of an active substance, FDA will not approve another product containing the same active molecule unless the second applicant has generated its own clinical data demonstrating safety and efficacy. If a New Drug Application (NDA) or supplemental New Drug Application (sNDA) contains reports of new clinical investigations that are conducted or sponsored by the applicant and essential for FDA approval, but the product contains an active substance that has been previously approved, the applicant is awarded three years of data exclusivity. For three years after the NDA or sNDA is approved, FDA may not approve a generic drug application that relies upon the new clinical information.

Different exclusivity periods apply for biological products. The abbreviated pathway for approval of biological products that are shown to be biosimilar to a reference biological product that has been licensed by FDA is governed by the Biologics Price Competition and Innovation Act of 2009 (BPCIA). Under the BPCIA, an application for approval of a biosimilar product may not be submitted until four years after the reference product was first licensed, and the biosimilar product may not be approved until 12 years after the reference product was first licensed.

Small molecule or biological products that receive FDA approval for the treatment of a disease or condition affecting fewer than 200,000 individuals in the U.S. may be protected by Orphan Drug Exclusivity (ODE). For a period of seven years after approval of the product for the orphan indication, FDA may not approve any similar product (containing the same active molecule) for the same orphan indication.

Europe

In Europe, new drugs are eligible for a combination of data and market exclusivity, according to an "8+2+1" formula. The same formula applies to both small molecule and biological products. For a period of eight years after the first marketing authorization of an active molecule, the European Medicines Authority (EMA) will not accept for review another application that references the originator's pre-clinical and clinical data, and the generic product cannot be placed on the market for an additional two years. This means that a product that contains a new active molecule will not face generic competition in Europe for at least 10 years after its first marketing authorization, irrespective of patent protection. If the originator drug receives marketing authorization for a significant new indication during the first eight years after the initial marketing authorization, then the exclusivity period is extended by one additional year.

Small molecule or biological products that receive EMA approval for the treatment of a seriously debilitating or life-threatening condition that affects fewer than 5 in 10,000

individuals in the EU are eligible for orphan drug exclusivity. For a period of 10 years after marketing authorization for the orphan indication in the EU, the EMA will not accept for review an application for marketing authorization of a similar product (not necessarily containing exactly the same active molecule) for the same orphan indication. However, orphan drug exclusivity will not prevent marketing authorization of a second product that is shown to be safer, more effective, or otherwise clinically superior.

Exclusivity Protections for Ipsen Products

Regulatory and patent exclusivity protections for Ipsen's marketed products and products in Phase 2 or Phase 3 clinical development are summarized in table below. Only patents that cover the active molecule, the formulated drug product, or a method of using the drug are included in table. For some products, patents that cover manufacturing processes or key synthetic intermediates may provide additional protection.

Product	United States	Europe
Specialty care		
Oncology		
Somatuline® Depot/ Somatuline® Autogel® (lanréotide)		
– compound	Expired	Expired
– formulation	Mar-2020 (with PTE)	Expired
– regulatory exclusivities	ODE (acromegaly) expired; ODE (GEP-NET) Dec-2021; ODE (carcinoid syndrome) Sep-2024	Expired
Decapeptyl® (triptorelin)		
• 1- and 3-month formulations	N/A	All exclusivities expired
• 6-month formulation		
– formulation	N/A	Jun-2028 (Europe)(1)
– regulatory exclusivities	N/A	Expired
Cabometyx® (cabozantinib)		
– compound	N/A	Sep-2024 (Mar-2029 with SPC)
– polymorphic form	N/A	Jan-2030(2)
– formulation	N/A	Jul-2031 (if granted)
– eegulatory exclusivities	N/A	NCE Mar-2025
Cometriq® (cabozantinib)		
– compound	N/A	Sep-2024 (Mar-2029 with SPC)
– polymorphic form	N/A	Jan-2030(2)
– formulation	N/A	Feb-2032 (if granted)
– regulatory exclusivities	N/A	NCE Mar-2025
Hexvix® (hexaminolevulinate)		
– Medical use	N/A	Mar-2016 (Sep-2019 with SPC)(3)
– Regulatory exclusivities	N/A	Expired
Onivyde® (irinotecan liposome injection)		
– compound	May-2025 (Aug-2028 with PTA) (Oct-2029 or Jan-2027 with PTE, if granted)	May-2025 (May-2030 with SPC, when and where granted)(4)
– Medical use (2L PDAC indication)	Jun-2033	Jun-2033(5)
– Medical use (other indications)	2035-2037 (if granted)	2035-2037 (if granted)
– formulation	Oct-2036	Oct-2036 (if granted)
– regulatory exclusivities	ODE (2L PDAC) Oct-2022	ODE (PDAC) Oct-2026
Xermelo® (telotristat ethyl)		
– compound	N/A	Dec-2027 (Sep-2032 with SPC, when and where granted(6))
– polymorphic form	N/A	Sep-2028(7)
– formulation	N/A	Oct-2032 (if granted)
– Regulatory exclusivities	N/A	NCE Sep-2027
^{177}Lu-satoreotide tetraxetan		
– compound	Oct-2027 (Sep-2029 with PTA) (PTE possible after product approval)	Oct-2027 (SPC possible after product approval)
^{68}Ga-satoreotide trizoxetan		
– compound	Oct-2027 (Sep-2029 with PTA) (PTE possible after product approval)	Oct-2027 (SPC possible after product approval)

Product	United States	Europe
Neuroscience		
Dysport® (abobotulinumtoxinA) – regulatory exclusivities	 ODE (pediatric lower limb spasticity) Jul-2023	
Dysport® (abobotulinumtoxinA) – formulation	 juil-25	 Jul-2025[8]
Rare Disease		
NutropinAq® (somatropine)	N/A	All exclusivities expired
Increlex® (mecasermine) – Medical use – Medical use – Formulation – Regulatory exclusivities	 Expired Aug-2025 Expired Expired	 Expired Sep-2024 Expired Expired
Palovarotene – compound – medical use – medical use	 Oct-2021 Aug-2031 (PTE possible after approval) Jun-2037 (if granted)	 Oct-2021 Aug-2031 (SPC possible after approval) Jun-2037 (if granted)
Consumer HealthCare		
Smecta® (diosmectite) – formulation – formulation – Regulatory exclusivities	 N/A N/A N/A	 Aug-2028 Apr-2030 Expired
Forlax® (macrogol 4000)	N/A	all exclusivities expired
Tanakan® (*Ginkgo biloba* extract)	N/A	all exclusivities expired
Nisis® (valsartan) and Nisisco® (valsartan + hydrochlorothiazide)	N/A	all exclusivities expired
Adenuric® (febuxostat) – compound – polymorphic form – formulation – regulatory exclusivities	 N/A N/A N/A N/A	 Expired Jun-2019 (Apr-2023 with SPC)[9] Mar-2023 (Apr-2023 with SPC)[10] Expired
Eziclen® / Izinova® (Magnesium Sulfate heptahydrate/Sodium sulfate/Potassium Sulfate) – composition – Regulatory exclusivities	 N/A N/A	 April-2023 (Feb-2028 with SPC)[11] Feb-2023

(1) One EP patent has been revoked and an appeal is pending. Opposition filed against another EP patent. A divsional patent application is still pending.
(2) Oppositions have been filed against the EP patent. At the end of the opposition procedure, the EP patent has been maintained under an amended form which still covers the product. Opponents appealed the decision.
(3) The European patent is extended (*via* SPC) until 2021 in Switzerland and until 2019 in the other countries (Austria, Belgium, Czech Republic, Germany, Spain, France, Great Britain, Hungary, Ireland, Italy, The Netherlands and Portugal).
(4) Patent maintained in original form following Opposition. Opponent appealed the decision. Applications for an extension *via* SPC are pending in Austria, Belgium, the Czech Republic, Germany Spain, France, the United Kingdom, Greece, Ireland, the Netherlands, Denmark, Poland, and Portugal, and have been granted in Italy, Luxembourg, Sweden, and Slovenia.
(5) One EP patent was revoked following Opposition. An appeal is pending. A divisional application is pending.
(6) Applications for extension *via* SPC are pending in Austria, Belgium, Finland, Greece, Poland, Romania, Switzerland and Great Britain, and have been granted in Czech Republic, Germany, Denmark, Spain, France, Hungary, Ireland, Italy, the Netherlands, Portugal, and Sweden.
(7) In Bulgaria, an SPC has been granted which extends the patent term until Sep-2032.
(8) Patents maintained in amended form following Opposition.
(9) An extension *via* SPC is granted in Austria, Belgium, Czech Republic, Croatia, Cyprus, Denmark, Finland, France, Germany, Great Britain, Greece, Hungaria, Ireland, Italy, Latvia, Lithuania, Luxembourg, The Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and Switzerland. It is still pending in Bulgaria.
(10) An extension *via* SPC is granted in Estonia.
(11) An extension *via* SPC is granted in Czech Republic, Estonia, France, Germany, Great Britain, Greece, Italy, The Netherlands, Portugal, Romania and Spain. The SPC application is still pending in Belgium.

1.2.4.2 Brand Names and Trademarks

Trademarks identify and build the notoriety of the Group and its products worldwide. They contribute to the business success of the Group, especially for Consumer HealthCare products and products that have lost their patent and regulatory exclusivity protections. They are also key to patients' safety by helping to differentiate medicines.

Trademark protection varies from country to country. In some countries, this protection is based primarily on the use of the trademark, while in others it results from its registration. In the latter case, trademark rights are obtained through national, international or regional routes (*e.g.* European Union trademarks). Registrations are generally granted for a period of ten years and are indefinitely renewable, although in some cases, maintenance requires the continued use of the trademark.

To support the timely launch of new products, the Group proceeds to trademark clearance searches and files trademark applications in accordance with commercialization plans. The Group seeks protection for the product names in Latin characters as well as in local characters (Cyrillic, Mandarin, etc.) wherever relevant. These trademarks provide protection for "pharmaceutical products" included in Class 5 of the International Classification of Products and Services.

To protect its image and reputation, the Group also holds registrations for Ipsen and the Ipsen logo.

The Group monitors trademark registries and defends its trademark rights by initiating administrative proceedings or taking legal action against any infringement.

The Group's key products are protected by trademarks owned by the Group (*e.g.* for Consumer HealthCare products - Smecta®, Smectago® and Smebiocta®, Tanakan®, Forlax®, Fortrans®, Eziclen® and Izinova®; for Specialty Care products - Somatuline® and Somatuline® Autogel® / Somatuline® Depot®, Dysport®, Onivyde®, Increlex®) or used under license (*e.g.* Cabometyx® and Cometriq® are trademarks of Exelixis, Inc., Xermelo® is a trademark of Lexicon Pharmaceuticals, Inc., NutropinAq® is a trademark of Genentech, Inc.).

To strengthen the protection of its trademarks and support its digital visibility, the Group also registers domain names in the extensions of interest.

1.2.5 Main Markets

1.2.5.1 Market Data

Sectorial information by therapeutic area and region is detailed in section 3 of this universal registration document for the 2019 and 2018 financial years.

The Group develops and commercializes innovative medicines in three key therapeutic areas – Oncology, Neuroscience and Rare Diseases. Its commitment to Oncology is exemplified through its growing portfolio of key therapies for prostate cancer, neuroendocrine tumors, renal cell carcinoma, hepatocellular carcinoma and pancreatic cancer. Ipsen also has a well-established Consumer Healthcare business. The Group's main drug markets and their sizes are detailed in section 1.2.1 of this universal registration document ("The Group's Products").

Additionally, in terms of marketing, this strategy has led the Group to concentrate its efforts on key prescribing physicians, mainly specialists, who are responsible for drug prescriptions or who may induce such a prescription from other practitioners. By developing a strong reputation with these prescribing specialists in highly specific and specialized areas, the Group believes it is able to direct its marketing activities selectively and cost efficiently, thereby reducing the need for a large sales force.

1.2.5.2 Competitive Position

The pharmaceutical industry is highly competitive. In recent years, the pharmaceutical industry has experienced an increasing level of horizontal and vertical concentration. Within this competitive environment, the Group faces competition from other companies to develop and secure marketing authorizations for new pharmaceutical specialties in targeted therapeutic areas, as well as for specific products that generate similar therapeutic results to those generated by medicines marketed by the Group. Numerous companies that compete with the Group to develop and secure marketing authorizations for new medicines are significantly larger than the Group and are accordingly able to invest more resources in Research and Development as well as in marketing, which may provide them with the advantage of offering a larger range of products and having access to larger sales forces.

For example, Dysport faces competition from Botox® (Allergan), a well-established botulinum toxin, while Somatuline faces competition from Sandostatine® (Novartis) and generic of octreotide (Teva) in Europe. The Group also competes with other pharmaceutical companies in its search for suitable partners to ensure the growth of its research and development and marketed products portfolio. The Group's competitive position is detailed in section 1.2.1 of this universal registration document.

1.2.6 Regulation

The pharmaceutical industry is highly regulated. Regulation covers nearly all aspects of the Group's activities from Research and Development to manufacturing facilities, processes, and marketing. In each country where Ipsen markets its products or conducts research, the Group has to comply with the standards of local regulatory authorities and by any other national regulatory authority. These authorities namely include the European Medicines Agency (EMA), the French Agency for the Safety of Medicines and Health Products (ANSM), the UK Medicines & Healthcare Products Regulatory Agency (MHRA) in the United Kingdom, and the Food and Drug Administration (FDA) in the United States as well as various other regulatory bodies, depending on the relevant market.

Price-setting and control

Regulation may cover the setting and control of selling prices in certain countries in which the Group markets its products. These controls are implemented pursuant to law or because the government or other healthcare agencies in a given country are the principal purchasers of products or reimburse purchasers for their cost. Price control mechanisms vary in the way they operate from country to country. This may lead to significant differences between markets, which may be amplified by exchange rate fluctuations. These pricing differences may also be exploited by parallel import companies which buy branded products in markets where prices are low and sell them in markets where prices are higher.

In recent years, efforts by government authorities to curb healthcare spending have led to tighter controls on reimbursement policies and price setting in most of the countries in which the Group operates, particularly in Europe. Measures intended to curb direct costs come in various forms, which include mandatory price cuts (or a refusal to accept price increases), a larger share of the cost being covered by the patient (reduction in the amount reimbursed by the third party), the withdrawal of certain products from the lists of reimbursable products, the alignment of reimbursed prices with the lowest product price in a given therapy category, analysis of the cost/benefit ratio of drugs prescribed, and efforts to promote growth in the generic drugs market as the co-pay regulation *("tiers-payant contre génériques")* introduced in July 2012 in France.

In some European countries, governments also influence the prices of drugs indirectly through control of national health systems that fund a significant portion of costs related to these products. In France, for instance, a government authority sets the price of reimbursable drugs taking into account the product's value. The price set for a drug depends notably on the improvement in medical performance of the new drug with existing treatments. In addition, when fixing the price of a product, the national agency takes into account the price of the same drug in other countries.

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 over the last years.

1.2.7 The Group's Legal Structure

Ipsen S.A. acts as a holding company with regards to its affiliated companies and has no operational activities. Certain senior managers are employed by Ipsen S.A. under certain conditions and invoicing provisions described in paragraph 3.3.4. The Group comprises 59 consolidated affiliates, which are shown as such in note 29 in paragraph 3.2.5.

These companies are categorized as Research and Development, manufacturing, management, or commercialization entities.

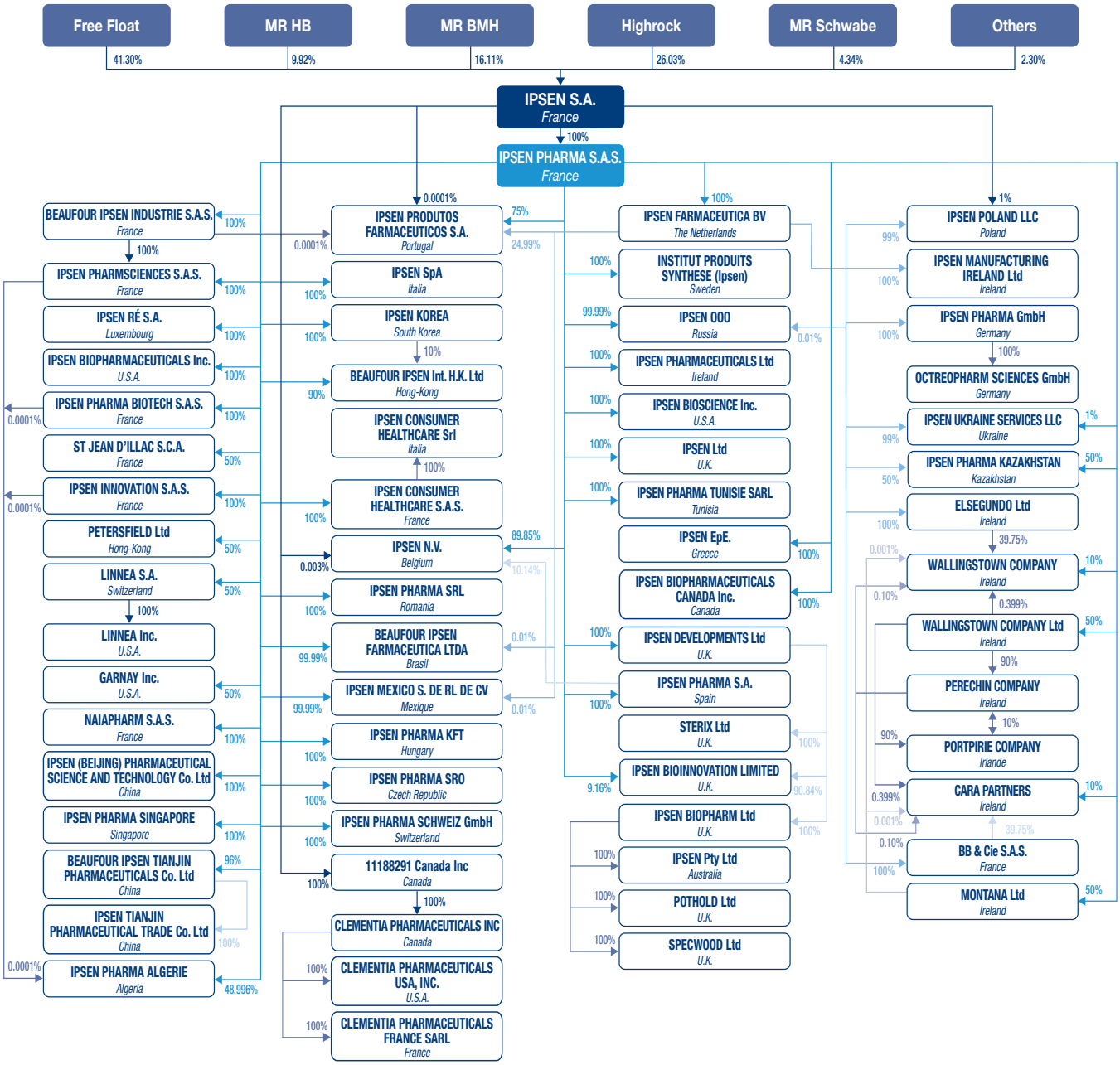
Ipsen S.A. is controlled by a company incorporated in Luxembourg, Mayroy S.A. Description of this company and its shareholding is to be found in chapter 5.2.3.

1.2.7.1 Organizational Structure

The stated percentages in the following chart indicate the proportion of both non-diluted, share capital and voting rights[1] held in each company.

(1) The stated percentages for Ipsen S.A. shareholders indicate the proportion of share capital.

Group Organization chart as of 31 December 2019



■ 1.2.7.2 Incorporations

To contribute to the development of the Group, mainly in Europe, Ipsen Pharma SAS acquired 100% of the shares of its Greek subsidiary, Ipsen E.p.E, previously held at 80%. The Group also created a subsidiary in Switzerland to develop its activities nationally.

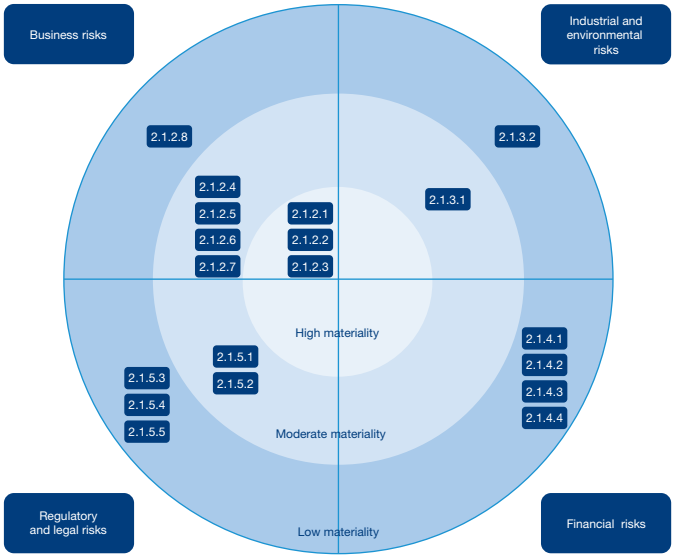
In April 2019, Ipsen Group acquired the listed company Clementia Pharmaceuticals (NASDAQ: CMTA), a clinical-stage biotech company located in Montreal (Canada) focused on the development of therapies for ultra-rare bone diseases. A dedicated legal entity (11188291 Canada Inc.) was incorporated, directly owned by Ipsen SA, in order to acquire and fully owned the shares from the listed company until its integration of this activity within the Ipsen Group.

2 RISKS AND CONTROL

2.1 RISK FACTORS

2.1.1 Introduction

The Group operates in a rapidly evolving environment which may pose many risks to the Group, some of which are outside of its control. Investors are advised to carefully review each of the risks described below as well as all the information contained in this universal registration document. The risks and uncertainties set out below are not the only ones faced by the Group. Other risks and uncertainties of which the Group is not currently aware or of which it does not consider material or specific may also have an unfavorable impact on its business, financial situation and results. Materiality is a combination of probability and impact after considering measures adopted by the Group to manage it.



#	Risk name	CSR
2.1.2.1	Market competition and dependence on products	
2.1.2.2	Risks of failure in Research & Development	
2.1.2.3	Risks of cyberattacks	X
2.1.2.4	Failure of third parties	
2.1.2.5	Risks related to drug approval, pricing and reimbursement	
2.1.2.6	Risks associated with international activities	
2.1.2.7	Risks related to acquisition and integration activities	
2.1.2.8	Business Ethics risks	X
2.1.3.1	Supply shortages and other disruptions risks	X
2.1.3.2	Environment and safety risks	X
2.1.4.1	Exchange rate risks	
2.1.4.2	Interest rate risks	
2.1.4.3	Liquidity and counterparty risks	
2.1.4.4	Share price fluctuation	
2.1.5.1	Risks related to intellectual property	
2.1.5.2	Undesired disclosure of critical information	X
2.1.5.3	Counterfeiting risks	X
2.1.5.4	Product liability risks	X
2.1.5.5	Legal and administrative proceedings	

2.1.2 Business Risks

#	Risk name	Risk description	Materiality
2.1.2.1	**Market competition and dependence on products**	The Group operates in well-stablished, rapidly-evolving, and very competitive markets, in particular, Oncology: • the Group's competitors include major international pharmaceutical groups whose size, experience, and capital resources exceed those of the Group; • the Group may have to face competition from generic products. In the United States, Somatuline is protected until March 2020 under the Autogel formulation patent and until December 2021 for the NET indication based on orphan drug status; • the Group may adapt quickly to new technologies, scientific changes, digital and advanced analytics introduced by competitors. Since a few products make up the majority of Group sales, with Somatuline, Decapeptyl, Dysport, Cabometyx and Onyvide representing two thirds of sales in 2018, the competitive threat to Ipsen's business model and performance is accrued. Details of the competitive environment of the Group's main products are set out in section 1.2.1 of this universal registration document.	High
2.1.2.2	**Risks of failure in Research and Development**	In order to build an innovative and sustainable pipeline the Group invests substantial amounts in Research and Development. In 2019, the Group spent €388.8 million on Research and Development, representing around 15.1% of consolidated sales.The Group is also investing in intangible assets and companies related to its Research and Development activities. Ipsen will be unable to recover these investments if the Group's clinical trials are not as successful as anticipated or if such products do not receive regulatory approval. In 2019, for instance, clinical trials for palovarotene had to be suspended, resulting in an impairment of this asset. This significantly impacted the Group's financial statements, as outlined in note 13.2.1 of Chapter 3. The Research and Development process is long and there is a substantial risk that drugs may not be approved.	High

#	Risk name	Risk description	Materiality
2.1.2.3	**Risks of cyberattacks** CSR	The Group's activities are largely dependent on information systems. Due to Ipsen increased visibility and despite all the measures in place to secure its processes, the Group may have to deal with incidents, notably connected to malicious acts against such information systems, such as cyberattacks that could lead to activity disruptions, fraud, the loss or alteration of critical data, or theft or corruption of data. For further details, please refer to the section 4.3.1 "Committed to protect personal data" in the "Company Social Responsibility" chapter.	High
2.1.2.4	**Failure of third parties**	Ipsen depends on third parties: • to optimize the Research and Development portfolio: the Group enters into collaborative agreements with third parties to carry out pre-clinical and clinical trials; • to manufacture certain products: the Group subcontracts the production of certain active ingredients to third parties or purchases finished products directly from its partners or their subcontractors; • to develop and market certain products: third parties could behave in ways that are damaging to the Group's business (see paragraph 1.2.2 "Major Contracts"); • related to intellectual property: (1) the Group's intellectual property: third parties collaborating with Ipsen may claim the benefits from intellectual property rights for the Group's inventions or may not ensure that the Group's unpatented technology remains confidential; (2) Third party intellectual property: The Group is dependent on intellectual property rights held by third parties in order to manufacture and market several of its products.	Moderate
2.1.2.5	**Risks related to drug approval, pricing and reimbursement**	The Group is dependent on prices that are set for drugs and is vulnerable to the potential withdrawal of certain drugs from the list of reimbursable products by governments and the relevant regulatory authorities in the countries in which it operates. In general terms, the Group is faced with uncertainty related to the prices set for its products, since pharmaceutical prices have come under severe pressure over the last few years (recommendation to use generic drugs, lower prices or reimbursement, other restrictive measures that limit increases in the cost of medical services, parallel imports). Price pressure is particularly high in Ipsen therapeutic areas (Specialty Care).	Moderate
2.1.2.6	**Risks associated with international activities**	The Group operates throughout the world (52% in the European Union, 30% in North America and 18% in the rest of the world in 2019). As such, the Group faces various risks specific to its international activities, in particular, and the following: • risks arising from unexpected regulatory or political changes such as changes in tax regulation and regulations on trade and tariffs, such as Brexit, protectionist measures; • risks arising from limitations on the repatriation of earnings; • risk of financial default on the part of certain public and private operators with which the Group conducts business; • risks arising from the validity of various intellectual property rights being deferred; • risks arising from various labor regulations; • risks arising from political or economic changes affecting a given region or country; • risks arising from increased difficulties in recruiting staff and managing operating entities abroad; • risks arising from the absence of an international agreement on regulatory standards; • risk incurred by employees when travelling for their missions; • risks arising from the occurrence of natural disasters, epidemics or even pandemics, in the areas at risk in which the Group and/or its major partners do business; • risks linked to the COVID-19 pandemic observed by the authorities in early 2020. Regarding this, the Group is taking all necessary measures to guarantee business continuity while ensuring the safety of its employees. At the time of publication of this document, Ipsen has instituted home office policies at the vast majority of its sites around the world. In China, some sites have reopened; in Europe and in the United States, R&D and production sites have adapted and implemented their business continuity plans. The Group is rigorously monitoring emergency stocks, goods and services from our suppliers and our own production capabilities. Thanks to these measures, the Group does not currently forsee a risk of product shortages. Ipsen has a robust product portfolio, composed of diverse therapeutic solutions with highly-differentiating and long-acting formulations for critical chronic conditions. Ipsen therefore judges that the impact of the pandemic will be limited. However, given the uncertainty about the duration and scale of the health crisis, it is not possible to quantify its impact on the Group's financial statements at the date of submission of this document.	Moderate

#	Risk name	Risk description	Materiality
2.1.2.7	**Risks related to acquisition and integration activities**	To continue to build a sustainable pipeline of innovative assets, the Group has been transforming the R&D model by accelerating focused internal projects, de-prioritizing select internal programs and externally sourcing assets. In this respect, the Group has been investing in business development through innovative deal structures in its three key therapeutic areas. Despite dedicated processes in place, acquisitions could fail or underperform in case of inappropriate due diligence or unsuccessful integration.	Moderate
2.1.2.8	**Business Ethics risks** CSR	Despite its continued commitment to upholding the highest ethical standards, Ipsen could face various Business Ethics risks, such as: • risk of off-label promotion: The Group's employees or third parties involved in the promotion of Ipsen products could fail to observe the ethical principles laid down by the Group, and promote products off-label; • risk of improper influence / conflict of interests: Ipsen employees or third parties involved in Ipsen activities could put themselves in a situation where there is an actual, apparent or perceived conflict of interest between their role within Ipsen and their own financial or personal situation, which could influence their ability to act in the best interest of Ipsen. These conflicts of interest could involve external stakeholders such as HCPs, HCOs, payers, members of regulatory bodies or government officials; • risk of corruption: Ipsen employees or third parties involved in Ipsen activities could promise, offer, give, receive or solicit any kind of value or advantage to another person to distort someone's conduct or to obtain an undue favor or advantage; as a matter of fact, Ipsen operates in risky countries with history for corruption and white-collar crime; • risk of non-compliance with pharmaceutical regulations / code: There is a risk for Ipsen employees or third parties involved in Ipsen activities to be non-compliant with requirements of international and country regulations and Pharma Codes (*e.g.* IFPMA, EFPIA, PhRma, country codes, U.S. price reporting) in interactions with HCPs, HCO and other stakeholders, in all promotional and non-promotional interactions (*e.g.* meetings, congresses, fee for services, etc.). For further details, please refer to the sections 4.3.2 "Fighting corruption" and 4.3.3 "Promoting and defending Human Rights within Ipsen's value" in the "Company Social Responsibility" chapter.	Low

2.1.3 Industrial and Environmental Risks

#	Risk name	Risk description	Materiality
2.1.3.1	**Supply shortages and other disruptions risks** CSR	Despite a strong end-to-end supply chain organization, the marketing of certain products by the Group has been and could be affected by supply shortages and other disruptions. Such difficulties may be of both a regulatory nature (*e.g.* the need to correct certain technical problems in order to bring production sites into compliance with applicable regulations) and a technical nature (*e.g.* difficulties obtaining supplies of satisfactory quality, difficulties manufacturing active ingredients, or drugs complying with their technical specifications on a sufficiently reliable and uniform basis at the required volume). Supply shortages and other disruption risks may impact patients and may result in a significant reduction in sales for one or more products. For further details, please refer to the section 4.2.5 "Enlarging access to medicine" in the "Company Social Responsibility" chapter.	Moderate
2.1.3.2	**Environment and safety risks** CSR	Environmental laws in various countries impose real and potential obligations on the Group with regards to repairing environmental damage or refurbishing contaminated sites. Stricter laws relating to the environment, health, and safety as well as more rigorous enforcement measures than those in force currently could generate considerable liabilities and costs for the Group and make the Group's handling, production, use, reuse, or processing of substances or pollutants subject to more rigorous inspection measures than those currently observed. The Group uses dangerous substances in performing its business, and claim related to the Group's handling, storage, use or reuse of those substances could generate considerable liabilities and costs for the Group. The Group is exposed not only to environmental risks related to environmental contamination but also to health risks (accidental contamination or occupational disease) linked to the fact that Ipsen's employees handle active or toxic substances in the course of their research or production activities. These risks also exist for third parties with which the Group works. For further details, please refer to the section 4.5 "Minimizing our environmental impact" in the "Company Social Responsibility" chapter.	Low

2.1.4 Financial Risks

#	Risk name	Risk description	Materiality
2.1.4.1	**Exchange rate risks**	A significant share of sales comes from countries where the Group's reporting currency, the euro, is the functional currency. However, due to its international business, the Group is exposed to fluctuations in exchange rates that may impact its results. Several types of risks can be distinguished: • the transactional exchange rate risk related to business and operational activities; • exchange rate risk associated with financing contracted in a currency different from functional currencies. The Group's policy is to hedge against the impact of exchange rate fluctuations on its net income compared to its budget. Exposure to currency risk is assessed by the subsidiaries before being forwarded to the Treasury Department. The Group hedges, based on the estimates, the major currencies. To reduce its exposure to fluctuations in exchange rates, Ipsen uses derivative instruments such as forward sales or purchase contracts, currency swaps, and NDF (Non-Deliverable Forwards).	Low
2.1.4.2	**Interest rate risks**	Given its current mix of level of long-term debt as of 31 December 2019 (note 23 to the consolidated financial statements in chapter 3 of the universal registration document), the Group has limited exposure to interest rate risks. The financial impact of interest rate risks is described in note 24 "Financial Instruments" to the consolidated financial statements as of 31 December 2019 in chapter 3 of this universal registration document.	Low
2.1.4.3	**Liquidity and counterparty risks**	The Group's policy consists of diversifying its counterparties so as to avoid excessive concentration and in dealing with first rate counterparties. As of 31 December 2019, the Group's cash and cash equivalents amounted to €339.0 million largely invested in term accounts and term deposits. More detailed analysis of the Group's liquidity position is described in section 3.1.3.2 related to the Group's net cash position.	Low
2.1.4.4	**Share price fluctuation**	The Company's share price could fluctuate significantly in response to the following types of events: • changes in the Group's or its competitors' financial performance from one period to another; • the announcement by the Group or one of its partners of the success or failure of one of the Group's Research and Development programs conducted either on its own or in conjunction with a third party / failure of the commercial launch of a new product; • announcements by competitors or announcements concerning the pharmaceutical industry; • announcements regarding changes in the Group's executive team or key personnel. An indication of the share price evolution for fiscal year 2019 is available in the introduction on page 4.	Low

2.1.5 Regulatory and Legal Risks

#	Risk name	Risk description	Materiality
2.1.5.1	**Risks related to intellectual property**	The expiration of a patent may result in substantial competition due to the emergence of a generic drug. The Group cannot be certain that: • it will be able to develop other patentable inventions; • patents for which it has applied will be granted; • any patents granted to it or that are the subject of licenses granted to it will not be challenged and judged to be invalid or unenforceable; • the protection afforded by a patent will be sufficiently broad so as to exclude competitors; • other persons or entities will not claim rights including ownership rights over patents and other intellectual property rights owned by the Group or which are the subject of licenses granted to it; • the Group's competitors will not infringe its patents or circumvent them through innovations in design. The information related to the patents held by the Group is detailed in section 1.2.4.1 "Patents".	Moderate
2.1.5.2	**Undesired disclosure of critical information** CSR	The Group cannot be certain that it will not be faced with undesired or uncontrolled disclosure of critical information including private data or strategic information, which might adversely affect the Company's financial position, competitive situation, or share value. The Group has set up procedures to control the dissemination of this information to protect either the confidentiality of sensitive information, particularly to protect its intellectual property or competitive positions, or to ensure that privileged information is disseminated to investors in a manner that complies with the legislation in force. For further details, please refer to the section 4.3.1 "Committed to protect personal data" in the "Company Social Responsibility" chapter.	Moderate
2.1.5.3	**Counterfeiting risks** CSR	As a manufacturer of medication, the Group is exposed to the risk that third parties might attempt to counterfeit its products and sell counterfeit products as if they were the Group's products. Counterfeit products are not approved by the competent regulatory authorities and could prove dangerous for the patients. To the extent that counterfeit products are sold as being those of the Group, its reputation could be affected and the patients' confidence in the Group's products could be undermined. In addition, some of the Group's products could be withdrawn from the market if counterfeit products are sold. For further details, please refer to the section 4.2.3 "Committed to fight against counterfeit products" in the "Company Social Responsibility" chapter.	Low
2.1.5.4	**Product liability risks** CSR	The Group's business exposes it to product liability risk, and its insurance coverage could be insufficient to protect it against such risks should the need arise. Product liability constitutes a substantial risk for the Group and one that increase with the Group's business expanding into new markets and continuing to grow in the United States (where the costs associated with product liability claims can be particularly onerous). Although the Group is not currently involved in any substantial proceedings arising from product liability and including significant damages claims, the Group could be faced with claims related to the safety of its products, and in particular products relating to neurology (marketed under the brand names Dysport® and Azzalure®) which may cause, or appear to cause, serious side effects or potentially dangerous interactions with other drugs if misused or not properly prescribed. For further details, please refer to the sections 4.2.1 "Bringing high quality product to patients" and 4.2.2 "Ensuring product safety" in the "Company Social Responsibility" chapter.	Low
2.1.5.5	**Legal and administrative proceedings**	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. In particular, the Group is aware of an investigation from competition authorities related to practices of some Linnea's employees. At this stage, the Group has limited information about the possible consequences of this investigation.	Low

2.2 RISK MANAGEMENT AND INTERNAL CONTROL

Ipsen aims to continuously improve its internal control and risk management environment to be compliant with the *"Cadre de Référence"* issued by *"l'Autorité des marchés financiers"* (AMF) and with measures described in the COSO II standard (Committee of Sponsoring Organizations of the Treadway Commission).

Introduction

Risk management objectives are to:

- secure the general Group objective of improving patient health and quality of life by providing effective therapeutic solutions for unmet medical needs;
- create and preserve the value, assets and reputation of the Group;
- make decisions and processes secure to reach Group objectives by taking into account risk factors;
- ensure consistency between the Group's actions and its values;
- mobilize employees around a shared vision of the Company's main risks and around the specific risks in their own area of activity;
- protect people and the environment.

Internal control and Compliance is implemented by operational management and employees to provide Executive Management and shareholders with reasonable assurance about the achievement of the following objectives:

- compliance with all applicable laws and regulations;
- implementation of the instructions and directives provided by the Executive Leadership Team;
- effectiveness of Group internal processes, notably those aimed at protecting Group assets;
- reliability of financial data and, more generally, of all data included in published statements.

The Group's internal control rules apply to all Company entities under exclusive control within the meaning of the IFRS standards. The main internal control components that are further explained in this report are as follows:

- an organization that gives a clear definition of responsibilities, with competent and adequate resources using appropriate information systems, procedures, processes, tools and rules;
- reliable and relevant information management that enables every employee, whatever his/her level to fulfil his/her responsibilities;
- a risk management framework;
- control activities aimed at monitoring risks and securing objectives;
- a regular review and assessment of the internal control framework.

2.2.1 Organization

General framework

If necessary, local management is in charge of applying, adapting and supplementing Group procedures. The constant collaboration between the Global Quality, Risk and Insurance, Global Internal Audit and Business Ethics and Corporate Social Responsibility departments at various levels and on numerous subjects is an important consistency factor for internal control.

Operational Committees

Executive Leadership Team (ELT)

The ELT is leading the strategic direction of Ipsen and its implementation. The ELT is chaired by the Chief Executive Officer and meets on a monthly basis.

Scope of responsibility of the ELT:

- Set Ipsen's strategy and ambition:
  - set Ipsen's long-term strategy and ambition and endorse the corresponding 10-year strategic plan and 5-year business plan in line with the strategy,
  - approve R&D pipeline priorities,
  - translate Ipsen's strategic vision and ambition into annual objectives for the organization,
  - validate annual budget;
- Act as an efficient decision-making body:
  - monitor financial performance and review division/function corrective action plans, endorse recommended financial communication and guidance,
  - align the organization, processes, talent and capabilities to deliver on Ipsen's annual objectives,
  - assess talent and ensure succession planning,
  - endorse the launch of key cross-functional projects, fund them adequately and monitor progress made on a regular basis,
  - implement Deal Review Board (DRB) decisions on Merger and Acquisitions (M&A) / Business Development and Licensing (BD&L) deals;
- Promote efficient governance and decision-making process:
  - ensure Ipsen policies and procedures are consistent, built on ethical principles, appropriate organizational structures, well-defined responsibilities and demonstrated competencies,
  - coordinate with GlobalBusiness Ethics and Corporate Social Responsibility, Global EHS, Global Quality, Global Internal Audit functions and Enterprise Risk Management, to ensure adequate level of risk mapping and mitigation,

  - monitor deployment of enterprise-wide robust and effective internal control and audit, quality and risk management systems,
  - monitor performance achieved inBusiness Ethics and Corporate Social Responsibility , EHS and Global Quality.
- Promote and enhance our Corporate Social Responsibility.

The composition of the ELT is given in Chapter 5 of this universal registration document.

Deal Review Board (DRB)

The DRB assists Ipsen's managament in decision-making for M&A and Corporate Business Development activities.

The permanent members are ELT members including: the EVP Chief Business Officer, the EVP Chief Financial Officer, the EVP General Counsel, the EVP Head of R&D, the EVP Chief Commercial Officer Specialty Care and the EVP Strategy & Transformation.

Specialty Care Innovation Board (SCIB)

The SCIB assists Ipsen's managament in decision-making on Ipsen's R&D portfolio within budget / 5Y Business Plan envelope as approved by the ELT.

The SCIB is co-chaired by the EVP R&D, Chief Scientific Officer and the EVP Chief Commercial Officer Specialty Care.

Business Ethics and Corporate Social Responsibility

A Code of Ethical Conduct governs all Group employees. The Code of Ethical Conduct is one of the key elements of the Business Ethics program which is more precisely defined through Policies, Procedures and Education. The Company's Business Ethics and Corporate Social Responsibility department, reports directly to the Chief Executive Officer. Its mission is to:

- maintain an effective compliance and ethics program that ensures a culture of integrity enabling the Company to conduct its global business with the highest ethical standards, in full compliance with all applicable laws and regulations and the Group Code of Conduct;
- regularly review and improve our compliance and ethics program to ensure it remains current with respect to significant risks, developments and trends;
- communicate and train employees and relevant third parties to these standards;
- monitor the enforcement of these standards within the Group entities;
- develop and maintain Business Ethics due diligence for third parties;
- develop a continuous improvement approach with the update of these standards;
- act as the point of contact for anyone who would like to address Business Ethics issues, and to address them in a confidential manner.

The Business Ethics and Corporate Social Responsibility team covers all geographies where the Group operates.

The Group's Chief Business Ethics Officer periodically reports on the state of progress of the Business Ethics program to the Board of Directors' Ethics Committee.

Risk Management organization

The following organization supports the framework described in section 2.2.3.

Risk Management and Insurance department

Reporting to the Executive Vice President General Counsel, the Risk Management and Insurance department's role is to guarantee that a relevant process of identification and management of the Group's major risks is in place. Its main objectives are:

- to promote a risk culture and to ensure Group's resiliency through a consistent approach to risk management, in compliance with the Group's policies and risk appetite; this objective includes the definition of an annual Group Risk Map;
- to provide Ipsen divisions with methodological and technical support (risk identification and quantification, analysis and processing, engineering prevention and protection, business continuity management & risk exposure monitoring);
- to define and manage the Group's insurance programs as described in the paragraph 2.2.3;
- to pilot the Group crisis management process and corporate security organization.

Risk Committee

The Risk Committee includes individuals representing transversal Group functions with its members reporting to either an ELT member or directly to the Chief Executive Officer. The Risk Committee's mission is to facilitate the implementation of the risk management approach and to control its efficiency. The Risk Committee members meet at least once a quarter.

Quality and Safety

Global Quality Function

The Company has one Global Quality Function that reports to the Executive Vice President, Technical Operations, with a dotted reporting to the Chief Executive Officer. This function supports the research, development, manufacturing and distribution activities across the product life cycle and is accountable for Good Manufacturing Practices (GMP) and Good Distribution Practices (GDP) compliance across the Group. Its role is to establish, improve and maintain an integrated global Quality Management System that complies with Good Laboratory Practices (GLP), Good Clinical Practices (GCP), Good Manufacturing Practices (GMP), Good Distribution Practices (GDP) and Good Pharmacovigilance Practices (GVP) for clinical and commercial products. The Global Regulatory Safety and Quality (GRSQ) group is accountable for Good Vigilance Practices (GVP), Good Clinical Practices (GCP) and Good Laboratory Practices (GLP) and is well-aligned with the global quality function, with shared responsibility (and functional reporting) for quality oversight, specifically related to R&D GXP compliance.

Each manufacturing plant and development unit has a Quality Group that is on site and is responsible for assuring site GMP

and GDP compliance. These manufacturing plants have a local auditing program, integrated with the global program, and site-specific procedures and processes that are aligned with the Group Quality Manual. Site Quality heads have a functional reporting to the Senior Vice President Quality.

Quality Governance

A Group Quality Council meets on a semi-annual basis to discuss quality vision and strategy for the Company. It includes the Chief Executive Officer, ELT members and the Senior Vice President Quality.

Quality Management system

The Quality Management System is described in the Group Quality Manual which:

- gives an overview of the Company's Quality Management System;
- defines the GXP policies and procedures used to ensure that the Company's products and services meet GXP regulatory requirements and business objectives in a consistent, compliant and reliable manner;
- defines the Quality governance structure, which includes a Group Quality Council, a Quality Leadership Team, manufacturing site Quality Councils, Global R&D Quality and Commercial Operations Quality Councils;
- defines the GXP documentation system;
- defines the roles of Group GXP personnel as well as senior management.

The Group Quality Manual is co-signed by the Chief Executive Officer and Senior Vice President of Quality.

Pharmacovigilance

The Global Patient Safety (Pharmacovigilance) Department is part of the Research and Development Division that reports to the Senior Vice President Head of Global Regularity, Safety and Quality, and is led by a Vice President, who is also the European Union Qualified Person for Pharmacovigilance. With patient safety central to Ipsen's work, the Global Patient Safety department ensures the proactive evaluation and communication of evolving safety knowledge of all Company drug products, so that benefit-risk is optimized for patients, both in clinical development and after market launches. To do this Ipsen maintains a sustainable cross-functional Pharmacovigilance System that is compliant with pharmacovigilance legislation worldwide. The Pharmacovigilance System, described in detail in the Pharmacovigilance System Master File, operates throughout the full life cycles of our products and extends across the entire company, including all affiliate staff, specifically, but not limited to, those with direct pharmacovigilance responsibilities.

Quality Systems Evaluation Board (QSEB)

The QSEB is chaired by the Senior Vice President of Global Quality. The European Union Qualified Person for Pharmacovigilance is also a permanent member of this Board. QSEB's role is to decide on non-routine global issues that impact the quality and/or safety of Company products that require awareness beyond the site level. The QSEB:

- ensures resolution of critical product quality issues;
- ensures reporting of relevant issues to key stakeholders;
- ensures or proposes corrective actions;
- ensures follow up on relevant actions;
- ensures issues are communicated to the ELT and CEO.

Expenditures and Cash control financial framework

Financial authorization

The financial authorization procedure lays down the financial approval levels for managers who are authorized to enter into commitments.

Financing and Treasury

The Company has a centralized cash management system to optimize its financial assets and liquidity. Exchange rate and interest rate risk exposures are centralized by the Treasury department in order to cover the risks related to commercial and industrial activities, the variations of perimeter and/or financing structure.

A Treasury charter defines the rules and principles for managing financing, treasury, and risks.

2.2.2 Information Management

Reliable and relevant information, provided to the right people at the right time is a key element in the internal control and risk management.

Information on Risk Management and Insurance

A Group Risk Map, defining major risks of the Company with their action plans is validated by the ELT and presented once a year for approval to the Board of Directors Audit Committee. The action plans include risk transfer to the insurance market.

Information on Audit findings and conclusions

Internal Audit reports are communicated as presented in section 2.2.4.

Information on product Quality and Safety

Information on product Quality and Safety is ensured by the Quality and Safety functions as presented in paragraph 2.2.1.

Financial information

Reporting to the Finance Department, internal control over financial reporting is responsible for:

- preparing consolidated financial statements in accordance with the applicable laws and regulations;
- managing the budgeting and forecasting processes;
- reviewing Group performance and any variance against forecasts and providing the ELT with the relevant Key

Performance Indicators to support the strategy implementation;

- reviewing periodical management reporting for each of the Company's entities;
- managing fiscal affairs;
- ensuring effective treasury management and financing for all Company entities;
- controlling the integrity of financial reporting.

Preparation of consolidated financial statements

The Group Finance Department centralizes information reported by the Finance department of each Company entity and produces consolidated financial statements for the Group.

The financial statements reported by each Company entity are analyzed before consolidation.

The financial statements are reconciled with the management indicators monitored by the Group Finance Department.

As part of its responsibility for producing consolidated financial statements, the Group Finance department draws up accounting manuals, management reporting packages and the chart of accounts to be used for preparing the consolidated financial statements. The Group Finance Department also ensures that all Company entities produce consistent information that complies with the Company accounting policies. A Finance Handbook is made available to all employees to provide them with the reference information they need.

The Group Finance Department also verifies that the financial and accounting information reported externally by the Company is fair and comprehensive.

The Company has implemented an ERP system, which is contributing to the optimization of financial processes and activity management. This ERP system has been implemented across the majority of the Company's research and commercial entities. Further deployment is planned in the coming years to the extend ERP's geographical coverage.

External Communications Committee

The Investor Relations department, which is overseen by the Executive Vice President Finance, and the Corporate Communications department, which is overseen by the Chief Executive Officer, are both responsible for preparing external communications documents for approval by the Chief Executive Officer, ELT and the Chief Medical Officer.

The Corporate Disclosure Committee meets as required to prepare communications and statements related to unforeseen events, which could potentially have a significant impact on the value of Company shares, and to decide, when appropriate, if communications must be postponed.

Financial controlling

Financial controlling is organized on the basis of the Group's business activities. The Group Finance Department issues budgets and forecasts instructions and controls the quality of information related to the Actuals and Planning exercises.

The Group's Finance Department analyses the Group's actual performance and variances against forecasts and identifies and quantifies the risks and opportunities involved in budget and forecast information. The Finance Department also advises the operational managers on financial matters.

2.2.3 Risk Management Framework

The Risk Management Framework described below has been defined in accordance with measures described in the COSO II standard (Committee of Sponsoring Organizations of the Treadway Commission) and refers to the *"Cadre de Référence de l'AMF"*.

Risk Management Components

The Group's Risk Management Policy Statement and Framework describes Risk Management objectives and terminology, defines roles & responsibilities, and documents approaches to risk identification, assessment, prioritization, treatment, and monitoring.

The Risk Management organization is described in section 2.2.1.

Risk identification and analysis

Risks are identified and analyzed through an annual risk mapping process that documents the main risks of the Group's divisions and prioritizes them in terms of impact and level of control.

Risk mapping now covers all entities and critical processes within the Group.

Once a year, a Group Risk Map is validated by the ELT and submitted for approval to the Chief Executive Officer and to the Board of Directors Audit Committee.

Risk factors

The Group's main risk factors are described in chapter 2.1 of this universal registration document.

Risk treatment and insurance

For every major risk identified, an owner at ELT level is designated to monitor it and to ensure that the relevant corrective action plan is implemented. The process and all related information are coordinated by the Group's Risk Management and Insurance Department. Some risks are transferred to the insurance market.

The Group has put in place worldwide insurance coverage with top-ranking insurance companies.

Product liability insurance covers all products manufactured, marketed, and sold by the Group as well as all clinical trials that the Group conducts. The level of coverage for clinical trials generally exceeds that required under applicable local regulations.

In order to mitigate risk volatility of product liability risk in the insurance market, a part of the Group's liability insurance program is financed through its reinsurance subsidiary. The reinsurance subsidiary is a regulated company ruled by the Luxembourg Control authorities.

The Group also maintains insurance cover relative to its general activities, which mainly industrial and Research and Development sites insurance, business interruptions as well as environmental liability insurance.

An actuarial study made in 2018 by an external consultant has shown a relevant adequation between the limitations of the main insurances of the Group and its insurable risks.

Generally speaking, the Group's policies carry certain restrictions, exclusions, limitations, and deductibles that are common practice for policies of this type.

The Group considers the limitations of its insurance coverage as reasonable and conservative given the Group's business activities and the potential risks.

Financial Risk Management

Financial Risk Management hedges the following risks:

- Foreign exchange risks:

  Due to its global business, the Group is exposed to fluctuations in exchange rates that may impact its results. The Group hedges the budgeted amount of foreign currency cash flow to mitigate the effect of currency rate changes through standard currency derivatives. Detailed information can be found in section 2.1.3.1 of this report.

  A "Market Committee" managed by the Vice President Treasury and composed also of the Executive Vice President Chief Financial Officer, Executive Vice President General Counsel and Vice President Chief Risk Officer meets every semester, or upon request of any of its members, to review and approve the forex policy, provide guidelines, and validate the hedging strategy.

  In 2018, the Group hedged the budgeted amount of foreign currency cash flow to mitigate the effect of currency rate changes.

  In 2018, the Group Treasury department bought currency derivatives (forward exchange contracts and "vanilla" options). The instruments purchased to hedge exposure are primarily denominated in USD, RUB, GBP, BRL, CNY/CNH, PLN, CZK, HUF, RON, AUD, CHF. The Group's policy is to hedge for the budget period to come. Detailed information can be found in section 2.1.3.1 of this report.

- Interest rate risks:

  As part of its interest rate risk management, the debt of the Group is mainly composed by fixed interest rate following the issuance of public bond in June 2016 for €300 million.

- Counterpart and liquidity risks:

  Within the scope of its activities, the Finance Department makes forecasts regarding the Group application of funds and resources and implements financial instruments aligned with these forecasts, which are duly submitted to and approved by the Board of Directors. This cash position is mainly centralized and the selection of investment options is carried out by the Treasury Department in pursuance of a formalized charter which defines:

  – the treasury management objectives;
  – the criteria in terms of asset allocation and risk diversification;
  – the methodology for monitoring the performance and position of the Group cash flow.

  In accordance with its treasury charter, the Group Treasury Department is in charge of optimizing liquidity, overseeing the selection of banking establishments with which it subscribes to foreign exchange derivatives, and ensuring financial asset allocation is safe and liquid.

  Within the scope of its commercial operations, the Group's Treasury Department ensures that the credit limits applicable to its international customers are respected (notably distributors and agents), in particular upon the receipt of new orders. It also monitors the overall status of average payment timescales of customers in its entities.

  Within the scope of its partnerships, and with the support of the Group's Legal Department and respective Development Departments, the Group's Finance Department approves contractual provisions that aim to protect the Group from the potential negative consequences of the possible failure of its partners.

2.2.4 Control Activities

Audits

The pharmaceutical industry is regulated at both the national and international level. A strict framework of laws and standards govern all Company business activities. These laws govern the Group's research and development, manufacture of active substances and drugs, promotion and distribution into the global market, financial reporting, and business ethics and compliance requirements. Global audits within Ipsen are conducted by two functions; Global Internal Audit and Quality Audit. In addition, industrial and research and development sites are responsible for their own site level audit plans.

Global Internal Audit

Global Internal Audit provides the independent assurance that key business risks are being managed appropriately and that the risk management and internal control frameworks are operating effectively. Global Internal Audit reports to the Chief Executive Officer and to the Chief Financial Officer. Global Internal Audit also has direct and regular access to the Audit Committee of the Board (referred to as the Audit Committee).

As part of Global Internal Audit governance, an Audit Charter (approved by the Chief Executive Officer and the Audit Committee) is in effect. This Audit Charter defines the

Global Internal Audit's scope of audit services as covering all areas of Ipsen's activities, functions, and processes. These audits may include, but are not limited to, audits of country managed units, Group functions, global processes, internal control frameworks, compliance requirements, Information Technology, Environmental, Health and Safety and independent assessments of the effectiveness of Ipsen's Good Quality Systems across the Good Pharmaceutical Practices (GXPs) where GXPs apply (Note: in this case GXPs refer to the quality systems related to Good Manufacturing Practices, Good Clinical Practices, Good Laboratory Practices, Good Distribution Practices and Good Pharmacovigilance Practices). The GXP good practices audits (quality audits) are covered under the GXP Quality Audit program as described below.

The Global Internal Audit plan is risk-based and developed using a variety of inputs including a bottom-up approach for quantitative data, the Group Risk Map and inputs from key stakeholders (*e.g.*, the Finance Leadership and Executive teams, Global Business Ethics and Corporate Social Responsibility and other relevant Company's managers). This audit plan is approved by the Audit Committee on an annual basis.

Audit reports containing findings and specific recommendations are generated and distributed to relevant management with a copy to the ELT members responsible for the audited areas. Key findings and main conclusions are communicated within an Executive Summary report to the Audit Committee and to ELT members. Corrective and Preventative Action plans are developed and owned by management in response to audit observations and the status of all actions is tracked to completion.

Global Internal Audit works with other internal assurance type functions such as Internal Controls, Risk Management, Business Ethics and Corporate Social Responsibility and Quality Audit to enable consistency of objectives. Global Internal Audit liaises with the Company's external Statutory Auditors on a periodic basis to ensure their respective work will be complementary.

GXP Quality Audit

GXPs refer to the quality systems related to Good Manufacturing Practices, Good Clinical Practices, Good Laboratory Practices, Good Distribution Practices and Good Pharmacovigilance Practices.

The GXP Quality Audit Group reports into the VP of Quality System, Technical Operations who reports to the SVP Global Quality, Technical Operations. GXP Quality Audit assures audits of all GXP (Good Practices) areas are performed, including on many of the Group sites as well as service providers and suppliers where GXPs apply. Audit frequencies are proceduralized using a risk-based approach. Annual audit schedules are determined at the start of the year. Critical audit observations are escalated for prompt attention. Corrective and Preventative Action plans are developed and owned by management in response to audit observations and the status of all quality audit action plans are tracked to completion.

Audit compliance to quality targets is measured routinely and Global Internal Audit is provided with regular status updates from the Quality Audit program.

The GXP Quality Audit Group also coordinates with the Global Internal Audit department to assure efficiencies are maximized.

External Audit

In accordance with the law, Group financial statements are audited by Statutory Auditors. Their responsibility encompasses all Group companies included in the scope of consolidation. Each company, with the exception of certain companies which are not material to the consolidated financial statements, is subject to an audit or limited review as required.

Apart from the legal requirements, the Statutory Auditors produce a report on their work summarizing all key audit points identified and their resolution, as well as recommendations on the Group internal control system. The Statutory Auditors' Report is presented to the Audit Committee and the Board of Directors.

In addition, Group manufacturing plants, clinical research programs and information systems are also frequently inspected by regulatory agencies and periodically by the Company's partners.

2.2.5 Review and Assessment of Internal Control

Global Internal Audit periodically presents a summary of key observations and trend analysis resulting from its internal audit assignments to the Global Internal Audit Council. The SVP Quality is responsible for providing regular updates on quality audit outcomes to the ELT.

Global Internal Audit met with the Audit Committee twice in 2019 and provided summary reports and status updates, including dashboard and trend data, on the progression of the respective audit plans along with an assessment as to the overall level of internal control.

Statutory Auditors and Global Internal Audit met periodically throughout 2019 including as part of the Audit Committee updates.

3 FINANCIAL INFORMATION OF THE COMPANY

3.1 MANAGEMENT REPORT FOR THE FINANCIAL YEAR

3.1.1 Significant events during the year

All press releases are available on the Group's website (www.ipsen.com).

Acquisitions and Agreements

16 October 2019 – Ipsen and Blueprint Medicines Corporation announced an exclusive, worldwide license agreement for the development and commercialization of BLU-782, an oral, highly selective investigational ALK2 inhibitor being developed for the treatment of fibrodysplasia ossificans progressiva (FOP).

12 June 2019 – Debiopharm and Ipsen announced renewal of their Decapeptyl agreement, which extended and strengthened their strategic partnership through 2034 for the development, manufacturing and distribution of Decapeptyl across Europe and certain Asian and African markets. Under the renewed agreement, both parties would co-develop novel formulations and explore additional indications for other patient populations with high unmet needs.

18 April 2019 – Ipsen and Clementia Pharmaceuticals announced the closing of Ipsen's acquisition of Clementia following approval of the arrangement by Clementia shareholders and the Quebec Superior Court.

25 February 2019 – Ipsen and Clementia Pharmaceuticals announced that they have entered into an agreement for Ipsen to acquire Clementia Pharmaceuticals, including its key late-stage clinical asset palovarotene, an investigational retinoic acid receptor gamma (RARγ) selective agonist, for the treatment of FOP and MO and other diseases. Ipsen acquired all outstanding shares of Clementia for a purchase price of US$25.00 per share in cash upfront plus a contingent value right (CVR) of US$6.00 per share related to the multiple osteochondromas indication for a total transaction value of up to US$1.31 billion.

Research and Development

24 January 2020 – Ipsen announced the decision to pause dosing patients in the global Phase III (PVO-1A-301) study designed to evaluate the efficacy and safety of palovarotene in patients with fibrodysplasia ossificans progressiva (FOP), as well as the ongoing Phase II (PVO-1A-202/204) extension studies. In both the Phase III and Phase II extension studies, palovarotene is dosed both chronically (daily) and episodically (during flare-ups). The decision to pause dosing patients in the trial is based on results of a futility analysis reviewed by the Independent Data Monitoring Committee (IDMC) as part of the prespecified interim analysis. The results of a futility analysis indicated that the Phase III FOP trial was unlikely to meet its primary efficacy endpoint upon completion.

06 December 2019 – Ipsen announced, following discussions with the U.S. Food and Drug Administration (FDA), that a partial clinical hold effective immediately, for the pediatric population under the age of 14 was issued for studies conducted under IND120181 and IND135403 evaluating the investigational drug candidate palovarotene for the chronic treatment of FOP and MO, respectively.

08 September 2019 – Ipsen and Servier announced initial safety and efficacy data from Part 1 of the Phase II/III RESILIENT study of investigational liposomal irinotecan (Onivyde) in patients with small cell lung cancer (SCLC) who progressed following a first-line platinum-based regimen.

05 July 2019 – Ipsen and Servier announced preliminary data from the Phase I/II study of the investigational use of liposomal irinotecan (Onivyde) in combination with 5-fluorouracil/leucovorin (5-FU/LV) and oxaliplatin (OX) in study patients with previously untreated metastatic pancreatic ductal adenocarcinoma cancer (PDAC).

06 March 2019 – Ipsen announced the EU launch of a new pre-filled syringe for Somatuline Autogel (lanreotide) for patients with neuroendocrine tumors (NETs), acromegaly or symptoms associated with carcinoid syndrome.

Regulatory

Governance

18 December 2019 – Ipsen announced that David Meek has resigned as the company's Chief Executive Officer and will step down from the Board of Directors, effective 31 December 2019. The Board has decided to appoint Aymeric Le Chatelier, currently Chief Financial Officer as Interim CEO to replace David Meek as of 1 January 2020. The newly-created office of the CEO comprised of Harout Semerjian, Executive Vice President & Chief Commercial Officer, and Richard Paulson, Executive Vice President and Chief Executive Officer of Ipsen North America, will work closely with the Interim CEO and the Board of Directors.

05 November 2019 – Ipsen announced the appointment of Dr. Howard Mayer as Executive Vice President and Head of Research and Development. Based in Cambridge, Mass, U.S., Dr. Mayer will report directly to David Meek, CEO, Ipsen and serve on the Executive Leadership Team.

Other

05 November 2019 – The Board of Directors of Ipsen takes note of the proposed demerger of Mayroy and the internal reclassification of its Ipsen shares, resulting in a request for a waiver to the obligation to file a public offer.

3.1.2 Analysis of results

3.1.2.1 Comparison of Consolidated Sales for the Fourth Quarter and Full Year 2019 and 2018

Sales by therapeutic area and by product

(in million euros)	4th Quarter				Full Year			
	2019	2018	% Variation	% Variation at constant currency and consolidation scope (1)	2019	2018	% Variation	% Variation at constant currency and consolidation scope (1)
Oncology	505.2	414.6	21.8%	19.8%	1,844.4	1,503.0	22.7%	20.2%
Somatuline®	*288.7*	*227.2*	*27.1%*	*24.2%*	*1,031.6*	*846.7*	*21.8%*	*18.3%*
Decapeptyl®	*110.1*	*100.2*	*9.9%*	*9.1%*	*407.4*	*372.6*	*9.3%*	*8.8%*
Cabometyx®	*65.9*	*47.4*	*39.0%*	*39.2%*	*242.2*	*148.2*	*63.5%*	*63.5%*
Onivyde®	*34.2*	*33.7*	*1.7%*	*-1.4%*	*134.7*	*109.4*	*23.1%*	*16.9%*
Other Oncology	6.3	6.2	2.0%	2.0%	28.5	26.0	9.5%	9.3%
Neuroscience	105.5	88.7	18.9%	17.4%	391.3	351.5	11.3%	9.9%
Dysport®	*104.6*	*87.3*	*19.8%*	*18.4%*	*388.3*	*347.8*	*11.6%*	*10.2%*
Rare Diseases	14.6	16.9	-13.8%	-14.5%	63.7	70.0	-8.9%	-10.1%
NutropinAq®	*9.7*	*10.5*	*-7.4%*	*-7.4%*	*41.8*	*45.9*	*-8.9%*	*-8.8%*
Increlex®	*4.9*	*6.4*	*-24.4%*	*-26.4%*	*21.9*	*24.1*	*-9.0%*	*-12.5%*
Specialty Care	**625.3**	**520.3**	**20.2%**	**18.3%**	**2,299.4**	**1,924.5**	**19.5%**	**17.2%**
Smecta®	*33.6*	*31.3*	*7.2%*	*5.2%*	*125.6*	*126.5*	*-0.8%*	*-1.8%*
Forlax®	*12.6*	*11.2*	*12.6%*	*11.5%*	*42.1*	*39.8*	*5.9%*	*5.4%*
Tanakan®	*10.3*	*12.1*	*-14.8%*	*-16.1%*	*36.7*	*37.7*	*-2.5%*	*-3.2%*
Fortrans/Eziclen®	*11.7*	*9.3*	*25.6%*	*23.4%*	*36.8*	*31.4*	*17.2%*	*16.0%*
Other Consumer Healthcare	8.4	20.1	-58.2%	-41.8%	35.6	64.9	-27.6%	-17.5%
Consumer Healthcare	**76.6**	**84.1**	**-8.9%**	**1.7%**	**276.8**	**300.3**	**-7.8%**	**-1.2%**
Group Sales	**701.9**	**604.4**	**16.1%**	**16.2%**	**2,576.2**	**2,224.8**	**15.8%**	**14.8%**

Full year 2019 sales highlights

Group sales reached €2,576.2 million, up 14.8% (1), driven by Specialty Care sales growth of 17.2% (1), while Consumer Healthcare sales decreased by 1.2% (1).

Specialty Care sales amounted to €2,299.4 million, up 17.2% (1). Oncology and Neuroscience sales grew by 20.2% (1) and 9.9% (1), respectively, while Rare Diseases sales decreased by 10.1% (1). Over the period, the relative weight of Specialty Care continued to increase to reach 89.3% of total Group sales, compared to 86.5% in 2018.

In **Oncology,** sales reached €1,844.4 million, up 20.2% (1) year-on-year, driven by continued strong performance across all major products and geographies. Over the period, Oncology sales represented 71.6% of total Group sales, compared to 67.6% in 2018.

Somatuline – Sales reached €1,031.6 million, up 18.3% (1) year-on-year, driven by 21.3% (1) growth in North America primarily from volume growth, as well as continued double-digit growth in Europe with limited impact from the octreotide generic launch since Q3 2019.

Decapeptyl – Sales reached €407.4 million, up 8.8% (1) year-on-year, driven mainly by steady growth in China, volume growth in Major Western Europe countries and in Algeria as well as solid sales performance in southeast Asia.

(1) Year-on-year growth excluding foreign exchange impact established by recalculating net sales for the relevant period at the rate used for the previous period.
Sales growth adjusted for consolidation scope including: subsidiaries involved in the partnership between Ipsen and Schwabe Group consolidated in accordance with the equity method since 1 January 2019; and 2018 Etiasa® (mesalazine) sales adjusted for the new contractual set up.

Cabometyx – Sales reached €242.2 million, up 63.5% [1] year-on-year, driven by good performance in all European countries, as well as launches in Canada and in several countries in Asia and Oceania.

Onivyde – Sales reached €134.7 million, up 16.9% [1] year on year, including growing demand in the U.S. and growing sales to Ipsen's ex-U.S. partner.

In **Neuroscience,** sales of ***Dysport*** reached €388.3 million, up 10.2% [1], driven by good performance in the U.S. in the therapeutics and aesthetics markets, solid performance of Galderma in the aesthetics market in Brazil, as well as higher sales in Russia and in the Middle East. Over the period, Neuroscience sales represented 15.2% of total Group sales, compared to 15.8% in 2018.

In **Rare Diseases,** sales of ***NutropinAq*** reached €41.8 million, down 8.8% [1] year-on-year, impacted by the market slowdown across Europe. Sales of ***Increlex*** reached €21.9 million, down 12.5% [1] year-on-year mainly due to lower demand in the U.S. Over the period, Rare Diseases sales represented 2.5% of total Group sales, compared to 3.1% in 2018.

Consumer Healthcare sales reached €276.8 million, down 1.2% [1], impacted by a decline in Smecta sales of 1.8% [1] year-on-year mainly due to the new hospital competitive environment in China and lower sales in Algeria. Fortrans/Eziclen sales were up 16.0% [1] year-on-year driven by China. Tanakan year-on-year sales were down 3.2% [1], due to lower demand in China. Over the period, Consumer Healthcare sales represented 10.7% of total Group sales, compared to 13.5% in 2018.

Sales by geographical area

(in million euros)	4th Quarter				Full Year			
	2019	2018	% Variation	% Variation at constant currency and consolidation scope [1]	2019	2018	% Variation	% Variation at constant currency and consolidation scope [1]
France	80.7	80.8	-0.1%	-0.2%	320.8	282.0	13.7%	13.3%
Germany	46.3	51.1	-9.3%	1.7%	188.0	184.1	2.1%	13.1%
Italy	27.8	22.9	21.4%	21.4%	115.6	101.5	13.9%	13.9%
Spain	28.9	24.8	16.6%	16.6%	106.0	91.1	16.3%	16.3%
United Kingdom	29.4	24.5	20.0%	17.1%	105.3	95.0	10.8%	10.0%
Major Western EU countries	**213.2**	**204.1**	**4.4%**	**7.0%**	**835.7**	**753.8**	**10.9%**	**13.3%**
Eastern Europe	73.1	57.0	28.3%	24.8%	229.3	198.0	15.8%	14.7%
Other Europe	72.8	60.2	21.0%	22.7%	271.3	245.7	10.4%	11.3%
Other EU Countries	**145.9**	**117.2**	**24.5%**	**23.8%**	**500.6**	**443.7**	**12.8%**	**12.9%**
North America	**219.1**	**176.3**	**24.3%**	**19.8%**	**776.3**	**615.6**	**26.1%**	**19.5%**
Asia	59.7	56.5	5.5%	12.1%	230.2	207.3	11.0%	11.9%
Other countries in Rest of the World	64.1	50.3	27.5%	27.0%	233.4	204.3	14.2%	13.7%
Rest of the World	**123.7**	**106.8**	**15.8%**	**19.4%**	**463.6**	**411.7**	**12.6%**	**12.8%**
Group Sales	**701.9**	**604.4**	**16.1%**	**16.2%**	**2,576.2**	**2,224.8**	**15.8%**	**14.8%**

Sales in **Major Western European countries** reached €835.7 million, up 13.3% [1] year-on-year. Over the period, sales in Major Western European countries represented 32.4% of total Group sales, compared to 33.9% in 2018.

France – Sales reached €320.8 million, up 13.3% [1] year-on-year, driven by the Cabometyx ramp-up, continued growth of Somatuline and Decapeptyl as well as the contribution of Onivyde sales to Ipsen's ex-U.S. partner since September 2018.

Germany – Sales reached €188.0 million, up 13.1% [1] year-on-year, driven by Cabometyx, supported by the launch in first-line renal cell carcinoma (RCC) and second-line hepatocellular cell carcinoma (HCC) and the continued solid volume growth of Somatuline.

[1] Year-on-year growth excluding foreign exchange impact established by recalculating net sales for the relevant period at the rate used for the previous period.
Sales growth adjusted for consolidation scope including: subsidiaries involved in the partnership between Ipsen and Schwabe Group consolidated in accordance with the equity method since 1 January 2019; and 2018 Etiasa® (mesalazine) sales adjusted for the new contractual set up.

Italy – Sales reached €115.6 million, up 13.9% [1] year-on-year, driven by the increasing contribution from Cabometyx, as well as the solid volume growth of Somatuline and strong performance of Decapeptyl.

Spain – Sales reached €106.0 million, up 16.3% [1] year-on-year, driven by the increasing contribution of Cabometyx and the strong growth of Somatuline supported by the new delivery system launch.

United Kingdom – Sales reached €105.3 million, up 10.0% [1] year-on-year, driven by the solid performance of Somatuline and Decapeptyl.

Sales in **Other European countries** reached €500.6 million, up 12.9% [1] year-on-year, driven by the launch of Cabometyx in certain countries, and the continued strong growth of Somatuline and Dysport. Over the period, sales in the region represented 19.4% of total Group sales, compared to 19.9% in 2018.

Sales in **North America** reached €776.3 million, up 19.5% [1] year-on-year driven by continued strong demand growth of Somatuline, steady growth of Onivyde and Dysport and the increasing contribution of Cabometyx in Canada. Sales in 2019 in North America represented 30.1% of total Group sales, compared to 27.7% in 2018.

Sales in the **Rest of the World** reached €463.6 million, up 12.8% [1] year-on-year, driven by Cabometyx launches in some countries and the good performance of Decapeptyl and Somatuline, partly offset by lower Smecta sales in China. Over the period, sales in the Rest of the World represented 18.0% of total Group sales, compared to 18.5% in 2018.

3.1.2.2 Comparison of Core consolidated income statement for 2019 and 2018

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

	31 December 2019		31 December 2018		% Variation
	(in million euros)	% of sales	(in million euros)	% of sales	
Sales	**2,576.2**	**100%**	**2,224.8**	**100%**	**15.8%**
Other revenues	116.5	4.5%	123.6	5.6%	-5.7%
Revenue	**2,692.8**	**104.5%**	**2,348.4**	**105.6%**	**14.7%**
Cost of goods sold	(488.0)	-18.9%	(454.2)	-20.4%	7.4%
Selling expenses	(838.6)	-32.6%	(787.4)	-35.4%	6.5%
Research and development expenses	(388.8)	-15.1%	(302.1)	-13.6%	28.7%
General and administrative expenses	(181.4)	-7.0%	(165.7)	-7.4%	9.5%
Other core operating income	0.7	0.0%	21.1	0.9%	N.A.
Other core operating expenses	(14.0)	-0.5%	(0.3)	0.0%	N.A.
Core Operating Income	**782.6**	**30.4%**	**659.9**	**29.7%**	**18.6%**
Net financing costs	(28.0)	-1.1%	(5.3)	-0.2%	N.A.
Other financial income and expense	(28.8)	-1.1%	(20.1)	-0.9%	43.5%
Core income taxes	**(166.2)**	**-6.5%**	**(144.1)**	**-6.5%**	**15.4%**
Share of net profit (loss) from entities accounted for using the equity method	3.7	0.1%	1.1	0.0%	243.6%
Core consolidated net profit	**563.4**	**21.9%**	**491.6**	**22.1%**	**14.6%**
– Attributable to shareholders of Ipsen S.A.	562.9	21.9%	491.9	22.1%	14.4%
– Attributable to non-controlling interests	0.5	0.0%	(0.4)	0.0%	N.A.
Core EPS fully diluted – attributable to Ipsen S.A. shareholders (in € per share)	*6.74*		*5.91*		14.1%

[1] Year-on-year growth excluding foreign exchange impact established by recalculating net sales for the relevant period at the rate used for the previous period.
Sales growth adjusted for consolidation scope including: subsidiaries involved in the partnership between Ipsen and Schwabe Group consolidated in accordance with the equity method since 1 January 2019; and 2018 Etiasa® (mesalazine) sales adjusted for the new contractual set up.

Reconciliation from Core consolidated net profit to IFRS consolidated net profit

(in million euros)	31 December 2019	31 December 2018
Core consolidated net profit	**563.4**	**491.6**
Amortization of intangible assets (excl software)	(60.2)	(53.2)
Other operating income or expenses	(25.1)	(25.5)
Restructuring	(20.7)	(16.0)
Impairment losses	(668.8)	(15.0)
Other	161.2	7.2
IFRS consolidated net profit	**(50.2)**	**389.1**
IFRS EPS fully diluted – attributable to Ipsen S.A. shareholders (in € per share)	*(0.61)*	*4.68*

Sales

At the end of December 2019, the Group Net Sales reached €2,576.2 million, up 15.8% year-on-year or up 14.8% [(1)] at constant currency rate and scope of consolidation.

Other revenues

Other revenues for the financial year 2019 totaled €116.5 million, down 5.7% versus €123.6 million at the end of December 2018. The evolution was attributable to lower royalties paid by Menarini for Adenuric® partially compensated by higher royalties received from partners, mainly Galderma for Dysport and Servier for Onivyde.

Cost of goods sold

At the end of December 2019, Cost of goods sold amounted to €488.0 million, representing 18.9% of Net sales, compared to €454.2 million or 20.4% of Net sales at the end of December 2018. The favorable impact of Specialty Care growth on the product mix continued to drive a decrease in the cost of goods sold as a percentage of sales, partly offset by the increase of royalties paid to partners.

Selling expenses

In 2019, Selling expenses amounted to €838.6 million, up 6.5% versus 2018, representing 32.6% of Net sales versus 35.4% in 2018, an improvement of 2.8 pts year on year. The increase in expenses reflects the commercial efforts deployed to support the Cabometyx growth in Europe, the growth of Somatuline in the United States and in Europe, as well as commercial investments for Onivyde® in the United States.

Research and development expenses

For the financial year 2019, Research and development expenses totaled €388.8 million, compared to €302.1 million in 2018. The Group continued to invest in Research and development in Oncology, especially for Cabometyx, Onivyde and the systemic radiation therapy (SRT) programs, in Neuroscience, mainly for Dysport life cycle management and the new neurotoxin programs, but also in Rare Diseases with the acquisition and integration of Clementia since April 2019.

General and administrative expenses

In 2019, General and administrative expenses amounted to €181.4 million, compared to €165.7 million at the end of December 2018, with a stable ratio of sales year-on-year. The increase resulted primarily from the reinforcement of corporate functions, the impact of the Group's positive performance on variable compensation and some additional expenses from Clementia.

Other core operating income and expenses

At year-end 2019, Other core operating income and expenses amounted to an expense of €13.3 million versus an income of €20.8 million in 2018. This evolution is due to the impact of the currency hedging policy.

Core Operating Income

Core Operating Income in 2019 reached €782.6 million, representing 30.4% of sales, compared to €659.9 million in 2018, representing 29.7% of sales, a growth of 18.6% and an increase in profitability of 0.7 point.

Net financing costs and Other financial income and expense

In 2019, the Group incurred Net financial expenses of €56.8 million, versus €25.3 million in 2018.

Net financing costs increased by €22.7 million, driven by financing costs linked to the Clementia acquisition and to IFRS16 – Leases standard implemented on 1 January 2019.

Other financial income and expense increased by €8.7 million, mainly attributable to the reevaluation, of the future payments related to acquisitions and to the depreciation of financial assets.

Core income taxes

In 2019, Core income tax expense of €166.2 million resulted from a core effective tax rate of 22.9% on core profit before tax compared to a core effective tax rate of 22.7% in 2018.

(1) Year-on-year growth excluding foreign exchange impact established by recalculating net sales for the relevant period at the rate used for the previous period.
Sales growth adjusted for consolidation scope including: subsidiaries involved in the partnership between Ipsen and Schwabe Group consolidated in accordance with the equity method since 1 January 2019; and 2018 Etiasa® (mesalazine) sales adjusted for the new contractual set up.

Core consolidated net profit

In 2019, Core consolidated net profit increased by 14.6% to €563.4 million, with €562.9 million fully attributable to Ipsen S.A. shareholders. This compares to Core consolidated net profit of €491.6 million, with €491.9 million fully attributable to Ipsen S.A. shareholders in 2018.

Core Earning per share

In 2019, Core EPS fully diluted came to €6.74, up 14.1% versus €5.91 per share in 2018.

3.1.2.3 From Core financial measures to IFRS reported figures

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

In 2019, the main reconciling items between Core consolidated net income and IFRS consolidated net income were:

Amortization of intangible assets (excluding software)

Amortization of intangible assets (excluding software) in 2019 amounted to €83.8 million before tax, compared to €73.1 million before tax in 2018. The variation mainly relates to the amortization of Cabometyx and Onivyde intangible assets.

Other operating income and expenses

Other non-core operating income and expenses for 2019 amounted to an expense of €35.8 million before tax, mainly related to Clementia integration costs and costs arising from the Group's transformation programs.

Other non-core operating income and expenses for 2018 amounted to an expense of €30.4 million before tax, mainly related to the termination of R&D studies, costs arising from the Group's transformation programs and a settlement with Galderma in Brazil, partially compensated by a favorable settlement with a U.S. partner.

Restructuring costs

In 2019, restructuring costs came to €27.7 million before tax, mainly impacted by the costs related to the relocation of the Onivyde manufacturing site from Cambridge, Massachusetts, to Signes in France and the remaining costs for the U.S. commercial affiliate relocation.

In 2018, restructuring costs came to €21.9 million before tax, impacted by the relocation of the U.S. commercial affiliate to Cambridge, Massachusetts.

Impairment losses

In 2019, the Group recognized an impairment loss of €668.8 million before tax on the intangible asset of palovarotene.

To appreciate the recoverable value of the intangible asset palovarotene, the Group has considered various scenarios to which a probability of occurrence has been allocated. The recoverable value has also been determined taking into consideration the discounted value of the expected future cash flows resulting from the different scenarios over the product expected lifetime. The calculation integrates the new clinical data, the potential sales developments as well as estimated approval dates for the different indications.

In 2018, the Group recognized an impairment loss of €15.0 million before tax on the intangible asset of Xermelo®.

Other (Financial income and expenses, Income taxes and net profit from discontinued operations)

2019 other financial income and expenses included a financial income of €114.6 million related to the Contingent Value Rights (CVR) and milestones revaluation on Clementia, partially offset by a financial expense of €59.7 million related to Onivyde earn-out revaluation resulting from the update of probabilities of success of certain R&D studies.

2019 Income taxes included an expense of €71.9 million corresponding to the write-off of deferred tax assets related to Clementia given the limited probability of recoverability within 5 years; and an income of €177.2 million related to the revaluation of the deferred tax liabilities along with the impairment of the intangible assets of palovarotene.

In 2019, net profit from discontinued operations amounts to €4.2 million, compared to €2.0 million in 2018.

As a consequence, IFRS reported indicators are:

Operating income

In 2019, a €33.4 million operating loss was recorded versus a €519.4 million net income in 2018. This decrease mainly results from the impairment recorded on the intangible asset of palovarotene.

Consolidated net profit

The Consolidated net loss was €50.2 million in 2019, compared to a €389.1 million net profit in 2018.

Earnings per share

Fully diluted EPS was a net loss per share amounting to €0.61 net loss per share in 2019 versus €4.68 net profit per share in 2018.

3.1.2.4 Operating segments: Core Operating Income by therapeutic area

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

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

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

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

(in million euros)	31 December 2019	31 December 2018	Variation	
			Change	%
Specialty Care				
Sales	2,299.4	1,924.5	374.9	19.5%
Revenue	2,373.9	1,987.1	386.8	19.5%
Core Operating Income	938.6	740.4	198.2	26.8%
% of sales	*40.8%*	*38.5%*		
Consumer Healthcare				
Sales	276.8	300.3	(23.5)	-7.8%
Revenue	318.9	361.3	(42.4)	-11.7%
Core Operating Income	55.1	83.9	(28.8)	-34.3%
% of sales	*19.9%*	*27.9%*		
Total Unallocated				
Core Operating Income	(211.1)	(164.5)	(46.6)	28.3%
Group total				
Sales	2,576.2	2,224.8	351.4	15.8%
Revenue	2,692.8	2,348.4	344.4	14.7%
Core Operating Income	782.6	659.9	122.8	18.6%
% of sales	*30.4%*	*29.7%*		

In 2019, **Specialty Care** sales grew to €2,299.4 million, up 19.5% over 2018, reaching 89.3% of total consolidated sales at 31 December 2019, versus 86.5% a year earlier.

In 2019, **Core Operating Income** for Specialty Care amounted to €938.6 million, representing 40.8% of sales. The improvement reflects the continued growth of Somatuline in the United States and Europe, the contribution of Cabometyx and Onivyde as well as the performance of Dysport, after increased Research & Development investments to support the development of the growing pipeline including palovarotene.

In 2019, **Consumer Healthcare** sales came to €276.8 million, down 7.8% year-on-year.

Core Operating Income for Consumer Healthcare amounted to €55.1 million, representing 19.9% of sales, compared to 27.9% in 2018, reflecting lower sales and commercial investments to support the transformation and the strategy.

In 2019, **Unallocated Core Operating Income** came to a negative €211.1 million, compared to a negative €164.5 million in the year-earlier period. The evolution is mainly attributable to the positive impact from the currency hedging policy in 2018, as well as the reinforcement of the corporate infrastructure and the impact of the Group's positive performance on variable compensation.

3.1.3 Net cash flow and financing

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

The Group had a net debt increase of €684.9 million over 2019 after Clementia acquisition, bringing closing net debt to €1,115.6 million.

3.1.3.1 Analysis of the consolidated net cash flow statement

(in million euros)	31 December 2019	31 December 2018
Opening net cash / (debt)	**(430.7)**	**(463.3)**
Core Operating Income	**782.6**	**659.9**
Non-cash items	76.4	41.2
Change in operating working capital requirement	(7.2)	3.6
(Increases) decreases in other working capital requirement	38.5	5.3
Net capex (excluding milestones paid)	(172.5)	(120.4)
Dividends received from entities accounted for using the equity method	0.9	0.9
Operating Cash Flow	**718.7**	**590.5**
Other non-core operating income and expenses and restructuring costs (cash)	(45.5)	(31.7)
Financial income (cash)	(53.3)	(25.9)
Current income tax (P&L, excluding provisions for tax contingencies)	(150.2)	(89.3)
Other operating cash flow	(2.0)	14.9
Free Cash Flow	**467.7**	**458.4**
Dividends paid	(83.5)	(83.5)
Net investments (Business Development and milestones)	(1,127.4)	(120.2)
Share buyback	(16.8)	(24.6)
FX on net indebtedness	72.6	(10.2)
Other (discontinued operations and financial instruments)	2.4	0.9
Shareholders return and external growth operations	**(1,152.6)**	**(237.6)**
CHANGE IN NET CASH / (DEBT)	**(684.9)**	**220.8**
Closing net cash / (debt)	**(1,115.6)**	**(242.5)**

Operating Cash Flow

At the end of 2019, Operating Cash Flow totaled €718.7 million, up €128.2 million (+21.7%) versus 2018, mainly driven by higher Core Operating Income (up €122.8 million) and favorable working capital requirements compensated by higher capital investments.

Non-cash items increased, in 2019, by €76.4 million versus an increase of €41.2 million in 2018, impacted by €30.8 million as a result of IFRS 16 – Leases standard implementation on 1 January 2019.

Working capital requirement for operating activities increased by €7.2 million at the end of 2019, compared to a decrease of €3.6 million at the end of 2018. The increase in 2019 stemmed mainly from:

- a €25.6 million increase in inventories during the year, to support business growth;
- a €79.9 million increase in trade receivables, in-line with the phasing of sales and impacted by longer payment terms in some countries;
- a €98.4 million increase in trade payables as of December 2019, as compared to an increase of €62.4 million in 2018 and in line with the phasing of operating expenses.

At the end of 2019, other working capital requirement needs decreased by €38.5 million, mainly driven by an increase in tax liabilities.

Net capital expenditure amounted to €172.5 million at the end of 2019, €14.9 million of which was due to IFRS 16 – Leases implementation, compared to €120.4 million in 2018, and mainly included projects to support increased production capacity at industrial sites in the United Kingdom and France, investments related to the U.S. affiliate relocation as well as corporate investments in information technology and digital projects.

Free Cash Flow

Free Cash Flow at the end of 2019 came to €467.7 million, up €9.3 million versus 2018, mainly driven by higher Operating Cash Flow combined with higher cash out from restructuring costs, financial result and current income tax.

Other non-core operating income and expenses and restructuring costs of €45.5 million mainly included the integration costs related to Clementia acquisition as well as cash out from the U.S. relocation and from the Group's transformation programs.

The €53.3 million in financial expenses paid in 2019, increased by €27.4 million compared to 2018, due to higher financing costs related to the Clementia acquisition and hedging costs.

The change in current income tax stemmed mainly from the increase in Operating Income combined with higher financial expenses and the end of the use of U.S. tax losses.

Shareholders return and external growth operations

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

Net investments in 2019 amounted to €1,127.4 million, including the acquisition of Clementia for €986 million (including transaction fees), the in-licensing of BLU-782 from Blueprint Medicines Corporation for €22 million and additional milestones of €101 million paid to Exelixis and of €13 million to MD Anderson Cancer Center.

Net investments in 2018 amounted to €120.2 million, including additional milestones paid to Exelixis for €98 million, an equity investment in Arix Bioscience for €17 million, the milestones paid following the license agreement signed with MD Anderson Cancer Center in May 2018 and additional milestones paid to 3B Pharmaceuticals for a total of €14 million and the final payment for the acquisition of Akkadeas Pharma for €8 million, partly offset by the milestone received from Servier for Onivyde for €20 million and from Galderma for the territory extension in Asia for a net total of €12 million.

3.1.3.2 Reconciliation of cash and cash equivalents and net cash

(in million euros)	31 December 2019	31 December 2018
Current financial assets (derivative instruments on financial operations)	**0.1**	**0.7**
Closing cash and cash equivalents	**339.0**	**310.9**
Non-current loans	(568.2)	(297.9)
Other financial liabilities (excluding derivative instruments) (**)	(286.6)	(88.1)
Non-current financial liabilities	**(854.7)**	**(386.0)**
Credit lines and bank loans	(270.8)	(4.0)
Financial liabilities (excluding derivative instruments) (**)	(329.3)	(164.1)
Current financial liabilities	**(600.0)**	**(168.1)**
Debt	**(1,454.7)**	**(554.1)**
Net cash / (debt) (*)	**(1,115.6)**	**(242.5)**

(*) Net cash / (debt): derivative instruments booked in financial assets and related to financial operations, cash and cash equivalents, less bank overdrafts, bank loans and other financial liabilities and excluding financial derivative instruments on commercial operations.
(**) Financial liabilities mainly exclude €7.2 million in derivative instruments related to commercial operations in 2019, compared with €15.8 million one year earlier.

Analysis of Group cash

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

On 23 July 2019, Ipsen S.A. issued $300 million through a U.S. Private Placement ("USPP") in two tranches of 7 and 10-year maturities.

Ipsen S.A. has refinanced its Revolving Credit Facility ("RCF") and existing bilateral bank facilities. The new Revolving Credit Facility of €1,500 million signed on 24 May 2019 has a five-year maturity and includes two one-year extension options. The previous RCF was fully terminated on 28 June 2019.

In both the new RCF and the USPP, the Group has to comply with a Net Debt / EBITDA covenant to remain below 3.5 times at each financial closing and the facility includes specific indicators linked to Corporate Social Responsibility ("CSR") to be assessed annually.

On 31 December 2019, the RCF was drawn for €271 million and the Group was complying with its covenant ratio.

The Ipsen S.A. program of emission of NEU CP – Negotiable EUropean Commercial Paper of €600 million was drawn for €260 million on 31 December 2019.

Impact of IFRS 16 – Leases

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

The impact on the Operating Income reached a profit of €4.3 million as of 31 December 2019; the impact on the Consolidated Net profit reached a loss of €1.4 million.

3.1.4 Appendices

3.1.4.1 Appendix 1 – Consolidated income statement

(in million euros)	31 December 2019	31 December 2018
Sales	**2,576.2**	**2,224.8**
Other revenues	116.5	123.6
Revenue	**2,692.8**	**2,348.4**
Cost of goods sold	(488.0)	(454.2)
Selling expenses	(838.6)	(787.4)
Research and development expenses	(388.8)	(302.1)
General and administrative expenses	(181.4)	(165.7)
Other operating income	15.6	39.0
Other operating expenses	(148.5)	(121.7)
Restructuring costs	(27.7)	(21.9)
Impairment losses	(668.8)	(15.0)
Operating Income	**(33.4)**	**519.4**
Investment income	2.0	3.1
Financing costs	(30.0)	(8.4)
Net financing costs	**(28.0)**	**(5.3)**
Other financial income and expense	22.8	(20.1)
Income taxes	(19.6)	(108.1)
Share of net profit (loss) from entities accounted for using the equity method	3.7	1.1
Net profit (loss) from continuing operations	**(54.4)**	**387.0**
Net profit (loss) from discontinued operations	4.2	2.0
Consolidated net profit (loss)	**(50.2)**	**389.1**
– Attributable to shareholders of Ipsen S.A.	(50.7)	389.5
– Attributable to non-controlling interests	0.5	(0.4)

Basic earnings per share, continuing operations (in euros)	*(0.66)*	*4.67*
Diluted earnings per share, continuing operations (in euros)	*(0.66)*	*4.65*
Basic earnings per share, discontinued operations (in euros)	*0.05*	*0.02*
Diluted earnings per share, discontinued operations (in euros)	*0.05*	*0.02*
Basic earnings per share (in euros)	*(0.61)*	*4.70*
Diluted earnings per share (in euros)	*(0.61)*	*4.68*

3.1.4.2 Appendix 2 – Consolidated balance sheet before allocation of net profit

(in million euros)	31 December 2019	31 December 2018
ASSETS		
Goodwill	632.6	395.6
Other intangible assets	1,383.2	1,011.9
Property, plant & equipment	679.3	474.5
Equity investments	64.9	65.2
Investments in companies accounted for using the equity method	18.8	15.5
Non-current financial assets	27.7	92.9
Deferred tax assets	149.4	131.9
Other non-current assets	4.5	4.4
Total non-current assets	**2,960.4**	**2,191.8**
Inventories	214.0	198.5
Trade receivables	565.0	463.0
Current tax assets	22.8	47.7
Current financial assets	59.3	5.5
Other current assets	132.2	126.4
Cash and cash equivalents	353.3	344.5
Total current assets	**1,346.5**	**1,185.6**
TOTAL ASSETS	**4,306.9**	**3,377.4**
EQUITY AND LIABILITIES		
Share capital	83.8	83.8
Additional paid-in capital and consolidated reserves	1,656.1	1,366.0
Net profit (loss) for the period	(50.7)	389.5
Foreign exchange differences	61.8	1.8
Equity attributable to Ipsen S.A. shareholders	**1,751.0**	**1,841.1**
Equity attributable to non-controlling interests	2.0	2.3
Total shareholders' equity	**1,753.1**	**1,843.4**
Retirement benefit obligation	60.7	63.8
Non-current provisions	30.5	44.5
Other non-current financial liabilities	854.7	386.0
Deferred tax liabilities	107.7	19.7
Other non-current liabilities	47.8	61.0
Total non-current liabilities	**1,101.4**	**574.9**
Current provisions	9.1	21.1
Current financial liabilities	609.5	184.2
Trade payables	508.5	379.8
Current tax liabilities	13.7	11.4
Other current liabilities	297.4	329.0
Bank overdrafts	14.3	33.6
Total current liabilities	**1,452.5**	**959.2**
TOTAL EQUITY & LIABILITIES	**4,306.9**	**3,377.4**

3.1.4.3 Appendix 3 – Cash flow statements

Appendix 3.1 – Consolidated statement of cash flow

(in million euros)	31 December 2019	31 December 2018
Consolidated net profit (loss)	**(50.2)**	**389.1**
Share of profit (loss) from entities accounted for using the equity method	0.9	(0.2)
Net profit (loss) before share from entities accounted for using the equity method	**(49.3)**	**388.9**
Non-cash and non-operating items		
– Depreciation, amortization, provisions	161.2	142.6
– Impairment losses included in operating income and net financial income	670.7	15.0
– Change in fair value of financial derivatives	(11.0)	(2.0)
– Net gains or losses on disposals of non–current assets	3.7	4.8
– Unrealized foreign exchange differences	(7.2)	(6.5)
– Change in deferred taxes	(130.6)	19.2
– Share–based payment expense	15.8	12.8
– Other non–cash items	(46.0)	(1.1)
Cash flow from operating activities before changes in working capital requirement	***607.3***	***573.8***
– (Increase) / decrease in inventories	(25.6)	(29.8)
– (Increase) / decrease in trade receivables	(79.9)	(29.0)
– Increase / (decrease) in trade payables	98.4	62.4
– Net change in income tax liability	30.4	26.5
– Net change in other operating assets and liabilities	(2.8)	(33.0)
Change in working capital requirement related to operating activities	***20.4***	***(2.9)***
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**627.7**	**570.9**
Acquisition of property, plant & equipment	(144.5)	(107.4)
Acquisition of intangible assets	(136.1)	(180.1)
Proceeds from disposal of intangible assets and property, plant & equipment	0.6	3.2
Acquisition of shares in non-consolidated companies	(10.6)	(30.2)
Payments to post-employment benefit plans	(10.0)	(1.2)
Impact of changes in the consolidation scope	(817.2)	(7.4)
Change in working capital related to investment activities	(36.8)	49.6
Other cash flow related to investment activities	(2.7)	(0.8)
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES	**(1,157.3)**	**(274.3)**
Additional long-term borrowings	286.3	0.9
Repayment of long-term borrowings	(0.6)	(3.9)
Net change in short-term borrowings	357.7	(107.3)
Capital increase	0.1	2.6
Treasury shares	(16.8)	(10.3)
Dividends paid by Ipsen S.A.	(83.2)	(83.0)
Dividends paid by subsidiaries to non-controlling interests	(0.3)	(0.5)
Change in working capital related to financing activities	6.7	(0.7)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**550.0**	**(202.2)**
CHANGE IN CASH AND CASH EQUIVALENTS	**20.4**	**94.4**
Opening cash and cash equivalents	**310.9**	**209.3**
Impact of exchange rate fluctuations	7.7	7.3
Closing cash and cash equivalents	**339.0**	**310.9**

Appendix 3.2 – Consolidated net cash flow statement

(in million euros)	31 December 2019	31 December 2018
Opening net cash / (debt) [1]	**(430.7)**	**(463.3)**
CORE OPERATING INCOME	**782.6**	**659.9**
Non-cash items	**76.4**	**41.2**
(Increase) /decrease in inventories	(25.6)	(29.8)
(Increase) / decrease in trade receivables	(79.9)	(29.0)
Increase / (decrease) in trade payables	98.4	62.4
Change in operating working capital requirement	**(7.2)**	**3.6**
Change in income tax liability	30.4	26.5
Change in other operating assets and liabilities (excluding milestones received)	8.2	(21.2)
Other changes in working capital requirement	**38.5**	**5.3**
Acquisition of property, plant & equipment	(144.5)	(107.4)
Acquisition of intangible assets (excluding milestones paid)	(29.8)	(26.7)
Disposal of fixed assets	0.6	3.2
Change in working capital related to investment activities	1.1	10.5
Net capex (excluding milestones paid)	**(172.5)**	**(120.4)**
Dividends received from entities accounted for using the equity method	**0.9**	**0.9**
Operating Cash Flow	**718.7**	**590.5**
Other non-core operating income and expenses and restructuring costs (cash)	(45.5)	(31.7)
Financial income (cash)	(47.6)	(25.9)
Current income tax (P&L, excluding provisions for tax contingencies)	(150.2)	(89.3)
Other operating cash flow	(2.0)	14.9
Free Cash Flow	**467.7**	**458.4**
Dividends paid (including payout to non-controlling interests)	**(83.5)**	**(83.5)**
Acquisition of shares in non-consolidated companies [2]	(11.1)	(25.3)
Acquisition of other financial assets	–	–
Impact of changes in consolidation scope [3]	(984.8)	(8.0)
Milestones paid [4]	(143.7)	(117.2)
Milestones received [5]	7.5	36.0
Other Business Development operations	4.8	(5.7)
Net investments (Business Development and milestones)	**(1,127.4)**	**(120.2)**
Share buyback	**(16.8)**	**(24.6)**
FX on net indebtedness and change in earn out	72.6	(10.2)
Other (discontinued operations and financial instrument)	**2.4**	**0.9**
Shareholders return and external growth operations	**(1,152.6)**	**(237.6)**
CHANGE IN NET CASH / (DEBT)	**(684.9)**	**220.8**
Closing net cash / (debt)	**(1,115.6)**	**(242.5)**

(1) The opening net cash / (debt) includes the impact of the application of IFRS 16 – Leases for an amount of €188.2 million.
(2) Acquisition of shares in non-consolidated companies mainly reflected investments in external innovation funds.
(3) Impact of change in consolidation scope notably reflects Clementia acquisition.
(4) Milestones paid in 2019 correspond to payments subject to the terms and conditions set out in the Group's partnership agreements including €101 million milestone paid to Exelixis and €13 million paid to MD Anderson as well as €22 million upfront paid to Blueprint Medicines Corporation for the in-licensing of BLU-782. The amounts paid were recorded as an increase in intangible assets on the consolidated balance sheet. The transactions were included in the "Acquisition of intangible assets" line item in the consolidated statement of cash flow (see Appendix 4.1).
(5) Milestones received are amounts collected by Ipsen from its partners including €7 million from Galderma related to Mexico territory received in 2019, while the Group received €21 million from Servier, in 2018, related to the Onivyde® acquisition closed in 2017. The milestones amounts (except for Servier) are recorded as "Deferred income" in the consolidated balance sheet and then recognized in the income statement as "Other revenues" in case of dynamic license or directly in "Other revenues" in case of static license. In the consolidated balance sheet, the Servier milestones not yet received are booked in "Current financial assets" and in "Non-current financial assets", depending on the forecasted cash-in timing. Servier milestones received are included in the "Other cash flow related to investment activities" line item in the consolidated statement of cash flow (see Appendix 3.1).

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

(in million euros)	IFRS 31 December 2019	Amortization of intangible assets (excl software)	Other operating income or expenses	Restructuring	Impairment losses	Other	CORE 31 December 2019
Sales	2,576.2						2,576.2
Other revenues	116.5						116.5
Revenue	**2,692.8**	**–**	**–**	**–**	**–**	**–**	**2,692.8**
Cost of goods sold	(488.0)						(488.0)
Selling expenses	(838.6)						(838.6)
Research and development expenses	(388.8)						(388.8)
General and administrative expenses	(181.4)						(181.4)
Other operating income	15.6		(14.9)				0.7
Other operating expenses	(148.5)	83.8	50.7				(14.0)
Restructuring costs	(27.7)			27.7			–
Impairment losses	(668.8)				668.8		–
Operating Income	**(33.4)**	**83.8**	**35.8**	**27.7**	**668.8**	**–**	**782.6**
Net financing costs	(28.0)						(28.0)
Other financial income and expense	22.8					(51.6)	(28.8)
Income taxes	(19.6)	(23.6)	(10.6)	(7.0)	–	(105.4)	(166.2)
Share of net profit (loss) from entities accounted for using the equity method	3.7						3.7
Net profit (loss) from continuing operations	**(54.4)**	**60.2**	**25.1**	**20.7**	**668.8**	**(157.0)**	**563.4**
Net profit (loss) from discontinued operations	4.2					(4.2)	–
Consolidated net profit	**(50.2)**	**60.2**	**25.1**	**20.7**	**668.8**	**(161.2)**	**563.4**
– Attributable to shareholders of Ipsen S.A.	(50.7)	60.2	25.1	20.7	668.8	(161.2)	562.9
– Attributable to non-controlling interests	0.5						0.5
Earnings per share fully diluted – attributable to Ipsen S.A. shareholders (in € per share)	*(0.61)*	*0.72*	*0.30*	*0.25*	*8.01*	*(1.93)*	*6.74*

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

(in million euros)	IFRS 31 December 2018	Amortization of intangible assets (excl software)	Other operating income or expenses	Restructuring	Impairment losses	Other	CORE 31 December 2018
Sales	2,224.8						2,224.8
Other revenues	123.6						123.6
Revenue	**2,348.4**	**–**	**–**	**–**	**–**	**–**	**2,348.4**
Cost of goods sold	(454.2)						(454.2)
Selling expenses	(787.4)						(787.4)
Research and development expenses	(302.1)						(302.1)
General and administrative expenses	(165.7)						(165.7)
Other operating income	39.0		(17.9)				21.1
Other operating expenses	(121.7)	73.1	48.3				(0.3)
Restructuring costs	(21.9)			21.9			–
Impairment losses	(15.0)				15.0		–
Operating Income	**519.4**	**73.1**	**30.4**	**21.9**	**15.0**	**–**	**659.9**
Net financing costs	(5.3)						(5.3)
Other financial income and expense	(20.1)						(20.1)
Income taxes	(108.1)	(20.0)	(4.9)	(6.0)	–	(5.2)	(144.1)
Share of net profit (loss) from entities accounted for using the equity method	1.1						1.1
Net profit (loss) from continuing operations	**387.0**	**53.2**	**25.5**	**16.0**	**15.0**	**(5.2)**	**491.6**
Net profit (loss) from discontinued operations	2.0					(2.0)	–
Consolidated net profit	**389.1**	**53.2**	**25.5**	**16.0**	**15.0**	**(7.2)**	**491.6**
– Attributable to shareholders of Ipsen S.A.	389.5	53.2	25.5	16.0	15.0	(7.2)	491.9
– Attributable to non-controlling interests	(0.4)						(0.4)
Earnings per share fully diluted – attributable to Ipsen S.A. shareholders (in € per share)	*4.68*	*0.64*	*0.31*	*0.19*	*0.18*	*(0.09)*	*5.91*

3.1.5 Subsequent events

There were no significant subsequent events.

3.1.6 Group outlook

2020 Financial guidance

On the 13 February 2020, the Group has set the following financial targets for the current year, assuming no impact in 2020 of new somatostatin analog (SSA) generic entry:

- **Group sales growth** year-on-year **greater than +6.0% at constant currency;** no impact of currency expected based on the current level of exchange rates;
- **Core Operating margin** around **30.0%** of net sales, excluding incremental investments in pipeline expansion initiatives.

On 25 March 2020 Ipsen provided an update related to the impact of the Covid-19 pandemic on its global business which is affected in varying degrees in the countries impacted by the coronavirus, with very different and evolving situations from one country to another. Ipsen sees a limited financial impact today given its resilient product portfolio comprised mostly of diversified treatments with highly-differentiating and long-acting formulations for critical chronic conditions. However, given the general economic slowdown, its performance year-to-date in China, reduced interactions with healthcare professionals and the uncertainty about the duration and scale of the health crisis, Ipsen has decided to suspend its 2020 financial guidance announced in February as it is not possible at the time of submission of this document to quantify its impact on the Group's financial statements. Further updates will be provided as the situation evolves.

The Group has a very solid financial position with sound cash and financing in place. Ipsen confirms its proposed distribution of €1.00 per share for the 2019 financial year.

Updated 2022 Outlook: The Group has updated its 2022 outlook taking into account the latest developments in its current business, mainly in the palovarotene development program:

- **Group net sales greater than €2.8 billion,** assuming current level of exchange rates;
- **Core Operating margin greater than 28.0% of net sales.**

The outlook has been updated assuming no approval of additional meaningful products or indications (including no contribution from palovarotene), progressive entry of additional octreotide and lanreotide generics globally from 2021 and excluding the impact of incremental investments in pipeline expansion initiatives.

3.1.7 Subsequents events following the Accounts Settlement Date of 31 December 2019

25 March 2020 – Ipsen provided an update related to the impact of the Covid-19 pandemic on its global business (see paragraph 3.1.6).

26 March 2020 – Ipsen announced it will begin to reinitiate palovarotene dosing in patients 14 years of age and older currently participating in its fibrodysplasia ossificans progressiva (FOP) clinical program. The Food and Drug Administration (FDA) in the U.S. has confirmed they have no safety concerns with restarting dosing in patients 14 years of age and older. Ipsen has taken the decision to terminate its MO-Ped trial (PVO-2A-201) conducted under IND135403 to analyze the accumulated data to better inform on the efficacy, safety and future of palovarotene in MO, and to potentially establish a path forward for palovarotene in this indication, including an assessment as to the potential for an NDA submission to the FDA. Ipsen believes however that an NDA submission for the treatment of MO based on the MO-Ped trial (PVO-2A-201) conducted under IND135403 is highly unlikely.

3.2 CONSOLIDATED FINANCIAL STATEMENTS 2019

3.2.1 Consolidated income statement

(in million euros)	Notes	31 December 2019	31 December 2018
Sales	4.2 & 4.3	2,576.2	2,224.8
Other revenues	4.4	116.5	123.6
Revenue		**2,692.8**	**2,348.4**
Cost of goods sold		(488.0)	(454.2)
Selling expenses		(838.6)	(787.4)
Research and development expenses		(388.8)	(302.1)
General and administrative expenses		(181.4)	(165.7)
Other operating income	7	15.6	39.0
Other operating expenses	7	(148.5)	(121.7)
Restructuring costs	8	(27.7)	(21.9)
Impairment losses	6	(668.8)	(15.0)
Operating Income	**4.1**	**(33.4)**	**519.4**
Investment income	*9*	*2.0*	*3.1*
Financing costs	*9*	*(30.0)*	*(8.4)*
Net financing costs	9	(28.0)	(5.3)
Other financial income and expense	9	22.8	(20.1)
Income taxes	10	(19.6)	(108.1)
Share of net profit (loss) from entities accounted for using the equity method	17	3.7	1.1
Net profit (loss) from continuing operations		**(54.4)**	**387.0**
Net profit (loss) from discontinued operations	11	4.2	2.0
Consolidated net profit		**(50.2)**	**389.1**
– Attributable to shareholders of Ipsen S.A.		(50.7)	389.5
– Attributable to non-controlling interests		0.5	(0.4)
Basic earnings per share, continuing operations (in euros)	21.2	(0.66)	4.67
Diluted earnings per share, continuing operations (in euros)	21.3	(0.66)	4.65
Basic earnings per share, discontinued operations (in euros)	21.2	0.05	0.02
Diluted earnings per share, discontinued operations (in euros)	21.3	0.05	0.02
Basic earnings per share (in euros)	21.2	(0.61)	4.70
Diluted earnings per share (in euros)	21.3	(0.61)	4.68

The accompanying notes form an integral part of these consolidated financial statements.

Comprehensive income statement

(in million euros)	31 December 2019	31 December 2018
Consolidated net profit	**(50.2)**	**389.1**
Actuarial gains and (losses) on defined benefit plans, net of taxes	(7.6)	7.6
Financial assets at fair value through other items of comprehensive income (OCI), net of taxes	(6.4)	(3.7)
Other items of comprehensive income that will not be reclassified to the income statement	**(14.0)**	**3.8**
Revaluation of financial derivatives for hedging, net of taxes	(1.0)	(18.1)
Foreign exchange differences, net of taxes	59.8	4.3
Other items of comprehensive income likely to be reclassified to the income statement	**58.8**	**(13.7)**
Comprehensive income: Consolidated net profit (loss) and gains and (losses) recognized directly in equity	**(5.5)**	**379.2**
– Attributable to shareholders of Ipsen S.A.	(6.0)	379.6
– Attributable to non-controlling interests	0.5	(0.4)

The accompanying notes form an integral part of these consolidated financial statements.

3.2.2 Consolidated balance sheet before allocation of net profit

(in million euros)	Notes	31 December 2019	31 December 2018
ASSETS			
Goodwill	12	632.6	395.6
Other intangible assets	13	1,383.2	1,011.9
Property, plant & equipment	14 & 15	679.3	474.5
Equity investments	16	64.9	65.2
Investments in companies accounted for using the equity method	17	18.8	15.5
Non-current financial assets	18.1	27.7	92.9
Deferred tax assets	10.2	149.4	131.9
Other non-current assets	18.2	4.5	4.4
Total non-current assets		**2,960.4**	**2,191.8**
Inventories	19.2.1	214.0	198.5
Trade receivables	19.1	565.0	463.0
Current tax assets	19.1	22.8	47.7
Current financial assets	19.2.2	59.3	5.5
Other current assets	19.2.3	132.2	126.4
Cash and cash equivalents	20	353.3	344.5
Total current assets		**1,346.5**	**1,185.6**
TOTAL ASSETS		**4,306.9**	**3,377.4**

EQUITY AND LIABILITIES			
Share capital	21.1	83.8	83.8
Additional paid-in capital and consolidated reserves		1,656.1	1,366.0
Net profit (loss) for the period		(50.7)	389.5
Foreign exchange differences		61.8	1.8
Equity attributable to Ipsen S.A. shareholders		**1,751.0**	**1,841.1**
Equity attributable to non-controlling interests		2.0	2.3
Total shareholders' equity		**1,753.1**	**1,843.4**
Retirement benefit obligation	5.3.2.2	60.7	63.8
Non-current provisions	22	30.5	44.5
Non-current financial liabilities	23	854.7	386.0
Def erred tax liabilities	10.2	107.7	19.7
Other non-current liabilities	19.2.4	47.8	61.0
Total non-current liabilities		**1,101.4**	**574.9**
Current provisions	22	9.1	21.1
Current financial liabilities	23	609.5	184.2
Trade payables	19.1	508.5	379.8
Current tax liabilities	19.1	13.7	11.4
Other current liabilities	19.2.4	297.4	329.0
Bank overdrafts	20	14.3	33.6
Total current liabilities		**1,452.5**	**959.2**
TOTAL EQUITY & LIABILITIES		**4,306.9**	**3,377.4**

The accompanying notes form an integral part of these consolidated financial statements.

3.2.3 Consolidated statement of cash flow

(in million euros)	Notes	31 December 2019	31 December 2018
Consolidated net profit		**(50.2)**	**389.1**
Share of profit (loss) from companies accounted for using the equity method	17	0.9	(0.2)
Net profit (loss) before share from companies accounted for using the equity method		**(49.3)**	**388.9**
Non-cash and non-operating items			
– Depreciation, amortization, provisions	6.1	161.2	142.6
– Impairment losses included in operating income and net financial income	6.1 & 6.2	670.7	15.0
– Change in fair value of financial derivatives		(11.0)	(2.0)
– Net gains or losses on disposals of non-current assets		3.7	4.8
– Unrealized foreign exchange differences		(7.2)	(6.5)
– Change in deferred taxes	10.2	(130.6)	19.2
– Share-based payment expense		15.8	12.8
– Other non-cash items	9	(46.0)	(1.1)
Cash flow from operating activities before changes in working capital requirement		***607.3***	***573.8***
– (Increase)/decrease in inventories	19.1	(25.6)	(29.8)
– (Increase)/decrease in trade receivables	19.1	(79.9)	(29.0)
– Increase/(decrease) in trade payables	19.1	98.4	62.4
– Net change in income tax liability	19.1	30.4	26.5
– Net change in other operating assets and liabilities	19.1	(2.8)	(33.0)
Change in working capital requirement related to operating activities		***20.4***	***(2.9)***
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		**627.7**	**570.9**
Acquisition of property, plant & equipment	14 & 15	(144.5)	(107.4)
Acquisition of intangible assets	13.1	(136.1)	(180.1)
Proceeds from disposal of intangible assets and property, plant & equipment		0.6	3.2
Acquisition of shares in non-consolidated companies		(10.6)	(30.2)
Payments to post-employment benefit plans	5.3.2.6	(10.0)	(1.2)
Impact of changes in the consolidation scope		(817.2)	(7.4)
Change in working capital related to investment activities	19.1	(36.8)	49.6
Other cash flow related to investment activities		(2.7)	(0.8)
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES		**(1,157.3)**	**(274.3)**
Additional long-term borrowings	23	286.3	0.9
Repayment of long-term borrowings	23	(0.6)	(3.9)
Net change in short-term borrowings	23	357.7	(107.3)
Capital increase		0.1	2.6
Treasury shares		(16.8)	(10.3)
Dividends paid by Ipsen S.A.	21.5	(83.2)	(83.0)
Dividends paid by subsidiaries to non-controlling interests		(0.3)	(0.5)
Change in working capital related to financing activities		6.7	(0.7)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		**550.0**	**(202.2)**
CHANGE IN CASH AND CASH EQUIVALENTS		**20.4**	**94.4**
OPENING CASH AND CASH EQUIVALENTS	20	**310.9**	**209.3**
Impact of exchange rate fluctuations		7.7	7.3
CLOSING CASH AND CASH EQUIVALENTS	20	**339.0**	**310.9**

The accompanying notes form an integral part of these consolidated financial statements.

3.2.4 Statement of change in consolidated shareholders' equity

(in million euros)	Share capital	Share premiums	Consolidated reserves[2]	Foreign exchange differences	Reserves related to retirement benefit obligations	Cash flow hedge reserves	Treasury shares	Net profit (loss) for the period	Total Group equity	Equity attributable to non-controlling interests	Total equity
Balance at 31 December 2018	**83.8**	**741.7**	**716.2**	**1.8**	**(25.1)**	**(3.4)**	**(63.3)**	**389.5**	**1,841.1**	**2.3**	**1,843.3**
Consolidated net profit (loss)								(50.7)	(50.7)	0.5	(50.2)
Gains and (losses) recognized directly in equity[1]			(6.4)	59.7	(7.6)	(1.0)			44.7	0.1	44.8
Consolidated net profit (loss) and gains and losses recognized directly in equity	**–**	**–**	**(6.4)**	**59.7**	**(7.6)**	**(1.0)**	**–**	**(50.7)**	**(6.0)**	**0.5**	**(5.5)**
Allocation of net profit (loss) from the prior period			389.5					(389.5)	0.0		0.0
Capital increases (decreases)	0.0	0.1	(0.0)				–		0.1		0.1
Share-based payments			8.2				7.4		15.6		15.6
Own share purchases and disposals							(16.6)		(16.6)		(16.6)
Dividends			(83.2)						(83.2)	(0.3)	(83.5)
Change in consolidation scope			0.0						0.0	(0.5)	(0.4)
Other changes			(0.3)	0.3					0.0	–	0.0
Balance at 31 December 2019	**83.8**	**741.9**	**1,024.0**	**61.8**	**(32.8)**	**(4.5)**	**(72.5)**	**(50.7)**	**1,751.0**	**2.0**	**1,753.1**

(1) Detailed in the note "Comprehensive income statement".
(2) The main sources of consolidated reserves were as follows:
- Reserves on financial assets at fair value;
- Retained earnings.

(in million euros)	Share capital	Share premiums	Consolidated reserves[3]	Foreign exchange differences	Reserves related to retirement benefit obligations	Cash flow hedge reserves	Treasury shares	Net profit (loss) for the period	Total Group equity	Equity attributable to non-controlling interests	Total equity
Balance at 31 December 2017	**83.7**	**739.1**	**534.8**	**(2.3)**	**(32.7)**	**14.6**	**(84.1)**	**272.3**	**1,525.4**	**10.5**	**1,535.9**
First-time application of IFRS 15 – Revenue from Contracts with Customers (see note 3.2.1)	–	–	14.0	–	–	–	–	–	14.0	–	14.0
Balance at 1 January 2018	**83.7**	**739.1**	**548.8**	**(2.3)**	**(32.7)**	**14.6**	**(84.1)**	**272.3**	**1,539.4**	**10.5**	**1,549.9**
Consolidated net profit (loss)	–	–	–	–	–	–	–	389.5	389.5	(0.4)	389.1
Gains and (losses) recognized directly in equity[1]	–	–	(3.7)	4.3	7.6	(18.1)	–	–	(9.8)	(0.0)	(9.9)
Consolidated net profit (loss) and gains and losses recognized directly in equity	**–**	**–**	**(3.7)**	**4.3**	**7.6**	**(18.1)**	**–**	**389.5**	**379.6**	**(0.4)**	**379.2**
Allocation of net profit (loss) from the prior period	–	–	272.3	–	–	–	–	(272.3)	–	–	–
Capital increases (decreases)	0.1	2.6	0.0	–	–	–	0.0	–	2.7	–	2.7
Share-based payments	–	–	(18.3)	–	–	–	43.5	–	25.2	–	25.2
Own share purchases and disposals	–	–	–	–	–	–	(22.8)	–	(22.8)	–	(22.8)
Dividends	–	–	(83.0)	–	–	–	–	–	(83.0)	(0.4)	(83.4)
Other changes [2]	–	–	0.2	(0.2)	–	–	–	–	(0.1)	(7.5)	(7.5)
Balance at 31 December 2018	**83.8**	**741.7**	**716.2**	**1.8**	**(25.1)**	**(3.4)**	**(63.3)**	**389.5**	**1,841.1**	**2.3**	**1,843.3**

(1) Detailed in the note "Comprehensive income statement".
(2) The decline in minority interests resulted from the acquisition of the outstanding shares of Akkadeas Pharma S.R.L.'s capital not already owned..
(3) The main sources of consolidated reserves were as follows:
- reserves on financial assets at fair value;
- translation reserves;
- retained earnings.

The accompanying notes form an integral part of these consolidated financial statements.

3.2.5 Notes

Note 1 Significant events and transactions during the period having an impact on the consolidated financial statements at 31 December 2019

1.1 Palovarotene

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

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

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

On 6 December 2019, Ipsen announced, following discussions with the U.S. Food and Drug Administration (FDA), that a partial clinical hold effective immediately, for the pediatric population under the age of 14 was issued for studies conducted under IND120181 and IND135403 evaluating the investigational drug candidate palovarotene for the chronic treatment of fibrodysplasia ossificans progressiva (FOP) and multiple osteochondromas (MO), respectively. The partial clinical hold applies to the pediatric population (patients under the age of 14 years) currently participating in the Phase 2 (PVO-1A-202/204 and PVO-2A-201) and Phase 3 (PVO-1A-301) studies in all clinical sites at global level. The FDA is allowing the studies to continue to treat patients 14 years of age and older.

On 24 January 2020, Ipsen announced the decision to pause dosing patients in the global Phase III (PVO-1A-301) study designed to evaluate the efficacy and safety of palovarotene in patients with fibrodysplasia ossificans progressiva (FOP), as well as the ongoing Phase II (PVO-1A-202/204) extension studies.

Despite the results of the prespecified interim analysis, signals of encouraging therapeutic activity were observed in preliminary *post-hoc* analyses of the Phase III trial and shared with and acknowledged by the IDMC which is recommending not to discontinue the study.

Ipsen has also paused dosing patients in the trials and conducted further assessment of the complete data set. Based on the IDMC's observations and recommendations, Ipsen will discuss these findings with regulatory authorities to determine the path forward for the palovarotene program in FOP.

Therefore, Ipsen recognized an impairment loss of €668.8 million on the intangible asset of Palovarotene. Deferred tax liabilities have been revised along with the impairment, positively impacting income taxes by €177.2 million.

Moreover, the fair value of Contingent Value Rights (CVR) and other contingent liabilities have been reviewed considering the reassessment of probability of success of the indications and timing of triggering events. The Group recognized a financial gain of €114.6 million.

Deferred tax assets have been written-off given the limited probability of recoverability within 5 years, negatively impacting income taxes by €71.9 million.

As of December 31, 2019, the remaining Ipsen's risk exposure to palovarotene amounts to €177.1 million.

1.2 Exclusive global license agreement for the development and commercialization BLU-782

On 16 October 2019, Ipsen and Blueprint Medicines Corporation announced that Ipsen, through its subsidiary Clementia Pharmaceuticals, and Blueprint Medicines have entered into an exclusive, worldwide license agreement for the development and commercialization of BLU-782, an oral, highly selective investigational ALK2 inhibitor being developed for the treatment of fibrodysplasia ossificans progressiva (FOP).

Subject to the terms of the license agreement, Blueprint Medicines will be eligible to receive up to $535 million in upfront, milestone and other payments, including an upfront cash payment of $25 million and up to $510 million in potential milestone payments related to specified development, regulatory and sales-based milestones for licensed products in up to two indications, including FOP, and royalties.

1.3 Reclassification of Ipsen shares held by Mayroy

On 5 November 2019, the Board of Directors of Ipsen took note of the proposed demerger of Mayroy and the internal reclassification of its Ipsen shares, resulting in a request for a waiver to the obligation to file a public offer. On the same day, this project was announced by Mayroy, controlling shareholder of Ipsen.

The family shareholdings controlling Ipsen will remain unchanged following these operations, with the ongoing pre-eminence of the concert formed by Anne and Henri Beaufour.

1.4 Departure of David Meek as Chief Executive Officer

On 18 December 2019, Ipsen announced that David Meek has resigned as the company's Chief Executive Officer and will step down from the Board of Directors, effective 31 December 2019.

The Board has decided to appoint Aymeric Le Chatelier, currently Chief Financial Officer as Interim CEO to replace David Meek as of 1 January 2020.

Note 2 Changes in the scope of consolidation

2.1 2019

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

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

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

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

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

The Clementia Pharmaceuticals France S.A.R.L. company, part of the acquisition and 100% Clementia Pharmaceuticals Inc.'s subsidiary was dissolved at 31 December 2019.

At 30 November 2019, Sutrepa S.A.S. was wound up after its assets were transferred to Ipsen Pharma S.A.S. As a consequence, Sutrepa S.A.S. does not longer exist in the consolidation scope 31 December 2019.

2.2 2018

During the 2018 financial year, the Group established subsidiaries in Hungary, the Czech Republic, Romania, Kazakhstan, and Algeria. At 31 December 2018, the ownership percentage in the Algerian subsidiary came to 49%, and the interest was fully consolidated following an evaluation of the Group's control over the subsidiary, in accordance with IFRS 10. The Romanian and Kazakh subsidiaries are 100% owned and were fully consolidated in the 2018 financial statements. The Hungarian and Czech subsidiaries are 100% owned but were not consolidated owing to their insignificant size at 31 December 2018.

Socapharma S.A.S., not previously consolidated, was renamed Ipsen Consumer Healthcare S.A.S. and was fully consolidated at 31 December 2018.

Olisapharm S.A.S., not previously consolidated, was renamed Ipsen PharmSciences S.A.S. and was fully consolidated at 31 December 2018.

During the 2018 financial year, the Group's interest in Akkadeas Pharma S.R.L. was increased from 49% to 100%.

Note 3 Accounting principles and methods, and compliance statement

Preliminary remarks:

- all amounts are expressed in millions of euros, unless otherwise stated;
- the closing date of the consolidated financial statements is 31 December of each year. Individual statements incorporated into consolidated statements are prepared at the closing date of the consolidated statements, *i.e.* 31 December, and cover the same period;
- the Group's consolidated financial statements were approved by the Board of Directors on 12 February 2020 and will be submitted for approval at the Shareholders' Meeting scheduled for 29 May 2020.

3.1 General principles and compliance statement

The main accounting methods used to prepare the consolidated financial statements are described below. Unless otherwise stated, these methods were used consistently for all financial years presented.

In compliance with European regulation n°1606 / 2002 adopted on 19 July 2002 by the European Parliament and the European Council, the Group's consolidated financial statements for the year ending 31 December 2019 were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union on the date of preparation of these consolidated financial statements. The IFRS as endorsed by the European Union differ in certain aspects from the IFRS published by the IASB.

International accounting standards include International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), as well as the interpretations issued by the Standing Interpretations Committee (SIC), and the International Financial Reporting Standards Interpretations Committee (IFRS IC).

All the texts adopted by the European Union are available on the European Commission's website: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-endorsement-process.

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

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

- IFRS 16 – Leases;

- IFRIC 23 – Uncertainty over Income Tax Treatments;
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation;
- Amendments to IAS 28 – Long Term Interests in Associates and Joint Ventures;
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement;
- Annual Improvements – 2015-2017 Cycle.

Consequences of IFRS 16 - Leases and IFRIC 23 – Uncertainty over Income Tax Treatments on the Group's financial statements are described in notes 3.2.1 and 3.2.2. The review of the other amendments or annual improvements applicable as of 1 January 2019 showed that their application had a non-material impact on the Group's financial statements.

3.2.1 Application of IFRS 16 – Leases

IFRS 16 standard, effective from 1 January 2019, replaces IAS 17 standard and establishes accounting principles applicable for the recognition, measurement, presentation and disclosures of leases contracts. The main impact of the standard on the Group's financial statements results in the introduction of a single accounting model for the lessee, leading to the recognition of assets and liabilities arising from lease contracts. IAS 17 - Leases remains applicable to comparative data for 2018 financial year.

In line with IAS 17, most lease contracts were previously classified as operating leases. When IFRS 16 has been first applied, those contracts have been recognized in the balance sheet (i) as a right of use on one hand (ii) as a debt on the other hand corresponding to future lease payments.

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

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

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

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

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

IFRS 16 transition led to an increase in tangible assets recognized as a right of use as of 1 January 2019 for €169.4 million and to an increase in financial liabilities of €188.2 million. The impact on the Operating Income reached a profit of €4.3 million as at 31 December 2019; the impact on the Consolidated net profit reached a loss of €1.4 million.

The impact of the first IFRS 16 application has also been taken into account to perform Group's impairment tests. The modification of the accounting approach applied to those contracts had no impact on the impairment tests results.

For 2019 financial statement, the methodology developed to realize impairment tests has been amended as follows:

- rights of use and liabilities on lease payments have respectively been included and excluded of the net book value of the cash generating units;
- the impact of the first application of IFRS 16 has been taken into consideration in the estimated future cash flows and on the weighted average capital cost (WACC).

3.2.2 Application of IFRIC 23 – Uncertainty over Income Tax Treatment

IFRIC 23 interpretation, effective from 1 January 2019, clarifies how to apply IAS 12 – Income taxes and how to account for and measure income tax uncertainties, when an uncertainty exist on the way to account for income tax.

This interpretation had no impact on Group's current and differed tax assessment. Applying the September 2019 IFRS IC decision, the provision for income tax uncertainties has been reclassified as a differed tax liability as of 31 December 2019.

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

The Group did not opt for early adoption of the standards, amendments and interpretations endorsed by the European

Union for which the application was not mandatory on 1 January 2019, namely:

- Amendments to IAS 1 and IAS8 – Definition of Material;
- Amendments to References to the Conceptual Framework in IFRS;
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7.

A review of these amendments was under way by the Group at the close of the 2019 consolidated financial statements.

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

3.4.1 IASB publications not yet endorsed by the European Union

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

- Amendments to IFRS 3 – Business Combinations – Definition of a Business;
- IFRS 17 – Insurance Contracts.

A review of these standards, amendments and interpretations was under way by the Group at the close of the 2019 consolidated financial statements.

3.4.2 IASB publications following the closing date

Standards and interpretations published by the IASB since the closing date and before the approval of the consolidated financial statements are listed below.

- Amendments to IAS 1 – Classification of liabilities as current or non current.

3.5 Measurement bases used in preparing the consolidated financial statements

The consolidated financial statements were prepared using the historical cost principle, with the exception of certain asset and liability classes in accordance with IFRS. The related classes are described in the notes below.

3.6 Use of estimates

To prepare its financial statements in accordance with international financial reporting standards, the Group is required to make estimates and uses certain assumptions likely to impact the carrying value of assets and liabilities, shareholders' equity, income and expense items, and information provided in the notes to the financial statements.

Management has regularly made these estimates and assumptions on the basis of its past experience and other factors deemed reasonable. Changing assumptions, in particular as a result of the economic or financial environment, which could weaken some of the Group's partners and make it difficult to estimate future outlook, could ultimately lead to different amounts.

The estimates were made based on information available at the closing date, after taking into account post closing events.

The main material estimates made by management concern employee benefits (see note 5), any impairment of goodwill (see note 12) or intangible assets (see note 13), deferred tax asset assessments (see note 10), and provisions (see note 21).

3.7 Consolidation methods

Subsidiaries controlled by the Group are fully consolidated.

Companies controlled jointly with one or several outside partners are either consolidated as a joint venture using the equity method, or as a joint operation, whereby Ipsen recognizes its assets and liabilities proportionally to its rights and obligations in the arrangement, in accordance with the provisions under IFRS 11.

An associated company is an entity in which the Group has significant influence over the entity's financial and operating policy decisions but without control or joint control. A joint venture is an arrangement in which the Group has joint control and rights over the arrangement's net assets but no direct rights on its assets or obligations arising from its liabilities.

Companies over which the Group exercises significant influence are accounted for using the equity method.

If the accounting methods used by subsidiaries, joint operations, joint ventures, and companies accounted for using the equity method do not comply with those used by the Group, all necessary changes are made to ensure that the financial statements of those companies are compatible with the Group's accounting principles. Transactions between consolidated companies and intra-group results are eliminated.

Investments in companies that are not consolidated are recognized as equity investments.

3.8 Business combinations

Business combinations are accounted for using the purchase method. The cost of an acquisition is based on the fair value of the assets acquired, instruments of equity issued, and liabilities incurred or assumed from the previous owners at the date of the combination. The costs directly attributable to the combination are accounted for as "Other operating expenses" in the period during which they are incurred.

On first-time consolidation of an exclusively controlled company, identifiable assets and liabilities are valued at their fair value except exceptions specifically provided for by IFRS 3 – Business Combinations.

Goodwill recorded in the consolidated balance sheet is the difference between:

- the total amount of the following elements:
  - the cost of acquisition at the date when control is obtained;
  - the total of non-controlling interests in the acquired company determined either at fair value at the acquisition date (full goodwill method), or on the basis of their share in the fair value of the identifiable net assets acquired and liabilities assumed (partial goodwill method). This option

is reviewed by the Group on a transaction-by-transaction basis;

- for business combinations achieved in stages, the fair value at the acquisition date of the share held by the Group before the date when control is obtained;
- and the estimated impact of any adjustments in the acquisition costs, such as earnout payments. These contingent considerations are measured by applying the criteria set out in the purchase agreement, such as sales and earnings targets, to forecasts deemed to be highly probable. The contingent considerations are then re-measured at each closing date, with any changes recognized on the income statement after the acquisition date (including the one-year period following the acquisition date, as long as they do not result from existing facts and circumstances at the transaction date). They are discounted over their useful life if the impact is material. Any discounting adjustments to the carrying amount of the liability are recognized in *"Other financial income and expense"*;

- and the net amount of identifiable assets acquired and identifiable liabilities assumed, measured at their fair value at the acquisition date.

If the values of the assets and liabilities are recognized on a provisional basis, adjustments resulting from facts and circumstances existing at the transaction date and made within one year from the acquisition date, are adjusted retrospectively, in accordance with IFRS 3 – Business Combinations.

After initial recognition, goodwill is tested for impairment at least once a year and whenever there is an indication that it may be impaired (see note 3.15).

In the case of companies accounted for using the equity method, goodwill is included in the amount invested in companies accounted for using the equity method. The costs directly attributable to the combination are included in the assessment of the investment acquisition price.

When the acquisition price is below the fair value of the Group's share in the identifiable assets acquired and liabilities assumed from the acquired subsidiary, the difference is recognized directly in revenue on the income statement.

3.9 Operating segments

In accordance with IFRS 8 – Operating segments, reported segment information is built on the basis of management data used for business performance analysis and for allocation of resources by the "chief operating decision maker", *i.e.* the Executive Leadership Team.

The Group's two operating segments are Specialty Care and Consumer Healthcare. Only general and administrative expenses and the impact of cash flow hedges are not allocated to the two operating segments.

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

Core operating income excludes amortization expense for intangible assets (excluding software), restructuring costs, impairment losses on intangible assets and property, plant and equipment, as well as other items arising from significant events that could distort the reading of the Group's performance from one year to another. The reconciliation of Core operating income and operating income is presented in note 4.1.

These performance indicators are not substitute to IFRS indicators and should not be viewed as such. They are used in addition to IFRS indicators. Although used by the Executive Leadership Team as important factors for setting targets and measuring the Group's performance, these indicators are not required nor defined by IFRS.

As internal performance measures, these operational indicators have limitations, and management of the Group's performance is not limited solely to these indicators.

3.10 Translation of financial statements in foreign currencies

Ipsen's consolidated financial statements are denominated in euros. In compliance with IAS 21, the assets and liabilities of subsidiaries whose functional currency is not the euro are translated at the exchange rates prevailing on the closing date. No Group entity operates in a hyper-inflationary economy. Their income statements and the items in their statements of cash flows are translated at the average rate for the year, which approximates, in absence of any significant fluctuations, the prevailing exchange rate at the date of the different transactions. The same applies to the components of the cash-flow statement.

Exchange differences are transferred to the cumulative translation reserve, which forms an integral part of shareholders' equity, and to non-controlling interests for the share attributable to third parties. These differences arise from:

- any difference between the rates used for the opening and closing balance sheets arising from exchange rate differences;
- any difference between the year's average rate and closing rate.

Goodwill and fair value adjustments arising upon acquisition of a foreign entity are treated as assets and liabilities of the foreign entity. Accordingly, they are expressed in the entity's functional currency and translated at the rate prevailing on the closing date.

During consolidation, exchange differences due to the translation of net investments in businesses abroad and of loans and other exchange instruments designated as hedging instruments for these investments are recognized in equity. When a foreign entity is disposed of, these translation differences, initially treated as equity, are recognized in profits or losses on disposals.

3.11 Translation of receivables, payables, transactions, and flows denominated in foreign currencies

Receivables and payables denominated in foreign currencies are initially translated at the exchange rates prevailing on

the transaction date and then revalued at the closing rates prevailing on the reporting date.

Exchange differences on monetary assets denominated in foreign currencies are recognized in the income statement.

Exchange differences arising from the elimination of foreign currency transactions between fully consolidated companies are transferred to the cumulative translation reserve under shareholders' equity and to non-controlling interests for the share attributable to third parties, to eliminate their impact on consolidated results. Exchange differences arising from foreign currency cash flow movements between fully consolidated companies are accounted for under a separate line item in the consolidated statement of cash flows.

3.12 Other intangible assets (excluding goodwill)

"Other intangible assets" are accounted for at acquisition price or fair value for business combinations, less cumulative amortization and any impairment losses.

An asset's useful life is the period of time over which the Group expects to use that asset. Intangible assets with a defined useful life are amortized over a period corresponding to useful lives estimated by the Group. Amortization periods are determined on a case-by-case basis depending on the type of asset concerned. Rights on products commercialized by the Group are amortized on a straight-line basis for the duration of their useful lives. Useful life is determined based on cash flow forecasts that take into account the underlying patent-protection period, among other factors.

Intangible assets with an indefinite useful life are not amortized, but are systematically tested annually for impairment (see note 3.15).

The accounting treatment of research and development expenses for internally generated intangible assets and for research and development work acquired separately is described in note 3.29.

Acquired patents are recognized as intangible assets at acquisition price, or at fair value for business combinations, and amortized over their period of economic use, which does not exceed the period of protection.

The development costs of software developed internally are identified as intangible assets as soon as they comply with the criteria defined in IAS 38 - Intangible Assets. Such expenses include mainly the salaries of personnel involved in the project and the fees of external consultants. They are amortized on a straight-line basis over the duration of their useful lives.

Software licenses acquired under a SaaS distribution model (Softaware as a Service) are recognized in the Income Statement and are not recognized as an intangible asset or a lease contract.

Acquired software licenses are amortized on a straight-line basis over the duration of their useful lives (from 1 to 10 years).

Identified rights regarding intellectual property are amortized on a straight-line basis over the estimated duration of their useful lives, which in practice is between 8 and 20 years. These useful life periods vary depending on cash flow forecasts, which are based on the underlying patent-protection period.

Impairment losses on intangible assets are reported together with losses on property, plant and equipment, and losses on goodwill in a specific line item on the income statement.

The gains and losses on disposals of assets are determined by comparing disposal value with the carrying value of the disposed asset.

3.13 Property, plant & equipment

Property, plant and equipment items are accounted for at acquisition price, at fair value for business combinations, or at production cost less cumulative depreciation and any impairment loss.

Subsequent costs are included in the asset's carrying value, or, if applicable, they are recognized as a separate asset if the future economic benefits associated with the asset are likely to go to the Group, and the cost of the asset can be measured reliably.

Depreciation is usually calculated on a straight-line basis over the assets' estimated useful lives. Fixtures and fittings related to lease assets have their lease term determined in consistency with the term of the lease contract itself. Some industrial assets are depreciated based on production volumes.

Estimated useful lives are as follows:

- Buildings, fixtures and fittings 5 to 30 years
- Industrial plant & equipment 5 to 10 years
- Other property, plant and equipment 3 to 10 years

Land is not depreciated.

Residual values and the duration of the assets' useful lives are revised and, if applicable, adjusted at each closing.

The carrying value of an asset is depreciated immediately to bring it back to its recoverable amount when the asset's carrying value is greater than its estimated recoverable amount (see note 3.15).

Impairment losses on property, plant and equipment are reported together with losses on intangible assets and losses on goodwill in a specific line item on the income statement.

The gains and losses on disposals of assets, included in other operating income and expenses, are determined by comparing disposal value with the carrying value of the disposed asset.

3.14 Leases

3.14.1 IFRS 16 - Lease application from 1 January 2019

In line with IFRS 16 standard applicable from 1 January 2019, lease contracts have been accounted for applying a single recognition model that led to the recognition of an asset, the

'right of use'. Leases have been booked in "tangible assets" and lease liabilities have been broken down and booked in current and non-current financial liabilities (see note 3.2.1).

In line with the standard, Ipsen applies IFRS 16 provisions to all lease contracts except low value and short term (less than twelve months) lease contracts. Payments related to contracts (rents) benefiting from the exemption are recognized as operating expenses.

3.14.2 Application of IAS 17 - Lease to 2018 Financial Statements

The transition method elected for the first application of IFRS 16 is the simplified retrospective method. 2018 comparative data have not been accordingly adjusted. The standard applicable to previous years Financial Statements is IAS 17 standard – Lease. Different accounting treatments apply depending on the nature of the contract which can whether be an operating lease or a finance lease.

3.14.2.1 Finance leases

Assets acquired under finance leases are capitalized when the lease contract transfers to the Group substantially all risks and rewards incidental to ownership. Criteria used to assess whether a contract should be classified as a finance lease include:

- the term of the lease compared with the useful life of the asset;
- total discounted future lease payments compared with the fair value of the asset financed;
- whether or not ownership of the asset is transferred at the end of the lease term;
- the existence of a purchase option favorable to the lessee;
- the specific nature of the asset leased.

Leased assets capitalized as finance leases are depreciated over the shorter of their estimated useful lives or the term of the lease contract.

3.14.2.2 Operating leases

Operating leases are lease contracts that are not classified as finance leases. Rental payments are recorded as expenses in the income statement on a straight-line basis.

3.15 Impairment of assets

3.15.1 Type of asset tested

Goodwill and intangible assets with an indefinite useful life (such as intangible rights acquired from a third party for drugs not yet commercialized) are tested for impairment in accordance with IAS 36 – Impairment of Assets, at least once a year and whenever there is an indication that the asset may be impaired.

Indicators of impairment loss can be related namely to the success of successive phases of clinical trials, to pharmacovigilance, to patent protection, to the arrival of competing products and/or generics and the comparison between actual and forecast sales.

3.15.1.1 Goodwill

For impairment testing purposes, starting from the acquisition date, goodwill acquired under a business combination is allocated to one of two of the Group's cash generating units (Specialty care and Consumer Healthcare).

Goodwill arising from the acquisition of a company accounted for using the equity method is included in the carrying amount of the investment and is not separately recognized, in accordance with IAS 28 – Investments in Associates and Joint Ventures. As a consequence, it is not tested for impairment separately, as described in IAS 36 – Impairment of Assets. The full carrying amount of the investment, including goodwill, is tested for impairment. In line with paragraph 23 of IAS 28 – Investments in Associates and Joint Ventures, appropriate adjustments to the Group's share of the profits or losses after acquisition of companies accounted for using the equity method are made for impairment losses related to goodwill and intangible assets.

3.15.1.2 Intangible assets with an indefinite useful life

Intangible assets with an indefinite useful life *i.e.* mainly intellectual property rights and licenses to use intellectual property rights, are tested annually for impairment and whenever there is an indication that an asset may be impaired.

3.15.1.3 Intangible assets with a finite useful life

Intangible assets with a finite useful life are tested annually for impairment and whenever events or changed circumstances indicate that an asset may be impaired.

3.15.1.4 Tangible fixed assets and long-term financial assets

Other non-current assets, including tangible fixed assets and long-term financial assets, are also tested for impairment when events or changed circumstances indicate that an asset may be impaired in line with IAS 36 – Impairment and IFRS 9 – Financial Instruments.

3.15.2 Impairment tests – methods used by the Group

Impairment tests consist of comparing an asset's carrying value (asset groups or cash-generating units) with its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use.

Value in use is the present value of the future cash flows expected to be derived from continuing use of the asset, group of assets or cash-generating unit and its ultimate disposal.

Fair value less selling costs is the amount obtainable from the sale of the asset, group of assets or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Impairment tests are carried out annually or whenever an event indicates that an asset may be impaired.

3.15.2.1 Goodwill

Regarding goodwill, the Group calculates recoverable amounts of cash-generating units from their value in use. This is determined by discounting their estimated future cash flows to present value. These cash flow estimates are

based on five-year or, if warranted, longer estimates and are made for each operating segment (*i.e.* Specialty Care and Consumer Healthcare) by the Group's operating entities. In addition, tests are performed to assess the sensitivity of the recoverable amount of cash-generating units or groups of cash-generating units to changes in certain assumptions, primarily to the discount rate (range +/- 1%), sales growth (range -1% to -2%) and the long-term growth rate (range +/- 1%).

3.15.2.2 Intangible assets with an indefinite useful life

When it is not possible to estimate the recoverable amount of a particular fixed asset, the Group determines the recoverable amount of the cash-generating unit that holds it. More specifically, for an intangible right in the early development phase, the asset is tested for impairment only if an indication of loss of value arises between the date of its acquisition and the annual closing date.

3.15.2.3 Intangible assets with a finite useful life

For other intangible assets, the period taken into account for estimating anticipated cash flows is based on the economic life intrinsic to each intangible asset. When the economic life exceeds Group forecasts, the terminal value may be used. Tests are also performed to assess the sensitivity of the recoverable amount to changes in certain assumptions, primarily to the discount rate (range +/- 1%) and to sales growth (range -1% to -2%) and the long-term growth rate (range +/- 1%).

Cash flows are discounted to present value using the weighted average cost of capital of each cash-generating unit (Specialty Care and Consumer Healthcare), except in specific cases when additional risk premiums are taken into account based on the asset tested.

When the recoverable amount of an asset (or group of assets) or a cash-generating unit is lower than its carrying value, an impairment loss is recorded on a separate line in the income statement. When an impairment loss is identified for a cash-generating unit, it is deducted in priority from goodwill. Impairment losses on goodwill are not reversible.

Methods and key assumptions for impairment tests for the period ending on 31 December 2019 are presented for goodwill and intangible assets of indefinite useful life in notes 12 and 13 respectively.

3.16 Government grants

Government grants received by the Group are treated as deferred income and recognized in the income statement over the estimated useful lives of the assets financed by the grants.

3.17 Financial assets

A financial asset is an asset that meets the definition IAS 32 – Financial Instruments and can be cash (see note 3.20), an equity instrument of another entity, a contractual right to receive and exchange cash, or another equity instrument, or a contract that will or may be settled in the entity's own equity.

Financial assets, excluding cash and derivative financial assets used for hedging purposes, are classified in one of the three following categories:

- financial assets at amortized cost;
- financial assets at fair value through other items of comprehensive income;
- financial assets at fair value through profit or loss.

Financial assets are classified upon initial recognition based on the characteristics of their contractual cash flows and the Group's management model.

3.17.1 Financial assets at amortized cost

Financial assets at amortized costs consist mainly of Group-issued loans and receivables. The Group measures financial assets at amortized cost:

- if the asset is owned within a business model whose objective is to maintain assets for contractual cash flows;
- if its contractual conditions give rise to cash flows on set dates that are solely payments of principal and interest on the principal amount outstanding.

Interest income from financial assets is calculated according to the effective interest rate method. Upon initial recognition, financial assets at amortized costs are subject to impairment recognized in the income statement for the amount of the expected losses, and are subsequently measured each year. Gains and losses are recognized in the income statement whenever the asset is derecognized or modified.

The Group uses the expected loss model, as introduced by IFRS 9 – Financial Instruments, for its trade receivables. The impairment allowance for trade receivables is based on a historical loss rate observed over the three previous years on a receivable-by-receivable basis and adjusted for prospective events that take into account individualized credit risks and the economic forward looking of the relevant market.

3.17.2 Financial assets at fair value through other comprehensive income

Financial assets representative of debt instruments are measured at fair value through other comprehensive income when:

- they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and sell financial assets;
- the contractual conditions of the financial asset give rise to cash flows on set dates that are solely payments of principal and interest on the principal amount outstanding.

The Group does not hold any financial assets measured at fair value through other comprehensive income with the recycling of cumulative gains and losses.

Further, IFRS 9 provides an option to classify equity instruments irrevocably on an instrument-by-instrument basis as instruments measured at fair value though other

comprehensive income, as long as these instruments meet the IAS 32 definition of equity.

The Group opted to irrevocably classify its investments in non-consolidated companies in this category, as they are representative of equity instruments. They are measured at fair value through equity without later recycling gains or losses to the income statement. These financial assets are presented under "Equity investments". The associated dividends are recognized in the income statement.

3.17.3 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, assets designated upon initial recognition as financial assets at fair value through profit or loss, and other assets belonging to this category in accordance with the provisions of IFRS 9 – Financial Instruments.

At the reporting date, financial assets recognized at fair value through profit or loss consisted primarily of:

- short-term investments. These investments are held for trading and do not meet the definition of cash equivalents (as per IAS 7 – Statement of Cash Flows) but which nonetheless show limited volatility;
- interests owned by the Group in investment funds. The interests held in these funds do not meet the definition of equity instruments but do meet the definition of debt instruments instead;
- contingent milestone payments already recognized in the financial statements of an acquired entity or resulting from a business combination.

Financial assets recognized at fair value through profit or loss are accounted for as an asset in the balance sheet for their fair value amount. Changes in fair value are recognized in the income statement.

3.17.4 Fair value of financial instruments

The financial instruments held by the Group are measured at fair value. These include such instruments as derivative instruments, listed and unlisted financial assets and variable payments recognized as part of business combinations.

For investments in listed equity instruments, fair value is the quoted market price. For investments in unlisted equity instruments, fair value is determined by reference to recent market transactions or using a valuation technique that provides reliable and objective price estimates in line with those used by other players active in the market.

3.18 Non-current assets held for sale and discontinued operations

A non-current asset, or group of assets and liabilities, is classified as held for sale if its carrying value will be recovered principally through a sale transaction rather than through continuing use. The asset or disposal group must be available for immediate sale and the sale must be highly probable.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active program to locate a buyer and complete the plan must be initiated.

An operation is classified as discontinued if it is a business, which the Group has sold or is classified as held for sale, and:

- which represents a principal and distinct business line or geographic region;
- is part of a specific and coordinated plan for disposal of a principal and distinct business line or geographic region; or
- is a subsidiary acquired exclusively for resale.

3.19 Inventories

Inventories are carried at the lower of cost and net realizable value. The internal cost price is determined using the weighted average cost method.

Net realizable value is the estimated selling price in the normal course of business, less the estimated costs necessary to make the sale.

The cost of finished goods includes all purchasing costs, transformation costs and other costs incurred in bringing inventories to their present location and current condition.

3.20 Cash and cash equivalents

Cash includes cash on hand and demand deposits with banks.

Cash equivalents include term deposits, short-term, highly liquid investments (with a maturity of less than three months), and are subject to an insignificant risk of changes in value in the event of interest rate variations.

Cash equivalents are classified as financial assets at fair value held for transactions. They are measured at fair value and any changes are recognized in the income statement. Given the nature of these assets, their fair value is generally close to their net carrying value.

3.21 Stock option plans

Stock options and bonus share plans are awarded to executive officers and some employees of the Group. As required by IFRS 2 – Share-based Payments, these options and shares are measured at their fair value on the date of grant. The fair value is calculated with the most relevant formula regarding the settlement and the conditions of each stock options plan or share award ("Black and Scholes" or "Monte Carlo"). The fair value is recorded in personnel expenses (allocated by function in the income statement) on a straight-line basis over the vesting period (period from the date of grant to maturity of the plan) with a corresponding increase in equity.

At each closing date, the Group re-examines the number of options likely to become exercisable and the number of shares likely to be awarded. If applicable, the impact of the review of the estimates is recognized in the income statement with a corresponding adjustment in equity.

3.22 Retirement benefit obligations

3.22.1 Post-employment benefits

Depending on the laws and practices of the countries where the Group operates, employees may be entitled to compensation when they retire or to a pension following their retirement.

The liability corresponding to the employees' vested rights is covered by:

- contributions to independent organizations (insurance companies) responsible for paying the pensions or other benefits; or
- balance sheet provisions.

For State-managed plans and other defined contribution plans, the Group records them as expenses when they become payable, the Group's commitment being limited to its contributions.

For defined benefit plans, the Group's liability is estimated by external actuaries using the projected unit credit method. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each unit is valued separately to obtain the final obligation.

The final amount of the liability is then discounted. The main assumptions used to calculate the liability are:

- discount rate;
- inflation rate;
- future salary increases;
- employee turnover.

3.22.2 Other employee benefits

In some countries, employees are entitled to awards for long service. The Group records a provision in the balance sheet to cover its liability in this respect.

3.23 Provisions

Provisions are recognized in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets to cover all liabilities to third parties that are not financial guarantees or commitments but are likely or certain to give rise to an outflow of resources embodying economic benefits, provided the amount of the provision can be reliably estimated. These provisions are estimated on the basis of the most likely assumptions at the closing date.

In the case of restructurings, a liability is recorded as soon as the restructuring has been announced and the Group has drawn up or started to implement a detailed restructuring plan.

Provisions are discounted if the time value is material. The discount rate reflects current market assessments of the time value of money and the risks inherent to the liability. The provision increase resulting from the restatement at historical value is recorded as a financial expense.

3.24 Financial liabilities

Financial liabilities consist of loans and are initially recognized at their fair value. Subsequently they are measured at amortized cost using the effective interest rate method.

3.25 Derivative financial instruments and hedge accounting

3.25.1 Hedge accounting

As part of its overall strategy for managing foreign exchange risks, the Group completed a number of transactions involving the use of derivative financial instruments. The Group uses derivatives instruments designated as cash flow hedge instruments. The Group has also set-up net investment hedge transactions in foreign countries and have accounted for them in a similar way as cash flow hedges. Exchange rate exposure in foreign subsidiaries has been hedged with debt instruments.

The Group has not designated any derivative instruments as fair value hedge.

The Group buys and sells derivative financial instruments with a view to managing and reducing its exposure to the risk of exchange rate fluctuations. The Group deals only with first-class financial institutions. Hedge accounting is applied to instruments formally designated as such and subject to structured documentation from their inception. Under IFRS 9 – Financial Instruments, hedge accounting requires that the following conditions be met:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship;
- the effectiveness of the hedging relationship does not reflect an imbalance that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

Derivative instruments recognized as hedging instruments are recognized in accordance with IFRS 9 hedge accounting criteria.

A cash flow hedge is a hedge of the exposure to cash flow fluctuations, which stem from a particular risk associated with a recognized asset or liability, or a highly probable forecast transaction, and which could affect profit or loss. Changes in the fair value of the hedging instrument are recognized in equity in the consolidated statement of comprehensive income for the effective portion of the hedging relationship. For the ineffective portion, changes in the fair value of hedging instruments are recognized in "Other financial income and expense" on the income statement.

Aggregate changes in the fair value of the hedging instrument that were previously recognized in equity are recycled into the income statement in the same period(s) in which the hedged transaction affects profit or loss. For hedges related to operating activities, the recycled gains and losses are recognized in "Other core operating income and expenses". This line item also includes foreign exchange translation differences generated by operating receivables and liabilities.

When the hedging instrument expires, the aggregate gains or losses previously recognized in equity remain in equity and are recycled into the income statement only after the forecast transaction has been effectively completed. However, when the Group no longer expects the forecast transaction to be

completed, aggregate gains and losses previously recognized in equity are immediately recognized in the income statement.

The Group mainly uses forward currency contracts to hedge its transactional foreign exchange risk. The Group excludes swap points and foreign currency basis spread components of foreign exchange contracts from its hedge designation and recognizes changes in the fair value of these components directly in net financial income (expense).

The Group has realized foreign net investment hedge transactions. Changes in the fair value of the hedging instrument are directly recognized in equity regarding the effective portion. Change in the fair value related to the ineffective portion of the hedge is recognized in the Income Statement.

If an investment that qualifies for foreign net investment hedge is disposed of, amounts previously booked in equity are recycled to the Income Statement.

3.25.2 Other derivative instruments

Derivative instruments that do not qualify as hedge accounting are initially and subsequently measured at fair value. Changes in fair value are recognized in "Other financial income and expense".

3.26 Sales

The Group's revenues are generated mainly by the sale of pharmaceutical products. Sales are recognized when control of the goods or services has been transferred to the customer. Sales are recognized for an amount reflecting the sums the Group expects to collect. Revenue from the sale of pharmaceutical products is recognized when control has been transferred, generally upon delivery, in accordance with the delivery and acceptance clauses provided in the contract with the customer. Note 4 – Operating Segments presents a breakdown of the sales by cash generating unit, by geographical area and by therapeutical area, evidencing the portion of sales each product marketed by the Group represents.

Revenue from product sales consists of the sale of pharmaceutical products, net of returns, rebates and discounts granted to customers, as well as certain payments payable to health authorities and determined on the basis of sales. Rebates and discounts are recognized at the same time as the accompanying sales to which they pertain. According to IFRS 15, they are identified as being variable price components.

When another party is involved in completing the sales of goods or services, the Group assesses the degree to which the third party acts as an agent or principal. If the products are sold on consignment, or if the third party is acting as the agent, the revenues are recognized upon the sale to the end customer. Paid commissions are recognized in the "Selling expenses" line item.

Off balance-sheet commitments corresponding to milestones payments to be received and arising from the main agreements between the Group and the third parties are presented in the note 27.1.2. Payments received on these milestones are recognized at the date when the regulatory triggering event occurs and after validation by the parties.

3.27 Other revenues

Other revenues include royalties, revenues received from licensing agreements concluded with partners and revenues generated by various services provided.

Royalties received are recognized as "Other revenues" based on sales achieved by the partners and contractual royalty rates during the period.

Licensing Agreements are recognized in "Other revenues" and can be broken down into two distinct types, as follows:

- static licenses are contracts whose control has been transferred to the customer and to which the Group has an enforceable payment right. Revenue from these licenses is recognized at the date when control of the licensed asset has been transferred;
- dynamic licenses are licenses in which the royalties received correspond to the right held by the customer to use an intangible asset without a transfer of control, or to a situation where licensing agreement cannot be separated from the sale of the goods and services. Such revenue is spread over the lifespan of the licensing agreement. Upfront payments and milestone payments are spread over the licensing contract period to which they relate.

Revenues generated by various services provided are recognized based on the goods or services delivered to the other contracting party.

3.28 Cost of sales

Cost of sales primarily includes the industrial cost of goods sold and royalties paid under licenses. The industrial cost of goods sold encompasses the cost of the raw materials consumed, including freight-in costs, direct and indirect costs for production services personnel, manufacturing-related depreciation, all types of external costs related to manufacturing activities, such as electricity, water, maintenance, and equipment costs, and indirect costs, such as the share of purchasing, human resources and IT costs. Production costs also include quality control, production quality assurance, engineering, and logistics services expenses.

3.29 Research and Development

3.29.1 Internal Research and Development

Internal research costs are expensed. Internal pharmaceutical development costs are expensed in the period during which they are incurred as long as capitalization criteria are not deemed to be met.

In accordance with IAS 38, internal development costs are recognized as intangible assets only if the following six criteria have been met:

- the technical feasibility of completing the development project;
- the Group's intention to complete the project;
- its ability to use the intangible asset;
- the probable future economic benefit of the asset can be demonstrated;
- the availability of technical, financial and other resources to complete the project; and

- the reliable measurement of development costs.

Due to the risks and uncertainties associated with regulatory approvals and the research and development process, the six criteria for intangible assets are not deemed to be fulfilled until marketing authorization for the drugs has been granted, *i.e.* approval of the Marketing Authorization Application (MAA).

As a result, internal development expenses, primarily consisting of clinical study costs arising before approval of the MAA, are generally recognized in "Research and development expenses" as soon as they are incurred.

Some industrial development costs are generated after the MAA has been approved to improve the process for manufacturing an active ingredient. If the six IAS 38 criteria are deemed to have been met, these costs are included in the measurement of the project's costs and recorded as "Other intangible assets" on the asset side of the balance sheet, as soon as they are incurred (see note 13.3). Likewise, some clinical study costs, such as those arising from efforts to extend the geographical access of a molecule that has already obtained MAA approval in a major market, may in certain cases meet the six intangible asset recognition criteria under IAS 38 – Intangible Assets. In such cases, those costs are recorded as other intangible assets on the asset side of the balance sheet, as soon as they are incurred.

3.29.2 Research and Development acquired separately

Payments made to separately acquire research and development work are recognized as other intangible assets when they meet the definition of an intangible asset, *i.e.* a controlled resource with probable future economic benefits to the Group that is identifiable, either being separable or arising from contractual or other legal rights. In application of paragraph 25 of IAS 38, the first recognition criterion related to the probability of the intangible asset generating future economic benefits is presumed to be met when research and development work is acquired separately. The second recognition criterion related to the reliable measurement of the asset is satisfied as well when payment amounts are determined.

Accordingly, amounts paid to third parties in the form of an upfront payment or milestone payments for proprietary drugs are recognized on the asset side of the balance sheet. These rights are amortized on a straight-line basis over the duration of their useful lives beginning on the date the products are commercialized.

3.29.3 Research and Development acquired in a business combination

Other intangible assets related to research and development work in progress and acquired within the scope of a business combination, and which can be reliably measured, are identified separately from goodwill and recognized as other intangible assets, in accordance with IFRS 3 – Business Combinations and IAS 38 – Intangible Assets. A related deferred tax liability is also recognized, if applicable.

3.29.4 Research tax credits

Research tax credits are classified 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 recognized in operating income, after the R&D expenses to which they are directly linked have been deducted.

3.30 Other operating income and expenses

Other operating income and expenses include primarily amortization expense for intangible assets (excluding software), the impact of cash flow hedges related to commercial operations, capital gains and losses on asset disposals, and any item not directly linked to operations.

3.31 Taxes

Applying the variable carryover method, deferred taxes are recorded on all temporary differences between the carrying value and tax base of assets and liabilities, and on tax loss carryforwards.

The main temporary differences in the Group's consolidated financial statements stem from tax loss carry forwards, restatements to eliminate internal margins on inventory and provisions for retirement benefits.

Deferred tax assets are recognized for deductible temporary differences only when it is probable that taxable profits will be available against which the deferred tax asset can be utilized.

Deferred tax assets and liabilities are valued using the expected tax rate for the period in which the asset will be realized and the liability will be settled, on the basis of the tax rates enacted or virtually enacted at the balance sheet date. Deferred tax assets are subject to a recoverability analysis based on Group forecasts.

Deferred tax assets and liabilities are not discounted, in accordance with IAS 12 – Income Taxes.

Amounts recognized in the consolidated financial statements are calculated at the level of each tax entity included in the consolidation scope.

The Group elected to recognize the CVAE business tax *(Cotisation sur la Valeur Ajoutée des Entreprises)* as income tax expense in the income statement. Accordingly, and in line with provisions of IAS 12, the total amount of current and deferred expenses related to the CVAE is presented on the "Income Tax" line.

3.32 Earnings per share

A basic earnings per share is calculated on the weighted average number of shares outstanding during the period.

The weighted average number of shares outstanding is calculated according to movements in share capital, less any treasury shares held by the Group.

Diluted earnings per share is calculated by dividing consolidated net profit for the year attributable to equity holders of Ipsen S.A. by the weighted average number of ordinary shares outstanding plus any potentially dilutive ordinary shares not yet issued.

Note 4 Operating segments

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

All costs allocated to these two segments are presented in the key performance indicators. General and administrative expenses and the impact of cash flow hedges are not allocated to the two operating segments.

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

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

These performance indicators do not replace IFRS indicators and should not be viewed as such. They are used in addition to IFRS indicators.

4.1 Core operating income by operating segment

(in million euros)	Specialty Care	Consumer Healthcare	Other (unallocated)	31 December 2019
Sales	2,299.4	276.8	–	2,576.2
Other revenues	74.5	42.1	–	116.5
Revenue	**2,373.9**	**318.9**	**–**	**2,692.8**
Core operating income	**938.6**	**55.1**	**(211.1)**	**782.6**

(in million euros)	Specialty Care	Consumer Healthcare	Other (unallocated)	31 December 2018
Sales	1,924.5	300.3	–	2,224.8
Other revenues	62.6	61.0	–	123.6
Revenue	**1,987.1**	**361.3**	**–**	**2,348.4**
Core operating income	**740.4**	**83.9**	**(164.5)**	**659.9**

In 2019, unallocated core operating income (expenses) came to (€211.1) million, compared with (€164.5) million in 2018. The expenses stemmed mainly from unallocated general and administrative expenses and the impact of cash flow hedges.

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

(in million euros)	31 December 2019	31 December 2018
Core operating income	**782.6**	**659.9**
Amortization of intangible assets, excluding software	(83.8)	(73.1)
Other operating income and expenses	(35.8)	(30.4)
Restructuring costs	(27.7)	(21.9)
Impairment losses	(668.8)	(15.0)
Operating Income	**(33.4)**	**519.4**

4.2 Sales by geographical region

(in million euros)	31 December 2019		31 December 2018	
	Amounts	% share	Amounts	% share
Major Western European countries	835.7	32%	753.8	34%
Rest of Europe	500.6	19%	443.7	20%
North America	776.3	30%	615.6	28%
Rest of the World	463.6	18%	411.7	19%
Sales	**2,576.2**	**100%**	**2,224.8**	**100%**

4.3 Sales by therapeutic area and product

(in million euros)	31 December 2019	31 December 2018
Oncology	1,844.4	1,503.0
Somatuline®	*1,031.6*	*846.7*
Decapeptyl®	*407.4*	*372.6*
Cabometyx®	*242.2*	*148.2*
Onivyde®	*134.7*	*109.4*
Other Oncology	*28.5*	*26.0*
Neuroscience	391.3	351.5
Dysport®	*388.3*	*347.8*
Rare diseases	63.7	70.0
NutropinAq®	*41.8*	*45.9*
Increlex®	*21.9*	*24.1*
Specialty Care	**2,299.4**	**1,924.5**
Smecta®	125.6	126.5
Forlax®	42.1	39.8
Tanakan®	36.7	37.7
Fortrans/Eziclen®	36.8	31.4
Other Consumer Healthcare	35.6	64.9
Consumer Healthcare	**276.8**	**300.3**
Sales	**2,576.2**	**2,224.8**

4.4 Other revenues

(in million euros)	31 December 2019	31 December 2018
Royalties received	75.2	78.1
Milestone payments – Licenses	23.4	27.5
Other (co-promotion revenues, re-billings)	17.9	18.0
Other revenues	**116.5**	**123.6**

In 2019, other revenues amounted to €116.5 million, down 5.7% over the €123.6 million reported in 2018. This change was attributable to the decrease in royalties received from Menarini for Adenuric®, partially offset by royalties received from Group partners, mainly Galderma for Dysport, and Servier for Onivyde.

4.5 Other information

(in million euros)	31 December 2019			Total
	Specialty Care	Consumer Healthcare	Other (unallocated)	
Acquisition of property, plant & equipment	(115.9)	(18.0)	(10.6)	(144.5)
Acquisition of intangible assets	(109.7)	(5.1)	(21.3)	(136.1)
Total investments	**(225.6)**	**(23.1)**	**(31.8)**	**(280.5)**
Net depreciation, amortization and provisions (excluding financial assets)	(100.8)	(15.8)	(8.8)	(125.4)
Share-based payment expenses with no impact on cash flow	–	–	(15.8)	(15.8)

NB: Excluding scope changes.
NB: Share-based payment expenses are not broken down by operating segment.

(in million euros)	31 December 2018			Total
	Specialty Care	Consumer Healthcare	Other (unallocated)	
Acquisition of property, plant & equipment	(83.5)	(19.4)	(4.5)	(107.4)
Acquisition of intangible assets	(157.6)	(2.1)	(20.4)	(180.1)
Total investments	**(241.1)**	**(21.5)**	**(24.9)**	**(287.5)**
Net depreciation, amortization and provisions (excluding financial assets)	(92.0)	(15.3)	(34.7)	(142.0)
Share-based payment expenses with no impact on cash flow	–	–	(12.8)	(12.8)

NB: Excluding scope changes.
NB: Share-based payment expenses are not broken down by operating segment.

Note 5 Personnel

5.1 Headcount

At the end 2019, the Group totaled 5,807 employees, compared to 5,723 at end 2018.

The average headcount in 2019 was 5,662 employees, compared to 5,518 in 2018.

5.2 Employee expenses

Employee expenses, which are included in the cost of goods sold, selling, general and administrative expenses and research and development expenses and restructuring costs encompass the following items:

(in million euros)	31 December 2019	31 December 2018
Wages and salaries	(515.3)	(459.0)
Employer's Social security contributions and payroll taxes	(156.7)	(133.8)
Sub-total	**(672.0)**	**(592.8)**
Interest on employee benefits (note 5.3.2.3)	**(2.3)**	**(6.6)**
Expenses associated with share-based payments (note 5.4) (*)	(15.8)	(12.8)
Social security contributions on share-based payments	(1.1)	(4.1)
Share-based payment expenses sub-total	**(16.8)**	**(16.9)**
Employee profit-sharing	**(14.1)**	**(11.4)**
Total	**(705.3)**	**(627.8)**

(*) Including in 2018 a €1.5 million expense associated with the 2018 employee shareholding plan.

In 2019, the average rate of employer's Social security contributions and payroll taxes amounted to 30.4% of gross payroll.

The Group's French companies have an employee profit-sharing agreement as required by law. Employees may invest their entitlement in either an interest-bearing savings account within the company or in a company savings plan invested in collective investment funds managed by a financial institution.

In 2019, a three-year incentive agreement was set up in France to supplement the above-mentioned agreement.

5.3 Long-term employee benefits

5.3.1 Benefit plans

5.3.1.1 Retirement benefit obligations

In some countries, the Group's employees are eligible for supplementary pension payments paid annually to retirees, or to lump sum retirement allowances paid on retirement. The main countries concerned are France and the United Kingdom. In France, a limited number of employees also benefit from a supplementary pension plan.

The Group provides these benefits either *via* defined contribution or defined benefit plans.

Under defined contribution plans, the Group has no obligation other than to pay the agreed contributions, with the corresponding expense charged to income for the year.

5.3.1.2 Other long-term benefits

The Group also pays out bonuses intended to reward employees based on length of service. These long service awards relate mainly to the Group's employees in France.

5.3.2 Measurement and recognition of liabilities

The Group's liabilities related to employee benefits are calculated by an external actuary using the assumptions that are applicable in the relevant countries.

Discount rates are determined by reference to a market rate based on bonds issued by first class issuers. The main benchmark index used is the iBoxx Corporate AA for the Eurozone and the United Kingdom.

Assumptions with regard to staff turnover and mortality rates are specific to each country.

Some liabilities are covered by financial assets held in funds invested with insurance companies (plan assets).

The impact on the income statement of the return on plan assets for retirement schemes is measured by applying the discount rate used for the liabilities.

Unfunded liabilities and plan deficits are recognized in the balance sheet under "retirement benefit obligations".

5.3.2.1 Assumptions used

The main actuarial assumptions applied as at 31 December 2019 are as follows:

	Europe (excluding UK)	United Kingdom	Asia-Oceania
Discount rate	0.5%	1.8%	1.5%
Inflation rate	1.8%	2.3%	N/A
Rate of increase in salaries, net of inflation	Varies by SSC	Plan frozen	5.6%
Rate of increase in pensions	1.5%	2.0%	N/A

A 1% increase in the discount rate would lead to decreases in employee benefit obligations of 11.8% in France, 19.1% in the UK, and 15.6% in Asia-Oceania.

5.3.2.2 Reconciliation of balance sheet assets and liabilities

(in million euros)	31 December 2019			31 December 2018
	Post-employment benefits	Other long-term benefits	Total	Total
Breakdown of net balance sheet amount				
Present value of liabilities	86.7	5.2	91.9	106.4
Fair value of plan assets	31.2	–	31.2	42.6
Net liabilities (a)	**55.5**	**5.2**	**60.7**	**63.8**
Effect of asset ceiling (b)	–	–	–	–
Net liability (a - b)	**55.5**	**5.2**	**60.7**	**63.8**

5.3.2.3 Reconciliation of income statement expenses

(in million euros)	31 December 2019			31 December 2018
	Post-employment benefits	Other long-term benefits	Total	Total
Current service costs	4.3	(0.1)	4.1	6.9
Contributions by plan participants	–	–	–	(0.1)
Interest expense on obligations	1.3	0.2	1.6	1.8
Interest income on plan assets	(0.6)	–	(0.6)	(0.8)
Past service costs (plan amendments and curtailments)	(1.8)	–	(1.8)	0.0
Actuarial (gains) and losses recognized as expense	–	(0.1)	(0.1)	(0.2)
Total	**3.2**	**(0.1)**	**3.1**	**7.6**
– of which – Operating expenses	2.5	(0.1)	2.3	6.6
– of which – Interest expense	0.7	0.1	0.8	1.0

5.3.2.4 Movements in net liability recognized in the balance sheet

(in million euros)	31 December 2019			31 December 2018
	Post-employment benefits	Other long-term benefits	Total	Total
Opening net liability	**58.2**	**5.5**	**63.8**	**67.6**
Scope change	(4.5)	–	(4.5)	–
Charge for the year (note 5.3.2.3)	3.2	(0.1)	3.1	7.6
Actuarial gains and (losses) recognized in other comprehensive income	10.4	–	10.4	(9.4)
Employer's contributions to plan assets	(10.0)	–	(10.0)	(1.2)
Benefits paid from internal reserve	(2.3)	(0.1)	(2.4)	(0.8)
Other	0.4	(0.1)	0.3	–
Exchange differences	0.0	–	0.0	(0.1)
Closing net liability	**55.5**	**5.2**	**60.7**	**63.8**

5.3.2.5 Movements in defined benefit plan obligations

(in million euros)	31 December 2019			31 December 2018
	Post-employment benefits	Other long-term benefits	Total	Total
Opening balance	**100.8**	**5.5**	**106.4**	**118.5**
Scope change	(18.5)	-	(18.5)	0.0
Current service costs	4.3	(0.1)	4.1	6.9
Interest expense on obligations	1.3	0.1	1.4	1.8
Past service costs (plan amendments and curtailments)	(1.8)	–	(1.8)	0.0
Benefits paid from plan assets	(11.1)	–	(11.1)	(9.3)
Benefits paid from internal reserve	(2.3)	(0.1)	(2.4)	(0.8)
Actuarial (Gains) and losses – experience adjustments	1.1	(0.4)	0.7	(5.7)
Actuarial (Gains) and losses – changes to discount rate	11.6	0.3	11.8	(4.3)
Actuarial (Gains) and losses – changes to other assumptions	–	0.0	0.0	(0.6)
Other	0.4	–	0.4	–
Exchange differences	0.8	–	0.8	(0.3)
Closing balance	**86.7**	**5.2**	**91.9**	**106.4**

At 31 December 2019, defined benefit plan obligations broke down primarily among France 75.0% and the UK 22.1%.

5.3.2.6 Movements in plan assets

(in million euros)	31 December 2019			31 December 2018
	Post-employment benefits	Other long-term benefits	Total	Total
Opening balance	**42.6**	**–**	**42.6**	**51.0**
Scope change	(14.0)	–	(14.0)	–
Interest income on plan assets	0.6	–	0.6	0.8
Benefits paid from plan assets	(11.1)	–	(11.1)	(9.3)
Employee contributions to plan assets	–	–	–	0.1
Employer's contributions to plan assets	10.0	–	10.0	1.2
Actuarial gains and (losses)	2.2	–	2.2	(0.9)
Exchange differences	0.8	–	0.8	(0.3)
Closing balance	**31.2**	**–**	**31.2**	**42.6**

At 31 December 2019, plan assets broke down primarily among France 41.8% and the UK 56.1%.

5.3.2.7 Allocation of plan assets

(in million euros)	31 December 2019			
	Shares	Bonds	Other [1]	Total
Europe (excluding UK)	7.0	5.7	0.3	13.1
United Kingdom	10.7	6.5	0.3	17.5
Asia-Oceania	0.5	0.1	–	0.6
Total	**18.2**	**12.4**	**0.6**	**31.2**
Total (as a percentage)	**58%**	**40%**	**2%**	**100%**

[1] Property, cash and other.

(in million euros)	31 December 2018			
	Shares	Bonds	Other [1]	Total
Europe (excluding UK)	10.8	10.0	6.4	27.2
United Kingdom	9.2	5.6	0.2	15.0
Asia-Oceania	0.3	0.1	–	0.4
Total	**20.3**	**15.7**	**6.6**	**42.6**
Total (as a percentage)	**48%**	**37%**	**15%**	**100%**

[1] Property, cash and other.

5.3.2.8 Future probable plan benefits

(in million euros)	Post-employment benefits	Other long-term benefits	Total
2020	0.8	0.6	1.4
2021	2.8	0.6	3.4
2022	4.1	0.7	4.8
2023	3.5	0.9	4.4
2024	2.1	0.7	2.8
2025-2029	12.4	2.9	15.3

5.4 Share-based payments

Ipsen granted various bonus share option and bonus share plans within the scope of IFRS 2 – Share-based Payment, that were still vesting at 31 December 2019.

At 31 December 2019, the annual charge for bonus share payments came to €15.8 million, versus €12.8 million at 31 December 2018.

5.4.1 Share option plans granted by Ipsen

All stock options plans expired in 2019. For all these plans, the changes in the number of outstanding options under all plans are as follows:

(in number of options)	31 December 2019	31 December 2018
Opening balance	**36,085**	**664,558**
Options exercised (net of adjustments)	(7,765)	(418,953)
Options expired	(28,320)	(209,520)
Closing balance	**–**	**36,085**

5.4.2 Bonus share plans

On **13 February 2019,** the Board of Directors granted 25,880 bonus shares to Group employees, subject to seniority and service conditions.

On **28 May 2019,** the Board of Directors granted:

- 11,730 bonus shares to the Chief Executive Officer, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 31,790 bonus shares to members of the Executive Leadership Team, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 117,160 bonus shares to beneficiaries of Group subsidiaries, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 128,200 bonus shares to beneficiaries of Group subsidiaries, subject to length of service conditions but not performance conditions specific to the Group, or specific to a Group entity.

On **30 March 2018,** the Board of Directors granted:

- 9,230 bonus shares to the Chief Executive Officer, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,

- 30,160 bonus shares to members of the Executive Leadership Team, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 84,240 bonus shares to beneficiaries of Group subsidiaries, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 87,310 bonus shares to beneficiaries of Group subsidiaries, subject to length of service conditions but not performance conditions specific to the Group, or specific to a Group entity.

5.4.2.1 Details of Ipsen bonus share plans

Tranches	Plan dated 1 June 2016				Plan dated 29 March 2017			
	1.1	1.2	1.3	1.4	1.1	1.2	1.3	1.4
Number of bonus shares	64,019	72,208	41,336	64,727	41,640	44,070	37,980	28,200
Vesting period (in years)	2	2	4	2	2	2	4	2
Value of shares on date granted, before reduction	€56.69	€56.69	€56.69	€56.69	€93.40	€93.40	€93.40	€93.40
Fair value of bonus shares	**€47.73**	**€47.73**	**€49.04**	**€47.73**	**€101.47**	**€97.01**	**€99.27**	**€97.00**

Tranches	Plan dated 30 May 2018			Plan dated 13 February 2019	Plan dated 28 May 2019		
	1.1	1.5	1.6		1.1	1.5	1.6
Number of bonus shares	39,390	84,240	87,310	25,880	43,520	117,160	128,200
Vesting period (in years)	50% to 2 ans 50% to 3 ans			2	3	50% to 2 ans 50% to 3 ans	
Value of shares on date granted, before reduction	€134.40	€134.40	€134.40	€109.60	€112.10	€112.10	€112.10
Fair value of bonus shares	**€134.90**	**€134.90**	**€131.84**	**€109.60**	**€90.25**	**€87.83**	**€109.57**

1.1 Beneficiaries include the Chief Executive Officer, the non-executive Chief Officers, the Deputy CEO, Executive Committee members, and Executive Leadership Team members.
1.2 Beneficiaries from the French subsidiaries.
1.3 Beneficiaries outside the French and American subsidiaries.
1.4 Beneficiaries from the American subsidiaries.
1.5 Beneficiaries from subsidiaries subject to performance conditions
1.6 Beneficiaries from subsidiaries not subject to performance conditions

5.4.2.2 Valuation of Ipsen bonus share plans

(in million euros)	Plan dated 1 April 2015	Plan dated 1 June 2016	Plan dated 29 March 2017	Plan dated 30 May 2018	Plan dated 13 February 2019	Plan dated 28 May 2019	Total
Opening valuation	**4.4**	**10.5**	**13.3**	**25.3**	**2.8**	**25.5**	
2019 expense	0.0	0.3	0.6	9.7	1.1	4.4	16.0
2018 expense	0.2	1.3	4.2	5.6			11.3

Note 6 Depreciation, amortization, provisions and impairment losses

6.1 Depreciation, amortization, provisions and impairment losses included in the cash flow statement

The following table shows the amount of depreciation, amortization, provisions and impairment losses added back to determine gross cash flow from operations:

(in million euros)	31 December 2019	31 December 2018
Operating – excluding current assets	(160.4)	(142.0)
Financial	(0.8)	(1.0)
Tax	–	0.4
Depreciation and amortization before impairment and excluding current assets	**(161.2)**	**(142.6)**
Impairment losses included in operating income (note 6.2)	(668.8)	(15.0)
Impairment losses included in financial result	(1.9)	(0.1)
Impairment losses	**(670.7)**	**(15.1)**

6.2 Impairment losses included in Operating result

6.2.1 2019

In 2019, Ipsen recognized a €668.8 million impairment loss on palovarotene intangible asset (see note 13.2).

6.2.2 2018

In 2018, Ipsen recognized a €15 million impairment loss on the Xermelo intangible asset (see note 13.2).

Note 7 Other operating income and expenses

In 2019, other operating expenses amounted to €132.9 million, mainly related to amortization expense on the Cabometyx and Onivyde intangible assets, Clementia integration costs, costs arising from the Group's transformation programs and the impact of cash flow hedges.

In 2018, other operating expenses totaled €82.7 million, mainly owing to amortization expense on the Cabometyx and Onivyde intangible assets, the discontinuation of research and development studies, the impact of Group transformation programs, and the payment of an indemnity to Galderma in Brazil that was partially offset by an indemnity received from a U.S. partner and the impact of cash flow hedges.

Note 8 Restructuring costs

In 2019, restructuring costs amounted to €27.7 million mainly impacted by the costs related to the relocation of the Onivyde manufacturing site from Cambridge, Massachusetts, to Signes in France and the remaining costs for the U.S. commercial affiliate relocation.

In 2018, restructuring costs came to €21.9 million, including expenses to move the U.S. commercial affiliate to Cambridge, Massachusetts.

Note 9 Net financial income (expense)

(in million euros)	31 December 2019	31 December 2018
Income from loans and receivables	2.0	3.1
Investment income	**2.0**	**3.1**
Interest on debt	(29.9)	(8.3)
Total expenses on financial liabilities measured at amortized cost	**(30.0)**	**(8.4)**
Financing costs	**(30.0)**	**(8.4)**
NET FINANCING COSTS	**(28.0)**	**(5.3)**
Other exchange differences	(2.6)	(0.5)
Income and expenses on financial assets and liabilities at fair value	**(2.6)**	**(0.5)**
Impairment of investments in non-consolidated companies	(1.9)	(0.1)
Income and expenses on investments in non-consolidated companies	**(1.9)**	**(0.1)**
Financial income on employee benefits (note 5.3.2.3)	0.6	0.8
Interest on employee benefits (note 5.3.2.3)	(1.4)	(1.8)
Other financial elements	28.1	(18.5)
OTHER FINANCIAL INCOME AND EXPENSE	**22.8**	**(20.1)**
FINANCIAL INCOME (EXPENSE)	**(5.2)**	**(25.3)**
Of which total financial income	*211.7*	*71.1*
Of which total financial expenses	*(216.9)*	*(96.5)*

In 2019, the Group had net financial expense of €5.2 million, versus net financial expense of €25.3 million in 2018.

- **The net financing costs** showed expense of €28.0 million in 2019, compared with €5.3 million in expense reported

in 2018. The financing costs included interests paid related to the Group financing resulting from Clementia Pharmaceuticals acquisition, and interest expenses related to IFRS 16 – Leases.

- In 2019, **other financial income and expense** totaled €22.8 million versus a €20.1 million expense reported in 2018. The other financial elements stemmed mainly from an income of €114.6 million related to the revaluation of contingent liabilities and fair value of Contingent Value Right (CVR) issued in connection with its acquisition of Clementia Pharmaceuticals following the recent decisions concerning clinic studies; and an expense of €62.6 million related to the change in fair value of contingent assets and liabilities related to Onivyde acquisition.

Note 10 Income taxes

10.1 Tax expenses

10.1.1 Effective tax rate

(in million euros)	31 December 2019	31 December 2018
Net profit (loss) from continuing operations	(54.4)	387.0
Share of net profit (loss) from entities accounted for using the equity method	3.7	1.1
Net profit from continuing operations before share of results from companies accounted for using the equity method	**(58.2)**	**386.0**
Current tax	(150.2)	(88.9)
Deferred tax	130.6	(19.2)
Income taxes	(19.6)	(108.1)
Pre-tax profit from continuing operations before share of results from companies accounted for using the equity method	**(38.6)**	**494.1**
Effective tax rate	**-50.8%**	**21.9%**

In 2019, income tax expense of €19.6 million resulted in an effective tax rate of -50.8% on pre-tax profit from continuing operations, excluding the share of profit (loss) from companies accounted for using the equity method.

Excluding the impact of palovarotene impairment (in tax base and in tax), as well as the depreciation of deferred tax assets recognized in the opening balance sheet of Clementia Pharmaceuticals, the effective tax rate stands at 24.2%, to compare with an effective tax rate of 21.9% in 2018.

This variation is mainly explained by the absence of tax effect related to the change in fair value of contingent assets and liabilities on Onivyde.

10.1.2 Reconciliation between the effective and nominal tax expense

The following table shows the reconciliation between the effective and nominal tax expense based on pre-tax profit from continuing operations taxed at the standard French rate of 34.43% for the two years presented:

(in million euros)	31 December 2019	31 December 2018
Pre-tax profit from continuing operations before share of results from companies accounted for using the equity method	(38.6)	494.1
Group tax rate	34.43%	34.43%
Nominal tax expense	**13.3**	**(170.1)**
(Increase)/decrease in tax expense arising from:		
– Tax credits	9.5	8.5
– Non-recognition of tax impact on certain losses during the year [1]	(71.9)	(1.5)
– Utilization of tax losses not recognized as deferred tax assets	0.7	–
– Recognition of deferred tax assets	(0.8)	(3.3)
– Other permanent differences [2]	29.5	58.4
Effective tax expense	**(19.6)**	**(108.1)**
Effective tax rate	**-50.8%**	**21.9%**

(1) This item includes the non-recognition of deferred tax assets of Clementia Pharmaceuticals.
(2) Other permanent differences in 2018 stemming from:
- the difference between the Group tax rate of 34.43% and local tax rates where Group subsidiaries are based;
- the absence of tax effect related to the change in fair value of:
  – contingent assets and liabilities on Onivyde®, contingent liabilities of Clementia Pharmaceuticals;
  – Contingent Value Right issued in connection with its acquisition of Clementia Pharmaceuticals.

10.2 Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities in 2019 can be broken down as follows:

(in million euros)	31 December 2018	Movements during the year						31 December 2019
		Income statement income / expense	Deferred taxes recorded directly to reserves	SoRie	Changes in consolidation scope	Foreign exchange differences	Other movements	
Deferred tax assets	131.9	(41.8)	–	2.2	55.1	4.2	(2.2)	149.4
Deferred tax liabilities	(19.7)	172.4	0.9	0.3	(255.3)	(6.6)	0.2	(107.7)
Net assets / (liabilities)	**112.2**	**130.6**	**0.9**	**2.5**	(200.2)	**(2.4)**	**(1.9)**	**41.7**

A breakdown of deferred tax assets / (liabilities) by type is presented in note 10.3.

The variation in "Changes in consolidation scope" results from the deferred tax booked with the acquisition of Clementia Pharmaceuticals in April 2019. This variation includes:

- €55.1 million of deferred tax assets related to tax loss carry-forward and temporary differences;
- €(255.3) million of deferred tax liabilities related to intangibles assets.

The variation in "Income statement income / expense" of €130.6 million notably includes:

- a €71.9 million expense related to the impairment of deferred tax liabilities of Clementia Pharmaceuticals;
- a €177.2 million income related to the reversal of deferred tax liabilities due to the impairment of palovarotene intangible assets;
- a €33.8 million expense related to the end of tax loss carry-forward in the United States;
- a €32.8 million income related to consolidation restatements of margins on inventory.

Changes in deferred tax assets and liabilities in 2018 can be broken down as follows:

(in million euros)	31 December 2017	1st application of IFRS 15	1 January 2018	Movements during the year						31 December 2018
				Income statement income / expense	Deferred taxes recorded directly to reserves	SoRie	Changes in consolidation scope	Foreign exchange differences	Other movements	
Deferred tax assets	142.0	(2.6)	139.4	(20.5)	1.6	(1.6)	–	2.1	10.9	131.9
Deferred tax liabilities	(21.5)	–	(21.5)	1.3	11.8	(0.3)	–	(0.4)	(10.6)	(19.7)
Net assets / (liabilities)	**120.5**	**(2.6)**	**117.9**	**(19.2)**	**13.5**	**(1.9)**	–	**1.6**	**0.3**	**112.2**

The €19.2 million decrease recognized in "Income statement income / expense" includes the use of €18.4 million in tax loss carry-forward in the United States.

10.3 Type of deferred taxes recognized on the balance sheet and the income statement

(in million euros)	31 December 2018	Movements during the year						31 December 2019
		Income statement income / expense	Deferred taxes recorded directly to reserves	SoRie	Changes in consolidation scope	Foreign exchange differences	Other movements	
Consolidation restatements of margins on inventory	54.0	32.8	–	–	–	1.1	–	87.9
Tax loss carryforwards	47.9	(82.1)	–	–	48.1	1.7	–	15.6
Provision for retirement and other benefits	13.3	0.7	–	2.1	–	0.0	–	16.1
Other	(3.0)	179.1	0.9	0.4	(248.3)	(5.2)	(1.9)	(78.0)
Net assets / (liabilities)	**112.2**	**130.6**	**0.9**	**2.5**	(200.2)	**(2.4)**	**(1.9)**	**41.7**

The Group recognized tax loss carry-forward of €15.6 million at 31 December 2019 (versus €47.9 million at 31 December 2018). This decrease is due to the use of tax loss carryforward in the U.S.

Deferred tax assets are recognized based on results forecasts for each tax consolidation group. These forecasts are in line with Ipsen's long and medium-term plans and take into account the time frames notably in relation to the duration of

the tax loss carryforwards and the specific situation of each tax consolidation group.

The item "Other" includes the deferred tax liabilities related to palovarotene intangible assets.

(in million euros)	31 December 2017	1st application of IFRS 15	1 January 2018	Movements during the year						31 December 2018
				Income statement income / expense	Deferred taxes recorded directly to reserves	SoRie	Changes in consolidation scope	Foreign exchange differences	Other movements	
Consolidation restatements of margins on inventory	51.0	–	51.0	3.3	–	–	–	(0.2)	–	54.0
Tax loss carryforw ards	84.1	–	84.1	(19.5)	–	–	–	1.8	(18.4)	47.9
Provision for retirement and other benefits	13.4	–	13.4	1.5	–	(1.6)	–	(0.0)	–	13.3
Other	(28.0)	(2.6)	(30.6)	(4.4)	13.5	(0.3)	–	0.1	18.7	(3.0)
Net assets / (liabilities)	**120.5**	**(2.6)**	**117.9**	**(19.2)**	**13.5**	**(1.9)**	**–**	**1.6**	**0.3**	**112.2**

At 31 December 2018, the Group recognized €47.9 million in deferred tax assets on tax loss carry forwards (including €37.4 million in the U.S.), versus €84.1 million at 31 December 2017.

Note 11 Net profit from discontinued operations

In 2019, net profit from discontinued operations totaled €4.2 million, compared to €2.0 million in net profit from discontinued operations in 2018. The net profit from discontinued operations arose from agreements to sell Inspiration assets in 2013, and corresponds to the rebilling of production costs for OBI-1 clinical samples as well as royalties from the sales of that product received from Baxalta, a company spin-off from Baxter International.

Note 12 Goodwill

12.1 Goodwill valuation

The Group's two operating segments are Specialty Care and Consumer Healthcare. Accordingly, goodwill is allocated to these two Cash Generating Units (CGUs) in accordance with the Group's organization.

During 2019, movements in goodwill comprise :

- The purchase price allocation for Clementia Pharmaceuticals resulting in the recognition of goodwill measured at €225.8 million as of December 31, 2019. This goodwill was fully allocated to Specialty Care CGU (see note 12.3).
- Impact of exchange rate differences amounted to €11.7 million on gross goodwill.

(in million euros)	31 December 2018	Movements during the year					31 December 2019
		Increase	Changes in consolidation scope	Decrease	Other	Foreign exchange differences	
Gross goodwill	403.7	–	225.8	–	–	11.7	641.2
Impairment losses	(8.1)	–	–	–	–	(0.4)	(8.5)
Net goodwill	**395.6**	**–**	**225.8**	**–**	**–**	**11.3**	**632.6**

12.2 Impairment of goodwill

For impairment testing purposes, goodwill is allocated to the cash-generating units defined by the Group. The cash-generating units identified for the allocation and performance of goodwill-related impairment tests correspond to the operating segments. The Group's two operating segments are Specialty Care and Consumer Healthcare. Accordingly, goodwill is allocated in line with the Group's organization.

The recoverable value of the respective cash-generating units corresponds to the value in use based on discounting the related estimated future cash flows. These cash flow estimates are based on five-year estimates and a terminal value for

each operating segment (*i.e.* Specialty Care and Consumer Healthcare) and are made by the Group's operating entities.

The goodwill arising on the acquisition of Clementia has been included in the Specialty Care CGU impairment test.

At 31 December 2019, no impairment losses related to goodwill were recorded. The previously recorded impairment loss related to solely the goodwill arising from the acquisition of Sterix Ltd.

The carrying value of the respective cash-generating units and the key assumptions are shown below :

(in million euros)	Specialty Care	Consumer Healthcare	Total
Net carrying value at 31 December 2019			
Goodwill	535.7	96.9	632.6
Net underlying assets	1,883.8	245.4	2,129.1
Total	**2,419.5**	**342.3**	**2,761.7**
Perpetuity growth rate	**2.5%**	**2.5%**	**–**
Discount rate	**8%**	**8%**	**–**

(in million euros)	Specialty Care	Consumer Healthcare	Total
Net carrying value at 31 December 2018			
Goodwill	298.7	96.9	395.6
Net underlying assets	1,296.0	244.5	1,540.5
Total	**1,594.7**	**341.4**	**1,936.1**
Perpetuity growth rate	**2.5%**	**2.5%**	**–**
Discount rate	**9%**	**8%**	**–**

The discount rate used for Specialty Care impairment test in 2019 was 8% compared with 9% in 2018. The discount rate used for Consumer Healthcare remained unchanged at 8%.

The perpetual growth rate applied to future cash flows remained unchanged at 2.5% in view of the expected growth of the Group's business activities.

Tests were performed to assess the sensitivity of the recoverable amount to changes in certain actuarial assumptions, primarily to the discount rate (range +/- 1%), sales growth (range -1% to -2%) and the long-term growth rate (range +/-1%). The implementation of those sensitivity tests would not lead to the recognition of significant goodwill impairments.

12.3 Analysis of Clementia Pharmaceuticals acquisition cost

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

The purchase price allocation has been performed and the impacts have been included in 31 December 2019 financial statements. The Group may adjust this allocation within twelve months following the acquisition.

The goodwill of the transaction has reached €225.8 million allocated to Specialty Care. This goodwill results from an entity value of €1,002.4 million less the fair value of the net assets and liabilities acquired. It encompasses deferred tax assets and liabilities for a net amount of €213.5 million, acquired workforce for €2.6 million and the residual economic goodwill fair value of €(8.3) million.

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

- recognize an intangible asset for €965.7 million corresponding to the value of the intellectual property acquired (palovarotene and other intangible assets);
- assess the fair value of the deferred contingent payments related to the Contingent Value Rights (CVR) for €139.6 million, which may be paid upon the U.S. Food and Drug Administration (FDA) acceptance of the regulatory filing of palovarotene for the treatment of multiple osteochondromas. This CVR of $6 per share has been assessed at the acquisition date, weighted by the probability of success to obtain market approval of the compound on this additional indication and discounted;
- assess at fair value, for €23.4 million, the additional regulatory and commercial milestones related to contracts signed between Clementia Pharmaceuticals and its partners Roche and Thomas Jefferson University (TJU);
- recognize other intangible and tangible assets as well as working capital.

Details of acquisition price are presented below :

(in million euros)	
Cash paid for the acquisition	839.4
Fair value of deferred contingent consideration (CVR)	139.6
Fair value of contingent liabilities (Roche / TJU milestones)	23.4
Fair value of the acquisition	**1,002.4**

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

(in million euros)	
Fair value of the Clementia Pharmaceuticals acquisition	1,002.4
Intangible assets	(965.7)
Tangible assets	(0.1)
Other non-current assets	(0.5)
Other current assets	(5.4)
Cash and cash equivalent	(25.0)
Deferred tax asset	(55.1)
Other non-current liabilities	1.3
Current liabilities	18.2
Deferred tax liability	255.7
Goodwill	**225.8**

Between 17 April 2019 and 30 June 2019 Clementia Pharmaceuticals contributed to the Consolidated net profit for an loss of €(503.1) million. As the product is not commercialized yet, the acquisition of these entities had no impact on sales recognition.

Had Clementia Pharmaceuticals been acquired on 1 January 2019, the impact on the Consolidated net profit would have been a loss of €(522.1) million .

Costs related to the acquisition have been accounted for in the Operating Income for €(16.9) million, mostly representing lawyers' and bank fees, and integration costs.

Note 13 Other intangible assets

13.1 Movements

In 2019, movements can be broken down as follows:

(in million euros)	31 December 2018	Movements during the year					31 December 2019
		Increase	Decrease	Changes in consolidation scope	Foreign exchange differences	Other movements	
Intellectual property	1,542.6	114.1	(44.3)	965.6	53.5	9.2	2,640.7
Intangible assets in progress	19.7	21.9	(0.1)	–	0.3	(10.1)	31.7
Gross assets	**1,562.3**	**136.1**	**(44.4)**	**965.6**	**53.7**	**(0.9)**	**2,672.4**
Amortization	(358.1)	(99.0)	3.9	0.1	(7.0)	(7.6)	(467.7)
Impairment losses	(192.3)	(669.5)	38.5	–	(5.8)	7.7	(821.5)
Net assets	**1,011.9**	**(632.5)**	**(2.0)**	**965.7**	**41.0**	**(0.9)**	**1,383.2**

At 31 December 2019, the change in net intangible assets resulted notably from the following items:

- Ipsen recognized €965 million of intangible assets relating to the acquisition of Clementia Pharmaceuticals in April 2019 (note 12.3);
- Ipsen recognized €50 million in intangible assets arising from additional milestone payments to Exelixis as part of an exclusive licensing agreement signed in 2016;
- Ipsen recognized €40 million in intangible assets under an exclusive license agreement signed in 2019 with Blueprint Medicines Corporation for the development and commercialization of BLU-782 in the treatment of fibrodysplasia ossificans progressiva (FOP);
- amortization expense on intangible assets came to €99 million, mainly arising from the Onivyde and Cabometyx assets and €15.2 million in amortization expense for software;
- Ipsen recorded a €668.8 million provision for impairment of palovarotene assets (note 13.2.1).

At 31 December 2019, the Group's intangible assets with an indefinite useful life and classified under "Licenses" had a total carrying value of €411 million.

These assets concerned intellectual property or rights acquired for proprietary Oncology, Neuroscience and Rare Disease drugs that were in an advanced phase of development but had not yet been commercialized. As a result, the assets have not been amortized yet, in accordance with the Group's accounting principles (see note 3.12). For these intangible assets, the recoverable amount corresponds to the value in use based on estimated expected future cash flows.

Movements in 2018 can be broken down as follows:

(in million euros)	31 December 2017	Movements during the year					31 December 2018
		Increase	Decrease	Changes in consolidation scope	Foreign exchange differences	Other movements	
Intellectual property	1,371.8	163.8	(12.0)	–	6.9	12.1	1,542.6
Intangible assets in progress	13.9	16.3	–	–	(0.0)	(10.5)	19.7
Gross assets	**1,385.7**	**180.1**	**(12.0)**	**–**	**6.9**	**1.5**	**1,562.3**
Amortization	(273.9)	(86.6)	11.7	–	(3.8)	(5.4)	(358.1)
Impairment losses	(181.5)	(15.0)	–	–	(1.5)	5.8	(192.3)
Net assets	**930.2**	**78.5**	**(0.3)**	**–**	**1.6**	**1.9**	**1,011.9**

At 31 December 2018, the change in net intangible assets resulted notably from the following items:

- Ipsen recognized €130 million in intangible assets arising from additional milestone payments to Exelixis as part of an exclusive licensing agreement signed in 2016;
- Ipsen recognized €6 million in intangible assets arising from additional milestone payments to 3B Pharmaceutical;
- Ipsen recognized €13 million in intangible assets as part of partnership with the University of Texas' MD Anderson Cancer Center. This asset corresponds to various payments under a global licensing and joint development agreement, signed 29 May 2018, for a pre-clinical oncology drug candidate discovered by researchers in MD Anderson's Institute for Applied Cancer Science (IACS). As part of this collaborative effort, MD Anderson will progress the drug candidate through Phase I clinical development, with Ipsen responsible for further global development and commercialization;
- amortization expense on intangible assets came to €86.6 million, mainly arising from the Onivyde and Cabometyx assets and €13.4 million in amortization expense for software;
- Ipsen recorded a €15 million provision for impairment relating to the Xermelo asset. On 19 September 2017, Xermelo was approved by the European Medicines Agency (EMA) for the treatment of diarrhoea associated with carcinoid syndrome in combination with a somatostatin analogue (SSA) in adults insufficiently controlled on SSA therapy. The sales outlook has been revised downwards as a result of a narrower label and lower price. Xermelo remains a good companion product to Somatuline and a therapeutic solution for patients with neuroendocrine tumors with limited options for the treatment of diarrhea associated with carcinoid syndrome. The residual net book value of Xermelo assets amounts to €15.6 million.

At 31 December 2018, the Group's intangible assets with an indefinite useful life and classified under "Licenses" had a total carrying value of €44.1 million.

The assets concerned intellectual property or rights acquired for proprietary Oncology, Neuroscience and Rare Disease drugs that were in an advanced phase of development but had not yet been commercialized. As a result, the assets have not yet been amortized, in accordance with the Group's accounting principles (see note 3.15). For these intangible assets, the recoverable amount corresponds to the value in use based on estimated expected future cash flows.

13.2 Impairment tests of intangible assets

13.2.1 2019

On 6 December 2019 Ipsen announced, following discussions with the U.S. Food and Drug Administration (FDA), that a partial clinical hold effective immediately was issued for studies conducted under IND120181 and IND135403 evaluating the investigational drug candidate palovarotene. The partial clinical hold applies to the pediatric population (patients under the age of 14 years) currently participating in the Phase II studies (PVO-1A-202/204 and PVO-2A-201) and Phase III studies (PVO-1A-301) in all clinical sites at global level. The FDA is allowing studies to continue to treat patients 14 years of age and older.

In addition, Ipsen decided on 24 January 2020 to pause dosing patients in the global Phase III (PVO-1A-301) study designed to evaluate the efficiency and safety of palovarotene in patients with fibrodysplasia ossificans progressiva (FOP) as well as on the ongoing Phase II extension studies (PVO-1A-202/204). The decision is based on results of a futility analysis reviewed by the Independent Data Monitoring Committee (IDMC) as part of the prespecified interim analysis. The results of a futility analysis indicated that the Phase III FOP trial was unlikely to meet its primary efficacy endpoint upon completion.

Despite the results of the prespecified interim analysis, signals of encouraging therapeutics activity were observed in preliminary *post-hoc* analyses of the Phase III trial, and shared with and acknowledged by the IDMC which is recommending not to discontinue the study.

Ipsen has therefore decided to pause dosing patients in the trials to conduct further assessment of the complete data set. Based on the IDMC's observations and recommendations, Ipsen will discuss these findings with regulatory authorities to determine the path forward for the palovarotene program in FOP.

As these circumstances constitute a triggering event of impairment, an impairment test has been performed.

The tested intangible asset corresponds to the intangible asset from Clementia Pharmaceuticals' acquisition recognized for 988.3 million euros as of 31 December 2019.

The recoverable value takes into account assumptions on future expected cash flows, based on various scenarios to which a probability of occurrence has been allocated.

The recoverable value has been determined taking into consideration the discounted value of the expected future cash flows resulting from the different scenarios over the product expected lifetime. The calculation integrates the new clinical data, the potential sales developments as well as estimated approval dates for the different indications. The different scenarios and their related probability of occurrence have been established based on management best estimate and presented to the Board of Directors.

In addition to the risk adjustment of the future cash flows, the Group has used a 9% discount rate considering the specific risk to palovarotene asset.

In line with the IAS 36 – Impairment of assets requirements, the test realized led the Group to partially impair the value of palovarotene intangible asset for an amount of €668.8 million. The net book value of this asset, taking into account the impairment loss, reaches €316.3 million as of 31 December 2019.

The probability of occurrence related to the different scenarios have been established based on the management best estimate. A change in these probabilities could significantly impact the value of the tested asset, upwards or downwards. A 5% increase of the probability of the most favorable scenario would increase the recoverable value by €45 million. Conversely, a 5% increase of the probability of the less favorable scenario would reduce the recoverable value by €45 million.

With constant probability assumptions, a variation of more or less 5% of sales of the various scenarios would lead to a change in the recoverable value of more or less €25 million.

Sensitivity analysis has been performed based on a change of one sole parameter. Therefore, these sensitivity analysis correspond to a mechanical mode of computation that does not reflect a consistent change of all parameters (commercial and regulatory), nor incorporates additional measures the Group could take in such circumstances.

13.2.2 2018

Ipsen recorded a €15 million provision for impairment relating to the Xermelo asset. On 19 September 2017, Xermelo was approved by the European Medicines Agency (EMA) for the treatment of diarrhoea associated with carcinoid syndrome in combination with a somatostatin analogue (SSA) in adults insufficiently controlled on SSA therapy. The sales outlook has been revised downwards as a result of a narrower label and lower price. Xermelo remains a good companion product to Somatuline and a therapeutic solution for patients with neuroendocrine tumors with limited options for the treatment of diarrhea associated with carcinoid syndrome. The residual net book value of Xermelo assets amounts to €15.6 million.

13.3 Breakdown of intangible assets by asset type

(in million euros)	31 December 2019			31 December 2018		
	Gross value	Amortization & Impairment	Net value	Gross value	Amortization & Impairment	Net value
Brands and trademarks	67.4	(38.1)	29.3	77.1	(49.1)	28.0
Licenses	2,385.7	(1,124.6)	1,261.1	1,281.9	(381.0)	900.9
Patents	9.4	(9.4)	0.1	9.4	(9.2)	0.1
Know-how	32.6	(14.7)	17.9	39.4	(20.5)	18.9
Software	141.2	(99.4)	41.8	130.7	(88.0)	42.7
Other intangible assets	4.3	(3.2)	1.2	4.2	(2.6)	1.6
Intangible assets in progress	31.7	–	31.7	19.7	–	19.7
Total	**2,672.4**	**(1,289.2)**	**1,383.2**	**1,562.3**	**(550.4)**	**1,011.9**
Of which impairment losses		*(821.5)*			*(192.3)*	

Note 14 Property, plant & equipment

Movements in 2019 can be broken down as follows:

(in million euros)	31 December 2018	1st application of IFRS 16	1 January 2019	Movements during the year					31 December 2019
				Increase	Decrease	Change in consolidation scope	Foreign exchange differences	Other movements	
Assets excluding IFRS 16									
Land	23.9	–	23.9	0.0	(0.0)	(6.3)	0.1	0.7	18.3
Buildings	342.2	–	342.2	26.7	(9.3)	(9.4)	4.4	13.5	368.1
Plant & equipment	374.4	–	374.4	12.8	(4.4)	(38.6)	6.6	24.7	375.5
Other assets	88.5	–	88.5	21.6	(4.3)	(5.3)	1.7	7.2	109.4
Assets in progress	105.3	–	105.3	68.4	–	(0.0)	1.3	(45.2)	129.8
Advance payments	0.2	–	0.2	0.0	(0.1)	–	0.0	(0.1)	0.0
Gross assets excluding IFRS 16	**934.5**	**–**	**934.5**	**129.6**	**(18.2)**	**(59.5)**	**14.0**	**0.7**	**1,001.2**
Depreciation	(455.3)	–	(455.3)	(45.4)	15.1	40.2	(4.4)	(0.1)	(449.8)
Impairment losses	(4.7)	–	(4.7)	(7.9)	2.3	–	(0.1)	0.1	(10.3)
Depreciation & impairment losses excluding IFRS 16	**(460.0)**	**–**	**(460.0)**	**(53.3)**	**17.4**	**40.2**	**(4.5)**	**0.1**	**(460.1)**
Net assets excluding IFRS 16	**474.5**	**–**	**474.5**	**76.3**	**(0.7)**	**(19.3)**	**9.6**	**0.8**	**541.1**
Assets IFRS 16									
Buildings	–	156.3	156.3	6.6	(15.0)	0.1	3.7	(2.5)	149.2
Plant & equipment	–	0.6	0.6	0.6	(0.1)	–	0.0	0.0	1.1
Other assets	–	12.6	12.6	7.7	(2.0)	–	0.9	0.0	19.2
Gross assets IFRS 16	**–**	**169.4**	**169.4**	**14.9**	**(17.0)**	**0.1**	**4.7**	**(2.5)**	**169.4**
Depreciation	–	–	–	(32.4)	1.4	–	(0.3)	0.0	(31.3)
Impairment losses	–	–	–	–	–	–	–	–	–
Depreciation & impairment losses IFRS 16	**–**	**–**	**–**	**(32.4)**	**1.4**	**–**	**(0.3)**	**0.0**	**(31.3)**
Net assets IFRS 16	**–**	**169.4**	**169.4**	**(17.5)**	**(15.6)**	**0.1**	**4.4**	**(2.5)**	**138.2**
Total net assets	**474.5**	**169.4**	**643.9**	**58.7**	**(16.4)**	**(19.2)**	**14.0**	**(1.8)**	**679.3**

In 2019, acquisitions of property, plant and equipment totaled €144.5 million, compared with €107.4 million in 2018. Excluding IFRS 16, the increase resulted primarily from capital spending needed to boost production capacity at the Group's manufacturing sites in France and the United Kingdom, as well as investments made to move the U.S. sales subsidiary to Cambridge, Massachusetts.

Movements in 2018 can be broken down as follows:

(in million euros)	31 December 2017	Movements during the year					31 December 2018
		Increase	Decrease	Changes in consolidation scope	Foreign exchange differences	Other movements	
Land	23.0	1.5	(0.8)	–	0.0	0.1	23.9
Buildings	335.9	5.8	(13.9)	–	(0.5)	14.9	342.2
Plant & equipment	357.5	15.0	(18.7)	–	(1.8)	22.4	374.4
Other assets	81.4	9.8	(10.4)	–	(0.2)	7.9	88.5
Assets in progress	77.2	75.0	(0.0)	–	0.0	(46.9)	105.3
Advance payments	0.3	0.2	(0.2)	–	0.0	(0.0)	0.2
Gross assets	**875.2**	**107.4**	**(44.1)**	**–**	**(2.5)**	**(1.5)**	**934.5**
Depreciation	(451.8)	(39.8)	36.4	–	0.8	(1.0)	(455.3)
Impairment losses	(4.6)	(1.2)	0.1	–	(0.0)	1.0	(4.7)
Depreciation & impairment losses	**(456.3)**	**(41.0)**	**36.5**	**–**	**0.8**	**0.0**	**(460.0)**
Net assets	**418.9**	**66.4**	**(7.6)**	**–**	**(1.7)**	**(1.5)**	**474.5**

In 2018, acquisitions of property, plant and equipment totaled €107.4 million, compared to €84.9 million in 2017. The increase resulted primarily from capital spending needed to boost production capacity at the Group's manufacturing sites in France and the United Kingdom, as well as investments made to relocate the US sales' subsidiary to Cambridge, Massachusetts.

Note 15 Leases

- Right of use

(in million euros)	1 January 2019	Movements during the year					31 December 2019
		Increase / Decrease	Changes in consolidation scope	Depreciations	Foreign exchange differences	Other movements	
Buildings	156.3	(8.3)	0.1	(23.9)	3.5	(2.5)	125.1
Cars	12.6	5.7	–	(6.8)	0.9	0.0	12.3
Other	0.6	0.5	–	(0.3)	0.0	0.0	0.8
Total right of use IFRS 16	**169.4**	**(2.2)**	**0.1**	**(31.0)**	**4.4**	**(2.5)**	**138.2**

- Lease liability

(in million euros)	31 December 2019
Non-current	128.1
Current	31.8
Total	**159.9**

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

The analysis of lease liability variation is realized in note 23.

- Total cash out booked in the Cash-flow statement

(in million euros)	31 December 2019
Net change in short-term borrowings	(30.3)

Note 16 Equity investments

Movements in 2019 can be broken down as follows:

(in million euros)	31 December 2018	Movements during the year				31 December 2019
		Acquisitions and increases	Disposals and decreases	Foreign exchange differences	Other movements	
Equity investments at fair value through other comprehensive income	38.8	4.5	(0.0)	0.0	(6.9)	36.3
Equity investments at fair value through profit and loss	26.4	6.2	(0.3)	–	(3.7)	28.6
Equity investments	**65.2**	**10.6**	**(0.3)**	**0.0**	**(10.6)**	**64.9**

At 31 December 2019, equity investments at fair value through other comprehensive income notably included the following:

- a €8.0 million interest in Arix Bioscience plc, including an adjusted decrease in fair value of €4.3 million for the period;
- a €17.3 million interest in Rhythm Pharmaceuticals, including an adjusted decrease in fair value of €2.4 million for the period;
- a €4.7 million interest in Radius Health Inc., including an adjusted increase in fair value of €1.0 million for the period;
- a €2.2 million interest in Pyxis Oncology Inc. acquired during the period;
- a €2.3 million interest in Akrevia Therapeutics Inc. acquired during the period.

At 31 December 2019, equity investments at fair value through profit and loss notably included the following:

- a €10.5 million interest in the Innobio venture capital funds, including an adjusted decrease in fair value for €0.7 million for the period;
- a €17.6 million interest in the Agent Capital fund, including an additional investment of €6.2 million and a €0.9 million adjusted decrease in fair value for the period.

Movements in 2018 can be broken down as follows:

(in million euros)	31 December 2017	Movements during the year				31 December 2018
		Acquisitions and increases	Disposals and decreases	Foreign exchange differences	Other movements	
Equity investments at fair value through other comprehensive income	29.8	17.0	–	–	(8.0)	38.8
Equity investments at fair value through profit and loss	13.5	13.2	(0.3)	–	(0.0)	26.4
Equity investments	**43.3**	**30.2**	**(0.3)**	**–**	**(8.0)**	**65.2**

Note 17 Investments in companies accounted for using the equity method

At 31 December 2019, the Group owned a 50% interest in Linnea S.A., Saint-Jean d'Illac S.C.A., Cara Partners, Perechin Company, Wallingston Company Ltd, Wallingston Company, Portpirie Company and Garnay Inc. consolidated using the equity method.

At 31 December 2019, the value of these shares on the Group's balance sheet totaled €18.8 million, with contributing €3.7 million to the Group's net profit. The companies paid out €4.6 million in dividends to the Group in 2019.

The information presented below corresponds to the financial statements of companies accounted for using the equity method, prepared in accordance with Group accounting principles (for amounts taken at 100%).

(in million euros)	31 December 2019			
	Assets	Liabilities, excluding shareholder's equity	Sales	Net profit (loss) for the year
Linnea S.A.	42.8	12.2	31.3	0.1
Saint-Jean d'Illac S.C.A.	8.0	3.7	2.4	0.2
Cara Partners	49.0	54.2	25.0	3.8
Perechin Company	0.1	0.0	–	(0.0)
Wallingstown Company Ltd	0.3	0.0	–	0.0
Wallingstown Company	29.6	27.5	23.4	2.2
Portpirie Company	0.0	–	–	–
Garnay Inc.	7.0	1.4	3.4	0.8
Total	**136.8**	**99.1**	**85.6**	**7.1**

An anti-competitive practices investigation has been launched in 2019 against the company Linnea. As the authorities have provided little information at this stage on the allegations made, Linnea cannot predict with a reasonable level of assurance the potential financial impact this could have on its accounts. For these reasons, no provision has been recorded in Linnea's accounts at 31 December 2019.

Note 18 Non-current financial assets and other non-current assets

18.1 Non-current financial assets

At 31 December 2019, non-current financial assets totaled €27.7 million corresponding to probability-weighted and discounted future payments that the Group may receive following the 3 April 2017 Onivyde acquisition. They decreased by €65.2 million on the period following the reassessment the underlying milestones' probabilities of occurence for €46.4 million and following the reclassification for an amount of €21.9 million in "Current financial assets".

18.2 Other non-current assets

(in million euros)	31 December 2019	31 December 2018
Liquidity agreement [1]	2.0	1.8
Deposits paid	2.5	2.6
Total other non-current assets [2]	**4.5**	**4.4**

(1) Changes are due to the liquidity agreement with Natixis Bleichroeder, a subsidiary of Natixis, signed in February 2007 and tacitly renewed thereafter. The liquidity agreement consists of cash, not treasury shares.
(2) The fair value of "Other non-current assets" corresponds to the value reported in the balance sheet (on each reporting date, the value at the transaction date, less impairment in the amount of the expected losses initially recognized).

Note 19 Detail of the change in working capital requirement

19.1 Movements

Movements in 2019 can be broken down as follows:

(in million euros)	31 December 2018	1st application of IFRS 16	1 January 2019	Movements during the period						31 December 2019
				Change in w/cap related to operating activities	Change in w/cap related to investing activities	Change in w/cap related to financing activities	Change in consolidation scope	Foreign exchange differences	Other movements	
Inventories	198.5	–	198.5	25.6	–	–	(13.5)	3.0	0.3	214.0
Trade receivables	463.0	–	463.0	79.9	–	–	(3.5)	10.9	14.6	565.0
Current tax assets	47.7	–	47.7	2.6	–	–	3.1	0.7	(31.3)	22.8
Other current assets (see note 19.2.3)	126.4	(0.5)	125.9	2.8	(0.0)	–	1.0	1.7	0.9	132.2
WCR assets (1)	**835.6**	**(0.5)**	**835.1**	**110.9**	**(0.0)**	**–**	**(12.8)**	**16.3**	**(15.5)**	**933.9**
Trade payables	(379.8)	–	(379.8)	(98.4)	–	–	(15.2)	(5.0)	(10.0)	(508.5)
Current tax liabilities	(11.4)	–	(11.4)	(33.0)	–	–	0.0	(0.5)	31.3	(13.7)
Other current liabilities (see note 19.2.4)	(329.0)	2.9	(326.1)	9.4	36.9	–	(0.4)	(4.2)	(13.0)	(297.4)
Other non-current liabilities (see note 19.2.4)	(61.0)	16.4	(44.6)	(9.4)	–	–	–	(2.5)	8.7	(47.8)
WCR liabilities (2)	**(781.2)**	**19.3**	**(761.9)**	**(131.4)**	**36.9**	**–**	**(15.6)**	**(12.3)**	**16.9**	**(867.4)**
Total	**54.3**	**18.8**	**73.2**	**(20.4)**	**36.8**	**–**	**(28.4)**	**4.0**	**1.4**	**66.5**

(1) The fair value of "WCR assets" corresponds to the value reported in the balance sheet (on each reporting date, the value at the transaction date less impairment in the amount of the expected losses initially recognized).
(2) The carrying amount of items comprising "WCR liabilities" was deemed to be a reasonable estimation of fair value.

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

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

At 31 December 2019, gross trade receivables past due totaled €46.1 million:

(in million euros)	Total	Trade receivables < 3 months	Trade receivables from 3 to 6 months	Trade receivables from 6 to 12 months	Trade receivables > 12 months
Trade receivables – gross value	**46.1**	17.4	20.8	1.6	6.4
Trade receivables – net value	**39.0**	17.4	20.8	–	0.8

Movements in 2018 can be broken down as follows:

(in million euros)	31 December 2017	1st application of IFRS 15 [3]	1 January 2018	Movements during the period					31 December 2018
				Change in w/cap related to operating activities	Change in w/cap related to investing activities	Change in w/cap related to financing activities	Foreign exchange differences	Other movements	
Inventories	167.4	–	167.4	29.8	–	–	1.3	–	198.5
Trade receivables	437.2	–	437.2	29.0	–	–	(4.0)	0.8	463.0
Current tax assets	58.0	–	58.0	(10.8)	–	–	0.6	(0.2)	47.7
Other current assets (see note 19.2.3)	96.3	–	96.3	27.7	(0.1)	(0.1)	(0.2)	2.9	126.4
WCR assets [1]	**758.8**	**–**	**758.8**	**75.7**	**(0.1)**	**(0.1)**	**(2.3)**	**3.6**	**835.6**
Trade payables	(319.1)	–	(319.1)	(62.4)	–	–	(1.2)	2.9	(379.8)
Current tax liabilities	(2.4)	–	(2.4)	(15.7)	–	–	0.2	6.5	(11.4)
Other current liabilities (see note 19.2.4)	(290.2)	3.1	(287.1)	21.6	(49.5)	0.8	1.6	(16.4)	(329.0)
Other non-current liabilities (see note 19.2.4)	(71.7)	13.5	(58.2)	(16.2)	–	(0.0)	0.4	13.1	(61.0)
WCR liabilities [2]	**(683.3)**	**16.5**	**(666.8)**	**(72.8)**	**(49.5)**	**0.8**	**1.0**	**6.1**	**(781.2)**
Total	**75.5**	**16.5**	**92.0**	**2.9**	**(49.6)**	**0.7**	**(1.3)**	**9.6**	**54.3**

(1) The fair value of "WCR assets" corresponds to the value reported in the balance sheet (value at the transaction date and then tested for impairment on each reporting date).
(2) The carrying amount of items comprising "WCR liabilities" was deemed to be a reasonable estimation of fair value.
(3) Impacts of the first-time application of IFRS 15 – Revenue from contracts with customers.

19.2 Breakdown

19.2.1 Inventories

(in million euros)	31 December 2019			31 December 2018
	Gross value	Depreciation	Net value	Net value
Raw materials and supplies	58.4	(2.7)	55.7	54.9
Work in progress	48.2	(8.0)	40.2	59.2
Finished goods	122.8	(4.7)	118.1	84.5
Total	**229.4**	**(15.4)**	**214.0**	**198.5**

19.2.2 Current financial assets

At 31 December 2019, current financial assets notably included conditional assets resulting from Onivyde acquisition for an amount of €21.9 million and derivative instruments totaling €7.4 million, versus €4.9 million at 31 December 2018.

19.2.3 Other current assets

(in million euros)	31 December 2019	31 December 2018
Advance payments to suppliers	20.5	24.9
Prepayments	31.7	29.5
Recoverable VAT	56.2	49.4
Other assets	23.8	22.6
Total Other current assets [1]	**132.2**	**126.4**

(1) The fair value of "Other current assets" corresponds to the value reported in the balance sheet (on each reporting date, the value at the transaction date less impairment in the amount of the expected losses initially recognized).

19.2.4 Other current and non-current liabilities

(in million euros)	31 December 2019	31 December 2018
Non-current deferred income	47.8	61.0
Total other non-current liabilities [1]	**47.8**	**61.0**
Amounts due to non-current asset suppliers	69.5	106.2
Employment-related liabilities	167.4	150.9
VAT payable	27.5	24.2
Other current tax liabilities	12.0	10.3
Deferred income	13.7	24.9
Other liabilities	7.3	12.5
Total other current liabilities [1]	**297.4**	**329.0**

[1] The carrying amount of other current and non-current liabilities was deemed to be a reasonable estimation of fair value.

Note 20 Cash and cash equivalents

(in million euros)	31 December 2019	31 December 2018
Interest-bearing deposits	138.0	207.2
Cash and cash equivalents	215.4	137.4
Cash and cash equivalents – assets	**353.3**	**344.5**
Bank overdraft – liabilities	**(14.3)**	**(33.6)**
Closing cash and cash equivalents	**339.0**	**310.9**

Note 21 Shareholders' equity

21.1 Share capital

At 31 December 2019, Ipsen's share capital was comprised of 83,814,526 ordinary shares each with a nominal value of €1, including 48,133,505 shares with double voting rights, compared with 83,808,761 ordinary shares each with a nominal value of €1, including 48,047,154 shares with double voting rights at 31 December 2018.

These changes arose from the issuance of 5,765 new shares following the exercise of warrants in the 2019 financial year.

21.2 Basic earnings per share

Basic earnings per share were calculated on the weighted average number of shares outstanding during the year (see note 3.32).

Movements in the weighted average number of shares outstanding for the two periods reported are shown in note 21.4.

	31 December 2019	31 December 2018
Weighted average number of shares outstanding during the year	83,095,043	82,897,511
Consolidated net profit – attributable to Ipsen S.A. shareholders (in million euros)	(50.7)	389.5
Basic earnings per share (in euros)	**(0.61)**	**4.70**
Net profit from discontinued operations – attributable to Ipsen S.A. shareholders (in million euros)	4.2	2.0
Basic earnings per share, discontinued operations (in euros)	**0.05**	**0.02**
Net profit from continuing operations – attributable to Ipsen S.A. shareholders (in million euros)	(54.9)	387.4
Basic earnings per share, continuing operations (in euros)	**(0.66)**	**4.67**

21.3 Diluted earnings per share

• Stock option plans

At 31 December 2019, no more exercisable option are outstanding.

• Bonus shares

At 31 December 2019, bonus shares for the plans of 31 May 2016, 29 March 2017, 30 May 2018 and 13 February 2019 as well as the portion of bonus shares free of performance conditions in the 28 May 2019 plan, were not included in the calculation of the average weighted number of shares for basic earnings per share, but were included in diluted earnings.

	31 December 2019	31 December 2018
Weighted average number of shares outstanding during the year	83,507,329	83,248,336
Consolidated net profit – attributable to Ipsen S.A. shareholders (in million euros)	(50.7)	389.5
Diluted earnings per share (in euros)	**(0.61)**	**4.68**
Net profit from discontinued operations – attributable to Ipsen S.A. shareholders (in million euros)	4.2	2.0
Diluted earnings per share, discontinued operations (in euros)	**0.05**	**0.02**
Net profit from continuing operations – attributable to Ipsen S.A. shareholders (in million euros)	(54.9)	387.4
Diluted earnings per share, continuing operations (in euros)	**(0.66)**	**4.65**

21.4 Weighted average number of shares outstanding

21.4.1 Weighted average number of shares outstanding to calculate basic earnings per share

	31 December 2019	31 December 2018
Number of ordinary shares at start of year	**83,808,761**	**83,732,057**
Treasury shares (weighted average number)	(718,693)	(895,416)
Impact of options exercised in the 2018 financial year – Stock option plan of 12 December 2006	–	2,823
Impact of options exercised in the 2018 financial year – Stock option plan of 31 March 2010	–	57,762
Impact of options exercised in the 2018 financial year – Stock option plan of 30 June 2011	4,975	286
Weighted average number of shares outstanding during the year	**83,095,043**	**82,897,511**

21.4.2 Weighted average number of shares outstanding to calculate diluted earnings per share

	31 December 2019	31 December 2018
Weighted average number of shares outstanding to calculate basic earnings per share	**83,095,043**	**82,897,511**
Dilutive effect of stock options	–	28,741
Dilutive effect of bonus shares	412,286	322,084
Weighted average number of shares outstanding to calculate diluted earnings per share	**83,507,329**	**83,248,336**

21.5 Dividends paid

Dividends paid by Ipsen S.A. were as follows:

		31 December 2019	31 December 2018
Dividend payout (in euros)	(a)	83,201,522	83,017,070
Number of shares on the payment date	(b)	83,201,522	83,017,070
Dividend per share (in euros)	**(a) / (b)**	**1.00**	**1.00**

Note 22 Provisions

22.1 Movements

Movements in 2019 can be broken down as follows:

(in million euros)	31 December 2018	Movements during the year						31 December 2019
		Changes in consolidation scope	Charges	Reversals		Foreign exchange differences	Other movements	
				Applied	Released			
Business and operating risks	19.4	–	4.3	(14.2)	(2.2)	0.1	0.1	7.5
Legal risks	23.2	1.2	5.6	(2.7)	(4.9)	0.2	(1.9)	20.7
Restructuring costs	15.3	–	6.5	(12.6)	(1.0)	0.2	(0.1)	8.4
Other	7.6	–	0.8	(5.5)	(0.1)	0.1	(0.0)	3.0
Total provisions	**65.5**	**1.2**	**17.2**	**(34.9)**	**(8.2)**	**0.7**	**(1.9)**	**39.6**
– of which current	21.1	–	4.6	(23.1)	(0.7)	0.3	6.9	9.1
– of which non-current	44.5	1.2	12.6	(11.9)	(7.4)	0.3	(8.8)	30.5

At 31 December 2019, provisions broke down as follows:

- **Business and operating risks**

These provisions included certain risks of an economic nature reflecting costs that the Group could be brought to bear to terminate commercial contracts or resolve various disagreements of commercial origin. Charges for the period stemmed mainly from terminating research and development studies.

- **Legal risks**

These provisions included:

– €17.3 million for the risk of tax reassessment by local authorities at certain Group's subsidiaries and certain additional taxes that the Group may be required to pay;

– €3.2 million for costs related to labor-related litigation that the Group may incur;

– €0.2 million for various other legal risks.

- **Restructuring costs**

These provisions correspond mainly to costs incurred by the Group to adapt its structure. At 31 December 2019, the increase notably resulted from the relocation of Onivyde manufacturing site from Cambridge (Massachusetts) to Signes in France. The applied reversal resulted notably from relocating the U.S. sales subsidiary to Cambridge, Massachusetts.

- **Other**

At 31 December 2019, a provision was recorded for Group performance-related medium-term bonus plans. The reversals for the period arose after remuneration was paid following the maturity of the plans.

At 31 December 2018, provisions can be broken down as follows:

(in million euros)	31 December 2017	Movements during the year					31 December 2018
		Charges	Reversals		Foreign exchange differences	Other movements	
			Applied	Released			
Business and operating risks	8.8	18.4	(3.2)	(4.6)	0.0	–	19.4
Legal risks	22.3	7.6	(4.3)	(9.1)	0.3	6.6	23.2
Restructuring costs	9.3	8.5	(2.6)	(0.2)	0.3	–	15.3
Other	9.5	3.3	(5.3)	(0.1)	0.2	(0.0)	7.6
Total provisions	**49.9**	**37.7**	**(15.4)**	**(14.0)**	**0.8**	**6.6**	**65.5**
– of which current	16.6	12.9	(10.3)	(1.2)	0.5	2.6	21.1
– of which non-current	33.3	24.8	(5.0)	(12.9)	0.3	4.0	44.5

22.2 Impact on consolidated income

Charges totaling €17.2 million were recognized in Operating income in 2019. In 2019, released reversals totaling €8.2 million were recognized in Operating income.

Charges totaling €37.7 million were recognized in Operating income in 2018. In 2018, released reversals totaling €13.6 million were recognized in Operating income, while €0.4 million in released reversals were recognized in income taxes.

Note 23 Bank loans and financial liabilities

Movements in bank loans and other financial liabilities between 31 December 2018 and 31 December 2019 were as follows:

(in million euros)	31 December 2018	1st application of IFRS 16	1 January 2019	Changes in consolidation	Additions	Repayments / diminutions	Changes in fair value	Other movements	Foreign exchange differences	31 December 2019
Bonds and bank loans	297.9	–	297.9	–	269.7	–	–	0.5	–	568.2
Other financial liabilities	6.0	162.4	168.4	0.0	16.6	(0.6)	0.0	(56.8)	4.0	131.6
Non-current financial liabilities (measured at amortized cost)	**303.9**	**162.4**	**466.3**	**0.0**	**286.3**	**(0.6)**	**0.0**	**(56.3)**	**4.0**	**699.8**
Other financial liabilities	82.1	–	82.1	163.0	–	(0.3)	(91.2)	(6.3)	7.8	155.0
Non-current financial liabilities (financial liabilities measured at fair value) [2]	**82.1**	**–**	**82.1**	**163.0**	**–**	**(0.3)**	**(91.2)**	**(6.3)**	**7.8**	**155.0**
Non-current financial liabilities	**386.0**	**162.4**	**548.4**	**163.0**	**286.3**	**(1.0)**	**(91.2)**	**(62.6)**	**11.8**	**854.7**
Credit lines and bank loans	4.1	–	4.1	(4.0)	540.1	(269.4)	–	–	–	270.8
Other financial liabilities	146.2	25.8	172.0	0.6	118.8	(31.4)	–	42.4	0.9	303.3
Current financial liabilities (measured at amortized cost) [1]	**150.2**	**25.8**	**176.1**	**(3.4)**	**658.8**	**(300.8)**	**–**	**42.4**	**0.9**	**574.0**
Derivative financial instruments	16.5	–	16.5	–	–	–	(7.4)	–	–	9.1
Other financial liabilities	17.5	–	17.5	–	–	–	(1.1)	8.9	0.9	26.4
Current financial liabilities (financial liabilities measured at fair value) [2]	**34.0**	**–**	**34.0**	**–**	**–**	**–**	**(8.5)**	**8.9**	**0.9**	**35.4**
Current financial liabilities	**184.2**	**25.8**	**210.0**	**(3.4)**	**658.8**	**(300.8)**	**(8.5)**	**51.4**	**1.9**	**609.5**
Total financial liabilities	**570.2**	**188.2**	**758.4**	**159.7**	**945.1**	**(301.7)**	**(99.7)**	**(11.2)**	**13.7**	**1,464.2**

(1) Other financial liabilities measured at fair market value mainly comprise contingent liabilities related to acquisitions falling under IFRS3 – Business combination.

(2) Additions and repayments of "Other current financial liabilities" are mainly related to commercial papers, employee profit sharing and lease debt.

Following the implementation, on 1 January 2019, of IFRS 16 – Leases standard, the Group has recognized an increase of €162.4 million in "Other non-current financial liabilities" measured at amortized cost and €25.8 million in "Other current financial liabilities" measured at amortized cost.

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

On 23 July 2019, Ipsen S.A. issued $300 million through a U.S. Private Placement (USPP) in two tranches of 7 and 10 year maturities.

Ipsen S.A. has refinanced its Revolving Credit Facility (RCF) and existing bilateral bank facilities. The new Revolving Credit Facility of €1,500 million has a five-year maturity and includes two one-year extension options.

In the new Revolving Credit Facility, the Group has to comply with a Net Debt / EBITDA covenant to remain below 3.5 times at each financial closing and the facility includes specific indicators linked to CSR (Corporate Social Responsibility) to be assessed annually.

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

On 31 December 2019, the facility was drawn by €270.7 million and the Group was complying with its covenant ratio.

The Ipsen S.A. program of emission of NEU CP – Negotiable EUropean Commercial Paper of €600 million was drawn for €260 million on 31 December 2019.

Change in fair value of Contingent assets and liabilities booked for Onivyde acquisition negatively impacts "Other non-current financial liabilities" and "Other current financial liabilities" for €62.6 million.

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

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

At 31 December 2019, "Other financial liabilities" have been revaluated following the immediately effective partial clinical hold issued, on 6 December 2019, for studies IND120181 and IND135403 evaluating the experimental drug candidate palovarotene and, on 24 January 2020, and following the pause in dosing patients recruited in global Phase III study (PVO-1A-301) as well as extension studies for Phase II (PVO-1A-202/204) in progress.

"Other current financial liabilities" and "Other non-current financial liabilities" related to Contingent Value Rights and milestone payments, have been revaluated taking into account probabilities of occurrence of underlying events. In counterpart of the diminution of financial liabilities, financial result has correspondingly been increased.

At 31 December 2019, financial liabilities related to Clementia acquisition were as follows:

- €42.2 million for Contingent Value Rights (CVR);
- €13.0 million for regulatory and commercial contingent payments.

Movements in bank loans and other financial liabilities between 31 December 2017 and 31 December 2018 were as follows:

(in million euros)	31 December 2017	Additions	Repayments	Net change in interest	Other movements	Foreign exchange differences	31 December 2018
Bonds and bank loans	297.5	–	–	–	0.4	–	297.9
Other financial liabilities [1]	102.8	3.2	(3.9)	0.0	(15.0)	0.9	88.1
Non-current financial liabilities (measured at amortized cost) [2]	**400.3**	**3.2**	**(3.9)**	**0.0**	**(14.6)**	**0.9**	**386.0**
Credit lines and bank loans	46.0	0.1	(46.8)	–	4.7	–	4.1
Other financial liabilities	228.0	–	(81.7)	(0.1)	14.8	2.6	163.7
Current financial liabilities (measured at amortized cost) [2]	**274.0**	**0.1**	**(128.4)**	**(0.1)**	**19.6**	**2.6**	**167.8**
Derivative financial instruments	20.7	–	–	–	(4.3)	–	16.5
Current financial liabilities (financial liabilities measured at fair value) [3]	**20.7**	**–**	**–**	**–**	**(4.3)**	**–**	**16.5**
Current financial liabilities	**294.7**	**0.1**	**(128.4)**	**(0.1)**	**15.3**	**2.6**	**184.2**
Total financial liabilities	**695.0**	**3.3**	**(132.3)**	**(0.1)**	**0.7**	**3.5**	**570.2**

(1) Additions and repayments of other financial liabilities were mainly related to employee profit sharing.
(2) The value of current financial liabilities measured at amortized cost is considered as a reasonable estimation of the fair market value.
(3) Fair value corresponds to the market value. The (€4.3) million in other movements corresponds to the change in the fair value of derivative financial instruments used to hedge foreign exchange risk.

Note 24 Financial instruments

24.1 Interest rate risk hedging

The Group's funding consists in a fixed-rate debt from bond debts (bonds and US Private Placement – USPP), as well as a variable-rate debt from revolving credit facilities and program of emission of commercial papers (NEU CP – Negotiable EUropean Commercial Papers).

At 31 December 2019, there were no derivative financial instruments for hedging interest rate risk.

24.2 Exchange rate risk hedging

24.2.1 Exposure to exchange rate risk

A share of the Group's business is conducted in countries where the euro, the Group's reporting currency, is the functional currency. Nevertheless, owing to its international business scope, the Group is exposed to exchange rate fluctuations that can affect its results.

A 10% increase or decrease in the US dollar, the pound sterling, the Chinese yuan, or the Russian ruble against the euro (the main currencies in which the Group operates) would impact sales by plus 5% or minus 4%, and Operating income by plus 5% or minus 5%.

Several types of risks can be identified:

- transactional foreign exchange risk related to business activities: the Group hedges its main foreign currencies, including the USD, GBP, CNY, RUB, CHF, PLN, AUD, and BRL, based on its budget forecasts;
- financing foreign exchange risk related to financing contracted in a currency other than the functional currencies of Group entities.

Ipsen implemented a foreign exchange rate hedging policy to reduce the exposure of its net profit to foreign currency fluctuations.

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

At 31 December 2019, the future cash flow hedge reserve for business transactions came to a pre-tax (€1.0) million, compared to a pre-tax reserve of (€5.1) million at 31 December 2018.

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

At 31 December 2019, financial instruments used for future cash flow hedges on business transactions negatively impacted Operating income in the amount of (€13.3) million.

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

At 31 December 2019, the ineffective impact of financial instruments used for future cash flow hedges recognized in Net financial income (expense) came to (€14.3) million.

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

At 31 December 2019, the effective impact of financial instruments classified in "Financial assets and liabilities at fair value through profit or loss" totaled (€2.6) million. The ineffective impact of these financial instruments in Net financial income (expense) came to (€1.4) million.

- **Impact of financial instruments used for net investment hedge on equity**

At 31 December 2019, the future cash flow hedge reserve for net investment came to a pre-tax (€5.5) million.

At 31 December 2019 and 31 December 2018, derivative financial instruments held by the Group are broken down as follows:

(in million euros)		31 December 2019						31 December 2018		
		Face value	Fair value		Nominal value by maturity			Face value	Fair value	
			Assets	Liabilities	Less than 1 year	1 to 5 years	Over 5 years		Assets	Liabilities
Exchange rate risk hedging – Business transactions										
Put forward contracts	Cash Flow Hedge	434.6	2.2	(5.7)	434.6	–	–	702.0	3.6	(13.2)
Put option contracts		0.0	0.0	–	0.0	–	–	21.2	0.0	0.0
Seller at maturity foreign exchange swaps		201.2	0.9	(1.4)	201.2	–	–	88.6	0.2	(0.2)
Call forward contracts		137.2	4.0	0.0	137.2	–	–	243.2	0.3	(2.5)
Call option contracts		0.0	0.0	–	0.0	–	–	11.1	0.1	0.0
Buyer at maturity foreign exchange swaps		23.7	0.2	0.0	23.7	–	–	38.0	0.1	(0.0)
Total business transactions		**796.8**	**7.3**	**(7.2)**	**796.8**			**1,104.1**	**4.3**	**(15.8)**
Exchange rate risk hedging – Financial transactions										
Put forward contracts	Derivatives not qualified	0.0	0.0	0.0	0.0	–	–	15.3	0.2	(0.0)
Seller at maturity foreign exchange swaps		145.3	0.0	(1.4)	145.3	–	–	321.7	0.3	(0.2)
Call forward contracts		0.0	0.0	0.0	0.0	–	–	43.3	0.1	(0.1)
Buyer at maturity foreign exchange swaps		118.5	0.1	(0.5)	118.5	–	–	334.0	0.1	(0.3)
Financial transactions		**263.8**	**0.1**	**(1.9)**	**263.8**			**714.3**	**0.7**	**(0.6)**
Total hedging of business and financial transactions		**1,060.6**	**7.4**	**(9.1)**	**1,060.6**			**1,818.5**	**4.9**	**(16.5)**

24.2.2 Transactional foreign exchange risk

The Group's hedging policy is aimed at protecting Operating income from foreign exchange rate fluctuations compared to its company forecasts. Accordingly, the effective portion of the hedge is recorded in operating income.

The Group hedges its main foreign currencies, including the USD, GBP, CNY, RUB, CHF, PLN, AUD, and BRL, based on its budget forecasts and highly probable business transactions.

To reduce its exposure to foreign exchange rate fluctuations, Ipsen principally uses derivative instruments, primarily put or call forward contracts as well as currency swaps and non deliverable forward (NDF) contracts.

These derivatives hedge primarily significant future cash flows denominated in foreign currencies after the close of the reporting period, *i.e.* the balance sheet date. The Group mainly uses future cash flow hedge accounting.

The Group's policy is not aimed at carrying out derivative financial instrument transactions for speculative gain.

24.2.3 Financing foreign exchange risk

Pooling of the financing surpluses and needs of foreign subsidiaries outside the euro zone exposes certain entities to financing foreign exchange risk arising from fluctuations in the value of financial liabilities and receivables denominated in currencies other than the functional currency of the lending or borrowing entity. To pool the risk, the intra-group financing is generally denominated in the subsidiary's functional currency.

The Group hedges financial current accounts denominated in the functional currencies of its subsidiaries through financial instruments that match current account balances. These include currency swaps and loans and borrowings contracted from counterparty banks.

24.3 Derivative financial instruments reported in the balance sheet

Derivative financial instruments reported in the balance sheet at 31 December 2019 and 2018:

(in million euros)	31 December 2019		31 December 2018	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Market value of currency instruments	7.4	(9.1)	4.9	16.5
Total	**7.4**	**(9.1)**	**4.9**	**16.5**

Note 25 Financial instruments reported in the balance sheet

In accordance with the amendment to IFRS 13 – Fair Value Measurement, financial instruments are presented in three categories based on a hierarchical method used to determine their fair value:

- level 1: fair value calculated using quoted prices in an active market for identical assets and liabilities;
- level 2: fair value calculated using valuation techniques based on observable market data such as prices of similar assets and liabilities or parameters quoted in an active market;
- level 3: fair value calculated using valuation techniques based wholly or partly on unobservable inputs such as prices in an inactive market or a valuation based on multiples for unlisted securities.

Derivative financial instruments reported in the balance sheet at 31 December 2019 are broken down as follows:

(in million euros)	31 December 2019		Breakdown by financial instrument class – balance sheet value						Level of fair value		
	Carrying value	Fair value	Fair value through income statement	Financial assets at fair value through other comprehensive income	Financial assets at fair value through the profit or loss	Assets at amortized cost	Liabilities at amortized cost	Derivatives	Level 1	Level 2	Level 3
Equity investments	64.9	64.9	–	36.3	28.6	–	–	–	31.4	–	33.5
Non-current financial assets	27.7	27.7	27.6	–	–	0.1	–	–	–	–	27.7
Other non-current assets	4.5	4.5	2.0	–	–	2.5	–	–	2.0	–	2.5
Trade and account receivables	565.0	565.0	–	–	–	565.0	–	–	–	–	–
Current financial assets	59.3	59.3	21.7	–	–	30.1	–	7.4	–	7.4	51.9
Other current assets	132.2	132.2	–	–	–	132.2	–	–	–	–	–
Cash and cash equivalents	353.3	353.3	353.3	–	–	–	–	–	353.3	–	–
ASSETS	**1,206.9**	**1,206.9**	**404.6**	**36.3**	**28.6**	**729.9**	**–**	**7.4**	**386.8**	**7.4**	**115.5**
Non-current financial liabilities	854.7	861.5	155.0	–	–	–	699.8	–	305.1	273.3	283.0
Other non-current liabilities	47.8	47.8	–	–	–	–	47.8	–	–	–	–
Current financial liabilities	609.5	609.5	26.4	–	–	–	574.0	9.1	260.0	280.5	68.9
Trade payables	508.5	508.5	–	–	–	–	508.5	–	–	–	–
Other current liabilities	297.4	297.4	–	–	–	–	297.4	–	–	–	–
Bank overdrafts	14.3	14.3	14.3	–	–	–	–	–	14.3	–	–
LIABILITIES	**2,332.2**	**2,338.9**	**195.6**	**–**	**–**	**–**	**2,127.5**	**9.1**	**579.5**	**553.8**	**352.0**

Derivative financial instruments reported in the balance sheet at 31 December 2018 break down as follows:

(in million euros)	31 December 2018		Breakdown by financial instrument class – balance sheet value						Level of fair value		
	Carrying value	Fair value	Fair value through income statement	Financial assets at fair value through other comprehensive income	Financial assets at fair value through the profit or loss	Assets at amortized cost	Liabilities at amortized cost	Derivatives	Level 1	Level 2	Level 3
Equity investments	65.2	65.2	–	38.8	26.4	–	–	–	38.4	11.2	15.6
Non-current financial assets	92.9	92.9	–	–	–	92.9		–	–		92.9
Other non-current assets	4.4	4.4	–	–	–	4.4	–		4.4	–	–
Trade and account receivables	463.0	463.0	–	–	–	463.0		–			
Current financial assets	5.5	5.5	0.6	–	–	–	–	4.9	–	4.9	0.6
Other current assets	126.4	126.4	–	–	–	126.4	–	–			
Cash and cash equivalents	344.5	344.5	344.5	–	–	–	–	–	344.5	–	–
ASSETS	**1,101.9**	**1,101.9**	**345.1**	**38.8**	**26.4**	**686.6**	**–**	**4.9**	**387.3**	**16.2**	**109.0**
Non-current financial liabilities	386.0	393.5	–	–	–		386.0	–	305.5	3.4	84.6
Other non-current liabilities	61.0	61.0		–	–	–	61.0	–			
Current financial liabilities	184.2	184.2	–	–	–	–	167.8	16.5	148.7	18.0	17.5
Trade payables	379.8	379.8	–	–	–	–	379.8	–			
Other current liabilities	329.0	329.0	–	–	–	–	329.0	–			
Bank overdrafts	33.6	33.6	–	–	–	–	33.6	–	33.6	–	–
LIABILITIES	**1,373.7**	**1,381.2**	**–**	**–**	**–**	**–**	**1,357.2**	**16.5**	**487.8**	**21.4**	**102.1**

Note 26 Information on related parties

26.1 Director and Executives compensation

In 2019, the total compensation paid to Board and Executive Leadership Team members amounted to €19.2 million, of which €0.8 million were paid to members of the Board of Directors and €18.4 million were paid to members of the Executive Leadership Team (see Chapter 5).

Pension and similar benefits for Board members and members of the Executive Leadership Team came to €4.4 million at 31 December 2019, with a total of €1.8 million paid to members of the Board of Directors and €2.6 million paid to Executive Leadership Team members.

26.2 Transactions with related parties

26.2.1 In the income statement

(in million euros)	31 December 2019		31 December 2018	
	Income	Operating expenses	Income	Operating expenses
Companies consolidated as joint operations [1]	–	–	7.3	(11.0)
Associated companies [1]	14.8	(13.7)	–	0.0
Companies over which the Group's executive officers exercise significant influence [2]	–	0.0	–	(0.1)
Total	**14.8**	**(13.7)**	**7.3**	**(11.0)**

(1) The Group's relationship with Schwabe was formalized in a cooperation agreement signed on 27 July 2005 relating to:
- the sourcing and supply of *Ginkgo biloba* leaves;
- the production of *Ginkgo biloba* extract;
- patents, know-how and the EGb 761® brand name;
- research and development activities concerning the EGb 761® extract and drugs containing the EGb 761® extract.

This contract recognizes that the Group and Schwabe have joint shareholdings in the following companies, which form the production chain for EGb 761® or other plant extracts:
- 50% of the share capital in Saint-Jean d'Illac S.C.A., Garnay Inc. and Linnea S.A.;
- 50% of the partnership shares in Wallingstown Company Ltd;
- 50% of the joint rights in Cara Partners.

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

(2) Rent owed by a number of the Group's companies to real estate holdings owned by certain Group Directors.

26.2.2 In the balance sheet

(in million euros)	31 December 2019				31 December 2018			
	Loans and receivables	Trade receivables	Bank loans/ Debt	Trade payables	Loans and receivables	Trade receivables	Bank loans/ Debt	Trade payables
Companies consolidated as joint operations [1]	–	–	–	–	12.8	5.1	0.7	4.1
Associated companies [1]	38.2	6.1	2.6	6.4	–	–	–	–
Total gross	**38.2**	**6.1**	**2.6**	**6.4**	**12.8**	**5.1**	**0.7**	**4.1**
Provisions for doubtful accounts receivables	–	–	–	–	–	–	–	–
Total	**38.2**	**6.1**	**2.6**	**6.4**	**12.8**	**5.1**	**0.7**	**4.1**

(1) See note 26.2.1.

26.2.3 Off-balance sheet commitments

This item includes rent commitments to companies over which executive officers of the Group exercise significant influence. The total amount of future rent payments due in respect of these rented premises amounted to €0.1 million at 31 December 2019.

Note 27 Commitments and contingent liabilities

27.1 Operating commitments

Within the scope of its business activity, in particular with strategic development operations that lead to the formation of partnerships, the Group regularly enters into agreements that may result in potential financial commitments, subject to the completion of certain events.

The probability-weighted and discounted value of the commitments represents the amount that the Group actually expects to pay or to receive at 31 December 2019. The value of these commitments is determined by weighting the future commitments by the following criteria:

- Probabilities of occurrence of each milestone payment planned in the contract. The probabilities of occurrence are estimated between 0% and 100% and are reviewed and validated by the Group management team.
- Discount rate corresponding to each Cash Generating Unit of the Group to which the agreement belongs.

The maximum amounts that may be owed (commitments given) or received (commitments received) represent the maximum amounts if all the conditions were met, undiscounted nor probability-weighted.

27.1.1 Operating commitments given

As part of its key agreements listed in the following table, the Group could make milestone payments related to the success of development and marketing phases:

(in million euros)	31 December 2019	31 December 2018
Commitments given probabilized and discounted	135.3	139.2

The maximum amount of commitments given at 31 December 2019 and 31 December 2018 is detailed below:

(in million euros)	31 December 2019	31 December 2018
Key agreements in Oncology	1,089.2	1,119.6
Key agreements in Rare Diseases	442.2	–
Key agreements in Neuroscience	108.5	108.6
Key agreements in Consumer Healthcare	20.5	19.0
Total	**1,660.4**	**1,247.3**

It is mainly related to key agreements in Oncology for €1,089.2 million at 31 December 2019, and €442 million in milestone payment that may be paid to Blueprint Medecines Corporation following the exclusive global license agreement signed in 2019 related to the development and commercialization of BLU-782.

27.1.2 Operating commitments received

As part of its key agreements listed in the following table, the Group could receive milestone payments related to the success of development and marketing phases:

(in million euros)	31 December 2019	31 December 2018
Commitments received probabilized and discounted	30.8	17.7

The maximum amount of commitments received at 31 December 2019 and 31 December 2018 is detailed below:

(in million euros)	31 December 2019	31 December 2018
Key agreements in Oncology	18.5	18.4
Key agreements in Neuroscience	34.8	34.4
Key agreements in Rare Diseases	333.6	324.7
Key agreements in Consumer Healthcare	67.6	67.6
Key agreements in Haematology	167.0	162.2
Total	**621.4**	**607.3**

It is mainly related to key agreements in Rare Diseases for €333.6 million at 31 December 2019, versus €324.7 million at 31 December 2018.

27.2 Financial commitments

Ipsen has subscribed to a worldwide liability insurance policy from a new third-party insurer. The insurance company itself is underwritten by the captive reinsurance company Ipsen Ré, a wholly owned subsidiary of the Group, up to the first €15 million for any potential claim made.

To cover that financial commitment and address any potential default by Ipsen Ré, the Ipsen S.A. parent company on 18 December 2018 issued a letter of guarantee payable upon first demand in favor of the third-party insurer for a total amount of €3 million. The first-demand guarantee is renewable annually. Furthermore, under the previous civil liability insurance contract also reinsured in the captive reinsurance company Ipsen Ré and terminated on 31 December 2018, the previous first demand guarantee issued in March 2018 in favor of the previous insurer for an amount of €9 million is extended for five years after the expiration date of the reinsurance contract until 31 December 2023.

Further, the Group owns a 50% interest in the Swiss-based entity Linnea S.A., consolidated using the equity method, and which has subscribed to three credit lines totaling CHF11 million. These credit lines were not drawn on during the year.

27.3 General risks

The Group may be involved in litigation, arbitration and other legal proceedings. Such proceedings are generally related to civil litigation concerning product liability, intellectual property rights, competition law, trading practices, trade rules, labor rights, tax issues, waste treatment and environmental issues, and requests for guaranteeing the liabilities of assets sold. Provisions related to litigation and arbitration are recognized in compliance with the principles presented in note 3.23.

Most of the questions raised by these claims are complex and subject to significant uncertainties. As a consequence, it is sometimes difficult to measure the probability that the Group will have to recognize an expense and to measure the amount. Contingent liabilities relate to those cases where it is not reasonably possible to provide a reliable estimate of the financial impact that could arise from the settlement of the cases, or where the probability is low that the cases will result in payment by the Group.

In general, risks are measured according to a series of complex assumptions about future events. These measurements are based on estimates and assumptions deemed reasonable by management. The Group believes that the total amount of provisions recognized for the aforementioned general risks is adequate based on currently available information. However, given the uncertainties inherent to such litigation and to contingent liability estimates, the Group cannot rule out the possibility of future decisions that could have an unfavorable material impact on its results.

The Group set up a tax pool in France for all of Group companies operating in France that meet legal requirements. The system provides for various penalty provisions when entities leave the tax group, mentioned here for informational purposes.

27.4 Liquidity risk and counterparty risk

The Group's policy is to diversify its business counterparties so as to avoid the risks associated with excessive concentration and to make qualitative decisions in choosing these counterparties. Further, the Group monitors the credit risks associated with the financial instruments in which it invests and limits its investments according to the credit rating of its business counterparties. These funds are managed by the Group and are mainly invested in term deposits and term accounts. The Group invests its surpluses in short-term money-market financial instruments negotiated with counterparties whose credit ratings are at least A-1 (Standard & Poor's) or P-1 (Moody's).

27.5 Other commitments

27.5.1 Capital expenditure commitments

Future Group expenditures resulting from investment commitments amounted to €52.5 million at 31 December 2018, and were broken down as follows:

(in million euros)	Maturity			Total
	Less than one year	From one to five years	Over five years	
Industrial assets	21.8	–	–	**21.8**
Reseach and Development assets	0.7	–	–	**0.7**
Total	**22.6**	**–**	**–**	**22.6**

27.5.2 Risk of acceleration of borrowings

The Group's exposure to this risk is described in note 24.

At 31 December 2019, no commitment or contingent liability had been contracted that could significantly affect the assessment of the consolidated financial statements.

27.5.3 Endorsements, pledges and guarantees given

Total guarantees given came to €50.1 million at 31 December 2019. These commitments correspond primarily to guarantees given to government authorities to participate in calls for tender.

27.5.4 Commitments arising from Research and Development agreements

Within the scope of its business activity, the Group regularly enters into Research and Development agreements with partners that may result in potential financial commitments. At 31 December 2019, those commitments totaled €106.2 million.

Note 28 Post closing events with no impact on the consolidated financial statements at 31 December 2019

None.

Note 29 Consolidation scope

The table below shows the following information for all companies included in the consolidation scope:

- country of incorporation;
- place of registered office (State of incorporation for U.S. companies);
- the percentage interest held in each company.

List of companies included in the consolidation scope at 31 December 2019 and 31 December 2018.

29.1 Fully consolidated companies

Name and legal form	Country	Registered office	31 December 2019	31 December 2018
			% interest	% interest
Ipsen S.A. (Parent company)	France	Boulogne (92)	100	100
BB et Cie S.A.S.	France	Boulogne (92)	100	100
Beaufour Ipsen Industrie S.A.S.	France	Dreux (28)	100	100
Ipsen Consumer Healthcare S.A.S.	France	Boulogne (92)	100	100
Ipsen Innovation S.A.S.	France	Les Ulis (91)	100	100
Ipsen Pharma S.A.S.	France	Boulogne (92)	100	100
Ipsen PharmSciences S.A.S.	France	Dreux (28)	100	100
Sutrepa S.A.S	France	Boulogne (92)	–	100
Ipsen Pharma Biotech S.A.S.	France	Signes (83)	100	100
Ipsen Pharma Algérie S.P.A.	Algeria	Algiers	49	49
Ipsen Pharma GmbH	Germany	Munich	100	100
OctreoPharm Sciences GmbH	Germany	Berlin	100	100
Ipsen Pty Limited	Australia	Glen Waverley	100	100
Ipsen N.V.	Belgium	Merelbeke	100	100
Beaufour Ipsen Farmaceutica LTDA	Brazil	Sao Paulo	100	100
Ipsen Biopharmaceuticals Canada Inc.	Canada	Mississauga	100	100
Clementia Pharmaceuticals, Inc.	Canada	Montreal	100	–
11188291 Canada Inc.	Canada	Montreal	100	–
Beaufour Ipsen (Tianjin) Pharmaceutical Co. Ltd	China	Tianjin	96	96
Ipsen (Beijing) pharmaceutical science and technology development Co. Ltd	China	Beijing	100	100
Ipsen (Tianjin) Pharmaceutical Trade Co. Ltd	China	Tianjin	96	96
Ipsen Korea	Korea	Séoul	100	100
Ipsen Pharma S.A.	Spain	Barcelona	100	100
Ipsen Biopharmaceuticals, Inc.	United States	New Jersey	100	100
Ipsen Bioscience Inc.	United States	Massachusetts	100	100
Clementia Pharmaceuticals USA, Inc.	United States	Auburndale	100	–
Ipsen Epe	Greece	Athens	100	80
Ipsen Pharma Hungary Kft	Hungary	Budapest	100	–
Elsegundo Limited	Ireland	Cork	100	100
Ipsen Manufacturing Ireland Limited	Ireland	Dublin	100	100
Ipsen Pharmaceuticals Limited	Ireland	Dublin	100	100
Ipsen S.p.A.	Italy	Milan	100	100
Ipsen CHC S.r.l	Italy	Milan	100	100
Ipsen Pharma Kazakhstan	Kazakhstan	Almaty	100	100
Ipsen Ré S.A.	Luxembourg	Luxembourg	100	100
Ipsen Mexico S. de R.L. de C.V.	Mexico	Mexico	100	100
Ipsen Farmaceutica B.V.	Netherlands	Hoofddorp	100	100
Ipsen Poland LLC	Poland	Varsovie	100	100
Ipsen Portugal - Produtos Farmaceuticos S.A.	Portugal	Algés	100	100
Ipsen Pharma s.r.o.	Czech Republic	Prague	100	–
Ipsen Pharma Romania S.R.L.	Romania	Bucharest	100	100
Ipsen Limited	United Kingdom	Berkshire	100	100
Ipsen BioInnovation Limited	United Kingdom	Oxford	100	100
Ipsen Biopharm Limited	United Kingdom	Wrexham	100	100
Ipsen Developments Limited	United Kingdom	Berkshire	100	100
Sterix Limited	United Kingdom	Slough	100	100
Ipsen OOO	Russia	Moscow	100	100
Ipsen Pharma Singapore PTE Ltd	Singapore	Singapore	100	100
Institut Produits Synthèse (Ipsen) AB	Sweden	Kista	100	100
IPSEN Pharma Schweiz GmbH	Switzerland	Zoug	100	–
Ipsen Pharma Tunisie S.A.R.L.	Tunisia	Tunis	100	100
Ipsen Ukraine Services LLC	Ukraine	Kiev	100	100

29.2 Companies consolidated using the equity method

Name and legal form	Country	Registered office	31 Decembrer 2019	31 December 2018
			% interest	% interest
Garnay Inc. (1)	United States	South Carolina	50	50
Saint-Jean d'Illac S.C.A. (1)	France	Boulogne (92)	50	50
Cara Partners (1)	Ireland	Cork	50	50
Perechin Company (1)	Ireland	Cork	50	50
Portpirie Company (1)	Ireland	Cork	50	50
Wallingstown Company (1)	Ireland	Cork	50	50
Wallingstown Company Limited (1)	Ireland	Cork	50	50
Linnea S.A.	Switzerland	Riazzino	50	50

(1) These entities were previously consolidation as joint operations for the Group's share of net profit or loss (see note 2).

Note 30 Fees paid to the Statutory Auditors

The fees paid by the Group to the Statutory Auditors and members of their networks are presented in the following table:

(in thousands of euros)	Deloitte & Associés				KPMG Audit			
	Amounts, net of VAT		%		Amounts, net of VAT		%	
	2019	2018	2019	2018	2019	2018	2019	2018
Certification and limited interim review of separate and consolidated financial statements								
Issuer	*200*	*210*	*24%*	*27%*	*228*	*179*	*27%*	*26%*
Fully consolidated subsidiaries	*587*	*545*	*72%*	*69%*	*576*	*474*	*68%*	*70%*
Sub-total	**787**	**755**	**96%**	**96%**	**804**	**653**	**95%**	**96%**
Services other than the certification of the financial statements (1)								
Issuer	*23*	*22*	*3%*	*3%*	*0*	*0*	*0%*	*0%*
Fully consolidated subsidiaries	*9*	*9*	*1%*	*–*	*42*	*29*	*5%*	*4%*
Sub-total	**32**	**31**	**4%**	**4%**	**42**	**29**	**5%**	**4%**
Total	**819**	**786**	**100%**	**100%**	**846**	**682**	**100%**	**100%**

(1) The nature of services other than the "certification of financial statements" provided by the Statutory Auditors to the consolidating entity and its controlled subsidiaries includes the certification of financial, environmental and corporate social responsibility data, and independent third-party missions.

3.2.6 Statutory Auditors' Report on the consolidated financial statements

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Ipsen S.A.

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

Statutory Auditors' Report on the consolidated financial statements

Year ended 31 December 2019

For the attention of the Annual General Meeting of Ipsen S.A.,

Opinion

In compliance with the assignment entrusted to us by your Annual General Meeting, we have conducted an audit of the consolidated financial statements of Ipsen S.A. pertaining to the year which ended 31 December 2019, as attached to the present report.

We certify that the annual financial statements, in accordance with International Financial Reporting Standards, give a true and fair view of the result of its operations as well as of the financial position and of the assets and liabilities of the company for the year ended.

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

Basis for the opinion

Audit standards

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

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

Independence

We conducted our audit in accordance with the independence rules applicable to us, during the period from 1 January 2019 to the issuance date of our report, and, in particular, we have not provided any services prohibited by Article 5, Paragraph 1, of Regulation (EU) no. 537/2014 or by the code of ethics of the profession of statutory auditor.

Observation

In due respect of the opinion expressed above, we draw your attention to Note 3.2 on "Norms and interpretations entering into force on 1 January 2019" that sets out the impact of changes to accounting methods in relation to the initial application of IFRS 16 "lease contracts" and IFRIC 23 "Uncertainty over tax income treatments".

Justification of the assessments – Key points of the audit

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

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

Treatment of the acquisition of Clementia and valuation on 31 December 2019

Notes 1.1, 3.8, 3.15, 6.2, 9, 10.2 12.3 and 13.2 of the consolidated financial statements

Identified risk

On 17 April 2019, by finalizing the acquisition of 100% of the Canadian company Clementia Pharmaceuticals, Ipsen strengthened its portfolio with Palovarotene, a late-stage molecule that has pediatric disease and breakthrough therapy designation for an ultra-rare bone disease.

This acquisition has been analyzed as a business combination under IFRS 3, implying that the assets acquired and liabilities assumed are to be measured at their fair values at the date of acquisition.

The impacts of allocating the cost of acquisition of 1 002.4 million euros are integrated into the accounts on 31 December 2019 and result notably in the following:

- an intangible asset of 965.7 million euros corresponding to the value of the acquired intellectual property (Palovarotene)
- financial liability assessed at the fair value of 139.6 million euros for the deferred contingent payment relating to the regulatory filing of Palovarotene with the U.S. Food and Drug Administration (FDA) for the treatment of multiple osteochondromas.
- deferred taxes in consideration for the allocation amounting to a net liability of 200.6 million euros

This allocation generated residual goodwill of 225.8 million euros posted in full to the "Specialty Care" CGU.

On 6 January 2019, the FDA ordered immediate suspension of experimental clinical studies of Palovarotene on patients aged under 14, but allowed the continuation of treatment for patients aged 14 and over.

Furthermore, on 24 January 2020, following the results of the futility analysis of Palovarotene reviewed by the Independent Data Monitoring Committee (IDMC), Ipsen decided to suspend administration of the treatment to all recruited patients. The IDMC nevertheless recommended not to discontinue the study on account of the observed signals of therapeutic activity.

In this context, Ipsen considered that evidence of impairment existed at the end of the fiscal year and as such, carried out an impairment test.

The procedure for the impairment test performed is set out in Note 3.15 of the consolidated financial statements and, in compliance with the criteria defined by IAS 36, resulted in partial depreciation of the value of the intangible asset Palovarotene of 668.8 million euros, bringing it down to the recoverable amount as described in Note 13.2 of the consolidated financial statements.

This recoverable amount has been established on the basis of the discounted value of the expected future cash flows of these scenarios on the estimated product lifetime, integrating the new clinical data, as well as development prospects and sales, and the estimated dates for marketing authorizations for the various indications. The various scenarios and associated probabilities have been drawn up on the basis of the best management estimation and presented at the Board of Directors' meeting.

As a corollary,

- financial liability for commercial and regulatory contingent payments has been recorded for a total of 114.6 million euros, as described in Note 9 of the consolidated financial statements.
- deferred tax liabilities have been recorded for a total of 177.2 million euros, as described in Note 10.2 of the consolidated financial statements
- deferred tax assets (including 2019 deficits) have been depreciated for a total of 71.9 million euros, as described in Note 10.2 of the consolidated financial statements

We have considered the accounting treatment of these operations as a key point of the audit with respect to their significance for the group's accounts and the considerable extent of the judgement exercised by Management in:

- identifying the assets and liabilities acquired, evaluating their fair value on the acquisition date and at the closing of the balance sheet, and allocating the cost of acquisition to acquired assets and liabilities, and
- with respect to the impairment test of the intangible assets, in the choice of assumptions underlying forecast cash flows and establishing the discount rate.

Audit procedures implemented in response to the identified risks

1) in the context of allocating the cost of acquisition

We have looked at the procedure implemented by Management to report this transaction and we have assessed the design and tested the introduction of appropriate controls for our audit.

We have examined the compliance of the methodology applied by the company with current accounting rules and standards.

Assisted by our financial assessment specialists, we have also:

- assessed the appropriateness of the assumptions and evaluation methods applied to calculate the fair value of assets and liabilities acquired, as well as allocation of the cost of acquisition,
- assessed the compliance of determining the goodwill recorded in the context of the transaction

Lastly, we have verified that Notes 1.1, 3.8 at 12.3 provide appropriate information

2) in the context of valuation on 31 December 2019

We have (i) looked at the process for establishing and approving the assumptions, estimations and forecast data applied by Management in the context of this test, (ii) looked at the procedures for having the results of these tests reviewed by the governing bodies, and (iii) assessed the appropriateness of the financial model used to establish the recoverable amount.

We have looked at the scenarios applied by the company and the probability of occurrence of each, especially the new clinical data and development prospects, estimated dates for marketing authorizations for the various indications and the resulting sales.

On this basis, assisted by our financial assessment specialists, we have:

- assessed the appropriateness of the methodology implemented by Management with regard to the criteria defined by IAS 36;
- assessed the consistency of cash flows with the tested asset base and the rate applied for discounting cash flows generated by Palovarotene with respect to the weighted average cost of the capital determined for “Specialty Care” business.

Furthermore, we have:

- tested the calculations performed by the company to measure the sensitivity of the depreciation reported on the intangible asset Palovarotene;
- assessed the estimated impact of the impairment test on the financial liability resulting from commercial and regulatory contingent payments, as well as deferred taxes on 31 December 2019.

Lastly, we have assessed the appropriateness of the information presented in Notes 1.1, 9, 10.2 and 13.2.

Assessment of the recoverable amount of licenses, excluding Palovarotene

Notes 3.12, 3.15, 3.29, 6.2 and 13 of the consolidated financial statements

Identified risk

As of 31 December 2019, the net value of the group’s licenses, listed under other intangible assets, amounts to 1,261.1 million euros, in relation to a total of 4,306.9 million euros.

These licenses concern the rights acquired for pharmaceutical specialties that may be:

- commercialized and amortized on a straight-line basis over their useful life. Useful life is determined according to the useful life of each intangible asset;
- in advanced development phase and therefore not yet commercialized and as such, not yet amortized.

As specified in Note 3.15 of the consolidated financial statements, licenses with defined and non-defined useful lives, as these are mainly intellectual property rights and licenses to use intellectual property rights, are subject to impairment tests once a year or when there is evidence of impairment.

Impairment tests involve comparing the carrying amount of the asset with its recoverable amount, which is the highest value between its fair value minus the disposal costs and its value in use. The value in use is determined on the basis of an estimation of the future cash flows expected from use of the asset.

The impairment test procedure is described in Note 3.15 of the consolidated financial statements.

We have considered assessment of the recoverable amounts of these licenses to be a key point of the audit due to the significance of these licenses in the group’s accounts and the method for establishing their recoverable amount, which relies to a considerable extent on the judgement exercised by Management and use of the estimation in relation to the forecasts of future cash flows discounted and used for the performance of the tests.

Audit procedures implemented in response to the identified risk

We have looked at the procedure implemented by Management within the context of impairment tests and assessed the design of the appropriate controls introduced.

We have analyzed the methods for implementing impairment tests involving the acquired licenses. We have paid special attention to licenses acquired during the development phase due to the difficulty in estimating the evolution of research programs and expected growth prospects, which are decisive for drawing up cash flow forecasts.

Assisted by our assessment specialists, we have evaluated the reasonableness of the main estimations, in particular cash flow forecasts, long-term growth rates and the discount rates applied. We have also analyzed the consistency of the evolution of research programs, cash flow forecasts with forecast data and we have carried out our own sensitivity analysis on the impairment tests in order to corroborate those drawn up by the Finance Division.

Lastly, we have also assessed the appropriateness of the information provided in the notes to the consolidated financial statements 3.12, 3.15, 3.29, 6.2 and 13.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by legal and regulatory provisions on information relating to the group provided in the Board of Directors’ management report.

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

We certify that the consolidated statement of non-financial performance required by article L.225-102-1 of the French Commercial Code is included in the information on the group provided in the management report, with it being specified that, in accordance with the provisions of article L.823-10 of the aforementioned code, we have not verified the fair presentation of the information in this statement or its concordance with the consolidated accounts. This should be the subject of a report by an independent third party body.

Information resulting from other legal and regulatory obligations

Appointment of the auditors

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

As of 31 December 2019, KPMG S.A. was in the 15th consecutive year of its assignment and Deloitte & Associés in its 22nd year, including 15 years for both firms since the company's shares have been admitted for trade on a regulated market.

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

Management is required to produce annual financial statements presenting a true and fair view in accordance with International Financial Reporting Standards as adopted in the EU, in addition to setting up the internal procedure of control it deems necessary in order to produce consolidated financial statements free of material misstatements, whether these are due to fraud or result from errors.

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

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

The annual financial statements were approved by the Board of Directors.

Accountability of the auditors with regard to the audit of the annual financial statements

Objective and audit approach

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

As outlined in Article L.823-10-1 of the French Commercial Code, our assignment of certifying the financial statements does not entail guaranteeing the viability or the quality of the management of your Company.

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

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

Report to the Audit Committee

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

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

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

The Auditors

Paris La Défense, on 17 February 2020

KPMG Audit
Department of KPMG S.A.

Catherine Porta
Partner

Cédric Adens
Partner

Paris La Défense, on 17 February 2020

Deloitte & Associés

Jean Marie Le Guiner
Partner

3.3 2019 COMPANY FINANCIAL STATEMENTS

3.3.1 Summary document

Balance sheet at 31 December 2019

Assets (in millions of euros)	31 December 2019			31 December 2018
	Gross	Depreciation, amortization & write-downs	Net	
Intangible assets				
– Concessions, patents and similar rights	0.2		0.2	0.2
– Other intangible assets				
Financial investments				
– Equity investments	2,006.8	580.5	1,426.3	1,167.4
– Loans	355.1		355.1	437.3
– Other financial assets	14.0	0.1	13.9	14.7
Non-current assets	**2,376.0**	**580.7**	**1,795.4**	**1,619.6**
Receivables				
– Advances and down-payments to suppliers	0.0		0.0	0.0
– Trade and accounts receivables	24.3		24.3	13.3
– Other receivables	20.6		20.6	27.7
Other				
– Short-term investments	70.2	9.8	60.3	58.3
– Cash and cash equivalents	130.7		130.7	65.7
– Prepayments	0.0		0.0	0.1
Current assets	**245.9**	**9.8**	**236.0**	**165.0**
Debt issuance costs to be amortized	**6.6**		**6.6**	**2.4**
Bond redemption premium	**1.0**		**1.0**	**1.2**
Unrealized losses on foreign exchange	**8.9**		**8.9**	**5.5**
Total assets	**2,638.4**	**590.5**	**2,047.9**	**1,793.8**

Liabilities (in millions of euros)	31 December 2019	31 December 2018
Share capital	83.8	83.8
Paid-in capital	741.9	741.7
Legal reserve	44.7	44.7
Other reserves	54.3	94.4
Retained earnings		58.5
Net profit (loss) for the period	(626.9)	(15.4)
Regulated provisions		0.0
Equity	**297.7**	**1,007.7**
Provisions for contingencies	15.7	15.6
Provisions for losses	9.0	0.4
Provisions for contingencies and losses	**24.6**	**15.9**
Other bonds	307.5	303.1
Bank borrowings	542.6	0.4
Sundry borrowings and financial liabilities	260.0	141.3
Trade and accounts payable	14.7	4.9
Taxes payable and payroll and payroll on-cost amounts payable	9.3	6.5
Amounts due to non-current asset suppliers	4.8	5.3
Other liabilities	586.3	307.9
Cash instruments	0.3	0.8
Deferred income	0.1	0.0
Debts	**1,725.5**	**770.2**
Unrealized gains on foreign exchange	0.0	0.0
Total equity & liabilities	**2,047.9**	**1,793.8**

Income statement at 31 December 2019

(in millions of euros)	31 December 2019	31 December 2018
Sales of merchandise	–	–
Production sold – services	21.4	15.4
Net sales	**21.4**	**15.4**
Reversal of depreciation, amortization & provisions, expense transfers	17.5	16.1
Other revenues	3.7	–
Operating income	**42.6**	**31.5**
Other purchases and external charges	(34.0)	(6.7)
Taxes and duties	(0.6)	(1.0)
Wages and salaries	(8.5)	(10.9)
Payroll on-costs	(5.1)	(2.0)
Depreciation expense on fixed assets	(2.7)	(0.6)
Provision expense on fixed assets	–	–
Provision expense for contingencies and losses	(9.9)	(8.0)
Miscellaneous operating expenses	(4.7)	(1.0)
Operating expenses	**(65.4)**	**(30.1)**
Operating profit (loss)	**(22.8)**	**1.4**
Financial income from participating interests	0.2	0.0
Income from other non-current receivables	5.4	8.9
Other interest and similar income	3.4	4.2
Reversal of provisions and transfer of extraordinary expense	0.0	0.0
Foreign exchange gains	21.7	35.5
Financial income	**30.7**	**48.6**
Depreciation, amortization and provision charges	(597.1)	(1.4)
Interest and other financial expenses	(24.4)	(14.0)
Foreign exchange losses	(23.6)	(35.9)
Financial expense	**(645.1)**	**(51.3)**
Net financial income (expense)	**(614.4)**	**(2.7)**
Pre-tax profit (loss) on ordinary activities	**(637.2)**	**(1.3)**
Extraordinary income from operations	–	–
Extraordinary income from capital transactions	1.1	1.3
Reversal of provisions and transfer of extraordinary expense	–	–
Extraordinary income	**1.1**	**1.3**
Extraordinary expense from operations	–	–
Extraordinary expense from capital transactions	(9.2)	(14.9)
Depreciation, amortization and provision charges	–	–
Extraordinary expenses	**(9.2)**	**(14.9)**
Net extraordinary income (expense)	**(8.1)**	**(13.5)**
Employee profit-sharing	0.0	–
Income tax income (expense)	18.3	(0.6)
Net profit (loss) for the year	**(626.9)**	**(15.4)**

3.3.2 Notes to the annual financial statements

Notes

These are the notes to the balance sheet and the income statement for the year ended 31 December 2019. The total balance sheet amount comes to €2,047.9 million, while the income statement shows a net loss of €(626.9) million for the period. Had the Company been taxed separately, its net loss for tax purposes would have totaled €(61.6) million.

The reporting period covers the 12-month period from 1 January to 31 December 2019.

The notes and tables presented below form an integral part of the annual financial statements.

Note 1 Significant events during the year

1.1 Acquisition of Clementia Pharmaceuticals

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

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

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

Ipsen S.A. a thus acquired the shares of the newly created 11188291 Canada Inc., holding of Clementia Pharmaceuticals Inc. for an amount of €839 million.

On 6 December 2019, Ipsen announced, following discussions with the U.S. Food and Drug Administration (FDA), that a partial clinical hold effective immediately, for the pediatric population under the age of 14 was issued for studies conducted under IND120181 and IND135403 evaluating the investigational drug candidate palovarotene for the chronic treatment of fibrodysplasia ossificans progressiva (FOP) and multiple osteochondromas (MO), respectively. The partial clinical hold applies to the pediatric population (patients under the age of 14 years) currently participating in the Phase 2 (PVO-1A-202/204 and PVO-2A-201) and Phase 3 (PVO-1A-301) studies in all clinical sites at global level. The FDA is allowing the studies to continue to treat patients 14 years of age and older.

Moreover, on 24 January 2020, Ipsen announced the decision to pause dosing patients in the global Phase III (PVO-1A-301) study designed to evaluate the efficacy and safety of palovarotene in patients with fibrodysplasia ossificans progressiva (FOP), as well as the ongoing Phase II (PVO-1A-202/204) extension studies. Despite the results of the prespecified interim analysis, signals of encouraging therapeutic activity were observed in preliminary *post-hoc* analyses of the Phase III trial and shared with and acknowledged by the IDMC which is recommending not to discontinue the study.

As a consequence, Ipsen has impaired the shares of 11188291 Canada Inc. company for an amount of €581 milllion. As this impairment is non tax deductible, no tax effect has been booked in the financial statements. The residual net book value of the shares amounts to €259 million.

1.2 Share repurchasing program

On 18 June 2019, Ipsen announced that it had granted Kepler Cheuvreux a mandate to purchase 50,000 Ipsen S.A. shares, representing approximately 0.18% of the Company's share capital at that date. The purchase was to take place over a period of two months. The purchased shares were allocated primarily to cover share awards as part of the Company's long term incentive plans. The buyback program was in line with the authorizations granted by the Combined Shareholder's Meeting of 28 May 2019.

The program ended on 12 August 2019.

Under the program, the Company repurchased 150,000 shares for a total €13.3 million in the year ended 31 December 2019.

1.3 Ipsen S.A. refinancing of the debt

On 23 July 2019, Ipsen S.A. issued $300 million through a U.S. Private Placement in two tranches of 7 and 10-year maturities.

Ipsen S.A. has refinanced its Revolving Credit Facility (RCF) and existing bilateral bank facilities. The new Revolving Credit Facility of €1,500 million has a five-year maturity and includes two one-year extension options.

In both the new Revolving Credit Facility, the Group has to comply with a Net Debt / EBITDA covenant to remain below 3.5 times at each financial closing and the facility includes specific indicators linked to CSR (Corporate Social Responsibility) to be assessed annually.

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

1.4 Rationalization of the ownership of the Group's subsidiaries

In the context of the rationalization of the ownership of its equity investments, Ipsen S.A. transferred 166,580 shares held in

Strep S.A.S. to Ipsen Pharma S.A.S. on 30 September 2019. These shares, representing 64.24% of the share capital and voting rights, were valued at 88.8 million euros. This contribution was remunerated by increasing share capital of Ipsen Pharma S.A.S. in favor of Ipsen S.A.. Therefore, the investment of Ipsen S.A. in the company Ipsen Pharma S.A.S. increased by 88.8 million euros, while the investment in the company Sutrepa S.A.S. decreased to 0.

1.5 Proposed reclassification of Ipsen shares held by Mayroy

On 5 November 2019, the Board of Directors of Ipsen takes note of the proposed demerger of Mayroy and the internal reclassification of its Ipsen shares, resulting in a request for a waiver to the obligation to file a public offer. On the same day, this project was announced by Mayroy, controlling shareholder of Ipsen.

The family shareholdings controlling Ipsen will remain unchanged following these operations, with the ongoing pre-eminence of the concert formed by Anne and Henri Beaufour.

1.6 Departure of David Meek as Chief Executive Officer

On 18 December 2019, Ipsen announced that David Meek has resigned as the company's Chief Executive Officer and will step down from the Board of Directors, effective December 31, 2019.

The Board has decided to appoint Aymeric Le Chatelier, currently Chief Financial Officer as Interim CEO to replace David Meek as of January 1, 2020.

Note 2 Accounting principles and valuation methods

2.1 Standards, principles and valuation methods

2.1.1 Accounting principles

The annual financial statements have been prepared in accordance with legal and regulatory provisions applicable in France, as set out in the French Chart of Accounts (ANC Regulation n° 2019-07 of 10 December 2019, which modified ANC Regulation n°2014-03 approved by the Order of 5 June 2014), in observance of the prudence principle and the independence of financial years and the presumption of a going concern.

The Company did not carry out a revaluation of its balance sheet.

2.1.2 Valuation methods

2.1.2.1 Intangible assets

Intangible assets are accounted for at acquisition cost or contribution value, less cumulative amortization and any impairment losses.

The cost of intangible assets with a defined useful life, less any residual value, is amortized over a period corresponding to the useful life estimated by the Company. Amortization periods are determined on a case-by-case basis depending on the type of asset concerned.

Intangible assets with an indefinite useful life are not amortized but are systematically tested annually for impairment.

As a general rule, brands and trademarks are not amortized.

2.1.2.2 Financial investments

- **Equity investments**

Equity investments whose long-term ownership is deemed useful to Ipsen's activity, notably because it allows for the exercise of influence or control over the issuing company, are recognized at acquisition cost. When the value at the closing date is below the carrying value, a provision for impairment is recorded for the difference. The value at the closing date is measured according to such criteria as the value of the share held in the net assets or the earnings prospects of the relevant company. These criteria are weighted by the effects of owning these shares in terms of strategy or synergies, in respect of other investments held.

Acquisition-related expenses are included in the acquisition cost of the shares. These expenses are spread over five years for tax purposes *via* a regulated provision in the accounts.

- **Other financial assets**

  – Liquidity agreement. Under the program to buy back the Company's own shares, Ipsen funds a liquidity account as part of a liquidity agreement. The contributions made are not available and, as a result, are posted to "Other financial assets."

  The capital gains and losses from each transaction are recognized on the income statement, without offset.

  At the closing date, short-term investment amounts are measured at their net asset liquidation value. Capital gains realized between the closing date value and the starting value are not recognized. Unrealized capital losses are written down.

  – Share repurchase program aimed at cancelling the shares. Shares repurchased for purposes of cancellation are recorded at acquisition cost in "Other financial assets". These shares are not subject to an assessment of their net asset liquidation value at the close of the period.

2.1.2.3 Receivables

Receivables are measured at nominal value.

Receivables are assessed on a case-by-case basis and may be written down depending on the risks identified.

2.1.2.4 Short-term investments

In accordance with opinion 2008-17 of France's National Accounting Board (*Conseil National de Comptabilité* – CNC), Company shares allotted to bonus share plans and

stock option plans and purchased outside the framework of a liquidity agreement are recorded at acquisition cost, *i.e.* the purchase price plus transaction fees, in "Short-term investments". Other Company shares held as part of a liquidity agreement are fixed assets classified as other investment securities.

At the closing date, provisions were recorded as follows:

- For Company shares purchased with a view to allocating them to bonus share plans, a provision was recorded on the liability side of the balance sheet to account for employee share allocation obligations based on services rendered. Because the allotment of Ipsen's bonus share plans are subject to length of service conditions at the Company, the provision is spread over the vesting period, as required under the CNC opinion;
- Otherwise, for Company shares, when the value at the closing date, *i.e.* the average monthly share price during the last month of the financial year, is below carrying value, a provision for impairment is recorded for the difference.

The income and expenses generated from buying and selling the Company's own shares are recognized as extraordinary income or expenses. To determine the net income or expense when selling repurchased shares, the oldest shares are considered to have been sold first in accordance with the FIFO, first-in, first-out method.

2.1.2.5 Provisions for contingencies and losses

Provisions for contingencies and losses are recognized at the period close to cover all Company liabilities to third parties likely or certain to give rise to an outflow of resources to said third-parties without any counterpart. These provisions are estimated on the basis of the most likely assumptions at the closing date.

2.1.2.6 Debts

Debts are measured at nominal value.

2.1.2.7 Forward financial instruments and hedging transactions

As part of its overall strategy for managing foreign exchange risks, the Company uses forward financial instruments, such as forward contracts and swaps as part of its hedging transactions. These forward financial instruments are contracted only with first-class financial institutions. They are documented as hedging instruments to hedge exposure to fluctuations in cash flows denominated in foreign currencies and associated with a recognized asset or liability, or a sufficiently probable future transaction. Forward financial instruments documented as hedges are accounted for in accordance with regulation n° 2015-05 of 2 July 2015 established the ANC, France's accounting standards authority, and relative to forward financial instruments and hedging transactions.

Unrealized or realized gains and losses on a foreign exchange hedging instrument are symmetrically recognized in the income statement with the hedged item. If the hedge's gains or losses are realized before the hedged item is recognized in the income statement, then the gains and losses are recorded in suspense accounts on the balance sheet. Changes in the value of hedging instruments are not recognized in the balance sheet, unless the recognition in full or in part of the changes can be symmetrically recognized with the hedged instrument. However, in the event the Company does not expect to complete the planned transaction, the hedge will be reclassified as an isolated open position (IOP) and recognized as such. Derivative instruments classified as IOPs are recognized at fair value on the balance sheet against corresponding amounts in revaluation reserves. Unrealized losses on IOP transactions were provisioned as contingencies.

Foreign exchange gains and losses are posted in the "Other operating income" or "Other operating expenses" line item under operating income (expenses), or in the "Foreign exchange gains" or "Foreign exchange losses" line item under financial income (expense), depending on the nature of the transaction. In line with the hedge accounting symmetry principle, foreign exchange hedging transactions are recognized in the same income statement line item as the hedged item.

The Company opted to stagger premiums and discounts on foreign exchange hedges over the hedging period in the "Other financial income" / "Other financial expenses" line item on the income statement.

2.1.2.8 Foreign exchange differences

Foreign-currency denominated income and expense items were recorded in euros based on the exchange rate in effect at the transaction date. Debts, receivables, and cash denominated in foreign currencies were translated into euros at the closing exchange rate at year-end.

The resulting translation differences for debts and receivables denominated in foreign currencies were posted to "Foreign exchange differences" on the balance sheet. The Company follows "overall foreign exchange position" principles. For transactions whose due dates are sufficiently close, any foreign exchange gains or losses are considered as part of an overall foreign exchange position and the amount of the provision for foreign exchange losses is limited to the excess of losses over gains. Hedging transactions and the items hedged are excluded from the position.

2.1.2.9 Retirement benefit obligations

Company employees may be entitled to compensation when they retire or to a pension following their retirement. The Company's liabilities arising from such post-employment benefits are calculated by using an actuary model and assumptions applicable in France.

The corresponding liabilities, based on the rights vested to the beneficiaries, are covered by contributions to independent organizations (insurance companies), which are responsible for paying the pensions and other benefits. In accordance with provision of the French Commercial Code, net assets and liabilities arising from these obligations were not recognized, as the Company does not apply the preferential method.

Further, amounts intended to reward employees for their length of service are paid out as bonuses by the Company.

2.1.2.10 Tax consolidation regime

To reflect the tax consolidation that unites the Company with its subsidiaries, Ipsen, in accordance with the other member

companies of its tax consolidation group, has adopted the following rules, reflecting the position of French tax authorities.

Each subsidiary within the consolidation scope recognizes its income tax as if it were taxed separately, *i.e.* particularly after carrying forward tax losses incurred earlier by the subsidiary and transferred to the Parent Company.

Ipsen calculates the income tax due by the consolidated group and expenses the charge. Further, the Company recognizes the tax savings arising from the tax consolidation as income.

Note 3 Notes to the balance sheet

3.1 Non-current assets

3.1.1 Intangible assets

- **Change in gross amounts**

(in millions of euros)	31 December 2018	Increases	Decreases	31 December 2019
Brands and trademarks	0.2	–	–	0.2
Total	**0.2**	**–**	**–**	**0.2**

No amortization or provisions were recognized for these intangible assets, which had a net carrying value of €0.2 million at 31 December 2019.

3.1.2 Financial investments

- **Change in gross amounts**

(in millions of euros)		31 December 2018	Increases	Decreases	31 December 2019
Equity investments – shares	**Note 3.1.3**	**1,167.4**	**839.4**	**0.0**	**2,006.8**
Company shares / liquidity agreement		2.5	0	(0.2)	2.3
Liquidity agreement		2.2	0	(0.6)	1.6
Loans		437.3	3.0	(86.3)	354.0
FPCI – Private equity professional fund		10.0	–	–	10.0
Total other financial assets	**Note 3.1.4**	**452.0**	**3.0**	**(87.0)**	**368.0**
Total financial assets		**1,619.5**	**842.4**	**(87.0)**	**2,374.8**

- **Change in write-downs**

(in millions of euros)	31 December 2018	Increases	Decreases	31 December 2019
Equity investments – shares	–	580.5	–	580.5
Company shares	–	0.1	–	0.1
Total	**–**	**580.6**	**–**	**580.6**

3.1.3 Equity investments

On 17 April 2019, Ipsen completed the acquisition of 100% of the Canadian company Clementia Pharmaceuticals to significantly enhance its Rare Disease portfolio. Ipsen acquired Clementia Pharmaceutical's late-stage drug candidate palovarotene, with pediatric disease and breakthrough therapy designations for the treatment of an ultra-rare bone disorder. The first market authorization is expected to take place in the United Stated in 2020.

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

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

Ipsen S.A. a thus acquired the shares of the newly created 11188291 Canada Inc., holding of Clementia Pharmaceuticals Inc. for an amount of €839 million.

On 6 December 2019, Ipsen announced, following discussions with the U.S. Food and Drug Administration (FDA), that a partial clinical hold effective immediately, for the pediatric population under the age of 14 was issued for studies conducted under IND120181 and IND135403

evaluating the investigational drug candidate palovarotene for the chronic treatment of fibrodysplasia ossificans progressiva (FOP) and multiple osteochondromas (MO), respectively. The partial clinical hold applies to the pediatric population (patients under the age of 14 years) currently participating in the Phase 2 (PVO-1A-202/204 and PVO-2A-201) and Phase 3 (PVO-1A-301) studies in all clinical sites at global level. The FDA is allowing the studies to continue to treat patients 14 years of age and older.

Moreover, on 24 January 2020, Ipsen announced the decision to pause dosing patients in the global Phase III (PVO-1A-301) study designed to evaluate the efficacy and safety of palovarotene in patients with fibrodysplasia ossificans progressiva (FOP), as well as the ongoing Phase II (PVO-1A-202/204) extension studies. Despite the results of the prespecified interim analysis, signals of encouraging therapeutic activity were observed in preliminary post-hoc analyses of the Phase III trial and shared with and acknowledged by the IDMC which is recommending not to discontinue the study.

As a consequence, Ipsen has impaired the shares of 11188291 Canada Inc. company for an amount of €580.5 milllion. As this impairment is non tax deductible, no tax effect has been booked in the financial statements.

Information about subsidiaries and affiliates is disclosed in the subsidiaries and affiliates table.

3.1.4 Other financial assets

At 31 December 2019, this item broke down as follows:

- Loans of €354 million, including accrued interest, granted by the Company to Ipsen S.A.S. as part of the acquisition of Merrimack Pharmaceuticals' global oncology assets. This loan was previously granted to Sutrepa S.A.S that has transferred all its assets to Ipsen Pharma S.A.S. at 30 November 2019
- Shares in the InnoBio FPCI private equity professional fund: In 2009, the Company signed a subscription form for five thousand shares at an initial investment value of €1,000 each, with the InnoBio FPCI for a total of €5 million. The commitment includes 13 tranches representing 93% of the commitment, or €4.7 million paid from 2009 to 2019, and deferred tranches totaling €0.3 million that will be gradually called by the fund management company. At 31 December 2019, the Company held 2.89% of the fund.
- Shares in the InnoBio 2 FPCI private equity professional fund: In 2018, the Company signed a subscription form for five thousand shares at an initial investment value of €1,000 each, with the InnoBio 2 FPCI for a total of €5 million. The commitment includes the amount initially called and four tranches totaling 9.5% of the commitment, or €0.48 million paid between 2018 and 2019, and deferred tranches totaling €4.52 million that will be gradually called by the fund management company. At 31 December 2019, the percentage of the fund held by the Company was non-material.
- Company shares held as part of a liquidity agreement entrusted to Oddo BHF as of 1 July 2018 for a period of one year and renewable by tacit agreement. The liquidity agreement complies with the AMAFI Ethics Charter, approved by the French financial markets authority.

At 31 December 2019, the Company held 29,068 shares with a gross value of €2.3 million and provided €1,6 million in cash under the liquidity agreement.

3.2 Receivables by maturity

(in millions of euros)	Gross amount 2018	Gross amount 2019	of which	
			Less than one year	More than one year
Other financial assets	4.7	4.0	4.0	–
Other trade receivables	13.3	24.3	24.3	–
– Income tax	26.3	2.2 [(a)]	2.2	–
– Value added tax	0.5	0.9	0.9	–
Group and associated companies	–	17.0 [(b)]	17.0	–
Miscellaneous receivables	0.9	0.5	0.5	–
Prepayments	0.1	0.0	0.0	–
TOTAL RECEIVABLES	**45.7**	**48.9**	**48.9**	**–**

(a) The decrease in "income tax receivables" versus 31 December 2018 stemmed mainly from the repayment of research tax credits received in 2019.
(b) The variation of "Group and associated companies" is generated by the gain resulting from the tax Group consolidation.

3.3 Short-term investments

The Company holds short-term investments comprised of 748,234 of its own shares valued at €60.3 million.

- **Change in short-term investments**

in millions of euros)	31 December 2018	Increases	Decreases	31 December 2019
Gross value	60.8	9.4 [(a)]	0.0	70.2
Write-downs	(2.5)	(7.4) [(b)]	–	(9.8)
Net value	**58.3**	**2.0**	**0.0**	**60.3**

(a) Increase in short-term investments from the repurchase of 150,000 shares authorized by the Combined Shareholder's Meeting of 28 May 2019.
(b) Provision for impairment induced by the share price evolution.

3.4 Cash and cash equivalents

At 31 December 2019, the "Cash and cash equivalents" item consisted primarily of term deposits.

3.5 Debt issuance costs to be amortized

Debt issuance costs are amortized over the duration of the respective bonds and loans from which they arose. At 31 December 2019, debt issuance costs came to €6.6 million vs €2.4 million at 31 December 2018 and broke down as follows:

- End of the credit facility and bilateral lines signed in 2016: The costs arising from the revolving credit facility and bilateral lines that has been ended on 28 June 2018 has been expenses for €1.6 million of which €1.4 million as write off of the balance at the end of the contract date.
- €0.6 million arising from the bonds issued by the Company on 16 June 2016. The issuance costs of the bond were spread over the duration of the loan, *i.e.* seven years. An amount ofg €0.2 million was expensed for the 2019 financial year.
- €5.0 million arising from the new credit facility signed in May 2019. The issuance costs of the bond were spread over the duration of the credit facility, *i.e.* five years. An amount of €0.8 million was expensed for the 2019 financial year.
- €1.0 million arising from the US Private Placement signed on 23 June 2019 for an amount of $300 million in two tranches of seven and ten years maturity. Issuance costs for the tranche A (€0.5 million) are spread over 7 years. Issuance costs for the tranche B (€0.5 million) are spread over 10 years.

3.6 Bond redemption premium

In line with the bonds issued by the Company on 16 June 2016, the Company recognized a redemption premium spread over the duration of the bonds, *i.e.* seven years.

At 31 December 2018, the balance of the redemption premium remaining on the asset side of the balance sheet came to €1.2 million. The Company expensed €0.2 million for the 2019 financial year, with a redemption-premium balance of €1.0 million remaining on the asset side of the balance sheet at 31 December 2019.

3.7 Unrealized losses on foreign exchange

At 31 December 2019, unrealized losses on foreign exchange totaled €8.9 million and corresponded to marking intercompany loans denominated in foreign currencies to the exchange rate at the closing date.

3.8 Equity

- **Share capital**
  - At 31 December 2019, Ipsen's share capital was comprised of 83,814,526 ordinary shares each with a nominal value of €1, including 48,133,505 shares with double voting rights, compared with 83,808,761 ordinary shares each with a nominal value of €1, including 48,047,154 shares with double voting rights at 31 December 2018.
  - The changes during the 2019 financial year resulted from 5,765 new shares issued as share warrants were exercised.

- **Change in share capital**

(in millions of euros)	Share capital	Share premium	Issue premium	Legal reserve	Other reserves	Retained earnings	Net profit (loss) for the period	Regulated provisions	Total equity
Balance at 31 December 2018, before allocation of net profit	**83.8**	**29.8**	**711.9**	**44.7**	**94.4**	**58.5**	**(15.4)**	**–**	**1,007.7**
Dividends	–	–	–	–	(40.8)	(58.5) [(a)]	15.4	–	**(83.8)**
Net profit (loss) for the period	–	–	–	–	–	–	(626.9)	–	**(626.9)**
Capital increase from exercised warrants	0.0	–	0.1	–	–	–	–	–	**0.1**
Other movements	–	–	–	–	0.6	–	–	–	**0.6**
Balance at 31 December 2019, before allocation of net profit	**83.8**	**29.8**	**712.1**	**44.7**	**54.3**	**0.0**	**(626.9)**	**0.0**	**297.7**

[(a)] Dividends on treasury shares are posted to "Retained earnings".

3.9 Provisions for contingencies and losses

The change in provisions for contingencies and losses from the opening to the closing of the financial year breaks down as follows:

(in millions of euros)	2018	Movements during the period				2019
		Dotations	Reversals		Other movements	
			Applied	Released		
– Provisions for contingencies	**15.6**	**9.9**	**(7.0)**	**(2.8)**	**–**	**15.7**
– Provisions for losses	**0.4**	**8.9**	**0.0**	**(0.3)**	**–**	**9.0**
Total	**15.9**	**18.8**	**(7.0)**	**(3.1)**	**0.0**	**24.6**

At 31 December 2019, provisions for contingencies and losses included the following items:

- Provisions recorded to account for employee bonus-share and stock-option allocation obligations based on services rendered;
- Provisions to cover expenses related to long service awards.

3.10 Borrowings and debt

3.10.1 Liabilities by maturity

(in millions of euros)	Gross amount 2018	Gross amount 2019	of which		
			Within 1 year	1 to 5 years	Over 5 years
Other bonds	303.1	307.5	7.5	300.0	0.0
Bank borrowings – Initially up to one year – Initially over one year	 0.4 0.0	 1.0,541.5	 1.0 0.0	 0.0,270.8	 0.0,270.8
Sundry borrowings and financial liabilities	141.3	260.0 [(a)]	260.0	0.0	0.0
Trade payables	4.9	14.7	14.7	0.0	0.0
Taxes payable and payroll and payroll on-cost amounts payable					
Personnel and related accounts payable	3.3	5.1	5.1	0.0	-
Social security and other welfare agency payables	3.0	3.3	3.3	0.0	0.0
State and other public authority payables: – Value added tax – Other taxes and duties	 0.0 0.1	 0.6 0.2	 0.6 0.2	 0.0 0.0	 0.0 0.0
Total taxes payable and payroll and payroll on-cost amounts payable	**6.5**	**9.3**	**9.3**	**0.0**	**0.0**
Other liabilities					
Amounts payable to fixed asset suppliers and related accounts	5.3	4.8	4.8	0.0	0.0
Group and associated companies	301.6	585.9 [(b)]	585.9	0.0	0.0
Other liabilities	7.2	0.8	0.8	0.0	0.0
Total other liabilities	**314.1**	**591.5**	**591.5**	**0.0**	**0.0**
Deferred income	**0.0**	**0.1**	**0.1**	**0.0**	**0.0**
TOTAL LIABILITIES	**770.2**	**1,725.5**	**884.0**	**570.8**	**270.8**

(a) Commercial paper issuance.
(b) The increase stemmed primarily from the current account with Ipsen Pharma S.A.S., the Group's centralizing cash pooling company.

3.10.2 Sundry borrowings, financial liabilities and bonds

On 16 June 2016, Ipsen S.A. issued a €300 million in unsecured, seven-year bonds paying an annual interest rate of 1.875%.

On 23 July 2019, Ipsen S.A. issued $300 million through a U.S. Private Placement in two tranches of 7 and 10- year maturities.

Ipsen S.A. has refinanced its Revolving Credit Facility (RCF) and existing bilateral bank facilities. The new Revolving Credit Facility of €1,500 million has a five-year maturity and includes two one-year extension options.

In both the new Revolving Credit Facility, the Group has to comply with a Net Debt / EBITDA covenant to remain below 3.5 times at each financial closing and the facility includes specific indicators linked to CSR (Corporate Social Responsibility) to be assessed annually.

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

On 31 December 2019, the facility was drawn by €270.8 million and the Group was complying with its covenant ratio.

The Ipsen S.A. program of emission of NEU CP - Negotiable EUropean Commercial Paper of €600 million was drawn for €260 million on 31 December 2019.

3.11 Accrued liabilities

(in millions of euros)	2019	2018
Sundry borrowings and financial liabilities	8.5	3.4
Suppliers – invoices not yet received	0.9	0.9
Fixed asset suppliers – invoices not yet received	4.8	5.3
Personnel		
– Accrued liabilities for paid vacation	0.3	0.3
– Accrued liabilities for bonuses	2.1	2.0
– Accrued liabilities for profit-sharing	0.1	0.1
– Accrued liabilities for retirement indemnities	2.6	0.9
– Accrued social welfare expenses	2.0	1.0
State – Accrued expenses	0.0	0.2
Other accrued expenses and interest on current accounts	0.2	0.0
TOTAL	**21.4**	**14.1**

The increase in "Sundry borrowings and financial liabilities" is due to the financial expenses related to the USPP and the new credit facility.

3.12 Unrealized gains on foreign exchange

At 31 December 2019, unrealized gains on foreign exchange corresponding to marking bank borrowings denominated in foreign currencies to the exchange rate at the closing date were non-material.

Note 4 Notes to the income statement

4.1 Operating income

Operating income totaled €42.6 million in the 2019 financial year and broke down as follows:

- €4.7 million in personnel expense re-invoiced to subsidiaries,
- €16.7 million in miscellaneous costs re-invoiced to subsidiaries,
- €10.1 million in reversals of provisions for contingencies and losses,
- €7.4 million in expense transfers,
- €3.7 million in gain on exchange rate risk hedging.

4.2 Operating expenses

The €27.3 million decrease in operating expenses versus the previous financial year stemmed mainly from :

- payment to the pension plan fund for €9.2 million and related URSSAF social charges for €2.2 million;
- loss on exchange rate risk hedging for €3.6 million;
- expenses arising from the acquisition of 11188291 Canada Inc. share and Clementia integration in the Group for €10.3 million.

4.3 Financial income

(in millions of euros)	2019	2018
Income from equity investments	0.2	0.0
Income from other non-current receivables [(a)]	5.4	8.9
Reversal of provisions and expenses transferred	0.0	0.0
Other financial income [(b)]	3.4	4.2
Foreign exchange gains [(c)]	21.7	35.5
Total financial income	**30.7**	**48.6**

(a) At 31 December 2019, this line item consisted mainly of interest on loans granted to subsidiaries.
(b) At 31 December 2019, this line item mainly included other financial income (positive carry over/offset) from forward financial instruments, as well as proceeds from commercial paper issuance.
(c) At 31 December 2019, this line item primarily consisted of foreign exchange gains related to financial transactions.

4.4 Financial expense

(in millions of euros)	2019	2018
Foreign exchange differences [a]	(23.6)	(35.9)
Interest and other financial expenses [b]	(24.4)	(14.0)
Depreciation, amortization and provision charges [c]	(597.1)	(1.4)
Total financial expense	**(645.1)**	**(51.3)**

[a] At 31 December 2019, this line item primarily consisted of foreign exchange losses arising from financial transactions.
[b] At 31 December 2019, this line item is constituted for €21.1 million of interests on the borrowings and bond and for €2.7 million of the financial expense from forward financial instruments
[c] At 31 December 2019, this line item was related to the provision for impairment on shares of 11188291 Canada Inc. for €580.6 million. (note 1.1)

4.5 Net extraordinary income (expense)

(in millions of euros)	2019	2018
Gains from share buybacks	1.1	1.3
Reversal of provision for investment	–	–
Extraordinary income from capital transactions	–	–
Extraordinary income	**1.1**	**1.3**
(Losses) from share buybacks	(9.2)	(14.8)
Extraordinary expense from capital transactions	–	(0.0)
Miscellaneous extraordinary expenses	–	–
Extraordinary expenses	**(9.2)**	**(14.9)**
Net extraordinary income (expense)	**(8.1)**	**(13.5)**

The net extraordinary expense for the 2019 financial year stemmed primarily from the €9.2 million capital loss realized during the transfer of treasury shares to certain beneficiaries in respect of long term incentive plans and the loss on sales of treasury share within the liquidity contract.

At 31 December 2018, net extraordinary expense resulted mainly from the €14.5 million capital loss realized during the transfer of treasury shares to certain beneficiaries in respect of long term incentive plans.

4.6 Income tax breakdown

The income tax line for the 2019 financial year shows a net profit of €18.3 million.

(in millions of euros)	Pre-tax	Net tax amount	After tax
Profit on ordinary activities	(637.2)	–	(637.2)
Net extraordinary income (expense) and employee profit-sharing	(8.1)	–	(8.1)
Income tax income from tax consolidation	–	(18.3)	18.3
Book profit (loss)	**(645.3)**	**(18.3)**	**(626.9)**

4.7 Tax consolidation

Ipsen S.A. leads a tax consolidation group. To reflect the tax consolidation that unites the Company with its subsidiaries, the following methods were applied in the annual financial statements:

- Each subsidiary within the tax group recognizes its income tax as if it were taxed separately, *i.e.* particularly after recognizing its tax-loss carryforwards.
- Payments were made by bank transfer to the Company's account at dates scheduled for payment transfer to the Treasury. Ipsen calculated the income tax owed by the tax consolidated group and expensed the amount. In addition, the Company recorded the income tax recognized by its integrated subsidiaries as income.
- If a subsidiary exits the scope of consolidation after a period of five years, it recovers no income tax or tax-loss carryforwards.
- There were no tax-loss carryforwards for the tax consolidation group at 31 December 2019.

4.8 Increases or decreases in future tax liability

Excluding tax consolidation impact, the amount of increases or decreases in future tax liability was not material for the 2019 financial year.

Note 5 Other information

5.1 Directors, executives and officers

5.1.1 Remuneration paid to corporate officers

Remuneration paid by the Company to directors, executives and officers for the 2019 financial year totaled €6.0 million.

Retirement pensions and similar benefit obligations for executives and officers came to €1.8 million at 31 December 2019.

5.1.2 Loans and advances to top management.

No advances or loans were made to the Company's top management.

5.2 Average headcount at period closing

	2019	2018
Top and upper management	5	6
TOTAL	**5**	**6**

5.3 Financial commitments

5.3.1 Commitments to personnel

Apart from retirement bonuses mandated under a collective bargaining agreement with the French pharmaceutical industry and obligations related to a supplementary pension plan, the Company has no other obligations arising from employee pensions, complementary retirement benefits, retirement bonuses or contributions, or similar post-employment benefits.

At 31 December 2019, obligations arising from retirement bonuses and the supplementary pension plan amounted to €1.0 million and €11.0 million respectively. The amounts were determined *via* actuarial valuation using the "projected unit credit" method.

The main assumptions used in the calculations were as follows:

- Discount rate of 0.47%,
- inflation rate of 1.8%,
- Voluntary retirement for managers at age 67 for those born after 1963 and 64 for those born before 1963; voluntary retirement for non-managers at age 65 for those born after 1963 and age 63 for those born before 1963,
- Mortality table: TH 13-15 / TF 13-15.

These obligations were outsourced to an insurance company. At 31 December 2019, the fair value of these financial assets came to €1.3 million for the retirement bonuses and the €9.8 million for the supplementary pension plan, assuming a long-term rate of return of 0.47%.

In accordance with provision of the French Commercial Code, net assets and liabilities arising from these obligations were not recognized, as the Company does not apply the preferential method.

The obligation arising from long-service awards was determined *via* actuarial valuation using the "projected unit credit" method and fully provisioned at 31 December 2019.

A discount rate of 0.47% was assumed to calculate the €0.1 million long-service award obligation.

5.3.2 Commitments given

Ipsen S.A. is committed to pay, to former Clementia Pharmaceuticals Inc. shareholders, deferred payments on the achievement of future regulatory milestones in the form of contingent value rights (CVRs) of $6 per share, which will be paid upon U.S. Food and Drug Administration's (FDA) acceptance of the regulatory filing for palovarotene for the treatment of multiple osteochondromas, representing an additional potential payment of $263 million.

The Ipsen Group has subscribed to a worldwide civil liability insurance policy from a third-party insurer. The insurance company itself is underwritten by the captive reinsurance company Ipsen Ré, a wholly owned subsidiary of the Group, up to the first €15.0 million for any potential claim made.

To cover that financial commitment and address any potential default by Ipsen Ré, the Ipsen S.A. parent company issued, on 18 December 2019, a letter of guarantee payable upon first demand in favor of the third-party insurer for a total amount of €3.0 million. The first-demand guarantee is renewable annually. In addition, under the previous civil liability insurance contract also reinsured in the captive reinsurance company Ipsen Ré and terminated on 31 December 2018, the previous guarantee on first demand issued in March 2018 in favor of the previous insurer for an amount of €9 million has been extended for five years after the expiration date of the reinsurance contract, *i.e.* until 31 December 2023.

5.3.3 Commitments on financial instruments

Off-balance sheet commitments corresponding to forward purchases and sales of foreign currencies are presented in note 5.6.

5.4 Share option plans granted by the Company

Change in number of options outstanding

Changes in the number of outstanding options under all plans are as follows:

(in number of options)	31 December 2019	31 December 2018
Opening balance	**36,085**	**664,558**
Options exercised (net of adjustments)	(7,765)	(418,953)
Options expired	(28,320)	(209,520)
Closing balance	**–**	**36,085**

5.5 Bonus share plans

On 13 February 2019, the Board of Directors granted 25,875 bonus shares to Group employees, subject to seniority and service conditions.

On 28 May 2019, the Board of Directors granted:

- 11,730 bonus shares to the Chief Executive Officer, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 31,790 bonus shares to members of the Executive Leadership Team, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 117,160 bonus shares to beneficiaries of Group subsidiaries, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 128,200 bonus shares to beneficiaries of Group subsidiaries, subject to length of service conditions but not performance conditions specific to the Group, or specific to a Group entity.

On 30 March 2018, the Board of Directors granted:

- 9,230 bonus shares to the Chief Executive Officer, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 30,160 bonus shares to members of the Executive Leadership Team, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 84,240 bonus shares to beneficiaries of Group subsidiaries, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 87,310 bonus shares to beneficiaries of Group subsidiaries, subject to length of service conditions but not performance conditions specific to the Group, or specific to a Group entity.

5.5.1 Details of Ipsen bonus share plans

	Plan dated 1 June 2016				Plan dated 29 March 2017			
Tranches	1.1	1.2	1.3	1.4	1.1	1.2	1.3	1.4
Number of bonus shares	64,019	72,208	41,336	64,727	41,640	44,070	37,980	28,200
Vesting period (in years)	2	2	4	2	2	2	4	2
Value of shares on date granted, before reduction	€56.69	€56.69	€56.69	€56.69	€93.40	€93.40	€93.40	€93.40
Fair value of bonus shares	**€47.73**	**€47.73**	**€49.04**	**€47.73**	**€101.47**	**€97.01**	**€99.27**	**€97.00**

	Plan dated 30 May 2018			Plan dated 13 February 2019	Plan dated 28 May 2019		
Tranches	1.1	1.5	1.6		1.1	1.5	1.6
Number of bonus shares	39,390	84,240	87,310	25,875	43,520	117,160	128,200
Vesting period (in years)	50% at 2 years 50% at 3 years			2	3	50% at 2 years 50% at 3 years	
Value of shares on date granted, before reduction	€134.40	€134.40	€134.40	€109.60	€112.10	€112.10	€112.10
Fair value of bonus shares	**€134.90**	**€134.90**	**€131.84**	**€109.60**	**€90.25**	**€87.83**	**€109.57**

1.1 Beneficiaries include the Chief Executive Officer, the non-executive Chief Officer, the Deputy CEO, Executive Committee members, and Executive Leadership Team members.
1.2 Beneficiaries from the French subsidiaries.
1.3 Beneficiaries outside the French and American subsidiaries.
1.4 Beneficiaries from the American subsidiaries.
1.5 Beneficiaries from subsidiaries subject to performance conditions
1.6 Beneficiaries from subsidiaries not subject to performance conditions

5.5.2 Valuation of Ipsen bonus share plans

(in million euros)	Plan dated 1 April 2015	Plan dated 1 June 2016	Plan dated 29 March 2017	Plan dated 30 May 2018	Plan dated 13 February 2019	Plan dated 28 May 2019	Total
Opening valuation	**4.4**	**10.5**	**13.3**	**25.3**	**2.8**	**25.5**	
2019 expense	0.0	0.3	0.6	9.7	1.1	4.4	16.0
2018 expense	0,2	1,3	4,2	5,6			11,3

Note 6 Subsidiaries and affiliates

(Amounts in thousands of currency units)

Detailed information for each interest, in which gross value exceeds 1% of the company's share capital	Share capital	Equity other than share capital and excl. net profit	Percentage of share capital held %	Number		Carrying amount of shares held		Outstanding loans and advances granted by the Company	Amount of endorsments, guarantees, and letters of intent provided by the Company	Sales, net of VAT, for the last year (avg. exch. rate)	Net profit (loss) for the last year (avg. exch. rate)	Dividends collected by the Company in the last year, net of ESOP
				Interest	Shares	Gross amounts	Provisions					
Dividends collected by the Company in the last year, net of ESOP												
Ipsen Pharma	€7,755	€1,220,206	100		188,905	€1,167,432	-	-	-	€1,536,556	€353,020	-
11188291 Canada Inc	$952,705	$0	100			€839,387	€580,547	-	-	$0	$0	-
General information for other interests, in which gross value exceeds 1% of the company's share capital												
1. Equity interests in foreign companies												
Ipsen Poland LLC	1,210 PLN	4,194 PLN	1		1	€15	-	-	-	56 PLN	30,878 PLN	-

Note 7 Cash flow statement

(in millions of euros)	31 December 2019	31 December 2018
Opening cash and cash equivalents	**65.7**	**65.0**
Net profit (loss)	(626.9)	(15.4)
Elimination of income and expense with no impact on cash flow or not used in operating activities		
– Net depreciation, amortization and provision charges	599.6	(3.3)
Cash flow	**(27.3)**	**(18.7)**
Change in working capital requirement related to operating activities	(30.5)	1.3
Net cash flow from operating activities	**(57.8)**	**(17.5)**
Acquisition of equity investments	(840.7)	
Disposal of equity investments		
Other cash flows related to financing activities	84.5	41.2
Change in working capital related to investment activities	(0.5)	4.6
Net cash provided (used) by investment activities	**(756.7)**	**45.8**
Repayment of borrowings	(5.7)	(247.1)
Debt issues	671.0	144.7
Change in share capital	0.0	2.7
Share repurchasing agreement	(9.4)	4.1
Dividends paid	(83.2)	(83.0)
Change in working capital related to financing activities	306.8	150.9
Net cash provided (used) by financing activities	**879.5**	**(27.7)**
Changes in cash and cash equivalents	**65.1**	**0.6**
Closing cash and cash equivalents	**130.7**	**65.7**

Note 8 Subsequent events

No event occurring between the closing date of the consolidated financial statements and the date of their approval by the Board of Directors, and not taken into consideration, was likely to call into question the annual financial statements themselves or make it necessary to mention such an event in the notes to the annual financial statements.

3.3.3 Statutory Auditor's Report on the annual financial statements

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Ipsen S.A.

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

Statutory Auditors' Report on the Annual Financial Statements

Year ended 31 December 2019

For the attention of the Annual General Meeting of Ipsen S.A.,

Opinion

In compliance with the assignment entrusted to us by your Annual General Meeting, we have conducted an audit of the consolidated financial statements of Ipsen S.A. pertaining to the year which ended 31 December 2019, as attached to the present report.

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

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

Basis for the opinion

Audit standards

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

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

Independence

We conducted our audit in accordance with the independence rules applicable to us, during the period from 1 January 2019 to the issuance date of our report, and, in particular, we have not provided any services prohibited by Article 5, Paragraph 1, of Regulation (EU) no. 537/2014 or by the code of ethics of the profession of statutory auditor.

Justification of the assessments – Key point of the audit

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

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

Assessment of equity investments

Identified risk

Equity investments are listed in the balance sheet as of 31 December 2019 in the net amount of 1,426.3 million euros, accounting for one of the largest items in the balance sheet. They are recognised at the time of their entry at their acquisition cost and depreciated based on their inventory value representing what the Company would accept to outlay to obtain them if it had to acquire them.

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

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

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

Audit procedures implemented with regard to the identified risk

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

- verify that the value of the share of net profits in the assets is coherent with its value derived from a multiples analysis.

- verify that the equity retained matches the financial statements of the entities that have been audited or undergone cost accounting procedures and that, when applicable, the adjustments carried out with regard to this equity are based on documented evidence;
- obtain the cashflow forecasts and operations forecasts for the activities of the entities concerned produced by their operational divisions and assess their consistency with the forecast data taken from the latest strategic plans, produced under the supervision of their general management for each one of these activities and approved, when applicable, by the Board of Directors;
- verify the consistency of the assumptions retained with the economic environment on the dates of the closing and preparing of the financial statements;
- verify that the value resulting from the cashflow forecasts has been adjusted to reflect the amount of debt held by the entity considered.

Specific verifications

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

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

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

We attest to the sincerity and the coherence of the information related to the terms of payment, mention in the Article D.441-4 of the French Commercial Code *(Code de commerce)*, with the annual financial statements.

Report on corporate governance

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

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

Other information

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

Information resulting from other legal and regulatory obligations

Appointment of the statutory auditors

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

As of 31 December 2019, KPMG Audit was in the 15th consecutive year of its assignment and Deloitte & Associés in its 22nd year, including 15 years for both firms since the company's shares have been admitted for trade on a regulated market.

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

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

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

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

The annual financial statements were approved by the Board of Directors.

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

Objective and audit approach

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

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

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

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

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

Report to the Audit Committee

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

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

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

The Statutory Auditors

Paris La Défense, 17 February 2020

KPMG Audit
Department of KPMG S.A.

Catherine Porta
Partner

Cédric Adens
Partner

Paris La Défense, 17 February 2020

Deloitte & Associés

Jean Marie Le Guiner
Partner

3.3.4 Information related to Ipsen's business activity

3.3.4.1 Significant events during the year

Significant events of the year are disclosed in the first part of the notes to the annual financial statements.

3.3.4.2 Business activity

Breakdown of sales and other income:

(in millions of euros)	2019	2018
Services	21.4	15.4
Operating income	**21.4**	**15.4**

Services correspond primarily to personnel-related expenses billed back to the subsidiaries.

3.3.4.3 Net profit (loss)

The following table provides a summary of the main aggregate items on the income statement:

(in millions of euros)	2019	2018
Net sales	21.4	15.4
Operating profit (losses)	(22.8)	1.4
Net financial income (expense)	(614.4)	(2.7)
Profit on ordinary activities	**(637.2)**	**(1.3)**
Net extraordinary income (expense)	(8.1)	(13.5)
Pre-tax profit	**(645.3)**	**(14.9)**
Income tax – Gain	18.3	(0.6)
Net profit (loss)	**(626.9)**	**(15.4)**

Operating losses declined by €24.2 million compared to 2018 financial year. The main observations are as follows:

- Payment to the pension plan fund for €9.2 million and social charges related to URSSAF for €2.2 million
- Expenses related to the acquisition of 11188291 Canada Inc. shares and Clementia integration costs for €10.3 million

Net financial expense declined by €611.7 million vs 2018 financial year, mainly from the provision for impairment on 11188291 Canada Inc. shares for €580.5 million and unfavorable exchange differences on financial operations.

Net extraordinary expense increased by €5.4 million compared to 2018 financial year, mainly as a result of the capital loss arising from the transfer of treasury shares to certain beneficiaries in respect of long term incentive plans.

3.3.4.4 Income tax

At 31 December 2019, the Company reported an income tax profit of €18.3 million.

3.3.4.5 Funding

The cash flow statement disclosed in the notes shows that cash and cash equivalents at the close of 2019 were increasing by €64.9 million mainly related to the new financing programs (credit facility, USPP) and the commercial paper issuance compensating the acquisition of 11188291 Canada Inc. shares for €839 million in April 2019.

3.3.4.6 Net cash flow from operating activities

The decrease of €40.3 million observed in net cash flow from operating activities in 2019 stemmed notably from the increase in financial expenses arising from the new financing programs together with the Clementia integration costs.

3.3.4.7 Net cash provided (used) by investment activities

This line item consists primarily of partial repayments of loans granted to Group subsidiaries and of the acquisition for €839 million of 11188291 Canada Inc., newly created company and owner of Clementia Pharmaceuticals Inc. shares.

3.3.4.8 Net cash provided (used) by financing activities

The €665 million net variation in financial debt stemmed from the following items:

- €270 million from the USPP signed in July 2019
- €271 million from the credit facility drawn down in July 2019
- €119 million from the net change in commercial paper drawn between 2018 and 2018 and,
- €5 million of interest on loans.

The €(9.4) million variation in share buyback agreements arose from the following transactions:

- The repurchase by the Company in the 2019 financial year of 150,000 of its own shares totaling €7.3 million, as part of the share buyback program announced by the Company on 18 June 2019;
- The allotment for €16.8 million to beneficiaries of the 1 April 2015, and 29 March 2017, and the employee shareholding program of 13 February 2019.

In 2019, the Company paid out €83.2 million in dividends, compared with €83.02 million in 2018.

At 31 December 2019, the Company's current account balance with Group companies showed a credit of €585.7 million, up €306.8 million over a credit current account balance of €278.9 million at 31 December 2018.

3.3.4.9 Subsequent events

Subsequent events are disclosed in note 8 to the Company's annual financial statements.

3.3.4.10 Business trends and outlook

In 2020, Ipsen S.A.'s net profit will be derived essentially from the dividends it receives from its subsidiaries, its financial expense and the tax consolidation gain.

3.3.4.11 Subsidiaries and affiliates

The lion's share of sales from Ipsen S.A. subsidiaries are generated by the marketing and sale of proprietary drugs prescribed by the medical profession. Purchases of most of the drugs are reimbursed by national health programs.

(in millions of euros)	2019		2018	
	Sales	Net profit (loss)	Sales	Net profit (loss)
Ipsen Pharma	1,536.6	353.0	1,340.9	127.3
11188291 Canada Inc	–	–	–	–
Sutrepa	0.0	0.0	–	37.3

The list of subsidiaries and affiliates is provided in the notes to the Company's annual financial statements.

3.3.4.12 Accounting principles and methods

No changes were made in the accounting principles and methods versus the prior year.

3.3.4.13 Payment due dates

The following information on due dates for Company payables and receivables is provided in accordance with Articles L.441-6-1 and D.441-4 of France's Commercial Code. This information included intra-group payables and receivables information.

- Invoices received or issued at the closing date of the financial year:

Amounts in thousands of euro	Invoices received but not paid at the closing date of the period							Invoices issued but not paid at the closing date of the period						
		Not past due	Overdue						Not past due	Overdue				
Late payment tranches			1 to 30 days	31 to 60 days	61 to 90 days	Over 91 days	1 day and over total			1 to 30 days	31 to 60 days	61 to 90 days	Over 91 days	1 day and over total
Number of invoices	14	10					4	22	17					5
Total amount of invoices, incl. VAT	**13,770**	**13,721**		50		(1)	**49**	9,473	**9,106**				367	**367**
Percentage of invoices, incl. VAT		**100%**	0%	0%	0%	0%	**0%**		**96%**	0%	0%	0%	4%	**4%**
Percentage of total amount of purchases for the period, incl. VAT	29,761.6	**46%**	0.0%	0.2%	0.0%	0.0%	**0.2%**							
Percentage of total amount of sales, incl. VAT								21,429	42.5%	0.0%	0.0%	0.0%	1.7%	**1.7%**
Due dates used to determine late payment		Contractual due dates		X					Contractual due dates		X			
		Legal due dates							Legal due dates					

3.3.4.14 Sumptuary spending

No non-tax-deductible expenses targeted under Article 39-4 of the French Tax Code were added back during the financial year just ended.

3.3.4.15 Net profit (loss) for the period

The net loss for the 2019 financial year came to a loss of €626.9 million mainly due to the impairment on 1188291 Canada Inc. shares (Clementia Holding).

3.3.4.16 Dividend payout

In accordance with Article 243 bis of the French Tax Code, the dividends paid out for the last three financial years were as follows:

(in € per share)	Annual dividend payout Total (*)	Dividend per share
2016	70,759,527	0,85
2017	70,247,053	0,85
2018	83,017,070	1,00
2019	83,201,522	1,00

(*) After cancelling dividends on treasury shares in retained earnings.

3.3.4.17 Company earnings and other financial highlights over the past five years

	2015	2016	2017	2018	2019
Share capital at year-end (in millions of euros)					
– Share capital	83.2	83.6	83.7	83.8	83.8
– Number of shares outstanding (in thousands)	*83,245.6*	*83,557.9*	*83,732.1*	*83,809*	*83,815*
– Number of outstanding preferred shares without voting rights	–	–	–	–	–
– Maximum number of shares to be created	–	–	–	–	–
Transactions and results for the year (in millions of euros)					
– Net sales	21.1	18.2	20.1	15.4	21.4
– Profits before income tax, employee profit-sharing, amortization, depreciation and provisions	*164.0*	*(76.5)*	*(27.6)*	*(12.5)*	*(642.9)*
– Income tax – Gain (losses)	5.5	1.0	12.6	(0.6)	18.3
– Employee profit-sharing for the year	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
– Earnings after income tax, employee profit-sharing, amortization, depreciation and provisions	*191.4*	*(24.3)*	*(17.4)*	*(15.4)*	*(626.9)*
– Dividends paid out(**)	70.0	70.0	70.2	83.0	83.9
Earnings per share (in € per share)					
– Earnings after income tax and employee profit-sharing, but before amortization, depreciation and provisions	2.0	(1.0)	0.0	0.0	(8.0)
– Earnings after income tax, employee profit-sharing, amortization, depreciation and provisions	2.0	0.0	0.0	0.0	(7.0)
– Dividend per share	0.85	0.85	0.85	1.00	1.00
Personnel (in millions of euros)					
– Average number of employees during the year(*)	17	15	11	6	5
– Total payroll for the year	25.1	22.9	20.7	10.9	8.5
– Total payroll on-costs for the year (social security, welfare, etc.)	8.2	8.4	7.6	2.0	5.1

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

4 COMPANY SOCIAL RESPONSIBILITY

Introduction

The present Chapter reflects Ipsen Company Social Responsibility informations according to the requirements of Articles L.225-102-1 and R.225-105 of the French Commercial Code, amended by *ordonnance* 2017-1180 and Application decree 2017-1265, transposing Directive 2014/95/UE of the European Parliament and 22 October 2014 Council on disclosure of non-financial information.

As per the Non-Financial Statement regulations, for social, societal and environmental risks, this Chapter 4 includes:

- Ipsen Business Model,
- A description of the policies and diligences implemented to identify, prevent and limit the occurrence of the risk,
- The results of such policies through key performance indicators.

4.1 IPSEN'S COMPANY SOCIAL RESPONSIBILITY (CSR) VISION AND STRATEGY

4.1.1 Introduction and presentation of Ipsen's Company Social Responsibility

Dear stakeholders,

As Corporate Social Responsibility (CSR) continues to evolve, one of the recent shifts we have seen is a move toward CSR reflective of what companies value. A company's approach to how they can make a difference mirrors what is important to key stakeholders. It is a shift that has been accelerated by today's global challenges, in which companies have had to publicly stand up - both individually and collectively.

At Ipsen, Company Social Responsibility (CSR) is one of our top priorities, and this involves ensuring the highest ethical standards in everything we do.

Employees, patients & society and the environment are at the core of our CSR strategy. We care about our people and strive to promote a culture where everyone is free to be themselves. We are also responsible for providing innovative solutions to patients, while supporting patient associations and other charitable organizations when they need us. And finally, we are accountable for driving the sustainability of our business to minimize our impact on the environment.

Our vision is to harness the power of our people to have a responsible and sustainable impact on patients, society and the environment. We strive to empower them to make decisions with these values in mind and make a difference within each of these priorities. Whether it is supporting our Accelerated Access Initiative or taking part in Ipsen's Community Days, our colleagues are engaged in driving Ipsen's CSR agenda.

Promoting the needs and rights of employees, patients & society and the environment at large is crucial, and it is the objective and essence of our CSR signature: a human journey of shared commitments.

Best regards,
Aymeric Le Chatelier
Chief Executive Officer and Chief Financial Officer

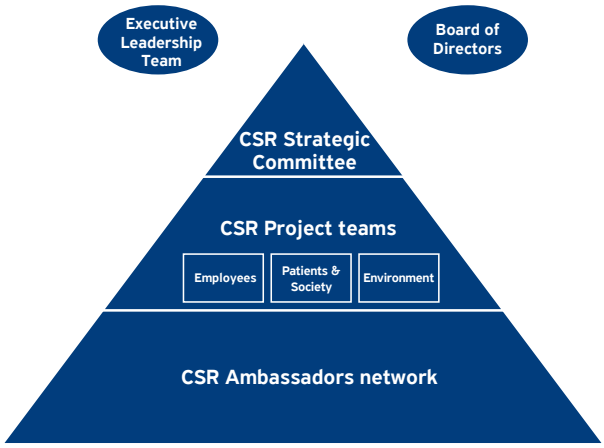
Ipsen CSR strategy has been defined in 2018 and is rooted in the following 3 pillars:

IPSEN CSR PILLARS

Employees	Patients & Society	Environment
Caring for and developing employees, encouraging diversity and inclusion, and supporting an open and respectful culture	Providing innovative solutions for the benefit of patients & society based on trusted relationships and shared commitments	Protecting the environment, minimizing the impact on it, by making activities safe and sustainable

A Company Social Responsibility department coordinates and aligns the deployment of the CSR strategy within the Group.

The CSR department works closely with different departments to align the CSR roadmap with the overall strategy.



Key Responsibilities of the 3 governance bodies:

CSR Strategic Committee	CSR Project Teams	CSR Ambassadors network
Approve strategy and roadmap upon proposal by the CSR project teams Sponsor the implementation of CSR initiatives Share with the Executive Leadership team strategy and progress and get endorsement Liaise with the Board of Directors	Propose to the Strategic Committee roadmap and Corporate initiatives for approval Ensure alignment of CSR roadmap with functional roadmaps Develop action plans across all divisions to reinforce the CSR culture of the Group and its communication	Relay locally CSR strategy and roadmap Propose and roll-out local initiatives aligned with Group CSR strategy and roadmap Report on local initiatives

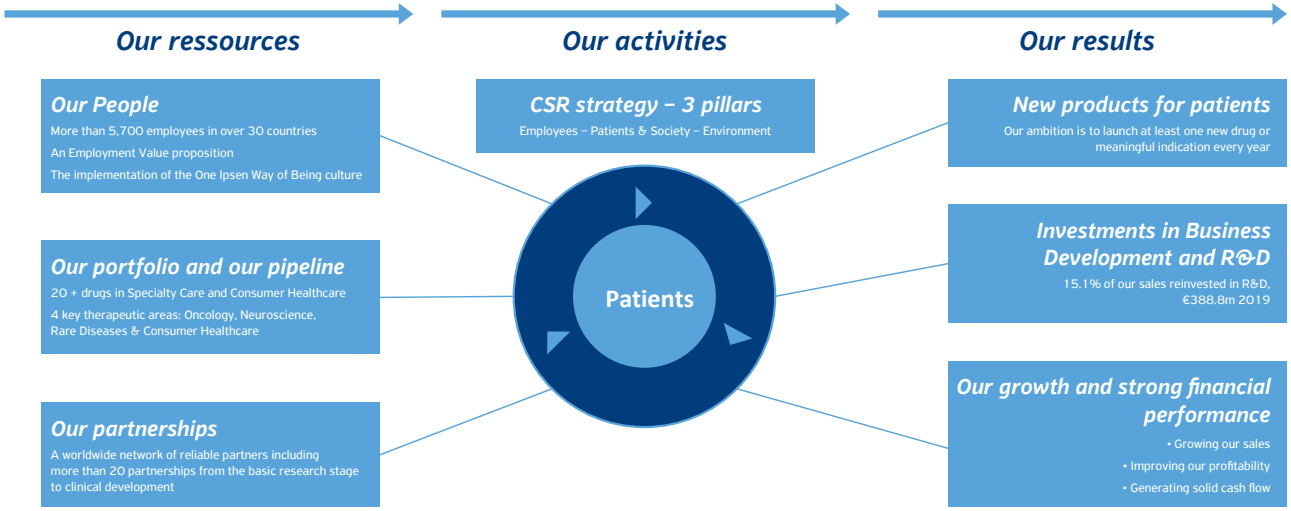
In 2019, Ipsen has developed different initiatives in each of the 3 pillars.

Ipsen's 2019 achievments:

4.1.2 Ipsen's Business Model

Our mission: Improving Patient's lives through innovative medicines in Oncology, Neuroscience, Rare Diseases and Consumer Healthcare

Ipsen Social Responsibility Vision: Our vision is to harness the power of our employees to have a responsible and sustainable impact on patients, society and the environment



4.1.3 The Group's key CSR risks and opportunities

The Non-Financial Statement (NFS) is evolving towards a more business-oriented approach.

It should reflect the business model and an approach based on the analysis of the main CSR risks for five categories of information: social, environmental and human rights matters throughout the value chain, the fight against corruption and the fight against tax evasion.

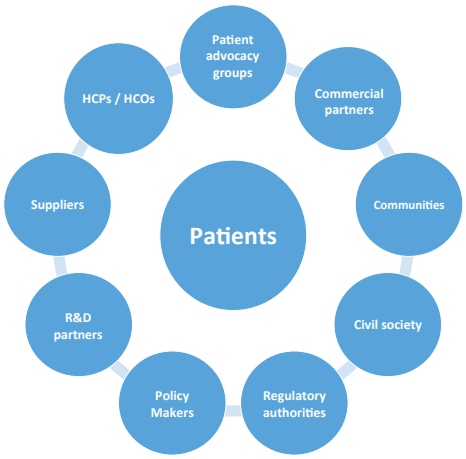
The Statement is an opportunity to highlight the strategy and achievements of the Company. This implies aligning the materiality analysis of CSR issues with the identification of the main risks and opportunities.

For the fiscal year 2019, the company decided to reshape the Non-Financial Statement to reflect its main stakeholders' expectations in terms of risks and risk management through a materiality analysis.

To identify Ipsen's key risks, a workshop guided by the advisor Ernst & Young was organised in July 2019 with representatives from Risk Management, Ethics & Social Responsibility, Procurement, Trademarks, Human Ressources, Product Safety, Product Quality, IT, EHS and Global Communications. The workshop helped to prioritizing the risks among an universe of risks which had been developed by Ernst & Young and based on the Group risk mapping. The construction of the risk universe was based on an industry benchmark, sectoral risk databases and incorporated the work from the risk management team.

Ipsen, as a global specialty-driven pharmaceutical company, with drugs marketed in more than 100 countries, acts to provide concrete responses to the needs and expectations of a wide variety of stakeholders, particularly those in the healthcare field. Ipsen has a transparent and regular dialogue with its main stakeholders (employees, healthcare professionals and patients, investors and the financial community, suppliers and partners, regulatory authorities and agencies, local communities, and the media) to provide reliable and factual information, to pursue a constructive dialogue, develop partnerships, support patients associations, with the ultimate goal of providing differentiated and innovative solutions for patients.

Ipsen's Stakeholders:



Further to the materiality analysis performed in 2019, Ipsen decided to structure its NFS based on the United Nations Sustainable Development Goals (UN SDGs) reflecting the importance for the Company of the commitment taken for the first time in 2012.

The table below shows the results of the analysis with 13 CSR main risks selected and classified into four categories.

At Group level, the risks are ranked as medium and low. Within the framework of the analysis of CSR risks and opportunities, they have been identified as main risks.

Category	SDG's contribution	Name of the risk/ opportunity	Description and links to Ipsen's activities	Chapter 2 references
Improving people's life by offering innovative and safe medicines		Product quality	Protecting patients against the risks inherent to the biologic action of medicinal products and ensuring that benefit/risk for all products is positive.	2.1.4.4 Product liability risks
		Product Safety	Non compliance with security requirements that could jeopardize patients' health.	2.1.4.4 Product liability risks
		Counterfeit products	Counterfeit products of low quality and not complying with Ipsen's health standards, which may endanger patients' health and generate loss in sales revenues.	2.1.4.3 Counterfeiting risks
		Responsible product promotion	Improper marketing claims resulting in legal proceedings and mistrust of patients and Healthcare professionals, which could damage Ipsen.	2.1.1.8 Business Ethics risks
		Access to medicine	The implementation of initiatives and actions to improve healthcare in countries where access to medicines is difficult and diseases are difficult to treat.	NA
Enhancing integrity to maintain a trusted relationship with our stakeholders		Data privacy	Inability to ensure integrity and confidentiality of data, resulting in disclosure or theft of patient's information and breach of data privacy.	2.1.4.2 Undesired disclosure of critical information
		Anti-Corruption	Corruption and conflicts of interest situations which could lead to major fines and penalties and damage to Ipsen's image.	2.1.1.8 Business Ethics risks
		Human Rights	Respect of human rights in Ipsen's operations and in its supply chain.	2.1.1.8 Business Ethics risks
Driving our employees' excellence and engagement		Health and safety	Weak health and safety policies, failure to respect health and safety policies in the operations and the supply chain, which could result in several incidents impacting employees' health.	2.1.2.2 Environment and safety risks
		Talent attraction	Loss and/or lack of key skills leading to delay of key programs and research projects launch, which could jeopardize Ipsen's ability to improve patients' health.	NA
		Employee engagement	Negative impacts on employee motivation or on the quality of social relations that could jeopardize the achievement of some objectives and lead to a corresponding impact on the Group's results or financial position.	NA

Category	SDG's contribution	Name of the risk/ opportunity	Description and links to Ipsen's activities	Chapter 2 references
Minimizing our environmental impact		Climate and energy	Decrease in energy consumption in order to improve the efficiency of Ipsen's operations and reduce greenhouse gas emissions; adaptation to climate change.	2.1.2.2 Environment and safety risks
		Management of water, waste and air emissions	Water, waste and air pollution due to Ipsen's activity, which could cause significant damage to sensitive areas or ecosystems and to health.	2.1.2.2 Environment and safety risks

Ipsen is also working on others SDGs that are not directly related to the CSR risks and opportunities identified above.

The following SDGs have been selected for progress

4.2 IMPROVING PATIENTS' LIVES BY OFFERING INNOVATIVE AND SAFE MEDICINES

4.2.1 Bringing high quality product to patients

Definition of the risk

A Best-in class pharmaceutical supply chain requires inputs from many sources, partners, suppliers, contract manufacturers, internal resources, distributors, regulators, pharmacists and finally the patients themselves to insure the safe delivery and administration of medicinal products.

All these contributors have the potential to introduce a risk of lowering the safety and efficacy of products. For example, a cold chain medicine can be perfectly manufactured, tested and released only for the supply route to fail to maintain its temperature between 2 and 8°C. In this case the potency of the product may be affected. The Quality Management System has controls in place to prevent this from happening and to assess the impact, against sound scientific data, should it occur.

Risk Management is an essential part of a Pharmaceutical Quality Management System. When making decisions on events that have the potential to influence the quality of products it is important to be able to differentiate between low and high-risk events. Typically, this is achieved by means of a risk matrix used to segregate based upon severity, likelihood of occurrence and detection rate.

Because of Ipsen's patient centric approach it risks profile is biased towards zero risk in the case of safety and quality.

Mission

Ipsen provides the highest standards in terms of safety and quality for all its products

Governance

Everyday Ipsen monitors the quality of products through the vigilance of the staff and vigorous testing programs fully compliant with the regulatory commitments. A culture of rapid communication and continuous innovation is promoted, such that these benefits can be realized in robust processes that yield high quality products.

Ipsen's oversight begins at the shop floor level. Each employee can report an event that they feel may have the potential to impact the quality or efficacy of a product. Similarly, Ipsen monitors on a 24-hour basis signals from markets, through complaints and pharmacovigilance processes.

Ipsen's constant process verification systems allows it to evaluate the variation in the critical attributes of a medicine within the approved regulatory specification. This data acts as an early warning system for potential problems and enables Ipsen to take action to prevent them from occurring.

Various Quality Councils are in place at all levels of the organization and include CEO and Executive Vice-Presidents

Leadership Teams. At these councils' trends are evaluated with a view to identifying preventative actions to maintain the high quality of Ipsen's products.

Policies

All Ipsen's processes are documented in a formal Quality Management Systems (QMS) that insures full traceability on every batch of product that Ipsen produces. The QMS also assures that the processes are reproducible and allow teams to demonstrate this by means of the comprehensive internal audit program. Furthermore, Ipsen has an excellent audit record with health authorities around the world. Ipsen has established, documented, implemented, and maintains an effective Quality Management System in accordance with the appropriate requirement of regulations, standards and directives.

As a part of Ipsen's on-going commitment to maintain its QMS, it will:

a) identify the processes needed for the QMS and their application throughout the organization;

b) determine the sequence and interaction of these processes;

c) evaluate the operation and control of these processes during management reviews and QMS audits;

d) ensure the availability of resources and information necessary to support the operation and monitoring of these processes;

e) monitor, measure and analyze these processes;

f) implement actions necessary to achieve planned results, maintain and improve the effectiveness of these processes;

g) assess reporting requirements for substantive changes and communicate as appropriate to Regulatory Bodies;

h) where Ipsen outsources any process that affects product conformity with specified requirements, Ipsen will ensure the process is maintained in compliance with the Global Quality Manual;

i) ensure that changes to the applicable regulations, standards and directives are assessed for their impact on the QMS and on products manufactured under the QMS;

j) ensure that changes to the QMS are controlled in accordance with the requirements of the applicable regulations, and standards.

Processes that are outsourced which affect product conformance will be monitored and controlled. Ipsen shall retain responsibility for conformity to applicable regulations and standards, and to patients' requirements. These controls include written quality agreements.

Ipsen is committed to developing and maintaining a QMS that complies with appropriate global regulatory requirements and standards. This is achieved by providing an adequate organizational structure and the necessary resources to develop and implement quality planning and objectives. Senior Management ensures this is done by:

a) establishing the appropriate responsibility, authority and inter-relation of personnel who manage, perform and assess work affecting quality, and provide the independence and authority necessary to perform these tasks;

b) communicating to the organization the importance of meeting customer, regulatory and statutory requirements of our products by publicising, implementation and distribution of the Ipsen Quality Policy;

c) ensuring the quality objectives are established and communicated to Ipsen personnel and stakeholders;

d) conducting Management Reviews to evaluate the effectiveness of the Ipsen QMS;

e) ensuring availability of adequate resources;

f) ensuring personnel are educated, trained and competent to perform their role;

g) ensuring timely closure of compliance issues.

Senior management approve the vision and strategic direction for the improvement of the QMS.

Four main 2019 actions

During 2019 Ipsen continued to execute on it Quality 5-year plan which includes updates to the Laboratory Information Management System (LIMS), Quality Action Tracking System, Internal Audit program and migration towards a paperless Quality Management System.

The paperless learning platform has continued to be deployed and is now fully embedded within the Technical Operations Group. In 2019 Ipsen have had more than 20 inspections from regulatory authorities across the GXP spectrum. Ipsen has benchmarked against over 100 peers and found that complaint, recall and regulatory observations rates are close to the top quartile. This validates out holistic approach to improving and innovating QMS.

Objectives & Results

During 2019 Ipsen continued to achieve a batch acceptance level of greater than 99.5%. In terms of regulatory commitments, Ipsen continues to achieve a 100% on time closure rate. In addition, the Global Right First Time measure continues to be above 95%. This performance supports six sigma complaint rates.

KPI	2019	2018
Batch Acceptance level (%)	99.5%	99.8%
First Time Quality (%)	94.6%	94.5%
Rate of on-time Corrective Action Corrective Prevention (CAPA) closure (%)	92.0%	91.1%

Due to a change in the approach to calculating the indicator complaint rate in 2019, the company deciced not to present a direct comparison between 2018 and 2019 for this indicator. A comparison might be included fiscal year 2020.

4.2.2 Ensuring product safety

Definition of the risk

Protecting patients against the risks inherent to the biologic action of medicinal products and ensuring that benefit/risk for all products is positive, is one of the key obligations for a pharmaceutical company. To that end, Ipsen is operating a pharmacovigilance system, that ensures the detection, assessment, understanding and prevention of adverse effects or any other medicine-related problems.

Mission

The aim of the pharmacovigilance system is to provide patients and healthcare providers with the means to safely and effectively utilize Ipsen's products. Ipsen's pharmacovigilance system encompasses all processes that are required for the processing of safety related information, that operate in a lifecycle.

This includes among others:

- The collection of safety information from diverse sources such as:
  - non-clinical and clinical development activities;
  - contacts with patients and healthcare providers;
  - patient support and early access programs and other systematic studies of products on the market;
  - scientific literature and others.
- The holistic analysis of safety data to detect any signals for new risks or changes to known risks.
- The assessment of the impact of new risk on the overall benefit/risk of the product.
- The actioning of any risk management and risk minimization measure to ensure that the product is utilized safely and effectively, which may include:
  - update to the information for patients and healthcare providers;
  - additional studies to investigate risks further;
  - active risk minimization measures such as safety registries.
- Ipsen's pharmacovigilance system is managed by a team of professionals through a set of governance processes:
  - ensuring collaboration and oversight on the pharmacovigilance system;
  - ensuring timely decision-making and communication of any safety issues.
- Ipsen's pharmacovigilance system is described in documented procedures supported by robust database systems and analytic tools.

Policies & action plans

The pharmacovigilance lifecycle operates over the entire life of a medicinal product, starting at the non-clinical development stage by integrating basic scientific principles from research and results from pharmacology and toxicology studies into a translational safety framework, accompanying the clinical development in humans through all stages to build a robust safety dossier and benefit/risk assessment for regulatory filings and surveying the product on the market by collecting safety data from any interaction with healthcare providers or patients, in sporadic contacts or systematic data collection programs.

The effort may continue even after the product is removed from the market to assess any potential longterm safety impact of a product on patients.

- Risk Management Plan

For all products on the market a risk management plan is maintained, which includes an evaluation of the product risks and determines if specific measures are required to further evaluate risks or to take targeted action to minimize the potential for a risk to manifest itself while the product is being used by patients. The risk minimization measures may include activities such as specific instructions for patients and healthcare providers, specific diagnostic measures to recognize patients susceptible for certain risks or to diagnose adverse reactions early, or other measures such as pregnancy prevention programs for products with recognized teratogenic potential.

The operation of the pharmacovigilance system to ensure collection, analysis and reporting of safety data from all sources throughout the lifecycle of all products requires close collaboration of many functions in the Company, such as Regulatory Affairs, Clinical Operations, Medical Affairs, Quality, Marketing and business operations, and Legal. Where the responsibility for the development and marketing of a product is shared with external parties (*e.g.* other pharmaceutical companies or academic partners) a pharmacovigilance agreement will specify the roles and responsibilities for pharmacovigilance in this relationship. Dedicated governance structures are in place to ensure that the collaboration across functional or organizational boundaries operates effectively.

- Regulatory requirements and standards

The Ipsen pharmacovigilance system follows the regulatory requirements of all countries where Ipsen products are in clinical development or on the market. Ipsen therefore adheres to international standards developed by the International Conference for harmonization (ICH) or the Council for International Organizations of Medical Sciences (CIOMS) and the pharmacovigilance regulations and all regulations of countries where the Ipsen products are being developed or marketed, which prominently includes regulations in the EU (such as the Clinical Trial Regulation (EU) No 536/2014),

legislation for the safety monitoring of medicines across the EU, Directive 2001/83/EC, the Regulation (EC) No. 726/2004 and the commission Implementing Regulation No 520/2012, as well as the EU Good pharmacovigilance practices guidance) and in the US (such as 21 CFR 312 on investigational new drugs, 21 CFR50 on protection of humans in clinical development and 21 CFR 314.80 on safety reporting for products on the market and applicable guidance).

Ipsen is committed to continuously develop and improve its pharmacovigilance system to ensure that patients are protected and Ipsen products can be used safe and effectively under changing circumstances, which includes changes in the legislation, changes in the product portfolio and changes in the structure and size of the company.

Objectives & Results

As part of its continuous commitment to patient safety, Ipsen pharmacovigilance team has been largely reinforced throughout 2019 as headcount has been increased by 70%. Ipsen pharmacovigilance system efficiency can be demonstrated by its compliance towards regulatory timelines: more than 96% of cases were submitted in compliance with regulatory timelines in 2019. Other indicators concerning the pharmacovigilance system will be shared in the next 2020 version.

Animal welfare

Animal welfare is a sensitive issue for the community and Ipsen. Animal studies still play an important role in medical research and improve the health of many people around the world.

Ipsen's priority is to meet the highest possible standards of animal welfare.

Ipsen's animal welfare policy complies with current legislation. In accordance with the EU Directive 2010/63 on the protection of animals used for scientific purposes, Ipsen does assess the safety and efficacy of its medicinal products for human uses with animal-based testing when no *in vitro* alternative has been approved for the tested products. The "3Rs" principles (Replacement, Reduction and Refinement) are applied:

1. Reducing the number of animals used per experiment,
2. Refining experiments to minimize animal suffering and improve welfare,
3. Replacing animal experiments wherever/whenever possible with alternatives.

Ipsen encourages the development of *in vitro* alternatives with a level of precision comparable to animal experimentation whenever / wherever possible, while ensuring patients' safety and medicinal products' efficacy.

Examples of the company's commitment towards the improvement of animal welfare can be found in:

- the setting up of an Animal Ethics Committee to evaluate all internal protocols using animals as well as promoting "3Rs" principles;
- the implementation of an Animal welfare body on Ipsen's research sites;
- the evaluation of animal ethics during the quality assessments of all Contract Research Organizations, required to have at least the same level of exigence;
- the approval of Ipsen's Cell Based Assay ("CBA") by the European and US competent authorities, amongst others across the globe, to establish the potency of each batch of Ipsen's toxin and developed to replace the *in-vivo* "LD50" test. This achievement means the radical reduction of animal-based testing.

4.2.3 Committed to fight against counterfeit products

Definition of the risk

Along with other manufacturers of pharmaceutical products, Ipsen and the patients are exposed to serious potential health risks presented by illegal falsified and counterfeit versions of the products. A falsified medicine is any medicine that passes itself off as a real, authorized medicine. In the case of counterfeit medicines, the illegal products also infringe the Trademark rights of Ipsen.

The health risk for patients from taking falsified and / or counterfeit medicines include:

- lack of effect, resulting in the underlying illness being untreated;
- infection / serious side effects from impurities and contaminents resulting from the frequently insanitory and unsafe conditions in which these products are produced, stored and distributed;
- in the most serious cases, falsified and counterfeit medicines have caused the death of patients.

To the extent that falsified medicines or counterfeit products are sold as being those of Ipsen, both the patients' confidence and the Health care practionners' trust in Ipsen's products could be undermined and Ipsen's reputation could be affected.

Mission

Fighting against falsified medicines to contribute to secure patient safety worldwide.

Ipsen is completely committed to taking the necessary proactive steps to always allow the patients to access to the highest health standards. Ipsen collaborates with other national and international stakeholders to protect the patients, partners and business from the risks of falsified and counterfeit medicines.

Governance

Ipsen has implemented an anticounterfeiting organization involving various stakeholders. The governance is as follows:

- The Global Security Committee (GSC) is responsible for the oversight of the issue of falsified and counterfeit medicines. The GSC reports to the Risk Committee, which is the most senior level of management involved in the oversight of risks to Ipsen.
- The Anticounterfeiting Core Team (ACF Core Team) reports to the Global Security Committee and is responsible for establishing, implementing and managing the anti-counterfeiting program. It is composed of experts from the Risk Management, Legal, Security, Supply Chain, Quality, Regulatory, Commercial Operations and Ethics and Social Responsibility departments.

Anticounterfeiting governance

Policies & action plans

Policies

The Global Policy

This Global Policy establishes the framework under which Ipsen anticounterfeiting strategy is defined and managed to prevent suspicious counterfeit / falsified products from entering the legal supply chain. It ensures individual cases will be appropriately managed and documented, when detected, to ensure regulatory compliance, secure the supply chain and protect patients.

This policy sets out the key strategic and operational requirements to ensure that Ipsen anticounterfeiting strategy is defined, implemented and maintained. This policy applies to all Ipsen Corporate functions, sites, entities and personnel managing or involved in the above listed activities related to suspicious counterfeit / falsified products.

The Standard Operating Procedure:

The purpose of this procedure is to define the principles and practices for the management of any suspicious counterfeit/ falsified product case for an Ipsen product.

Main actions

1. Detecting and finding

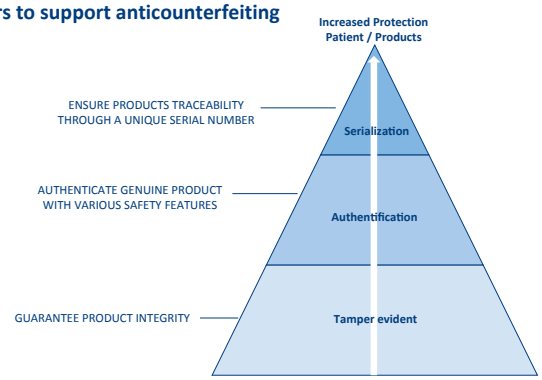
Ipsen uses a variety of approaches to detect suspect falsified / counterfeit medicines. In the physical world, such reports may come from, *inter alia*, health care practitioners, patients, employees, health care and medicine regulatory agencies, they may also result from border measures (customs applications). In the digital world, the Company mainly relies on Internet online monitoring. Depending on regulations and circumstances Ipsen informs the local medicines regulatory agency where confirmed falsified and counterfeit medicines are found and may either support the regulatory agency investigation.

2. Improving supply chain

Today Ipsen's anti-counterfeiting strategy relies on 3 pillars:

- The Serialization in order to ensure product traceability: which consists in the implementation of a unique number assigned to a single unit in a batch.
- The tamper evidence in order to ensure packaging integrity: it guarantees the integrity of the original manufacturer's pack and allows to detect if a box has been open.
- The safety feature to facilitate counterfeit identification: they are hidden printings specificity onto packaging elements to maximize product identification versus counterfeits.

3 Pillars to support anticounterfeiting



3. Cooperating with national and international organizations

Ipsen participates in local and international organizations.

Ipsen cooperate with law enforcement, health authorities and other pharmaceutical companies notably in efforts to shut down illegal websites that sell falsified medicines.

Moreover, Ipsen collaborates with: *Union des fabricants* (Unifab), National federations such as LEEM (the French pharmaceutical companies association), Professional federations, such as the European Federation of Pharmaceutical Industries and Associations (EFPIA) and the Pharmaceutical Security Institute (PSI).

Objectives & Results

Ipsen's objectives are:

- to protect Patients' safety by securing its supply chain and preventing counterfeit / falsified products from entering it;
- to encourage reporting of suspect falsified and counterfeit medicines wherever they are found in the physical or online environment;
- to provide an appropriate response to suspect falisified and counterfeit medicine cases (investigation, data collection, regulatory compliance).

Description of key performance indicators

KPI	2019	2018
Number of counterfeiting cases identified and reported to National Drug Safety Agency (ANSM)	11	5

4.2.4 Promoting products responsibly

Definition of the risk

Companies are responsible for conducting promotion of their products without misleading or disguising it or engaging into off-label use related activities. The below general requirements are the basis of compliance programs which aim at mitigating relevant risks.

- **Misleading Promotion**

Promotion must be accurate, balanced, fair, objective and sufficiently complete to enable the recipient to form their opinion of the therapeutic value of the medicinal product concerned. It must not mislead by distortion, exaggeration, undue emphasis, omission or in any other way.

Any comparison made between different products must be based on relevant and comparable aspects of the products. Comparative advertising must not be misleading or disparaging.

- **Promotion must be capable of substantiation**

Promotion must encourage the rational use of medicinal products by presenting them objectively and without exaggerating their properties.

The promotion of food supplements must use different characteristics than for the promotion of drugs in order to not mislead the consumer on the nature of the product.

- **Disguised Promotion**

A company must transparently state if materials or activities aim at the promotion of its medicines including but not limited to materials sponsored by a company and promotional articles in journals.

- **Off-label Promotion**

The promotion of use of unapproved medicines or unapproved indications or unapproved dosage or form of administration as defined in the market authorization.

- **Impact**

Inappropriate promotion may have serious consequences related to the efficacy and safety of a product or may lead to wrong decisions impacting the health of patients.

Companies may face fines and penalties, expulsion from industry associations and reputational damage while depending on the seriousness of the cases, discredit of the entire industry may occur.

PROMOTE OUR PRODUCTS RESPONSIBLY

Ipsen promotes its products responsibly, in compliance with the highest legal and regulatory standards.

- **We promote** our prescription-only medicines only for uses that have been approved by the relevant authorities.
- **We promote** our prescription-only medicines to HCPs. We also promote to the general public, but only in countries where direct-to-consumers advertising is allowed, and in compliance with the applicable laws, regulations and industry codes.
- **We promote** our over-the-counter and non-medicinal products to the general public and to HCPs in compliance with applicable laws, regulations and industry codes.
- **We communicate** product information which is fair, balanced, objective, complete, accurate, substantiated and up-to-date.
- **We promote** promotional materials prior to their use following the applicable Company processes.
- **We train** all employees involved in the promotion of our products, on approved uses, product-related data, applicable requirements and on the company's promotional rules.

FOR MORE INFORMATION

We can refer to the Ipsen Global and Country SOPs on Promotional Materials.
If we have questions or concerns, we speak to our manager or Business Ethics.
For reporting any concerns, we can use the Whispli designated Alert Platform (https://app.whispli.com/IpsenAlerts) or the email address Ipsen.Ethics.Hotline@ipsen.com.

Policies & action plans

Code of Conduct & Applicable Requirements

Ipsen through its Code of Conduct commits to promote its products, prescription-only, over-the-counter, medical devices or food supplements in accordance with the applicable laws, regulations and industry codes. Annual certification on the Code of Conduct is mandatory for all Ipsen employees.

Furthermore, Ipsen is a member of the International Federation of Pharmaceutical Manufacturers & Associations (IFPMA), European Federation of Pharmaceutical Industries and Associations (EFPIA) and other country industry associations such as Pharmaceutical Research and Manufacturers of America (PhRMA) in the United States and R&D-based Pharmaceutical Association Committee (RDPAC) in China and fully abides by their Codes including the articles dedicated to the promotion of products.

Procedures

Further to the Code of Conduct, Ipsen has in place a Global Policy on Promotional Materials setting forth the general principles and requirements for the promotion of its medicines. In addition, since 2015, a global SOP has

introduced a standard process for the review and approval of globally developed promotional materials. Employees of global functions have been trained through mandatory e-learning training which new comers have to complete as part of their onboarding process.

Country procedures are applicable concerning the review, approval and storage of promotional materials.

The process has been automated using an electronic tool *(CoManDo)* which has been implemented for use by all global functions and countries.

Other policies and procedures such as the Global Directive on Digital Activities, the Global Directive on Interactions with Healthcare Professionals & Healthcare Organizations or Review and Validation Process of Promotional materials for Food Supplements are in place to provide guidance and direction to Ipsen's employees on how promotional activities must be conducted to ensure promotion is conducted in a fully appropriate and responsible manner and in full compliance with applicable requirements.

Objectives & Results

The Code of Conduct is the most recent document that measures the commitment and knowledge of employees in this area.

KPI	2019
Completion rate of trainings on the Code of Conduct	90%

4.2.5 Enlarging access to medicine

Definition of the risk

The materiality analysis highlighted access to medicines as one the main items expected by Ipsen stakeholders. Ipsen is looking for ways to develop differentiated approaches to improving healthcare in countries and for communities where access to medicines is difficult and diseases are difficult to treat. This is an important challenge for Ipsen given its size and the geographical areas in which it is located.

Policies & action plans

For 2019, two main actions have been implemented. Moreover, the Fondation Ipsen in place since 1983, aims to improve health and well-being through the dissemination of scientific information.

Access Accelerated initiative

Ipsen has joined in 2019 the Access Accelerated program, to meet tomorrow's health challenges with other pharmaceutical companies.

"Knowing that patients don't have time to wait, Ipsen is delighted to team up with Access Accelerated. To benefit patients around the world, we'll leverage our legacy and strong expertise to support better access to treatment and care." said Dominique Laymand, Ipsen's Executive Vice President, Ethics and Social Responsibility Chief Officer.

Access Accelerated is a global partnership of more than 25 biopharmaceutical companies aimed at addressing the growing Non-Communicable Diseases (NCD) health challenge. Access Accelerated use a multi-sectoral approach, it develops, measures, and replicates sustainable programs in low- and middle-income countries to advance access to NCD prevention and care.

The commitment is to reduce by one-third premature mortality from NCDs through prevention and treatment and promote mental health and wellbeing. The aim is to achieve the United Nations Sustainable Development Goals (Sustainable Development Goal 3.4 by 2030 reduce by one-third pre-mature mortality from non-communicable diseases (NCDs) through prevention and treatment, and promote mental health and wellbeing).

NCDs have often been neglected by the pharmaceutical industry, but there is an urgent need to treat these diseases that affect many people around the world.

Access Accelerated will partners with the World Bank Group to identify solutions to address financing, regulatory and service delivery barriers at country level. Additionally, the World Bank Group will conduct pilots in primary care to improve NCD outcomes in several countries.

Access Accelerated develops partnerships with organizations specializing in each of the major non-communicable diseases (NCDs): notably *Union Internationale contre le Cancer* (UICC) (C/Can 2025), Professional Association of Therapeutic Horsemanship (PATH), NCD (Non Communicable Disease) Alliance.

Introduction of CSR criteria in the Revolving Credit Facility

For the first time in 2019, Ipsen introduced three CSR criteria into its external Financing facility.

The renegociation of the Group Revolving Credit Facility was the opportunity to introduce three CSR commitments reflecting the Group CSR strategy.

The financial mechanism was structured to allow the payment of both sustainability discount and premium, if any, to non-profit organizations providing health care services. International Health Partners (IHP) has been selected as a beneficiary of the payments.

International Health Partners is a non-profit organization founded in 2004 with a vision to save lives and prevent unnecessary suffering by radically improving access to medicine for hard-to-reach, vulnerable and disaster-hit communities.

It does this by using a strong network of pharmaceutical and healthcare related companies to source donations of medicines and high-quality medical supplies that are appropriate for use in resource-poor contexts. All medicines and supplies provided through IHP and its partners are free at the point of use It also develops health programs in different low- and middle-income countries.

CSR criteria introduced in the Revolving Credit Facility

Pillars	Target	KPIs
Employees	Enhancing women representation in leadership positions	KPI 1: Women representation within the Global Leadership Team (in %) Ipsen's ambition is to achieve gender balance by 2024 with an annual increase The goal is to reach 50% women in the Global Leadership Team by 2024. In 2019, the number of women in the GLT was 36.5% beyond the target of 36%
Patients & Society	Supporting associates to play a role into healthcare communities	KPI 2: Employees in France dedicating working time to support healthcare associations (in %) In 2019, Ipsen is implementing a volunteering initiative promoting the participation of its employees to support healthcare associations and aims to setup this initiative in at least 10 countries The aim is to encourage more and more employees around the world to participate in these initiatives in 2019, the company took the commitment to have at least 25% of employees in France being part of the initiative. The actual participation went beyond this target since 30.8% of Ipsen employees decided to be part of the Ipsen Patient Day in France [1]
Environment	Reducing Ipsen's carbon footprint	KPI 3: Group Greenhouse Gas emissions scope 1 and scope 2 (tCO_2e/m^2) Given its ambition to reach carbon neutrality by 2030 and last year GHG emissions performance, the Group is currently reviewing its annual objectives for fiscal years 2020 to 2030 For fiscal year 2019, Ipsen took the commitment to reach 0.215 tCO_2e/m^2) taking into consideration the JV emissions. Without the JV that were excluded from the consolidation perimeter in 2019, the GHG emissions scope 1 and 2 reached 0.127 tCO_2E/m^2 and overperformed this target to reach 0.127[2] tCO_2E/m^2

[1] Because of strikes that affected France in December 2019, 28.2% of the employees were actually able to participate".
[2] Excluding JV. Taking into account the JV, the 2019 emissions amount to 0.176 t. CO_2Eq/m^2.

Fondation Ipsen

The Fondation Ipsen's mission is "Science for All". Its objective is to improve health and well-being through the dissemination of scientific information.

Setup in 1983 under the aegis of the *Fondation de France*, the Fondation Ipsen has contributed to major advances in biological and medical research by organizing numerous scientific conferences and awarding prizes to the most creative researchers.

The *Fondation Ipsen* is now turning to the general public to promote the dissemination of scientific knowledge and recent progress.

Main activities in 2019 are:

- Launch of a digital diploma in Infectious Diseases with the Institut Pasteur. This certificate is obtained after attending a MOOC program (Massive Open Online Course) made with international scientists from the Institut Pasteur. This free program is distributed worldwide, with a strong focus on underserved countries.
- Launch of a series of scientific podcasts addressing family health topics (allergy, memory, stress, vaccination, etc.).
- Publication of Life manuals for elderly and injured veterans; scientific manga books for teenagers and science stories for children (in collaboration with Curie Institute). The manga books have been distributed for free in over 750 schools and public libraries.
- Launch of a partnership with UNESCO for the drafting and dissemination of UNESCO's 2020 Science Report.
- 12 international webinars in collaboration with Science magazine. These events attracted more than 100,000 people and addressed critical issues for the scientific community and society (fake news, mental health in scence, entrepreneurship, etc.).
- "Paris accord of Science Communication" in collaboration with the National Press Foundation. This 4-day meeting gathered 24 international journalists and top-level scientists to discuss major scientific topics (vaccination, neurobiology of addiction and hate, infectious diseases, public health, etc.).

4.3 ENHANCING INTEGRITY TO MAINTAIN A TRUSTED RELATIONSHIP WITH OUR STAKEHOLDERS

4.3.1 Committed to protect personal data

Définition of the risk

Ipsen committed to protects the personal data of Ipsen employees and patients, healthcare professionals and other partners with who Ipsen interact with. The Company protects patients and HCPs' data and is transparent about use of their data in Ipsen activities such as Research, but also employees' data by accompanying and training Ipsen employees on processing and protection of personal data.

The major risk regarding processing of personal data is a breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorized disclosure of, or access to, personal data transmitted, stored or otherwise processed.

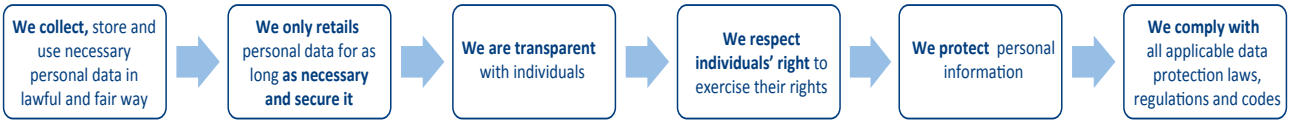
This risk is important to manage considering current developments in information and communication technologies and because of its potential impact and consequences it can have on personal aspect.

Mission

Our mission is to protect fundamental rights and freedoms of people and in particular their right to the protection of personal data by preserving integrity, confidentiality and availability of data

In order to accomplish its mission, Ipsen approaches Data Privacy on several parts such as a business approach by using prevention, measure of risks and conducting assessment, analysis and a legal approach to secure every project by protecting individual's rights within legal frameworks such as contract, privacy notice and consent forms.

Main Data Privacy Principles at Ipsen



Actions

Development of employee awareness and trainings

Ipsen has developed training modules for all employees through online trainings, face-to-face tools adapted to the different functions so that employees are aware of the importance of data protection in each type of activity.

Training modules are updated regularly, awareness modules are available for every new comer and trainings are organized in every affiliate according to countries specific requirements.

One of the main aspect of Data privacy is the IT security approach. Ipsen aims at securing its assets by always prioritizing defences to protect. In order to achieve that goal, Ipsen developed a 'Risk Informed' strategy by Understanding the threats, vulnerabilities and impacts to be able to take the right decision but also create a long-term Security Culture within the Group to protect people, processes and technologies.

Governance

Since 2016, the Data Protection Officer (DPO) is responsible for ensuring the implementation of a Data Privacy and Protection program within the Group. The role of the DPO is to advise, inform and monitor compliance with Data Privacy regulations. To achieve this, the DPO relies on an international and corporate Privacy Champion Network in charge of the awareness and the support of each affiliate and corporate team.

The DPO also relies on the Data Privacy Board that ensure collaboration within Ipsen's corporate department and affiliates regarding crossfunctionnal projects and implementation of harmonized processes.

Policies & action plans

Ipsen's activities involve different personal data processing for different groups of individuals such as employees, patients, healthcare professionals, contractors, scientists...

To protect the privacy of the individuals, Ipsen has created a Group's Global Pivacy policy that defines the main principles of Data protection. This global policy applies to all Ipsen employees processing personal data in compliance with European requirements and local regulations for each Ipsen Affiliate.

Documentation for employees to process personal data are available on the Privacy office intranet suh as templates of contract, Privacy Notice, Consent form, checklists for compliance to General Data Protection Regulation (GDPR), policies and general documentation about Data Privacy.

The Privacy Champion network is also a key asset in the awareness of employees in their role of identification of risky projects and Data Protection Impact Assessment needs.

- Description of clinical trials data protection

Patients' personal data may be collected for clinical trials. When it is the case, an Inform Consent form is required. That Consent form triggers a voluntary participation to a study and an information about the use of the data and the right to privacy depending on the applicable regulation, but also an information about the pharmacovigilance processing.

Healthcare professionals' personal data may also be collected during a study: a privacy notice is then required to inform them about the processing of the data and the right to privacy depending on the applicable regulation, but also an information about the pharmacovigilance processing.

Objectives & Results

The main objective of the Privacy Office is to reach the highest level of data privacy compliance and awareness for Ipsen activities.

Ipsen number of cyber attacks for 2019 remains stable with 2 data breaches reported to the authority. As a result, Ipsen created awareness programs and procedures related to cyber attacks prevention and data breach notification.

The number of trained employees for 2019 has increase to more than 50% with the development of online trainings and modules that are more accessible and easier to conduct for employees, and the creation of specific modules adapted to each activity and to each corporate team.

Ipsen has implemented a catalog of modules concerning each step of compliance to data privacy regulation and keep updating trainings and adapting its roadmap in order to demonstrate its best compliance in terms of Data Privacy.

KPI	2019	2018
Number of cyberattacks cases reported to the authorities	2	2

4.3.2 Fighting corruption

Definition of the risk

Corruption is the act of offering, promising, making, authorizing, requesting, agreeing to receive or accepting, directly or indirectly through third-parties or intermediaries, any transfer of value to any person or organization, for the purpose of obtaining or retaining any undue advantage.

Corruption in its broader definition may also include influence peddling, tax evasion, money laundering and fraud.

Corruption negatively impacts society in multiple ways.

It hinders economic and social development and creates poverty. Public money is misused instead of being used for the right priorities such as healthcare, education, pensions, investments and transport infrastructure. In the healthcare, decisions can be made for the benefit of individuals other than patients, patients may be prescribed the wrong treatment and citizens can suffer from distorted prices of medicines, medical devices or medical services.

It distorts fair trade and it may feed criminal networks and terrorist activities.

Corruption negatively impacts both companies and individuals.

The impact may range from damage of trust of consumers, candidates or other stakeholders, unquantifiable damage of reputation, impact on shares, fines and penalties, exclusion from public tenders, loss of talents up to discredit of an entire industry.

FIGHT CORRUPTION

Ipsen strongly rejects all forms of corruption as these distort fair trade, hinder economic development and impose multiple costs on society at large.
Ipsen prohibits employees and contractors from accepting, offering or giving, directly or indirectly through third-parties, anything of value to any person or organization, whether public officials or not, to obtain or retain any undue advantage.

Ipsen complies with all applicable international and national laws, regulations and codes that prohibit any form of corruption. Non-compliance with applicable anti-corruption laws can have severe consequences for Ipsen and the employees concerned.

— **We interact** with all our stakeholders with the highest level of integrity based on the merits and the science behind our assets.
— **We do not** or give any stakeholder anything of value to obtain or retain any undue advantage.
— **We do not** offer HCPs and/or other stakeholders any gifts, congress sponsorships, grants, donations, hospitality, or anything of value in return for an increase in prescriptions or to obtain other undue advantage for Ipsen.
— **We do not** contract with HCPs and/or other stakeholders for speaking services, advisory boards, scientific research or any other service in return for an increase in prescriptions or any other preferential treatment for Ipsen or its products.
— **We maintain** accurate books and records to reflect all financial transactions made and received.

FOR MORE INFORMATION
We refer to the Ipsen "Global Anti-Corruption Policy" (GLB-POL-004). If we have questions or concerns, we speak to our manager or Business Ethics or, for reporting any concerns, we can use the Whispli designated Alert Platform (https://app.whispli.com/IpsenAlerts) or the email address Ipsen.Ethics.Hotline@ipsen.com.

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Governance

Ethics & Compliance Infrastructure & Governance

Ipsen has established over the last years infrastructure and governance at global and country level to identify and mitigate compliance and ethics related risks.

Business Ethics Program & Ethical Culture

Its Business Ethics Program with its nine components have been continuously enhanced with new elements, revisions and other improvements in areas such as policies and procedures, education, monitoring. In addition, existing and new initiatives intend to continuously shape Ipsen's culture with focus on ownership, accountability and ethical decision-making and conduct of activities.

Governance & Resources

All entities including commercial operations, R&D and manufacturing sites as well as global functions are overseen by appointed Business Ethics Officers, members of the Ipsen's Ethics & Social Responsibility department.

Business Ethics Committees co-chaired by the Business Ethics Officers and the Country Managers oversee the evolution of the compliance programs and the external developments in the countries while the Executive Leadership Team Business Ethics Council is informed on important updates and endorses priorities twice a year.

The Ethics & Governance Committee of the Board oversees the evolution of the business ethics program and significant matters that may have a major impact on its effectiveness.

Continuous Enhancement of Ipsen's Anti-Corruption Program

Further to its Anti-corruption Policy and the other elements described below, Ipsen strives to continuously assess and reinforce its anti-corruption infrastructure in accordance with any applicable new requirements deriving from new country or extraterritorial laws, regulations or standards.

In 2019, new policies and procedures such as Fair-Market-Value for professional services with healthcare professionals among others have become effective and implemented across various geographies.

Policies & action plans

Code of Conduct

Through its new Code of Conduct which was launched in 2019, Ipsen and its Leadership rejects unequivocally any form of corruption and commits to act with the highest standards of ethics, integrity and transparency.

In 2019, the Code of Conduct was announced by Ipsen's CEO along with the revised Anti-Corruption Policy to all Ipsen employees worldwide and other internal communication initiatives through Ipsen Intranet were also deployed.

In the same year, mandatory training was assigned to 6,730 employees and contractors and each individual had to certify the pledge to the code.

The Code of Conduct and its training are available in 20 languages. The training on the Code of Conduct is mandatory for all new hires and mandatory annual certification by all Ipsen employees is required.

Global Anti-Corruption Policy

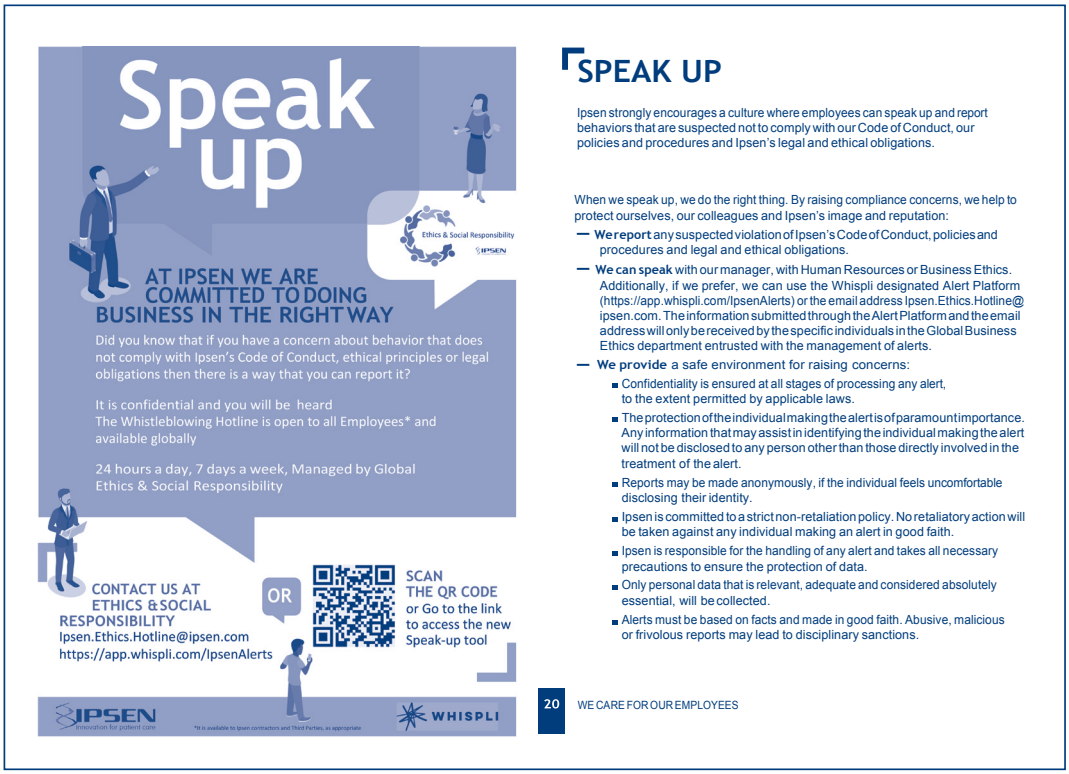
The Global Policy has become effective since March 2019 and it comes to reaffirm Ipsen's position towards corrupt practices and to set global standards for its employees, its third parties and contractors.

Ipsen complies with all applicable laws, regulations and codes that prohibit any form of corruption, including, but not limited to, French Law 2016-1691 (Sapin II), Articles 432 and 433 of the French Criminal Code, the US Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act when applicable, as well as applicable international conventions, including, but not limited to, the OECD Anti-Bribery Convention and the UN Convention against Corruption. Ipsen has joined the United Nations "Global Compact" program since 2012.

In accordance with the policy, corruption in any form is strictly prohibited. Influence Peddling is also forbidden.

The Code of Conduct and Global Anti-corruption Policy constitute the cornerstone of the Ipsen's commitment against corruption and the anchor of its Anti-corruption Program. Consequently, any breach of the Code of Conduct, the Anti-corruption Policy or of the related laws, regulations and codes may result in disciplinary measures, up to termination, in compliance with the applicable employment legislation.

Training available in 20 languages on the Anti-corruption Policy was assigned to approximately 6,700 individuals. The training content was customized to ensure relevant cases are examined depending on the function/role of the individuals. As a result, employees from Sales & Marketing, Medical Affairs & R&D, Market Access and Technical Operations completed an enhanced version of the Anti-corruption Training.



Global Whistleblowing Policy

The enhancement of the speak-up culture is a priority for the Company, and this has been reflected in the 2019 Ipsen's Global Objectives. Its evolution is monitored every two years through the Employee Engagement Survey.

Ipsen has implemented the Global Whistleblowing Policy since September 2018 and across 2019 in various waves with the aim to encourage employees and contractors to report any concern for potential non-compliant or unethical behaviours. The Global Policy sets the principles and requirements on how these reports must be treated including confidentiality, respect of anonymity, personal data protection and non-retaliation.

The Global Policy's launch has been accompanied by the Global Investigations SOP to formalize the process of investigations from initiation up to its closure and remedial and/or disciplinary actions.

In 2018 and 2019, the Policy has been launched in 26 countries and implementation in 9 countries is about to follow.

140 Senior Leaders such as General Managers, Heads of Technical Operations and R&D Sites, Human Resources, Legal and Business Ethics have been trained until now.

Employees can report any concerns to their manager, HR, or Business Ethics Officer directly or use a central email address or a new platform which has become available to expand the channels of reporting. Both the Policy and the Platform are made available in 20 languages.

It is noted that most of the concerns are reported directly to the responsible function or country Business Ethics Officers.

The Third-Party Due Diligence Program has been initiated in 2017. It has been designed and is continuously improved to avoid any transactions with a Third-Party subject to economic or trade sanctions, and to mitigate the risk related to corruption among other compliance related risks and comply with all applicable anti-corruption and anti-bribery laws including the new French anti-corruption Law Sapin II. Several thousands of suppliers have been assessed since its launch. The due diligence performed is also complemented by trainings and monitoring activities consistent with main anti-corruption legislations and guidance documents (*e.g.*, FCPA, UK Anti-Bribery Act and French Law Sapin II).

Objectives & results

KPI	2019
Completion rate of trainings on the Code of Conduct	90%
Completion rate of trainings on Anti-Corruption	91%
Total Number of Due Diligences	458

4.3.3 Promoting and defending Human Rights

Definition of the risk

As a Company present in several countries with many stakeholders, Ipsen must ensure that the Human Rights of its employees are respected in all its activities and its supply chain. Human Rights refer to the fundamental rights of the United Nations (UN Global Compact, Universal Declaration of Human Rights) and the International Labour Organization (ILO).

Ipsen must comply with regulatory human rights obligations, including international standards such as the United Nations Guidelines on Business and Human right and national regulations and must identify the nature and extent of potential human rights violations in each country where the Company, its suppliers and direct sub-contractors operate.

Ipsen's organization, policies, action plans and individual approach to human rights are presented below.

Mission

Code of Conduct: "We respect human rights and carry out our human rights duties through exemplary behavior in our business conduct"

Governance

Human Rights are managed by the Procurement Department and the business Ethics Department to ensure they are respected all along the value chain, from the supplier to the patients.

- **Business Ethics Department Mission is:**
  - To maintain an effective compliance and ethics program that ensures a culture of integrity enabling Ipsen to conduct its global business with the highest ethical standards, in full compliance with all applicable laws and regulations and Ipsen's Code of Conduct.
  - To review regularly and improve Ipsen compliance and ethics program to ensure it remains in line with significant risks, developments and trends.

Policies & action plans

Policies

- Ipsen encourages its employees to be an exemplary corporate citizen, committed to serving the communities in which it operates.
- These actions are made to respect people, protect the planet and integrate human rights and environmental considerations into all aspects of activities, from research and product development to the supply chain and manufacturing operations to patients. A specific section is dedicated to Human rights in the Ipsen Code of Conduct, signed by all employees from in manufacturing functions. The Ipsen Code of Conduct is communicated to each new joiner of company, and employees are all requested to complete an e-learning and to sign the Code on an annual basis.
- Ipsen has committed to the principles of the United Nations (UN) Global Compact since 2012 and support the 10 principles set out in the UN Declaration of Human Rights and the International Labor Organization's standards.
- Ipsen invests in communities and focus efforts on patient associations and charitable work. Ipsen's commitment reflects its Company Social Responsibility effort.

RESPECT HUMAN RIGHTS

Ipsen respects human rights and carries out its human rights duties through exemplary behavior in its business conduct.

- **We respect** and promote human rights.
- **We adhere** to the principles of the United Nations (UN) Global Compact; we support the principles set out in the UN Declaration of Human Rights and the International Labor Organization's standards regarding child labor and minimum wage.
- **We invest** in communities and focus our efforts on patient associations and charitable work. Our commitment reflects our Company Social Responsibility effort and Ipsen's employees are our ambassadors.
- **We select** sustainable suppliers that adhere to the principles of the UN Global Compact.

FOR MORE INFORMATION

We can refer to Ipsen's Annual Report, available on Ipsen's website, and to www.unglobalcompact.org.
If we have questions or concerns, we speak to our manager or Business Ethics or for reporting any concerns, we can use the Whispli designated Alert Platform (https://app.whispli.com/IpsenAlerts) or the email address Ipsen.Ethics.Hotline@ipsen.com.

Main realizations

- Suppliers

Ipsen selects sustainable suppliers that adhere to the principles of the UN Global Compact.

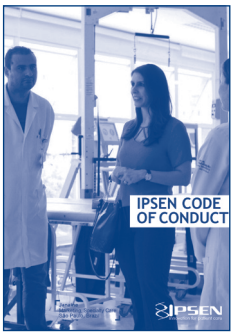
As part of the Ipsen Third party Compliance program, aiming at fighting against corruption and bribery, it assesses several hundreds of Ipsen partner's each year. Part of this assessment is related to Human rights (Equality, discrimination prevention, forced labor prevention, etc.).

Ipsen uses EcoVadis to evaluate its suppliers. The supply partner evaluations began in 2017 with a pilot program of 18 suppliers. EcoVadis was contracted to provide the evaluation for each contacted supplier. This has grown cumulatively to 62 suppliers in 2019. Ipsen plans to continue this process and over the next three years reach a total of 300 critically identified suppliers. Of the suppliers evaluated to date only one has come back with a subpar rating. Ipsen plans to work with the supplier to bring it up to standards for EHS performance. Ipsen Procurement has a new managemernt team in place currently upgrading processes to improve EHS assessment and qualification of supply partners. This process includes existing suppliers and new suppliers. Supplier EHS evaluations will also be updated routinely to ensure that their EHS performance continues to operate at a high level.

FOCUS – Work between EHS, the Procurement Team and EcoVadis to conduct evluations of critical suppliers

- Contacted 62 suppliers to date, received ~ 31 replies and 24 completed evaluations using EcoVadis methodology
- Improving integration of EHS in supplier management with the Ipsen Procurement Team

- Employees
  - Code of conduct 2019



A new Code of Conduct was published and distributed to all Ipsen employees. This Code of Conduct is accompanied by mandatory e-learning training that has been completed by all employees.

Objectives & Results

Each year, the Ipsen Code of Conduct will be reviewed, and revised if needed. Additional elements including Human Rights might be included, and the case studies to assess Ispen employees understanding of the Code will be updated as much as possible.

The upcoming revision of the Ipsen Third Party Due Diligence program (planned 2020) will include the update of questions related to Human rights and more widely to the Company Social Responsibility of the assessed Third Parties.

KPI	2019
Number of third parties	365
Number of Due Diligences conducted By EcoVadis	62
Completion rate of trainings on the Code of Conduct	90%

4.4 DRIVING OUR EMPLOYEES' EXCELLENCE AND ENGAGEMENT

4.4.1 Attracting the best talents

Definition of the risk

Ipsen continued expansion requires specific expertise and resources, such as marketing, clinical trials, and regulatory licenses and relies heavily on recruiting and retaining the best executive management and scientists.

Some examples of the challenges are:

- the transition to a new Ipsen Consumer Healthcare Business with a need for specialized marketing skills,
- the rapid development of Ipsen in the United States of America, while being still a relatively new player,
- a large geographical footprint with small-sized locations,
- the evolution of the portfolio *via* external acquisitions that may require to anticipate or adapt quickly to new therapeutic areas.

Mission

To address these various challenges, the mission that has been defined is as follows:

To apply a strategic approach to identify, attract, and hire talented individuals into Ipsen, to efficiently and effectively meet our ever growing and dynamic business needs.

Governance

Within Human Ressources (HR), three types of HR professionals are working closely together to ensure Ipsen attracts the best talents: the Talent Acquisition Center of Excellence, the Strategic Business Partners and the HR Operations.

Their respective role is summarized below:

Policies & action plans

Existing policies

In 2018, Ipsen rolled out new **Employment Value Proposition** that relies on 4 hallmarks: ideal size, constant transformation and growth, our unique mission in Specialty Care, and people-centered organization.

In 2019, the **Talent Acquisition Principles** have been released as part of an overall effort to formalize Ipsen HR Principles. The Talent Acquisition principles cover the following aspects: data-informed planning and strategy, link to management of internal talents, employer branding, candidate relationship management, management of the hiring process, candidate assessment, candidate care and feedback, internal applicants and management of roles in the leadership team.

Ipsen also reviewed a **list of preferred executive search firms** to reflect Ipsen increased quality requirements and global footprint on the most critical profiles.

Finally, Ipsen defined a **standard onboarding journey,** applicable to any newcomer to Ipsen.

Main recent achievements

In 2019, the efforts focused on four main objectives:

- **Better anticipate needs *via* a structured Strategic Capabilities Planning:**

  Ipsen launched an initiative to establish a more structured strategic capabilities planning, with a pilot run on Technical Operations division and a project led by students that helped us elaborate a standard approach.

- **Reinforcement of Talent Acquisition operating model:**

  Recruitment resources have been reinforced to reflect the focus on the three main hubs in the US, the UK and in France where Ipsen hires most of scientists and global roles. As mentioned above, Ipsen also revisited its choice of executive search preferred partners. Finally, wherever relevant, Ipsen outsourced some recruitment steps to external providers.

- **Optimize tools:**

  After having reinforced the infrastructure by rolling-out a new global Applicant Tracking System (ATS), Ipsen rolled out a new system to manage Candidate Relationships. This also included a revamping of Ipsen's Career Site, that provides a better visibility to Employer Value Proposition as well as an improved candidate experience.

- **Ensure an optimized onboarding of newcomers:**

  Ipsen completed a review of an onboarding process that led the team to overhaul onboarding application and to focus efforts on the three main hubs (France, UK and US). It is also defined a standard onboarding journey for all newcomers. Finally, Ipsen specifically worked on the induction journeys on our 3 hubs, where the risk of non-retention is at the highest.

Objectives & Results

Objective is to deliver **strategic services** that create a **competitive position** for Ipsen by sourcing, attracting and hiring high-caliber talent leveraging technology for engagement throughout the talent process for an **exceptional candidate experience:**

- create an exceptional experience for every candidate,
- elevate Ipsen's brand to be recognized as a leading biopharma company,
- operate as a nimble organization aligned to the business,
- upgrade capabilities to drive operational & execution excellence.

Description of key performance indicators:

KPI	2019	2018
Number of recruitments	1,386	1,388

4.4.2 Enhancing employees' engagement

Definition of the risk

The Group's success largely depends on the motivation of its employees. Negative impacts on employee motivation or on the quality of social relations could jeopardize the achievement of some Group targets related to research, production, or marketing activities and lead to a corresponding impact on the Group's results or financial position.

Also, the Group's success depends for a large part on certain essential managing executives and scientists. The departure of these senior employees could damage the Group's competitiveness and compromise its ability to achieve its objectives.

That is why, investing in employee's engagement and development is a key objective of the HR Policy.

Mission

Employee's engagement is at the center of the HR vision, that is outlined as follows:

Ipsen ambitious growth and innovation is driven by optimal organization capabilities and fully-engaged teams. Each employee's engagement is the outcome of a carefully-built approach, based on the three "C's", capabilities, contributions, and commitment: build strong capabilities, ensure contributions are fully recognized and maintain an unfailing commitment from everyone.

Governance

The governance around the employees' engagement is to be considered at different levels:

HR Talent Management

At Ipsen, most topics directly related to employees' engagement (Learning and Development, Diversity and Inclusion, Engagement) are gathered under the **"Talent Management" umbrella.** The Talent Management governance involves 3 different types of actors within the HR function, with specific roles as described in the following chart:

HR Functions

In addition, and even if the Talent Management activities are critical in ensuring the engagement of all employees, **all other HR Functions** (such as Compensation & Benefits, International Mobility, HR Information Systems) also contribute to that objective.

CSR Department and the "Employees" pillar

On top of the HR functions, the **Corporate Social Responsibility Department** works closely with the HR Department to define the overall strategic goals of the "Employees" pillar of the CSR Policy: the CHRO (Corporate HR Officer) is a member of the CSR Strategic Committee and many local CSR ambassadors are also HR representatives.

Local level and well-being at work

Finally, as regards the specific topic ot improving well-being at work, many concrete improvements are undertaken directly at **local level**. Ipsen also decided that each site or country would be accountable to apply for external site certifications such as "Great or Best Place to Work".

Policies & action plans

Policies and Tools

To sustain the three-C's approach to engagement, policies have been developed to cover each aspect:

- On the **"Capabilities"** side, all of managers were trained in 2018 on the new *iPerform philosophy*, aiming to accelerate the development of all Ipsen employees with the support of the new iPeople system. It also set out *"iDevelop philosophy"* whereby every single employee is a talent and deserves a development plan.
- To ensure **contributions** are fully recognized wherever in the Group, Ipsen launched in June 2018 a peer-to-peer recognition platform, called *"BeOne"*.

  The *Compensation & Benefits principles* have been documented in 2019. These principles cover the following aspects: compensation, incentive plans, benefits and recognition plan and awards.
- To encourage the commitment of all employees, Ipsen's CSR strategy is being developed so that the "Employees" pillar is in synergy with the objectives of Ipsen's CSR pillars: Patients & Society and Environment. Criteria have been defined to provide guidance to local teams in supporting the appropriate initiatives. As an example, in 2019, the objective was set to implement an "Ipsen Patient Day/Ipsen Community Day" in every Ipsen location by 2021.

  The Ipsen Code of Conduct states Ipsen principles in terms of inclusion and non-harassment, thus acknowledging that Inclusion is an important element of commitment.

  Finally, Ipsen encourages its affiliates – while leaving it to their initiative – to seek external recognition awards such as "Great/Best Place to Work" to encourage their efforts to improve well-being at work.

  Engagement level is measured worldwide every other year by an independent provider, with action plans being followed wherever necessary.

Recent achievements

In 2019, the efforts have been focused on development along the main axes of the iDevelop philosophy:

- **Everyone is a talent:**

  In 2019, 95% of employees formalized a development plan with their manager and 56% have been assessed in terms of potential. The effort to identify successors for the most critical positions was also intensified. These various tools enabled to significantly improve the targeting of customized action plans.
- **Every day is a learning experience:**

  The Learning & Development platform was revamped, to make it more intuitive and push relevant content to each target population. In the aftermath of this revamping, the main sites in the US, UK and France organized events to directly advertise content and programs to employees.
- **Ipsen's goal is to provide opportunities to grow:**

  After a pilot in 2018, it completed and rolled-out *One Ipsen Leadership Pathway*. This Pathway was designed so that any employee, whatever their profile (individual contributors, leaders, senior leaders, executives, future leadership team members) are offered a real opportunity to develop.

  These programs range from simple, e-learning-based, soft-skills videos to highly-customized programs including a mix of learning activities.

- **Deliver first-class leadership programs:**

  All programs included in the pathway are designed to match demanding requirements. For example, two major global leadership development programs: "Being a Bold and Disruptive Leader in a New Era" for executives in collaboration with the London Business School and "One Ipsen Leadership Program" for middle management are based on a blended approach mixing webinars, face-to-face sessions and applied learnings.

  In the most senior programs, the Executive Leadership Team members are directly participating.

Along with developing employees, fostering their engagement for the benefit of Patients and of the community has also been a strong line of action:

- **Combine Health with Patients support:**

  The **"Ipsen in Motion"** initiative, launched in 2018 and reinforced in 2019, consists in a series of sporting challenges (run, walk, swim, bike…) proposed to all employees around the world through a digital platform. The four 2019 challenges enabled to support patient associations in Spain, Russia, Greece and in the US.

- **Encourage employees to take part in the "Ipsen Patient Day/Ipsen Community Day":**

  Ipsen committed itself to promote and support involvement of its employees to play a role in healthcare, patients or caregiver associations. In 2019, more than 1300 employees spent up one day or their working hours with healthcare communities. In France, more than 28,2% of all employees signed off to take part, with the Company offering them a day-off.

- **Translate commitment financially:**

  To show its commitment to the CSR objectives, Ipsen has been willing to subject some financial obligations to its fulfilling of certain CSR criteria: this has been the case of the revolving credit facility negotiated in 2019, as well as of the French profit-sharing agreement.

Objectives & Results

The objective is to provide an environment where employees can fulfill themselves and grow.

The main KPIs considered are the ones that:

- reflect the stability of workforce (turnover, % of permanent positions, absenteeism),
- the means to ensure their development (number of training hours per employee, % of employees with a formalized development plan),
- and the level of engagement (engagement index, number of certified sites).

KPI	2019	2018
Engagement index (%)	78	NA[2]
Number of sites which are certified "Great / Best Place to Work"	7	2
Number of training hours per employee (h)	26.8	26.3
% of employees with a formalized development plan	95%	58%
% of employees having taken part in the Ipsen Patient Day	France 28.2%	NA
Turnover (%)[1]	11.7	11.9
Percentage of permanent jobs in the Group (%)	85	85
Absenteeism rate (%)	2.5	2.3

(1) Voluntary turnover for permanent positions.
(2) Last Engagement Survey in 2017 with 79% of engagement.

4.4.3 Providing a healthy and safe workplace

Definition of the risk

Ipsen identified its health and safety risks as follows:

- loss of employee engagement and trust
- loss of employees due to injury or illness
- loss of employees due to below standard working conditions
- shut down of operations
- delay in product supply to patients
- regulatory impacts such as fines and penalties
- changes in regulatory requirements affecting Ipsen operations and those of supply chain
- loss of partner of choice standing with partners and patients
- reputation

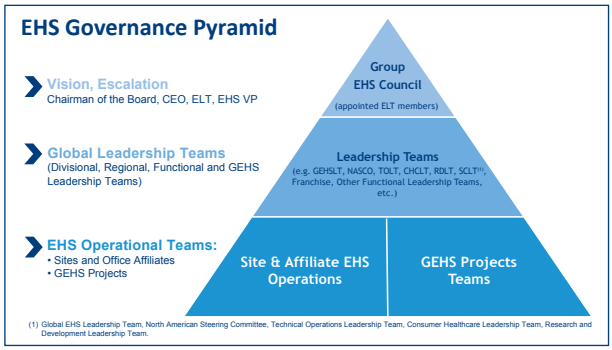
All these risks can impact operations, costs and ability to compete in the biotech business sector.

Mission

Protecting our people and improving their well-being to ensure provision of Ipsen drugs for patients

Governance

Environmental issues are managed by the Environment Health and Safety (EHS) governance bodies at every level of the organization:



Group level: The Group EHS Council **defines the vision** of the Group, set up the **strategy** and the short- and long-term **objectives** (1-20 years).

Division level: The Global Leadership teams **drive the EHS performance** for the Regional, Divisional and Functional Teams and are in charge of **implementing** EHS strategies and objectives.

Site level: The EHS Operational Teams drive the EHS performance at the **site level.**

Policies & action plans

Policies

Ipsen EHS policy drives the following principles:

- provide a safe, injury-free workplace
- communicate plans, goals and results
- continually improve systems and approaches

Ipsen EHS Manual:

- drives the management and operational standards necessary to protect the environment, and to respect and manage the health and safety of employees. The goal of this manual is to drive continuous improvement in EHS performance at Ipsen and throughout its supply and customer networks.

"A call-to-action – Ipsen EHS 2030 Strategy":

- Protecting our people and improving their well-being to be ready for provinding drugs and patients
- Design, manufacture, packaging and supply of Ipsen products that are sustainable for patients, society and environment
- Influence our suppliers to be sustainable for people, patients, communities and the environment
- Protect and promote local and global biodiversity
- Minimize Ipsen's contribution to global warming
- Seek out and implement innovative solutions to improve how we work as we provide drugs for our patients
- Tell our One Ipsen EHS story to fully engage our employees, patients and community

- EHS Strategy will assist Patients by:
  - enhancing Ipsen's reputation as "Partner of Choice" attracting the best talent and partnerships
  - enabling uninterrupted, sustainable drug supply
  - enabling agile systems to accelerate pipeline and reduce costs
- Partner of Choice by creating an industry-leading EHS strategy to enhance Ipsen's strong brand by having:
  - unique Group ISO Certifications Health and Safety (45001-2018)
  - forward focused innovation to improve the way to deliver for patients

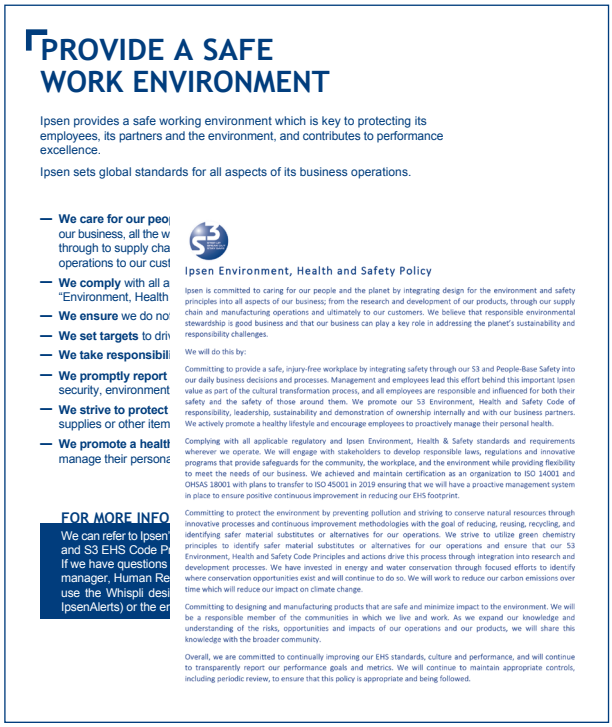
- Competitive advantage by:
  - benchmarking against peers to demonstrate EHS in Top 10% performance
  - being recognized by stakeholders as best in class
- Building agile sustainable business practices that produce savings:
  - global EHS IT System (EHSphere) to optimize systems and costs

Ipsen's Code of Conduct includes a requirement to: "Provide a safe work environment"

FOCUS – The People Based Safety program

- Individual responsibility to raise awareness to the fact that all accidents are preventable
- S3 visits (New term for visits safety managers) and managerial safety visits on all R&D and manufacturing sites are required and targets set

2019 Health and Safety Program Achievements



PROVIDE A SAFE WORK ENVIRONMENT

Ipsen provides a safe working environment which is key to protecting its employees, its partners and the environment, and contributes to performance excellence.

Ipsen sets global standards for all aspects of its business operations.

— **We care for our peo** our business, all the w through to supply cha operations to our cust
— **We comply** with all a "Environment, Health
— **We ensure** we do no
— **We set targets** to dri
— **We take responsibil**
— **We promptly report** security, environment
— **We strive to protect** supplies or other item
— **We promote a healt** manage their persona

FOR MORE INFO
We can refer to Ipsen and S3 EHS Code P If we have questions manager, Human Re use the Whispli desi IpsenAlerts) or the er

Ipsen Environment, Health and Safety Policy

Ipsen is committed to caring for our people and the planet by integrating design for the environment and safety principles into all aspects of our business; from the research and development of our products, through our supply chain and manufacturing operations and ultimately to our customers. We believe that responsible environmental stewardship is good business and that our business can play a key role in addressing the planet's sustainability and responsibility challenges.

We will do this by:

Committing to provide a safe, injury-free workplace by integrating safety through our S3 and People-Base Safety into our daily business decisions and processes. Management and employees lead this effort behind this important Ipsen value as part of the cultural transformation process, and all employees are responsible and influenced for both their safety and the safety of those around them. We promote our S3 Environment, Health and Safety Code of responsibility, leadership, sustainability and demonstration of ownership internally and with our business partners. We actively promote a healthy lifestyle and encourage employees to proactively manage their personal health.

Complying with all applicable regulatory and Ipsen Environment, Health & Safety standards and requirements wherever we operate. We will engage with stakeholders to develop responsible laws, regulations and innovative programs that provide safeguards for the community, the workplace, and the environment while providing flexibility to meet the needs of our business. We achieved and maintain certification as an organization to ISO 14001 and OHSAS 18001 with plans to transfer to ISO 45001 in 2019 ensuring that we will have a proactive management system in place to ensure positive continuous improvement in reducing our EHS footprint.

Committing to protect the environment by preventing pollution and striving to conserve natural resources through innovative processes and continuous improvement methodologies with the goal of reducing, reusing, recycling, and identifying safer material substitutes or alternatives for our operations. We strive to utilize green chemistry principles to identify safer material substitutes or alternatives for our operations and ensure that our S3 Environment, Health and Safety Code Principles and actions drive this process through integration into research and development processes. We have invested in energy and water conservation through focused efforts to identify where conservation opportunities exist and will continue to do so. We will work to reduce our carbon emissions over time which will reduce our impact on climate change.

Committing to designing and manufacturing products that are safe and minimize impact to the environment. We will be a responsible member of the communities in which we live and work. As we expand our knowledge and understanding of the risks, opportunities and impacts of our operations and our products, we will share this knowledge with the broader community.

Overall, we are committed to continually improving our EHS standards, culture and performance, and will continue to transparently report our performance goals and metrics. We will continue to maintain appropriate controls, including periodic review, to ensure that this policy is appropriate and being followed.

Group OHSAS 18001 certification was converted to Group ISO 45001-2018 certification in 2019

Health and Safety and Wellbeing programs running at all sites, including R&D, manufacturing and commercial offices

Specific Industrial Hygiene programs are implemented:

- potent compound protection is accomplished by designing facilities and equipment to prevent exposures
- employees are provided personal protective equipment to prevent potent compound exposures
- employees working in these areas are made aware of the dangers and how to prevent exposure to these potent compounds
- monitoring of these areas where potent compounds are used to ensure that employees are not exposed
- additional CAPEX projects being implemented to reduce risks

Internal EHS audits are managed and conducted by Ipsen EHS in 2019

Improved online EHS training for employees

Coordinated multiple wellness efforts across Ipsen to ensure employees health.

Objectives & Results

The aim was to drive the medicalized accident frequency rate under 2 (2016 as baseline to 2020 achievement year). This goal was achieved in 2018 with a rate of 1.45. Ipsen EHS Goals have been reset for 2025.

Ipsen will aim to drive the medicalized accident frequency rate to zero and maintain this into the future.

Collective agreement contribution to performance and employee well-being

Ipsen has put in place a strong social dialogue with its employee representatives:

- Employees are represented in each Ipsen legal entity in accordance with the applicable local legislation, *i.e.* by the Joint Consultation Group in the United Kingdom, by the Rappresentanza Sindacale Unitaria in Italy, by the Comité de Empresa in Spain. In France, employee representation is ensured at the local level (6 companies) and at the central level within the framework of an Economic and Social entity *(Unité Économique et Sociale)*, with a single Central Works Council *(Comité Central d'Entreprise)* for all employees in France and a Central Negotiation Body *(Instance Centrale de Négociation)* which brings together trade unions representatives of the Economic and Social entity.
- The frequency of meetings between management and employee representatives depends on the applicable local legislation.
- The Group ensures that the rights and freedom of employee representatives are strictly observed and that they enjoy the same promotion and training opportunities as other employees.

A European Works Council, composed of 10 members representing European countries, was launched in 2014. The members of the European Works Council work together, taking a concerted approach, and in compliance with the legal and regulatory practices as well as the cultural and social characteristics of the various countries. Ordinary meetings are held annually in order to present the progress in Ipsen's business and its strategic directions.

A European employee representation body for information and consultation on so-called "transnational" issues which is responsible for sharing information and exchanging viewpoints, fostering experience-sharing and building coordination between European countries.

In 2017, Ipsen signed a 4-year agreement aimed at fostering well-being at work as well as gender equality. This agreement is structured around four pillars:

- work-life balance,
- support of accountability and empowerment,
- promotion of health and well-being at work,
- monitoring of risky situations and psychological support.

As this agreement was being rolled-out in 2018, all Ipsen French sites have reinforced their specific actions for well-being at work, such as sports activities, concierge service, corporate co-financed day-nursery and prevention of psychosocial risks.

In 2018, Ipsen signed the charter of the *Institut National contre le Cancer* and thus committed itself to a set of 11 measures meant to improve the "patient/employee" life during and after medical leave.

In 2019, the trade union rights agreement to implement the new "Social and Economic Committee" within the seven former legal structures (EC, DP and CHSCT) was completely renegotiated.

Finally, the three-year profit-sharing agreement signed for 2019-2021 set up three criteria related to CSR. The Ipsen Patient Day event, which offers employees the opportunity to volunteer their time in associations, is based on these criteria.

4.5 MINIMIZING OUR ENVIRONMENTAL IMPACT

4.5.1 Reducing our energy consumption and our impact on climate change

Definition of the risk

Ipsen identified its energy and climate change risks as follows:

- changes in regulatory requirements affecting Ipsen operations and those of supply chain
- uncertainty of physical risks such as flooding and other natural disasters which impact operations and supply chain
- carbon taxation
- mandatory trading programs
- mandatory energy efficiency standards
- mandatory emission limits, and product and process standards
- potential energy shortages
- resource scarcity
- price changes prompted by scarcity
- consumer changes in attitude and demand
- ability to adapt
- reputation.

Governance

Environmental issues are managed by the Environment Health and Safety (EHS) governance bodies at every level of the organization. For more details, please refer to 4.4.3.

Ipsen's Code of Conduct includes a requirement to: "Protect the environment throughout the entire product life cycle".

PROTECT THE ENVIRONMENT THROUGHOUT THE ENTIRE PRODUCT LIFECYCLE

Ipsen firmly believes that responsible environmental stewardship is essential to protect the planet and improve efficiency for a sustainable future. Ipsen is committed to ensuring environmental stewardship across the entire business, from the purchasing of raw materials to packaging and beyond.

- **We comply** with all applicable regulatory requirements and Ipsen Environment, Health & Safety (EHS) policies, standards and requirements wherever we operate.
- **We protect** the environment by preventing pollution and strive to conserve natural resources through innovative processes and continuous improvement methodologies with the goal of reducing, reusing, recycling, and identifying safer material substitutes or alternatives for our operations.
- **We invest** in energy and water conservation through focused efforts to identify where conservation opportunities exist and will continue to do so.
- **We work** to reduce our carbon emissions over time which will reduce our impact on climate change.
- **We design** and manufacture products that strive to minimize impact on the environment.
- **We promote** biodiversity wherever we can at our sites across the globe.

FOCUS – The Dreux site conducted a major energy assessment and identified that they could reduce the site energy consumption and associated scope 1 and 2 carbon equivalent emissions.

- In 2019, the site implemented several of these projects and achieved a 10% energy reduction
- In 2020, another significant energy reduction is planned

All these risks can impact operations, costs and ability to compete in the biotech business sector.

Policies & action plans

The Ipsen EHS 2030 Strategy discussed in section 4.4.3 also includes environmental objectives:

- enhancing commercial sales using "green credentials" and sustainability as a differentiator
- unique Group ISO Certifications for Environment (14001-2015)
- active in green chemistry and product design solutions to keep us ahead
- EHS initiatives in Infrastructure, Process and Design to drive:
  - cost efficiencies
  - prevent disruption to supply
  - streamline integrations of acquisitions
  - minimize impacts on the environment.

Mission

Ipsen EHS 2030 Strategy:
"Minimize Ipsen's contribution to global warming"

2019 Energy and Carbon Achievements

The energy conservation and carbon reduction program focused on individual site energy assessments to identify energy reduction opportunities primarily at the facility level. These energy reductions at Ipsen sites directly contributed to greenhouse gas emissions in carbon scope 1 and 2 emissions equivalent reductions. The new program now includes fleet vehicle (including sales force and management cars) energy conservation opportunities and global specific energy conservation initiatives such as evaluating motors across all sites to determine if more efficient upgrades along with variable speed drives on these motors can reduce the energy consumption impactfully. Regarding carbon scope 3 emissions equivalent emissions reductions, Ipsen has targeted business travel related carbon emissions by reducing flight travel to meetings by using teleconferences instead as well as purchasing carbon credits for flight travel that cannot be avoided. Business travel in 2019 makes up approximately 15% of Ipsen's scope 3 carbon emissions footprint.

- Wrexham site has incorporated energy efficiency into its new building including solar panels to self-generate the building's energy requirement
- Wrexham site has also upgraded major boiler equipment which has improved energy conservation significantly
- Dublin has automated much of their new active ingredient manufacturing which has included energy efficiency in the design and operation of these facilities
- Signes has incorporated energy efficiency in their new facility for Somatuline® production which has significantly increased the footprint at the site but has not increased the energy requirement at the same level.

Objectives & Results

The aim was to drive the reduction of global energy consumption normalized to area (2016 as baseline to 2020 achievement year). The goal was 5%, in 2018 it was achieved with a result of -13%. Ipsen EHS Goals have been reset for 2025.

KPI	2019 without Cork[1]	2019 with Cork	2018 with Cork	2017 with Cork	2016 with Cork
Ipsen Total Energy Normalized to Occupied Area (kWh/m²)	605	735	782	752	814
Ipsen GHG Scope 1 & 2 Emissions Normalized to Occupied Area (tCO_2E/m^2) Location based	0.127	0.176	0.152	0.161	0.166
Ipsen GHG Scope 1 & 2 Emissions Normalized to Occupied Area (tCO_2E/m^2) Market based	0.095	0.130	0.102	0.110	Not Collected

(1) See reporting methodology concerning the joint venture between Ipsen and the Schwabe Group.

4.5.2 Responsibly manage waste, water and air emissions

Definition of the risk

Water, waste and air emissions due to Ipsen's activity, which could cause significant damage to sensitive areas or ecosystems and to general public health.

Ipsen identified its water, waste and air emission risks as follows:

- changes in regulatory requirements affecting Ipsen operations and those of supply chain
- mandatory emission limits, and product and process standards
- water resource scarcity
- price changes prompted by scarcity
- consumer changes in attitude and demand
- ability to adapt
- reputation.

All these risks can impact operations, costs and ability to compete in the biotech business sector.

Mission

Eliminate or reduce Ipsen's adverse impacts on the environment

2019 Waste, Water and Air Emissions Management Program Achievements

The waste, water and air emissions management program focused on eliminating or reducing adverse emissions caused by Ipsen operations. Water conservation reduction is included in these management programs. Water conservation is implemented globally however the primary site being studied

to determine opportunities to reduce water consumption is the L'Isle-sur-la-Sorgue site which consumes approximately 60% of the water consumed by Ipsen. The ISS site takes raw clay and produces the active ingredient for Ipsen's Smecta® product.

In 2019, site management has completed a preliminary design for a reverse osmosis system which will allow at a minimum 50% of the water consumed to be reused in the process. The design will be finalized in 2020 and implementation of the project will begin in 2021-2022. Ipsen expects the project to be operational at the beginning of 2023.

The Ipsen Green Chemistry team have reduced the solvent consumption required to manufacture new peptide products by more than 50%. They are also benchmarking against best in class companies in this area to understand and stay ahead of the innovation being created in the space. This team also is an active member of the American Chemical Society Green Chemistry initiative and hosted this group in Dublin.

The Ipsen Global EHS team continue to design and implement a state of the art EHS program database system. The Phase I modules associated with this system were implemented in 2019 and the design of the Phase II modules were also completed in 2019. Further phases are planned for the next couple of years. This has allowed a global look at data and processes oriented to support innovation and technological opportunity identification regarding EHS and the business.

Governance

Environmental issues are managed by the Environment Health and Safety (EHS) governance bodies at every level of the organization. For more details, please refer to 4.4.3.

Objectives & Results

One of the goals, was to drive the reduction of global carbon emission normalized to area (2016 as baseline to 2020 achievement year). The goal was 5%, in 2018 it was achieved with a result of -19%. Ipsen EHS Goals have been reset for 2025.

KPI	2019 without Cork[(1)]	2019 with Cork	2018 with Cork	2017 with Cork	2016 with Cork
Ipsen Total Water Consumption Normalized to Occupied Area (m^3/m^2)	4.16	4.27	5.05	3.97	3.75

(1) See reporting methodology concerning the joint venture between Ipsen and the Schwabe Group.

- **Signature of the French Business Climate Pledge**

For the first time in 2019, Ipsen is part of the Pledge on Climate taken by 99 companies alongside with the largest employer federation in France (the Medef) to reduce drastically greenhouse gas emissions through investments in innovation and R&D.

Ipsen achievements end of 2018 as communicated in the French Business Climate Pledge:

Ipsen's achievements:
- Reduction in energy consumption by 13% in 2018 vs. 2016
- Reduction of greenhouse gas emissions by 19% in 2018 vs. 2016
- Water consumption increased by 2% in 2018 vs. 2016

Ipsen's commitments:
- Since 2012, Ipsen has committed to and adheres to the Global Compact Program of the United Nations contributing to the Sustainable Development Goals, notably Goals 6, 7, 11, 12, 13, 14, 15 on energy, water, biodiversity and climate preservation
- In 2019, Ipsen will define environmental commitments towards 2025

- **Conserving biodiversity**

Ipsen EHS 2030 Strategy: "Improve biodiversity at Ipsen sites and reduce impact on global biodiversity"

The 2030 Ipsen EHS Strategy identified biodiversity as one of the seven key programs for Ipsen during the next ten-year period. A project team has been assembled and a project charter developed formalizing this process. Actions are being identified and ongoing programs at specific sites are being folded into the plan. The focus is on Ipsen sites and local biodiversity as well as on Ipsen opportunities to influence global biodiversity through various strategic supply decisions and approaches such as restricting palm oil use in catering facilities and contracts at sites. Ipsen is already offsetting carbon emissions through investments in projects that plant rain forest and encourage the proliferation of green power alternatives such as wind farms and solar energy generating projects.

- Wrexham site included solar panels into its new building thereby reducing climate change and fossil fuel extraction and generation.
- L'Isle-sur-La-Sorgue conducted a biodiversity assessment and implemented habitat improvement recommendations. This improved the habitat for bird species.
- Les Ulis, Signes and Dreux sites continued a multi-year program to monitor and enhance bee populations on their sites. The bees are also excellent inidcators on environmental health of the area and they are thriving. A side benefit is the production of honey which is shared with site employees and others.
- Dreux site identified and monitors endangered fish species that are endemic to this area of France and are found in a local stream that crosses the site.
- Signes site monitors other species and has conducted a biodiversity assessment. Recently, a seldom seen and threatened species of fox has been monitored on the site and appears to be thriving.
- Milton Park has purchased carbon offset credits to offset their business travel carbon emissions. The credits fund projects that plant trees, build wind farms and implement solar panels. These projects are certified and confirmed.

4.6 ANNEX I: SCOPE OF RISKS COVERED

Law	Mandatory issue	How the risk is tackled
Decree implementing the European directive (n° 2017-1265)	Consequences on climate change from the activity and the use of the company's products and services	4.5 Minimizing our environmental impact
	Circular economy	Considering Ipsen's business and activities, this issue was considered as non material for the Company.
	Fight against food waste	Considering Ipsen's business and activities, this issue was considered as non material for the Company.
	Collective agreements	4.4.3 Providing a safe and healthy workplace
	Actions against discrimination and in favour of diversity and the inclusion of disabled people	4.4.2 Enhancing our employees' engagement 4.2.5 Enlarging access to medicine - Enhancing women representation in Leadership positions
	Societal engagements in favour of sustainable development	4.1.1 Introduction and presentation of Ipsen's positioning regarding CSR 4.2.5 Enlarging access to medicine – *Fondation Ipsen*
Law on the fight against fraud – 23 October 2018	Fight against tax evasion	4.3.2 Fighting corruption & Chapter 2 Fiscal policy
Law on sustainable food – 30 October 2018	Fight against food poverty, respect of animal well-being, responsible, equitable and sustainable food	4.2.2 Ensuring product safety – Animal welfare Considering Ipsen's business and activities, other issues are considered as non material for the Company.

4.7 ANNEX II: CORRESPONDENCE TABLE WITH GRI STANDARDS

Global reporting Initiative (GRI) G4 table correspondence

GRI category and requirment	Reference
GENERAL STANDARD DISCLOSURE	
Strategy and Analysis	
G4-1 : CEO statement	4.1.1 Introduction and presentation of Ipsen's Company Social Responsibility
G4-2: Description of Key Impacts, Risks and Opportunities	4.1.2 Ipsen's Business Model
Organization profile	
G4-12: Organization's supply chain	4.2.1 Bringing high quality product to patients 4.2.3 Committed to fight against counterfeit products 4.3.3 Promoting and defending Human Rights 4.4.3 Providing a healthy and safe workplace 4.5 Minimizing our environmental impact
G4-15: Economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	4.1 Company Social Responsibility's Vision and Strategy – UN Global Compact 4.5.2 Responsibly manage waste, water and air emissions – Climate Pledge (MEDEF)

GRI category and requirment	Reference
G4-16: Membership of associations and organizations	4.1 Company Social Responsibility's Vision and Strategy – UN Global Compact 4.2.5 Enlarging access to medicine – Access Accelerated initiative 4.2.4 Promoting products responsibly – IFPMA, EFPIA and other country industry associations in pharmaceutical industry
Stakeholder Engagement	
G4-24: List of stakeholder groups engaged by the organization	4.1.2 Ipsen's Business model
G4-26: Organization's approach to stakeholder engagement	4.3 Enhancing integrity to maintain a trusted relationship with our stakeholders
Governance	
G4-35: Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	4.1 Company Social Responsibility's Vision and Strategy
G4-36: Executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	4.1 Company Social Responsibility's Vision and Strategy
G4-37: Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics.	4.1 Company Social Responsibility's Vision and Strategy
G4-43: Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	4.1 Company Social Responsibility's Vision and Strategy
G4-44: Expertise of the governance bodies in sustainability topics.	4.1 Company Social Responsibility's Vision and Strategy
G4-45: Highest governance body's role in the identification and management of sustainability impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes.	4.1 Company Social Responsibility's Vision and Strategy
G4-46: Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for sustainability topics.	4.1 Company Social Responsibility's Vision and Strategy
G4-48: Highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material aspects are covered.	4.1 Company Social Responsibility's Vision and Strategy
Ethics and Integrity	
G4-56: Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	4.2.4 Promoting products responsibly 4.3.2 Fighting corruption 4.3.3 Promoting and defending Human Rights
G4-57: Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	4.3.2 Fighting corruption 4.3.3 Promoting and defending Human Rights
G4-58: Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity.	4.3.2 Fighting corruption 4.3.3 Promoting and defending Human Rights
SPECIFIC STANDARDS DISCLOSURES	
Environmental – energy	
G4-EN3: Energy/fuel consumption within the organization	4.5.1 Reducing our energy consumption and our impact on climate change
G4-EN6: Energy saved due to conservation and efficiency initiatives	4.5.1 Reducing our energy consumption and our impact on climate change
G4-EN7: Reductions in energy requirements of products and services	4.5.1 Reducing our energy consumption and our impact on climate change
Environmental – water	
G4-EN8: Total water withdrawal by source	4.5.2 Responsibly manage waste, water and air emissions

GRI category and requirment	Reference
Environmental – biodiversity	
G4-EN11: Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	4.5.2 Responsibly manage waste, water and air emissions
G4-EN13: Habitats protected or restored.	4.5.2 Responsibly manage waste, water and air emissions
Environmental – Emissions	
G4-EN15: Direct Greenhouse Gas (GHG) emissions (Scope 1) – Metric Tons of CO_2	4.5.1 Reducing our energy consumption and our impact on climate change
G4-EN16: Energy indirect Greenhouse Gas (GHG) emissions (Scope 2) – Metric Tons of CO_2	4.5.1 Reducing our energy consumption and our impact on climate change
Environmental – Effluents and Waste	
G4-EN23: Total weight of waste by type and disposal method.	4.5.2 Responsibly manage waste, water and air emissions
Social – Labor Practices and Decent work	
G4-LA1: Total number and rates of new employee hires and turnover by age group, gender and region.	4.4.2 Enhancing employees' engagement
G4-LA8: Health and safety topics covered in formal agreements with trade unions.	4.4.3 Providing a healthy and safe workplace
Social – Labor Practices and Decent work – Occupational, Health and Safety	
G4-LA10: Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	4.4.2 Enhancing employees' engagement
G4-LA11: Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	4.4.2 Enhancing employees' engagement
Social – Human Rights – Investment	
G4-HR2: Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	4.3.3 Promoting and defending Human Rights
Social – Human Rights – Non-discrimination	
G4-HR4: Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	4.4.3 Providing a healthy and safe workplace
Social – Human Rights – Security practices	
G4-HR7: Percentage of security personnel trained in the organization's policies and procedures concerning aspects of human rights that are relevant to operations.	4.4.3 Providing a healthy and safe workplace
Social – Society – Anti-corruption	
G4-SO4: Communication and training on anti-corruption policies and procedures. (GRI G3 involved only employees' training)	4.3.2 Fighting corruption

4.8 ANNEX III: SUMMARY OF OUR KEY PERFORMANCE INDICATORS (KPIS) 2018 AND 2019

- Update this table when the list of KPIs will be definitive

Description of the indicator	KPI 2019	KPI 2018
Product quality		
Batch Acceptance level (%)	99.5%	99.8%
First Time Quality (incl. Packaging Lots) Deviation (%)	94.6%	94.5%
Rate of on-time CAPA closure (%)	92.0%	91.1%
Product safety		
Ongoing definition of indicators for 2020		
Counterfeit drugs		
Number of counterfeiting cases identified and reported to ANSM	11	5
Data privacy		
Number of cyber attacks cases reported to the authorities	2	2
Anti-Corruption		
Completion rate of trainings on the Code of Conduct	90%	NA
Completion rate of trainings on Anti-Corruption	91%	NA
Number of Due Diligences	458	NA
Responsible product promotion		
Completion rate of trainings on the Code of Conduct	90%	NA
Human Rights		
Number of third parties	365	NA
Completion rate of trainings on the Code of Conduct	90%	NA
Number of Due Diligences conducted by EcoVadis	62	NA
Health and safety		
Medicalized accident frequency rate (%)	0.88	1.45
Medicalized severity rate	0	0
Employee engagement		
Engagement index (%)	78	79 (2017-2018 – 2 years)
Headcount	5,824	5,345
Number of training hours per employee (h)	26.8	26.3
% of employees with a formalized development plan	95%	58%
Turnover (%)[1]	11.7	11.9
Percentage of permanent jobs in the Group (%)	85	85
Absenteeism rate (%)	2.5	2.3

(1) Voluntary turnover on permanent positions.

Description of the indicator	KPI 2019	KPI 2018
Number of sites which are certified “Great Place to Work”	7	2
% of employees having taken part in the Ipsen Patient Day in France	28.2%	NA
Share of women in the Global Leadership Team	36%	33%
Talent attraction		
Number of recruitments	1,386	1,388
Energy reduction and Climate change		
Ipsen Total Energy Normalized to Occupied Area (MWh/m^2)	0.605	0.782
Ipsen GHG Scope 1 & 2 Emissions Normalized to Occupied Area (tCO_2E/m^2) Location based	0.127	0.152
Ipsen GHG Scope 1 & 2 Emissions Normalized to Occupied Area (tCO_2E/m^2) Market based	0.095	0.102
Management of water		
Ipsen Total Water Consumption Normalized to Occupied Area (m^3/m^2)	4.16	5.05

4.9 ANNEX IV: SUMMARY OF OUR SUSTAINABLE KPIS

Sustainability Area	2019 without Cork [1]	2019 with Cork	2018 with Cork	2017 with Cork	2016 with Cork
Safety and Health Management					
Ipsen Manufacturing and R&D Fatalities	0	0	0	0	0
Ipsen Manufacturing and R&D Severity Rate	0.054	0.054	0	0.014	0.045
Ipsen Manufacturing and R&D Medicalized Accidents with Lost Days (Frequency Rate 1 FR1)	0.59	0.57	0	0.96	2.13
Ipsen Manufacturing and R&D Medicalized Accidents with and without Lost Days (Frequency Rate 2 FR2)	0.89	1.13	0.88	0.96	2.13
Ipsen Medicalized Accidents with Lost Days (Frequency Rate 1 FR1)	0.2	0.2	0.83	1.41	0.75
Ipsen Medicalized Accidents with and without Lost Days (Frequency Rate 2 FR2)	0.71	0.79	1.45	1.88	0.75
Ipsen First Aids	58	58	74	88	68
Ipsen Near Misses	275	275	201	125	189
Ipsen Occupational Illness	6	6	0	1	2
Contractor Fatalities	0	0	0	0	0
Contractor Medicalized Accidents with Lost Days	13	13	7	5	5
Contractor Medicalized Accidents with and without Lost Days	16	16	12	10	6
Contractor First Aids	12	12	21	28	19
Waste Management					
Total Waste (tonnes)	6,125	12,823	14,604	12,265	13,163
Hazardous Waste (tonnes)	3,483	5,005	5,324	3,728	3,324
Non-Hazardous Waste (tonnes)	2,642	7,817	9,280	8,537	9,839
Recycled Materials (tonnes)	2,458	7,089	7,263	6,274	9,670
Recycling Rate	40.1%	55.3%	49.7%	51.2%	73.5%
Energy Management					
Electrical Energy (kWh)	65,667,533	72,960,434	66,444,302	74,418,339	61,944,000
Renewable including Green Power (% of total energy)	42.1%	47.9%	47.3%	38.6%	5.8%
Other Energy (kWh)	44,561	44,561	1,044,365	1,139,474	2,047,287
Fuel Derived Energy (kWh - HCV)	48,283,375	72,505,622	74,159,823	71,005,301	71,551,005
Total Energy (kWh) Ipsen	114,241,271	145,756,419	143,573,937	136,618,119	136,448,451
Manufacturing and R&D Energy (kWh)	103,282,312	134,797,460	135,108,978	133,279,393	129,806,050
Affiliate Commercial Office Energy (kWh)	10,958,959	10,958,959	8,464,959	3,338,726	5,290,950
Vehicle Fleet Efficiency (km/l)	21	21	12	15	12
Vehicle Fleet Energy (kWh)	18,425,566	18,425,566	25,858,230	16,115,684	15,154,999
Carbon Management					
Carbon Scope 1 Total Emissions (tCO_2E)	12,750	20,580	14,750	14,180	13,239
Carbon Scope 2 Total Emissions (tCO_2E) Location-based methodology	11,231	14,242	12,450	13,530	14,589
Carbon Scope 2 Total Emissions (tCO_2E) Market-based methodology	5,191	5,191	3,470	4,750	Not calculated

Sustainability Area	2019 without Cork [1]	2019 with Cork	2018 with Cork	2017 with Cork	2016 with Cork
Carbon Scope 3 Total Emissions (tCO_2E)	87,566	98,816	94,200	75,612	67,795
Carbon Scope 3 Fuel and Energy-related Activities (tCO_2E)	5,208	6,207	5,288	3,853	4,230
Carbon Scope 3 Purchased Goods and Services (tCO_2E)	37,605	40,855	32,360	30,660	42,295
Carbon Scope 3 Capital Goods (tCO_2E)	1,891	1,955	3,001	2,193	539
Carbon Scope 3 Upstream Transportation and Distribution (tCO_2E)	2,183	5,643	Not Collected	Not Collected	Not Collected
Carbon Scope 3 Waste Generated in Operations (tCO_2E)	2,607	4,034	4,795	3,058	2,351
Carbon Scope 3 Upstream Leased Assets (tCO_2E)	10,500	10,500	7,180	3,478	10,646
Carbon Scope 3 Business Travel (tCO_2E)	6,816	6,816	17,914	12,000	3,371
Carbon Scope 3 Downstream Transportation and Distribution (tCO_2E)	5,961	5,961	10,515	6,956	Not Collected
Carbon Scope 3 End of life Treatment of sold products (tCO_2E)	11,381	13,349	10,088	10,311	605
Carbon Scope 3 Employee Commuting (tCO_2E)	3,412	3,495	3,023	3,103	3,755
Water Management					
Total Water Consumption (m^3)	492,329	546,855	602,477	496,983	469,579
Rate of supply from Well and Surface Water Origin	74%	66%	69%	71%	66%
Total Water Recycled (m^3)	23,200	23,200	22,400	14,600	Not Collected
Hazardous Materials Management					
Solvent Consumption (tonnes)	925	57,447	22,012	23,291	21,495
Reclaimed Solvents (tonnes)	77	55,431	20,428	21,819	20,042
Refrigerant Gas Losses (tonnes)	0.66	1.16	0.46	0.41	0.49
Compliance Management					
Notices of Violation Received	0	0	0	0	0
Fines and Penalties Paid (€)	0	0	0	0	0
Air Emissions Management					
VOC Emissions (tonnes)	1.99	6.34	11.94	4.18	9.55
NOx Emissions (tNO_2)	0	5.814	8.251	1.880	Not Collected
SOx Emissions (tSO_2)	0	0.662	0.239	0.680	Not Collected
Waste Water Management					
Waste Water Treated (m^3)	459,282	510,606	429,920	416,916	359,699
COD Loading (tonnes)	11.01	11.86	4.73	4.2	Not Collected
BOD Loading (tonnes)	6.18	6.25	1.76	0.7	Not Collected
Total Suspended Solids (tonnes)	8.73	8.92	5.31	1.4	Not Collected
Sales (€M)	2,576	2,576	2,224	1,909	1,585
Total Facility Area (m^2)	188,728	198,266	182,979	123,220	102,966
EHS Investments (€000)	19,624	19,624	8,302	11,631	7,521

[1] See reporting methodology concerning the joint venture between Ipsen and the Schwabe Group.

Implementation of an EHS information system to collect data from 2018 has led to increased reporting and increased accuracy of reporting of EHS data during 2018 and 2019. The Joint Venture Cork site, previously included in reported data will be excluded from future reports and so 2019 data is shown with and without Cork data.

Headcount	2019	2018
Headcount (number) without joint venture	5,807	5,670

4.10 ANNEX V: REPORTING METHODOLOGY AND AUDIT REPORT

Human Resources

- **Headcount**

Headcount indicators reported in the universal registration document are based on Ipsen's global Human Resources Information Systems deployed in all countries. It is being kept up-to-date by the local HR and globally reported.

The headcount includes any employee with a current work contract with Ipsen. Notably, external resources (temporary workers, trainees…) are excluded from headcount.

- **Recruitements**

Employees from acquisitions, as Clementia, are taken into consideration.

Regarding Joint Ventures, it must be noted that the Group HR policy does not apply to these entities and that no HR reporting is being requested from them. Therefore, apart from the global headcount, all other HR indicators mentioned in the universal registration document are shown without the Joint Ventures.

- **Absenteeism**

Absenteeism data are collected separately:

- For France, they are retrieved from the French payroll system,
- For other countries, they are collected from the HR manager.

At the end of 2019, this scope accounts for 92% of Ipsen's headcount since data are requested only from the countries with a HR manager, namely: Algeria, Australia, Brazil, Canada, China, France, Ireland, Italy, Korea, Mexico, Russia, Spain, the United Kingdom, the United States and Vietnam. This data does not include Germany. The data could not be collected due to a move of the team to Munich. Recuitements take into consideration employees coming from acquisitions (like Clementia).

- **Training**

Training activity is recorded in Ipsen Learning Platform by the owner of the training (Training Manager, HR…).

The evidence of the training duration is provided on this platform and/or by paper attendance signed sheets.

The training report is extracted at corporate level and all the collected data is consolidated into a common Excel file.

- **Human Rights**

The assessment of the Third Parties was made through the Third Parties Due Diligence Plateform live as of June 2019. For the First part of the year (January to May), an estimate was made based on a manual dashboard.

- **Environment, Health and Safety (EHS)**

Manufacturing and R&D sites include 8 manufacturing or production sites: Dreux (France), Dublin (Ireland), L'Isle sur-la-Sorgue (France), Signes (France), Tianjin (China), Cambridge (USA) and Wrexham (United Kingdom), as well as 3 research and development (R&D) sites: Les Ulis (France), Cambridge (United States) and Oxford-Milton Park (United Kingdom). The joint venture of Cork is included in the perimeter of this reporting as this site follows the Ipsen EHS policy.

Global Ipsen encompasses tertiary sites with a Human Resource representative, namely: Algeria, Germany, Australia, Czech Republic, Greece, Hungary, Poland, Romania, Mexico, the United States (Basking Ridge and Cambridge), France (Boulogne-Billancourt), Brazil, China, Korea, Spain, Italy, Russia, Sweden, Ukraine, Lithuania, Netherlands, Belgium, and Canada, the United Kingdom (Slough) and Vietnam.

Data collection is performed using an information system. The data is controlled and extracted from this central system, which possesses means of control and alert (absurd data, problems of units…). This central system file has been introduced to persons in charge of EHS on site in order to minimize the sources of errors.

The system has led to more accurate reporting. However, some parameters and KPI results have changed due to the improvement in data collection.

In light of new facts and circumstances, Ipsen has reassessed the nature of the partnerships between Ipsen and Schwabe Group. Subsidiaries involved in the partnership, previously consolidated ads joint operations are now consolidated applying the equity method; the Group dies not have any direct right on the partnership's assets and liabilities. Hence the 2019 data is presented in two ways – with Cork data and without Cork data. Cork data will no longer be included in future reports. Data for 2019 as a baseline year will not include Cork data.

It is nevertheless advisable to note that the extra-financial reporting does not benefit from the same maturity as the financial reporting. The practical modalities of data collection are still to be perfected, considering the diversity of Ipsen.

Further explanations are to be taken into account for the following indicators:

- Emission factors used to calculate Greenhouse Gas emissions are those of the Base Carbone ADEME and those provided by the IEA emission factors related to international electricity consumption.

Health and safety indicators in particular for determining the accident frequency and severity rates include the following calculations:

- The frequency rate 1 is the number of disabling injuries due to the work needing an external medicalized treatment beyond first aid, with work lost time exceeding one day which have occurred over a period of 12 months per million hours worked (frequency rate 1 = number of disabling injuries due to the work with lost time x 1,000,000 / number of hours worked).
- The frequency rate 2 is the number of disabling injuries due to the work needing an external medicalized assistance, with work lost time exceeding one day and without work lost time which have occurred over a period of 12 months per million hours worked (frequency rate 2 = number of disabling injuries due to the work with and without lost time x 1,000,000 / number of hours worked).
- The severity rate is the number of worker-days lost as a result of disability injuries per thousand hours worked (severity rate = number of worker-days lost x 1,000 / number of hours worked).

The following table represents the approaches used to derive carbon emissions for scope 1, 2 and 3 included in the fight to prevent climate change section of the document.

Scope	Categories	Description	Data sources	Emissions Factor sources
1	Direct emissions from stationary combustion sources	Natural gas and fuel combustion (kWh)	R&D manufacturing and affiliates reporting	Base Carbone®
1	Direct fugitive emissions	Refrigerant gas losses (tons)	R&D manufacturing reporting	Base Carbone®
2	Indirect emission from electricity consumption	Electricity consumption (kWh)	R&D manufacturing and affiliates reporting	IAE Highlights CO_2 fossil fuels and Base Carbone for French sites
2	Indirect emission from steam, heat and cooling consumption	Steam and cooling consumption (kWh). Only one site is concerned	R&D manufacturing and affiliates reporting	Base Carbone®
3	Emissions due to fuels and energy (not covered by scope 1 and 2)	Upstream emissions from energy extraction and transportation (kWh)	R&D manufacturing and affiliates reporting	Base Carbone®
3	Purchased goods or services	Extraction and Manufacturing of raw materials such as paper, aluminum and excluding transportation	R&D manufacturing: Weight of every component of primary, secondary and tertiary packaging (tons)	Base Carbone® and CarbonEM methodology
3	Capital goods	GHG Emissions due to the construction of buildings (industrial and offices) depreciation based on 50 years	R&D manufacturing and affiliates reporting Buildings (sqm)	Base Carbone®
3	Upstream and downstream transportation and distribution	Road, Air, sea transportation of raw materials and final products from production site to first delivery local sites	Upstream: Tons km from each site reporting Downstream: Tons km from deliveries extraction	Base Carbone®
3	End of life treatment of waste generated from site operations	GHG Emissions due to the treatment of production waste (incineration, landfill, recycling)	R&D manufacturing Reporting (tons)	Base Carbone®
3	Business travels	GHG Emissions due to the car fleet consumption and plane travel; Train travel and travel by taxi is not included but a first estimation concluded an insignificant contribution to scope 3 emissions compared to other business travel modes covered in this report. Fugitive emissions (condensation trails) are not taken into account in the emissions factors of plane travel	Travel agency (km) and reporting on gasoline consumption (liters)	GHG Protocol
3	Employee commuting	GHG Emissions due to travels between working sites and employee's home excluding employee commuting using car fleet	Distances (km) estimated from average (French national survey (ENTD INSEE))	Base Carbone®

Scope	Categories	Description	Data sources	Emissions Factor sources
3	End-of-life treatment of sold products	GHG Emissions due to the treatment of packaging waste (including paper, aluminum, and plastic) after use of sold products (incineration, landfill, recycling)	Deliveries database (tons) and average waste treatment	Base Carbone

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

Ipsen

Société anonyme: 65, Quai Georges Gorse – 92650 Boulogne-Billancourt

Report of one of the Statutory Auditors, appointed as independent third party, on the consolidated non financial statement

For the year ended 31 December 2019

To the Shareholders,

In our capacity as Statutory Auditor of IPSEN SA, appointed as independent third party and accredited by COFRAC under number 3-1048 (scope of accreditation available at www.cofrac.fr), we hereby report to you on the consolidated non financial statement for the year ended December 31, 2019 (hereinafter the "Statement"), presented in the group management report pursuant to the legal and regulatory provisions of Articles L.225 102-1, R.225-105 and R.225-105-1 of the French Commercial Code *(Code de commerce)*. We also present our "Reasonable assurance" report on a selection of information included in the Statement for which we conducted work in further detail.

Company's responsibility

The Board of Directors is responsible for preparing a Statement pursuant to legal and regulatory provisions, including a presentation of the business model, a description of the main extra-financial risks, a presentation of the policies implemented with respect to these risks as well as the results of these policies, including key performance indicators. The Statement has been prepared by applying the company's procedures (hereinafter the "Guidelines"), summarized in the Statement and available on the company's website or on request from its headquarters.

Independence and quality control

Our independence is defined by the requirements of article L.822-11-3 of the French Commercial Code and the French Code of Ethics for Statutory Auditors *(Code de déontologie)*. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Responsibility of the statutory auditor appointed as independent third party

Based on our work, our responsibility is to express a limited assurance conclusion on:

- the compliance of the Statement with the requirements of article R.225-105 of the French Commercial Code;
- the fairness of the information provided pursuant to part 3 of sections I and II of Article R.225 105 of the French Commercial Code, *i.e.* the outcomes of policies, including key performance indicators, and measures relating to the main risks, hereinafter the "Information."

However, it is not our responsibility to provide any conclusion on the company's compliance with other applicable legal and regulatory provisions, particularly with regard to the duty of vigilance, anti-corruption and taxation nor on the compliance of products and services with the applicable regulations.

1. Report due by articles L.225 102-1 of the French Commercial Code *(Code de commerce)*

Nature and scope of procedures

We performed our work in accordance with Articles A. 225 1 *et seq.* of the French Commercial Code defining the conditions under which the independent third party performs its engagement and the professional guidance issued by the French Institute of Statutory Auditors *(Compagnie nationale des commissaires aux comptes)* relating to this engagement and with ISAE 3000 *(Assurance engagements other than audits or reviews of historical financial information)*.

We conducted procedures in order to assess the Statement's compliance with regulatory provisions, and the fairness of the Information:

- We assessed the suitability of the Guidelines with respect to their relevance, completeness, reliability, neutrality and clarity, taking into account, where appropriate, best practices within the sector.

- We verified that the Statement covers each category of information stipulated in section III of Article L.225 102 1 governing social and environmental affairs, the respect for human rights and the fight against corruption and tax evasion.
- We verified that the Statement provides the information required under article R. 225-105 II of the French Commercial Code, where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under article L.225-102-1 III, paragraph 2 of the French Commercial Code.
- We verified that the Statement presents the business model and a description of principal risks associated with all the entity's activities, including where relevant and proportionate, the risks associated with its business relationships, its products or services, as well as its policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks.
- We referred to documentary sources and conducted interviews to:
  - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented, and
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important [1]; concerning certain risks (Access to medicine), our work was carried out on the consolidating entity, for the others risks, our work was carried out on the consolidating entity and on a selection of entities.
- We verified that the Statement covers the consolidated scope, *i.e.* all companies within the consolidation scope in accordance with Article L.233-16, with the limits specified in the Statement.
- We obtained an understanding of internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information.
- We carried out, for the key performance indicators and other quantitative outcomes [2] that in our judgment were of most significance:
  - analytical procedures that consisted in verifying the correct consolidation of collected data as well as the consistency of changes thereto;
  - substantive tests, on a sampling basis, that consisted in verifying the proper application of definitions and procedures and reconciling data with supporting documents. These procedures were conducted for a selection of contributing entities [3] and covered between 69% and 92% of the consolidated data for the key performance indicators and outcomes selected for these tests.
- We assessed the overall consistency of the Statement in relation to our knowledge of the company.

We believe that the procedures we have performed, based on our professional judgment, are sufficient to provide a basis for a limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work engaged the skills of five people between December 2019 and February 2020.

To assist us in conducting our work, we referred to our corporate social responsibility and sustainable development experts. We conducted around 10 interviews with people responsible for preparing the Statement.

Conclusion

Based on our work, nothing has come to our attention that cause us to believe that the non financial statement does not comply with the applicable regulatory provisions and that the Information, taken as a whole, is not fairly presented in accordance with the Guidelines.

2. "Reasonable assurance" Report on a selection of information included in the Statement

Nature and scope of procedures

Upon request of the Company, we have carried out the following procedures on the following information included in the Statement:

- Ipsen Manufacturing and R&D Medicalized Accidents with Lost Days (Frequency Rate 1 FR1)
- Ipsen Total Energy Normalized to Occupied Area (kWh/m^2)
- Ipsen GHG Scope 1 & 2 Emissions Normalized to Occupied Area (tCO_2E/m^2)
- Ipsen Total Water Consumption Normalized to Occupied Area (m^3/m^2)

[1] Access Accelerated initiative & Introduction of CSR criteria in the Revolving Credit Facility

[2] **HR and Health & Safety information:** Headcount, Share of women in the Global Leadership Team, Absenteeism rate (%), Number of recruitments, Turnover (%), Ipsen Manufacturing and R&D Severity Rate.
Environmental information: Carbon Scope 3 Total Emissions (tCO_2E), Total Waste (tons), Solvent Consumption (tons), Reclaimed Solvents (tons).
Other non-financial information: Employee Engagement: % of employees having taken part in the Ipsen Patient Day in France and Engagement index (%), Data Privacy: Number of cyberattacks cases reported to the authorities, Counterfeit drugs: Number of counterfeiting cases identified and reported to ANSM, Product safety: IPSEN pharmacovigilance team reinforcement (headcount) and cases submitted in compliance with regulatory timelines (%), Anti-Corruption: Completion rate of trainings on the Code of Conduct, Human Rights: Number of third parties, Responsible Product Promotion: Completion rate of trainings on the Code of Conduct, Product Quality: First-time quality (%) and Rate of on-time CAPA closure (%).

[3] Dreux and Cork.

We conducted work of the same nature as the work described in section 1 (above) but in further detail, in particular:

- analytical procedures consisting in verifying the correct consolidation of the data collected as well as the consistency of the variation;
- detailed tests carried out on the basis of sample testing, consisting of verifying the correct application of definitions and procedures and reconciling the data with supporting documents.

The selected sample represents between 10% and 34% of the published data.

Conclusion

In our opinion, based on the procedures performed, the Information selected in the Statement, has been prepared in all material respects in accordance with the Reporting Framework.

Paris-La Défense, 17 February 2020

One of the statutory auditors,

Deloitte & Associés

Jean-Marie Le Guiner

Partner, Audit

5 CORPORATE GOVERNANCE AND LEGAL INFORMATION

This section presents Ipsen SA's Corporate governance and legal information and includes in particular the Board of Directors' Report on corporate governance. It will be presented to the Combined Shareholders' Meeting to be convened in 2020 to review and approve the financial statements for the financial year ended on 31 December 2019, in accordance with the provisions of Article L.225-37 of the French Commercial Code. It has been prepared with the assistance of the Executive Management, the Human Resources, Finance departments and the Company Secretary.

The Company is governed by a Board of Directors. It determines the Company's strategy and oversees its implementation. Subject to the powers expressly granted to Shareholders' Meetings and within the limits of the Company's corporate purpose, the Board of Directors considers all issues related to the efficient operation of the Company and, through its deliberations, settles all matters that may arise.

The Executive Management of the Company is provided by a Chief Executive Officer.

5.1 FRAMEWORK FOR THE IMPLEMENTATION OF CORPORATE GOVERNANCE PRINCIPLES

5.1.1 The AFEP-MEDEF Corporate Governance Code as a reference code

The Company refers to the AFEP-MEDEF Corporate Governance Code, revised on January 2020, available on the website www.afep.com. In accordance with the provisions of Article L.225-37-4 8° of the French Commercial Code, the Company specifies the recommendations of the Code which have not been applied and the reasons why.

5.1.2 Summary table of the AFEP-MEDEF Code recommendations which have not been applied

The Company presents a summary table of the recommendations of the AFEP-MEDEF Code that have not been adopted.

AFEP-MEDEF recommendations not applied	Ipsen's practices and reasons why
Article 17.1 The Nominations Committee should have a majority of independent directors	This provision was not being applied as the Company is controlled by a majority shareholder. Moreover, there are structural elements related to the Company's governance (number of independent directors (4), all of foreign nationalities and living abroad, several recent recruitments, the number of specialized Committees (6), separation of the Compensation and Nominations Committees) to be taken into account. There is nevertheless ongoing high quality of work within each Committee (including the Nominations Committee) whilst maintaining a balanced composition of the Committees without having a majority of independent directors. Furthermore, the Board believes that both the quality and experience of independent members ensure open debate and that the current composition does not undermine the proper functioning of the Committee.
Article 18.1 The Compensation Committee should be chaired by an independent director	This provision was not being applied as the Company is controlled by a majority shareholder. Moreover, two out of four members (50%) of the Compensation Committee are independent, which is sufficient to ensure the proper functioning of the Committee. Furthermore, it is specified that no executive officer is a member of this Committee. The Compensation Committee is chaired by Mr. Antoine Flochel, given his deep knowledge of the Group's operation, the pharmaceutical industry and his experience in matters of compensation.
Article 18.1 One of the members of the Compensation Committee should be an employee director	This provision has not been complied with. The Board of Directors meeting held on 28 May 2019 after the Shareholders' meeting decided to appoint Jean-Marc Parant as member of the Ethics and Governance Committee. This appointment was made upon recommendation of the Ethics and Governance Committee and as agreed with Jean-Marc Parant in light of the latter profile and background. Jean-Marc Parant contributes, as part of the attributions of the Ethics and Governance Committee, to the definition of the fundamental values of the Company and its ethics and compliance policy and gives his vision and feedback on those matters as employee within the Ipsen Group.

AFEP-MEDEF recommendations not applied	Ipsen's practices and reasons why
Article 22.1 When an employee becomes a company officer, it is recommended to terminate his or her employment contract with the company or with a group company, whether through contractual termination or resignation.	This provision is not currently being applied by the Company. The functions of Aymeric Le Chatelier as interim Chief Executive Officer since 1 January 2020 being temporary in nature, and given the exceptional nature of the situation, the Board of Directors decided to maintain the employment contract of Aymeric Le Chatelier under his distinct and separate functions as Chief Financial Officer of the Ipsen Group which he will continue to exercise.
Articles 24.3 and 25.5.1 When the agreement is concluded, the Board must incorporate a provision that authorizes it to waive the application of this agreement when the officer leaves.	The non-compete agreements entered into in July 2016 by the Company with David Meek, former Chief Executive Officer, and with Marc de Garidel, Chairman of the Board of Directors, do not allow the Company to waive their application. The Company will review the possibility of amending the terms of the non-compete clause entered into with the Chairman of the Board of Directors upon the latter's reappointment in 2023.

5.1.3 Ethics of the Board of Directors and Executive Management

In accordance with the provisions of European Commission delegated regulation No. 2019/980 supplementing Regulation (EU) 2017/1129 Delegated Regulation (EU) 2019/980 of 14 March 2019, the Directors declared that they were subject to the obligations relating to their functions. In order to comply, the Company has put in place procedures applicable to the Board members and Executive Management, some of which being set out below in this document.

5.1.3.1 Prevention of conflicts of interest

The Internal Rules of the Board of Directors provide some procedures to prevent any conflict of interest situations as detailed herein below and in the present document.

Within this framework, the members of the Board of Directors receive an annual questionnaire they deem to fulfill in order to prevent any risk of conflicts of interest.

Extract from the Internal Rules of the Board of Directors relating to the prevention of conflicts of interest

"3.6.2 Conflicts of interest

Directors are elected by all the Company's shareholders and must act in all circumstances in the Company's interest.

Directors must inform the Board of any conflict of interest situation, including a potential conflict of interest, between themselves and the Company or the Group and shall abstain from attending the debate and taking part in any discussions and vote by the Board on the corresponding deliberations.

As part of its missions mentioned under paragraph 6.7.1, the Ethics and Governance Committee regularly reviews with the Board of Directors the issue of conflict of interest.

Each Director must report his/her activities to the Ethics and Governance Committee on an annual basis for review and recommendation to the Board of Directors."

6.4.4 Missions of the Audit Committee:

"[…] examine and check the rules and procedures applicable to conflicts of interest, expenses incurred by members of the management and the identification and measurement of the main financial risks, as well as their application and submit its assessment every year to the Board."

6.7.1 Missions of the Ethics and Governance Committee:

"[…] examine situations of potential conflicts of interest of members of the Company's Board of Directors and communicate the results of its findings in accordance with an internal procedure which protects confidentiality."

During 2019, in accordance with its missions, the Ethics and Governance Committee reviewed the taking up of new mandates by Paul Sekhri, David Meek and Margaret Liu in companies outside the Group. This review was the subject of specific reviews which concluded that there were no conflicts of interest.

In addition, as part of the annual review of conflicts of interest at the end of each financial year, members of the Board of Directors receive a questionnaire to be completed and returned to the Company for this purpose. After review by the Committee, no conflict of interest situations were identified within the Board.

5.1.3.2 Insider Trading Policy

The Company has revised its Insider Trading Policy, in accordance with the European Market Abuse Regulation (EU Regulation No. 596/2014) and the position-recommendation of the *Autorité des marchés financiers* (AMF) No. 2016-08 of 26 October 2016 aimed at preventing insider trading and insider misconduct. More detailed information is provided in section 5.7.2.2 of this Document.

5.1.3.3 Code of conduct

The Board of Directors and the Group's employees adopted and signed the Ipsen Group's Code of Conduct.

More detailed information can be found in chapter 4 of this Document.

5.1.3.4 Statement concerning the members of the Board of Directors and the Executive Management

Conflicts of interest involving governance and Executive Management bodies

To the best of the Company's knowledge and as of the date of publication of this Document:

- there is no conflict of interest between the duties of the members of the Board of Directors, Executive Management, and Company Officers vis-à-vis the Company and their personal interests and other duties;
- there is no undertaking or agreement with the main shareholders, clients, suppliers, or other parties pursuant to which one of the members of the Board of Directors and of the Executive Management of the Company has been appointed as Director;
- no Director or members of the Executive Management have entered into any agreement restricting the sale of their shareholding in the Company, at the exception, for the Company Officers, of the minimum portion of shares that must be held until his term of office.

The Executive Officers have signed a non-compete commitment to prevent certain situations of conflicts of interest arising when they leave the Group.

Absence of condemnation of the members of the Board of Directors and the Executive Management

To the Company's best knowledge, and as at the date of this Document, none of the members of the Board of Directors nor the Executive Management of the Company, have been over the last past five years:

- convicted of fraud, charged with any other offence or had any official public disciplinary action taken against them by statutory or regulatory authorities;
- implicated in a bankruptcy, receivership or liquidation, placement under judicial administration while having served as a member of an administrative, management or supervisory body;
- disqualified from acting as a board member, senior executive or supervisory board member or from participating in the management or conduct of business of a listed company.

Service contracts with members of the Company's governing bodies

To the Company's best knowledge, no service contracts has been signed, involving directors or any member of the Board or of the Management and the issuing company or its subsidiaries likely to provide such benefits.

Loans and guarantees granted to members of the Board

No loan or guarantee has been granted by the Company to any member of its Board of Directors or its Executive Management.

Specific terms for participating in Shareholders' Meetings

The specific terms for the participation of shareholders in the Annual Shareholders' Meeting are found in section 5.6.3.4 of this Document.

Factors likely to have an impact in the event of a public offer

The factors likely to have an impact in the event of a public offer are found in section 5.6.2.6 of this Document.

Delegations currently valid granted by the Shareholders' Meeting on capital increases

The delegations currently valid and having been granted by the Shareholders' Meeting regarding capital increases are found in section 5.6.1.4 of this Document.

5.2 GOVERNANCE STRUCTURE

5.2.1 The guiding principles

5.2.1.1 Balanced governance structure

Ipsen is a French *société anonyme* with a Board of Directors, where the positions of Chairman and Chief Executive Officer have been separated since 18 July 2016.

During its meeting of 8 July 2016, the Board appointed Mr. David Meek as Chief Executive Officer, on 18 July 2016. During the same meeting, the Board confirmed Mr. Marc de Garidel as Chairman of the Board of Directors.

On 17 December 2019, the Board of Directors acknowledged the resignation of David Meek, effective 31 December 2019 and has decided to appoint Aymeric Le Chatelier, currently Chief Financial Officer, as Interim CEO to replace David Meek as of 1 January 2020.

The Board has asked the Nominations Committee, chaired by Carol Xueref, to immediately conduct a search process in order to identify the future Chief Executive Officer. The separation of functions allows the Chief Executive Officer to focus on the Group's operations and the continuation of its transformation, while the Chairman of the Board of Directors can give his full attention to leading and managing the Board of Directors.

In accordance with the provisions of the Articles of association, if he wishes to do so, the Chief Executive Officer may propose to the Board of Directors to appoint one or several Deputy Chief Executive Officers in order to assist him.

5.2.1.2 Diversity policy of the Board of Directors for its composition

The Nominations Committee and the Ethics and Governance Committee ensure the monitoring of a balanced composition of the Board of Directors and report on it. The objectives of the Board of Directors are to ensure the presence of independent members, in accordance with the AFEP-MEDEF Code recommendations, of the contribution of skills with regard to the Company's activity particularly in management, strategy, science, finance and legal affairs, international experience, a balanced representation of women and men in compliance with law n° 2011-103 of 27 January 2011, and a diversity of nationalities figure amongst the criteria.

The Committees consider each of these criteria when searching for future candidates and for every mandate renewal.

The Directors renewed at the last Shareholders' Meetings have been chosen pursuant to this policy.

The skills of Directors are detailed in section 5.2.2.3 of the present Document.

The Board of Directors is currently comprised of twelve members, including five women (Ms. Anne Beaufour, permanent representative of Highrock S.àr.l., Ms. Margaret Liu, Ms. Michèle Ollier, Ms. Carol Stuckley and Ms. Carol Xueref)[1], and six non-French nationals (Ms. Carol Xueref, a UK national, Ms. Margaret Liu, Ms. Carol Stuckley and Mr. Paul Sekhri, US nationals, Mr. Piet Wigerinck a Belgian national and Ms. Michèle Ollier, of French and Swiss nationality). The Board of Directors is comprised of four independent Directors.

[1] Representing more than 40% (the Director representing the employees is not taken into account in this calculation), pursuant to article L.225-18-1 of French Commercial Code.

5.2.1.3 Independent Directors

Extract from the Internal Rules of the Board of Directors relating to the independence of the Board Members

"A Director is independent when he/she has no relationship of any kind whatsoever with the Company, its Group or the management that may interfere with his/her freedom of judgement. Accordingly, an independent Director is understood to be any non-executive Director of the Company or the Group who has no particular bonds of interest (significant shareholder, employee, other) with them.

Independent Directors should account for at least a third of Board members. Directors representing the employee shareholders and Directors representing employees are not taken into account when determining the percentage of independent Directors within the Board and the Committees.

The Board shall examine, upon recommendation of the Ethics and Governance Committee, at least once a year which Directors meet these independence criteria and shall report the conclusions of this review to shareholders (i) every year during the Shareholders' Meeting convened to approve the financial statements for the previous financial year and (ii) during Shareholders' Meetings convened to elect new Directors or ratify Directors co-opted by the Board.

Qualification as an independent Director should be discussed in the light of the AFEP-MEDEF Code criteria as follows:

- *not to be and not to have been during the course of the previous five years:*
  - *an employee or executive Officer of the Company;*
  - *an employee, executive Officer of a company or a director of a company consolidated within the Company;*
  - *an employee, executive Officer or a director of the Company's parent company or a company consolidated within this parent;*
- *not to be an executive Officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive Officer of the Company (currently in office or having held such office during the last five years) is a director;*
- *not to be a customer, supplier, commercial banker or investment banker or consultant (or be linked directly or indirectly to these persons):*
  - *that is material to the Company or its Group;*
  - *or for a significant part of whose business the Company or its Group accounts.*

The evaluation of the significant or non-significant relationship with the Company or its Group must be debated by the Board and the quantitative criteria that lead to the evaluation (continuity, economic dependence, exclusivity, etc.) must be explicitly stated in the corporate governance report;

- *not to be related by close family ties to a company Officer;*
- *not to have been an auditor of the Company within the previous five years;*
- *not to have been a director of the Company for more than twelve years. Loss of the status of independent director occurs on the date at which this period of twelve years is reached.*

A non-executive Officer cannot be considered independent if he/she receives variable compensation in cash or in the form of shares or any compensation linked to the performance of the Company or Group.

Directors representing major shareholders of the Company or its parent company may be considered as being independent, provided that these shareholders do not take part in control of the Company. Nevertheless, beyond a 10% holding of stock or 10% of the voting rights, the Board, upon a report from the Ethics and Governance Committee, should systematically review the qualification of a Director as independent in the light of the make-up of the Company's capital and the existence of a potential conflict of interest."

At its meeting of 12 February 2020, the Board of Directors, upon an Ethics and Governance Committee proposal, deemed that:

- Margaret Liu, Carol Stuckley, Paul Sekhri and Piet Wigerinck are independent directors as defined by the AFEP-MEDEF Code and the Internal Rules of the Board of Directors described above. The other members of the Board of Directors are related to a shareholder of the Company or hold management or employee positions in the Company. Mrs Anne Beaufour and Mr. Henri Beaufour are also brother and sister. There are no family ties between the other members of the Board of Directors and/or the General Management of the Company;
- there is no business relationship between the members of the Board of Directors and the Company.

The detail of the current independence criteria evaluation is as follows:

Independence criteria (*)	Not to be and not to have been during the course of the previous five years an employee or executive Officer of the Company; an employee, executive Officer of a company or a director of a company consolidated within the Company; an employee, executive Officer or a director of the Company's parent company or a company consolidated within this parent	Not to be an executive Officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive Officer of the Company (currently in office or having held such office during the last five years) is a director	Not to be a customer, supplier, commercial banker or investment banker or consultant (or be linked directly or indirectly to these persons)	Not to be related by close family ties to a company Officer	Not to have been an auditor of the Company within the previous five years	Not to have been a director of the Company for more than twelve years
Directors (**)						
Marc de Garidel	Marc de Garidel has been Chairman and Chief Executive Officer until 18 July 2016. He is Chairman of the Board of Directors since this date.	–	–	–	–	–
Antoine Flochel	Antoine Flochel is Vice Chairman of the Ipsen SA Board, Chairman and Managing Director of Beech Tree SA, indirect shareholder of Ipsen SA, and Managing Partner of MR HB and of MR BMH, direct shareholders of Ipsen SA.	–	–	–	–	–
Highrock S.àr.l. (represented by Anne Beaufour)	Highrock S.àr.l. is a direct shareholder of Ipsen SA.	–	–	Anne Beaufour is the permanent representative of Highrock S.àr.l., Anne and Henri Beaufour are brother and sister.	–	–
Henri Beaufour	Henri Beaufour is the sole shareholder of Beech Tree SA, member of the Board of Directors of Ipsen SA and indirect shareholder of Ipsen SA.	–	–	Anne Beaufour is the permanent representative of Highrock S.àr.l., Director of Ipsen SA. Anne and Henri Beaufour are brother and sister.		–
Beech Tree SA (represented by Philippe Bonhomme)	Beech Tree SA is an indirect shareholder of Ipsen SA.	–	–	–	–	–
Margaret Liu	–	–	–	–	–	–
Michèle Ollier	Michèle Ollier is closely linked to Highrock S.àr.l., direct shareholder of Ipsen SA.	–	–	–	–	–
Jean-Marc Parant	Jean-Marc Parant is an employee of Ipsen Pharma SAS, a subsidiary wholly owned by Ipsen SA, as Head of Digital Learning Solutions.	–	–	–	–	–
Paul Sekhri	–	–	–	–	–	–

Independence criteria (*)	Not to be and not to have been during the course of the previous five years an employee or executive Officer of the Company; an employee, executive Officer of a company or a director of a company consolidated within the Company; an employee, executive Officer or a director of the Company's parent company or a company consolidated within this parent	Not to be an executive Officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive Officer of the Company (currently in office or having held such office during the last five years) is a director	Not to be a customer, supplier, commercial banker or investment banker or consultant (or be linked directly or indirectly to these persons)	Not to be related by close family ties to a company Officer	Not to have been an auditor of the Company within the previous five years	Not to have been a director of the Company for more than twelve years
Directors (**)						
Carol Stuckley	–	–	–	–	–	–
Piet Wigerinck	–	–	–	–	–	–
Carol Xueref	Carol Xueref is closely linked to Highrock S.àr.l., direct shareholder of Ipsen SA.	–	–	–	–	–

(*) The criterion of non-executive Officer cannot receive a variable compensation and/or a compensation linked to the performance of the Company or Group is not presented in the table as only the executive Officers receive such compensation.
The significant shareholder criterion is also not presented in the table as the links with the major shareholders are mentioned above and as there is no representative of any other significant shareholder at the Board of Directors. For more information on share ownership, please refer to section 5.6.2 of the present Document.

(**) David Meek was Director and Chief Executive Officer until 31 December 2019.

5.2.1.4 Employee representation at the Board of Directors

Extract from the Internal Rules of the Board of Directors relating to the employee representation at the Board of Directors

"The Board of Directors includes one or two Directors representing the employees. Pursuant to Article 12 of the Articles of association of the Company:

- *If the Ipsen SA Board of Directors is comprised of twelve (12) members or fewer, the designation of a single employee representative is required. The Director representing the employees will be appointed by the Works Council of the existing economic and social unit within the Ipsen Group.*
- *If the Board of Directors is comprised of more than twelve (12) members, the designation of a second employee representative is required. The second Director representing the employees will be appointed by the European Works Council.*

The office of Director representing the employees shall be incompatible with any office of trade union representative or with any office in one of the employee representative institutions listed in Article L.225-30 of the French Commercial Code.

Subject to the specific legal provisions applicable to them, the Directors representing the employees have the same rights, shall be bound by the same rules, especially with respect to confidentiality, and shall incur the same liability as other Board members.

They are bound by all the provisions of the Internal Rules of the Board of Directors, with the exception of those relating to the obligation to own any share in the Company. The Directors representing the employees will not be paid as part of their mandate.

The Director representing the employees has a preparation time of fifteen (15) hours per Board meeting which is considered as effective working time and remunerated for accordingly to his salaried position.

The Director representing the employees receives, at his request, training suited to the exercise of his office of 40 hours of training a year."

In accordance with Article L.225-27-1 of the French Commercial Code, it will be proposed to the next Shareholders' Meeting held in 2020 to approve an amendment of the Company's Articles of Association in order to take into account the provide for the possibility of designating a second director representing the employees to the Board of Directors, under the conditions prescribed by law. It will be proposed to the Board of Directors, following this amendment to the Articles of Association, to amend the provisions of its Internal Rules.

5.2.2 The Board of Directors

5.2.2.1 Chairman of the Board of Directors

Extract from the Internal Rules of the Board of Directors relating to the Chairman of the Board

"Article 2.1 The Chairman of the Board of Directors

The Chairman organizes and directs the work of the Board and ensures the effective functioning of the corporate bodies in compliance with good governance principles. He coordinates the work of the Board with that of the Committees.

He ensures that the Directors are able to fulfill their mission and shall particularly ensure that they have all of the information they require to fulfill their mission.

The Secretary of the Board reports to the Chairman. He assists the Chairman in organizing the meetings of the Board, and fulfilling any other assignments linked to the corporate governance rules applicable to the Company.

The Chairman reports each year the work of the Board of Directors to the Shareholders' Meeting.

The Chairman may be in contact with the statutory auditors to prepare the work of the Board.

The Chairman fulfills the following specific missions:

- *he may represent the Company, in cooperation with the Chief Executive Officer and at the request solely of the latter, in its high-level relations, on a national and international level, especially with the public authorities, the Group's main partners and other strategic stakeholders of the Company;*
- *he may, without prejudice to the prerogatives of the Board of Directors and its Committees, be consulted by the Chief Executive Officer regarding any significant events related to the Company's strategy and major growth projects.*

The Chairman may attend all of the meetings of the Committees of which he is not a member in an advisory capacity and may consult them on any issue within their area of competence.

In all of these specific missions, the Chairman acts in close coordination with the Chief Executive Officer and at the request of the latter who will solely be in charge of the leadership and operational management of the Group (subject to limitations of powers expressly decided by the Board of Directors).

The Vice Chairman of the Board, when one has been appointed, assists the Chairman in his mission to organize and supervise the Board's work. He takes part in the preparation of Board meetings in coordination with the Chairman and, in that capacity, is consulted by the Chairman to set an agenda. Before the notice of a meeting is sent out, together with the Chairman, the Vice Chairman reviews the documents and information made available to Directors."

During the 2019 financial year, the Chairman of the Board of Directors organized and directed the work of the 14 Board meetings, assisted by the Vice President in compliance with the Internal Rules of the Board of Directors. Before each meeting of the Board, the President interviewed all the Directors to present the agenda and have their input, and more particularly with absent Directors. After every Board meeting, he followed up to gather their opinions and gave report to the Board members who were absent at the meetings. He also made a detailed report to the Company's management on the follow-up of meetings, upcoming meetings and action plans to be carried out on the implementation of the strategy decided by the Board of Directors. In this capacity, he prepared and led the 9 meetings of the Innovation and Development Committee – Specialty Medicine and the 3 meetings of the Innovation and Development Committee – Family Health. He coordinated the work of these Committees with that of the Board.

In addition, in his capacity as Chairman of the Board, he chaired the Annual Shareholders' Meeting of 28 May 2019, during which he presented the organization and functioning of the Board of Directors, the work of the Board and the Committees during fiscal year 2018, as well as the Directors whose renewal was proposed to the Shareholders' Meeting.

5.2.2.2 Members of the Board of Directors

Directors are appointed for a four-year term. Exceptionally and exclusively in order to enable the staggering of Directors' terms of office to be implemented and maintained, the Ordinary Shareholders' Meeting may appoint one or several directors for one year, two years or three years.

The number of Directors more than 70 years old cannot be higher than one-third of the Directors in office. When this age limit is exceeded, the oldest Director is automatically deemed to have resigned at the end of the following Ordinary Shareholders' Meeting.

Duties of Directors come to an end upon the conclusion of the Ordinary Shareholders' Meeting called to approve the financial statements for the previous financial year which is held in the year in which the term of office of the said Director expires. Incumbent Directors may always be re-elected.

Extract from the Internal Rules of the Board of Directors relating to the Directors

"Every Director shall dedicate the time and attention required to discharge the duties of his/her mandate and attend the meetings of the Board and the Committee(s) of which they are a member. The report on corporate governance lists the mandates held by members of the Board of Directors and records their individual attendance at Board and Committee meetings.

An Executive officer of the Company should not hold more than two other directorships in listed companies, including foreign companies, not affiliated with his or her group. The prior opinion of the Board must be sought prior to accepting a new directorship.

A Director should not hold more than four other directorships in non-Group listed companies, including foreign companies. The Director must keep the Board informed of the offices and positions held in other companies. The non-executive Chairman must also obtain the opinion of the Board before accepting a new corporate office.

The Board shall be made up of Directors chosen because of their competence and their experience with respect to the Company and the Group's operations.

Board members may attend training sessions on specific areas of the Company, its business line(s) and industrial sector, and the consequence of its social and environmental risks are to be arranged on the Company's own initiative or at the request of the Board.

Before accepting office, each Director should ensure he is familiar with any general or specific obligations relating to his position. In particular, they ought to acquaint themselves thoroughly with the legal provisions governing the Company, its Articles of Association, and provisions of the Board's Internal rules which apply to them.

Directors are elected by all the Company's shareholders and must act in all circumstances in the Company's interest.

Directors must inform the Board of any conflict of interest situation, including a potential conflict of interest, between themselves and the Company or the Group and shall abstain from attending the debate and taking part in any discussions and vote by the Board on the corresponding deliberations.

Directors are required to contribute to the determination of the orientations of the business of the Company and the Group and to supervise their implementation. They must exercise an effective and vigilant oversight of the Company's and Group's management.

Directors have a general duty of discretion and confidentiality as regards the deliberations of the Board and its Committees. The same applies to all non-public information and documents provided to them at meetings or otherwise in connection with their functions as Board or Committee members or their participation in their deliberations. This duty of discretion and confidentiality shall continue to apply even after the end of the term of office.

Directors undertake to comply with all stock market regulations designed to prevent any market abuse detrimental to the interests or image of the Company or the Group."

Board members in office as of the filing of this document

Name	Function	Nationality	Gender	Age	Date of first appointment	Date of last renewal	End of term of office	Indepen-dence	Committee membership
Marc de Garidel	Chairman of the Board of Directors	French	M	62	11/10/2010 with effect as at 22/11/2010	28/05/2019	ASM 2023	No	• Innovation and Development Committee – Specialty Care (Chairman) • Innovation and Development Committee – Consumer HealthCare (Chairman)
Antoine Flochel	Vice Chairman and Director	French	M	55	30/08/2005	07/06/2017	ASM 2021	No	• Compensation Committee (Chairman) • Innovation and Development Committee – Specialty Care
Highrock S.àr.l.	Director	Luxembourg	N/A	N/A	06/01/2020*	N/A	ASM 2022	No	• Innovation and Development Committee – Specialty Care (Guest) • Innovation and Development Committee – Consumer HealthCare (Guest)
Anne Beaufour	Permanent representative of Highrock S.àr.l.	French	F	56	30/08/2005*	30/05/2018	N/A	N/A	N/A
Henri Beaufour	Director	French	M	55	30/08/2005	28/05/2019	ASM 2023	No	• Innovation and Development Committee – Specialty Care (Guest) • Innovation and Development Committee – Consumer HealthCare (Guest)

Name	Function	Nationality	Gender	Age	Date of first appointment	Date of last renewal	End of term of office	Indepen-dence	Committee membership
Beech Tree SA ****	Director	Luxembourg	N/A	–	06/01/2020**	N/A	ASM 2020	No	• Audit Committee • Nominations Committee • Ethics and Governance Committee • Innovation and Development Committee – Consumer HealthCare
Philippe Bonhomme	Permanent representative of Beech Tree SA	French	M	50	30/05/2018**	–	–	–	–
Margaret Liu	Independent Director	American	F	63	07/06/2017	N/A	ASM 2021	Yes	• Ethics and Governance Committee (Chairperson) • Innovation and Development Committee – Specialty Care
Michèle Ollier	Director	French-Swiss	F	61	27/05/2015	28/05/2019	ASM 2023	No	• Innovation and Development Committee – Specialty Care
Jean-Marc Parant	Director representing the employees	French	M	60	27/11/2018	N/A	ASM 2022	No	• Ethics and Governance Committee***
Paul Sekhri	Independent Director	American	M	61	30/05/2018	N/A	ASM 2022	Yes	• Innovation and Development Committee – Specialty Care • Audit Committee • Nominations Committee
Carol Stuckley	Independent Director	American	F	64	07/06/2017	N/A	ASM 2021	Yes	• Audit Committee (Chairperson) • Compensation Committee
Piet Wigerinck	Independent Director	Belgian	M	55	30/05/2018	N/A	ASM 2022	Yes	• Innovation and Development Committee – Specialty Care • Compensation Committee
Carol Xueref****	Director	British	F	64	01/06/2012	31/05/2016	ASM 2020	No	• Nominations Committee (Chairperson) • Compensation Committee • Innovation and Development Committee – Consumer HealthCare • Ethics and Governance Committee

* Anne Beaufour was appointed first on 30 August 2005 as Director and permanent guest of the Innovation and Development Committee – Specialty Care and of the Innovation and Development Committee – Consumer HealthCare on 28 May 2019. She has been appointed on 6 January 2020 permanent representative of Highrock S.à.r.l when it was coopted, in her replacement. The ratification of the provisional appointment of Highrock S.àr.l as a Director will be submitted to the 2020 Shareholders' Meeting.

** Philippe Bonhomme was appointed on 30 May 2018 and member of the Audit Committee, the Nominations Committee, the Ethics and Governance Committee and of the Innovation and Development Committee – Consumer HealthCare. He has been appointed on 6 January 2020 permanent representative of Beech Tree SA when it was coopted, in his replacement. The ratification of the provisional appointment of Beech Tree S.A. and its renewal as a Director will be submitted to the 2020 Shareholders' Meeting.

*** Jean-Marc Parant has been appointed member of the Ethics and Governance Committee since 28 May 2019. For further details, see table above, on the AFEP-MEDEF Code recommendations which have not been applied, concerning article 18.1.

**** The renewal of the mandate will be submitted to the 2020 Shareholders' Meeting.

Marc de Garidel, Henri Beaufour and Michèle Ollier were renewed as Director by the Shareholders' Meeting of 28 May 2019 for a duration of four years, *i.e.*, until the Shareholders' Meeting to be held in 2023 to approve the financial statements for the past financial year.

Marc de Garidel has also been renewed as Chairman of the Board of Directors during the Board meeting held after the Shareholders' Meeting on 28 May 2019.

David Meek, Chief Executive Officer and Director, resigned from his functions with effect on 31 December 2019. He was permanent guest of the Innovation and Development Committee – Specialty Care and of the Innovation and Development Committee – Consumer HealthCare.

Evolution of the Board composition

	Nature of the change
Shareholders' Meeting held on 28 May 2019	Renewal of the term of office of Marc de Garidel as Director
	Renewal of the term of office of Henri Beaufour as Director
	Renewal of the term of office of Michèle Ollier as Director
Decision of the Board of Directors' Meeting held on 28 May 2019	Renewal of the term of office of Marc de Garidel as Chairman of the Board and appointment as Chairman of the Innovation and Development Committee – Specialty Care and of the Innovation and Development Committee – Consumer HealthCare
	Appointment of Jean-Marc Parant to the Ethics and Governance Committee
Decision of the Board of Directors' Meeting held on 17 December 2019	Acknowledgement of the resignation of David Meek as Chief Executive Officer and Director as of 31 December 2019 and appointment of Aymeric Le Chatelier as interim Chief Executive Officer as of 1 January 2020
Decision of the Board of Directors' Meeting held on 6 January 2020	Cooptation of Highrock S.àr.l., represented by Anne Beaufour, as Director, replacing the latter, following her resignation
	Appointment of Highrock S.àr.l. as a permanent guest of the Innovation and Development Committee – Specialty Care and of the Innovation and Development Committee – Consumer HealthCare
	Cooptation of Beech Tree SA, represented by Philippe Bonhomme, as Director, replacing the latter, following his resignation
	Appointment of Beech Tree SA to the Audit Committee, the Nominations Committee, the Ethics and Governance Committee and the Innovation and Development Committee – Consumer HealthCare

There are currently twelve Board members, four of whom are independent, and one is a Director representing the employees.

5.2.2.3 Experienced, qualified and committed Board members

Skills of the Board of Directors

The skills of the Directors are varied and complementary with respect to the Company's business, particularly in the areas of management and strategy, science, pharmaceuticals legal, regulation, corporate social responsibility, digital and technology.

Presentation of the Board members

Marc de Garidel Chairman of the Board of Directors	Nationality: French	Shares owned: 138,501 Voting rights: 269,321

Committees:
- Innovation and Development Committee – Specialty Care (Chairman)
- Innovation and Development Committee – Consumer HealthCare (Chairman)

Date of birth:
16 March 1958

Date of 1st appointment:
22 November 2010

Last renewal date:
28 May 2019

Term of office:
2023 Shareholders' Meeting

Biography and experience

Marc de Garidel is a graduate from the French Engineering School ESTP, and has an Executive MBA from Harvard Business School.

Marc de Garidel started his career with Eli Lilly with various responsibilities in countries like US, Germany, France. Between 1995 and 2010, he held Executive position in finance & general management including the biggest region of Amgen International operations & the corporate controller of Amgen Inc.

Marc de Garidel joined Ipsen as Chairman and CEO in November 2010.

He is now Chairman of the Board of Directors of Ipsen since the third quarter of 2016 and is advisor of the Ipsen holding companies Highrock S.àr.l. and Beech Tree SA.

Marc de Garidel has been CEO of Corvidia Therapeutics, Inc. since 29 March 2018.

He was Vice President of EFPIA between 2014 and June 2017, the European Pharmaceutical Trade Association, and chaired the Association of French Health Care companies (G5) between 2011 and 2018. His mandate as Chairman of IMI governing board also expired in May 2017.

Marc de Garidel was Vice-president of the Board of Vifor Pharma (Switzerland) between May 2017 and 2018 (formerly Galenica) of which he was a board member since 2015.

Positions and functions currently held

Main functions:
- Ipsen SA** (France), Chairman of the Board of Directors
- Corvidia Therapeutics, Inc. (United States of America), Chief Executive Officer*

Other positions:
- Highrock S.àr.l., (Luxembourg), advisor
- Beech Tree SA, (Luxembourg), advisor

Positions previously held that expired during the last five years

- Vifor Pharma GmbH** (formerly Galenica) (Switzerland), Director and Vice-president of the Board of Directors*
- G5 Santé (France), Chairman and spokesperson*
- Filière des Industries et Technologies de Santé (France), Vice President of the Strategic Committee*
- Vectorlab GmbH (Switzerland), Chairman*
- Ipsen SA** (France), Chairman and Chief Executive Officer until 18 July 2016
- Ipsen Pharma SAS (France), Chairman
- Suraypharm SAS (France), Chairman
- Pharnext (France), Director*
- EFPIA, Director and Vice President*
- IMI (Innovative Medicines Initiative), Chairman of the Board of Directors*
- Vifor (formerly Galenica)** (France), Director*
- Mayroy SA (Luxembourg), advisor

* Outside Ipsen Group.
** Listed company.

Antoine Flochel Vice Chairman of the Board of Directors	Nationality: French	Shares owned: 5,000** Voting rights: 10,000

Committees:
- Compensation Committee (Chairman)
- Innovation and Development Committee – Specialty Care

Date of birth:
23 January 1965

Date of 1st appointment:
30 August 2005

Last renewal date:
7 June 2017

Term of office:
2021 Shareholders' Meeting

Biography and experience

Antoine Flochel is currently the legal manager of Financière de Catalogne (Luxembourg) and Vice Chairman of Ipsen SA's Board of Directors. He is Chairman and Managing Director of Beech Tree SA and Managing Partner of MR HB and MR BMH.

Antoine Flochel worked for Coopers & Lybrand Corporate Finance (now PricewaterhouseCoopers Corporate Finance) from 1995 to 2005 and was a partner in 1998.

Antoine Flochel is a graduate of Sciences Po Paris, he holds a bachelor in law, an MPhil in economics from Dauphine University and a master of science in finance from the London School of Economics.

Positions and functions currently held

Main functions:
- Ipsen SA** (France), Vice Chairman
- Financière de Catalogne SPRL (Luxembourg), Managing Partner*

Other positions:
- Beech Tree SA (Luxembourg), Chairman and Managing Director
- MR HB (Luxembourg), Managing Partner
- MR BMH (Luxembourg), Managing Partner
- Blue Hill Participations S.à.r.l (Luxembourg), Managing Partner*
- KF Finanz AG (Switzerland), Director*
- Financière CLED SPRL (Belgium), Managing Partner*
- VicJen Finance SA (France), Chairman*
- Meet Me Out (France), Director*
- Institut Français des Administrateurs, IFA (France), Director*
- Massa Management (Luxembourg), Managing Partner*

Positions previously held that expired during the last five years

- Alma Capital Europe SA (Luxembourg), Director*
- Alma Capital Investment Funds SICAV (Luxembourg), Director*
- Alma Capital Investment Managers (Luxembourg), Director*
- Lepe Capital (United Kingdom), Member of the Investment Advisory Committee*
- Mayroy SA (Luxembourg), Managing Director and Chairman of the Board

* Outside Ipsen Group.
** Antoine Flochel is Chairman of VicJen Finance SA which held 2,000 shares of the Company and 4,000 voting rights as of 31 December 2019. He is also Managing Partner of Financière de Catalogne, which held 3,000 shares of the Company and 6,000 voting rights at the same date.

Highrock S.àr.l Director	Nationality: Luxembourg	Shares owned: 21,816,679** Voting rights: 43,633,357**

Committees*:**
- Innovation and Development Committee – Specialty Care (Permanent guest)
- Innovation and Development Committee – Consumer Healthcare (Permanent guest)

Date of 1st appointment:
6 January 2020 (co-option)****

Term of office:
2022 Shareholders' Meeting

Biography and experience

Highrock S.àr.l. is a limited liability company under Luxembourg law incorporated on 25 May 2009. Since 19 December 2019, Highrock S.àr.l. has been a shareholder of Ipsen SA.

Registered office: 3, rue Nicolas Adames – L-1114 Luxembourg.
RCS Luxembourg B146822.

As of 31 December 2019, it held 21,816,679 shares, *i.e.* 26.03% of the share capital, and 43,633,357 voting rights, *i.e.* 33.07% of the actual voting rights.

Highrock S.àr.l. was co-opted to replace Anne Beaufour by the Board of Directors on 6 January 2020. Its permanent representative is Anne Beaufour.

Anne Beaufour Permanent representative of Highrock S.àr.l.	Nationality: French	Shares owned: 1** Voting rights: 2**

Committees (in 2019*):**
- Innovation and Development Committee – Specialty Care (Permanent guest)
- Innovation and Development Committee – Consumer Healthcare (Permanent guest)

Date of birth:
8 August 1963

Biography and experience

Anne Beaufour holds a Bachelor's degree in geology (University of Paris Orsay).

Anne Beaufour is the shareholder of several companies, as described in section 5.6.2.1, which directly and/or indirectly hold shares of the Company.

On 6 January 2020, the Board of Directors acknowledged her resignation and co-opted Highrock S.àr.l., represented by Anne Beaufour.

Positions and functions currently held

Main functions:
- Highrock S.àr.l. (Luxembourg), Permanent representative at Ipsen Board of Directors
- Highrock S.àr.l. (Luxembourg), Manager

Other positions:
- South End Consulting Limited (SEC Ltd) (United Kingdom), Director*

Positions previously held that expired during the last five years
- FinHestia S.àr.l. (Luxembourg), Legal Manager
- Mayroy SA (Luxembourg), Vice Chairperson of the Board of Directors and Managing Director
- Beech Tree SA (Luxembourg), Director and Chairperson of the Board of Directors
- Bluehill Participations S.àr.l. (Luxembourg), Manager*

* Outside Ipsen Group.
** The indirect shareholding is described in section 5.6.2.1.
*** Anne Beaufour was a director and a permanent guest of the Innovation and Development Committee – Specialty Care and Innovation and Development Committee – Consumer Healthcare until 6 January 2020. Since 6 January 2020, the company Highrock S.àr.l is a Director and a permanent guest of the Innovation and Development Committee – Specialty Care and Innovation and Development Committee – Consumer Healthcare.
**** The ratification of the provisional appointment of Highrock S.àr.l. as Director will be submitted to the 2020 Shareholders' Meeting.

Henri Beaufour Director	Nationality: French	Shares owned: 1** Voting rights: 2**

Committees:
- Innovation and Development Committee – Specialty Care (Guest)
- Innovation and Development Committee – Consumer HealthCare (Guest)

Date of birth:
6 January 1965

Date of 1st appointment:
30 August 2005

Last renewal date:
28 May 2019

Term of office:
2023 Shareholders' Meeting

Biography and experience

Henri Beaufour holds a Bachelor of Arts degree (Georgetown University, Washington DC, United States).

Henri Beaufour is the shareholder of several companies which directly and/or indirectly hold shares of the Company (see the section 5.6.2.1).

Henri Beaufour is also involved in philanthropic activities, in particular children's support associations helping young persons to have access to appropriate education, such as the Alasol Foundation.

Positions and functions currently held

Main functions:
- Beech Tree SA (Luxembourg), Director
- Ipsen SA (France), Director

Other positions:
- Massa Management SARL (Luxembourg), Partner and Legal Manager*
- Massa Art SAS (France), Chairman

Positions previously held that expired during the last five years

- Mayroy SA (Luxembourg), Director

* Outside Ipsen Group.
** The indirect shareholding is described in section 5.6.2.1.

Beech Tree SA Director	Nationality: Luxembourg	Shares owned : 21,816,679** Voting rights : 43,633,357**

Committees***:**
- Audit Committee
- Nominations Committee
- Ethics and Governance Committee
- Innovation and Development Committee – Consumer Healthcare

Date of 1st appointment:
6 January 2020 (co-option)******

Term of office:
2020 Shareholders' Meeting

Biography and experience

Beech Tree SA is a limited company under Luxembourg law, incorporated in 2001.

Since 19 December 2019, Beech Tree SA has been an indirect shareholder of Ipsen SA.

Registered office: 11, Boulevard Royal – L-2449 Luxembourg.
RCS Luxembourg B85327.

As of 31 December 2019, it held indirectly 21,816,679 shares, *i.e.* 26.03% of the share capital, and 43,633,357 voting rights, *i.e.* 33.07% of the actual voting rights through its controlled subsidiaries MR BMH and MR HB.

Beech Tree SA was coopted to replace Philippe Bonhomme by the Board of Directors on 6 January 2020. It is permanently represented by Philippe Bonhomme.

Philippe Bonhomme Permanent representative of Beech Tree SA	Nationality: French	Shares owned: 500 Voting rights: 1,000

Committees (in 2019***):**
- Audit Committee
- Nominations Committee
- Ethics and Governance Committee
- Innovation and Development Committee – Consumer Healthcare

Date of birth:
5 November 1969

Biography and experience

Since 2005, Phillippe Bonhomme has been Partner, Director and a member of the management committee of Hottinguer Corporate Finance, which is the investment banking arm of Hottinguer bank. He has been advising in France and abroad on numerous transactions in the pharma and healthcare sectors as well as on private equity-backed transactions.

From 1993 to 2005, Philippe Bonhomme was first an auditor and then, a Corporate Finance consultant within Coopers & Lybrand (renamed into PricewaterhouseCoopers).

From 2012 to 2018, Philippe Bonhomme was the permanent representative of the Company Mayroy SA, Director of Ipsen SA. Since 30 May 2018, Philippe Bonhomme was a member of the Board of Directors of Ipsen SA. On 6 January 2020, the Board of Directors acknowledged his resignation and co-opted Beech Tree SA, in replacement, represented by Philippe Bonhomme.

Philippe Bonhomme is a graduate of École des Hautes Études Commerciales (HEC, Paris) and a French Certified Public Accountant (CPA).

Positions and functions currently held

Main functions:
- Hottinguer Corporate Finance SA (France), Partner, Director and Member of the Management Committee*

Other positions:
- Beech Tree SA (Luxembourg), Director
- MR HB (Luxembourg), Managing Partner

Positions previously held that expired during the last five years

- Permanent representative of Mayroy at Ipsen's Board of Directors
- Mayroy SA (Luxembourg), Director

* Outside Ipsen Group.
** The indirect shareholding is described in section 5.6.2.1.
*** Philippe Bonhomme was a member of the Board of Directors, the Audit Committee, the Nominations Committee, the Ethics and Governance Committee and the Innovation and Development Committee – Consumer Healthcare until 6 January 2020, when Beech Tree SA was co-opted to replace him.
**** The ratification of the provisional appointment of Beech Tree SA as Director will be submitted to the 2020 Shareholders' Meeting.

Margaret Liu Independent Director	Nationality: American	Shares owned: 689 Voting rights: 689

Committees:
- Ethics and Governance Committee (Chairperson)
- Innovation and Development Committee – Specialty Care

Date of birth:
11 June 1956

Date of 1st appointment:
7 June 2017

Term of office:
2021 Shareholders' Meeting

Biography and experience

Margaret Liu is currently a Global Health, Vaccines and Immunotherapy Consultant for pharma/biotech and investment companies, universities, and governmental scientific research councils. She also serves as a Professor at the Karolinska Institute in Stockholm, Sweden since 2003, first as Visiting Professor and then as Foreign Adjunct Professor. She is also Adjunct Full Professor at the University of California in San Francisco, CA since 2013.

Before that, she occupied various functions in the private and public sector parallel to her academic career. From 1984 to 1988 she was Visiting Scientist at the Massachusetts Institute of Technology. From 1987 to 1989 she was Instructor of Medicine at Harvard University. From 1989 to 1995, she was Adjunct Assistant Professor of Medicine at the University of Pennsylvania in Philadelphia, PA. From 1990 to 1997, she served as Director, then Senior Director for Virus and Cell Biology at Merck Research Laboratories. From 1997 to 2000, she served as a Vice President of Vaccines Research and then Vice President of Vaccines and Gene Therapy at Chiron Corporation in Emeryville, CA. From 2000 to 2002, she was Senior Advisor in Vaccinology for the Bill & Melinda Gates Foundation. From 2000 to 2006, she was Vice Chairman of Transgène in Strasbourg, France. From 2005 to 2009, she served as a Director of Sangamo Biosciences Inc. She was President of the International Society for Vaccines from 2016 until the end of 2017.

She is an accomplished leader in the research and development of vaccine and immunization programs for infectious diseases, particularly HIV and in the field of gene-based therapies.

She earned her B.A. in Chemistry, *summa cum laude*, from Colorado College and an M.D. from Harvard Medical School. She was awarded an honorary Doctorate of Science (D.Sc.) from Colorado College and received the Karolinska Institute's highest distinction in May 2017, Medicine Doctor honoris causa-MDhc.

Positions and functions currently held

Main functions:
- ProTherImmune (United States of America), Global Health, Vaccines and Immunotherapy Consultant*

Other positions:
- International Society for Vaccines, President Emeritus, Member of the Board*
- Jenner Institute, University of Oxford (United Kingdom), Scientific Advisory Board*
- PAX Therapeutics, (United States of America)*, CEO-designate*

Positions previously held that expired during the last five years

- International Society for Vaccines, President*

* Outside Ipsen Group.

Michèle Ollier Director	Nationality: French-Swiss	Shares owned: 500 Voting rights: 500

Committees:
- Innovation and Development Committee – Specialty Care

Date of birth:
2 June 1958

Date of 1st appointment:
28 May 2019

Term of office:
2023 Shareholders' Meeting

Biography and experience

Since 1 February 2016, Michèle Ollier is one of the partner and founder of Medicxi, a capital venture company located in Geneva and London. Medicxi is the spin-off of the life science section of Index Ventures.

From February 2006 to February 2016, Michèle Ollier was Partner in the life science investment team of Index Ventures.

From 2003 to 2006, she was the investment's manager at Edmond de Rothschild Investment Partner in Paris. From 2000 to 2002, she was the corporate's vice-manager at Serono International. From 1994 to 2000, she occupied various posts at Rhône-Poulenc Rorer in particular in oncology and in the division "gene therapy", RPR Gencell. Before, Michèle Ollier occupied various functions in strategy, development, and commercialization in the pharmaceutical companies Sanofi International and Bristol-Myers Squibb France.

Michèle Ollier is a graduate of the medicine faculty of Paris-Ouest.

Positions and functions currently held

Main functions:
- Medicxi (Switzerland and United Kingdom), Partner*

Other positions:
- Epsilon 3 Bio Limited (United Kingdom)*
- LinguaFlex Inc. (United States of America)*
- Human Antibody Factory (United Kingdom)*
- Palladio Biosciences Inc. (United States of America)*
- Kymo Therapeutics Limited (United Kingdom)*
- Kaerus France SAS (France)*
- Kaerus Bioscience Limited (United Kingdom)*
- Mavalon Therapeutics Limited (United Kingdom)*
- Gadeta BV (The Netherlands)*
- Vitavest NL Coop (The Netherlands)*
- Pega-One (France)*
- Villaris Therapeutics (United States of America)*
- Pearl River Bio (Germany)*
- Yukin Therapeutics (France)*
- Alderaan (France)*

Positions previously held that expired during the last five years
- Diasome Pharmaceuticals, Inc. (United States of America)*
- STX pharma Limited (United Kingdom)*
- Minerva Neuroscience, Inc.** (United States of America)*
- Purple Therapeutics Limited (United Kingdom)*
- Encare Biotech BV (The Netherlands)*
- AbTco BV (The Netherlands)*
- Cyrenaic Pharma Inc (United States of America)*
- Profibrix (The Netherlands)*

* Outside Ipsen Group.
** Listed company.

Jean-Marc Parant Director representing the employees	Nationality: French	Shares owned: 30* Voting rights: 60*

Committee:**
- Ethics and Governance Committee

Date of birth:
28 September 1959

Date of 1st appointment:
27 November 2018

Term of office:
2022 Shareholders' Meeting

Biography and experience

Jean-Marc Parant has been designated Director representing the employees by the Works Council on 27 November 2018.

Employee of the Ipsen Group since January 1989, he is currently Head of Digital Learning Solutions and was previously Training Director. He thus contributed to the implementation of the training management system within the Ipsen Group, notably through dedicated digital platforms.

Jean-Marc Parant is graduated from the Bordeaux School of Medicine, specialized in the field of medical informatics (artificial intelligence and data bases) and graduated in statistics. He is also an expert in Training and Digital learning.

Positions and functions currently held

Main functions:
- Ipsen Pharma SAS, Head of Digital Learning Solutions

Other positions:
None

Positions previously held that expired during the last five years

None

* Shares held under the free share plan of 22 January 2009, approved by the Board of Directors at its meeting on the same day, for the benefit of all Group employees. In his capacity as Director representing the employees, and in accordance with the Company's Articles of Association, the Director representing the employees is not required to hold a minimum number of Ipsen shares.
** Jean-Marc Parant has been a member of the Ethics and Governance Committee since 28 May 2019.

Paul Sekhri Independent Director	Nationality: American	Shares owned: 500 Voting rights: 500

Committees:
- Audit Committee
- Nominations Committee
- Innovation and Development Committee – Specialty Care

Date of birth:
26 April 1958

Date of 1st appointment:
30 May 2018

Term of office:
2022 Shareholders' Meeting

Biography and experience

Paul Sekhri has been President and Chief Executive Officer of e-Genesis, a company specialized in gene editing technology to deliver safe and effective human transplantable cells, tissues and organs, since 17 January 2019.

Prior to this, Paul Sekhri was President and Chief Executive Officer of Lycera Corp., a US biopharma company focused on treatments for cancer and autoimmune diseases from February 2015 until January 2019. He served as Senior Vice President, Integrated Care for Sanofi from April 2014 through January 2015. Previously, he served as Group Executive Vice President, Global Business Development and Chief Strategy Officer for Teva Pharmaceutical Industries, Ltd. Before joining Teva he spent five years as Operating Partner and Head of the Biotechnology Operating Group at TPG Biotech, the life sciences venture capital arm of TPG Capital. From 2004 to 2009, Paul Sekhri was Founder, President, and Chief Executive Officer of Cerimon Pharmaceuticals, Inc. Prior to founding Cerimon, he was President and Chief Business Officer of ARIAD Pharmaceuticals, Inc.

Between 1999 and 2003, Paul Sekhri spent four years as Senior Vice President, and Head of Global Search and Evaluation, Business Development and Licensing for Novartis Pharma AG and also developed the Disease Area Strategy. His first role was as Global Head, Early Commercial Development – a department he established to ensure the differential competitive advantage of Novartis' pipeline.

Paul Sekhri is currently a member of the Board of Directors of Compugen Ltd., Petra Pharma Corp., Topas Therapeutics GmbH, Alpine Immune Sciences, Inc., Pharming Group NV and Veeva Systems, Inc.

Additionally, he serves on non-profit boards such as the Knights, The Orchestra of St. Luke's and the Metropolitan Opera.

Paul Sekhri received his BS in Zoology from the University of Maryland, College Park and completed graduate work in Neuroscience at the University of Maryland School of Medicine.

Positions and functions currently held

Main functions:
- e-Genesis (United States of America), President and Chief Executive Officer*

Other positions:
- Compugen, Ltd.** (Israel), Chairman of the Board*
- Petra Pharma Corp. (United States of America), Chairman of the Board*
- Alpine Immune Sciences, Inc.** (United States of America), Independent Director*
- Pharming Group NV** (The Netherlands), Chairman of the Board of Supervisory Directors*
- Veeva Systems, Inc.** (United States of America), Independent Director*

Positions previously held that expired during the last five years

- Enumeral Biomedical, Inc. (United States of America), Director*
- Nivalis Therapeutics, Inc. (United States of America) Director*
- Lycera Corp. (United States of America), President and Chief Executive Officer*
- Topas Therapeutics GmbH (Germany), Chairman of the Board of Supervisory Directors*

* Outside Ipsen Group.
** Listed company.

Carol Stuckley Independent Director	Nationality: American	Shares owned: 500 Voting rights: 500

Committees:
- Audit Committee (Chairperson)
- Compensation Committee

Date of birth:
20 September 1955

Date of 1st appointment:
7 June 2017

Term of office:
2021 Shareholders' Meeting

Biography and experience

Carol Stuckley was most recently the Chief Financial Officer and Senior Vice President of Healthcare Payment Specialists, LLC in Fort Worth, TX. Healthcare Payment Specialists provided technology enabled solutions for health care eligibility, government reimbursement and compliance to hospitals and healthcare systems across the US.

From 2010 to 2013, she was Vice President, Finance (Chief Financial Officer), North America at Galderma Laboratories, L.P., in Fort Worth, TX. Prior to Galderma, Carol Stuckley had a 23-year career at Pfizer, Inc., New York, NY, where she held several multinational and global, senior financial leadership roles including Assistant Treasurer, Corporate Officer and Vice President of Finance.

She holds an MBA in International Business & Finance and an MA in Economics from Temple University (Fox Business School) in Philadelphia, PA as well as a BA in Economics and French from the University of Delaware in Newark, DE.

Positions and functions currently held

Main functions:
- Financial Executives International (United States), Fort Worth Chapter, Board Member*
- Ipsen SA (France), Director

Other positions:
None

Positions previously held that expired during the last five years

- Healthcare Payment Specialists, LLC (United States), Chief Financial Officer and Senior Vice President*
- Financial Executives International (United States), Fort Worth Chapter, President*

* Outside Ipsen Group.

Piet Wigerinck Independent Director	Nationality: Belgian	Shares owned: 680 Voting rights: 680

Committees:
- Innovation and Development Committee – Specialty Care
- Compensation Committee

Date of birth:
22 December 1964

Date of 1st appointment:
30 May 2018

Term of office:
2022 Shareholders' Meeting

Biography and experience

Piet Wigerinck, Ph.D., joined Galapagos NV in April 2008 as SVP Development and was appointed Chief Scientific Officer in 2010. Under his leadership, Galapagos has developed a large pipeline of novel mechanism of action drugs. He has supervised multiple successful proofs-of-concept patient studies, including filgotinib, GLPG1690, and MOR106.

Prior to his tenure at Galapagos, Piet Wigerinck was Vice President, Drug Discovery, Early Development and CM&C at Tibotec-Virco Comm. VA (a subsidiary of Johnson & Johnson Services, Inc.). Under his leadership at Tibotec, TMC114 (Prezista™) and TMC435 (Olysio™) were selected and moved forward into clinical trials. Piet Wigerinck played a key role in Tibotec's expansion into novel diseases such as Hepatitis C and advanced several compounds into Phase 1 and Phase 2 clinical trials.

Piet Wigerinck has over 30 years of R&D experience in the pharmaceutical industry and biotechnology. He holds a Ph.D. from the K.U. Leuven and is inventor on more than 25 patent applications.

Positions and functions currently held

Main functions:
- Galapagos NV (Belgium)**, Chief Scientific Officer*

Other positions:
None

Positions previously held that expired during the last five years

None

* Outside Ipsen Group.
** Listed company.

Carol Xueref Director	Nationality: British	Shares owned: 500 Voting rights: 1,000

Committees:
- Nominations Committee (Chairperson)
- Ethics and Governance Committee
- Compensation Committee
- Innovation and Development Committee – Consumer HealthCare

Date of birth:
9 December 1955

Date of 1st appointment:
1 June 2012

Date of last renewal:
31 May 2016

Term of office:
2020*** Shareholders' Meeting

Biography and experience

Carol Xueref is Chairperson of Floem SAS, a consultancy firm. She was Secretary General and a member of Essilor International's Executive Leadership Team until 30 June 2016.

From 1982 to 1986, Carol Xueref was Deputy to the Attachée for Commercial Affairs at the British Embassy in Paris. From 1986 to 1990, she was Head of Division at the International Chamber of Commerce (Paris). In 1990, she became Director for Legal and Tax Affairs at the Banque Populaire de la Région Ouest de Paris. From 1993 to 1996, she was Head of a legal department within Crédit Lyonnais and subsequently Director for Legal Affairs of OIG (Crédit Lyonnais' defeasance entity). From 1996 to 2014, Carol Xueref was Director for Legal Affairs and Group Development and from 2014 to 2016 Secretary General; she was a member of Essilor International's Executive Leadership Team. She has been a member of the *Autorité de la Concurrence* (French Competition Authority) since 2006, and chaired its "Compliance" working group.

Carol Xueref is a founder member and a past-President of the Cercle Montesquieu (Association of French Legal Directors (1998-2002)) and chaired its "Ethics of in-house lawyers" working group. She is member of the *"Association Française des Femmes Juristes"* and Director of the Franco-British Lawyers Society.

Carol Xueref holds a Master's Degree in Law and a Post Graduate Degree in International Commercial Law (DESS) from the University of Paris II (Assas).

Positions and functions currently held

Main functions:
- Floem SAS (France), Chairperson*

Other positions:
- Eiffage** (France), Director and Chairperson of the Compensation and Appointments Committee and member of the Strategic Committee*

Positions previously held that expired during the last five years

- Essilor International** (France), Director of several subsidiaries of the Group (France and abroad), Secretary General and Member of the Executive Leadership Team*

* Outside Ipsen Group.
** Listed company.
*** The renewal of her office will be submitted to the 2020 Shareholders' Meeting.

For the purposes of their office, Directors are domiciled at the Company's registered office.

Director whose mandate ended during the 2019 financial year:

Until 31 December 2019, David Meek, of American citizenship, was Chief Executive Officer from 16 July 2016 and Director from 7 June 2017. He was permanent guest at the Innovation and Development Committee – Specialty Care and Innovation and Development Committee – Consumer HealthCare.

He was also Chairman of Ipsen Pharma SAS, a subsidiary wholly owned by Ipsen SA.

His mandates outside Ipsen Group were:

- Non-executive Board member at uniQure, listed company in The Netherlands,
- PhRMA, Board member of Pharmaceutical Research and Manufacturers of America, company in the United States of America,
- Board member at EFPIA, European Federation of Pharmaceutical Industries and Associations,
- Director and Non-Executive Chairman of Entasis Therapeutics, listed company in the United States of America.

He did not hold previous positions that expired during the last five years.

For more information about David Meek, please refer to section 5.4 of this document.

Attendance rate of Directors

Directors as of 31 December 2019*	Board of Directors	Innovation and Development Committee – Specialty Care	Audit Committee	Nominations Committee	Compensation Committee	Ethics and Governance Committee	Innovation and Development Committee – Consumer HealthCare
Marc de Garidel	14 meetings out of 14 *(100%)*	8 meetings out of 9 *(89%)*	–	–	–	–	3 meetings out of 3 *(100%)*
Antoine Flochel	14 meetings out of 14 *(100%)*	8 meetings out of 9 *(89%)*	–	–	4 meetings out of 4 *(100%)*	–	–
Anne Beaufour	13 meetings out of 14 *(93%)*	–	–	–	–	–	–
Henri Beaufour	10 meetings out of 14 *(71%)*	–	–	–	–	–	–
Philippe Bonhomme	14 meetings out of 14 *(100%)*	–	6 meetings out of 6 *(100%)*	7 meetings out of 7 *(100%)*	–	4 meetings out of 4 *(100%)*	3 meetings out of 3 *(100%)*
Margaret Liu	14 meetings out of 14 *(100%)*	9 meetings out of 9 *(100%)*	–	–	–	4 meetings out of 4 *(100%)*	–
Michèle Ollier	14 meetings out of 14 *(100%)*	7 meetings out of 9 *(78%)*	–	–	–	–	–
Jean-Marc Parant	14 meetings out of 14 *(100%)*	–	–	–	–	4 meetings out of 4 *(100%)*	–
Paul Sekhri	11 meetings out of 14 *(79%)*	5 meetings out of 9 *(56%)*	6 meetings out of 6 *(100%)*	7 meetings out of 7 *(100%)*	–	–	–
Carol Stuckley	14 meetings out of 14 *(100%)*	–	6 meetings out of 6 *(100%)*	–	4 meetings out of 4 *(100%)*	–	–
Piet Wigerinck	11 meetings out of 14 *(79%)*	6 meetings out of 9 *(67%)*	–	–	2 meetings out of 4 *(50%)*	–	–
Carol Xueref	13 meetings out of 14 *(93%)*	–	–	6 meetings out of 7 *(86%)*	4 meetings out of 4 *(100%)*	3 meetings out of 4 *(75%)*	3 meetings out of 3 *(100%)*

* David Meek, director until 31 December 2019, attended 100% of the Board meetings during the financial year 2019.

5.2.2.4 Activity of the Board of Directors in 2019

Extract from the Internal Rules of the Board of Directors

"Role of the Board of Directors

In charge of managing the Company, in accordance with its legal obligations and the Articles of Association, the Board:

- *endeavours to promote long-term value creation by the company by considering the social and environmental aspects of its activities. If applicable, it proposes any statutory change that it considers appropriate;*
- *in collaboration with the Chief Executive Officer, defines the strategic orientation, examines and decides on important operations, reviews the strategic orientations of the Company and the Group, which is made up of the Company and the business units it consolidates in its financial statements (hereafter "the Group"), its investment, disinvestment, or internal restructuring projects, the Group's overall policy with regard to human resources, in particular its policy on compensation, profit-sharing, and performance-based incentives. It appraises the performance of the Company's management on an annual basis and is consulted on new executive managers' recruitments;*
- *approves the annual budget presented by the Chief Executive Officer, and all its amendments when exceeding an amount of €10 million;*
- *approves, on a proposal of the relevant Innovation and Development Committee and before any decision is made, acquisitions or divestments of equity interests or assets, partnerships, alliances, or cooperation agreements relating to research, development, industry, and business as well as, generally speaking, any transaction or any commitment that might significantly affect the Group's financial or operating situation or its strategic guidelines;*
- *is regularly informed via the Audit Committee about the financial situation, the Company's cash position, and all the significant events affecting the Company; it is kept informed by its Chairman and by its Committees of all significant events related to the conduct of business for the Company and the Group;*

...

- *ensures that shareholders and the public are well informed of the strategy, development model, major non-financial matters of the Company, issues as well as its long-term outlook, in particular via the control it exercises on the information given by the Company; and in this respect, it defines the Company's communication policy, in particular regarding the frequency with which financial information relating to the Group is released;*
- *checks that the Company has reliable procedures in place to identify, assess, and monitor its commitments and risks, including off-balance sheet risks, as well as an appropriate internal control system;*
- *is informed about market developments, the competitive environment and the most important aspects facing the company, including in the area of social and environmental responsibility;*
- *regularly reviews, in relation to the strategy it has defined, the opportunities and risks, such as financial, legal, operational, social and environmental risks, as well as the measures taken accordingly. To this end, the Board of Directors receives all of the information needed to carry out its task, notably from the executive officers;*
- *if applicable, ensures the implementation of a mechanism to prevent and detect corruption and influence peddling;*
- *also ensures that the executive officers implement a policy of non-discrimination and diversity, notably with regard to the balanced representation of women and men on the governing bodies.*

More generally, the Board exercises the functions assigned to it by the law to act at all times in the Company's corporate interest and takes particular care to prevent any conflicts of interest and to take all interests into account.

Furthermore, the non-executive Directors also carry out, once a year, an evaluation of the Chairman of the Board, the Chief Executive Officer and, as the case may be, the Deputy Chief Executive Officer(s), outside their presence. The results of this evaluation are communicated by the Chairman of the Board of Directors to the Chief Executive Officer."

"Powers of the Board of Directors

The Board of Directors defines guidelines for the Company's business operations and monitors their implementation.

Subject to the powers expressly conferred to Shareholders' Meetings and within the limits of the Company's corporate purpose, the Board of Directors is competent to consider any matters affecting the proper running of the Company, and can take decisions governing any matters concerning it.

With respect to third parties, the Company is bound by the Board of Directors' acts even when they run counter to the Company's corporate object, unless the Company can prove that the third party knew the act was ultra vires or could not fail to have known this given the circumstances, on the understanding that the mere publication of the Company's Articles of Association is not sufficient to constitute such proof.

The Board of Directors shall carry out such controls and verifications as it deems fit."

The Board of Directors met 14 times during the 2019 financial year. The average attendance rate at Board meetings was 93% in 2019.

The Company's Statutory Auditors were called to Board meetings held to approve the annual and half-year financial statements.

The following matters were reviewed and discussed by the Board of Directors in 2019:

- Financial statements and financial position: review and approval of the 2018 annual and consolidated financial statements, the 2019 half-year financial statements, examination of the management forecast documents, the 2020 budget, and 2019 guidance, refinancing;
- Strategy and development: review and follow-up of acquisition projects (acquisition of Clementia Pharmaceuticals Inc. and exclusive global license agreement with Blueprint Medicines), partnership and development projects, and Group strategic review;
- Compensation policy: review and determination of the respective compensation of the Chairman of the Board and of the Chief Executive Officer, preparation of the report on corporate governance including the Corporate Officers' compensation policy and grant of free shares (subject to performance conditions for corporate officers and certain executives and without performance conditions for certain Group managers and a "5 shares for all" plan for all eligible employees of the Group);
- An evaluation on the performance of the Chairman and of the Chief Executive Officer has been conducted during 2019 without their presence, their conclusions have been presented to them;
- Organization and functioning of the Board of Directors: proposals to renew the appointments of Directors, report on the independence of the Directors, review of the Internal Rules of the Board of Directors, a formalized evaluation of the functioning of the Board of Directors and of the Committees by an external consultant (for more information, please refer to section 5.2.2.6), procedure for identifying current / regulated agreements;
- Corporate Officers: approval of the succession plan process for the Chairman and the Chief Executive Officer functions and implemented following the CEO's resignation, as described below as described in section 5.2.2.6;
- Shareholders' Meeting: review and approval of the report on corporate governance, convening notice of the Shareholders' Meeting of 28 May 2019, approval of the resolutions approval of the Shareholders' Meeting Agenda, draft resolutions and report submitted by the Board of Directors to the Shareholders' Meeting;
- Share capital: capital increase linked to the exercise of subscription options;
- Human Resources: complete overview of the HR function within the Ipsen Group, succession plan for the Executive Leadership Team, policy of talent identification, non-

discrimination and diversity implemented within the Group (for more information, please refer to section 5.2.2.6 as part of the Committees' activity and to Chapter 4 of this Document);

- Ethics and Compliance: review and approval of the CSR strategy and policy, deployed in all the Group's subsidiaries, review and individual approval of the Code of Conduct by the Directors (for more information, please refer to section 5.2.2.6 as part of the Committees' activity and to Chapter 4 of this Document).

In addition, the Board of Directors met regularly during the 2019 financial year in the absence of the Chief Executive Officer and members of management, in restricted sessions.

5.2.2.5 Evaluation of the functioning of the Board and the Committees

Evaluation from the Internal Rules of the Board of Directors

"Once a year, the Board discusses its operation, membership, and organization in an "executive session", without the Chairman of the Board if appropriate, and without the presence of the Chief Executive Officer and management team members.

This "executive session" is prepared by the Ethics and Governance Committee in conjunction with the Vice Chairman of the Board or a Director who is specially appointed for this purpose.

The Board also performs a formal evaluation at least once every three years.

The Board may call in an external consultant to conduct an evaluation."

Evaluation carried out in 2019

In 2019, an external evaluation of the functioning of the Board of Directors was realized with the assistance of an independent consulting firm. It was conducted on the basis of a documentary analysis (Articles of Association, Internal Rules of the Board, Directors' Code of conduct, Board and Committees files and minutes) followed by individual interviews with each Director and selected members of the Executive Leadership Team. An interview guide was prepared in association with the Chair of the Ethics and Governance Committee, the General counsel, and the Company Secretary.

The results of this evaluation were presented to the Ethics and Governance Committee and then to the Board.

Areas of satisfaction shared by Directors are the following:

- the overall quality of the governance including governance documents, as well as the improvement brought by the new digital platform;
- the material conditions made available to the Directors for exercising their mandate;
- the composition of the Board and Committees that reflects the complementary skills of its members, whether independent or not, and allows the Board to exercise its responsibilities.

Areas of improvement have been identified, with corresponding changes in the Internal Rules of the Board, in order to:

- describe the new interaction between the majority shareholders and its implications on the Board and the Committees in the decision-making process;
- formalize a dedicated annual strategic seminar;
- continue to analyze key skills required by the Board of Directors.

5.2.2.6 Committees of the Board of Directors

Internal Rules of the Board of Directors – Committees of the Board

"Committee members chosen from among the Directors are appointed in a personal capacity for the duration of their term of office as a Director. They can delegate another member of the same Committee to represent them. They can be replaced or dismissed at any time by the Board. Their terms of office are renewable. A single Director can be a member of several Committees.

The Chairperson of each Committee is appointed from among its members by the Board.

Subject to the specific rules applicable to them, each Committee determines the frequency of its meetings. Said meetings are held at the head office or any other location decided by its Chairperson when he convenes it and sets the meeting's agenda.

A Committee can only meet if at least half of its members are present, in one of the ways allowed by the law or the Articles of Association with respect to Directors attending Board meetings.

Each Committee shall rule by a simple majority of the votes of the members present or represented.

The Chairperson of a Committee may invite all Board members to one or several of its meetings, as well as any other person. Only members of the Committee shall take part in its deliberations.

The minutes of each Committee meeting are drawn up by the Secretary of the Board under the authority of the Chairperson of the Committee. The minutes are then sent to all members of the Committee. The Chairpersons of Committees report to the Board on the work carried out by their Committees under the conditions set by the Board.

Within its own area of competence, each Committee issues proposals, recommendations, or opinions.

To this end, each Committee may carry out or have carried out, at the Company's expense, all external studies likely to enlighten the Board's deliberations.

...

Each Committee reports to the Board on its work at each one of the Board's meetings. A summary of the activity of each Committee is included in the Report on the corporate governance.

Each Committee may decide, if need be, on its other operating procedures. It ensures periodically that its rules and operating procedures enable it to assist the Board in deliberating validly on the issues within its remit and can propose to the Board a change in its Internal rules.

The Board establishes six (6) permanent Committees:

- *a Nominations Committee,*
- *an Ethics and Governance Committee,*
- *a Compensation Committee,*
- *an Audit Committee,*
- *an Innovation and Development Committee - Specialty Care,*
- *an Innovation and Development Committee - Consumer HealthCare."*

The Nominations Committee

Internal Rules of the Board of Directors

"Role

The role of the Nominations Committee is to:

- *in conjunction with the Ethics and Governance Committee (for aspects relating to conflicts of interest) and the Chairman of the Board, make proposals to the Board of Directors concerning the re-election, replacement or appointment of new Directors;*
- *ensure the balance and complementarity of the skills of the directors and the diversity of their profiles;*
- *organize a procedure to select future independent directors;*
- *give its opinion, in conjunction with the Chairman of the Board, on the recruitment or the replacement of the Chief Executive Officer or Deputy Chief Executive Officers, if applicable, as well as on members of the Executive Leadership Team;*
- *design, if applicable, in conjunction with the Chairman of the Board, a plan for replacement of Company Officers, so as to be able to propose replacement solutions to the Board in the event of an unforeseen vacancy;*
- *regularly review directors training plans and the process for welcoming and integrating new directors.*

Composition

The Nominations Committee comprises at least three and no more than six directors, one-third of whom are independent, according to the criteria set out above. The Board appoints the Chairperson of the Committee from among its members. When voting on the Nominations Committee, the Chairman of the Committee does not have a casting vote.

The Nominations Committee meets at least twice a year when convened by its Chairperson or at the request of the Chairman of the Board."

The Nominations Committee is currently comprised of three members, one of whom is independent.

Its members are:

- Carol Xueref (Chairperson),
- Beech Tree SA (represented by Philippe Bonhomme); and
- Paul Sekhri (Independent member).

During the 2019 financial year, Philippe Bonhomme was member of the Committee. Beech Tree SA was coopted as member of the Committee by the Board of 6 January 2020 in replacement.

The Chief Executive Officer may attend meetings of the Nominations Committee and give his opinion when the agenda is about the appointment of Executive Leadership Team members or managers of the Group.

Activity of the Nominations Committee

The Nominations Committee met 7 times in 2019 with an attendance rate of 95%.

The Committee's activity focused mainly on the:

- renewal of Directors;
- monitoring of the balanced composition of the Board of Directors in conjunction with the Ethics and Governance Committee;
- formalization of the welcome policy for new Directors;
- integration of the Director representing the employees (trainings, appointment at the Ethics and Governance Committee, etc.);
- review of the PACTE Law linked to the second Director representing the employees at the Board of Directors;
- succession plan process for Corporate Officers (Chief Executive Officer and Chairman of the Board);
- review of the independence of Directors independence of Directors in conjunction with the Ethics and Governance Committee, and
- implementation of a research process to identify the future Chief Executive Officer.

The activity of the Committee has been reported and, when appropriate, a recommendation made to the Board, after each Committee meeting.

Succession plan for Corporate Officers

The Nominations Committee continued its work in 2019 on the succession plans for Corporate Officers (Chief Executive Officer and Chairman of the Board). The succession plan is based on several possible hypothesis: emergency succession (*e.g.* in case of legal incapacity, sudden resignation, illness or death), planned succession (*e.g.* in case of renewal of office, reaching a legal age limit, resignation given with lengthy prior notice (+/- 6 months), etc.) and accelerated succession (*e.g.* in case of a problem of availability, conflicts of interest, objectives not reached, strategic divergences, etc.).

Each hypothesis for either of the Chief Executive Officer or for the Chairman of the Board was studied by the Nominations Committee, in conjunction with them and the Group Human Resources Officer.

The Nominations Committee also prepared an identification process for CEO and Chairman successors including internal pre-identified candidates, setting out job descriptions (predetermined criteria and profiles based on the Company's ongoing needs), and pre-prepared press releases for each event.

The Nominations Committee also evaluated ELT profiles and performance, as well as their ability to assume an interim or ongoing executive management position in whole or in part, immediately or over time.

The Nominations Committee also presented to the Board of Directors its progress after each of its meetings and discussed conclusions within the terms of pre-arranged confidentiality constraints.

The succession plan is reviewed regularly by the Board of Directors, and at least once in a year.

The Board of Directors implemented the emergency succession plan after the resignation of David Meek on 17 December 2019 by appointing Aymeric Le Chatelier as interim Chief Executive Officer from 1 January 2020, whilst continuing his duties as Chief Finance Officer Group.

The Ethics and Governance Committee

Internal Rules of the Board on the missions of the Ethics and Governance Committee

"Role

The role of the Ethics and Governance Committee is to:

- *review the definition of the Group's fundamental values and its ethics and compliance policy;*
- *submit recommendations on ethics and compliance to the Board of Directors; discuss all issues relating to ethics and compliance referred to it by the Board;*
- *ensure the dissemination throughout the Group of the Code of Ethics and general ethics policies defined by the Group and their updates;*
- *ensure the implementation, monitoring and efficiency of procedures for the communication and comprehension of the Code of Ethics and compliance with it and overall policies by employees of the Group;*
- *examine the Group's risks mapping from an ethics and compliance standpoint;*
- *review the Group's ethics and compliance activity report;*
- *examine the organization of the ethics and compliance function and make recommendations, when relevant;*
- *receive any information concerning possible breaches of the ethics and compliance policy and review action plans implemented to address these;*
- *examine the evolution of corporate governance rules, particularly those of the AFEP-MEDEF Code, and report its conclusions and recommendations to the Board; monitor the application of the rules of corporate governance defined by the Board of Directors and ensure that the information is given to shareholders on this subject; specify, where appropriate, the recommendations of the AFEP-MEDEF Code that are not applied and explain the reasons in an understandable, relevant and detailed manner;*
- *propose the referral of the High Committee monitoring the application of the AFEP-MEDEF Code on any question relating to a provision or the interpretation of said code;*
- *examine situations of potential conflicts of interest of members of the Company's Board of Directors and communicate the results of its findings in accordance with an internal procedure which protects confidentiality;*
- *give a technical opinion – with regard to the rules of ethics and governance applied by the Group – on the mandates and functions performed outside the Group by the members of the Board of Directors, the Chief Executive Officer and, as the case may be, the Deputy Chief Executive Officers, at the time of their appointment and annually as part of the review of the information mentioned in the Universal Registration Document;*
- *prepare, under the direction of the Chairperson of the Committee, in liaison with the Vice Chairman of the Board or a specially appointed director, the annual "restricted session" of the Board of Directors on its operation, without the presence of the Chairman of the Board, the Chief Executive Officer and the executive members;*

...

- *give an opinion, in liaison with the Chairman of the Board, on the list of independent directors of the Board of Directors when appointing a director and annually for all directors;*
- *make proposals to the Board for the establishment and structuring of Board Committees;*
- *carry out, under the direction of the Chairperson of the Committee, a formal evaluation of the structure, size and composition of the Board, periodically and at least every three years, and make recommendations to the Board regarding any changes;*
- *propose to the Board the appointment of a Director in charge of the relations of the Board with the shareholders, in coordination with the Investor Relations Department of the Company and the Chief Executive Officer;*
- *if applicable, ensure the implementation of a mechanism to prevent and detect corruption and influence peddling. It receives all of the information needed for this purpose;*
- *also ensure that the executive officers implement a policy of non-discrimination and diversity, notably with regard to the balanced representation of women and men on the governing bodies.*

The Ethics and Governance Committee may hear, when it deems necessary, the Executive Management or its members, Internal Audit, the Ethics & Compliance Department or any other member of the Management team. These hearings can be held, if applicable, without Executive Management being present.

Composition

The Ethics and Governance Committee comprises at least three and no more than six directors, including at least one independent director as defined by the criteria set out above, selected among members of the Board of Directors, who are not executive Company officers. The Board appoints the Chairperson of the Committee from among its independent members. When voting on the Ethics and Governance Committee, the Chairman of the Committee does not have a casting vote.

The Ethics and Governance Committee meets at least twice a year when convened by its Chairperson."

The Ethics and Governance Committee is currently comprised of four members, one of whom is independent.

Its members are:

- Margaret Liu (Chairperson and independent member),
- Carol Xueref,
- Beech Tree SA (represented by Philippe Bonhomme), and
- Jean-Marc Parant (Director representing the employees).

During the 2019 financial year, Philippe Bonhomme was member of the Committee. Beech Tree SA was coopted as member of the Committee by the Board of 6 January 2020, in replacement.

Activity of the Ethics and Governance Committee

The Committee met 4 times in 2019 with an attendance rate of 93%.

The Committee's work focused mainly on:

- the work of Ethics & Compliance Department, in particular:
  - review of the objectives of the Ethics & Compliance Department,
  - review of the surveillance and formation programs,
  - review of the follow-up and risks control plans,
  - review of the anti-corruption program at a world and national scales,
  - review of the third-party compliance program,
  - revision of the Code of conduct of the Group.

  Additional information on this work is referred to under Chapter 4 of this document.
- the review of the Internal Rules of the Board of Directors (review of the threshold of decisions submitted to the prior authorization of the Board),
- the review of the new mandates of certain Directors,
- the review of the questionnaires on conflicts of interests and mandates of Directors,
- the preparation of the formalized evaluation process of the Board and its Committees, the call for tenders, the selection process, the preparation of the questionnaire, the follow-up of the evaluation until remittance of the report. Conclusions of the report on the evaluation of the Board and its Committees is presented in section 5.2.2.5 of this Document, above in the "Activity of the Board" section,
- the monitoring of the balanced composition of the Board of Directors in conjunction with the Ethics and Governance Committee,
- the review of the Directors' independence.

The activity of the Committee has been reported and, when appropriate, a recommendation made to the Board, after each Committee meeting.

The Compensation Committee

Internal Rules of the Board on the missions of the Compensation Committee

"Role

The role of the Compensation Committee is to:

- *make proposals to the Board of Directors on all components of the compensation paid to the Group's Company officers, senior management and senior executives;*
- *be informed on all the matters pertaining to the recruitment of the Group's main senior managers, other than the Chief Executive Officer, as well as on any decisions related to all components of their compensation;*
- *issue recommendations on the amount and allocation of directors' fees among Board members;*
- *make recommendations to the Board of Directors on Group compensation policies and employee savings plans, employee share ownership schemes, stock options and bonus shares or any other similar forms of compensation.*

If it deems this is useful, the Compensation Committee may ask the Chairman of the Board to help in its deliberations and work, except when it is discussing the Chairman's compensation.

Composition

The Compensation Committee comprises at least three and no more than six directors, including a half of independent directors as defined by the criteria set out above, selected among members of the Board of Directors who are not executive officers. The Board appoints the Chairman of the Committee from among its members. When voting on the Compensation Committee, the Chairman of the Committee does not have a casting vote.

The Compensation Committee meets at least twice a year when convened by its Chairman, or at the request of the Chairman of the Board."

The Compensation Committee is currently comprised of four members, two of whom are independent.

Its members are:

- Antoine Flochel (Chairman),
- Carol Stuckley (Independent member),
- Piet Wigerinck (Independent member), and
- Carol Xueref.

The Chief Executive Officer may attend meetings of the Compensation Committee and give his opinion mainly on the compensation of the senior managers of the Group, the incentives and the performance share plans.

Activity of the Compensation Committee

The Compensation Committee met 4 times in 2019 with an attendance rate of 88%.

The Committee's work focused mainly on:

- the determination of elements of the compensation of the Chief Executive Officer and of the Chairman of the Board,
- the report on elements of the compensation policy for Corporate officers,
- the information on compensation policy of the Group,
- the reflection and implementation of granting of performance and "restricted" shares to the Corporate officers and to some employees of the Group,
- the reflection on the harmonization and evolution of the compensation and the retention policy within the Group,
- the defined benefits and contributions retirement plans, as described in section 5.4 of this Document
- the financial terms of David Meek departure.

The activity of the Committee has been reported and, when appropriate, a recommendation made to the Board, after each Committee meeting.

The Audit Committee

Internal Rules of the Board on the missions of the Audit Committee

"Role

The role of the Audit Committee is to:

- *ensure the relevance and permanence of the accounting policies used to prepare both the Company's and the consolidated financial statements, review and assess the consolidation scope as well as evaluate and verify the relevance of the accounting methods applied to the Group;*
- *examine, before they are presented to the Board, draft annual and interim financial statements, draft annual and half-yearly reports, draft forecasts and annual budgets as well as any financial and extra-financial accounting information relating to any significant project; to that end, the Audit Committee should be able to cooperate (by exchanging information and working jointly) with the Innovation and Development Committee and the Executive Management before a summary of their work is presented to the Board;*

...

- *examine, before they are presented to the Board, press releases on financial results and guidance, as well as the related presentations;*
- *examine draft resolutions relating to the financial statements in order to make comments or suggestions, before they are presented to the Board;*
- *control the quality of procedures relating to the preparation and processing of financial and extra-financial accounting information compliance with them, and assess the information received from management, internal committees and internal and external audits;*
- *monitor the effectiveness of internal control and risk management systems;*
- *examine the risk exposure including those of a social and environmental nature and significant off-balance sheet commitments as well as the accounting options chosen;*
- *manage the selection and reappointment of the Statutory Auditors (through tendering procedure and submitted to the Board), verify their independence, give an opinion on the amount of fees they request, and submit the results of its work to the Board;*
- *examine the details and appropriateness of the fees paid by the Company and the Group to the Statutory Auditors and ensure that said fees and corresponding services are unlikely to affect the auditors' independence;*
- *authorize services, other than statutory audit work, that the Statutory Auditors and members of their networks may be asked to perform in accordance with the applicable laws and regulations;*
- *conduct an annual review of the status of major disputes.*

In the performance of its tasks, the Audit Committee:

- *submits to the Board its proposals regarding the appointment, compensation or replacement of the Company's Statutory Auditors;*
- *reviews, with the management and the Company's Statutory Auditors, the quarterly, interim and annual financial statements, the accounting principles and policies implemented, the Group's audit and internal control principles and methods, risk management procedures and the analyses and reports relating to financial reporting, accounting policy and communications between management and the Company's Statutory Auditors;*
- *examines and checks the rules and procedures applicable to conflicts of interest, expenses incurred by members of the management and the identification and measurement of the main financial risks, as well as their application and submits its assessment every year to the Board;*
- *examines, checks and assesses on an annual basis the independence, the control procedures and the problems encountered by the Company's Statutory Auditors, as well as the measures adopted to solve said problems, and monitors in the same manner the way in which internal audit operates;*
- *more generally, it examines, checks and assesses everything likely to affect the regularity and fairness of the financial statements.*

The Audit Committee ensures it is provided, and in sufficient time, namely approximately one week in advance of each Committee meeting, all the necessary or useful information to be able to carry out the above task and calls on everybody whose testimony is deemed necessary or useful with regard to said task. It may in particular have recourse to outside experts.

During the annual and half-year accounts examination an Audit Committee's meeting is held in a sufficient time prior to the examination and the financial statements by the Board of Directors, namely two days before the Board meeting.

The Company refers to the AMF recommendation dated 22 July 2010 on the report of Audit Committees. Its functioning is yearly evaluated during the global evaluation of the Board of Directors. Moreover, its work is subject to a report.

Composition

The Audit Committee comprises a minimum of three Directors and a maximum of six Directors, including two-thirds of independent directors with regard to the independence criteria referred to above, chosen from among Directors who are not executive officers. All members of the Audit Committee must have financial or accounting expertise. The Board appoints the Chairperson of the Committee from among its members. The Chairperson of the Committee is also an independent director. When voting on the Audit Committee, the Chairman of the Committee does not have a casting vote.

The Audit Committee meets at least four times a year, when convened by its Chairman."

The Audit Committee is currently comprised of three members, two of whom are independent.

Its members are:

- Carol Stuckley (Chairperson and independent member),
- Paul Sekhri (Independent member), and
- Beech Tree SA (represented by Philippe Bonhomme).

During the 2019 financial year, Philippe Bonhomme was member of the Committee. Beech Tree SA was coopted as member of the Committee by the Board of 6 January 2020, in replacement.

In accordance with the terms of Article L.823-19 of the French Commercial Code at least one member of the Audit Committee must be independent and have finance, accounting or statutory audit expertise. Carol Stuckley and Paul Sekhri fulfill the independence and financial, accounting or statutory audit criteria given their professional experience as described above. Philippe Bonhomme is also competent in the financial, accounting and statutory audit fields.

Activity of the Audit Committee

The Audit Committee met 6 times in 2019 with an attendance rate of 100%.

The Statutory Auditors were present at meetings regarding the review of annual and half-yearly financial statements and presented the main aspects of the outcomes of the statutory audit and of the chosen accounting methods. The Committee heard, in particular, the Statutory Auditors, the Executive Vice President, Chief Financial Officer, the Group Controller, the Head of Internal Audit, the Head of Tax and the Head of Risk Management. A presentation was also prepared for the members of the Audit Committee by the Executive Vice President, Chief Financial Officer, regarding the Company's significant risks and off-balance-sheet commitments.

The Committee's activities primarily involved:

- the review of the 2018 annual and consolidated financial statements,
- the review of the 2019 guidance,
- the review of the 2019 half-year financial statements,
- the review of the 5-year strategic plan,
- the review of the 2019 internal audit report, the 2019 and 2020 internal audit plan, and the work of the Group's internal audit and of the internal control procedures,
- the presentation and review of the Group financial and non-financial risk mapping,
- the 2019 closing options,
- the 2020 budget review,
- outlook 2022,
- the review of the approval of Audit related services and other services.

The activity of the Committee has been reported and, when appropriate, a recommendation made to the Board, after each Committee meeting.

The Innovation and Development Committee – Specialty Care

Internal Rules of the Board of Directors

"Role

The role of the Innovation and Development Committee – Specialty Care is to:

- *review the proposals presented by Management on internal Research & Development programs, Business Development and Merger & Acquisitions;*
- *follow the update of the Business Development portfolio by therapeutic areas;*
- *review divestiture programs if any to be endorsed later by the Board.*

To carry out its work, the Innovation and Development Committee – Specialty Care may audition the Group's senior executives, whether corporate officers or not.

Composition

The Innovation and Development Committee – Specialty Care comprises the Chairman of the Board and five (5) other permanent members of the Board of Directors. The skill set required from the participating committee members are science, drug development, financial, legal. When voting on the Innovation and Development Committee – Specialty Care, the Chairman of the Committee does not have a casting vote.

The Board may also decide the existence of permanent guests to the Innovation and Development Committee – Specialty Care."

The Innovation and Development Committee – Specialty Care is currently composed of six members, whose three are independent

Its members are:

- Marc de Garidel (Chairman);
- Antoine Flochel;
- Margaret Liu (Independent member);
- Michèle Ollier;
- Paul Sekhri (Independent member); and
- Piet Wigerinck (Independent member).

Anne Beaufour, permanent representative of Highrock S.àr.l. and Henri Beaufour are permanent guests of the Innovation and Development Committee – Specialty Care.

Highrock S.àr.l was coopted as permanent guest of the Committee by the Board of 6 January 2020, in replacement of Anne Beaufour.

Activity of the Innovation and Development Committee – Specialty Care

The Innovation and Development Committee – Specialty Care met 9 times in 2019 with an attendance rate of 80%.

The Innovation and Development Committee – Specialty Care mainly worked during the year on:

- the review of proposed acquisitions, in particular Clementia Phamaceuticals, Blueprint and integrations,
- the review of partnerships and Group development,
- as well as the regular review of Group R&D pipeline.

The activity of the Committee has been reported and, when appropriate, a recommendation made to the Board, after each Committee meeting.

The Innovation and Development Committee – Consumer HealthCare

Internal Rules of the Board of Directors

"Role

The role of the Innovation and Development Committee – Consumer HealthCare is to:

- *review the proposals presented by Management on Business Development and Merger & Acquisitions, relating to Consumer HealthCare;*
- *follow the update of the Consumer HealthCare portfolio;*
- *review Consumer HealthCare divestiture programs if any to be endorsed later by the Board.*

To carry out its work, the Innovation and Development Committee – Consumer HealthCare may audition the Group's senior executives, whether corporate officers or not.

Composition

The Innovation and Development Committee – Consumer HealthCare comprises the Chairman of the Board and two (2) other permanent members of the Board of Directors. When voting on the Innovation and Development Committee – Consumer HealthCare, the Chairman of the Committee does not have a casting vote.

The Board may also decide the existence of permanent guests to the Innovation and Development Committee – Consumer HealthCare.

The Committee meets at least twice (2) a year, when convened by its Chairman, or by a majority of its members."

The Innovation and Development Committee – Consumer Healthcare is currently composed of three members.

Its members are:

- Marc de Garidel (Chairman);
- Beech Tree SA (represented by Philippe Bonhomme); and
- Carol Xueref.

During the 2019 financial year, Philippe Bonhomme was member of the Committee. Beech Tree SA was coopted as member of the Committee by the Board of 6 January 2020, in replacement.

Anne Beaufour, permanent representative of Highrock S.àr.l. and Henri Beaufour are permanent guests of the Innovation and Development Committee – Consumer HealthCare.

Highrock S.àr.l. was coopted as permanent guest of the Innovation and Development Committee – Consumer HealthCare, in replacement of Anne Beaufour as of 6 January 2020.

Activity of the Innovation and Development Committee – Consumer HealthCare

The Innovation and Development Committee – Consumer HealthCare met 3 times in 2019 with an attendance rate of 100%.

During the year, the Innovation and Development Committee – Consumer HealthCare mainly reviewed development projects and worked on the adaptation of the Consumer HealthCare organization.

The activity of the Committee has been reported and, when appropriate, a recommendation made to the Board, after each Committee meeting.

5.3 EXECUTIVE MANAGEMENT

5.3.1 Organization and modus operandi of the Executive Management

In accordance with legal provisions, the executive management of the Company is assumed, under his responsibility, either by the Chairman of the Board of Directors, then qualified as Chairman and Chief Executive Officer, or by another individual appointed by the Board of Directors and bearing the title of Chief Executive Officer. The choice between these two methods of exercising Executive Management is made by the Board of Directors for a period of not less than one year.

At its meeting of 15 February 2016, the Board of Directors changed the Company's mode of governance by separating the functions of Chairman of the Board of Directors and of Chief Executive Officer. The separation of functions has been effective since 18 July 2016, the date of the appointment of David Meek as Chief Executive Officer. With this change in governance, Marc de Garidel became Chairman of the Board of Directors.

On 17 December 2019, the Board of Directors acknowledged David Meek's resignation from his position as Chief Executive Officer and Director with effect on 31 December 2019.

The Board of Directors has decided to appoint Aymeric Le Chatelier, Executive Vice President, Group Chief Financial Officer as interim Chief Executive Officer, in replacement of David Meek, from 1 January 2020.

5.3.2 Executive Management

5.3.2.1 Chief Executive Officer

Provisions of the Rules of Procedure of the Board of Directors

"Article 2.2 The Chief Executive Officer

The Chief Executive Officer is responsible for:

- *The general conduct of the Company;*
- *The chairmanship of the Executive Leadership Team;*
- *The direction of the Company and the management of its operations;*
- *To act in all circumstances with the broadest powers on behalf of the Company, subject to the powers that the law assigns to the Board of Directors or the General Meeting of Shareholders.*

Notwithstanding the above responsibilities, the Chief Executive Officer is required to obtain the prior approval of the Board of Directors in the following cases:

- *Acquisition, licensing, disposal of assets or equity investments or off-balance sheet commitments within the framework of an approved strategy and which exceed a unit amount of €20 million of commitments;*
- *Transfers of assets and/or shareholdings, partnerships or joint ventures and financial investments exceeding a unit amount of €20 million;*
- *Any off-balance sheet transaction or commitment, which would be outside the approved strategic framework for the Company and whose financial impact exceeds €10 million;*
- *Capital expenditures or divestments that exceed a unit amount of €20 million;*
- *Strategic internal restructuring operations (in particular the reorganization and/or location of major industrial and commercial sites) that have a financial impact exceeding €20 million;*
- *Financial transactions (including lease agreements) that are likely to modify the Company's financial structure, the financial value of which exceeds €20 million;*
- *Any new medium or long-term financing transaction of the Company and its subsidiaries, the financial value of which exceeds €50 million; or any drawdown of financing by the Company and its subsidiaries that would result in the ratio of (i) consolidated net debt to (ii) consolidated EBITDA exceeding two (2) times the ratio of (i) consolidated net debt to (ii) consolidated EBITDA set forth in the latest budget approved by the Board of Directors for the period under review;*
- *Creation, acquisition or transfer of legal entities, when the total investment relating thereto exceeds €20 million;*
- *Litigation, penalties, fines, out-of-court settlements, compromises that exceed €10 million.*

...

In each of the above cases, the amounts referred to above must, for the same project, be assessed by aggregating all the steps and decisions relating to the same object or pursuing the same goal (whether the investment, divestment, acquisition, disposal, indebtedness or contract in question is carried out on one or more occasions by the Company or one or more of its subsidiaries).

The Chief Executive Officer is authorised to attend all meetings of Committees of which he is not a member in an advisory capacity, and to consult such Committees on any matter within their area of competence."

Appointment and dismissal

When the Board of Directors chooses to separate the functions of Chairman of the Board of Directors and Chief Executive Officer, it shall appoint the Chief Executive Officer, set the term of his office and, where applicable, determine the limits to his powers.

The Chief Executive Officer may be dismissed at any time by the Board of Directors. When the Chief Executive Officer does not assume the duties of Chairman of the Board of Directors, his dismissal may give rise to damages if it is decided without just cause.

The Chief Executive Officer is subject to the provisions of Article L.225-94-1 of the French Commercial Code relating to the simultaneous holding of offices as Chief Executive Officer, member of the Management Board, sole Chief Executive Officer, Director or member of the Supervisory Board of public limited companies having their registered office on French territory.

When the General Management is assumed by the Chairman of the Board of Directors, the provisions relating to the Chief Executive Officer apply to him.

Powers

The Chief Executive Officer is vested by the Articles of Association with the broadest powers to act in all circumstances in the name and on behalf of the Company. He exercises these powers within the limits of the corporate purpose and subject to those powers expressly granted by law to the Shareholders' Meetings and the Board of Directors.

The Chief Executive Officer represents the Company in its dealings with third parties. The Company shall be bound even by acts of the Chief Executive Officer that are not in the Company's interest, unless it proves that the third party knew that the act exceeded this interest or that it could not have been unaware of this fact in the circumstances, it being specified that the mere publication of the Articles of Association is not sufficient to constitute such proof.

However, for certain Business Development transactions, the Board of Directors has determined thresholds, specific and distinct from those listed below, for which the authorization of the Board, upon recommendation of the relevant Innovation and Development Committee, will be required.

As part of his duties, the Chief Executive Officer, who is a member of the Board of Directors, meets regularly with the Company's investors and reports to the Board of Directors.

Executive Management

At its meeting on 17 December 2019, the Board of Directors appointed Aymeric Le Chatelier as Acting Chief Executive Officer.

Aymeric Le Chatelier **Chief Executive Officer**	**Nationality:** **French**
Date of birth: 26 May 1969 **Date of 1st appointment:** Interim Chief Executive officer: 1 January 2020	**Biography and experience** Aymeric Le Chatelier was appointed Chief Executive Officer on 1 January 2020, and retains the function of Executive Vice President, Group Chief Financial Officer, which he has held since 2014. Aymeric, a graduate from HEC Business School, started his career at Arthur Andersen. He successively executed several roles in finance in France and the United States at Veolia. He then joined Arjowiggins, a leading manufacturer of creative and technical paper, as Group Chief Financial Officer. He was subsequently appointed Financial Director of Enedis and member of the Management Board. **Mandats en cours au sein du Groupe** • Ipsen SA (France), Chief Executive Officer as at 1 January 2020 • Ipsen Pharma SAS (France), Chairman as at 1 January 2020

David Meek was Chief Executive Officer from 18 July 2016 until 31 December 2019. For more information about David Meek, please refer to section 5.2.2.3 of the present Document.

For the purposes of his duties, the Chief Executive Officer is domiciled at the Company's registered office.

During 2019 financial year, as part of their duties, the Chief Executive Officer, the Chief Financial Officer and the Investor Relations Department met regularly with the Company's investors, notably at the moment of the presentation of the Company's financial results. During these meetings, they answered investors' questions about the Company's business. They reported to the Board of Directors.

In addition, the Chief Executive Officer and the Chief Financial Officer presented every quarter the results of the Company, opened to investors and shareholders. During those sessions, they answered to questions of investors. The presentations are available on Ipsen website www.ipsen.com.

5.3.2.2 Executive Leadership Team

To allow the Chief Executive Officer to conduct its missions, an Executive Leadership Team ("ELT") that is responsible for managing the Company's day-to-day operations and for coordinating the Group's various scientific, legal, financial, commercial, and strategic actions has been set up. The ELT is also responsible for establishing consistent management policies throughout the Group and for assisting the Chairman of the Board of Directors in implementing the Board's decisions.

Composition of the Executive Leadership Team at the date of the Document

The members of the ELT are currently as follows:

Name	Function	Date of entry in the ELT
Aymeric Le Chatelier	Interim Chief Executive Officer Executive Vice President, Chief Financial Officer	2020 2014
Dominique Bery	Executive Vice President, Strategy & Transformation	2018
François Garnier	Executive Vice President, General Counsel	2015
Benoît Hennion	Executive Vice President and President, Consumer HealthCare	2017
Steven Hildemann, M.D., PHD	Executive Vice President, Chief Medical Officer	2020
Dominique Laymand	Executive Vice President, Chief Ethics and Compliance Officer	2017
Howard Mayer, M.D.	Executive Vice President, Head of Research & Development	2019
Régis Mulot	Executive Vice President, Chief Human Resources Officer	2018
Aidan Murphy	Executive Vice President, Technical Operations	2018
Richard Paulson	Executive Vice President and Chief Executive Officer of Ipsen North America	2018

Biographies of ELT members can be found on the Company's website www.ipsen.com.

There are no family relationships between the members of the ELT, nor with the members of the Board.

To the Company's best knowledge and as of the date of publication of this document, over the last five years, none of the members of the Executive Leadership Team have been:

- convicted of fraud, charged with any other offence or had any official public disciplinary action taken against them by statutory or regulatory authorities;
- implicated in a bankruptcy, receivership or liquidation as an executive officer or director;
- disqualified from acting as a board member, senior executive or supervisory board member or from participating in the management of a listed company.

The members of the ELT hold an employment contract with the Group. There are no other agreements or service contracts entered into between the Company or one of its subsidiaries and one of the members of the Company's ELT.

Policy of non-discrimination and diversity

A policy of non-discrimination and diversity has been implemented within the Group, presented to the Board of Directors in 2018 and reviewed during the 2019 financial year. For more information, please see chapter 4 of this document.

In 2020, the Executive Management will present to the Ethics and Governance Committee and to the Board its work, in detail, in particular within the governing bodies in compliance with the recommendations of the AFEP-MEDEF Code.

5.4 COMPENSATION OF CORPORATE OFFICERS

5.4.1 Compensation policy of Corporate Officers

These elements of the compensation policy for Executive Corporate Officers are in line, in terms of principles and structure, with the policy approved by the Shareholders' Meeting of 28 May 2019.

In accordance with Article L.225-37-2, I of the French Commercial Code, this compensation policy also applies to Directors of the Company. It was drawn up by the Board of Directors, upon the recommendation of the Compensation Committee.

The compensation policy with regard to Corporate officers and their individual compensation is decided by the Board of Directors upon recommendation of the Compensation Committee, outside the presence of the Executive Corporate Officers concerned.

In accordance with Article L.225-100 III of the French Commercial Code, compensation elements paid during the 2019 financial year or granted for the 2019 financial year to the Chairman of the Board of Directors and to the Chief Executive Officer shall be submitted to the vote of the shareholders at the Annual Combined Shareholders' Meeting to be held in 2020 to approve the financial statements for the financial year ended on 31 December 2019, following a specific resolution for each element.

5.4.1.1 General principles

Ipsen is a dynamic and growing global specialty-driven biopharmaceutical group focused on innovation and Specialty Care that is improving people's lives through differentiated and innovative medicines in Oncology, Neuroscience and Rare Diseases. The strong position in Specialty Care, combined with the presence in Consumer Healthcare, provides the Group with the scale, expertise and stability needed to make a sustainable difference for people in a quickly-evolving healthcare environment.

In this context, several elements are taken into consideration to determine the compensation policy: consistency, comparability with the Ipsen environment reference market, well balanced nature of its alignment with the Group strategy and compliance with the AFEP-MEDEF code.

The compensation policy adopted by the Board of Directors contains incentive elements that reflects the Group Strategy, including the sustainable growth over the long term by acting in a responsible way, respecting the social interest.

To determine the compensation policy, the Board of Directors takes into account the principles of completeness, balance, comparability, consistency, clarity and proportionality as recommended by the AFEP-MEDEF Code of Corporate Governance.

The compensation policy reflects the level of responsibility of the Corporate Officers and Senior executives. It is adapted to the Group context, remains competitive and is an incentive to promote the Group's performance over the medium to long-term, in compliance with the corporate interest and the interests of all the stakeholders, and contributes to the commercial strategy as well as the sustainability of the Company. The compensation policy ensures that trends in the compensation of Corporate Officers are taking into consideration trends in compensation for all Group employees, and those of the Company. For the decision-making process followed for determining and adjusting the compensation policy, the terms of compensation and employment of the Company's employees have been considered by the Compensation Committee and the Board of Directors, specifically the information covered in Article L.225-37-3 of the French Commercial Code.

The compensation policy covers all aspects of the fixed, variable and exceptional compensation and of the benefits of any kind, paid or granted by the Company. It is decided not only on the basis of the work carried out, the results obtained, and the responsibility assumed, but also on the basis of practices for comparable companies and the compensation of the Company's other senior executives.

The compensation of the Corporate Officers is structured as follows:

- fixed or base compensation;
- annual variable compensation (only for Executive Corporate Officers);
- if applicable, multi-annual variable compensation (only for Executive Corporate Officers);
- if applicable, exceptional compensations and/or financial indemnity (only for Executive Corporate Officers);
- eligibility for compensation paid or granted to Directors;
- allocation of stock options and performance shares under plans approved by the Board of Directors (only for Executive Corporate Officers);
- if applicable, other benefits;
- if applicable, payments, benefits and compensation granted to Executive Corporate Officers upon termination of their functions.
- If applicable, retirement schemes.

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

In the event that the Board of Directors decides to combine the functions of Chairman and Chief Executive Officer, the

compensation policy applicable to the Chief Executive Officer would apply to the Chairman and Chief Executive Officer.

5.4.1.2 Decision making process for setting, revising and implementing the compensation policy

The compensation policy for Corporate Officers is set by the Board of Directors upon proposal of the Compensation Committee. The Board of Directors refers to the AFEP-MEDEF Code for the determination of the compensation and benefits granted to the executive and non-executive Corporate Officers.

Pursuant to the Internal Rules of the Board of Directors, the Compensation Committee has the following missions:

- make proposals to the Board of Directors on all components of the compensation paid to the Group's corporate officers, senior management and senior executives;
- be informed on all matters pertaining to the recruitment of the Group's main senior managers, other than the Chief Executive Officer, as well as on the fixing and changing of any elements of their compensation;
- issue a recommendation on the amount and allocation of compensations among Board members;
- make recommendations to the Board of Directors on Group compensation policies as well as employee savings plans, employee share ownership schemes, stock options and bonus shares or any other similar forms of compensation.

The Compensation Committee is composed of a minimum of three (3) Directors and a maximum of six (6) Directors, half of whom are Independent Directors with regard to the AFEP-MEDEF criteria by which the Company abides, chosen from among the Directors, other than the Executive Corporate Officers. The Board appoints the Chairman of the Committee from among its members.

If it deems useful, the Compensation Committee may ask the Chairman of the Board and the Chief Executive Officer to help in its deliberations and work, except when it is discussing the compensation of these officers.

The Compensation Committee meets at least twice (2 times) a year, when convened by its Chairman, or at the request of the Chairman of the Board.

When the Compensation Committee votes, the Chairman of the Committee does not have a casting vote.

The members of the Compensation Committee are chosen for their technical skills, as well as for their good understanding of the standards in force, emerging trends and practices of the Company.

To carry out their mission, the members of the Committee regularly invite the Executive Vice President, Chief Human Resources Officer, to attend some meetings in order to present the Group compensation policy and review the compensation policy to Corporate Officers.

In addition, the Chairman of the Committee, who is also the Vice Chairman of the Board of Directors, may exchange with the Chairperson of the Audit Committee to study in particular the financial performance of the Group, accounting and fiscal impacts of the Corporate Officers and with the Chairman of the Board to study the strategy of the Group.

The members of the Compensation Committee also invite the Chairman of the Board and the Chief Executive Officer to discuss their performance. An evaluation on the performance of the Chairman and of the Chief Executive Officer is conducted every year, without their presence. The conclusions of the evaluation are presented to them.

In addition, to avoid or manage any conflict of interests, the Board of Directors has implemented a policy which is detailed in the Internal Rules of the Board of Directors and presented in section 5.1 of this document. Directors, including the Chairman of the Board of Directors and, where appropriate, the Chief Executive Officer, must inform the Board of any conflict of interest situation, including a potential conflict of interest, between themselves and the Company or the Group and shall abstain from attending the debate and taking part in any discussions and vote by the Board on the corresponding deliberations. The Chairman of the Board and the Chief Executive Officer, if a Director, do not participate and do not take part in the Board's deliberations on an element or commitment to their benefit. Moreover, a conflict of interests questionnaire is also sent to all Directors each year, which they are required to complete and which is reviewed by the Ethics and Governance Committee.

The remuneration policy is not subject to an annual review; however, certain terms and conditions for implementing the policy are defined by the Board of Directors on an annual basis, such as the performance criteria applicable to the annual variable compensation of the Chief Executive Officer.

After consulting the Compensation Committee and, where appropriate, the other Specialized Committees, the Board of Directors may temporarily waive the compensation policy of the Chief Executive Officer in the event of exceptional circumstances and in the event that changes are made are in line with social interest and necessary to guarantee the sustainability or viability of the Company.

The elements of compensation to which derogations may be made are the fixed compensation and the annual variable, and the derogations may consist of an increase or a decrease in the compensation concerned. The events which could give rise to the use of this possibility of derogation from the compensation policy could be, without being limited to, exceptional external growth operations or a major change in strategy.

In addition, the comments of shareholders during the Shareholders' Meeting of 28 May 2019 have been considered by the Company and the Board of Directors in determining the compensation policy.

5.4.1.3 Components of the compensation of corporate officers

(a) Compensation policy for directors

The Board of Directors decided at its meeting of 10 November 2009, with effect from the 2010 financial year, and within the global limit of €1,200,000 approved by the Combined Shareholders' Meeting held on 7 June 2017 (until new

decision), to allocate a compensation to the Board members as follows:

- each member of the Board of Directors receives an amount of €40,000 for a full year of service,
- the Vice Chairman of the Board of Directors receives an additional amount of €50,000 for a full year of service,
- the members of Committees of the Board receive an amount of €15,000 for a full year of service,
- the Chairpersons of the Audit Committee and of the Compensation Committee receive an additional amount of €35,000 for a full year of service,
- the Chairpersons of the Nominations Committee, the Innovation and Development Committee – Specialty Care and Innovation and Development Committee – Consumer HealthCare and the Ethics and Governance Committee receive an additional amount of €20,000 for a full year of service,
- each Director who is a member of at least one Committee shall receive an additional amount of €5,000 for a full year of service.

The Board of Directors can decide to allow an additional amount of €5,000 for intercontinental travel to attend a meeting of the Board.

The Board of Directors has decided on 13 December 2017 to implement a variability system related to effective attendance based upon the number of absences at the annual meetings of the Board and the Committees, breaking down as follows:

- payment of a fixed proportion (40%) at the end of 1st half-year;
- payment of the variable proportion (60%) at the end of 2nd half-year after taking into account the effective attendance at the Board and Committee meetings over the year.

Pursuant to the Company's bylaws, the Board of Directors may award exceptional compensation to Directors for the missions or mandates entrusted to them; as appropriate, the Statutory Auditors are notified of such compensation, which is submitted for approval to the Ordinary Shareholders' Meeting.

Moreover, the Director representing the employees shall not receive any compensation in his/her capacity as Director. He/she has an open-ended employment contract with a subsidiary of the Company, including terms of advance notice and cancellation, in accordance with regulations.

Additionally, the term of office for Directors is mentioned in 5.1 of this document.

(b) Chairman of the Board

a. Allocation of the various compensation components

The compensation policy is decided by the Board of Directors, upon recommendation of the Compensation Committee, outside the presence of the Chairman.

The Board of Directors, upon recommendation of the Compensation Committee, determines the relevant compensation components applicable to the Chairman of the Board, taking into consideration the Group environment, the scope of responsibilities, the Chairman' prior positioning and service within the Group if applicable, and any other factors that would be relevant in the context of the Group.

b. Base compensation

Base compensation takes into account the reference markets of Ipsen, in particular in the pharmaceutical industry, and companies with similar size and environment, both in France, Europe and the US given the international footprint of Ipsen and its strategy to be a global biopharmaceutical company focusing on Innovation and Specialty Care. It is subject to be reviewed by the Board of Directors, typically at relatively long intervals, according to the Company's market position and taking account changing responsibilities.

c. Variable compensation

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

d. Exceptional compensation and/or financial indemnity

The non-executive Chairman of the Board of Directors shall not receive any exceptional compensation and/or financial indemnity.

e. Compensation as a Director

The Corporate Officers who are members of the Board of Directors may, where appropriate, upon recommendation of the Compensation Committee, and by decision of the Board of Directors, receive a compensation granted on the basis of their positions as Directors according to the rules applicable to all of the Directors.

f. Stock options and performance shares

In accordance with the recommendations of the AFEP-MEDEF Code, the non-executive Chairman of the Board of Directors shall not benefit from stock option or performance share plans.

g. Other benefits

The Chairman of the Board may also be awarded benefits in respect of his duties carried out within Ipsen, including: benefits in kind (company car, temporary accommodation and school fees), assistance for the preparation and filing of personal income tax returns, global healthcare coverage (health coverage and death/disability insurance) under the Group's contract, reimbursement of travel expenses and expenses incurred with the exercise of their corporate duties, and D&O liability insurance.

h. Severance payment

The Chairman may benefit from a severance payment clause, granted in the event of termination of his duties, of which the terms have been decided by the Board of Directors in accordance with the recommendations of the AFEP-MEDEF Code:

- payment granted only in the event of a forced departure (départ contraint) within the meaning of the AFEP-MEDEF Code;

- equal to 24 months of gross fixed compensation paid for his duties;
- the granting of which is subject to maintenance of the recurring operating margin of the Group for 2017 and 2018, at a rate of at least 15%, and, as from 2019 and for subsequent years, maintenance of the operating margin for the Group's activities at a rate of at least 20%; and
- including, for a portion equal to 50% of its total, the amount payable in consideration for the non-compete clause of the Chairman of the Board of Directors.

i. Non-compete payment

The Company has concluded a non-compete agreement with the Chairman of the Board in case of departure from the Group for a reason other than a change of control. This agreement shall be valid for a certain period following the date of his actual departure.

The non-compete payment may not exceed a ceiling of two years of base compensation, including, if applicable, the amount owed as a severance payment, for up to 50%.

j. Retirement Schemes

Executive Corporate Officers may benefit from defined-contribution plans or defined-benefit retirement plans, which benefit the Company's executives more broadly, in accordance with the AFEP-MEDEF Code.

Pursuant to the PACTE Law No. 2019-486 of 22 May 2019 and Ordinance No. 2019-697 of 3 July 2019 on supplementary pension plans, the defined-benefit pension plan described below can no longer grant a right to acquire supplementary conditional rights as from 1 July 2019. On that date, it was also closed to new members of the Company.

This retirement scheme was implemented unilaterally by the Company in 2005 and adopted in a set of regulations. An open collective scheme not intended for specific individuals has been established. It specifies the rights and obligations of the relevant individuals in the Company.

The establishment of non-vested rights is based on the level of liability accrued in the Company's books at 30 June 2019, *i.e.* the Projected Benefits Obligations, PBO.

Establishment of the rights involves freezing the calculation of the defined-benefits pension at the level of the PBO at the closing date. No further rights were granted after the scheme was closed.

At the same time, an additional collective defined-contribution plan ("Article 83") was established as from 1 July 2019. Under this plan, fully funded by the Company, executives may build up a supplementary retirement pension with a certain contribution percentage of the total compensation in cash (annual base and variable compensation).

To manage several types of situations, a defined-contribution plan with individual rights was established ("Article 82"). Under this scheme, fully funded by the Company, a custom amount to be outsourced to an insurance company can be determined, on an individual basis.

(c) Executive Corporate Officers, the Chief Executive Officer

a. Allocation of the various compensation components

The compensation policy is decided by the Board of Directors, upon recommendation of the Compensation Committee, outside the presence of the Chief Executive Officer.

The Board of Directors, upon recommendation of the Compensation Committee, determines the relevant compensation components applicable to the Chief Executive Officer, taking into consideration the Group environment, the scope of responsibilities, the Chief Executive Officer's prior positioning and service within the Group, if applicable, and any other factors that would be relevant in the context of the Group.

Furthermore, it is specified, for practical purposes, that some of the components below are not applicable to the current Interim Chief Executive Officer, since the latter is under an open-ended employment contract with the Company for his functions as Chief Financial Officer. An explanation of this point is included in 5.1.2 of this document.

b. Base compensation

Base compensation takes into account the reference markets of Ipsen, in particular in the pharmaceutical industry, and companies with similar size and environment, both in France, Europe and the US given the international footprint of Ipsen and its strategy to be a global biopharmaceutical company focusing on Innovation and Specialty Care. It is subject to be reviewed by the Board of Directors, typically at relatively long intervals, according to the Company's market position and taking account changing responsibilities.

This compensation component is applied to the current Interim Chief Executive Officer.

c. Annual variable compensation

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

Annual variable compensation is set on the basis of a target variable compensation equal to 100% of the base compensation, within a range between 0 and 200%, in case of under or overperformance. The annual variable compensation is based on the following quantifiable and qualitative performance criteria: two-thirds of this target bonus are based on quantifiable criteria of equal weighting, *i.e.* achievement of consolidated net sales levels, core operating income, earnings per share and cash flow; the remainder is based on qualitative criteria, split into three categories: Strategy/Business, Management and Social Responsibility. The Strategy/Business category includes targets supporting the Company's long-term mission and goals; Management includes corporate management targets to support the annual execution of the strategy defined by the Board of Directors; and Social Responsibility includes objectives supporting the corporate social responsibility strategy as developed

through three pillars: employees, patients and society, and environment.

The Board of Directors, upon recommendation of the Compensation Committee, determines the level of achievement of these performance criteria, with respect to the Company's financial position at 31 December of each year.

This compensation component is applied to the current Interim Chief Executive Officer.

	Criteria	Weight	Potential variation of the portion
Performance indicators	*Consolidated net sales*	*1/6*	*0% to 200%*
	Core operating income	*1/6*	*0% to 200%*
	Cash flows	*1/6*	*0% to 200%*
	Earnings per share	*1/6*	*0% to 200%*
Quantifiable objectives		2/3	0% to 200%
Qualitative objectives		1/3	0% to 200%
Total		**100%**	**0% to 200%**

d. Multi-annual variable compensation

The Board of Directors may decide to grant multi-annual variable compensation to the Chief Executive Officer and certain managing executives of the Group as part of plans approved by the Board of Directors upon recommendation of the Compensation Committee; it is determined on the basis of a percentage of base compensation.

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

This compensation component is not applied to the current Interim Chief Executive Officer.

e. Exceptional compensation and/or financial indemnity

The Board of Directors may decide, in case of specific circumstances or events, to grant exceptional compensation to the Chief Executive Officer. The grant of exceptional compensation will be calculated based on the total annual compensation and should not exceed a certain number of months of this total compensation.

It can decide to grant an exceptional compensation and/or an exceptional financial indemnity to the Chief Executive Officer while taking into account the specific circumstances in which he carries out his duties.

This compensation component is not applied to the current Interim Chief Executive Officer.

f. Special financial indemnity

The Board of Directors may grant a special financial indemnity to a new Executive Corporate Officer coming in from a company outside the Group, in order to offset the loss of the benefits they received previously.

This compensation component is not applied to the current Interim Chief Executive Officer.

g. Compensation as a Director

The Corporate Officers who are members of the Board of Directors may, where appropriate, upon recommendation of the Compensation Committee, and by decision of the Board of Directors, receive a compensation granted on the basis of their positions as Directors according to the rules applicable to all of the Directors.

h. Stock options and performance shares

Executive Corporate Officers as well as certain managing executives of the Group may benefit from stock options and/or performance shares under plans approved and set each year by the Board of Directors upon recommendation of the Compensation Committee. In accordance with the AFEP-MEDEF Code recommendations (§25.2), non-executive officers shall not benefit from stock option and/or performance shares plans.

The definitive number of stock options that will be granted to Executive Corporate Officers, will depend upon the level of achievement of the performance conditions set by the Board of Directors, based on one or several internal criteria.

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

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

The total number of free shares allocated shall not exceed 3% of the share capital on the date of the Shareholders' Meeting that authorised the Board to proceed with the share grants, with the specification that the total number of shares to which the holders of options that may be granted by the Board of Directors are entitled shall be applied against that ceiling.

The total number of free shares that may be granted to Corporate Officers of the Company shall not exceed 20% of this budget, and vesting shall be subject to performance conditions set by the Board of Directors.

The shares granted to recipients shall be final at the end of a vesting period, for which the term shall be set by the Board of Directors at not less than two years, with the specification, however, that the vesting period for Executive Corporate Officers shall not be less than three years. The Board of Directors may stipulate a retention requirement at the end of the vesting period.

Nevertheless, in the event of death, disability, retirement or change of control granted by the Board of Directors before the end of the acquisition period, the beneficiary or, if applicable, its assignees, can keep their rights.

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

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

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

i. Other benefits

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

Payments, benefits and compensation granted to Executive Corporate Officers upon termination of their functions

j. Severance payment

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

- payment due only in the event of a forced departure *(départ contraint)* within the meaning of the AFEP-MEDEF Code,
- in an amount corresponding to 24 months' gross compensation (fixed plus annual variable) in respect of his term of office,
- the granting of which is subject to maintenance of the recurring operating margin of the Group for 2017 and 2018 at a rate of at least 15%, and, as from 2019 and for the subsequent years, maintenance of the operating margin of the Group's business at 20% or more, and
- which includes, for a portion equal to 50% of the amount, that due in respect of any non-compete undertaking by the Chief Executive Officer,

This compensation component is not applied to the current Interim Chief Executive Officer.

k. Non-compete payment

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

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

This compensation component is not applied to the current Interim Chief Executive Officer.

l. Retirement Schemes

The Executive Corporate Officers may benefit from defined contribution plans or defined benefit plan which more broadly benefits the Company's executives, in accordance with the AFEP-MEDEF Code.

Pursuant to PACTE Law No. 2019-486 of 22 May 2019 and Ordinance No. 2019-697 of 3 July 2019 on additional pension schemes, the defined benefit pension plan described below can no longer grant a right to acquire supplementary conditional rights as from 1 July 2019. It was also closed to new joiners in the Company at the same date.

This retirement scheme was implemented unilaterally by the company in 2005 and adopted in a set of regulations. A group scheme has been set up that is not restricted to specific individuals, and determines the rights and obligations of the persons concerned within the Company.

The establishment of the non-vested rights is based on the level of liability in the Company's registers on 30 June 2019, i.e the Projected Benefits Obligations ("PBO").

The establishment of the rights implies freezing the calculation of the Defined Benefits pension at the level of the PBO as of the closure date. No further rights are granted post closure of the plan.

In parallel, an additional collective Defined Contribution scheme ("Article 83") was set up from 1 July 2019. This scheme, fully funded by the Company, allows Executives to build a supplementary retirement pension with a certain percentage of contribution of total cash remuneration (annual base compensation and variable).

To manage several types of situations, a defined contribution scheme with individual rights ("Article 82") was set up. Under this scheme, fully funded by the Company, a custom amount to be outsourced to an insurance company can be determined, on an individual basis.

This compensation component is not applied to the current Interim Chief Executive Officer.

5.4.2 Compensation of Corporate Officers (Articles L.225-100 II and L.225-37-3 of the French Commercial Code)

5.4.2.1 Compensation of the board members

The Board of Directors decided at its meeting of 10 November 2009, with effect from the 2010 financial year, and within the global limit of €1,200,000 approved by the Combined Shareholders' Meeting held on 7 June 2017 (until new decision), to allocate a compensation to the Board members as follows:

- each member of the Board of Directors receives an amount of €40,000 for a full year of service,
- the Vice Chairman of the Board of Directors receives an additional amount of €50,000 for a full year of service,
- the members of Committees of the Board receive an amount of €15,000 for a full year of service,
- the Chairpersons of the Audit Committee and of the Compensation Committee receive an additional amount of €35,000 for a full year of service,
- the Chairpersons of the Nominations Committee, the Innovation and Development Committee – Specialty Care and Innovation and Development Committee – Consumer HealthCare and the Ethics and Governance Committee receive an additional amount of €20,000 for a full year of service,
- each Director who is a member of at least one Committee shall receive an additional amount of €5,000 for a full year of service.

The Board of Directors can decide to allow an additional amount of €5,000 for intercontinental travel to attend a meeting of the Board.

The Board of Directors has decided on 13 December 2017 to implement a variability system related to effective attendance based upon the number of absences at the annual meetings of the Board and the Committees, breaking down as follows:

- payment of a fixed proportion (40%) at the end of 1st half-year;
- payment of the variable proportion (60%) at the end of 2nd half-year after taking into account the effective attendance at the Board and Committee meetings over the year.

The following table shows the amounts paid during the 2018 and 2019 financial years and awarded for those same financial years.

Individual amount and other compensation paid or granted to Directors (gross amounts – rounded) (Table 3 of AMF recommendations)

Directors	Amounts granted for 2018	Amounts paid (*) in 2018	Amounts granted for in 2019	Amounts paid (*) in 2019
Marc de Garidel(1)				
– Compensation as Director	–	–	–	–
– Other compensation	see section 5.4.2.2	see section 5.4.2.2	see section 5.4.2.2	see section 5.4.2.2
Anne Beaufour				
– Compensation as Director	€40,732	€62,532	€48,320	€39,200
– Other compensation	–	–	–	–
Henri Beaufour				
– Compensation as Director	€32,515	€49,266	€33,040	€29,249
– Other compensation	–	–	–	–
Philippe Bonhomme(2)				
– Compensation as Director	€32,515	€21,303	€115,000	€92,834
– Other compensation	–	–	–	–

(*) Amounts paid on a half-year basis in arrears (within the month following each half-year closing), based *prorata temporis* on the time spent in office during the half-year, if applicable. The variability system of the directors' fees has been applicable since 1 January 2018.

(1) Marc de Garidel does not receive any compensation as Director. It is stated that the compensation elements of Marc de Garidel paid or granted as Chairman of the Board of Directors are presented at section 5.4.2.2 of this document.

(2) Director since 30 May 2018, the amount of director's fees have been calculated *prorata temporis* on the time spent in office during the year.

Directors	Amounts granted for 2018	Amounts paid (*) in 2018	Amounts granted for in 2019	Amounts paid (*) in 2019
Hervé Couffin[3]				
– Compensation as Director	€28,656	€66,156	–	–
– Other compensation	–	–	–	–
Antoine Flochel				
– Compensation as Director	€165,000	€144,000	€168,845	€170,000
– Other compensation	–	–	–	–
Margaret Liu				
– Compensation as Director	€111,835	€102,234	€120,000	€110,101
– Other compensation	–	–	–	–
Pierre Martinet[3]				
– Compensation as Director	€40,985	€95,985	–	–
– Other compensation	–	–	–	–
Mayroy SA[3]				
– Compensation as Director	€29,373	€53,072	€6,301	€6,301
– Other compensation	–	–	–	–
David Meek[4]				
– Compensation as Director	–	–	–	–
– Other compensation	cf. section 5.4.2.3	cf. section 5.4.2.3	cf. section 5.4.2.3	cf. section 5.4.2.3
Michèle Ollier				
– Compensation as Director	€65,826	€63,358	€67,360	€68,968
– Other compensation	–	–	–	–
Jean-Marc Parant[5]				
– Compensation as Director	–	–	–	–
– Other compensation	–	–	–	–
Hélène Auriol-Potier[3]				
– Compensation as Director	€32,902	€80,402	–	–
– Other compensation	–	–	–	–
Paul Sekhri[2]				
– Compensation as Director	€62,203	€22,752	€100,560	€85,451
– Other compensation	–	–	–	–
Carol Stuckley				
– Compensation as Director	€114,589	€95,427	€135,000	€118,162
– Other compensation	–	–	–	–
Christophe Vérot[3]				
– Compensation as Director	€28,656	€66,156	–	–
– Other compensation	–	–	–	–
Piet Wigerinck[2]				
– Compensation as Director	€49,382	€17,752	€66,245	€61,630
– Other compensation	–	–	–	–
Carol Xueref				
– Compensation as Director	€111,392	€75,082	€122,838	€128,810
– Other compensation	–	–	–	–
Total				
– Compensation as Director	**€946,560 [6]**	**€1,015 477 [6]**	**€977,208 [6]**	**€910,705 [6]**
– Other compensation	**–**	**–**	**–**	**–**

(*) Amounts paid on a half-year basis in arrears (within the month following each half-year closing), based *prorata temporis* on the time spent in office during the half-year, if applicable. The variability system of the directors' fees has been applicable since 1 January 2018.

(1) Marc de Garidel does not receive any compensation as Director. It is stated that the compensation elements of Marc de Garidel paid or granted as Chairman of the Board of Directors are presented at section 5.4.2.2 of this document.

(2) Director since 30 May 2018, the amount of director's fees have been calculated *prorata temporis* on the time spent in office during the year.

(3) Director until 30 May 2018, the amount of director's fees have been calculated *prorata temporis* on the time spent in office during the year.

(4) David Meek didn't receive any compensation as Director. It is stated that the compensation elements of David Meek as Chief Executive Officer until 31 December 2019 are presented at section 5.4.2.2 of this document.

(5) Jean-Marc Parant has been designated Director representing the employees by the Works Council on 27 November 2018 and doesn't receive any compensation relating to his mandate. It is stressed that he holds an employment contract within the Group and as such receives compensation that is unrelated to the exercise of his mandate. As a result, this compensation is not communicated.

(6) The amounts shown are gross amounts. Directors received a net amount after withholding of 12.8% was applied in 2019 for foreign tax residents and 30% for French residents.

5.4.2.2 Compensation of the Chairman of the Board

For financial year 2019, the compensation elements of Marc de Garidel, Chairman of the Board of Directors, were determined by the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 28 March 2018. These elements take into account both duties of Marc de Garidel: his duties as Chairman of the Board of Directors of Ipsen and his duties as Chief Executive Officer of Corvidia Therapeutics Inc., a company organized and existing under American law based in the United States of America.

In accordance with the articles L.225-37-2 and L.225-100 of the French Commercial Code, the compensation elements paid during the financial year ended 31 December 2019 or granted to Marc de Garidel for the year ended 31 December 2019, in respect of his term of office as Chairman of the Board of Directors, comply with the compensation policy approved by the Shareholders' Meeting held on 28 May 2019 in its tenth ordinary resolution.

Furthermore, the compensation policy applicable to Marc de Garidel, in respect of his duties as Chairman of the Board, was determined by the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 13 February 2019 and will be the subject of a resolution submitted to the approval of the next Shareholders' Meeting.

Furthermore, it is specified that the Chairman of the Board of Directors does not receive variable compensation nor multi-annual variable compensation, subscription or purchase options nor performance shares.

A. Summary tables of compensations, options and shares granted to Marc de Garidel, Chairman of the Board

a. Summary table of compensations, options and performance shares

Total amount of compensations, options and performance shares granted for 2019 (table 1 of the AMF recommendations)

(gross rounded amount – in euros)	2018 Financial Year	2019 Financial Year
Marc de Garidel Chairman of the Board of Directors		
Compensation due for the year (see details below)	654,270	600,000
Book value of multi-annual variable compensations granted during the year	–	–
Book value of the options granted during the year	–	–
Book value of the performance shares granted during the year	–	–
Total	**654,270**	**600,000**

b. Summary table of compensations (Table 2 of the AMF recommendations)

Total amount of the compensations for 2019 financial year

	2018		2019	
(gross rounded amount – in euros)	Amounts granted	Amounts paid	Amounts granted	Amounts paid
Marc de Garidel Chairman of the Board of Directors				
Base compensation	650,000 (1)	650,000 (1)	600,000 (2)	600,000 (2)
Annual variable compensation	–	–	–	–
Multi-annual variable compensation	–	–	–	–
Exceptional compensation	–	–	–	–
Directors' fees	–	–	–	–
Benefits in kind (3)	4,270	4,270	–	–
Totaux	**654,270**	**654,270**	**600,000**	**600,000**

(1) The Board of Directors at its meeting held on 28 March 2018 has redefined Marc de Garidel's missions as Chairman of the Board of Directors following his new duties as Chief Executive Officer of Corvidia Therapeutics Inc. The amount of his gross base compensation for 2018 has been amounted to €600,000, *prorata temporis* basis from 1 April 2018. For further information on the role and duties of the Chairman of the Board of Directors, see section 5.1 of this document.

(2) The Board of Directors at its meeting held on 28 May 2019, confirmed the base compensation of Marc de Garidel to an annual amount unchanged at €600,000. For further information, see section 5.1.1.

(3) Benefits in kind are defined in section B hereunder "Other benefits".

B. Details of the compensation elements granted to Marc de Garidel, Chairman of the Board of Directors

The compensation of the Chairman is determined by the Board of Directors upon recommendation of the Compensation Committee.

For the 2019 financial year, the Board of Directors, upon recommendation of the Compensation Committee, fixed, at its meeting held on 28 March 2018, the compensation elements of Marc de Garidel in respect of his duties as Chairman of the Board of Directors.

It is recalled that Marc de Garidel was Chairman and Chief Executive Officer until 18 July 2016.

Base compensation

Base compensation is subject to be reviewed by the Board of Directors according to the Company's market position and taking into account changing responsibilities.

The Company Board of Directors, at its meeting of 28 March 2018, approved an amendment of the specific missions of Marc de Garidel as Chairman of the Board of Directors, linked to his functions as Chief Executive Officer of Corvidia Therapeutic Inc., and reviewed consequently the amount of his base compensation (for more information, see section 5.1 of this Document). Upon recommendation of the Compensation Committee, the Board of Directors fixed the base compensation of Marc de Garidel to an annual gross amount of €600,000 previously fixed at €800,000. For 2018, this amount has been paid in a *prorata temporis* basis as of 1 April 2018.

The Shareholders' Meeting held on 28 May 2019 renewed the office of Marc de Garidel as a Director for a duration of 4 years. The Board of Directors held after this Meeting also renewed him in his duties as Chairman of the Board of Directors, Chairman of the Innovation and Development Committee – Specialty Care and Chairman of the Innovation and Development Committee – Consumer HealthCare, for the duration of his office as a Director.

In compliance with the compensation policy applicable to the Chairman of the Board of Directors of Ipsen approved by the Shareholders' Meeting of 28 May 2019 in its tenth ordinary resolution, and in compliance with the AFEP-MEDEF Code, the Board of Directors, upon recommendation of the Compensation Committee, also confirmed the base compensation of Marc de Garidel to an annual amount unchanged at €600,000.

Annual variable compensation

The Board of Directors has decided that Marc de Garidel will not receive any variable compensation in respect of his duties as Chairman of the Board of Directors. The Board of Directors, on 28 May 2019, recalled that no variable compensation will be paid or granted to Marc de Garidel as part of his duties as Chairman of the Board of Directors of the Company.

Multi-annual variable compensation

The Board of Directors has decided that Marc de Garidel will not receive any multi-annual variable compensation in respect of his duties as Chairman of the Board of Directors of the Company.

Compensation as a Director

The Board of Directors has decided that Marc de Garidel will not receive any compensation as a Director in respect of his office as Chairman of the Board of the Company. The Board of Directors, on 28 May 2019, recalled that no compensation as a Director will be paid or granted to Marc de Garidel as part of his duties as Chairman of the Board of Directors of the Company.

Stock options and performance shares

The Board of Directors has decided that Marc de Garidel will not receive any stock options and/or performance shares in respect of his duties as Chairman of the Board. The Board of Directors, on 28 May 2019, recalled that no stock options and/or performance shares will be paid or granted to Marc de Garidel as part of his duties as Chairman of the Board of Directors of the Company.

Other benefits

Marc de Garidel receives benefits resulting from the conditions linked to the performance of his duties at Ipsen. The Board of Directors, at its meeting held on 28 May 2019, upon recommendation of the Compensation Committee, redefined Marc de Garidel's benefits. The detail of those benefits is as follows:

- assistance for the preparation and filing of personal income tax returns, in relation to his Ipsen compensation in France;
- access to a car driver pool for travel in relation to his Ipsen functions;
- D&O liability insurance consistent with the D&O liability insurance of the Ipsen Group;
- reimbursement of professional expenses incurred in relation to the exercise of his duties at Ipsen,
- administrative support provided by the Ipsen executive assistants of the Company in relation to his duties at Ipsen.

Payments, benefits and compensation granted or to be granted to Marc de Garidel upon termination of his functions within the Group

In accordance with Ipsen policy and in accordance with the AFEP-MEDEF Code, the Board of Directors, at its meeting held on 8 July 2016, decided to grant Marc de Garidel:

- a severance payment,
- the benefit of a defined benefit additional pension scheme existing within the Company,
- a compensation under a non-compete agreement.

These payments and benefits that may be owed to the Chairman in connection upon termination of his duties replace those previously granted in respect of his duties as Chairman and Chief Executive Officer by the Board of Directors of 11 October 2010.

The Board of Directors, on 28 May 2019, decided to modify the conditions under which Marc de Garidel could benefit from a severance pay, in compliance with the recommendations of the AFEP-MEDEF Code, namely:

- an indemnity which will only be due in the event of a forced departure *(départ contraint)* within the meaning of the AFEP-MEDEF Code,

- of an amount equal to 24 months of gross annual fixed compensation paid for his duties as Chairman of the Board,
- the grant of which is subject to the maintaining of the recurring operating margin of the Group at a rate of at least 15% for 2017 and 2018, and, from 2019 and the subsequent years, to the maintaining of the core operating margin of the Group at a rate of at least 20%, and
- including, for a portion equal to 50% of the amount hereof, the amount payable in consideration for the non-compete undertaking of Marc de Garidel.

Details of these commitments are given below (see section D. below).

C. Subscription and/or purchase options and performance shares granted to Marc de Garidel, Chairman and Chief Executive Officer until 18 July 2016

Executive directors and other senior executives of the Group can be awarded stock options and/or performance shares in the scope of the plans approved and set every year by the Board of Directors upon recommendation of the Compensation Committee. The number of shares vested shall depend on whether applicable performance conditions are met.

For the record, in respect of his office as Chairman and Chief Executive Officer until 18 July 2016, Marc de Garidel benefited from options described below.

In accordance with the AFEP-MEDEF Code (§25.2), no stock options and/or performance shares have been granted to Marc de Garidel, in respect of his office as Chairman of the Board, since 18 July 2016.

a. Subscription or purchase options granted to Marc de Garidel, Chairman and Chief Executive Officer until 18 July 2016

Subscription or purchase options granted during the 2019 financial year (table 4 of AMF recommendations)

No options were granted to the Chairman, Marc de Garidel, during the 2019 financial year.

Summary of the subscription or purchase options of Ipsen shares granted

For further details, see section 5.2.2.3.

	Date of grant	Quantity granted	Nature of the options	Exercise price	Exercise date	Expiry date	Number of options granted
Marc de Garidel Chairman of the Board of Directors [1]	30/06/2011	121,180 [2]	Subscription options	€25.01	01/07/2015	30/06/2019	121,180 [3]
Total		**121,180 [1]**					

(1) Marc de Garidel was Chairman and Chief Executive Officer until 18 July 2016 and then Chairman from this date.
(2) Allocation subject to performance conditions.
(3) Marc de Garidel exercised 121,180 options on 3 November 2016.

In accordance with the provisions of article L.225-185 of the French Commercial Code, the Board of Directors, at its meetings held on 30 June 2011, established rules requiring the Chairman and Chief Executive Officer to retain a number of shares resulting from options, until the end of his term of office, equivalent to 20% of the net capital gain that would be realized upon the sale of the shares resulting from option shares.

Subscription or purchase options exercised during 2019 (Table 5 of the AMF recommendations)

No options were exercised by Marc de Garidel during the 2019 financial year.

Summary of performance shares granted

Marc de Garidel did not benefit from performance shares during the 2019 financial year.

The table below describes the total of performance shares granted to Marc de Garidel as Chairman and Chief Executive Officer [1]. For further details, see Table 10, section 5.6.1.3.2.

Corporate Officer	Date of grant	Quantity granted	Definitive acquisition date	Date of availability	Number of shares to be held
Marc de Garidel Chairman and Chief Executive Officer until 18 July 2016 [1]	01/04/2015	12,588 [2][3]	02/04/2017	02/04/2019	20% capital gain net of acquisition value
	31/05/2016	5,070 [2][3]	01/06/2018	01/06/2020 [5]	
Total		**17,658 [4]**			

(1) Marc de Garidel was Chairman and Chief Executive Officer until 18 July 2016 and then Chairman from this date.
(2) Allocation subject to performance conditions.
(3) As part of the separation of the functions, the Board of Directors, at its meeting held on 8 July 2016 decided that Marc de Garidel, in proportion to the time as Chief Executive Officer during the 2016 financial year, would continue to benefit from and (i) the variable compensation elements granted to him as part of the restricted shares plans by the Board of Directors on 1 April 2015 (for the 2015 and 2016 financial years) as well as (ii) the variable compensation elements granted to him as part of the restricted shares plans by the Board of Directors on 31 May 2016 (for the 2016 and 2017 financial years). The number of performance shares granted to him, adjusted *prorata temporis*, amounted to 5,070 shares (27.35% or 5,070 shares).
(4) Representing 0.1% of the share capital on 31 December 2019.
(5) 50% of shares became available on 1 June 2018

In accordance with the provisions of article L.225-197-1 of the French Commercial Code, the Board of Directors, at its meetings held on 30 June 2011, 30 March 2012, 28 March 2013, 27 March 2014, 1 April 2015 and 31 May 2016 established rules requiring the Chairman and Chief Executive Officer to retain a number of shares resulting from performance shares, until the end of his term of office, equivalent to 20% of the net capital gain that would be realized upon the sale of the shares resulting from performance shares.

Marc de Garidel, Chairman and Chief Executive Officer until 18 July 2016, undertook a formal commitment not to engage in hedging transactions either on his options or on shares issued following the exercise of options or on performance shares granted until the end of the holding period that has been decided by the Board of Directors.

Performance shares that have become available during the 2019 financial year (Table 7 of AMF recommendations)

Corporate Officer	Date granted	Number of shares that became available
Marc de Garidel Chairman of the Board of Directors [1]	01/04/2015 [3]	12,588 [2]

[1] Marc de Garidel was Chairman and Chief Executive Officer until 18 July 2016 and then Chairman from this date.
[2] Allocation subject to performance conditions.
[3] 7,681 shares were acquired after application of the achievement of the in consideration of the Group's performance. 50% of the shares becoming available during the 2018 financial year. The balance will be available on 1 June 2020.

D. Summary of commitments made to Marc de Garidel, Chairman of the Board of Directors (Table 11 of AMF recommendations)

	Employment contract		Additional pension scheme		Payments or benefits granted or to be granted in connection with the termination or change of functions		Compensation under a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Marc de Garidel		X	X		X		X	

Employment contract

Marc de Garidel, Chairman of the Board, does not have any employment contract.

Retirement scheme

Marc de Garidel, Chairman of the Board, may potentially benefit from the defined benefit additional pension scheme of the Company pursuant to the decision of the Board of Directors held on 8 July 2016. This pension commitment more broadly benefits the company's executives.

The benefit of the pension commitment is subject to:

- a minimum 5-year service,
- claiming Social Security pension at a full rate,
- the termination of any professional activity with the Company at the date of the liquidation of basic and additional pensions.

However, the right is maintained in case of early retirement or dismissal after the age of 55 subject to non-resumption of professional activity or if classified as having a 2nd or 3rd category of disability.

Furthermore, in case of death of the beneficiary during retirement, the potential right to widow or widower's pension is maintained.

In accordance with the regulations, the grant of this additional pension scheme shall be subject to a performance condition, since 2019, the level of the core operating margin of the Group during the three years preceding departure at a minimum threshold of 20%.

The pension is calculated at a rate of 0.6% per year of seniority to the part of the reference compensation below 8 times the Annual Social Security Ceiling ("PASS") and at a rate of 1% for the part of the reference compensation in excess of 8 times the PASS.

The reference compensation is the average of the total gross compensation received for a full time position (bonus included) during the last 36 months preceding the end of the contract and/or corporate mandate. Severance payments, expense reimbursement, profit-sharing and incentives are excluded.

Seniority is limited to 40 years.

Terms governing survivor's pension benefits are set forth in the plan.

The annual pension owed to the beneficiaries shall not exceed 45% of their base and variable compensation.

The potential rights are financed by non-individualized premiums paid to an insurance institution. These premiums are deductible from the corporate tax base and subject to the contribution set forth in article L.137-11, I, 2° a) of the Social Security Code at the rate of 24%.

For Marc de Garidel, the amount of the annual pension established, as of 31 December 2019, is estimated at €49,527.

The closure of the Defined Benfit scheme in 2019, induces for Marc de Garidel a decrease of his expected pension below the level calculated in 2016. This pension should progressively amount to a level comparable to the one preceding his appointment as Chairman, should he leave on 31 December of the year of his 62nd birthday (see 2015 Registration Document).

Therefore, it was proposed to set up an additional individual Defined Contribution plan ("Art 82") to fill the gap between the Defined Benefit pension after crystallization and the level calculated in 2016. This would be paid at time of retirement,

and in no event before November 2020. The retirement is being qualified as (1) having vested full rights under the French social security system *("retraite à taux plein")* and (2) not being a "mandataire social" (corporate officer) of Ipsen anymore.

The payment under this individual defined contribution plan will be subject to performance and presence conditions.

The criteria is the level of Core Operating Margin over the last 3 years preceding the payment; effective from the year 2019 onwards, the minimum level of achievement would be set at 20% per year.

The payment related to this scheme would require validation of the performance achievement by the Board of Directors and submitted to vote at the first possible General Shareholders'meeting following the date of retirement.

Payments or benefits granted or likely to be granted upon termination of his functions within the Group

At its meeting held on 8 July 2016, the Board of Directors decided to grant Marc de Garidel, Chairman of the Board, the right to a severance payment on the following terms, in accordance with the recommendations of the AFEP-MEDEF Code:

- an indemnity which will only be due in the event of a forced departure *(départ contraint)* within the meaning of the AFEP-MEDEF Code,
- of an amount equal to the remuneration received from the Company over the last 24 rolling calendar months preceding the effective date of his departure,
- the grant of which will be subject to the maintaining of the recurring operating margin of the Group during the three years preceding his departure at a minimum threshold of 15%, and
- including, for a portion equal to 50% of the amount hereof, the amount payable in consideration for the non-compete undertaking.

At its meeting held on 28 May 2019, the Board of Directors decided to modify the conditions under which Marc de Garidel could benefit from a severance pay, in compliance with the recommendations of the AFEP-MEDEF Code, namely:

- an indemnity which will only be due in the event of a forced departure *(départ contraint)* within the meaning of the AFEP-MEDEF Code,
- of an amount equal to 24 months of base compensation paid for his duties as Chairman of the Board,
- the grant of which is subject to the maintaining of the recurring operating margin of the Group at a rate of at least 15% for 2017 and 2018, and, from 2019 and the subsequent years, to the maintaining of the core operating margin of the Group at a rate of at least 20%, and
- including, for a portion equal to 50% of the amount hereof, the amount payable in consideration for the non-compete undertaking of Marc de Garidel.

Non-compete payment

Marc de Garidel, Chairman of the Board, agreed, in the event of his departure from the Group, during a period of 24 months following the date of his effective departure, not to perform or participate from an operational standpoint (including as a consultant), within the territory of the European Economic Area (EEA) and/or North America, in any activity relating to the development and/or the marketing of products belonging to the same therapeutic category (source IMS-Health) as the top three products of the Group in terms of turnover on the date of his effective departure.

The indemnity owed by the Company in consideration of this non-compete undertaking will be included in the severance package described above if it were also granted, for a portion equal to 50%.

The compensation of Marc de Garidel, is fully aligned with the Company's compensation policy. His total compensation is composed of an annual base salary, no variable remuneration, no eligibility to performance shares, this compensation is also based on the recommendation of the Remuneration Committee.

5.4.2.3 Compensation of the CEO

For financial year 2019, the compensation elements of David Meek, Chief Executive Officer, were determined by the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 13 February 2019.

In accordance with Articles L.225-37-2 and L.225-100 of the French Commercial Code, the compensation elements paid during the financial year ended 31 December 2019 or granted to David Meek, Chief Executive Officer, for the financial year ended on 31 December 2019, in respect of his term of office, comply with the compensation policy approved by the Shareholders' Meeting held on 28 May 2019 in its eleventh ordinary resolution.

It is nevertheless specified that the payment of the variable compensation elements granted to David Meek for the financial year ended on 31 December 2019 will depend on the approval by the next Shareholders' Meeting of the compensation elements paid during the previous financial year or granted on the previous year.

In accordance with Articles L.225-37-2 and L.225-100 of the French Commercial Code, the compensation policy applicable to David Meek, in respect of his duties as Chief Executive Officer, was determined by the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 13 February 2019 and will be subject to a resolution submitted to the approval of the next Shareholders' Meeting.

A. Summary tables of compensations, options and shares granted to David Meek, Chief Executive Officer

Summary table of compensations, options and performance shares (Table 1 of AMF recommendations)

(gross rounded amount – in euros)	2018 Financial Year	2019 Financial Year
David Meek Chief Executive Officer		
Compensations due for the year (see details below)	1,886,049	3,706,715
Book value of multi-annual variable compensations granted during the year	–	–
Book value of the options granted during the year	–	–
Book value of the bonus shares granted during the year (*)	1,240,512 (1)	1,314,933 (2)
Total	**3,126,561**	**5,078,059**

(*) For further details, see section 5.1.3.3.1 paragraphs B and C below.
(1) Book value for a target award of 9,230 performance shares, on the day of the grant.
(2) Book value for a target award of 11,730 performance shares, on the day of the grant.

Summary table of compensations (Table 2 of the AMF recommendations)

	2018		2019	
(gross rounded amount – in euros)	Amounts granted	Amounts paid	Amounts granted	Amounts paid
David Meek Chief Executive Officer				
Base compensation	900,000	900,000	950,000	950,000
Annual variable compensation – Annual performance	978,000 (2)	1,314,000 (1)	677,666 (3)	978,000
Multi-annual variable compensation	–	–	–	–
Exceptional compensation – Integration within the Group	–	–	–	–
Special financial indemnity	–	–	–	–
Compensation as a Director	–	–	–	–
Benefits in kind (4)	8,049	8,049	8,049	8,049
Non compete payment (5)	–	–	2,071,000	–
Total	**1,886,049**	**2,222,049**	**3,706,715**	**1,936,049**

(1) The Board of Directors, at its meeting held on 14 February 2018, upon recommendation of the Compensation Committee, fixed, in view of the realization of the pre-established criteria, the amount of the annual variable compensation for 2017 of the Chief Executive Officer at €1,314,000. This amount was paid in 2018, following the approval by the Shareholders' Meeting of 30 May 2018, of the compensation elements paid or granted to David Meek due to his mandate and for the previous financial year. The performance criteria and their achievement are presented in paragraph B below.

(2) The Board of Directors, at its meeting held on 13 February 2019, upon recommendation of the Compensation Committee, fixed, in view of the realization of the pre-established criteria, the amount of the annual variable compensation of the Chief Executive Officer for 2018 at €978,000 in respect of David Meek's exceptional bonus linked to the success of his integration within the Company. This amount was paid in 2019, following the Shareholders' Meeting held in 2019 to approve the 2018 financial statements, of the compensation elements paid or granted to David Meek due to his mandate and for the previous financial year. The performance criteria and their achievement are presented in paragraph B below.

(3) The Board of Directors, at its meeting held on 12 February 2020, upon recommendation of the Compensation Committee, fixed, in view of the realization of the pre-established criteria, the amount of the annual variable compensation of the Chief Executive Officer for 2019 at €677,666. This amount will be paid in 2020, subject to the Shareholders' Meeting approval of the compensation elements paid during the previous financial year or granted for the previous financial year to David Meek. The performance criteria and their achievement are presented in paragraph B below.

(4) Benefits in kind are defined in paragraph B hereunder "Other benefits".

(5) Non Compete payment: the Board of Directors of 17 December 2019 noted that, on 8 July 2016, David Meek agreed to a non-compete undertaking, under which David Meek has undertaken not to perform or participate from an operational standpoint (including as a consultant) in any activity relating to the development and/or the marketing of products belonging to the same therapeutic category (source IMS-Health) as one of the top three products of the Ipsen Group based on the turnover generated or their importance from a strategic standpoint and any product acquired by the Company between 1 January 2016 and the date of his effective departure, within the territory of the European Economic Area and/or North America, for a period of 24 months following the date of his effective departure, in return for a total consideration exceeding €300 million. David Meek also made an undertaking to the Company to prevent certain conflict of interest situations, for a period of 36 months following the date of his effective departure.
The Board, having considered that it was in the Company's interest to benefit from this protection, also verified that the new position to be taken by David Meek complied with the above-mentioned prohibition. The indemnity due by the Company with respect to the non-compete undertaking has been set at €2,071,000, corresponding to a year of gross compensation (fixed and short-term variable) based on the average of the compensation paid to David with respect to the last two financial year.

B. Details of the compensation elements granted to David Meek, Chief Executive Officer until 31 December 2019

The compensation of the Chief Executive Officer is determined by the Board of Directors upon recommendation of the Compensation Committee.

David Meek was Chief Executive Officer until 31 December 2019.

Base compensation

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

Since he joined in 2016, his base compensation had remained unchanged. The level of responsibility increased with the growth of the Company and the Board of Directors decided to adjust, in a proportionate balance between the components of his total remuneration, the increase of his base compensation in 2019. The benchmark was based on European and international positions driven by an International survey provider on the same structure of Companies.

The Board of Directors, at its meeting held on 13 February 2019 and upon recommendation of the Compensation Committee, had set David Meek's base compensation at a gross annual amount of €950,000.

Annual variable compensation

The annual variable compensation was linked to the Group's global performance and to the realization of personal goals set for the Chief Executive Officer.

For the 2018 financial year, the Board of Directors, during its meeting held on 14 February 2018, has decided to grant David Meek a gross target bonus of €900,000, which may vary within a range between 0% and 200% (*i.e.* from 0 to €1,800,000) based on the following quantifiable and qualitative performance criteria: the two-thirds of this target bonus depend on quantifiable criteria of equal weighting based on the achievement of level of consolidated net sales, core operating income, earnings per share and cash-flow from operations; the balance is based on qualitative criteria concerning managerial and strategic objectives. The detail of qualitative criteria has been precisely pre-established by the Board but is not made public for confidentiality reasons.

At its meeting held on 13 February 2019, the Board of Directors, upon recommendation of the Compensation Committee, set the gross amount of the variable part of the compensation for financial year 2018 at €978,000.

For the 2019 financial year, the Board of Directors, during its meeting held on 13 February 2019, has decided to grant David Meek a target variable compensation of €950,000, within a range of 0 to 200% (*i.e.*, from 0 to €1,900,000), based on the following quantifiable and qualitative performance criteria: two-thirds of this target amount is dependent on quantifiable criteria of equal weighting based on achieving levels of consolidated net sales, core operating income, fully diluted earnings per share and cash-flow from operations; the balance is based on managerial, strategic and Corporate Social Responsibility (CSR) qualitative criteria. The detail of qualitative has been precisely pre-established by the Board but is not made public for confidentiality reasons.

The weighting, the possible variation and the percentage of realization of the quantifiable and qualitative objectives decided by the Board of Directors are as follows:

	Criteria	Weight	Potential variation of the portion		
Performance indicators	*Consolidated net sales*	*1/6*	*0% to 200%*		
	Core operating income	*1/6*	*0% to 200%*		
	Cash-flow from operations	*1/6*	*0% to 200%*		
	Earnings per share	*1/6*	*0% to 200%*	% of achievement	Amount (in €)
Quantifiable objectives		2/3	0% to 200%	91%	576,333
Qualitative objectives		1/3	0% to 200%	32%	101,333
Total		**100%**	**0% to 200%**	**71%** (*)	**677,666** (*)

(1) Amounts are rounded.

The payment of the variable compensation elements of David Meek is subject to the approval of the Annual Shareholders' Meeting of 29 May 2020 to approve the financial statements for the year ended 31 December 2019, of the elements of compensation paid or granted in respect of the past year.

Multi-annual variable compensation

David Meek did not receive any multi-annual variable compensation.

Special financial indemnity

David Meek did not receive any special financial indemnity during 2019.

Performance shares

Executive Corporate Officers as well as certain senior executives of the Group may benefit from stock-options and/or performance shares under plans approved and set each year by the Board of Directors upon recommendation of the Compensation Committee.

The Chief Executive Officer can benefit from these plans whose features are described at paragraph 5.6.1.3.2 of this Document.

The Board of Directors, at its meeting held on 28 May 2019, granted to David Meek under the performance shares plan and contingent on Company performance 11,730 shares, representing 0.01% of the share capital.

Details regarding this allocation are given below, see section C.

Other benefits

David Meek received benefits resulting from the conditions linked to the performance of his duties at Ipsen, in particular: a relocation package in France, an assistance with filing his personal income tax returns, the reimbursement of reasonable

attorney fees and expenses incurred in connection with the finalization of the terms and conditions of his office a company car and driver, the business travel and accommodation expenses incurred whilst exercising his duties, an healthcare coverage under a global healthcare policy, and death and disability coverage under the Group's policy or a specific policy, D&O liability insurance.

Payments, benefits and compensations likely to be granted to David Meek upon termination of his functions

Details regarding these commitments are given below (see section D).

C. Subscription and/or purchase options and performance shares granted to David Meek, Chief Executive Officer until 31 December 2019

Executive officers and other senior executives of the Group can be awarded stock options and/or performance shares in the scope of the plans approved and set every year by the Board of Directors upon recommendation of the Compensation Committee. The definitive number of stock option and/or performance shares to vest will depend on the applicable performance conditions.

a. Subscription and/or purchase options granted to David Meek, Chief Executive Officer until 31 December 2019

Subscription or purchase options granted during the 2019 financial year (table 4 of AMF recommendations)

No option was granted to the Chief Executive Officer, David Meek, during the 2019 financial year.

Synthesis of the subscription or purchase options granted (table 8 of AMF recommendations)

For more information about subscription or purchase options, see table 8, section 5.6.1.3.1.

The Chief Executive Officer, David Meek, does not hold any Ipsen option.

Subscription or purchase options exercised during the 2019 financial year (table 5 of AMF recommendations)

No option was exercised by the Chief Executive Officer, David Meek, during the 2019 financial year.

b. Performance shares granted to David Meek, Chief Executive Officer until 31 December 2019

Performance shares granted during the 2019 financial year (table 6 of AMF recommendations)

	Plan date	Number of performance shares granted	Book value of the shares [1]	Book value of the shares [1]	Acquisition date	Date of availability	Performance conditions
David Meek Chief Executive Officer	28/05/2019	11,730 [2]	€112.10	€1,314,933	29/05/2022	29/05/2022	Yes

(1) Share value at the date of grant. For other information see Note 5 of the consolidated financial statements. The global amount of granted shares book value is listed in table 1 below.
(2) Allocation subject to performance conditions, representing 0.01% of the share capital as of 28 May 2019.

The Board found that the condition of presence attached to the 20,960 performance shares not yet acquired, granted to David Meek under the plans dated 30 May 2018 and 28 May 2019, will no longer be met as from the date of his departure from the Company. Consequently, David Meek shall lose all rights under said plans. David Meek will retain his rights with regard to the performance shares already acquired and not transferred (*i.e.* 15,141 performance shares granted under the 2016 and 2017 plans).

Within the scope of the authorization of the Combined Shareholders' Meeting of 30 May 2018 (15th extraordinary resolution), the Board of Directors held after the Shareholders' Meeting of 28 May 2019 had decided, upon recommendation of the Compensation Committee, on the allocation of 11,730 performance shares (corresponding to 100% of the expected performance) to David Meek, Chief Executive Officer of Ipsen.

The definitive acquisition of these performance shares was subject to presence and performance conditions which would have been assessed at the end of an acquisition period of 3 years from the allocation date. The shares thus acquired were not subject to a holding period.

- 1/3 of the number of allocated shares subject to a performance condition external to the Ipsen Group, measured against the evolution of the Ipsen Share within the index of reference STOXX 600 TMI Healthcare (the "Index").
- 1/3 of the number of allocated shares subject to a performance condition internal to the Ipsen Group, assessed with respect to a Core Operating Income target.
- 1/3 of the number of allocated shares subject to a performance condition internal to the Ipsen Group, assessed with respect to the Clementia cumulative sales from 2019 to 2021.

The average of achievement of this 3 criterias will determine the total percentage of the number of shares to be acquired by the Beneficiary.

According to the compensation policy of the Chief Executive Officer approved by the Shareholders during the Shareholders' Meeting of 28 May 2019 in its eleventh ordinary resolution, the Board of Directors decided that the Chief Executive Officer would have to retain, until the end of his term of office, a number of shares equivalent to 20% of the net capital gain that would be realized upon the sale of the shares resulting from the performance shares.

Summary of performance shares granted

On 17 December 2019, the Board found that the condition of presence attached to the 20,960 performance shares not yet acquired, granted to David Meek under the plans dated 30 May 2018 and 28 May 2019, would no longer be met as from 31 December 2019. Consequently, David Meek lost all rights under said plans.

David Meek will retain his rights with regard to the performance shares already acquired and not transferred (*i.e.* 15,141 performance shares granted under the 2016 and 2017 plans).

The table below describes, as of 31 December 2019, the total of performance shares granted to the Chief Executive Officer. For further details, see Table 10, section 5.6.1.3.2.

Corporate Officer	Date of grant	Quantity granted	Vesting Date	Date of availability	Number of shares to be held
David Meek Chief Executive Officer	29/07/2016	10,021 (1)	30/07/2018	30/07/2020 (2) (for 50% of shares)	20% capital gain net of acquisition value
	29/03/2017	13,365 (1)	30/03/2019	30/03/2021 (3) (for 50% of shares)	
	30/05/2018	9,230 (1)	31/05/2020 (for 50% of shares)	31/05/2020 (for 50% of shares)	
			31/05/2021 (for 50% of shares)	31/05/2021 (for 50% of shares)	
	28/05/2019	11,730 (1)(4)	29/05/2022	29/05/2022	
Totaux		**44,346 (4)(*)**			

(1) Subject to performance conditions, see section above and below.
(2) 50% of the shares have been made available on 30 July 2018.
(3) 50% of the shares have been made available on 30 March 2019.
(4) The Board of Directors, on 17 December 2019, acknowledged that the presence condition for the performance shares not yet vested granted to David Meek with respect to the performance shares plans dated 30 May 2018 and 28 May 2019, are no longer satisfied as from the date David Meek leaves the Company.
(*) Approximately 0.05% of the share capital, as of 31 December 2019.

At its meeting held on 30 May 2018, upon recommendation of the Compensation Committee, the Board of Directors decided to award David Meek, Chief Executive Officer, 9,230 shares in the form of performance shares under article L.225-197-1 of the French Commercial Code.

Vesting of the performance shares was subject to a condition of presence at the Company. The number of performance shares that vest would depend on the degree to which the applicable performance conditions are met, which would be assessed annually by comparing the target level to performance achieved by the Company during the first and second financial years used as a reference for the plan. Each of the conditions is assessed on a scale of 0 to 250%.

For one-third of the number of shares granted, the performance conditions were set using an internal criterion based on the Group's core operating income; for the next one-third, using an internal criterion based on specific income; and for the last one-third, using an external criterion based on the performance of the Company's share price as compared to the STOXX 600 TMI Health Care index. The details of these internal and external performance requirements, as well as the degree of achievement (expected and reached), that have been precisely determined by the Board of Directors, are not disclosed for confidentiality reasons. In view of the expected performance (*i.e.* 100%), the number of performance shares granted has been adjusted as a result. These performance shares were subject to a two-year vesting period from their grant date and 50% of the shares thus acquired are subject to a two-year holding period.

At its meeting held on 29 March 2017, upon recommendation of the Compensation Committee, the Board of Directors decided to grant David Meek, Chief Executive Officer, 13,365 shares in the form of performance shares under Article L.225-197-1 of the French Commercial Code.

The vesting of the performance shares is subject to a presence condition in the Company. The definitive number of performance shares acquired was dependent on the level of achievement of the performance conditions applicable, that will be assessed annually by comparing the target level of performance achieved by the Company during the first and the second financial years set by the plan. Each of the conditions was assessed on a scale of 0 to 250%.

The performance conditions were based, for the one third of the granted shares, on an internal criterion based on the core operating income, for the second third on an internal criterion based on specific incomes and, for the last third, on an external criterion based on the relative performance of Ipsen's stock price compared to that of the other companies which are part of the STOXX TMI 600 Health Care index. The details of these internal and external performance conditions as well as the degree of achievement (expected and achieved), that have been precisely determined by the Board are not disclosed for confidentiality reasons. Considering the expected performance (*i.e.* 100%), the number of performance shares granted has been adjusted accordingly. These performance shares have been subject to a 2-year acquisition period from the date of grant and 50% of the shares thus acquired are subject to a 2-year holding period.

The Board of Directors, at its meeting held on 29 July 2016, upon recommendation of the Compensation Committee, decided to grant to David Meek, Chief Executive Officer, 10,021 shares, in the form of performance shares in accordance with the article L.225-197-1 of the French Commercial Code. This number of shares was calculated on a *prorata temporis* basis.

The performance conditions were based, for the half of the granted shares, on an internal criterion based on the current operating income and, for the other half, on an external criterion based on the relative performance of Ipsen's stock price compared to that of the other companies which are part of the STOXX TMI 600 Health Care index. The details of these internal and external performance conditions as well as the degree of achievement (expected and achieved), that have been precisely determined by the Board but are not disclosed for confidentiality reasons. In case of over achievement of the expected performance (*i.e.* 100%), the number of performance shares granted will be adjusted accordingly. These performance shares are subject to a 2-year acquisition period from the date of grant and 50% of the shares thus acquired will be subject to a 2-year holding period.

In accordance with the provisions of article L.225-197-1 of the French Commercial Code, the Board of Directors, at its meetings held on 29 July 2016, 29 March 2017, 30 May 2018 and 28 May 2019 had established rules requiring the Chief Executive Officer to retain a number of shares arising from the performance shares granted, equivalent to 20% of the capital gain net of acquisition value that would be realized upon the sale of the performance shares, until the termination of his duties as Chief Executive Officer.

David Meek had made a formal undertaking not to engage in hedging transactions, either on his performance shares granted, until the end of the holding period that has been decided by the Board of Directors.

Performance shares that have become available during the 2019 financial year (Table 7 of AMF recommendations)

David Meek will retain his rights with regard to the performance shares already acquired and not transferred (*i.e.* 14,472 performance shares granted under the 29 March 2017 plan). During the 2019 financial year, 50% of the performance shares granted to the Chief Executive Officer became available.

For further information, see table 10, section 5.6.1.3.2.

Corporate Officer	Date granted	Number of shares becoming available
David Meek Chief Executive Officer	29/03/2017	7 236 [1]

[1] Allocation subject to performance conditions.

D. Summary of commitments issued in favor of David Meek, Chief Executive Officer until 31 December 2019 (Table 11 of AMF recommendations)

	Employment contract		Additional pension scheme		Payments or benefits granted or to be granted in connection with the termination or change of functions		Compensation under a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
David Meek Chief Executive Officer		X	X		X		X	

Employment contract

David Meek, Chief Executive Officer until 31 December 2019, did not have an employment contract.

Additional pension plan

David Meek, Chief Executive Officer, may potentially benefit from the Company's defined benefit additional pension commitment pursuant to the decision of the Board of Directors held on 8 July 2016. This pension commitment more broadly benefits to the company's executives.

The benefit of the pension commitment is subject to:

- a minimum 5-year service,
- claiming the Social Security pension at a full rate,
- termination of any professional activity with the Company at the date that basic and additional pensions are claimed.

However, the right is maintained in case of early retirement or dismissal after the age of 55 subject to non-resumption of professional activity or if classified as having a 2nd or 3rd category disability.

Furthermore, in case of death of the beneficiary during retirement, the potential right to widow or widower's pension is maintained.

In accordance with article L.225-42-1 of the French Commercial Code, the grant of this additional pension scheme shall be subject to a performance condition, the level of the core operating margin of the Group during the three years preceding departure at a minimum threshold of 20%.

The pension is calculated at the rate of 0.6% per year of seniority to the part of the reference compensation below 8 times the Annual Social Security Ceiling ("PASS") and at a rate of 1% for the part of the reference compensation in excess of 8 times the PASS.

The reference compensation is the average of the total gross amount of the compensation received for a full time position (bonus included) during the last 36 months preceding the end of the contract and/or office. Severance payments, expense reimbursement, profit-sharing and incentives are excluded.

Seniority is limited to 40 years.

Terms governing survivor's pension benefits are set forth in the plan.

The annual pension owed to the beneficiaries shall not exceed 45% of their base and variable compensation.

The potential rights are financed by non-individualized premiums paid to an insurance institution. These premiums are deductible from the corporate tax base and subject to the contribution set forth in L.137-11, I, 2° a) of the Social Security Code at the rate of 24%.

Given that entitlement to benefit from this plan requires a 5-year seniority, if David Meek had claimed any payment of his pension on 1 January 2019, he would have received nothing under the plan.

In addition, as the defined benefit plan is closed at 30 June 2019, the potential amount rights would have been based on crystallized projected benefit obligation in the case.

As a reminder, the additional defined-benefit pension scheme of which David Meek was a beneficiary was closed with an effective date of 30 June 2019 and, due to his departure, he has no rights thereunder.

Furthermore, since 1 July 2019, David Meek was a beneficiary of the mandatory additional defined-contribution group

pension plan for the Group's senior executives, as indicated above, and would be entitled, at retirement, to a pension calculated from the amount paid in respect of his office in 2019, as from 1 July 2019, the date on which said defined-contribution plan was set up.

The estimated pension level for these contributions would be €2,022 per year, if he retired at the age of 62. The contribution appertaining to David Meek's variable compensation for 2019 will generate an additional pension contribution to be paid in 2020.

Payments or benefits granted or likely to be granted upon termination of his functions within the Group

At its meeting held on 8 July 2016, the Board of Directors decided to grant David Meek, Chief Executive Officer, the benefit of a severance payment on the following terms, in accordance with the recommendations of the AFEP-MEDEF Code: an indemnity which will only be due in the event of a forced departure *(départ contraint)* within the meaning of the AFEP-MEDEF Code, equal to 24 months of gross (base and variable) remuneration, the grant of which will be subject to the maintaining of the recurring operating margin of the Group during the three years preceding the departure at a minimum threshold of 15%, and including, for a portion equal to 50% of the amount hereof, the amount payable in consideration for the non-compete undertaking.

At its meeting held on 28 May 2019, the Board of Directors decided to modify the conditions under which David Meek could benefit from a severance pay, in compliance with the recommendations of the AFEP-MEDEF Code, namely:

- an indemnity which will only be due in the event of a forced departure *(départ contraint)* within the meaning of the AFEP-MEDEF Code,
- of an amount equal to 24 months of gross (annual base and variable) compensation paid for his duties as Chief Executive Officer,
- the grant of which is subject to the maintaining of the recurring operating margin of the Group at a rate of at least 15% for 2017 and 2018, and, from 2019 and the subsequent years, to the maintaining of the core operating margin of the Group at a rate of at least 20%, and
- including, for a portion equal to 50% of the amount hereof, the amount payable in consideration for the non-compete undertaking of David Meek.

At its meeting on 17 December 2019, the Board of Directors found that the terms of the severance payment to which David Meek might be entitled had not been met, since his departure was voluntary. Therefore, no severance payment has been awarded to him.

Non-compete payment

The Board of Directors of 17 December 2019 noted that, on 8 July 2016, David Meek agreed to a non-compete undertaking, under which David Meek has undertaken not to perform or participate from an operational standpoint (including as a consultant) in any activity relating to the development and/or the marketing of products belonging to the same therapeutic category (source IMS-Health) as one of the top three products of the Ipsen Group based on the turnover generated or their importance from a strategic standpoint and any product acquired by the Company between 1 January 2016 and the date of his effective departure, within the territory of the European Economic Area and/or North America, for a period of 24 months following the date of his effective departure, in return for a total consideration exceeding €300 million.

David Meek also undertook, with regard to the Company, for a period of 36 months following the date of his actual departure, a commitment to prevent certain conflicts of interest.

The Board, having considered that it was in the Company's interest to benefit from this protection, also verified that the new position to be taken by David Meek complied with the above-mentioned prohibition.

The indemnity due by the Company with respect to the non-compete undertaking has been set at €2,071,000, corresponding to a year of gross compensation (fixed and short-term variable) based on the average of the compensation paid to David Meek with respect to the last two fiscal year.

The compensation of Mr David Meek was fully aligned with the Company's compensation policy. His total compensation was composed of an annual base salary, a variable compensation linked to the Group performance and individual objectives, a number of performance shares awarded by the Shareholder's meeting based on the recommendation of the Remuneration Committee and a benefit kind linked to his car.

Interim Chief Executive Officer, Aymeric le Chatelier

You are reminded that Aymeric Le Chatelier was appointed as interim Chief Executive Officer as from 1 January 2020. Consequently, he is not affected by the resolutions submitted to the Shareholders' Meeting to be held in 2020.

Information on compensation elements for Aymeric Le Chatelier are available on the Company's website www.ipsen.com.

5.4.3 Comparative table of compensation of the Chairman and Chief Executive Officer with respect to other employees and put into perspective with the Company's performance

Under Article L.225-37-3 of the French Commercial Code, as amended following the PACTE Law and Ordinance No. 2019-1234 of 27 November 2019, and pursuant to the recommendations of the AFEP-MEDEF Code, the changes in compensation of the Executive Corporate Officers with respect to other employees are shown below and put into perspective with the Company's performance over the past five (5) years.

The figures shown were calculated across the Company scope, as well as across an expanded scope including all Ipsen employees in France, so as to consider a scope representative of Ipsen's operations in France.

The Ipsen performance criteria shown, and their changes in comparison to the changes in compensation, were determined in light of their relevance to the Company's strategy in terms of growth and profitability:

- Change in Ipsen sales (%) vs. prior year,
- Change in core operating income (%) vs. prior year.

	Relationship between compensation of Executive Corporate Officers and that of employees (FTE), and changes, on average and median	Chairman of the Board of Directors	Chief Executive Officer	Chairman and Chief Executive Officer
2015	A average	N/A	N/A	5
	A median	N/A	N/A	7
	B average	N/A	N/A	46
	B median	N/A	N/A	65
2016	A average	1	2	5
	A median	1	2	6
	B average	11	25	58
	B median	16	38	87
Change 2015-2016	annual change in compensation of Executive Corporate Officers	N/A	N/A	37.9%
	annual change in average compensation of A and B employees		9.0%	
	annual change in Company performance as a percentage of annual change in sales (at constant exchange rates)		11.8%	
	annual change in Company performance as a percentage of annual change in core operating income		11.1%	
2017	A average	4	3	N/A
	A median	3	3	N/A
	B average	46	40	N/A
	B median	67	60	N/A
Change 2016-2017	annual change in compensation of Executive Corporate Officers	351.6%	69.3%	N/A
	annual change in average compensation of A and B employees		5.6%	
	annual change in Company performance as a percentage of annual change in sales (at constant exchange rates)		21.1%	
	annual change in Company performance as a percentage of annual change in core operating income		38.4%	
2018	A average	1	4	N/A
	A median	1	3	N/A
	B average	8	44	N/A
	B median	12	63	N/A
Change 2017-2018	annual change in compensation of Executive Corporate Officers	-82.0%	7.3%	N/A
	annual change in average compensation of A and B employees		-2.5%	
	annual change in Company performance as a percentage of annual change in sales (at constant exchange rates)		20.1%	
	annual change in Company performance as a percentage of annual change in core operating income		31.0%	
2019	A average	1	3	N/A
	A median	1	3	N/A
	B average	8	38	N/A
	B median	10	50	N/A
Change 2018-2019	annual change in compensation of Executive Corporate Officers	-8.3%	-13.6%	N/A
	annual change in average compensation of A and B employees		1.8%	
	annual change in Company performance as a percentage of annual change in sales (at constant exchange rates)		14.8%	
	annual change in Company performance as a percentage of annual change in core operating income		18.6%	

- A = the Company
- B = all Ipsen Group employees in France

Notes per year of reference:
- 2015: Marc de Garidel in his role of Chairman & CEO full year
- 2016: Marc de Garidel in his role of Chairman & CEO until 18 July then in his role of Chairman until the end of the year, David Meek in his role of CEO from 18 July until the end of the year. All calculations are made on annualized value for their respective compensation components
- 2017: Marc de Garidel in his role of Chairman full year (including payout for multi-year variable pay granted in 2015), David Meek in his role of CEO full year
- 2018: Marc de Garidel in his role of Chairman full year, David Meek in his role of CEO full year
- 2019: Marc de Garidel in his role of Chairman full year, David Meek in his role of CEO full year.

Additional methodological notes:
- Elements of compensation: all the elements paid, granted or due during the reference year: Base pay, annual bonus, exceptional bonus, director's fees, LTIs (IFRS value), benefits in kind, profit sharing.
- Full time equivalents including all fixed-term and open-ended contracts present each year.

5.4.4 Compensation paid or awarded in 2019 (Article L.225-100 III of the French Commercial Code)

Marc de Garidel, Chairman of the Board of Directors

Compensation components of Marc De Garidel, Chairman of the Board of Directors, subject to a vote	Amounts paid during the past financial year	Amounts granted for the past financial year, or book value	Presentation
2019 fixed compensation	**€600,000**	**€600,000**	Fixed compensation

David Meek, Chief Executive Officer until 31 December 2019

Compensation components of David Meek, Chief Executive Officer until 31 December 2019, subject to a vote	Amounts paid during the past financial year	Amounts granted for the past financial year	Presentation
2019 fixed compensation	**€950,000**	**€950,000**	Change in fixed compensation in light of market data. See Compensation of David Meek, paragraph 5.4.2.3.
2019 annual variable compensation	**€978,000** (Approved by the Shareholders' Meeting on 28 May 2019)	**€677,666** (Amount to be paid after approval of the Shareholders' Meeting, subject to its yes vote)	Mention of annual variable compensation paid during the past financial year including, as applicable, the deferred portion relating to one or more previous financial years. Amount allocated for the past financial year with: • Quantifiable criteria for 2/3 and qualitative criteria (1/3) contributed to the determination of this variable compensation; • Maximum percentage of fixed compensation that variable compensation may represent: 100%; • The Board of Directors, on the recommendation of the Compensation Committee on 13 February 2019, and in view of the realisation of the pre-established criteria, set the amount of the annual variable compensation of the Chief Executive Officer for 2018 at €978,000. This amount was paid following the Shareholders' Meeting held in May 2019 to approve the amounts of the compensation components to be paid or granted to David Meek for the previous year. • See Table B in Chapter 5.4.2.3.

Compensation components of David Meek, Chief Executive Officer until 31 December 2019, subject to a vote	Amounts paid during the past financial year	Amounts granted for the past financial year	Presentation
Stock options, performance shares, or any other long-term benefit (warrants, etc.)		**€1,314,933** (Book value of performance shares granted for the past financial year)	11,730 shares were granted representing 0.01% of the share capital • 1/3 of the number of shares granted will be subject to a performance condition external to the Ipsen Group, measured against the change in Ipsen stock on the reference index, STOXX 600 TMI Health Care. • 1/3 of the number of shares granted will be subject to a performance condition internal to the Ipsen Group, assessed in comparison with a target core operating income. • 1/3 of the number of shares granted will be subject to a performance condition internal to the Ipsen Group, assessed in comparison with cumulative sales of Clementia from 2019 to 2021. The average fulfilment these three criteria will determine the total percentage of the number of shares to be acquired by the beneficiary. See Section C in 5.4.2.3. David Meek has lost all rights under this plan.
Benefits in kind	**€8,049**	**€8,049**	Company car
Non-compete payment		**€2,071,000**	The Board of Directors has recognised that on 8 July 2016, David Meek accepted certain non-compete undertakings. The Board, having considered that it was in the Company's interest to benefit from this protection, also verified that the new position to be taken by David Meek complies with the above-mentioned prohibition. The payment owed by the Company under this non-compete undertaking has been set at €2,071,000, corresponding to a year of gross compensation (fixed and short-term variable), based on the average of the compensation paid to David Meek with respect to the last two financial years. Reminder of the Board's decision date: 17 December 2019.

5.5 AUDITORS' SPECIAL REPORT CONCERNING REGULATED AGREEMENTS

Ipsen

Société Anonyme

65, Quai Georges Gorse – 92650 Boulogne-Billancourt

Auditors' Special Report concerning regulated agreements

Shareholders' Meeting to approve the financial statements for the year ended 31 December 2019

To the Meeting of the Shareholders of Ipsen S.A.:

As the auditors of your company (the "Company"), we hereby present to you our report on the regulated agreements.

It is our duty to communicate to you, on the basis of the information provided to us, the characteristics, main methods and reasons justifying the interest for your Company of the agreements of which we have been advised or discovered during our audit, without our having to make any claims as to their usefulness or validity, or to determine the existence of any other agreements. In accordance with article R.255-31 of the French Commercial Code, it is your duty to assess the interest in finalising these agreements with a view to their approval.

Additionally, it is our duty to advise you of the information stipulated in article R.255-31 of the French Commercial Code concerning the implementation during the previous financial year of the agreements, if any, approved by the Shareholders' Meeting.

We have conducted the due diligence we believed necessary in light of the professional code of the *Compagnie nationale des commissaires aux comptes* (French association of auditors) with regard to this audit. This due diligence involved checking the veracity of the information provided to us against the basic documents used for its compilation.

AGREEMENTS PRESENTED FOR THE APPROVAL OF THE SHAREHOLDERS' MEETING

Agreements authorised and signed during the past financial year

We inform you that we were not advised of any agreements authorised and signed during the past financial year to be presented for the approval of the Shareholders' Meeting in accordance with the provisions of article L.225-35 of the French Commercial Code.

Commitments presented for the approval of the Shareholders' Meeting

Additionally, further to the information provided to us by the Chairman of your Board of Directors, we advise you of the commitments made in favour of Marc de Garidel and David Meek, which correspond to the regulated agreements subject to articles L.225-42-1 of the French Commercial Code prior to the Order No 2019-1234 dated 27 November 2019.

Commitments made in favour of Marc de Garidel, Chairman of the Board of Directors

The 28 May 2019 Shareholders' Meeting renewed the office of Marc de Garidel as a Director for a term of 4 years. The Board of Directors held after this Meeting also renewed him in his duties as Chairman of the Board of Directors, Chairman of the Innovation and Development Committee – Specialty Care and Chairman of the Innovation and Development Committee – Consumer HealthCare, for the duration of his office as a Director.

In compliance with the compensation policy applicable to the Chairman of the Board of Directors of Ipsen approved by the Shareholders' Meeting of 28 May 2019 in its tenth ordinary resolution, and in compliance with the AFEP-MEDEF Code, the Board of Directors' meeting held after the Shareholders' Meeting, upon a recommendation by the Compensation Committee, also decided the terms and conditions of his office, including the compensation elements and other benefits due or likely to be due as a result of the termination of his duties or at the end of his term of office.

These compensation elements include the following:

- **Additional pension scheme**

The Board of Directors was notified of the decision to close the defined benefits additional pension scheme in force within the Company, of which Marc de Garidel benefits, and which more broadly benefits the company's executives, with effect from 30 June 2019. This scheme had been originally introduced in 2005 and then modified by the regulations of June 2012, for which it was pointed out that the scheme was a contingent one in which the acquisition and liquidation of rights were conditional on completing one's working life within the Ipsen Group. The Board of Directors noted that the terms of closure of the scheme result in the inability to acquire potential rights beyond 30 June 2019 and to determine an evaluation of the potential pension rights crystallised as at that date, and that could be acquired and liquidated by each beneficiary subject to the express condition of completing his or her

working life within the Ipsen Group (liquidation of legal pensions and termination of any activity including as a corporate officer within Ipsen).

In this context, and insofar as it is legitimate in terms of the interests of the company that its Chairman acquire pension rights of the same nature as those accruing to senior officers of the Group, the Board of Directors, upon a recommendation of the Compensation Committee, decided to crystallise the rights of Marc de Garidel, Chairman, it being expressly noted that the liquidation of the pension is conditional on the acknowledgement by the Board of Directors of the compliance with the performance conditions. The Board of Directors will thus have to acknowledge that, for the three financial years preceding the end of the term of office, the following performance criterion will have been strictly met or exceeded: maintain the recurring operating margin of the Group at a rate of at least 15%, for 2017 and 2018, and, from 2019 and the subsequent years, maintain the core operating margin of the Group at a rate of at least 20%. The acquisition and liquidation of the above pension is strictly subject to the completion of the working life of Marc de Garidel within the Ipsen Group (liquidation of legal pensions at a full rate and termination of any activity including as a corporate officer within Ipsen).

After the closure of the defined and contingent benefits pension scheme, the Board of Directors has decided to grant Marc de Garidel, Chairman of the Board of Directors, the benefits of an individual pension scheme in the form of the acquisition of an optional supplementary pension insurance contract, whereby the company will pay to the insurance company a single premium (this premium includes employer and employee contributions and is fully subject to income tax), it being specified that the payment will be made after the liquidation of his pension on a full rate and termination of office within Ipsen. The Board of Directors must have acknowledged that, for the three financial years preceding the end of the term of office, the following performance criteria must have been fully complied with or exceeded: maintain the recurring operating margin for 2017 and 2018 at a minimum of 15% and as of 2019 and thereafter a core operating margin of at least 20%, as well as a presence condition.

Motivation of the interest for the Company

The Board of Directors noted that the terms of closure of the scheme result in the prohibition to acquire potential rights beyond 30 June 2019 and to determine an evaluation of the potential pension rights crystallised as at that date and that could be acquired and liquidated by each beneficiary subject to the express condition of completing his or her working life within the Ipsen Group (liquidation of legal pensions and termination of any activity including as a corporate officer within Ipsen).

Given this context, the Board of Directors deemed that is legitimate in light of the Company's interest for its Chairman to accumulate the same retirement benefits as those granted to the Group's executives.

- **Indemnity granted for termination of the duties**

In light of the above, the Remunerations Committee proposed that the Board of Directors modify the performance criterion of the operational margin applicable to the departure indemnity, in accordance with the recommendations of the AFEP-MEDEF Code, granted to Marc de Garidel by the Board of Directors at its 8 July 2016 meeting.

The Board of Directors also decided to modify the conditions under which Marc de Garidel could benefit from severance pay, in compliance with the recommendations of the AFEP-MEDEF Code, namely:

- an indemnity which will only be due in the event of a forced departure *(départ contraint)* within the meaning of the AFEP-MEDEF Code
- of an amount equal to 24 months' base compensation paid for his duties as Chairman of the Board
- the granting of which is subject to maintaining the Group's recurring operating margin rate for 2017 and 2018 at a rate of at least 15% and, starting in 2019 and for the following years, maintain the operating margin rate for the Group's businesses at a rate of at least 20%
- including, 50% of the amount payable in consideration for the non-compete agreement made by Marc de Garidel.

Motivation of the interest for the Company

The reason for the decision to grant a departure indemnity to Marc de Garidel taken by the Board of Directors at its 8 July 2016 meeting was the fact that he has been given a long-term mission within the Group and Company, and because he provides the Group and Company with his experience in the pharmaceuticals sector.

Having modified this performance criterion applicable to the Chairman of the Board of Directors' pension scheme, the Board of Directors also modified this performance criterion with regard to the departure indemnity that had already been authorised for him.

Commitments made in favour of David Meek, Chief Executive Officer until 31 December 2019

The Board of Directors Meeting on 28 May 2019 approved the elements of compensation for David Meek, Chief Executive Officer from 18 July 2016 to 31 December 2019.

These compensation elements include the following:

- **Additional pension scheme**

The Board of Directors was notified of the decision to close the defined benefits additional pension scheme in force within the Company, of which David Meek benefits, and which more broadly benefits the company's executives, with effect from 30 June 2019.

This scheme had been originally introduced in 2005 and then modified by the regulations of June 2012, for which it was pointed out that the scheme was a contingent one in which the acquisition and liquidation of rights were conditional on completing one's working life within the Ipsen Group. The Board of Directors noted that the terms of closure of the scheme result in the inability to acquire potential rights beyond 30 June 2019 and to determine an evaluation of the potential pension rights crystallised as at that date and which could be acquired and liquidated by each beneficiary subject to the express condition of completing his or her working life within the Ipsen Group (liquidation of legal pensions and termination of any activity including as a corporate officer within Ipsen).

In this context, and insofar as it is legitimate in terms of the interests of the company that its Chairman acquire pension rights of the same nature as those accruing to senior officers of the Group, the Board of Directors, upon a recommendation of the Compensation Committee, decided to crystallise the rights of David Meek, Chief Executive Officer, it being expressly noted that the liquidation of the pension is conditional on the acknowledgement by the Board of Directors of the compliance with the performance conditions. The Board of Directors will thus have to acknowledge that, for the three financial years preceding the end of the term of office, the following performance criterion will have been strictly met or exceeded: maintain the recurring operating margin of the Group at a rate of at least 15%, for 2017 and 2018, and, from 2019 and the subsequent years, maintain the core operating margin of the Group at a rate of at least 20%. The acquisition and liquidation of the above pension is strictly subject to the completion of the working life of David Meek within the Ipsen Group (liquidation of legal pensions at a full rate and termination of any activity including as a corporate officer within Ipsen).

At the same time, the Board of Directors has been informed of the setting up in favour of the active senior executives of the Company of a new collective and mandatory supplementary pension scheme with defined contributions, and deeming it to be legitimate with regard to the interests of the Company that its Chief Executive Officer acquire pension entitlements of the same nature as those received by the senior officers of the Group, has authorised its granting to David Meek, subject to the conditions strictly applicable to all the senior executives who benefit from this scheme.

Given David Meek's resignation effective from 31 December 2019, and given that he has benefited since 1 July 2019 of this supplementary pension scheme, he will be entitled to receive, when he retires, an income calculated on the basis of the amounts paid as part of his term of office in 2019, effective from 1 July 2019, being the date on which the above-said scheme with defined contributions was introduced.

Motivation of the interest for the Company

The Board of Directors noted that the terms of closure of the scheme result in the inability to acquire potential rights beyond 28 May 2019 and to determine an evaluation of the potential pension rights crystallised as at that date and which could be acquired and liquidated by each beneficiary subject to the express condition of completing his or her working life within the Ipsen Group (liquidation of legal pensions and termination of any activity including as a corporate officer within Ipsen). Given this context, the Board of Directors deemed it legitimate in light of the Company's interest for its Chief Executive Officer to accumulate the same retirement benefits as those granted to the Group's executives.

- **Indemnity granted for termination of duties**

Following a proposal by the Remunerations Committee to modify the performance criterion based on the operational margin applicable to the departure indemnity, in accordance with the recommendations of the AFEP-MEDEF code, granted to David Meek by the Board of Directors at its 8 July 2016 meeting, the Board of Directors' meeting on 28 May 2019 decided to modify the conditions under which David Meek could benefit from a departure indemnity in accordance with the AFEP-MEDEF recommendations, namely:

- an indemnity which will only be due in the event of a forced departure *(départ contraint)* within the meaning of the AFEP-MEDEF Code
- of an amount equal to 24 months' base compensation (fixed and annual variable) paid for his duties as Chairman of the Board
- the granting of which is subject to maintaining the Group's recurring operating margin rate for 2017 and 2018 at a rate of at least 15% and, starting in 2019 and for the following years, maintaining the operating margin rate for the Group's businesses at a rate of at least 20%
- including, 50% of the amount payable in consideration for the non-compete agreement made by David Meek.

Within the context of David Meek's resignation effective from 31 December 2019, the Board of Directors has acknowledged that the conditions for the payment of the departure indemnity of which he was liable to benefit had not been met insofar as his departure was voluntary. As a consequence, he has not been awarded any departure indemnity.

Motivation of the interest for the Company

The reason for the decision to grant a departure indemnity to David Meek taken by the Board of Directors at its 8 July 2016 meeting was the fact that he had been given a long-term mission within the Group and Company, and because he provided the Group and Company with his experience in the pharmaceuticals sector, particularly on the American market, which is a strategic area of development for the Company.

Having modified this performance criteria applicable to the Chief Executive Officer's pension scheme, the Board of Directors also modified this performance criterion with regard to the departure indemnity that had already been authorized for him.

AGREEMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

Agreements approved in previous fiscal years

We advise you that we have not received notice of any agreements already approved by the Shareholders' Meeting for which the implementation would have continued in the past fiscal year.

Commitments approved in previous fiscal years

Additionally, further to the information provided to us by the Chairman of your Board of Directors, we advise you of the commitments made in favour of Marc de Garidel and David Meek, which correspond to the regulated agreements subject to articles L.225-42-1 of the French Commercial Code prior to the Order No 2019-1234 dated 27 November 2019 which had already been approved by the Shareholders' Meeting.

Non-compete agreement made by Marc de Garidel, Chairman of the Board of Directors

When he was appointed Chief Executive Officer of the Company, Marc de Garidel undertook, in the event of his departure from the Group, for a period of 24 months following the date of his effective departure, not to exercise or participate in any operational capacity (including as a consultant), within the territory of the European Economic Space and/or the North American continent, in any activity involving the development and/or marketing of products in the same therapeutic class (source IMS-Health), as that of the Group's leading two products in terms of revenue at the time of his effective departure.

At the 8 July 2016 Board of Directors' Meeting, Marc de Garidel accepted to maintain this commitment within the context of his sole role as Chairman of the Company's Board of Directors, it being stated that the non-compete obligation shall henceforth apply to the Group's leading three products in terms of revenue at the time of his effective departure. It is stated that the indemnity payable by the Company in exchange for this commitment would be included in the departure indemnity referred to above if said indemnity were also due.

It is recalled that the non-compete commitment made by Marc de Garidel at the 8 July 2016 Board of Directors' Meeting remains in force, as does the commitment he made concerning certain conflicts of interest.

This commitment was not invoked in the 2019 fiscal year.

Non-compete agreement made by Mr David Meek, Chief Executive Officer until 31 December 2019

At the 8 July 2019 Board of Directors' Meeting, David Meek undertook, in the event of his departure from the Group, for a period of 24 months following the date of his effective departure, not to exercise or participate in any operational capacity (including as a consultant), within the territory of the European Economic Space and/or the North American continent, in any activity involving the development and/or marketing of products in the same therapeutic class (source IMS-Health), as that of (1) the Group's leading three products in terms of revenue generated or strategic importance as at the date of his effective departure, and (2) that of any product acquired by the Company between 1 January 2016 and the date of his effective departure, with a financial valuation in excess of €300 million, this financial valuation being (i) the sum of all initial payments and all commercial or regulatory payments at a later stage, or (ii) in the event of the company's acquisition, the portion of this acquisition price equal to the sum of the initial price and all earn-out or other additional price corresponding to the product concerned. It is stated that the indemnity payable by the Company in exchange for this commitment would be included in the departure indemnity referred to above if said indemnity were also due.

It is recalled that the non-compete agreement made by David Meek at the 8 July 2016 Board of Directors' Meeting remained in force during the 2019 financial year, as does the commitment he made concerning certain conflicts of interest.

At its 17 December 2019 meeting, the Board of Directors acknowledged David Meek's resignation from his position as Chief Executive Officer of the Company effective from 31 December 2019. At its 17 December 2019 meeting, the Board of Directors noted that David Meek had signed a non-compete agreement on 8 July 2016, under the terms of which, he may not:

- for a period of 24 months following the date of his effective departure, exercise or participate in any operational capacity (including as a consultant), within the territory of the European Economic Space and/or the North American continent, in any activity involving the development and/or marketing of products in the same therapeutic class (source IMS-Health), as that of one of the Group's leading three products in terms of revenue generated or strategic importance as at the date of his effective departure, and (2) that of any product acquired by the Company between 1 January 2016 and the date of his effective departure, with a financial valuation in excess of €300 million
- for a period of 36 months following the date of his effective departure, exercise the position of executive, board member or consultant in (A) companies (and their direct and indirect subsidiaries) that are strategic partners of the Group at the date of his effective departure, (B) companies in which the Company has a direct or indirect stake of 10% or more at the date of his departure, and (C) companies with which the Company has an ongoing dispute or with which there is the threat of legal proceedings at the date of his departure. This 36-month agreement aimed at preventing certain situations of conflicts of interest shall not give rise to any additional indemnity.

The indemnity payable by the company in exchange for this agreement has been set at an amount corresponding to half the maximum amount liable to be payable as a departure indemnity, that is, one full year's gross salary (fixed and variable) on the basis of the average of the compensation (fixed and short-term variable) paid in 2018 and 2019, that is €2,071,000.

At its 17 December 2019 meeting, the Board of Directors, having deemed that it was in the Company's interest to have this protection, also made sure that the new position to be taken up by David Meek was compatible with this non-compete agreement.

Paris-La Défense, 9 April 2020

The Auditors

KPMG Audit *A department of KPMG S.A.*		Deloitte & Associés
Catherine Porta	Cédric Adens	Jean-Marie Le Guiner

5.6 SHARE CAPITAL AND SHAREHOLDING

5.6.1 Share Capital

5.6.1.1 Amount of the share capital

As of 31 December 2019, the share capital of the Company amounted to €83,814,526 divided into 83,814,526 shares fully subscribed and paid-up of same class, each with a par value of €1.

All the shares are registered or bearer shares and are freely transferable. They are traded on Euronext Paris (Compartment A) (ISIN code FR 0010259150).

5.6.1.2 Changes in share capital

Date	Operation	Par value per share (in euros)	Number of shares	Nominal amount (in euros)	Share or contribution premium (in euros)	Cumulative share or contribution premiums (in euros)	Cumulated amount of share capital (in euros)	Cumulated number of outstanding shares
31/12/2016	Options exercises	1	10,000	10,000	322,100	732,941,986	83,557,864	83,557,864
22/02/2017	Options exercises	1	22,630	22,630	796,433	733,738,419	83,580,494	83,580,494
07/06/2017	Options exercises	1	57,440	57,440	1,967,094	735,705,513	83,637,934	83,637,934
30/06/2017	Options exercises	1	2,600	2,600	92,664	735,798,177	83,640,534	83,640,534
26/07/2017	Options exercises	1	20,000	20,000	712,800	736,510,977	83,660,534	83,660,534
04/10/2017	Options exercises	1	32,289	32,289	1,150,780	737,661,757	83,692,823	83,692,823
13/12/2017	Options exercises	1	38,724	38,724	1,418,879	739,080,636	83,731,547	83,731,547
31/12/2017	Options exercises	1	510	510	18,176	739,098,812	83,732,057	83,732,057
14/02/2018	Options exercises	1	50,251	50,251	1,790,946	740,889,758	83,782,308	83,782,308
30/05/2018	Options exercises	1	11,820	11,820	421,265	741,311,022	83,794,128	83,794,128
31/12/2018	Options exercises	1	14,633	14,633	420,439	741,731,462	83,808,761	83,808,761
31/07/2019	Options exercises	1	5,765	5,765	138,418	741,869,880	83,814,526	83,814,526

5.6.1.3 Potential share capital

As of 31 December 2019, the potential share capital represents a maximum potential dilution of less than 0.01% distributed as follows:

5.6.1.3.1 Stock purchase or subscription options plans

Description

The last stock subscription or purchase option plan implemented by the Company has expired on 10 November 2019.

Before that, every Ipsen SA stock subscription or purchase option, of which the detail is summarized below for the plans which were still valid during the 2019 financial year, conferred the right to subscribe to or purchase one Company share.

The rights resulting from options granted to beneficiaries were entirely acquired at the end of a four-year period and were to be exercised on one or several occasions.

With respect to all plans, in the event of a tender offer, granted options were immediately acquired and exercisable. Moreover, the underlying shares were negotiable, without any condition attached.

As of 31 December 2019, with respect to all Ipsen plans, no option was still valid due to the expiration of the last plan on 10 November 2019.

The following table (Table 8 of AMF recommendations) presents, as of 31 December 2019, the description of the Ipsen Options that had been granted and valid during the 2019 financial year:

Date of Shareholders' Meeting	Date of Board of Directors	Grant date	Number of options granted				Nature of the options granted	Date of exercise	Date of expiry	Exercise price (in euros	Number of options		
			Total number		Of which number granted						Exercised as at 31/12/2019	Cancelled or expired as at 31/12/2019	Outstanding as at 31/12/2019
			Of beneficiaries	Of options	To company officers	Of options							
02/06/2006	30/03/2009	30/03/2009	41	148,300	–	–	Purchase	30/03/2013	30/03/2019	26.39	44,550	103,750	0
04/06/2009	10/11/2009	10/11/2009	1	12,000	–	–	Subscription	10/11/2013	10/11/2019	34.74	12,000	0	0
27/05/2011	30/06/2011	30/06/2011	10	16,005	–	–	Subscription	30/06/2015	01/07/2019	25.01	12,980	3,025	0
27/05/2011	30/06/2011	30/06/2011	6	189,703(*)	1	121,180	Subscription	30/06/2015	01/07/2019	25.01	175,867	13,836	0(1)
Total				**366,008**							**245,397**	**120,611**	**0**

(*) Options granted under performance conditions.
(1) The Board of Directors, at its meeting held on 1 April 2015, noticed the achievement of performance conditions attached to these options based on the evolution of income and the achievement of strategic objectives.

Grant of stock options during 2019 financial year to ten employees of the Group receiving the highest number (Table 9 of AMF recommendations)

During the 2019 financial year, no options were granted.

Exercise of stock options during 2019 financial year by employees of the Group exercising the highest number (Table 9 of AMF recommendations)

During the 2019 financial year, the options exercised by the ten employees that have exercised the highest number reached a total of 7,765 options at a weighted average price of €25.37. These exercises resulted in the attribution of 7,765 Ipsen shares.

The last stock subscription or purchase option plan implemented by the Company has expired on 10 November 2019.

5.6.1.3.2 Bonus Shares and Performance shares grants

Description

The final acquisition of the shares granted as part of the 2015 plans mentioned in the table below, is effective at the end of an acquisition period:

- of a two-year duration starting from the date of grant for French tax resident beneficiaries. These shares must be retained by French tax resident beneficiaries for an additional two-year period following the final acquisition;
- of a four-year duration starting from the date of grant for non-French tax resident beneficiaries as of the date of grant.

The final acquisition of the shares granted as part of the 2016 and 2017 plans mentioned in the table below, is effective at the end of the acquisition period:

- of a two-year duration starting from the grant date for French tax resident beneficiaries with an effective delivery of the acquired shares at the term of the two-year acquisition period. Half of the shares are transferable as from their delivery to the French tax resident beneficiaries and half of the shares must be held during an additional period of two years following the final acquisition date;
- of a two-year duration starting from the grant date for US tax resident beneficiaries with an effective delivery of half of the acquired shares at the term of the two-year acquisition period and of half of the remaining acquired shares two years after the term of the acquisition period. The shares are transferable as from their delivery to the beneficiaries;
- of a four-year duration starting from the grant date for non-French and US tax resident beneficiaries at the grant date. The shares are transferable as from their delivery to the beneficiaries.

The final acquisition of the shares granted as part of the 2018 plans mentioned in the table below is effective for all the beneficiaries at the end of the acquisition period:

- of a two-year duration starting from the grant date, with an effective delivery of 50% of the acquired shares at the term of the two-year acquisition period;
- of a three-year duration starting from the grant date, with an effective delivery of the remaining 50% of the acquired shared at the term of an acquisition period of three years;
- the shares granted are not subject to any holding periods.

The final acquisition of the shares granted as part of the 2019 plans mentioned in the table below is effective for all the beneficiaries after an acquisition period of two years for half of the acquired shares and of three years for the remainder, with the exception of the Executive Leadership Team members, for whom the acquisition period is of three years. The acquired shares are not subject to any holding period, with the exception of the limitations applicable mainly to the corporate officers.

The Shareholders' Meeting held on 30 May 2018, acting as an Extraordinary Shareholders' Meeting, authorized the Board of Directors to carry out free grants of existing shares and/or to be issued to salaried staff members and/or certain corporate officers, on one or several occasions. This Shareholders' Meeting granted all the powers to the Board of Directors to implement such free grant of shares.

The final acquisition is then effective subject to a presence condition and, for certain plans, to the achievement of performance conditions, mainly for the Executive Leadership Team members, set out by the Board of Directors.

During the 2019 financial year, 121,861 shares were transferred to beneficiaries at the end of the acquisition period for bonus

shares granted under the 1 April 2015 and 29 March 2017 plans, under the form of existing shares.

As of 31 December 2019, with respect to all Ipsen plans, 984,741 rights to bonus shares that may be acquired by beneficiaries were still valid (after deduction of the number of shares acquired or of rights cancelled to take into account the departure of certain beneficiaries), under the form of existing shares, no increase of share capital is to be planned.

To celebrate the crossing of the 2-billion-euros sales mark for the first time in Ipsen's history, and to share Ipsen's success with Group employees, the Board of Directors decided to grant 5 Ipsen shares to all the eligible employees of the Group (except ELT members). The allocation of the shares is effective after an acquisition period of two years and the shares acquired are not subject to any holding period.

The following table (table 10 of AMF recommendations) presents, as of 31 December 2019, the description and terms of the Ipsen bonus shares and performance shares granted, subject to the completion of presence conditions and, for certain grants, of performance conditions set out by the Board of Directors:

Date of the Shareholders' Meeting	Date of the Board of Directors	Grant date	Number of Bonus shares granted				Nature of the Bonus shares granted	Date of final acquisition	Date of availability	Number of Bonus shares		
			Total number		Of which number granted					Cancelled as at 31/12/2019	Number of shares transferred or created	Outstanding as at 31/12/2019
			Of beneficiaries	Of Bonus shares	To company officers	Of Bonus shares						
31/05/2013	01/04/2015	01/04/2015	89	95,882 (1)	2	22,658	Existing shares	02/04/2017	02/04/2019	15,056 (2)	80,826	–
31/05/2013	01/04/2015	01/04/2015	17	39,970 (1)	–	–	Existing shares	02/04/2017	02/04/2019	9,066 (2)	30,904	–
31/05/2013	01/04/2015	01/04/2015	31	26,195 (1)	–	–	Existing shares	02/04/2019	02/04/2019	9,240 (4)	16,955	–
31/05/2016	31/05/2016	31/05/2016	115	59,963 (1)	1	2,535	Existing shares	01/06/2018	01/06/2020	17,276 (3)	64,502	–
31/05/2016	29/07/2016	29/07/2016	1	5,010 (1)	1	5,010	Existing shares	30/07/2018	30/07/2020	– (3)	7,905	–
31/05/2016	31/05/2016	31/05/2016	58	47,571 (1)	–	–	Existing shares	01/06/2020	01/06/2020	22,450	–	45,465
31/05/2016	31/05/2016	31/05/2016	19	32,360 (1)	–	–	Existing shares	01/06/2018	01/06/2020	10,906 (3)	–	32,504 (*)
31/05/2016	29/03/2017	29/03/2017	113	30,472 (1)	–	–	Existing shares	30/03/2019	30/03/2019	6,066 (4)	24,406	–
31/05/2016	29/03/2017	29/03/2017	113	30,428 (1)	–	–	Existing shares	30/03/2019	30/03/2021	7,734 (4)	22,694	–
31/05/2016	29/03/2017	29/03/2017	1	6,683 (1)	1	6,683	Existing shares	30/03/2019	30/03/2019	–	7,236 (4)	–
31/05/2016	29/03/2017	29/03/2017	1	6,682 (1)	1	6,682	Existing shares	30/03/2019	30/03/2021	–	7,236 (4)	–
31/05/2016	29/03/2017	29/03/2017	68	35,790 (1)	–	–	Existing shares	30/03/2021	30/03/2021	9,075	–	26,715
31/05/2016	29/03/2017	29/03/2017	18	20,923 (1)	–	–	Existing shares	30/03/2019	30/03/2019	8,493 (4)	12,430	–
31/05/2016	29/03/2017	29/03/2017	18	20,912 (1)	–	–	Existing shares	30/03/2019	30/03/2021	8,487 (4)	–	12,425 (*)
30/05/2018	30/05/2018	30/05/2018	410	43,755	–	–	Existing shares	01/06/2020	01/06/2020	12,655	–	31,100
30/05/2018	30/05/2018	30/05/2018	410	43,755	–	–	Existing shares	31/05/2021	31/05/2021	12,655	–	31,100
30/05/2018	30/05/2018	30/05/2018	153	61,815 (1)	1	4,615	Existing shares	01/06/2020	01/06/2020	10,245	–	51,570
30/05/2018	30/05/2018	30/05/2018	153	61,815 (1)	1	4,615	Existing shares	31/05/2021	31/05/2021	10,245	–	51,570
30/05/2018	13/02/2019	13/02/2019	5 176	25,880 (5)	–	–	Existing shares	13/02/2021	13/02/2021	3,730	–	22,150
30/05/2018	28/05/2019	28/05/2019	156	58,580 (1)	–	–	Existing shares	31/05/2021	31/05/2021	2,140	–	56,440
30/05/2018	28/05/2019	28/05/2019	156	58,580 (1)	–	–	Existing shares	30/05/2022	30/05/2022	2,140	–	56,440
30/05/2018	28/05/2019	28/05/2019	644	64,100	–	–	Existing shares	31/05/2021	31/05/2021	4,815	–	59,285
30/05/2018	28/05/2019	28/05/2019	644	64,100	–	–	Existing shares	30/05/2022	30/05/2022	4,815	–	59,285
30/05/2018	28/05/2019	28/05/2019	12	43,520 (1)	1	11,730	Existing shares	30/05/2022	30/05/2022	0	–	43,520
Total				**984,741**						**187,289**	**275,094**	**579,569**

(1) Bonus shares granted under performance conditions, see 5.1.3.2.
(2) The Board of Directors, at its meeting held on 29 March 2017, noted the achievement of performance conditions attached to these shares.
(3) The Board of Directors, at its meeting held on 30 March 2018, noted the achievement of performance conditions attached to these shares.
(4) The Board of Directors, at its meeting held on 29 Mars 2019, noted the achievement of performance conditions attached to these shares.
(5) Actions granted under the "5 Shares for all" plan.
(*) The registration on the accounts will be made after a four-year period following the date of grant.

Grants of Ipsen performance Shares to the employees during financial year 2019

During the 2019 financial year, the top ten Group employees (excluding corporate officers) to whom have been granted the highest number of performance shares, received a total number of 30,420 rights to performance shares.

5.6.1.4 Authorized and non-issued share capital

The Combined Shareholders' Meetings held on 30 May 2018 and 28 May 2019 authorized the delegation of authority to the Board of Directors regarding shares capital increases as followed, being specified that below are mentioned only the ongoing delegations and authorizations as of 31 December 2019:

Issues reserved to shareholders

	Ongoing authorizations		
	Date of the Shareholders' Meeting (resolution number)	Duration (expiry)	Maximum nominal amount of the share capital increase authorized
Share capital increase by incorporating reserves, profits and/or premiums as bonus shares grant and/or increase share par value	28 May 2019 (14th)	26 months (27 July 2021)	20% of the share capital [a, c, e, i]
Share capital increase by issues of ordinary shares and/or securities with retention of preferential subscription rights for shareholders	28 May 2019 (15th)	26 months (27 July 2021)	20% of the share capital [a, b, e, i]

Issues without preferential subscription rights for shareholders

	Ongoing authorizations		
	Date of the Shareholders' Meeting (resolution number)	Duration (expiry)	Maximum nominal amount of the share capital increase authorized
Share capital increase by issues of ordinary shares or securities without preferential subscription rights for shareholders by offer to the public	28 May 2019 (16th)	26 months (27 July 2021)	10% of the share capital [a, c, d, e, i]
Share capital increase by issues of ordinary shares or securities without preferential subscription rights for shareholders by private placement	28 May 2019 (17th)	26 months (27 July 2021)	10% of the share capital [a, c, d, e, i]
Share capital increase to compensate contributions in kind of shares or securities	28 May 2019 (19th)	26 months (27 July 2021)	10% of the share capital [a, e, i]

Issues reserved to employees (and, if applicable, to company officers)

	Ongoing authorizations		
	Date of the Shareholders' Meeting (resolution number)	Duration (expiry)	Maximum nominal amount of the share capital increase authorized
Share capital increase reserved for members of a company savings plan	28 May 2019 (20th)	26 months (27 July 2021)	5% of the share capital [a, e]
Stock subscription and purchase options granted to employees and company officers	28 May 2019 (21st)	26 months (27 July 2021)	3% of the share capital [e, f, h]
Authorization to allocate free of charge existing shares and/or shares to be issued to waged staff members and/or certain company officers	30 May 2018 (15th)	26 months (29 July 2020)	3% of the share capital [f, g, h]

[a] Based on a share capital of €83,808,761 as at the date of the combined Shareholders' Meeting held on 28 May 2019.
[b] Global common limit of 20% of the share capital as of the date of the 28 May 2019 combined Shareholders' Meeting.
[c] The issues decided under this delegation are deducted from the global common limit of 20% of the share capital.
[d] The issues decided under delegations by offer to the public or private placement are deducted respectively from limits of each delegation, in addition to the global limit of 20% of the share capital.
[e] Unused.
[f] Common limit of 3% of the share capital.
[g] On the basis of the share capital on the grant date. This authorization has been used in 2018 up to a target number of 211,140 shares (free and performance), *i.e.* 0.25% of the share capital and in February 2019 as part of the free grant of shares to the Group employees up to 25,880 shares, without any performance condition but with a presence condition, *i.e.* 0.30% of the share capital. It was also used in 2019 as part of the grant of a target number of 288,880 shares (free and of performance), *i.e.* 0.34% of the share capital.
[h] Sub-ceiling of 20% of the share capital within this envelop for allocation to company officers.
[i] Suspended in period of public offer.

5.6.1.5 Number of shares held by the Company

Authorizations

Share repurchase program and cancellation of shares

	Ongoing authorizations		
	Date of the Shareholders' Meeting (resolution number)	Duration (expiry)	Characteristics
Share repurchase	28 May 2019 (12th resolution)	18 months (27 November 2020)	Maximum repurchase price per share: €250 Limit of 10% of the number of shares comprising the share capital [(a)]
Cancellation of shares	28 May 2019 (13th resolution)	24 months (27 May 2021)	10% of the share capital as of the date of decision of cancellation

(a) Suspended in period of public offer. This authorization has been used in 2019, mainly as part of a share buyback program in a total number of 150,000 shares of the Company, see 5.2.2.6 below.

Treasury shares (excluding liquidity agreement)

As of 31 December 2019, the Company held 777,182 of its own shares dedicated to the covering of its stock purchase options, bonus shares and performance shares plans.

As of 31 March 2020, the Company held 770,532 of its own shares dedicated to the covering of its stock purchase options, bonus shares and performance shares plans (see sections 5.6.1.3.1 and 5.6.1.3.2).

5.6.1.6 Share repurchase program

Since 26 February 2007, the Company had mandated Natexis Bleichroder, a subsidiary of Natixis, to implement a liquidity contract for a one-year period with tacit renewal. This contract is compliant with the market practice admitted by regulations. As per the liquidity contract, the following assets appeared on the liquidity account: 46,838 shares and €1,259,939.79.

The liquidity contract originally implemented with Natixis has been transferred to the company ODDO BHF with effect 18 July 2018.The operations carried out in this context are summarized in the table below.

The Combined Shareholders' Meeting held on 28 May 2019 conferred to the Board of Directors a new authorization to repurchase the Company's shares for a 18 month period and terminated the prior authorization granted on 30 May 2018. Pursuant to this decision, the Board of Directors decided on 28 May 2019 to set up a new share repurchase program with a limit of 10%.

On 18 June 2019, the Company announced having given a mandate to purchase 150,000 Ipsen SA shares, or about 0.18% of the share capital, for a maximum period of 2 months. The shares purchased under this agreement will be mainly allocated to cover its free share allocation plans and its new employee share ownership plan implemented during the financial year 2019. This mandate ended on 12 August 2019 due to the acquisition of the target number of shares for a total amount of 13.3 million euros. This mandate had been given to Kepler Cheuvreux.

2,000 treasury shares have been used in 2019 as part of the exercised purchase options' coverage and 121,861 as part of share grants to employees (see 5.6.1.3.1).

Review of the share buyback program

The following tables present the purchase and sale transactions carried out by the Company in respect of its own shares, between the opening and closing dates of the 2019 financial year:

Number of shares purchased:	622,764
Average purchase price:	€105.40
Number of shares sold:	465,344
Average sale price:	€103.78
Total amount of dealing and brokerage expenses:	€89,969.17
Number of shares used in 2019:	123,861 allocated shares: • 2,000 shares for the coverage of options and • 121,861 shares for performance shares plans
Number of shares registered in the name of the Company at the end of the financial year:	777,182 (of which 29,068 shares within the liquidity contract and 150,000 within the repurchase program)
Estimated value at the average purchase price:	€81,914,982.80
Nominal value:	777,182 including: • 558,114 dedicated to the coverage of options and shares plans • 150,000 as part of the share buyback program • 29,068 within the liquidity contract for the purposes of the animation of shares price

Distribution of own shares	% of the share capital
Animation of share price	0.03%
Coverage of stock purchase options or other employee share ownership system	0.71%
Securities giving right to shares	–
Acquisitions	–
Cancellation	–

5.6.1.7 Non-equity securities

As at 2 December 2015, the Company organized an emission plan of commercial papers (NEU CP – Negotiable EUropean Commercial Paper) to satisfy the general needs for financing the Group.

The case of financial display about the emission plan of commercial papers and the outstanding discounted bills of emissions can be consulted on the banque of france website (www.banque-france.fr).

5.6.2 Shareholding

5.6.2.1 Share ownership and voting rights

As of 31 December 2018, the Company's share capital amounted to €83,814,526 divided into 83,814,526 shares, each with a par value of €1. The corresponding theoretical number of voting rights amounted to 131,948,358 and the number of net voting rights amounts to 131,171,176.

The difference between the number of shares and voting rights results from the double voting right.

The difference between the number of theoretical voting rights and the number of real voting rights corresponds to the number of treasury shares.

As of 31 December 2019, to the best knowledge of the Company, the main shareholders were:

	Share capital		Gross voting rights		Net voting rights	
	Number	Percentage	Number	Percentage	Number	Percentage
Beech Tree [1], incl.:	21,816,679	26.03	43,633,357	33.07	43,633,357	33.26
• *MR HB*	*8,310,253*	*9.92*	*16,620,505*	*12.60*	*16,620,505*	*12.67*
• *MR BMH*	*13,506,426*	*16.11*	*27,012,852*	*20.47*	*27,012,852*	*20.59*
Highrock [1]	21,816,679	26.03	43,633,357	33.07	43,633,357	33.26
MR Schwabe [1]	3,636,455	4.34	7,272,910	5.51	7,272,910	5.54
Beaufour-Schwabe concert	**47,269,813**	**56.40**	**94,539,624**	**71.65**	**94,539,624**	**72.07**
Free Float	34,588,599	41.27	34,588,599	26.21	34,588,599	26.37
Other registered shareholders (including free shares to employees [*])	803,543	0.96	1,366,775	1.04	1,366,775	1.03
Treasury shares [2]	777,182	0.93	777,182	0.59	0	0
Employee FCP [3]	218,276	0.26	387,243	0.29	387,243	0.30
Board of Directors	157,113	0.18	288,935	0.22	288,935	0.21
Total	**83,814,526**	**100**	**131,948,358**	**100**	**131,171,176**	**100**

(1) The agreement establishing the concert between the Beaufour family and the Schwabe family and the sub-concerts was subject to a decision of the French *Autorité des marchés financiers* n° 219C2985 dated 31 December 2019.
(2) Including the liquidity agreement
(3) The FCP Ipsen Shares is the sole employee shareholding fund to the share capital of the company.
(*) The free shares granted mainly include the ones provided in accordance with article L.225-102 of the French Code of Commerce, *i.e.* 68,768 shares, representing 0.08% of the share capital on 31 December 2019.

In accordance with the provisions of the law and its bylaws providing the disclosing of any detention of more than 1% of the share capital or voting rights, the Company has been informed of the following thresholds during the last three financial years:

- the company Amundi declared to the Company that it crossed:
  - downwards, on 5 March 2019, the 2% share capital threshold;
  - downwards, on 9 December 2019, the 1% share capital threshold;
- the company AXA Investment Managers, acting on its own account and the account of its affiliates, declared to the Company that it crossed:
  - downwards, on 25 October 2018, the 1% of the share capital threshold;
  - upwards, on 8 November 2018, the 1% of the share capital threshold;
  - downwards, on 28 November 2018, the 1% of the share capital threshold.

- the company BlackRock, Inc., acting on its own account and the account of its affiliates, declared to the Company that it crossed:
  - upwards, on 23 September 2019, the 3% of the share capital threshold;
  - upwards, on 27 September 2019, the 3% of the share capital threshold;
  - downwards, on 17 January 2020, the 3% of the share capital threshold;
  - upwards, on 20 January 2020, the 3% of the share capital threshold;
  - downwards, on 21 January 2020, the 3% of the share capital threshold;
  - upwards, on 22 January 2020, the 3% of the share capital threshold;
  - downwards, on 24 January 2020, the 3% of the share capital threshold.
- the company BNP Asset Management declared to the Company that it crossed:
  - upwards, 10 November 2017, the 1% voting rights threshold.
- the company BNP Paribas Investment Partners declared to the Company that it crossed:
  - downwards, on 17 March 2017, the 2% share capital threshold.
- the *Caisse des Dépôts* declared to the Company that it crossed:
  - downwards, on 9 May 2017, the 1% share capital threshold.

Further to the demerger of the company Mayroy and the internal reclassification of its shares, according to the terms described in the press releases published by IPSEN and Mayroy on 5 November and 19 December 2019, were declared the following threshold crossings (it being specified that the family shareholding controlling the Company remains unchanged following these operations) :

- the limited liability company under Luxembourg law MR HB (11 boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg) declared that it had individually crossed upward the thresholds of 5% of capital and voting rights and 10% voting rights of the Company;
- the limited liability company under Luxembourg law MR BMH (11 boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg) declared that it had individually crossed upward the thresholds of 5%, 10% and 15% of the capital and voting rights and 20% of the voting rights of the Company;
- the limited company under Luxembourg law Altawin (3 rue Nicolas Adames L-1114 Luxembourg, Grand Duchy of Luxembourg) declared that it had individually crossed upward (by assimilation), the thresholds of 5%, 10% and 15% of the capital and voting rights and 20% of the voting rights of the Company ;
- Henri Beaufour declared that he had indirectly crossed upward the thresholds of 5%, 10%, 20% and 25% of the capital and voting rights through the intermediary of the companies MR HB and MR BMH which he controls and 30% of the voting rights of the Company;
- the limited liability company under Luxembourg law Highrock (9B boulevard du Prince Henri, L-1724 Luxembourg, Grand Duchy of Luxembourg) declared to have crossed upward individually the thresholds of 5%, 10%, 20% and 25% capital and voting rights and 30% of the voting rights of the Company;
- Anne Beaufour declared that she had indirectly crossed upward, through the company Highrock which she controls, the thresholds of 5%, 10%, 20% and 25% of the capital and voting rights and 30% of the voting rights of the Company;
- the limited liability company under Luxembourg Law MR Schwabe (3 rue Nicolas Adames, L-1114 Luxembourg, Grand Duchy of Luxembourg) declared to have crossed upward individually the threshold of 5% of the voting rights of the Company;
- the companies MR HB, MR BMH, Altawin and MR Schwabe declared that they together crossed upward in concert the thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 1/3, 50% of the capital and voting rights and 2/3 of the voting rights of the Company.

Overall, the Beaufour-Schwabe concert did not cross any threshold and holds, on 31 December 2019, 47,269,813 Ipsen shares representing 94,539,624 voting rights, *i.e.* 56.40% of the capital and 71.65% of the voting rights of this company.

To the Company's knowledge, on this declaratory basis, no other shareholder owns, directly or indirectly, acting alone or in concert, more than 5% of the share capital or voting rights except to what is described above.

As at the setting-up date of this Universal Registration Document, and to the Company's knowledge, there were no significant alterations of the share capital distribution, with regard to the one presented above on 31 December 2019.

Beech Tree is a limited company under Luxembourg law whose capital is controlled, on the date of filing of this document, by Henri Beaufour. Beech Tree controls the limited liability companies under Luxembourg law MR HB and MR BMH, direct shareholders of Ipsen SA.

Highrock is a limited liability company under Luxembourg law, the capital of which is controlled, on the date of filing of this document, by Anne Beaufour.

MR Schwabe is a limited liability company under Luxembourg law, the capital of which is indirectly controlled, on the date of this document by the Schwabe family.

5.6.2.2 Transactions on Company's Shares

Definition of blackout periods

The Company complies with the recommendation n°2016-08 of the *Autorité des marchés financiers* of 26 October 2016, and the European Regulation (EU) No 596/2014 on market abuse. Accordingly, purchases and sales of Company securities or financial instruments are prohibited during the periods running from the date on which persons having managerial responsibilities, as well as any other person who has access to privileged information on a regular or occasional basis, have knowledge of information of a precise nature, which has not been made public, relating, directly or indirectly, to

one or more issuers ot to one or more financial instruments, and which, if it were made public, would be likelty to have a significant effect on the prices of those financial intruments or on the price of related derivative financial instruments. Furthermore, they are also prohibited during a period of:

- 30 calendar days prior to the publication of press release on the annual and half-year financial statements and the day of publication included, and
- 30 calendar days prior to the publication of quarterly information and the day of publication included.

At the beginning of every year, the Company draws up and releases, a timetable that defines the periods during which trading in Company securities is prohibited and stipulates that the indicated periods do not anticipate the existence of other blackout periods that result from knowledge of precise non public information that directly or indirectly concerns Ipsen, which, if it were disclosed, would be likely to have a significant affect on the price of the securities concerned.

In accordance with the recommendations of the AFEP-MEDEF Code (section 24.3.3), hedging of any kind on securities of the Company, with regard to options, to shares resulting from the exercise of options or to performance shares, is prohibited.

Marc de Garidel, Chairman of the Board of Directors, and David Meek, Chief Executive Officer until 31 December 2020, undertook a formal commitment not to engage in hedging transactions either on the options or on shares issued following the exercise of options or on performance shares granted until the end of the holding period that has been decided by the Board of Directors.

In addition, each director, with the exception of the director representing the employees, must be a shareholder of the Company in a personal capacity and own, directly or indirectly, a relatively significant number of shares. The director, natural or legal person, permanent representative of a legal person to whom a compensation in this capacity has been paid, must hold, before the expiry of a two-year term after his first appointment, 500 Company shares.

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

These shares must be held in the registered form.

The Company regularly communicates to the directors the calendar of the black-out periods as well as their new obligations.

Transactions on the Company's Securities Carried Out in 2019

Pursuant to Article 223-26 of the General Regulations of the *Autorité des marchés financiers*, the table below sets out transactions on Company's securities carried out in 2018, as such transactions were notified to the Company and the *Autorité des marchés financiers*:

	Purchases			Sales			Other operations		
	Date	Number	Price per unite	Date	Number	Price per unite	Date	Number	Price per unite
Carol Stuckley Director	05/03/2019	148	123.50	–	–	–	–	–	–
David Meek Director and Chief Executive Officer until 31 December 2019	29/03/2019	7,236 (1)	–	–	–	–	–	–	–
David Meek Director and Chief Executive Officer until 31 December 2019	–	–	–	06/06/2019	7,236	111.41	–	–	–
Marc de Garidel Chairman of the Board of Directors	–	–	–	18/06/2019	3,048	118.21	–	–	–
Highrock S.àr.l. Legal entity related to Anne Beaufour, Director (2)	19/12/2019	21,816,679	–	–	–	–	–	–	–
Highrock S.àr.l. Legal entity related to Anne Beaufour, Director (2)	–	–	–	–	–	–	19/12/2019	3,601,635 (*)	–
MR HB S.àr.l. Luxembourg legal entity related to Henri Beaufour, Director (3)	–	–	–	–	–	–	19/12/2019	8,310,253 (**)	–
MR BMH S.àr.l. Luxembourg legal entity related to Henri Beaufour, Director (4)	–	–	–	–	–	–	19/12/2019	13,506,426 (**)	–

(1) Acquisition of performance shares granted as part of the 29 March 2017 plan.
(2) On the occasion of the restructuring of Mayroy (including its demerger, see AMF decision 219C2587), Highrock controlled by Anne Beaufour, acquired on 19 December 2019 21,816,679 shares. On the same date, Highrock granted several pledges for a total number of 3,601,635 shares.
(3) On the occasion of the restructuring of Mayroy (including its demerger, see AMF decision 219C2587), MR HB acquired on 19 December 2019, 8,310,253 Ipsen shares. MR HB is wholly owned by Henri Beaufour.
(4) On the occasion of the restructuring of Mayroy (including its demerger, see AMF decision 219C2587), MR BMH acquired on 19 December 2019, 13,506,426 Ipsen shares. MR BMH is wholly owned by Henri Beaufour.
(*) Pledges.
(**) In connection with the restructuring of Mayroy, including its demerger.

5.6.2.3 Evolution of share ownership and voting rights over the past three financial years (as of 31 December 2019)

	2019					
	Number of shares	%	Number of gross voting rights	%	Number of net voting rights	%
Beech Tree, incl. :	21,816,679	26.03	43,633,357	33.07	43,633,356	33.26
• *MR HB*	*8,310,253*	*9.92*	*16,620,505*	*12.60*	*16,620,505*	*12.67*
• *MR BMH*	*13,506,426*	*16.11*	*27,012,852*	*20.47*	*27,012,852*	*20.59*
Highrock	21,816,679	26.03	43,633,356	33.07	43,633,356	33.26
MR Schwabe	3,636,455	4.34	7,272,910	5.51	7,272,910	5.54
Beaufour-Schwabe concert	**47,269,813**	**56.40**	**94,539,624**	**71.65**	**94,539,624**	**72.07**
Free Float	34,588,599	41.27	34,588,599	26.21	34,588,599	26.37
Other registered shareholders (including shares granted to employees)	803,543	0.96	1,366,775	1.04	1,366,775	1.03
Treasury shares (*)	777,182	0.93	777,182	0.59	0	0
Employee FCP (**)	218,276	0.26	387,243	0.29	387,243	0.30
Board of Directors	157,113	0.18	288,935	0.22	288,935	0.21
Total	**83,814,526**	**100**	**131,948,358**	**100**	**131,171,176**	**100**

	2018						2017					
	Number of shares	%	Number of gross voting rights	%	Number of net voting rights	%	Number of shares	%	Number of gross voting rights	%	Number of net voting rights	%
Mayroy SA	47,269,813	56.40	94,539,624	71.70	94,539,624	72.11	47,269,813	56.45	94,539,623	71.85	94,539,623	72.49
Free Float	34,627,518	41.32	34,627,518	26.26	34,627,518	26.41	34,223,963,518	40.87	34,223,963	26.01	34,223,963	26.24
Treasury shares (*)	743,622	0.89	743,622	0.56	0	0	1,159,476	1.39	1,159,476	0.88	0	0
Other registered shareholders	779,305	0.93	1,286,034	0.98	1,286,034	0.98	740,922	0.89	1,229,941	0.93	1,229,941	0.94
Employee FCP (**)	235,725	0.28	384,545	0.29	384,545	0.29	178,366	0.21	265,941	0.20	265,941	0.20
Board of Directors (excl. Mayroy SA)	152,778	0.18	275,060	0.21	275,060	0.21	159,517	0.19	166,051	0.13	166,051	0.13
Total	**83,808,761**	**100**	**131,856,403**	**100**	**131,112,781**	**100**	**83,732,057**	**100**	**131,584,995**	**100**	**130,425,519**	**100**

(*) Including the liquidity agreement.
(**) The FCP Ipsen Shares is the sole employee shareholding fund to the share capital of the Company.

5.6.2.4 Shareholders' agreements and parties acting in concert

Agreements between shareholders of the Company

By letter dated 23 and 26 December 2019, the French *Autorité des marchés financiers* and the Company were informed of the conclusion, on 19 December 2019, of the following three shareholder agreements (AMF notice 219C2985):

- **The "Ipsen" shareholders' agreement:** the companies Highrock, Beech Tree and Altawin (controlled by B.I.O Trust) have concluded a shareholders' agreement constituting a concert between them vis-à-vis Ipsen.

  This agreement is entered into for an initial period of four years, renewable by tacit agreement for 3-year periods.

  In terms of governance, it provides for a concertation procedure between Highrock and Beech Tree in order to reach, as far as possible, a common position mainly on the strategic decisions about the Company and its subsidiaries, as well as rules for the composition of the Board of Directors of the Company.

  In terms of securities transfers, this agreement provides for an inalienability period of two years for the securities held by the parties, followed by an undertaking of each party to hold a sufficient number of shares during the 12 months following the expiry of this inalienability period so that the shares held by the Beaufour concert represent at least 50.01% of the voting rights of the Company.

  In addition, this pact provides in particular for mechanisms of right of first offer for the benefit of Highrock or Beech Tree in the event of transfer by Highrock, Beech Tree or Altawin except for free transfers or below a certain threshold, as well as a right of joint sale in favor of Beech Tree and Altawin in certain cases of acquisition of shares by Highrock.
- **The "Beech Tree" governance agreement:** Henri Beaufour and the company Altawin (controlled by B.I.O

Trust), in presence of Beech Tree, have concluded, on 19 December 2019, a governance agreement.

This agreement is entered into for an initial period of five years, renewable by tacit agreement for 2-year periods.

The Beech Tree shareholders' agreement arranges the following particular rights to the benefit of Altawin as a result of the holding by this company of participatory notes issued by Beech Tree:

- A right of veto with regard to certain strategic decisions concerning in particular the transfer of the shares of the Company held by Beech Tree and Bee Master Holding and the modification of the capital;
- A discretionary liquidity option ;
- An enhanced information right.

The agreement also organizes the composition of the Board of directors of Beech Tree and its representation at Ipsen's level.

- **The "Schwabe" shareholders' agreement:** the members of the Beaufour sub-concert on the one side and FinHestia, Finvestan and Finveska (controlled by the Schwabe family) on the other side, have concluded, on 19 December 2019, a shareholders' agreement constitutive of a concert between the parties with respect to Ipsen.

  The agreement is entered into for a duration of four years, renewable for 3-year periods. Except express renewal the agreement will end after ten years; this agreement will terminate early in respect of a party in the event of the transfer of all of its shares under the agreement.

  This pact provides for a voting syndicate mechanism relating to 28% of Ipsen shares, for which voting at sharehoders' meetings will be determined by a majority of 75% of the shares under the agreement.

  In terms of transfer, any plan to transfer the shares subject to the agreement (except between the parties or to entities wholly owned by them) must be authorized by the parties to the Schwabe agreement ruling by a majority of 75% of the shares subject to the agreement.

- The French *Autorité des marchés financiers* has been informed of the intention of Anne Beaufour to set up 3 asset holdings in order to make donations of bare ownership of shares in the said holdings for the benefit of each of her children, Anne Beaufour and the said holdings (of which Anne Beaufour would retain the usufruct), owning 100% of the company Highrock. The *Autorité des marchés financiers* has also been informed of the intention of Anne Beaufour and her 3 children to conclude, once these donations have been made, an agreement organizing a concerted action between them vis-à-vis Ipsen providing for a consultation within a family meeting in order to exchange views and reach, as far as possible, a common position, in particular on the draft resolutions submitted to the vote of the shareholders of Ipsen. As of the date of this document, the donations have not been made and this shareholders' agreement has not yet been concluded.

Parties acting in concert

To the Company's knowledge, there is no other concerts than the Beaufour-Schwabe concert and it sub-concerts, formalized by the shareholders' agreements and governance agreement as mentioned above.

5.6.2.5 Nature of control

The Company is controlled as described above. Measures taken to avoid any abusive control are, in particular, the following:

- separation of the functions of Chairman of the Board and Chief Executive Officer;
- presence of one independent Director of three members in the Nominations Committee;
- presence of one independent Director of three members in the Ethics and Governance Committee, including the Chairperson of the Committee;
- presence of two independent Directors of four members in the Compensation Committee;
- presence of two independent Directors of three members in the Audit Committee, including the Chairperson of the Committee;
- presence of four independent Directors of twelve members in the Company's Board of Directors as described in chapters 5.1.1. of this universal registration document;
- presence of three independent Directors of six members in the Innovation and Development Committee – Specialty Care;
- presence of a director representing the employees to the Board of Directors, designated on 27 November 2018. In compliance with French law, it will be proposed to the next Shareholders' Meeting to deliberate on a modification of the Articles of Association aiming at amending the Articles of association to lower from 12 to 8 the threshold for the mandatory representation to designate a second director representing the employees to the Board.

5.6.2.6 Information or agreements likely to involve a change in control or to have an impact in the event of a takeover bid

Agreements likely to involve a change in control

None.

Information likely to have an impact in the event of a public offer

In accordance with provisions of Article L.225-37-5 of the French Commercial Code, the following information may have an impact in the event of a public offer:

- Ownership of the Company's share capital: see section 5.2.3 of the present document.
- Restrictions contained in the Articles of association on voting rights: none; except, in case of none-statement of crossing a statutory threshold, temporary suspension of voting rights which may be requested during a shareholders' meeting by one or more shareholders holding at least 1% of the share capital or voting rights (article 10.3 of the Articles of Association, see section 5.2.1.5).
- Restrictions contained in the Articles of association on transfer of shares or agreements whose the Company has knowledge in accordance with the provisions of Article L.233-11 of the French Commercial Code: not applicable.
- Direct and indirect interests in the share capital known by the Company in accordance with the provisions of Articles L.233-7 and L.233-12 of the French Commercial Code: see section 5.2.3 of this document.

- Shareholders holding any share conferring specific control rights and description: there are no shares conferring specific control rights. However, a double voting right exists for any fully paid-up registered under the name of a same shareholder for at least 2 years as described in section 5.2.1.3 (Article 26 of the Articles of association).
- Control mechanisms provided for in an employee shareholding system if controlling rights are not exercised by said system: voting rights attached to the Ipsen shares held by employees through the FCP Ipsen Shares, the only mutual fund for employees, are exercised by a person empowered by the supervisory board of the mutual fund in order to be represented in shareholders' meeting (see section 5.2.3 of the present universal registration document).
- Agreements between shareholders of which the Company is aware that may cause restrictions to transfers of shares and exercises of voting rights: see section 5.2.3.4 of the present universal registration document.
- Provisions governing the election and replacement of Board Members: see section 5.1.1 of the present document.
- Provisions governing the amendment of the Company's Articles of association: legal rules.
- Powers of the Board of Directors, in particular concerning issuance or repurchases of shares: see sections 5.2.2.4 and 5.2.2.5 of the present universal registration document.
- Agreements entered into by the Company that are amended or expire in the event of a change of control of the Company, unless this disclosure, except if required by law, may have a material negative impact on its interests: none.
- Agreements providing for compensations of members of the Board of Directors or employees in case of resignation or dismissal without cause or if their employment ends as a result of a public offer: see section 5.1.3 of the present universal registration document.

5.2.3.7 Dividends

Dividends paid in the past five financial years

	Dividends paid in				
	2019	2018	2017	2016	2015
Total number of shares giving rights to dividend	83,808,761	83,782,308	83,580,494	83,246,502	82,882,958
Distribution (in euros, excluding tax credit)	83,808,761	83,782,308 (*)	71,043,419,90 (*)	70,759,526,70 (*)	70,450,514,30 (*)
Gross dividend amount per share (in euros, excluding tax credit)	1.00	1.00	0.85	0.85	0.85

(*) Including dividends on treasury shares assigned to the carry-forward profit account.

Dividends and reserves distribution policy

The dividend payout policy is determined by the Company's Board of Directors after analysis, mainly, of the Company's financial results and position. The Company's objective for future years is to develop a payout policy consistent with its growth strategy.

Statute of limitations

Dividends which are not claimed within five years of their payment date shall lapse and become the property of the State.

5.6.2.8 Related-party transactions

The Company and the Schwabe group hold joint participations in certain companies, consolidated applying the equity method, see section 3.2, note 2.1.

Subject to, (i) the agreements entered into with the Schwabe group described in section 1.2.2.2 of the present document, (ii) information regarding related-party transactions described in section 3.2, note 2.1, (iii) the agreements and commitments described in the Special Report of the Statutory Auditors on regulated agreements and commitments presented in section 5.5 of the universal registration document, there are no other agreements between the Group and related parties.

In addition, in accordance with the Pacte law, a procedure to assess the current conventions concluded at normal conditions have been put in place to facilitate the monitoring of agreements entered into by the Company.

5.6.3 Main Provisions of the Articles of Association

5.6.3.1 Corporate purpose (Article 2 of the Articles of association)

The Company's corporate purpose is the following in France and any other country whether directly or indirectly:

- to invent, manufacture, process, and sell pharmaceutical products, para-pharmaceutical products, cosmetics or any other manufactured products in the fields of drugs and fine chemicals, and all products and materials used to manufacture, process and sell such products;
- to conduct all industrial and commercial activities directly or indirectly related to the foregoing purpose, including research and design, acquiring, owning, exploiting and selling patents, licenses, know-how and more generally all intellectual and industrial property rights; and
- more generally, to conduct all industrial, commercial, financial or property transactions which may directly or indirectly facilitate or further the achievement of the foregoing purposes and any similar purposes.

5.6.3.2 Governance of the Company

Board of Directors

The Company is governed by a Board of Directors. The Board of Directors is responsible for defining and implementing the Company's strategic objectives. Subject to the powers expressly reserved for the Shareholders' Meeting and within the limits of the Company's corporate purpose, the Board of Directors is competent to consider and settle all issues involving the proper functioning of the Company through the passing of its resolutions.

Executive Management

In accordance with the legal provisions, the executive management of the Company is the responsibility either of the Chairman of the Board of Directors, who then serves as Chairman and Chief Executive Officer, or of another person appointed by the Board of Directors who then serves as Chief Executive Officer.

The Board of Directors is responsible for electing one of these two options for a period which may not be less than one year.

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 separation of said functions is effective since 18 July 2016 date of entry into office of David Meek as Chief Executive Officer, until 31 December 2019. Within this change of governance, the appointment of Marc de Garidel as Chairman of the Board of Directors had been confirmed.

Further to David Meek's resignation from his position as Chief Executive Officer, and member of the Board of Directors, effective 31 December 2019, the Board of Directors decided to appoint Aymeric Le Chatelier, currently Chief Financial Officer, as Interim CEO to replace David Meek as of 1 January 2020. The Board has also asked the Nominations Committee, chaired by Carol Xueref, to immediately conduct a search process in order to identify the future Chief Executive Officer. For further details, see section 5.1.

5.6.3.3 Rights and obligations attached to shares

Distribution of profits (Article 29 of the Articles of association)

In accordance with the terms and provisions of Article 29 of the Articles of association, after approval of the financial statements and recognition of a distributable profit within the meaning of the law, the Shareholders' Meeting may resolve to transfer the distributable profit to one or more discretionary reserve accounts, for which it fixes the allocation or use, or retained earnings or to distribute it as a dividend. After deduction of any prior year losses, at least 5% of each year's net profit is transferred to the statutory reserve as required by law. This provision ceases to apply once the statutory reserve has reached one tenth of the Company's share capital.

The Shareholders' Meeting may decide to distribute amounts from reserves to which the shareholders are entitled. In this case, the resolution must expressly indicate which reserve accounts are to be used. However, dividends must be drawn in priority from the year's distributable profit.

The Shareholders' Meeting may resolve to offer payment of all or part of the dividend or interim dividends in cash or in shares at the personal choice of each shareholder.

A shareholder's right to the profits and contribution to losses is proportional to the percentage of share capital owned.

Form of shares issued by the Company (Article 9 of the Articles of association)

The shares issued by the Company may be registered or bearer shares. Existence of the shares is evidenced by their registration on securities accounts held in the name of the holder under the terms and conditions set out by law either by the Company or its appointed custodian in the case of registered shares or by an authorized intermediary authorized of bearer shares.

Shareholders' voting rights (Articles 26.1 and 11.3 of the Articles of association)

In Ordinary and Extraordinary Shareholders' Meetings, each shareholder has a voting right equal to the number of shares he/she holds or represents without limit.

However, the Board of Directors held on 30 August 2005 decided that a double voting right is attached to any ordinary fully paid-up share which is owned under the registered form by the same shareholder for at least two years. The double voting rights shall automatically end with its conversion to the form of bearer share, as well as its transfer, except in cases provided for by law.

According to the provisions of article 11.3 of the Articles of association, the voting right attached to shares belongs to the usufruct holder in Ordinary Shareholders' Meetings and to the bare owner in Extraordinary Shareholders' Meetings.

Actions necessary to modify shareholder's rights

There are no specific existing rules regarding the modification of shareholders' rights which are made in accordance with the legal provisions.

5.6.3.4 Shareholders' Meetings (Articles 21 to 26 of the Articles of association)

Participation in Shareholders' Meetings

Any shareholder has the right to attend Shareholders' Meetings and take part in the vote either in person or by proxy, regardless of the number of shares owned, by providing evidence of his/her status as shareholder.

In accordance with article R.225-85 of the French Commercial Code, the right to participate in Shareholders' Meetings is subject to the account registration of the shares being registered in an account in the name of the shareholder or of the financial intermediary acting on the shareholder's behalf, at midnight, Paris time, on the second business day preceding the date of the General Meeting, either in the registered share accounts kept by the Company or in the bearer share accounts kept by the authorized intermediary.

Ordinary Shareholders' Meeting

The Ordinary Shareholders' Meeting receives the Board of Directors' report and the Statutory Auditors' reports, approves the annual financial statements and votes on the distribution of profits. It appoints and dismisses the Directors and sets their compensation in accordance with the legal provisions and the Articles of association. It appoints the Company's Statutory Auditors.

The Ordinary Shareholders' Meeting may delegate authority to the Board of Directors at the Board's request to deal with all matters not specifically reserved for Extraordinary Shareholders' Meetings.

More generally, the Ordinary Shareholders' Meeting resolves on all matters that do not entail a direct or indirect modification of the Articles of association.

The Ordinary Shareholders' Meeting is held every year no later than six months after the end of the previous financial year-end, unless this time period is extended by court order.

Extraordinary Shareholders' Meeting

The Extraordinary Shareholders' Meeting may amend any and all of the provisions of the Articles of association of the Company. However, it may not increase the shareholders' liability, or change the nationality of the Company except under the terms and conditions set forth by law and international treaties.

Notice and Meeting of Shareholders' Meetings

General Shareholders' Meetings are called by the Board of Directors or, if applicable, by the Statutory Auditors or any other person duly empowered by law. The meetings take place at the registered office or any other place indicated in the notice of meeting.

The agenda is set by the person who convenes the meeting. However, one or several shareholders may request, under the terms and conditions set forth by legal and regulatory provisions in force, the inclusion of items or draft resolutions in the agenda. The works council may also require the inclusion of proposed resolutions in the agenda in accordance with the regulation in force. The Shareholders' Meeting may not resolve on items which are not on the agenda, in accordance with the current regulation. However, it may in any event remove one or more Directors from office and appoints new directors in replacement. The agenda may not be revised for an adjourned meeting.

Quorum

The Ordinary Shareholders' Meeting validly deliberates, on first notice, if the shareholders present or represented, or voting by postal vote, represent at least one fifth of the shares with voting rights. No quorum is required for an adjourned meeting. It passes its resolution by a simple majority vote of the shareholders present or represented or voting by postal vote. The quorum is calculated on the basis of the shares comprising the share capital, less any shares deprived of voting rights in accordance with the law and provisions of the Company's Articles of association.

The Extraordinary Shareholders' Meeting validly deliberates if the shareholders present or represented, or voting by postal vote, represent, on first notice, one quarter of the shares with voting rights, and one fifth on second notice. In the event this quorum is not reached, the second Shareholders' Meeting may be postponed to a further date no later than two months from the original convening's date.

Shareholders attending the meeting by videoconferencing or other means of telecommunication allowing their identification and compliant with the legal and regulatory provisions are counted as present for the purpose of calculating the quorum.

5.6.3.5 Crossing of thresholds (Article 10.3 of the Articles of association)

In addition to the legal disclosure requirements set out in Article L.233-7 of the French Commercial Code, any person or legal entity, acting either alone or in concert, who holds by any mean a number of shares representing one percent (1%) of the share capital or voting rights, or any multiple thereof, must no later than five (5) business days after the occurrence, advise the Company by fax of the total number and percentage of shares and voting rights held, with written confirmation sent the same day by recorded delivery mail.

Such persons are also required to advise the Company if their holding falls back below those thresholds, under the same terms and conditions.

In case of failure to comply with these requirements, the shares exceeding the part that should have been disclosed are deprived of the voting right for any Shareholders' Meeting that would be held in a two-year period following the date of regularization of the disclosure. Except in the case of crossing one of the thresholds provided for by Article L.233-7 of the French Commercial Code, the deprival of the voting rights, which will be recorded in the minutes of the Shareholders' Meeting, may only occur if requested by one or more of the shareholders representing at least one percent (1%) of the share capital and voting rights of the Company.

5.6.3.6 Identification of bearer shareholders (Article 10.2 of the Articles of association)

The Company may at any time, in accordance with the applicable legal and regulatory provisions and at its own expenses, request the relevant central depositary for financial instruments, to provide it with the name, or the corporate name in case of a legal entity, nationality and address or as the case may be, the registered office, of holders of securities conferring the right to vote at its General Shareholders' Meetings either immediately or in the future, as well as the number of securities held by each of them and any restrictions attached thereto.

5.6.3.7 Specific provisions governing changes in the share capital

The share capital and the rights attached to shares can only be modified in accordance with applicable legal provisions. The Articles of association of the Company do not provide for any specific provision in that respect.

5.6.3.8 Financial year (Article 27 of the Articles of association)

Each financial year has a 12-month term beginning on 1 January and ending on 31 December.

5.6.3.9 Provisions that could delay, defer or prevent a change in control

There is no specific provisions of the Articles of association that could delay, defer or prevent a change in the control of the Company.

6 ANNEXES

6.1 PERSON RESPONSIBLE

6.1.1 Person responsible for the universal registration document

Aymeric Le Chatelier
Chief Executive Officer

6.1.2 Attestation by the person responsible for the universal registration document including the Annual Financial Report

"I affirm that having taken all reasonable care to ensure that such is the case, the information contained in this universal registration document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I hereby declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and all the other companies included in the scope of consolidation, and that the Management Report which different sections are mentioned in the concordance table on chapter 6 of this universal registration document gives a fair description of the business developments, results and financial position of the Company and all the other companies included in the scope of consolidation, as well as a description of the main risks and contingencies with which the Company may be confronted."

Boulogne-Billancourt,
14 April 2020

Aymeric Le Chatelier
Chief Executive Officer

6.1.3 Persons responsible for financial information

Aymeric Le Chatelier

Chief Executive Officer and Executive Vice President, Chief Financial Officer

Eugenia Litz

Vice President, Investor Relations

Ipsen

65, quai Georges Gorse
92650 Boulogne-Billancourt cedex
Phone: +33 (0)1 58 33 50 00
Fax: +33 (0)1 58 33 50 01
investor.relations@ipsen.com

www.ipsen.com

6.1.4 Person responsible for account audit and fees

6.1.4.1 Statutory Auditors

Deloitte & Associés

Represented by Mr Jean-Marie Le Guinier
6 place de la Pyramide
92908 Paris-La Défense Cedex – France

First appointed at the Annual Shareholders' Meeting held on 17 December 1998. Term of office renewed by the Annual Shareholders' Meeting held on 31 May 2016.

KPMG Audit

Department of KPMG S.A.
Represented by Catherine Porta and Cédric Adens
2, avenue Gambetta
CS 60055
92066 Paris-La Défense Cedex – France

First appointed at the Annual Shareholders' Meeting held on 18 June 2005. Term of office renewed by the Annual Shareholders' Meeting held on 7 June 2017.

6.1.4.2 Alternate Statutory Auditors

B.E.A.S.

7-9, villa Houssay
92524 Neuilly-sur-Seine Cedex – France

First appointed at the Annual Shareholders' Meeting held on 10 April 2002. Term of office renewed by the Annual Shareholders' Meeting held on 31 May 2016.

6.1.4.3 Auditors' fees

The auditors' fees can be found in section 3.2.5, note 30.

6.2 THIRD PARTY INFORMATION, STATEMENTS BY EXPERTS AND DECLARATIONS OF INTERESTS

None.

6.3 CONSULTATION OF LEGAL DOCUMENTS

During the validity period of the present universal registration document, the Articles of incorporation, the Statutory Auditors' reports, the annual financial statements of the past three years, as well as any reports, letters or other documents and historical financial information of the Company and its subsidiaries over the past three years and, valuations and statements made by experts, where such documents are provided for by law and any other document provided for by law may be consulted at the Company's registered office.

Copies of the present universal registration document are available free of charge at the Company's registered office (located at 65 quai Georges Gorse – 92650 Boulogne-Billancourt cedex – France – Tel.: +33 (0)1 58 33 50 00) as well as on Ipsen's website (www.ipsen.com) and on the AMF's website (www.amf-france.org).

6.4 CROSS-REFERENCE TABLES

6.4.1 Universal registration document concordance table

To facilitate consultation of this universal registration document, the table below outlines the minimum information to be included in this registration document pursuant to Appendices I and II of EU Regulation 2019/980 of 14 March 2019.

New URD references	Title	Previous registration document references	Paragraph	Pages
SECTION 1	**RESPONSIBLE PERSONS, INFORMATION FROM THIRD PARTIES, EXPERT REPORTS AND APPROVAL FROM THE RELEVANT AUTHORITY**	**1.**		
Point 1.1	Persons responsible for the registration document	1.1	6.1.1 – 6.1.3	256
Point 1.2	Attestation from persons responsible for the document	1.2	6.1.2	256
Point 1.3	Expert Statement	23.1	6.2	257
Point 1.4	Other attestations in cases of information from third parties	23.2	NA	
Point 1.5	Declaration regarding document approval		Cover page	1

New URD references	Title	Previous registration document references	Paragraph	Pages
SECTION 2	**STATUTORY AUDITORS**	**2.**		
Point 2.1	Identities and addresses	2.1	6.1.3	256
Point 2.2	Changes	2.2	NA	
SECTION 3	**RISK FACTORS**	**4.**	**2.1**	**32**
Point 3.1	Description of key risks			
SECTION 4	**INFORMATION ABOUT THE ISSUER**	**5.**		
Point 4.1	Corporate name and trading name	5.1.1	1.1.1.1	6
Point 4.2	Trade register no. and LEI	5.1.2	1.1.1.1	6
Point 4.3	Date of incorporation and term	5.1.3	1.1.1.1	6
Point 4.4	Headquarters – legal form – applicable law	5.1.4	1.1.1.1	6
SECTION 5	**BUSINESS OVERVIEW**	**6.**		
Point 5.1	Principal activities	6.1		
Point 5.1.1	*Operations and principal activities*	*6.1.1*	1.1.1.2	6
Point 5.1.2	*New products and/or services*	*6.1.2*	1.2.1	10
Point 5.2	Principal markets	6.2	1.2.1 – 1.2.5	10 – 28
Point 5.3	Key events	5.1.5	3.1.1	44
Point 5.4	Financial and non-financial[1] strategy and goals		1.1.2.3; 4	10 – 141
Point 5.5	Extent to which the issuer is dependent	6.4	2.1	32
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Consolidated financial statements	3.2	60
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Management Report:	6.4.3	261
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• Analysis of changes in the business, results and financial position of the Company and the Group	3.1.1, 3.1.2, 3.1.3, 3.2.5 notes 1 and 2	44 – 45 – 50 – 68
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• Principal risks and uncertainties facing the Company and the Group	2.1, 3.1, 3.2.5 notes 1 and 2	32 – 44 – 68
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6.4.3 Cross-reference table of the Management Report and of the Board of Directors' Report on Corporate Governance

Management Report

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Information regarding the activities of the Company and the Group		
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Principal risks and uncertainties facing the Company and the Group (Article L.225-100-1 of the French Commercial Code)	2.1, 3.1, 3.2.5 notes 1 and 2	32 – 44 – 68

INFORMATION	Chapters	Pages
Internal control and risk management procedures relating to the preparation and processing of accounting and financial information of the Company and the Group (Article L.225-100-1 of the French Commercial Code)	2.2	37
Objective and hedging policy of transactions for which hedge accounting is applied in the Company and the Group Exposure to price, credit, liquidity and cash flow risks of the Company and the Group Use of financial instruments by the Company and the Group (Article L.225-100-1 of the French Commercial Code)	2.1, 2.2 and 3.2.5 notes 24 and 25	32 – 37 – 105 – 107
Financial risks linked to the effects of climate change and low carbon strategy of the Company and the Group (Article L.225-100-1 of the French Commercial Code)	2.1.3.2	34
Research and Development activities of the Company and the Group (Articles L.232-1 and L.233-26 of the French Commercial Code)	1.2.3	20
Existing branches within the Company (Article L.232-1 of the French Commercial Code)	NA	
Legal, financial and tax information of the Company		
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Cross-shareholding (Article R.233-19 of the French Commercial Code)	NA	
Statement of employee profit-sharing (Article L.225-102 of the French Commercial Code)	5.6.2.1	247
Acquisition and disposal by the Company of its own shares (buyback of shares) (Article L.225-211 of the French Commercial Code)	5.6.1.5 – 5.6.1.6	246 – 247
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Adjustments to securities giving access to the share capital and the stock options in the event of the buyback of shares (Articles R.228-90 and R.225-138 of the French Commercial Code)	NA	
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Payment deadlines and breakdown of the accounts payable and accounts receivable balances (Article L.441-6-1; D.441-4; A.441-2 of the French Commercial Code)	3.3.4.13	138
Amount of the inter-company loans (Article L.511-6 3 bis of the French Monetary and Financial Code)	3.3.2 note 3	124
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Appendices to the Management Report

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Table on the Company's results during each of the last five financial years (Article R.225-102 of the French Commercial Code)	3.3.4.17	139

Corporate Governance Report

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Information regarding items likely to have a material impact in the event of a public offer (Article L.225-37-5 of the French Commercial Code)	5.6.2.6	251

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Consolidated financial statements	3.2	60
Management Report	3.1	44
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Contacts
Readers can address any comments and questions on this document to:

Ipsen
65, quai Georges Gorse
92650 Boulogne-Billancourt Cedex

Phone: +33 1 58 33 50 00
Fax: +33 1 58 33 50 01

www.ipsen.com

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