PURSUING DIALOGUE
for patient care

2017 REGISTRATION DOCUMENT
including the Annual Financial Report

IPSEN
Innovation for patient care

SUMMARY

This 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 83,782,308 euros
Registered office: 65 quai Georges Gorse – 92650 Boulogne-Billancourt
419 838 529 R.C.S. Nanterre

IPSEN
Innovation for patient care

2017 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 registration document on 23 March 2018. 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 the provisions of article 28 of EC regulation 809/2004 of 29 April 2004, readers are referred to the *Document de Référence* for Ipsen recorded by the AMF on 27 March 2017 under number D.17-0231 for the 2016 financial year and on 29 March 2016 under number D.16-0216 for the 2015 financial year, for the following financial information, prepared under IFRS (International Financial Reporting Standard): historical and consolidated financial statement (including the auditors' reports).

INTRODUCTION

In this 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 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 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 registration document.

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

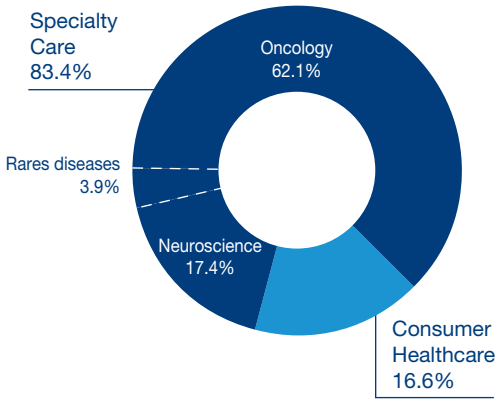
Investors are urged to pay careful attention to the risk factors described in paragraphs 2.1.1; 2.1.2; 2.1.3; 2.1.4; 2.1.5 and 2.1.6 of this registration document before making their investment decision. One or more of these risks may have an adverse effect on the Group's activities, condition, results 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 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.

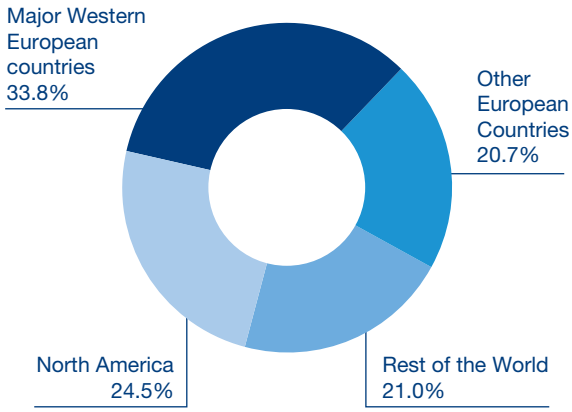
Forward-looking statements, targets and forecasts shown in this registration document may be affected by risks, either known or unknown, uncertainties or other factors that may lead to the Group's future results of operations, performance and achievements differing significantly from the stated or implied 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 registration document.

INTRODUCTION: KEY FIGURES

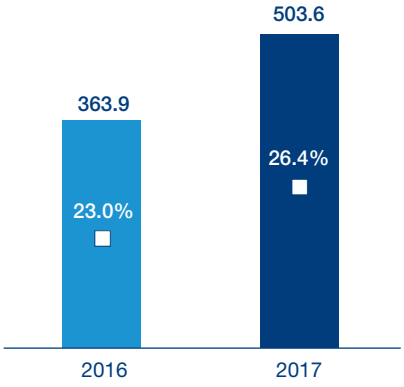
2017 Group sales by therapeutic areas



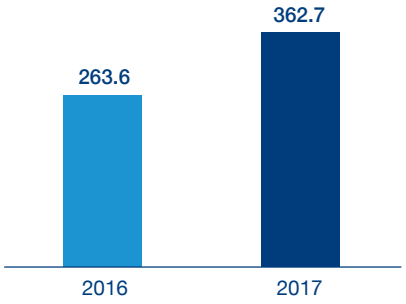
2017 Group sales by geographic areas



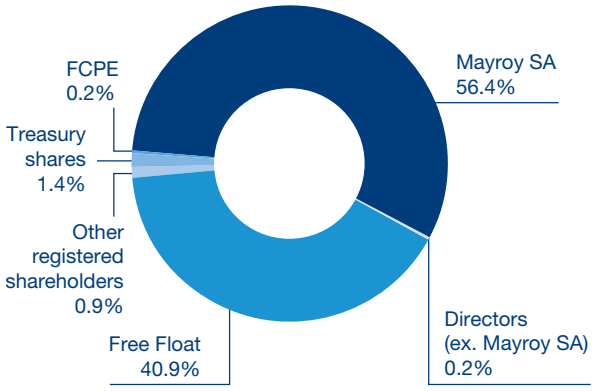
Core Operating Income (in millions of euros) and core operating margin (as % of sales)



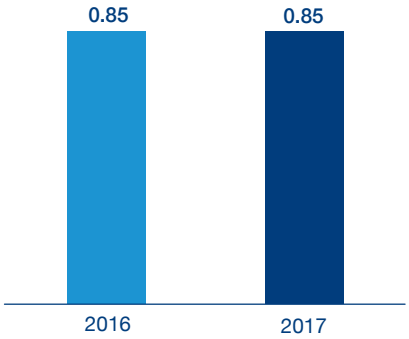
Core consolidated net profit (in millions of euros)



Ownership of the Company's share capital at 31 December 2017



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



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.

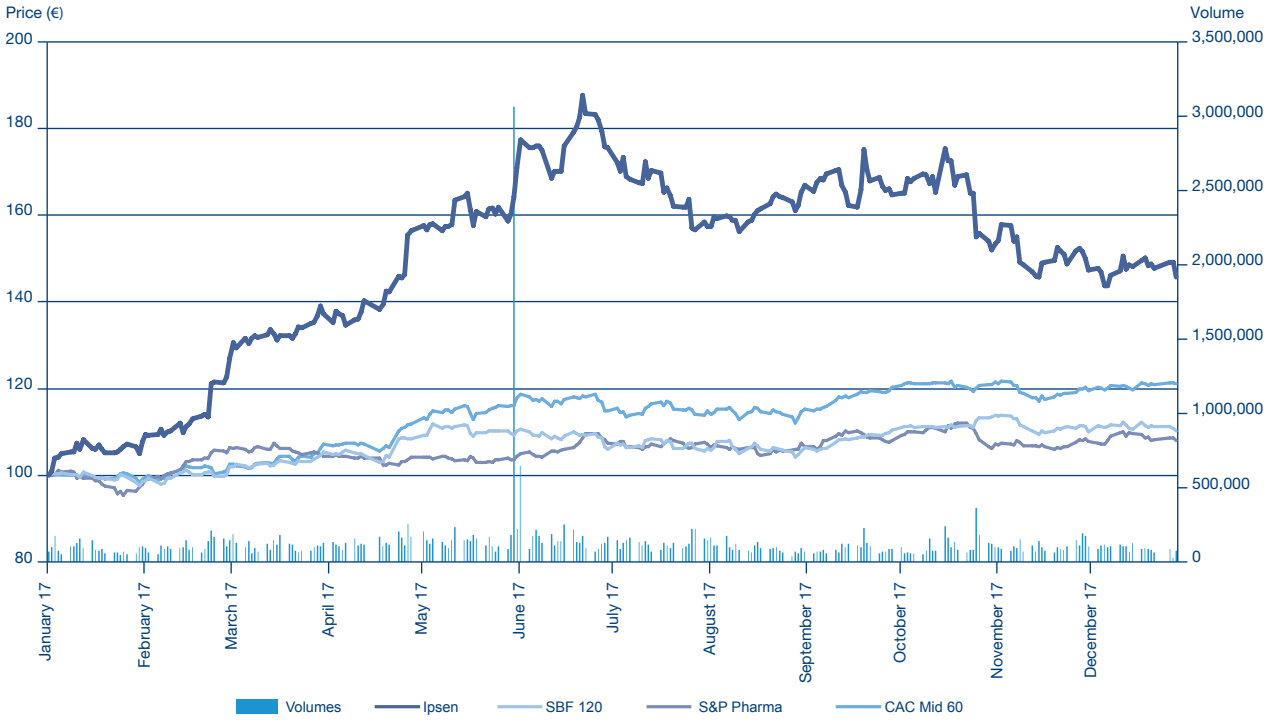
Ipsen shares joined the Deferred Settlement System on 28 March 2007 and joined the SBF120 index on 24 December 2007.

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		2017 trading data	
ISIN Code	FR0010259150	Average share price	€102.0
Euronext Code	IPN.PA	Highest price (22/06/2017)	€128.1
ADR Code	IPSEY	Lowest price (02/01/2017)	€68.3
SRD / PEA Eligibility	Yes / Yes	Stock market capitalization(1)	€8,324.0M
Total Shares(1)	83.6 M	Average daily volume	127,188.1

(1) As of 31 December 2017.

Comparison between Ipsen's share price performance and the principal stock market indicators between 2 January 2017 and 29 December 2017 (Source: Reuters)



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 cedex

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.

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 Register of Commerce and Companies, or until 18 August 2097.

1.1.1.2 Group Overview

Ipsen is a global specialty-driven 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. Its commitment to oncology is exemplified through its growing portfolio of key therapies for prostate cancer, neuroendocrine tumors, renal cell carcinoma, and pancreatic cancer. Ipsen also has a well-established Consumer Healthcare business. With total sales of €1,908.7 billion in 2017, 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 solid long-term partnerships with leading international research hubs and a robust portfolio of drugs for several cancers.

The Specialty Care business generated sales of 1,591.9 million euros in 2017, or 83.4% of the Group's sales. The Group focuses on:

- Oncology (62.1% of Ipsen's sales) with Somatuline®, a best-in-class somatostatin analog for the treatment of neuroendocrine tumors; Cabometyx®, the only single-agent treatment with significant improvement across all three key efficacy endpoints in second-line renal cell carcinoma; Onivyde®, a differentiated product with overall survival benefit addressing a high unmet medical need in pancreatic cancer; and Decapeptyl®, an established and growing product in Europe and China for prostate cancer;
- Neuroscience (17.4% of Ipsen's sales) with the key product Dysport® for therapeutic and aesthetic indications;
- Rare Diseases (3.9% of Ipsen's sales) with Nutropin®, a liquid formulation of recombinant human growth hormone and Increlex®, a recombinant insulin-like growth factor (IGF-1) of human origin.

Consumer Healthcare

The Consumer Healthcare business is the historical business of the Group with several strong regional brands. It generated sales of 316.8 million euros in 2017, or 16.6% of the Group's sales. China, France and Russia account for 60.4% 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).

Main brands include Smecta®, a naturally extracted purified clay for the symptomatic treatment of acute diarrhea; Tanakan®, a standardized extract from the leaves of *Ginkgo biloba* for the treatment of various neurological and neuro-sensorial disorders; Forlax®, an osmotic laxative indicated for the symptomatic treatment of constipation in adults and children; and Fortrans®, 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 started in 1929 when Doctor Henri Beaufour set up Laboratoires Beaufour in Dreux for the launch of Romarène®, a naturally-occurring product derived from rosemary for the treatment of digestive disorders. The 1970s was a period of expansion for the Group's activities in organic products during which Ipsen launched Tanakan® and Smecta®, which remain major products for the Group.

During the 1970s, the Group focused its activities on engineering peptide products and set up Biomeasure (now known as Ipsen Bioscience, Inc.), which was the Group's peptide product research facility based close to universities around Boston. Through Biomeasure, relationships were established and fostered with several American universities. These partnerships led to the marketing of Decapeptyl®, which was launched in 1986 and drove 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 is 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.

During the 2010s, the Group increased its focus and investment in its toxins research platform. The Group's active policy to build partnerships allows it to obtain the resources for programs it does not wish to finance independently or to create value through the licensing of products that arise from its research but are not deemed as part of its core business (see part 1.2.2 "Major Contracts").

Recently, the Group completed two important transactions to accelerate the evolution towards becoming a leading global biopharmaceutical company:

- In 2016, the Group acquired the exclusive commercialization rights for current and potential future cabozantinib indications outside of the United States and Japan;
- In early 2017, the Group acquired Onivyde®, the oncology asset from Merrimack Pharmaceuticals.

1.1.1.4 Group's Main Products

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

Product name	Therapeutic area(1)	2017 sales (in millions of euros)	Principal therapeutic indications(2)
Specialty Care: 83.4% of full year sales			
Somatuline®	Oncology	702.5	Neuroendocrine tumors; acromegaly
Cabometyx®	Oncology	51.7	Renal cell carcinoma
Onivyde®	Oncology	56.9	Metastatic pancreatic cancer
Decapeptyl®	Oncology	348.7	Advanced metastatic prostate cancer; uterine fibroids; precocious puberty; endometriosis; female sterility (*in vitro* fertilization)
Dysport®	Neuroscience	328.2	Motor disorders and muscular spasticity (cervical dystonia; cerebral palsy; blepharospasms and hemifacial spasms)
NutropinAq®	Rare Diseases	51.8	Growth failure in children due to growth hormone (GH) deficiency, Turner syndrome or chronic renal failure and GH deficiency in adults
Increlex®	Rare Diseases	22.9	Long-term treatment of growth failure in children and adolescents with severe primary insulin-like growth factor-1 deficiency (severe primary IGFD-1)
Consumer Healthcare: 16.6% of full year sales			
Smecta®	Gastroenterology	115.5	Chronic and acute diarrhoea; symptomatic treatment of pain linked to oesogastroduodenal conditions and colic
Forlax®	Gastroenterology	42.1	Constipation
Fortrans® / Eziclen®	Gastroenterology	32.1	Intestinal cleaning
Etiasa®	Gastroenterology	17.8	Inflammatory bowel diseases
Tanakan®	Cognitive disorders	41.4	Mild cognitive impairment related to age; pathophysiological deficiencies; vertigo; retinal deficits; acute or chronic hearing impairment; 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 The 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 heritage in Consumer Healthcare, provides the Group with the scale, expertise and stability needed to make a sustainable difference for people in the quickly evolving healthcare environment.

Strong Foundation

Ipsen is built on a strong foundation with a nearly 90-year heritage of family ownership and a solid and diversified portfolio with a fast-growing and dynamic Specialty Care business, a stable 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 close to 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 emerging 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 (Milton Park – Oxford, United Kingdom – Dublin, Ireland – Berlin, Germany – Dreux and Les Ulis, Paris Saclay, France) to highly-regarded university research centers that 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, Shire, Bristol-Myers Squibb and Roche (through co-development strategies for cabozantinib), Teijin in Japon, Galderma and Menarini in Italy;
- *An effective management team* with significant experience in the pharmaceutical industry.

A New Era

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

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.

- Specialty Oncology where the Group currently has products for neuroendocrine tumors, renal cell carcinoma, pancreatic cancer, and prostate cancer;
- Neuroscience in both the therapeutics segment which is currently focused on spasticity and the aesthetics segment through the partnership with Galderma;
- Rare Diseases, with a small presence today and the desire to expand further with new opportunities.

Consumer Healthcare:

In Consumer Healthcare, the Group maintains a sustainable and growing business. To do so, Ipsen will complete the OTx[1] model transformation and leverage the three main market-leading brands through consumer innovations, capture the underlying market growth in emerging markets and strengthen the European business.

A Development and Commercial Powerhouse driven by innovation

Building an innovative and sustainable pipeline is essential for continued growth and a key objective for the Group. Ipsen has focused its internal resources and efforts on becoming a Development Powerhouse while turning more 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 for patients. It brings together the best minds to tackle some of the most difficult diseases and it does it by developing long lasting, mutually beneficial partnerships and through open and smart collaborative innovation.

Open innovation (see part 1.2.3.1 "Research and Development Activities") is a key tenet of Ipsen's business model. This along with its strong track record and its growing U.S. presence has positioned the Group as a partner of choice from early stage development and academic partnerships, through 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 three 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 established it 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 its ambition to launch at least one new drug or meaningful indication every year and the Group has established a R-D-C (Research-Development-Commercialization) model to accelerate growth in Specialty Care.

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. In the near term, Ipsen will target early and mid-stage assets in its key therapeutic areas to build the pipeline and then in the longer term, it will consider later stage de-risked assets.

The criteria for all transactions are that they are strategically aligned, financially viable and the Group's ability to integrate the asset and obtain synergies.

1.1.2.2 2020 Financial Targets

In May 2017, Ipsen provided updated 2020 financial targets:

- Sales greater than €2.5 billion, including Specialty Care sales growth of greater than 14% per year over the period 2016-2020 and Consumer Healthcare sales growth between 4% and 6% per year;
- Core Operating Income margin greater than 30% of sales.

This guidance excludes the impact from any further business development and covers the impact from potential Somatuline® competitive threats.

(1) Combination of prescription and over-the-counter.

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®

Active substance and indications

Somatuline® is a somatostatin analog made from the active substance lanreotide which inhibits the secretion of growth hormones and certain other hormones by the digestive system.

Somatuline® Autogel®, a new galenic formulation, 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 the duration of at least 28 days, thus requiring just one deep subcutaneous injection per month when compared with the two or three injections previously required. This unique formulation allows the product to be presented in a pre-filled, ready-to-use syringe (single use only) for easier administration and was launched in 2001. More recently, a pre-filled ready-to-use device was launched in 2011 with a retractable needle enabling the safe delivery of the full dose at every injection.

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 gastroenteropancreatic 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 and the Somatuline® Autogel® formulation 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 GEP-NET in adults with unresectable locally advanced or metastatic disease.

Somatuline® Depot® was first approved by the U.S. Food and Drug Administration in 2007 for the treatment of acromegaly. In 2014, Somatuline® Depot® was approved for the anti-proliferative treatment of GEP-NET 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 2017, Somatuline® Autogel® / Depot® was marketed in 57 countries (including 27 in Europe) for the treatment of acromegaly and neuroendocrine tumors.

In 2017, Somatuline® Autogel® / Depot® was the first and fastest growing product of the Group with sales amounting €702.5 million, of which 48.1% 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 GEP-NET 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.

Cabometyx®

Active substance and indications

Cabometyx® (active substance: 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 and AXL beyond VEGFR (Vascular Endothelial Growth Factor Receptor), 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® is indicated for the treatment of advanced renal cell carcinoma (RCC) in adults following prior vascular endothelial growth factor (VEGF) targeted therapy.

Cabometyx® is the first and only targeted therapy in second line RCC to demonstrate clinically and statistically significant improvement across three endpoints (PFS, OS and ORR), with a convenient regimen of one tablet daily.

Marketing

The European launch of Cabometyx® was initiated in Germany in late 2016, and was also made accessible in most Western European countries through a managed access program.

At the end of 2017, Cabometyx® was available in EU5 (France, Germany, Italy, United Kingdom and Spain), Benelux, Nordics and other CCE countries and registered sales of €51.7 million.

At 31 December 2017, Cabometyx® had marketing authorizations in over 30 countries, including 28 in Europe.

Cabometyx® is prescribed primarily by oncologists.

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

Competition

In second line RCC, five other treatments are approved in Europe. Three products have been marketed for several years: Nexavar® (Bayer), Afinitor® (Novartis), and Inlyta® (Pfizer). Two products received approval in 2016: Opdivo® (BMS), and Kisplyx® (Eisai) in combination with Afinitor®.

In the most recent ESMO RCC guidelines, only Cabometyx® and Opdivo® are considered standard of care therapies in second line post-TKI. Nexavar®, Afinitor®, and Inlyta® are only considered as treatment options, while Kisplyx® in combination with Afinitor® was not included.

Onivyde® (irinotecan liposome injection)

Active substance and indications

Onivyde® is a unique encapsulation formulation of irinotecan. The sucrose octasulfate salt in a long-circulating liposomal form 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, approximately 110 nm in diameter, which encapsulates an aqueous space containing irinotecan.

Onivyde® is indicated, in combination with 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 by the U.S. Food and Drug Administration in 2015, and in the EU in 2016, 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.

The acquisition of Onivyde® from Merrimack Pharmaceuticals closed 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. Shire has ex-U.S. commercialization rights to Onivyde® and PharmaEngine has commercialization rights in Taiwan.

From April to December 2017, Onivyde® sales reached €56.9 million.

Onivyde® is prescribed by oncologists.

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®

Active substance and indications

Decapeptyl® 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:* In this indication, 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;
- *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, dysmenorrhoea (painful menstruation), and menorrhagia (excessive menstrual bleeding) associated with uterine fibroids through the reduction in their hormonal stimulation;
- *Endometriosis:* Decapeptyl® is used as a treatment aimed at suppressing oestrogen secretion, which deprives the ectopic endometrial tissue of the critical stimulus it needs to grow;
- *In vitro fertilization:* Decapeptyl® is used in association with gonadotrophins to induce ovulation for *in vitro* fertilization followed by embryo transfer;
- *Precocious puberty:* Decapeptyl® is used to inhibit over-secretion of hormones by the pituitary gland, 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, quarterly, and semi-annual sustained-release formulations.

Marketing

Decapeptyl® was the Group's second largest product in terms of sales in 2017 with Major Western European countries (G5) accounting for 81.4% of total sales and China representing a large portion of Decapeptyl® sales.

At 31 December 2017, Decapeptyl® had marketing authorizations in over 66 countries, including 29 in Europe.

Decapeptyl® is prescribed primarily by the following specialists: urologists, oncologists, radiotherapists, paediatric endocrinologists, gynaecologists, obstetricians, 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) and, for *in vitro* fertilization, Cetrotide® (Merck Serono) and Orgalutran® (MSD).

Xermelo®

Active substance and indications

Xermelo® 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.

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

Marketing

In 2014, Ipsen and Lexicon announced that they had entered into an exclusive licensing agreement for Ipsen to commercialize Xermelo® (telotristat ethyl) in all territories excluding the United States and Japan, where Lexicon retains the rights. On 28 February 2017, Lexicon received U.S. Food and Drug Administration (FDA) approval for Xermelo® as the first and only orally-administered therapy for the treatment of carcinoid syndrome diarrhea in combination with somatostatin analog (SSA) therapy in adults inadequately controlled by SSA therapy.

On 20 July 2017, the Committee for Medicinal Products for Human Use (CHMP) adopted a positive opinion, recommending the granting of a marketing authorization for the medicinal product Xermelo®, intended for the treatment of carcinoid syndrome diarrhea in combination with a somatostatin analog.

On 18 September 2017, the product received EMA approval for the indication cited above.

As of 31 December 2017, Germany launched with temporary reimbursement and other countries were negotiating reimbursement with their local authorities, with commercial availability planned during 2018 and 2019.

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®

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. 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® outside Scandinavia and the United States.

Cometriq®

Active substance and indications

Cometriq® (active substance: 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. 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 the US and Europe based on the Phase III, international, multicenter, randomized, doubleblind 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 MTC.

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 2017, Cometriq® obtained marketing authorization in 27 countries, with Germany representing the largest amount of product sales.

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 Genzyme) which is used to treat patients with MTC that cannot be removed through surgery or that has spread to other parts of the body.

Neuroscience

Dysport®

Active substance and indications

Dysport® is a botulinum neurotoxin type A product, which is a substance derived from a bacteria that inhibits the effective transmission of nerve impulses and thereby reduces muscular contractions.

Dysport® is used in therapeutics and aesthetics for the following indications:

- Treatment of local spasticity in adult upper and/or lower limbs. Spasticity is characterized by uncontrollable muscle contractions that are often accompanied by pain and reduced muscle function, e.g. difficulty walking and reduced use of the hands or the entire upper limb. Spasticity can appear after a stroke, in patients suffering from multiple sclerosis, in spinal cord and trauma brain injury patients, and in adult patients suffering from cerebral palsy;
- Treatment of lower limb spasticity in pediatric patients two years of age and older. Pediatric spasticity mainly occurs in children suffering from cerebral palsy or brain damage;
- Treatment of Cervical Dystonia (CD). CD is characterized by abnormal contraction of neck muscles, which leads to a deviated neck that causes pain;
- Treatment of blepharospasm & hemifacial spasm. Blepharospasm is the involuntary closing of the eyes caused by a spasm of the muscles surrounding the eyes. Hemifacial spasm is a benign and involuntary contraction of muscles located on one side of the face (hemifacial);
- In aesthetics, Dysport® is indicated for the treatment of glabellar lines.

Marketing

Dysport® was initially launched in the United Kingdom in 1991 and had marketing authorization in more than 80 countries at 31 December 2017.

In the United States, on 30 April 2009, the FDA approved the Biologics License Application (BLA) for Dysport® 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 July 2015, the FDA approved Dysport® in the symptomatic treatment of focal spasticity affecting adult upper limbs. In July 2016, the FDA approved Dysport® in the symptomatic treatment of lower limb spasticity in pediatric patients two years of age and older.

In aesthetics, from 2007 the Group granted Galderma the exclusive right to develop, promote, and distribute its botulinum toxin type A product for aesthetic indications in some European countries (under the brand name Azzalure®) and in other territories including the United States and Canada in 2014 (these agreements are presented in detail in section 1.2.2 of this registration document).

In June 2017, Ipsen entered into an exclusive, three-year agreement with Saol Therapeutics to promote Dysport® for approved therapeutic indications in adult spasticity and pediatric lower limb spasticity in the United States.

Dysport® is prescribed by experienced physicians: neurologists, physical rehabilitation specialists, neuropediatricians, orthopedic surgeons, ENT specialists, ophthalmologists, dermatologists, and plastic surgeons.

Competition

Dysport®'s main competitor is Botox® (Allergan) and to a much lesser extent, Xeomin® (Merz). Lanzhou Biologics Institute has also launched a botulinum toxin A under the brand names Prosigne®, Lantox® or BTXA® in Asia, Russia, and Latin America. Medy-tox, Inc. has launched Medytoxin® in South Korea in 2006 and continues its geographical expansion in Asia, Latin America, and Eastern Europe under different brand names (Neuronox®, Botulift®, Siax®).

Rare Diseases

NutropinAq®

Active substance and indications

NutropinAq® 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.

NutropinAq® is a ready-to-use liquid formulation in the form of powder to be reconstituted.

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;
- Treatment of growth failure in pre-pubescent children associated with chronic renal failure ahead of kidney transplantation;
- Treatment of adults with growth hormone deficiency of either childhood or adult onset.

Marketing

In 2002, Genentech granted the Group exclusive marketing rights for NutropinAq® worldwide outside North America, Mexico, Canada, and Japan.

As of 31 December 2017, 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 (paragraph 1.2.2 "Major Contracts").

Competition

Six other companies have marketed recombinant growth hormones for several years: Pfizer (Genotropin®), Eli Lilly (Humatrope®), Novo Nordisk (Norditropin®), Merck Serono (Saizen®) and Ferring (Zomacton®). Omnitrope® (Sandoz), a biosimilar product to Pfizer's Genotropin®, was launched more recently.

Increlex®

Active substance and indications

The active substance in Increlex ® (mecasermin) is a recombinant insulin-like growth factor of human origin (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. The only indication filed for Increlex® is the treatment of severe primary IGF-1 deficiency in children and adolescents.

Increlex® stems from a partnership with Genentech (paragraph 1.2.2 "Major Contracts").

Marketing

Increlex® has been marketed in the United States since the beginning of 2006. It was granted orphan drug status by the EMA in April 2006, and marketing authorization in the European Union in August 2007.

■ 1.2.1.2 Consumer Healthcare products

Smecta®

Active substance and indications

Smecta® is an oral formulation of pharmaceutical clay indicated in the treatment of acute diarrhea in both adults and children, and the symptomatic treatment of digestive pain and chronic diarrhea in adults. The active substance in Smecta® is diosmectite, a natural clay processed and purified for therapeutic use.

Marketing

As of 31 December 2017, Smecta® had market authorization in about 60 countries. In 2017, Smecta® sales represented 6.0% of total Ipsen sales, of which 75.9% 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. To position Smecta® as an OTC self-medication product, Ipsen launched a media campaign in France, Eastern Europe and Russia, along with new products such as a liquid formulation of Smecta®.

Competition

Smecta's® main competitors are Imodium® (Johnson & Johnson), Ercéfuryl® (Sanofi), Ultralevure® (Biocodex), and Tiorfan® (Bioproject Pharma).

LP 299V®

In April 2016, Ipsen signed a license and supply agreement with Probi for the commercialization of its probiotic strain Lactobacillus plantarum 299v (LP299V®). Probi is a Swedish publicly traded bioengineering company that develops effective and well-documented probiotics. The agreement covers in total 18 markets, many with high growth potential, with an option to include additional countries.

In 2017, the product was launched in France, Czech Republic, Romania, and the Baltics.

Forlax®

Active substance and indications

Forlax® is an oral osmotic laxative, designed and developed by Ipsen, and indicated for the treatment of constipation in both adults and children. The active substance in Forlax® is Macrogol 4000, 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 21 other EU countries through a mutual recognition procedure.

As of 31 December 2017, Forlax® was granted marketing authorizations in about 50 countries. In 2017, 48.8% of Forlax® sales were generated in France.

Forlax® is primarily prescribed by general practitioners, gastroenterologists, gynecologists and pediatricians.

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 (*i.e.* bisacodyl) such as Dulcolax® (Boehringer Ingelheim).

In France, two generics of Forlax® were marketed by Mylan and Qualimed in March 2009. Today, Ipsen produces two generic products marketed by Biogaran and Sandoz.

Fortrans®

Active substance and indications

Fortrans® is aimed at intestinal cleaning before endoscopy procedure (coloscopy), surgery, or radiology. The active substance in Fortrans® is Macrogol 4000, a linear polymer of polyethylene glycol (PEG) of high molecular weight with added electrolytes.

Marketing

Fortrans® is considered as the "gold standard" for bowel cleansing preparation before coloscopy. As of 31 December 2017, Fortrans® held marketing authorizations in about 50 countries.

Fortrans® is available in more than 40 countries. Russia and Poland are the two largest markets, which represent 40.2% of Fortrans® sales.

Eziclen®

Active substance and indications

Eziclen® is a next-generation osmotic laxative, indicated in adults, for cleaning the bowel before endoscopy procedure (coloscopy), surgery or radiology.

Marketing

In 2009, Ipsen acquired from Braintree the exclusive manufacturing, marketing and distribution rights of the proprietary formulation 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.

On 31 December 2017, Eziclen® was marketed by Ipsen or its local partners in 20 countries.

Etiasa®

Active substance and indications

Etiasa® (mesalazine) 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 renewed its exclusive agreement with Ethypharm to promote and distribute Etiasa® in China. The drug is now manufactured by Ethypharm in its Shanghai subsidiary. The drug's principal competitors in China are other 5-ASA products such as Pentasa®, Salofalk®, Mesalazine generic, and Sulfasalazine.

Tanakan®

Active substance and indications

Tanakan® 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 for the treatment of cognitive disorders (memory or attention deficit) in the elderly.

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 2017, Tanakan® was approved in approximately 50 countries, mainly in Europe, Russia, and Asia.

In 2017, 20.7% of Tanakan® sales were generated in Russia, where the product is offered as a self-medication OTC product.

Adenuric®

Active substance and indications

Adenuric® (febuxostat) 80 mg and 120 mg (tablets) is indicated for the treatment of chronic hyperuricaemia 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 hyperuricaemia in adult patients undergoing chemotherapy for haematologic malignancies at intermediate to high risk of Tumor Lysis Syndrome (TLS).

Marketing

In 2009, Ipsen gained EU Marketing Authorization, and on 20 October 2009, the Group granted exclusive licensing rights to the Menarini Group for Adenuric® in 41 countries. In addition, Ipsen continues to promote the product in France together with Menarini.

Prontalgine®, Buscopan®, Suppositoria Glycerini, and Mucothiol® and Mucodyne®

In February 2017, Ipsen entered into a definitive agreement to acquire a portfolio of select Consumer Healthcare Products from Sanofi.

The most significant product was Prontalgine®, an analgesic for the treatment of moderate to severe pain, which was available only in France. The portfolio also included Buscopan®, an antispasmodic; Suppositoria Glycerini, a laxative; and Mucothiol® and Mucodyne®, expectorants for cough and flu. Combined, these regional brands span a geographic scope of eight European countries.

1.2.2 Major Contracts

The Group markets its products either directly through its sales force or through third parties to whom it has entrusted responsibility for selling its products 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 to finance the development of its products while extending its range of existing products. The Group is constantly looking to forge 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 deal to manufacture and market Decapeptyl® in locally advanced cancer or metastatic prostate cancer. This licensing agreement was renewed in 2002 and in 2007. 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 invention patents.

The licensing agreement with Debiopharm grants the Group 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.

This licensing agreement has no termination date. Each party may terminate the agreement entirely or on a country-by-country basis at any time as of 31 December 2020, with a 2-year notice and an effective termination date as of 31 December 2022 at the earliest.

In addition, on 30 April 2008, the Group and Debiopharm entered into a license agreement granting the Group the exclusive right to commercialize triptorelin under the trade names Salvacyl®, Salvacyl LP®, Moapar®, and Salvapar® for the treatment of paraphilia (sexual perversions) in the same territories as for Decapeptyl® with the exclusion of Switzerland and Liechtenstein in which the commercialization right is granted to Debiopharm.

Exelixis (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 have 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® also currently approved in the U.S. for the treatment of 1L RCC and the European Union (EU) for the treatment patients with advanced renal cell carcinoma (RCC) who have received first-line antiangiogenic therapy.

Under the agreement Exelixis received a $200 million upfront payment and a $60 million milestone upon the approval of cabozantinib in Europe for advanced renal cell carcinoma (RCC). Exelixis will receive $50 million upon the filing and approval of cabozantinib in Europe for advanced hepatocellular carcinoma (HCC), as well as additional regulatory milestones for potential further indications. The agreement also includes up to $545 million of potential commercial milestones and provides for Exelixis to receive tiered royalties up to 26% on Ipsen's net sales of cabozantinib in its territories.

Photocure (Oslo, Norway)

On 26 September 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 the product for the diagnosis and resection of bladder cancer under the Hexvix® trademark, a brand owned by Photocure. Ipsen obtained the exclusive license worldwide, except in the United States, the Nordics, and certain other countries where Ipsen may decide to return the rights to Photocure under certain conditions. 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. The product was approved in Sweden in 2004 and was subsequently approved in many European countries as well as in the United States.

1.2.2.1.2 Agreements in Neuroscience

Public Health England (PHE) (former Health Protection Agency (HPA)) (Porton Down, United Kingdom)

The licensing agreement entered into by the Group in 1994 with the PHE covers 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 a 2001 amendment, 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.

Galderma (Lausanne, Switzerland)

In February 2007, under the terms of a development and distribution agreement, Ipsen granted Galderma Pharma S.A.,

a Swiss company currently owned by Nestlé, 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 December 2007, the Group also granted to Galderma exclusive rights, until 2017, to promote and distribute under the trademark Dysport® certain formulations of botulinum toxin in aesthetic and dermatological indications in Brazil and Argentina. In 2014 the term was extended until 2036. Exclusive promotion and distribution rights in the aesthetic and dermatologic indications were expanded to Australia in 2012 and Mexico in 2013 for an initial five-year period and subsequently extended until 2036.

In July 2014, the Group and Galderma expanded their agreement to collaborate on the development and commercialization of new neurotoxins, including their respective liquid formulations. Under the terms of the agreement, the Dysport distribution rights in the U.S. and Canada, initially held by Valeant, were granted to Galderma. In addition, the rights granted for the U.S., Canada, and Europe were extended until 2036.

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 December 2014, the expanded partnership set up in July 2014 was enlarged to include Mexico, Argentina, Australia, and New Zealand.

In January 2016, the Group and Galderma expanded their partnership to China, India and South Korea. The partnership was expanded in 2017 to include Hong Kong, Macau and Taiwan until 2036.

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

1.2.2.1.3 Agreements in Rare Diseases

Genentech (San Francisco, CA, USA)

Distribution agreement covering NutropinAq®

The exclusive distribution agreement reached in 2002 by the Group with Genentech 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 on 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.

Increlex® Agreements

The Group and Genentech entered into two Increlex® (IGF-1) license agreements: in 2002 for the U.S. and 2003 for the rest of the world. Under these agreements, the Group is granted the exclusive global right to develop, manufacture, and commercialize IGF-1 in all indications except central nervous system diseases. Under the terms of these contracts, Genentech is granted an option to develop and commercialize the product jointly with Ipsen in all non-orphan indications and diabetes.

In consideration for these rights, the Group shall pay certain amounts to Genentech dependent on sales reaching certain levels and royalties on sales.

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

On 3 July 2017, Teijin received approval from the Japanese Ministry of Health, Labour and Welfare for Ipsen's subcutaneous drug Somatuline® (lanreotide) for the treatment of gastroenteropancreatic neuroendocrine tumors (GEP NET).

Lexicon Pharmaceuticals, Inc. (The Woodlands, TX, USA)

In October 2014, the Group entered into an exclusive licensing agreement with Lexicon Pharmaceuticals for Ipsen to commercialize Xermelo® (telotristat ethyl) outside of 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® (telotristat ethyl) 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® (telotristat ethyl) in the licensed territory.

On 28 February 2017, Lexicon announced that the U.S. Food and Drug Administration approved Xermelo® (telotristat ethyl), for the treatment of carcinoid syndrome diarrhea in combination with somatostatin analog (SSA) therapy in adults inadequately controlled by SSA therapy. The drug was then approved by the European Medicines Agency (EMA) on 19 September 2017.

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. The Marketing Authorization Application was submitted to SwissMedic (Switzerland's regulatory agency) on 5 July 2016.

Radius (Cambridge, MA, USA)

In 2005, the Group signed a licensing agreement with Radius under the terms of which the Group granted Radius the exclusive right to develop, manufacture, and distribute a compound belonging to the Group known as BIM 44058 using the sustained-release formulation technology developed by the Group for the development of a drug for the treatment of osteoporosis.

This license was granted globally, with the exception of Japan (except for manufacturing), where the Group has already granted an exclusive license to this compound to the Japanese group Teijin. Furthermore, the Group has the option of promoting and selling the finished product on a co-marketing basis with Radius in France. Radius is responsible for the overall development of the compound and incurs all the relevant costs. Radius is responsible for manufacturing the compound and also holds the marketing authorizations and the responsibility for marketing the product. In November 2015, Radius submitted a marketing authorization application to the EMA following positive results of Phase III studies.

Radius will pay the Group different fixed sums depending on the success of the various development phases and registration of the end product, as well as royalties based on the level of sales generated by the product. The licensing agreement will end upon (i) the expiry of the last remaining patent covering the product or (ii) the expiry of a period of ten years from the date on which the product was first sold, whichever is later. Upon expiry of the agreement, Radius is set to benefit from a free and perpetual license to the licensed rights.

In October 2016, the Group initiated proceedings against Radius before the International Court of Arbitration of the International Chamber of Commerce based on potential breach of various provisions of the license agreement, including the Group's option to co-promote the finished product with Radius in France and on the license related to Japan (See section 2.1.3.2.2 "Legal and Administrative Proceedings").

Rhythm (Boston, MA, 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 hormones ghrelin and MSH, which regulate food intake, energy homeostasis, and gastrointestinal function. Under the terms of the license agreement, Ipsen will receive progressive payments of up to $80 million upon the achievement of certain development and commercial milestones and royalties on future sales of the products. Rhythm will continue to use Ipsen's recognized formulation expertise to develop innovative delivery systems for the peptide programs.

In 2013, Rhythm was split into two subsidiaries, Motus Therapeutics (formerly Rhythm Pharmaceuticals) and Rhythm Pharmaceuticals (formerly Rhythm Metabolic), in order to separate the two development programs. Motus Therapeutics was acquired by Allergan in 2016. Allergan (formerly Rhythm Pharmaceuticals) is developing the peptide ghrelin agonist, relamorelin, for the treatment of diabetic gastroparesis and other GI functional disorders, while Rhythm Pharmaceuticals (formerly Rhythm Metabolic) is developing setmelanotide, an MC4 receptor agonist for the treatment of rare genetic disorders of obesity.

1.2.2.2 Agreements in Consumer Healthcare

Teijin (Tokyo, Japan)

In July 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 October 2009, the Group has sublicensed to Menarini Group its exclusive development and commercialization rights for Adenuric® in Europe, including Russia and certain CIS countries. In addition, in France, Ipsen continues to promote the product together with Menarini.

Febuxostat was launched by Menarini in 2010 in Europe and 2017 in Russia, under the trade mark Adenuric®. The product was launched in the United States by Takeda in March 2009 under the trademark Uloric® and in Japan by Teijin in May 2011.

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 notably 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®.

Braintree Laboratories (Braintree, MA, USA)

In September 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 payments from the Group upon the achievement of certain milestones such as product launches and commercial sale thresholds. Additionally, Braintree will receive royalties on Ipsen's sales. 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.

1.2.3 Research and Development

1.2.3.1 Research and Development Activities

The Group's R&D efforts aim to respond to unmet medical needs developing innovative therapeutic approaches and utilizing an entrepreneurial, collaborative approach in order to build a sustainable value 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:
  - Extension of labelled indications;
  - Development of new formulations and delivery systems;
  - Registration in new geographical areas.

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

As of 31 December 2017, about 300 Group employees were assigned to Research and Development with an additional 200 contributing through Pharmaceutical Development.

In 2017, the Group spent €265.8 million on Research and Development which represents 13.9% of the Group's net consolidated sales.

Novel peptide drug discovery in Oncology and Endocrinology: as of June 2017, new peptide drug discovery activities in Oncology and Endocrinology were stopped and efforts shifted to the characterization of in-licensed or partnered molecules, as well as evaluation of external opportunities. The engineering of peptides was mainly carried out in the Research and Development center in Cambridge, MA (USA), in partnership with Les Ulis (Paris-Saclay) and/or in collaboration with international academic research centers and biotechs.

Novel botulinum toxin-based drug discovery in Neuroscience: R&D activities on botulinium toxins have been intensified to better cope with new product needs with an increased efficacy and safety profile. Ipsen provides the foundation for the next generation of recombinant botulinum toxin-based drugs.

The engineering of new botulinum toxins is primarily carried out in Milton Park (Oxford, UK), in partnership with Les Ulis (Paris-Saclay) and/or in collaboration with academic research centers and biotechs. Botulinum toxin has 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 has a wealth of experience in botulinum toxin biology supported by an extensive patent portfolio. Additionally, the Group is one of the few to master the manufacturing and testing of botulinum toxin at its plant in Wrexham (United Kingdom) as well as the technologies needed to explore new applications and to develop new toxin-based products.

Pharmaceutical development is located at the Dreux site and aims to design and develop formulations and innovative delivery systems for new chemical entities or for marketed products. These converging technologies are able to 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 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 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 (a partnership has been signed with IBM-Watson to that extent), 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. Resources in translational Oncology have been increased since June 2017, following the shift from drug discovery to translational sciences.

Partnership policy and open innovation

Internal Research and Development efforts are also supported through an active partnership policy, which is led by the scientific affairs group, 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* in Boston, and *Inserm* in France. 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 biotechs, 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 2017 contributed to a venture capital fund investing in pre-IND (Investigational New Drug) to late clinical phase assets.

A detailed description of partnerships is provided in chapter 1.2.2 "Major Contracts" of this document.

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 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 are focused 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 market. 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 in terms of innovative molecules. Cambridge is a "Center of Innovation" combining activities of research and assessment of these new molecules based on a strategic and operational partnership between R&D and the Business Development teams.

The Group has clinical research and development teams whose task is to coordinate and perform clinical research in North America related to Oncology, Neuroscience and Rare Disease, and a dedicated regulatory group that focuses on the Group's regulatory activities with the FDA.

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

In 2015, Ipsen initiated a project to relocate the UK R&D team to a new facility within a leading innovation hub at the Milton Park campus in Oxfordshire.

The new site, Ipsen Bioinnovation, represents Ipsen's technological platform for toxins, with expertise in engineering recombinant toxins for new therapeutic solutions in Neuroscience and co-locates research scientists with the major R&D activities of clinical development, scientific affairs, regulatory affairs, pharmacovigilance, project management, and publication.

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 and clinical trial Phase I (or first-in-man study) to assess safety and pharmacokinetics/pharmacodynamics of the compound; Phase II to characterize safety and efficacy across a dose-range of the tested compound in patients; Phase III to confirm both safety/efficacy and therapeutic benefit in a large patient population and Phase IV (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, after a clinical candidate has been selected, the next stage of project centric and cross-functional development approaches are conducted. The scope of the Exploratory Development phase (PROVE) 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 (CONFIRM). 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 research programs

The Group currently has several innovative molecules in the research phase. The table below and the following explanations summarize the major programs currently undertaken by the Group:

Research Programs	Indications
New Neuroscience Drugs	
Long acting toxin rBoNT/A	Multiple indications
Long acting toxin rBoNT/A'	Multiple indications
LRRK2 (partnership with Oncodesign)	Parkinson's disease (ended March 2017- continued by Oncodesign)

1.2.3.3.3 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 chapter 1.2.1 "The Group's Products".

The molecule portfolio in development is the following:

Product under development	Indications	Development stage
Oncology		
Somatuline® Autogel®	Prolonged Release Formulation (PRF) – Acromegaly	Phase II
	Prolonged Release Formulation (PRF) – GEP NET	Phase I
	Acromegaly – China	Phase III
	Lung NET	Phase III
Decapeptyl®	3M Endometriosis – China	Phase III
	1M Central Precocious Puberty – China	Phase III
Cabometyx®	Advanced Renal Cell Carcinoma (RCC) 1L	Registration
	Hepatocellular Carcinoma (HCC) 2L	Phase III
Cabometyx® in combination with nivolumab(1)	Advanced Renal Cell Carcinoma (RCC) 1L	Phase III
Cabometyx® in combination with nivolumab(1)	Hepatocellular Carcinoma (HCC) 1L/2L	Phase I/II
Cabometyx® in combination with atezolizumab(2)	Solid tumors	Phase I
Onivyde®	Small Cell Lung Cancer (SCLC) 2L	Phase II
	Pancreatic ductal adenocarcinoma (PDAC) 1L	Phase II
	Breast cancer	Phase I
Satoreotide	GEP NET	Phase I/II
Satoreotide	Non-NET indications	Preclinical
IPN-01087A	Pancreatic ductal adenocarcinoma	Preclinical
Neuroscience		
Dysport®	Paediatric upper limb spasticity (PUL)	Phase III
	Neurogenic Detrusor Overactivity (NDO)	Phase III
	Glabellar Lines – China	Phase III
	New indications(3)	Phase II
Dysport® Solution ((liquid)	Glabellar Lines	Phase III
	Cervical Dystonia (CD)	Phase III
VSN16R (option to acquire)	Spasticity in multiple sclerosis	Phase IIa (Canbex Sponsored)
Short acting toxin rBoNT/E	First-in-human clinical trials	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) Studies planned but not initiated.

Oncology

Somatuline® Autogel®

The Group continues to develop lanreotide, working on a prolonged-release formulation development program as well as additional devices to improve patient care.

Decapeptyl®

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

Cabometyx®

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 have 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 (paragraph 1.2.2 "Major Contracts").

Future commercial indications for cabozantinib could include:

- **First-line advanced Renal Cell Carcinoma (RCC),** the indication investigated in CABOSUN, a randomized Phase II trial of cabozantinib in patients with previously untreated advanced renal cell carcinoma (RCC) with intermediate- or poor-risk disease per the International Metastatic Renal Cell Carcinoma Database Consortium (IMDC). Data were presented at the European Society for Medical Oncology (ESMO) 2017 which included the analysis from a blinded independent radiology review committee (IRC), and confirmed the primary efficacy endpoint results of investigator-assessed progression-free survival (PFS), as well as an updated investigator-assessed analysis.

  The Group submitted to the EMA the regulatory dossier for cabozantinib as a treatment for first-line advanced RCC in the European Union on 28 August 2017. On 8 September 2017, Ipsen announced that the EMA validated the application.

- **Advanced Hepatocellular Carcinoma (HCC),** the indication investigated in CELESTIAL, an Exelixis-sponsored Phase III pivotal trial studying cabozantinib versus placebo in patients with advanced HCC who have been previously treated with sorafenib. Top-line results were published in October 2017 showing that CELESTIAL met its primary endpoint of overall survival (OS), with cabozantinib providing a statistically significant and clinically meaningful improvement in median OS compared to placebo in patients with advanced hepatocellular carcinoma (HCC). The independent data monitoring committee for the study recommended that the trial should be stopped for efficacy following review of the second planned interim analysis.

  In the first half of 2018, the Group expects to file a variation of the initial application to the EMA and other relevant regulatory agencies and to evaluate potential next steps in the development strategy for cabozantinib outside the United States and Japan as a treatment for advanced HCC in patients who have been previously treated.

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

- **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 Roche was initiated in June 2017 to evaluate cabozantinib in combination with atezolizumab (Tecentriq®) in patients with locally advanced or metastatic urothelial carcinoma (UC) or renal cell carcinoma (RCC).

- **Cabozantinib in combination with nivolumab in advanced hepatocellular carcinoma (HCC).** This Phase I/II trial is sponsored by Exelixis and Bristol Myers Squibb.

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®

In April 2017, the Group completed its acquisition of global oncology assets from Merrimack Pharmaceuticals, in Cambridge, MA., focusing on Onivyde® (irinotecan liposome injection) for the treatment of patients with metastatic adenocarcinoma of the pancreas after disease progression following gemcitabine-based therapy, in combination with fluorouracil and leucovorin. Ipsen has gained exclusive commercialization rights for the current and potential future indications for Onivyde® in the U.S., as well as the current licensing agreements with Shire for commercialization rights ex-U.S. and PharmaEngine for Taiwan. The acquisition also includes the Merrimack commercial and manufacturing infrastructure for Onivyde®, and generic doxorubicin HCl liposome injection.

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.

Satoreotide

The Group acquired these molecules with the acquisition of OctreoPharm Sciences in June 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.

Peptide Receptor Radionuclide Therapy (PRRT) uses the ability of one single peptide to target specific receptors to deliver a radionuclide directly to a tumor aiming to either to diagnose or the treat, depending on the radioactive agent. This targeting approach provides an exciting 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.

^{68}Ga-Satoreotide is an NET imaging tool utilizing positron emission tomography (PET, PET/CT) and is currently in clinical development, and ^{177}Lu-Satoreotide is a PRRT therapeutic.

IPN-01087A

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 program is currently in preclinical development for the treatment of pancreatic adenocarcinoma and potentially other oncology indications.

Neuroscience

Dysport®

The Group has started several Phase III trials in the United States since 2011 to reinforce therapeutic indications, focusing on spasticity. The indication for pediatric upper limb spasticity (PUL) is the last Phase III trial currently under development. This meets a FDA request for all neurotoxins manufacturers.

In addition, in 2016 Ipsen is conducting two Phase III clinical trials assessing Dysport® in the treatment of Neurogenic Detrusor Overactivity (NDO) in patients with urinary incontinence not adequately managed by anticholinergics.

Furthermore, the Group is also developing a liquid, ready-to-use formulation of Dysport®, Dysport® Solution.

VSN16R

VSN16R results from the call option granted to the Group by Canbex Therapeutics in February 2015.

VSN16R is a novel, orally-active small molecule compound intended for the treatment of spasticity in MS and other disorders. Preclinical and Phase I clinical studies have demonstrated that VSN16R has the potential to provide substantially better patient care than existing systemic antispastic treatments. Spasticity is a debilitating and painful symptom of MS that consists of involuntary spasms of limbs and torso musculature. With VSN16R, Canbex aims to set a new standard in the treatment of spasticity and to improve the lives of people worldwide with this serious and incurable disorder.

VSN16R was shown to be safe and well-tolerated in the Phase I clinical safety trial. In the Phase I study, 72 healthy volunteers were enrolled in a placebo-controlled, single ascending- and multiple-ascending dose design. A Phase IIa proof of clinical concept study is ongoing under the sponsorship of Canbex.

1.2.4 Intellectual Property

1.2.4.1 Patents

The Group's intellectual property strategy consists of seeking protection for patents, copyrights, and brand names related to its products and processes and to defend its intellectual property rights vigorously throughout the world.

The Group considers that protection of patented technologies and products is essential to the success of its businesses. As of 31 December 2017, the Group held 2,181 patents, 1,030 of which were issued in European countries and 120 in the United States (in the majority of cases, each international application includes several national applications and one European application upon expiry of the 30-month priority period).

As of the same date, the Group had 473 patent applications pending.

The European patent applications and international patent applications by definition designate a large number of countries in which protection can be obtained later. In practice, many of these applications will result in the issuance of patents in the initially designated countries which are considered important for the Group. As a result, the 48 applications in Europe and the 14 PCTs currently filed are likely to yield a significantly higher number than the 62 national patents already issued.

In countries where the Group seeks legal protection through patents, the duration of legal protection for a particular product is generally 20 years from the Group's filing date. This protection may be extended in some countries, particularly in the European Union and the United States. The protection, which may also vary by country, depends on the type of patent and its scope. In most industrialized countries, any new active substance, formulation, indication, or manufacturing process may be legally protected. The Group conducts ongoing checks to protect its inventions and to act against any infringement of its patents and/or trademarks.

The expiry dates of patents currently held by the Group for its main products are listed in the table below. The Group benefits from protection in terms of intellectual property rights through licensing agreements for products and compounds that have been patented by other companies.

Product	Patent holder	Patent expiration date
Specialty Care		
Oncology		
Somatuline® Autogel®		
– formulation	Ipsen	Patent expired (Europe) and 2020 (USA)(1)
– preparation process	Ipsen	2031 Europe (if patent granted) and 2032 (USA)
Somatuline®	Tulane University	Patent expired
Decapeptyl®		
– Pamoate formulation	Debiopharm	Patent expired
– Acetate formulation	Syntex	Patent expired
Decapeptyl® 6 month formulation	Debiopharm	2028 (Europe)(2)
Cabometyx®		
– compound	Exelixis	2024 (Europe)(3)
– polymorphic form	Exelixis	2030 (Europe)(4)
– process/formulations	Exelixis	2030-2032 (Europe) (if patent granted)
Cometriq®		
– compound	Exelixis	2024 (Europe)(3)
– polymorphic form	Exelixis	2030 (Europe)(4)
– process/formulations	Exelixis	2030-2032 (Europe) (if patent granted)
Hexvix®		
– Medical use	Photocure	2016(5)
– Medical use	École Polytechnique Lausanne	2019
Onivyde®		
– composition	Ipsen	2025 (Europe)(6) and 2025-2028 (USA)(7)
– indications	Ipsen	2033 (Europe and USA); 2035-2037 (Europe and USA) (if patents granted)
– formulation	Ipsen	2036 (Europe and USA) (if patents granted)
Xermelo®		
– compound	Lexicon	2027 (Europe)
– polymorphic form	Lexicon	2028 (Europe)
– preparation process and intermediates	Lexicon	2028 (Europe)
– dosage forms	Lexicon	2032 (Europe) (if patent granted)
Neuroscience		
Dysport®(8)	–	No patent filed
Dysport® liquid formulation	Ipsen	2025 (Europe(9) and USA)
Rare Diseases		
NutropinAq®	Genentech	Patent expired (Europe)
Increlex®		
– Medical use	Genentech	Patent expired
– Medical use	Ipsen Biopharmaceuticals (previously known as Tercica)	2024 (Europe) and 2025 (USA)
– Formulation	Genentech	Patent expired (USA)
– Manufacturing process	Genentech	2018 (USA)

(1) In the United States, an extension (PTE) has been granted which extends the patent term until March 2020.
(2) Oppositions have been filed against the EP patent. One opposition has been withdrawn.
(3) Based on this EP patent, an extension has been filed *via* the filing of Supplementary Protection Certificate (SPC) in a number of European countries (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, The Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and Great Britain) which will extend the patent term until 2029 in countries wherein the SPC will be granted.
(4) 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.
(5) The European patent is extended (*via* SPC) in a number of European countries until 2021 in Switzerland and 2019 in the other countries (Austria, Belgium, Czech Republic, Germany, Spain, France, Great Britain, Hungary, Ireland, Italy, The Netherlands and Portugal).
(6) Applications for an extension *via* a SPC have been filed in Austria, Belgium, the Czech Republic, Germany, Spain, France, the United Kingdom, Greece, Ireland, Italy, Luxembourg, the Netherlands, Sweden, Slovenia, Denmark, Poland, and Portugal, which will extend the patent term until 2030 in countries wherein the SPC will be granted.
(7) Applications for Patent Term Extension have been filed for two US patents which, if granted, would extend the patent life until either 2027 or 2029, depending upon which patent is chosen for extension.
(8) There is no patent on the indications and formulation currently marketed but applications are pending in the field of botulinum toxin.
(9) Oppositions were filed against two European patents. The first patent has been maintained by the opposition division under an amended form; this decision has been confirmed in 2017 by the EPO's Board appeal. The second patent has also been maintained in an amended form by the opposition division; this decision can be subject to appeal.

Product	Patent holder	Patent expiration date
Consumer Healthcare		
Smecta® – process – new aroma formulation – new formulation	 Ipsen Ipsen Ipsen	 2025 (if patent granted) 2028 (Europe and USA) 2031 (if patent granted)
Forlax®	–	No patent filed
Tanakan®	Schwabe / Indena	Patent expired (Europe and USA)
Nisis® et Nisisco® : – active substance – preparation process of oral formulation	 Ciba Geigy Novartis	 Patent expired (France) Patent expired (France)
Adenuric® – active substance – polymorphic form – solid composition	 Teijin	 Patent expired (Europe) 2019 (Europe)(1) 2023 (Europe)(2)
Eziclen® / Izinova®	Braintree	2023 (Europe)(3)

(1) An extension has been filed *via* the filing of SPC in a number of European countries (Albania, Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, The Netherlands, Portugal, Romania, Slovenia, Spain, Sweden and Great Britain) which will extend the patent term until 2023 in countries wherein the SPC will be granted.
(2) Based on this EP patent, a SPC has been granted in Estonia which extends the patent term of one month until 2023.
(3) An extension has been filed *via* the filing of SPC in a number of European countries (Belgium, Czech Republic, Germany, Spain, Estonia, France, Great Britain, Greece, Italy, The Netherlands, Portugal and Romania) which will extend the patent life until 2028 in countries wherein the SPC will be granted.

The Group deems it appropriate to clarify the terms of review for patent applications:

(1) Submission of the patent application.

(2) Review of the application by the patent offices (*e.g.* the National Institute of Industrial Property – INPI – France or The European Patent Office – EPO). Patent offices are independent and do not give visibility on the timing of examination or on the status of requests. In general, the review of a patent application takes between three and six years.

(3) Once the review is completed, offices grant patents or reject the application. Rejection can be appealed, a procedure which can take two more years, again without visibility on the timing of the boards of appeal that exist in patent offices.

As a result, the Group is not able to give more information on the schedules of patent applications under review.

1.2.4.2 Brand Names and Trademarks

Brand name and trademark protection vary from country to country. In some countries, this protection is based primarily on the use of the brand name, while in others it results from its registration. Trademark rights are obtained under national trademarks, international registrations or EU-wide trademarks. Registrations are generally granted for a period of ten years and are indefinitely renewable, although in some cases, their maintenance is related to the continued use of the trademark.

Regarding trademarks, the Group, in particular, holds the product names used. These trademarks provide protection for pharmaceutical products included in Class 5 of the International Classification of Products and Services.

Registrations protect not only the product names in Latin characters but also the product names in local characters (Cyrillic, Chinese, etc.).

The Group's key products, namely Somatuline® (and Somatuline® Autogel®), Decapeptyl® (and Diphereline®), Cabometyx® and Cometriq®, Dysport®, Onivyde®, Xermelo®, Smecta® (and Smectago® and Smebiocta®), Tanakan®, Forlax®, Fortrans®, Eziclen® and Izinova®, and the number of trademarks held by the Group (or under licence) at 31 December 2017, are shown in the table below.

Brands and trademarks	Number of applications
Somatuline® / Somatuline® Autogel®	300
Decapeptyl® / Diphereline®	259
Cabometyx® / Cometriq®(1)	183
Dysport®	332
Onivyde®	31
Xermelo®(2)	65
Smecta® / Smectago® / Smebiocta®	993
Tanakan®	257
Forlax®	275
Fortrans®	113
Eziclen® / Izinova®	131

(1) The Trademarks Cabometyx® and Cometriq® are owned by the company Exelixis, Inc.
(2) The Trademark Xermelo® is owned by the company Lexicon Pharmaceuticals, Inc.

The Group also holds registrations for the company names that make up the Group as well as the slogan and logo which constitute its graphic charter.

The Group defends its trademark rights by filing oppositions against applications of identical or similar trademarks and initiates, if such is the case, legal actions to have its rights recognized.

1.2.4.3 Domain Names

As of 31 December 2017, the Group had 1,775 domain names (reserved or in the process of being reserved).

1.2.5 Main Markets

1.2.5.1 Market Data

Sectorial information for therapeutic area and region is detailed in section 3 of this registration document for the 2017 and 2016 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 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 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 Sandostatin® (Novartis). 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 registration document.

1.2.6 Regulations

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 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 in 2017.

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 50 affiliates, which are consolidated as shown in note 29 in chapter 3.2.5.

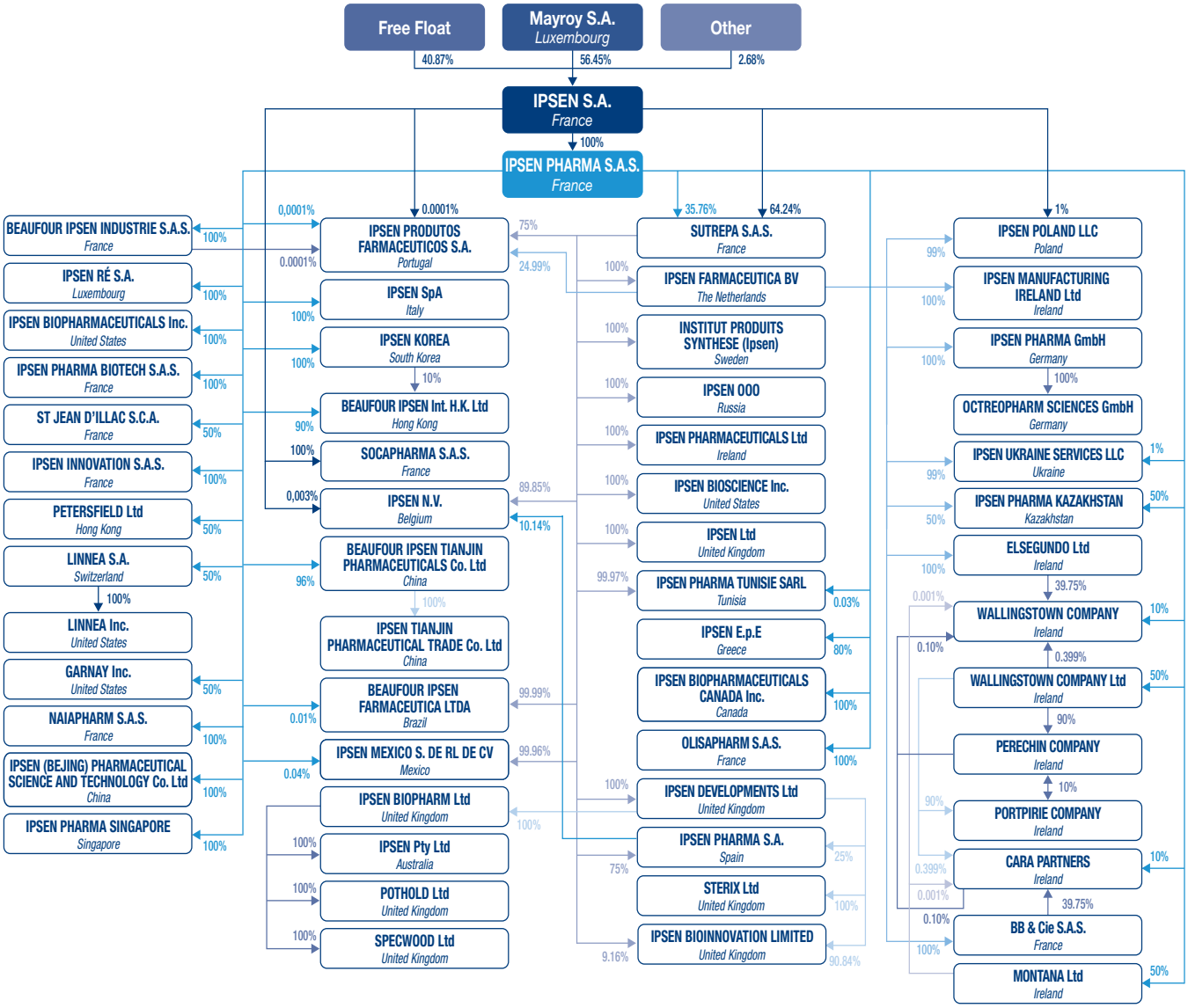
These companies are categorized as research and development, manufacturing, management, or commercialization entities.

As indicated in chapter 5.2.3, Ipsen S.A. is controlled by a company incorporated in Luxembourg, Mayroy SA. 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 indicate the proportion of share capital and voting rights(1) held in each company.

Group Organization chart as of 31 December 2017



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

1.2.7.2 Acquisitions and Discontinuation

In order to facilitate and encourage the development of the Group's activity on a local scale, a company has been created in Kazakhstan, Ipsen Pharma Kazakhstan.

Moreover, in the context of simplification and rationalization of the Group's legal and administrative organization, the company Suraypharm SAS was dissolved by transfer of all of its assets to its sole shareholder, Ipsen Pharma SAS, and deregistered from the Trade and Companies Register on 2 January 2017. From this date, Ipsen Pharma SAS is the sole shareholder of the company Ipsen Biopharmaceuticals Inc.

2 RISKS AND CONTROL

2.1 RISKS FACTORS

The Group operates in a rapidly evolving environment that poses 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 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 may also have an unfavorable impact on its business, financial situation, or results.

Within the Legal Division the Group has a "Risk and Insurance" function that reports directly to the General Counsel. Within this registration document this function is described in section 2.2.3 of the report relating to the organization of Board activities and section 2.2 on the Group's internal control procedures.

2.1.1 Specific Risks to the Group and its Structure

2.1.1.1 Dependence on products

A significant part of the Group sales and results relies on a few major products. The three main ones: Somatuline®, Decapeptyl®, and Dysport® represented 72.3% of 2017 consolidated Group sales, respectively 36.8%, 18.3% and 17.2%. The major development, marketing and competency challenges for each of those products are described in the detailed presentation of the Group's products (see section 1.2.1 "The Group's products").

2.1.1.2 Dependence on third parties

2.1.1.2.1 To ensure the Research and Development portfolio success

The Group is dependent on the support of third parties to ensure the success of its Research and Development portfolio, and the inability to secure such support or any shortcoming in its control over such third parties could have a negative impact on the Group.

The Group enters into collaborative agreements with third parties to enhance its Research and Development portfolio. The Group depends on the technology and expertise of third parties both to undertake research in new molecules and to carry out pre-clinical and clinical trials. The Group's success depends on the quality of the partners it manages to attract and the performance of those partners in fulfilling their obligations under these collaboration agreements. The Group could find itself unable to maintain its current collaboration agreements on acceptable terms or to enter into new collaboration agreements on satisfactory commercial terms. If the Group was unable to maintain or enter into such agreements, it would have to develop products at its sole expense. Such a situation would have the effect of increasing the Group's capital requirements or limiting or delaying its development in other areas. In addition, the Group's partners could fail to fulfil their obligations or perform them in an unsatisfactory manner, which potentially could cause delays and expenses for the Group.

2.1.1.2.2 To manufacture certain products

Although the Group currently manufactures active substances for several of its products, it subcontracts the production of certain of these active ingredients to third parties or purchases finished products directly from its partners or their subcontractors. The Group is therefore exposed to the risk of a supply shortage if its suppliers experience financial or operational difficulties such that they were no longer able to manufacture all or part of the required quantities of the product. If a supply shortage occurs as a result of difficulties with subcontractors, this could adversely impact the Group's ability to meet the market demand for its products and, in particular, could have impact for patients or could damage the Group's reputation and its relations with its customers, which could in turn have a negative impact on the Group's business, financial situation, or results (see paragraph 2.1.2.5).

2.1.1.2.3 To develop and market certain products

The Group depends on third parties to develop and market some of its products. Although this type of business generates substantial royalties for the Group, these third parties could behave in ways that are damaging to the Group's business.

The Group develops and markets some of its products in collaboration with other pharmaceutical companies. The Group has entered into significant collaboration agreements (see paragraph 1.2.2 "Major Contracts"). The royalties received by the Group from some of these partners could or currently make a substantial contribution to the Group's net operating income and cash flow. Where the Group markets its products under the terms of collaboration agreements, it exposes itself to the risk that certain decisions, such as the preparation of budgets and promotional strategies, may be controlled by its partners and that those decisions made by the Group's partners may have a negative impact on the Group's business carried-out under the terms of those agreements. The Group cannot be certain that its partners will fulfil their obligations and may be unable to obtain any benefit from those agreements. In addition, the Group's partners could choose to develop their existing new products, rather than products marketed in collaboration

with the Group. Finally, although it has legal remedies against its partners in the event that they cause Ipsen damage, the Group is not in a position to ensure that its partners have sufficient insurance to cover fully their liabilities for their overall business, especially as its relates to other third parties or the Group. If partners did not to have sufficient insurance, the Group could be forced to bear, either directly or indirectly, a substantial portion of any damage thus caused, which potentially could entail an adverse impact on its business, financial situation, or results.

The failure of any of the Group's partners or intense competition could result in some of the Group's products: (i) having their development programs delayed or stopped, (ii) not being approved by the competent authorities, having their approval delayed or being approved for indications which are more restrictive than those originally anticipated, or (iii) generating lower than expected sales and/or other revenue. Such situations could have a negative impact on the Group's business, financial situation, or results.

2.1.1.2.4 Related to intellectual property

- *Group's intellectual property*

The Group's collaboration with third parties exposes the Group to the risk that those third parties might claim the benefits from intellectual property rights for the Group's inventions or might not ensure that the Group's unpatented technology remains confidential.

The Group works with numerous partners (universities and other public and private bodies) and exchanges information and data with them in various forms in order to research, develop, produce, and market its products. In spite of precautions taken by the Group vis-à-vis these bodies, particularly through contractual precautions, the partners (or some of their members) could claim ownership of intellectual property rights arising from trials carried out by their employees or any other intellectual property rights related to the Group's products. In addition, where their own intellectual property rights are concerned, these partners could refuse to grant licenses to the Group on acceptable terms for Ipsen.

The Group is also dependent on unpatented technology, methods, expertise, and data that it considers to be industrial secrets. This information is protected often by confidentiality agreements between the Group and its employees and consultants as well as among some of its subcontractors. The Group cannot be certain that these agreements or any other type of protection in respect to its industrial secrets will be effective or that satisfactory means of redress will be available in the event of any breach.

- *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, including six of its main products.

Intellectual property rights (including patents, expertise, and trademarks) are covered by licensing agreements that are granted to the Group by third parties who are either the owners of those rights or are authorized to sub-license their use. Some of the Group's main products are manufactured and/or marketed under licenses from third parties (see paragraph 1.2.2 "Major Contracts"). Although the Group currently maintains good relationships with these third parties and has taken the necessary steps to protect its interests in the related agreements, Ipsen cannot guarantee that it will be able to continue to benefit from these intellectual property rights or that the provisions of these contracts will be respected. For example, the Group could find itself in the future unable to negotiate new licensing agreements or collaboration agreements, or the Group could have difficulty maintaining the current terms of agreements that could lead to less favorable terms. Furthermore, the future development and sale of certain products could depend on license terms. Finally, the Group's ability to grant exclusive patent licenses or patent sub-licenses to third parties could be limited by rights held by other third parties in respect of those same patents or other patents.

2.1.1.2.5 Dependence on certain managing executives and scientists, and social relations

The Group's success depends in 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. In addition, the Group is convinced that its continued expansion in sectors and activities that require additional expertise and resources (such as marketing, clinical trials, and regulatory licenses) will require it to recruit new executive management and scientists. The Group could find itself unable to attract or retain the required executive management and scientists.

The Group's success also depends on the motivation of its employees at all of its operational sites. Maintaining positive social relationships within its varied entities is an important factor in implementing the Group's policy. However, changes in economic conditions in the pharmaceutical industry could lead some Group sites to envisage or embark on reorganization or restructuring operations that could have an adverse impact on employee motivation and on the quality of social relations in the Group. Any negative impact on employee motivation or 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.

2.1.1.3 Risks associated with the Group's international activities

The Group operates throughout the world, including countries other than the European Union Member States and the United States. Specifically, these include China, Russia, and other Central and Eastern European countries. As such, the Group faces various risks specific to its international activities, in particular, the following:

- Risks arising from unexpected regulatory changes and such as changes in tax regulations and regulations on trade and tariffs;

- Risks arising from difficulties in interpreting or implementing certain specific regulations;
- 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 exchange rate fluctuations;
- 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 failure by the Group's employees to observe the ethical principles laid down by the Group (see section 2.2 of this registration document, "Internal control procedures");
- Risks arising from the occurrence of natural disasters in the areas at risk in which the Group and/or its major partners do business;
- Risks arising from the absence of an international agreement on regulatory standards.

2.1.1.4 Risks related to acquisition and integration activities

To build a sustainable pipeline of innovative assets, the Group is transforming the R&D model by accelerating focused internal projects, de-prioritizing select internal programs and externally sourcing assets. In this respect, the Group invests in business development through innovative deal structures with a focus on early to mid-stage assets in the three key therapeutic areas. Despite dedicated processes in place, those acquisitions could fail or underperform in case of inappropriate due diligence or unsuccessful integration.

2.1.1.5 Risks associated with information systems

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

2.1.2 Risks Associated with the Pharmaceutical Industry

2.1.2.1 Risks associated with market competition

The Group operates in well-stablished, rapidly-evolving, and intensely-competitive markets. The Group's competitors include major international pharmaceutical groups whose size, experience, and capital resources exceed those of the Group. Consequently, the Group cannot be certain that its new products:

- will be able to obtain the required regulatory approval or be brought to market more quickly than those of its competitors,
- will be able to compete sustainably with safer, more effective, or less expensive products marketed by certain major competitor groups,
- will adapt quickly enough to new technologies and scientific advances,
- will be preferred by medical centers, doctors, or patients over existing treatments used for the same pathologies,
- will be able to compete effectively with other products used to treat the same pathologies.

New developments are expected both in the pharmaceutical industry and in public and private research facilities. In addition to their ability to develop safer, more effective or less expensive products than those of the Group, the Group's competitors could also manufacture, market, and distribute their products more efficiently than the Group is able to do for its own products. Finally, rapid technological developments introduced by competitors could make the Group's new or future products obsolete before Ipsen has been able to recover the costs incurred in the research, development, and marketing of those products.

Details of the competitive environment of the Group's main products are set out in section 1.2.1 of this registration document.

2.1.2.2 Dependence on drug prices and their inclusion on the list of reimbursable drugs

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 as a result of various factors. These factors include the following:

- a tendency for governments and suppliers of medical care to recommend the use of generic drugs in several countries by way of laws on generic substitution, which authorize or require pharmacists dispensing drugs to substitute, as much as possible, less expensive generic drugs for those manufactured by the original pharmaceutical company,
- a tendency for governments and private medical insurance organizations to lower prices or reimbursement rates for certain drugs marketed by the Group in the countries in which it operates, or even to remove those drugs from lists of reimbursable drugs,
- other restrictive measures that limit increases in the cost of medical services,
- parallel imports that enable wholesalers to take advantage of price differentials by buying drugs at lower prices in certain markets and reselling them in other markets at higher prices.

The commercial success of the Group's products depends partly on the proportion of the drug's price that is reimbursed by private medical insurance companies, health insurance bodies, and public healthcare programs.

The continued sale of a drug as an over-the-counter product after its delisting does not necessarily prevent a decline in its sales. The decisive factor in the drug's continued sales is whether patients themselves agree to bear the cost of their treatment. On the basis of experience with other drugs delisted in France and in other European countries, products affected by such measures usually experience a decline in sales.

As such, if a drug that is marketed by the Group and represents a significant proportion of its sales were to be delisted, the delisting would likely have an unfavorable impact on the Group's business, financial situation, or results. The Group would nevertheless retain the option of entering into an agreement with a partner to market delisted drugs over the counter. Such an agreement may partially limit the unfavorable impact of any delisting on the Group's business, financial position or performance.

2.1.2.3 Risks associated with Research and Development failures

In order to maintain competitiveness, the Group invests substantial amounts in Research and Development. Ipsen will be unable to recover these investments if clinical trials of the Group's products are not as successful as anticipated or if such products do not receive the required regulatory approval.

In order to remain competitive, the Group has to invest large amounts in Research and Development.

In order to remain competitive in the highly competitive pharmaceutical industry, the Group must allocate substantial resources to Research and Development every year in order to develop new products. Even if the Group's Research and Development efforts bear fruit, its competitors could develop more effective products or successfully bring a larger number of new products to market. In 2017, the Group spent €265.8 million on Research and Development, representing around 13.9% of consolidated sales. The Group's current investments related to the launch of new products and the research and development of future products could entail higher costs without a proportionate increase in the Group's revenues.

The Research and Development process is long and there is a substantial risk that products may not succeed.

The Research and Development process typically lasts eight to twelve years from the date of a discovery to a product being brought to market. The R&D process involves several stages. At each stage there is a substantial risk that the Group could fail to achieve its objectives and be forced to abandon its efforts on products in which it has invested significantly.

Thus, in order to develop viable products from a commercial perspective, the Group must demonstrate that the molecules in question are effective and are not harmful to humans through pre-clinical and clinical trials.

The Group cannot be certain that favorable results obtained during pre-clinical trials will subsequently be confirmed during clinical trials or that clinical trial results will be sufficient to demonstrate the safety and efficacy of the product in question in order to obtain the required marketing licenses. In the event of the failure of certain Research and Development projects, the Group cannot be assured to find new, equivalent projects to replace them, whether from Ipsen's own research activities or from research carried out under partnerships. If this was to happen, the Group's Research and Development pipeline could dry up, and the Group would not have a sufficient number of drugs to market in the longer term, which could have an adverse impact on its results or financial position and also on the value of its shares.

Following the Research and Development phase, the Group has to invest substantial additional resources to obtain the required government authorizations in a number of countries without any guarantee that these authorizations will be granted.

Before a given product can be sold on the relevant market, the Group must obtain and retain the required regulatory approvals for its drugs from the European Union, the United States, and other regulatory authorities. The submission of an application for an authority's approval does not guarantee that marketing approval will be granted for the product in question. Each authority is free to impose its own requirements, which may include the requirement to carry out local clinical studies, and can delay or refuse marketing approvals even when the product has already been authorized in other countries. The procedure for obtaining marketing approvals for new products in the Group's main markets is complex and lengthy. The time taken to obtain the required marketing approvals varies by country, although it is generally between six months and two years from the date of application. In addition, where

a marketing approval is granted, the approval may include limitations on the uses for which the product in question may be marketed or a requirement to carry out further trials after the product's registration. Marketed products are also subject to ongoing monitoring after the initial approval is granted. The subsequent discovery of problems, which were unknown at the time of applying for a marketing approval, or any failure to comply with regulatory requirements, can result in restrictions being placed on the marketing of the product in question or its withdrawal from the market in addition to legal penalties. In addition, the Group is subject to rigorous official inspections of the manufacture, labelling, distribution, and marketing of its products. All these factors can increase the costs associated with developing new products and the risk that those products may not be marketed successfully.

2.1.2.4 Uncertainty as to the approval & marketing of products under development and as to new regulations for marketed products

Some products developed by the Group are still in the very early stages of development, and even when products are in more advanced stages of development, the Group cannot be certain that they will be gain approval from the relevant regulatory authorities and be successfully brought to market.

If products developed by the Group were not approved during pre-clinical and clinical trials or were not approved by the regulatory authorities, this would have a negative impact on the Group's growth. The approval of a product can take several years, and the Group may not bring all its new products to market. New products may also appear promising during the early stages of development or after clinical trials, but either never be brought to market or fail to sell. This can happen for various reasons, including the following:

- products may prove ineffective or cause side-effects that outweigh their therapeutic benefits during pre-clinical or clinical trials,
- the Group could fail to devise appropriate clinical trials for products which perform satisfactorily during pre-clinical trials or in the very early stages of clinical trials,
- the Group could fail to obtain licenses from the relevant regulatory authorities to allow it to carry out the required clinical trials or could be forced to repeat trials in order to comply with regulations in different jurisdictions,
- the Group could fail to obtain the required licenses from the relevant regulatory authorities to sell its products on certain markets or on any markets,
- it could prove too costly or difficult to manufacture new products on a large scale,
- the marketing of certain products could be prohibited as a result of third parties holding intellectual property rights,
- the Group could fail to find distributors to market its products, or its partners on jointly developed products could decide not to market its products,
- the Group's products may not find market acceptance,
- the Group's competitors could develop products that are more effective or which for other reasons are more successful at obtaining market acceptance,
- new products could render the Group's products obsolete,
- the Group could fail to sell its products at prices that enable the products to generate a satisfactory return on investment,
- the Group could fail to comply with non-anticipated new regulations.

2.1.2.5 Risks associated with supply shortages and other disruptions

Despite a strong end-to-end supply chain organization, security stocks and business continuity plans, 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). This situation may have impacts for patients and may result in a significant reduction in the sales of one or more products.

2.1.2.6 Risks associated with the sale of products for unauthorized uses and to generic drugs

The Group must or may have to face competition from: (i) generic products, particularly in relation to Group products which are not protected by patents, (ii) products that, although not strictly identical to the Group's products or which have not demonstrated their bioequivalence, may be granted marketing licenses for indications similar to those of the Group's products pursuant to the bibliographic reference regulatory procedure (well-established medicinal use) before the patents protecting its products expire, (iii) products sold for unauthorized uses once the protection afforded to the Group's products and those of its competitors by patent law expires, and (iv) from generic products of the Group's competing products.

Such a situation could result in the Group losing market share, which could in turn affect the Group's ability to maintain its current level of sales growth or profitability. In order to avoid or reduce the impact of such situations, the Group could seek to protect its rights by bringing legal action against counterfeiters.

Because producers of generic products do not have to incur the costs associated with the various stages of the drug's development to prove that the products are not dangerous and are fit for their intended purpose, generic producers can sell their products at prices lower than those at which

the Group sells its products. The Group's products could lose market share due to competition from these alternative treatments causing the Group to be unable to maintain its current level of sales growth or profitability.

2.1.3 Legal Risks

2.1.3.1 Reference shareholder

As of 31 December 2017, the Company's main shareholder, Mayroy, held 56.45% of the Company's equity and 72.49% of actual voting rights. This means that it can control the passing of resolutions at Shareholders' Meetings, which could have a material unfavorable impact on the Company's share price. This concentration of capital and voting rights in the hands of a single shareholder, and that shareholder's ability to freely dispose of all or part of its shares in the Company, could have a material unfavorable impact on the Company's share price.

2.1.3.2 General business risks

2.1.3.2.1 Undesired disclosure of critical information

The Group is involved in Research activities leading to the filing of numerous patents and exchange of information with numerous third parties in the normal course of its Development or Marketing activities.

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. However, the Group cannot be certain that it will not be faced with undesired or uncontrolled disclosure of critical or strategic information, which might adversely affect the company's financial position, competitive situation, or share value.

2.1.3.2.2 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. Provisions have been raised in respect to such claims in accordance with IFRS accounting standards (a description of these provisions is provided in note 21.1 to the consolidated financial statements in chapter 3 of the registration document). These provisions amounted to a total of €22.3 million as of 31 December 2017. These provisions are estimated on the basis of the most likely assumptions on the reporting date.

The Group considers the amount of resources set aside for these risks, litigation, and disputes either known or currently in progress are sufficient to ensure that its consolidated financial position should not suffer a material adverse impact in the event of an unfavorable outcome. However, the Company cannot guarantee that the Group will not be exposed to legal action, claims, or government investigations that could prevent or delay its products being marketed or affect its operations, profitability, or cash flow and thus have a negative impact on the Group's business, financial position, or earnings.

In October 2016, the Group initiated proceedings against Radius before the International Court of Arbitration of the International Chamber of Commerce based on potential breach of various provisions of the license agreement, including the Group's option to co-promote the finished product with Radius in France and on the license related to Japan. The Group claims damages valued at €50 million. In response, Radius filed counterclaims in January 2017 for alleged contractual breaches by letting expire certain patents and for allegedly granting manufacturing rights to a third party. The Group filed its answer denying Radius' counterclaim. The decision of the arbitral tribunal is expected during the first half of 2018. The outcome of the case cannot be predicted at this stage of the proceedings, however the Group intends to fully defend and vindicate its rights against Radius' allegations.

On 13 February 2017 Galderma Brazil filed for ICC arbitration in São Paulo against Ipsen Brazil for alleged violation of the distribution agreement following supply interruption caused by Anvisa's (Brazilian Health Authorities) decision to suspend its GMP certificate for the manufacturing of Dysport®. Ipsen has in turn filed a counterclaim for Galderma's breach of its obligations under the same agreement. The arbitral tribunal has been constituted in Q3 2017 and both parties have filed their first written submissions in Q4 2017 (October). The outcome of the case cannot be predicted at this stage of the proceedings, however Ipsen Brazil intends to fully defend and vindicate its rights against Galderma's allegations.

2.1.3.2.3 Dependence on the Group's intellectual property rights

The expiration of a product's patent may result in substantial competition due to the emergence of a generic drug, notably in the United States, and in turn lead to a sharp reduction in sales of the product that received patent protection. In some cases, however, the Group may continue to derive commercial benefits from the manufacturing secrets of a product, process patents, and intermediate elements for the economical manufacture of active ingredients, patents covering special formulations of the product, administration methods as well as the transformation of the active ingredients into over-the-counter medicines. In some countries, some of the Group's products may also benefit from a marketing exclusivity period of five to ten years.

On the other hand, if the Group fails to protect its intellectual property rights, it may not be competitive and cannot gain profits. The Group's success depends on its ability to obtain, retain, and protect its patents and other intellectual property rights. Patent law, as it relates to the scope of claims in the pharmaceutical sector in which the Group operates, is an area of law that is constantly changing and involves some uncertainty.

Consequently, 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 information related to the patents held by the Group is detailed in section 1.2.4.1 (“Patents”);

2.1.3.2.4 Risks associated with patent infringement

The Group’s competitors could infringe its patents or circumvent them through innovations in design. In order to prevent infringements, the Group could engage in patent litigation, which is both costly and time-consuming. It is difficult to monitor unauthorized use of the Group’s intellectual property rights, and the Group could find itself unable to prevent its intellectual property rights from being unlawfully appropriated.

In addition, in view of the development of the pharmaceutical industry, an increasing number of patents are being issued, including some which apply to all therapeutic areas; and there is an increasing risk that the Group’s activities and its use of certain technologies could entail the infringement of patents belonging to third parties. This risk is inherent in the business of any pharmaceutical company and is usually resolved by way of license agreements or cross-license agreements where this potential overlap materializes. Given that patent applications are not generally published until 18 months after the date of the priority application (or even, in certain cases, until the patents in question are issued), the Group cannot guarantee that third parties have not been the first to invent certain products or to file patent applications for inventions that are the subject of pending patent applications filed by the Group. In addition, patents in the United States can be issued based on the date of invention (*i.e.* the first inventor). This distinction can enable parties to benefit from patents related to inventions for which they were not the first to file applications.

If the Group to find itself unable to patent its technologies, it could be forced to obtain licenses from third parties to use their patents, terminate certain activities, or gain access to alternative technologies.

2.1.3.2.5 Risks associated with the counterfeiting of Group products

The sale of counterfeit products could damage the Group’s reputation and affect customers’ confidence in the Group’s products.

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. 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. If the confidence of patients or prescribers on the Group’s products are damaged, or if the Group were forced to withdraw products from the market, the Group could see a decline in its sales and profitability.

2.1.3.2.6 Risks associated with product liability

The Group’s businesses expose 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 could increase if the Group’s business expands into new markets and continues to grow in the United States (where the costs associated with product liability claims can be particularly onerous). Considerable damages have been awarded against pharmaceutical companies in certain countries as a result of physical harm allegedly caused by the use of certain products. Certain pharmaceutical companies have recently had to withdraw products from the market as a result of product liability claims. Although the Group is not currently involved in any substantial proceedings arising from product liability and including significant damages claims, it is possible that such proceedings could be initiated in the future. The Group has insurance policies covering up to a certain amount; however, there remains the risk of potential claims based on product liability. Given that product liability insurance in the pharmaceutical industry is a narrow market, it is impossible to predict the cost of future insurance. The Group may be unable to obtain or retain insurance coverage on acceptable terms, and the insurance coverage held by the Group may not provide adequate protection against potential risks of the type in question.

The Group could be faced with the risk of 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. The Group is subject to pharmacovigilance obligations that require it to report to the regulatory authorities any events in the course of which its products are associated with serious side-effects including patient death or serious harm. Such events could, in particular, result in additional regulatory constraints, such as additional requests from the regulatory authorities when reviewing marketing applications in various countries, leading

to potential delays in launching products onto new markets; the need to conduct costly post-approval clinical studies; changes to marketing authorization; limits on prescribed uses or patient populations; or even the withdrawal of products from the market. Such events would harm product sales and have a negative impact on the Group's financial position.

Furthermore, any adverse publicity associated with such events could cause consumers to seek alternatives to the Group's products, thus causing sales to decline, even if it were ultimately demonstrated that the Group product in question had not caused the side-effects reported to the regulatory authorities.

2.1.4 Financial Risks

2.1.4.1 Market risks

The Group mainly manages financial risks through control procedures that Group Finance puts into place by working with the relevant subsidiaries and the Group's specialist departments responsible for arranging and managing such procedures. The Group mainly makes use of traditional, controlled-risk instruments to hedge its exposure to exchange rate and interest rate fluctuations. The financial impact of market risks is described in note 23 to the consolidated financial statements as of 31 December 2017 in chapter 3 of the registration document.

2.1.4.2 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;
- exchange rate risk on net investments in foreign operations whose impacts are recorded as a change in consolidated equity.

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 "trade" (USD, RUB, GBP, BRL, CNY/CNH, PLN, CZK, HUF, RON, AUD, CHF) and "operational" (USD, GBP, CNY/CNH, CAD, PLN, AUD, CHF).

To reduce its exposure to fluctuations in exchange rates, Ipsen uses derivative instruments such as forward sales or purchase contracts and currency swaps, "vanilla" options, and NDF (Non-Deliverable Forward).

2.1.4.3 Interest rate risks

Given its level of long term debt as of 31 December 2017 (note 22 to the consolidated financial statements), the Group has limited exposure to interest rate risks.

The financial impact of interest rate risks is described in note 23 ("Derivative Financial Instruments") to the consolidated financial statements as of 31 December 2017 in chapter 3 of the registration document.

2.1.4.4 Liquidity and counterparty risks

The Group's policy consists in diversifying its counterparties so as to avoid excessive concentration and in dealing with first rate counterparties.

As of 31 December 2017, the Group's cash and cash equivalents amounted to €228.0 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.

2.1.4.5 Risks associated with economic and financial crisis

The Group operates in certain geographical regions whose governmental finances, local currencies, or inflation rates could be affected by crisis. A crisis could erode the local competitiveness of the Group's products relative to competitors operating in local currency, be detrimental to the Group's margins in those regions where the Group's drugs are billed in local currencies, or compromise the Group's ability to recover receivables from public or private bodies with which the Group does business.

In a number of countries, the Group markets its drugs *via* distributors or agents. Some of these partners' financial strength could be impacted by a crisis that could potentially subject the Group to difficulties recovering its receivables in full. Furthermore, in certain countries in which crisis threatens financial equilibrium and where the Group sells its drugs directly to hospitals, the Group could be forced to lengthen its payment terms or could experience difficulties in recovering its receivables in full. Moreover, the Group may also be unable to protect itself against the risk of certain customers defaulting on payments due to the lack of active offers of credit insurance in these geographical regions. Additionally, patients in some geographical areas fund their own medication needs in the absence of any social security system. Such patients could find that their financial resources adversely affected during a financial crisis. Finally, in those countries in which public or private health coverage is provided, the impact of financial crisis could cause medical insurance agencies

to place added pressure on drug prices, increase financial contributions by patients, or adopt a more selective approach to reimbursement criteria. All of the above risks could affect the Group's future ability to achieve its financial targets.

2.1.4.6 The Company's share price may fluctuate

The Company's share price may fluctuate significantly and could be affected by a wide variety of events affecting the Company, its competitors, the pharmaceutical sector or financial markets in general. 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;
- the announcement by the Company or one of its partners of the success or 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.

Despite being inherent to any listed company, the Group believes that, with its limited float, the stock price fluctuation risk is higher for Ipsen than for companies with greater floats. Furthermore, in the last few years, the financial markets have experienced significant volatility which, at times, has no relation to the financial performance of listed companies. Market fluctuations, as well as general economic conditions, may affect the Company's share price.

2.1.4.7 Financial risks related to climate change

Refer to section 4.2.3, "EHS 2017 Performance".

2.1.5 Industrial and Environmental Risks

2.1.5.1 Use of dangerous substances

The Group uses dangerous substances in performing its business; and any claim relating to the improper handling, storage, or treatment of such substances could prove costly.

The Group's Research and Development programs, preclinical and clinical trials, and manufacturing and distribution activities involve the controlled storage, handling, use, and processing of dangerous substances, toxins, chemical, and biological agents and radioactive molecules. As a result, the Group is exposed not only to environmental risks related to environmental contamination but also to health risks (occupational diseases) 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.

The Group is subject to laws and regulations governing the use, production, storage, handling, and processing of such substances and waste. The Group considers that its safety measures governing the handling and processing of dangerous substances do satisfy the standards laid down by applicable laws and regulations. The Group also believes these safety measures enable its employees and subcontractors to carry on their activities under favorable environmental, health, and security conditions. However, the risk of accidental contamination or occupational disease linked to handling dangerous substances cannot be completely eliminated. Accordingly, the Group's Department of Quality, Environment, Health, and Safety is committed to the implementation of preventive and precautionary measures.

In the event of an accident, the Group could be held liable for any resulting damage; and the liability incurred could exceed the maximum amount of any insurance coverage subscribed by the Group or even not be covered at all. The Group could find itself unable to maintain insurance cover on satisfactory terms or to obtain any insurance.

The Group could incur substantial costs to comply with current or future environmental or health and safety laws and regulations.

2.1.5.2 Environmental risks

Environmental responsibilities and the associated compliance costs could have a negative impact on the Group's earnings.

Environmental laws in various countries impose real and potential obligations on the Group with regard to repairing environmental damage or refurbishing contaminated sites.

These obligations could relate to sites of which the Group is or was the owner, sites where it performs or has performed its business activities, or sites where waste from its activities has been deposited. These environmental obligations could have a considerable adverse impact on the Group's operating performance. The Group could be involved in judicial or administrative proceedings arising from environmental disputes. Should any such proceedings have an outcome that was unfavorable to the Group, the proceedings could have a substantial negative impact on its profitability. 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. Consequently, compliance with such laws could involve considerable capital expenditures as well as other costs and responsibilities that would affect the Group's business and profitability. If any of the Group's production units were closed for reasons connected with the application of environmental laws, the Group could be subject to temporary interruptions in the production of some of its products; and it could be some time before the Group obtained the required regulatory authorizations to reopen and recommence operations of its reserve production lines. If such a situation persists for an extended period, interruptions of this nature could have a negative impact on Group sales.

The Group's EHS (Environment, Health, and Safety) policy is described in section 4.2.2.

2.1.5.3 Dependence on production facilities

The Group is dependent on its production facilities to maintain and develop its sales. The group may have to face unanticipated growth of volumes. Moreover, some production equipments at several of its sites is critical and unique and some production processes are complex. Despite the business continuity management policy in place, a breakdown or process capabilities issue at a production site could result in an interruption of production for 3 to 24 months while pending the replacement of parts or entire equipment, followed by its requalification and validation, or could result in the use of subcontractors. Any such interruption in production could have a negative impact on the Group's business, financial position, or performance.

Depending on the products concerned, the return of sales to their previous levels could prove difficult, which could have a negative impact on the Group's business, financial position, or performance.

Furthermore, at several of its production sites, the Group uses dangerous and inflammable substances and powders that could lead to an explosion, a fire, or the potential exposure of its employees to such substances. The Group regards its safety measures governing the handling and processing of dangerous substances as able to satisfy the standards required under applicable laws and regulations while enabling its employees and subcontractors to perform their activities under favorable environmental, health, and security condition. However, the risks associated with handling, storing, and using these dangerous substances cannot be completely eliminated and could lead to the partial or total destruction of one or more of its production sites, which could entail an interruption in production for several years potentially. Depending on the site and products concerned, the return of sales to their previous levels could prove difficult, which could negatively impact the Group's ability to achieve its financial targets in the future.

2.1.6 Insurance and Protection Against Risks

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

Product liability insurance covers all the 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. Furthermore, the Group's insurance includes specific coverage for product recalls costs.

Product liability Insurance in the pharmaceutical industry is difficult with few insurers offering coverage. As such, it is impossible to predict the cost of such insurance in the future or if it will always be possible to receive desired coverage. If the Group cannot receive an insurance policy at a reasonable price or cannot receive adequate terms to protect against potential claims linked to product liabilities, the Group could expose itself to risks and may not have the ability to commercialize its products in time or at a competitive price.

Regarding product liability claims, for example, if a judgment with punitive damages is issued, the Group's insurance policies may not cover the corresponding amounts. In such circumstances the Group may not have sufficient resources to finance such legal penalties.

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 include business interruptions as well as environmental liability insurance.

In order to determine the level of coverage, the Group has attempted to assess the maximum foreseeable loss in terms of damage to property and loss of gross profit arising from a business interruption.

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.

2.2 INTERNAL CONTROL OR RISK MANAGEMENT

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).

Introduction

Risk management objectives are to:

- Secure the general Group objective to improve 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 actions and Group 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 Group employees 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 Global Quality, Risk and Insurance, Global Internal Audit and Ethics & Compliance 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 strategy and ambition:
  - set Ipsen long-term strategy and ambition and endorse the corresponding 10 year strategic plan and 5 year business plan in line with the strategy,
  - approves R&D pipeline priorities,
  - translate Ipsen strategic vision and ambition into annual objectives for the organization,
  - validate annual budget;
- Act as an efficient decision body:
  - monitor financial performance and review divisions/ functions corrective action plan, endorse recommended financial communication and guidance,
  - align the organization, process, talents and capabilities to deliver on Ipsen annual objectives ,
  - assess talents and ensure succession planning,
  - endorse the launch of key cross-functional projects, fund them adequately and monitor progress made on a regular basis,
  - be responsible for implementing Deal Review Board (DRB) decisions on Mergers 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 Global Ethics & Compliance, 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 in Ethics & Compliance, EHS and Global Quality.

Each ELT member has set up his/her own leadership team.

Permanent members are: Chief Executive Officer, EVP Research & Development / Chief Scientific Officer, EVP Technical Operations, EVP and President Specialty Care Commercial Operations International & Global Franchises, EVP and President North America Commercial Operations, EVP Human Resources, EVP Legal/ General Counsel, EVP Corporate Strategy and Business Development, EVP Finance/Chief Financial Officer, EVP and President Consumer Healthcare Division, EVP Chief Ethics and Compliance Officer, ELT Secretary.

Deal Review Board (DRB)

The DRB is responsible for decision-making for M&A and Corporate Business Development activities.

Permanent members: EVP CS&BD, EVP Finance / Chief Financial Officer, EVP Legal/General Counsel, EVP R&D / Chief Scientific Officer, EVP Technical Operations, EVP and President Specialty Care Commercial Operations International & Global Franchises, EVP and President North America Commercial Operations, EVP and President Consumer Healthcare Division for CHC deals.

Specialty Care Innovation Board (SCIB)

The SCIB is responsible for decision-making on Ipsen R&D Portfolio within budget / 5Y Business Plan envelope as approved by ELT.

The SCIB is co-chaired by the EVP R&D and EVP and President Specialty Care Commercial Operations International & Global Franchises.

Ethics & Compliance

A Code of Ethical Conduct governs all Group employees. The Code of Ethical Conduct is one of the key elements of the Ethics and Compliance program which is more precisely defined through Policies, Procedures and Education. The Company's Ethics and Compliance department, reports directly to the Chief Executive Officer. Its missions are 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;
- To 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 Ethics & Compliance 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 Ethics and Compliance issues, and to investigate in a confidential manner.

The Ethics & Compliance team covers all geographical scope where the Group operates.

The Group Chief Ethics and Compliance Officer periodically reports on the state of progress of the Ethics and Compliance 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 major risks is in place. Its main objectives are:

- The distribution of a culture of risk management to ensure an homogeneous approach to risk management, in compliance with the Group policies. This objective includes elaborating the Group Risk Map;
- Providing methodological and technical support to the divisions (risk identification, analysis and processing, engineering prevention and protection, risk exposure monitoring);
- The definition of the transfer policy of residual risks to the insurance market, the conception and the management of the Group insurance programs such as described in the paragraph 2.1.6;
- The piloting of a crisis management process and of corporate security organization.

Risk Committee

The Risk Committee includes individuals representing transversal Group functions with its members connected to either a member of the ELT 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 Practices (GXP) 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.

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 for 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 Chief Medical Officer, and is led by a Senior Vice-President, who is also the European Union Qualified Person for Pharmacovigilance. With patient safety as central to our work, the Global Patient Safety department ensures the proactive evaluation and communication of evolving safety knowledge about all Company drug products, so that benefit-risk is optimized for our patients, both in clinical development and after market launches. To do this we maintain 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, for those with direct pharmacovigilance responsibilities.

Quality Systems Evaluation Board (QSEB)

The QSEB is chaired by the Senior Vice-President 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 propose 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 major risk mapping for the Company validated by the ELT and reported once a year for approval by the Board of Directors Audit Committee. Operational and finance management are informed annually of existing coverage and procedures.

Information on Audit findings and conclusions

Internal Audit reports are communicated as presented in section 2.2.4.

Information on products Quality and Safety

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

Financial information

Reporting to the Finance Division, 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 analysed 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 extend ERP's geographical coverage.

External Communications committees

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 the approval of 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 those 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 actual performance and variances against forecasts and identifies and quantifies the risks and opportunities involved in budget and forecast information. The Finance deparment 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 analysed 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 Major Risks Map is validated by the ELT and submitted for approval by the Chief Executive Officer and the Board of Directors Audit Committee.

Risk factors

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

Risk action plans

For every major risk identified, an owner is designated to monitor it and to ensure that the corrective action plan is implemented. The process and all related information are coordinated by the Group's Risk Management and Insurance department.

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 currencies cash-flow to mitigate the effect of currency rate changes through standard currency derivatives. Detailed information can be found in section 2.1.4.2 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-Président 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 2017, the Group hedged the budgeted amount of foreign currencies cash-flow to mitigate the effect of currency rate changes.

  In 2017, the Group Treasury department bought currency derivatives (forward exchange contracts and "plain 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 Policy is to hedge for the budget period to come. Detailed information can be found in section 2.1.4.2 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. On 31 December 2016 the Group had a net positive cash position. 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 the Group 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 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.

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, 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 the Group Risk Map and inputs from Global Ethics and Compliance and the ELT. 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 relevant ELT members responsible for the audited areas. Key findings and main conclusions are communicated within an Executive Summary report to the Board of Directors Audit Committee (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 Risk Management, Ethics and Compliance 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 (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 ELT. Global Internal Audit is also responsible for providing a summary update on the Quality Audit program to the Audit Committee. 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 2017 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 2017 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

9 January 2017 – Ipsen announced that it had entered into a definitive agreement to acquire the global oncology assets from Merrimack Pharmaceuticals, including its key marketed product Onivyde® (irinotecan liposome injection) for the treatment of patients with metastatic adenocarcinoma of the pancreas after disease progression following gemcitabine-based therapy, in combination with fluorouracil and leucovorin.

31 January 2017 – Ipsen announced that it had signed an agreement to take an equity stake in Akkadeas Pharma with the option to take control of the company in the future. Akkadeas Pharma is a privately-held consumer health care company in Italy with a diversified gastrointestinal-focused portfolio including probiotics, medical devices and food supplements. As part of the transaction, Akkadeas Pharma becomes Ipsen's Italian distributor for Smecta® (Diosmectal®).

13 February 2017 – Ipsen announced that it had entered into a definitive agreement to acquire from Sanofi five consumer healthcare products in certain European territories. The most significant product is Prontalgine®, an analgesic for the treatment of moderate to severe pain.

3 April 2017 – Ipsen announced that it had completed its acquisition of global oncology assets from Merrimack Pharmaceuticals, in Cambridge, MA., focusing on Onivyde® (irinotecan liposome injection) for the treatment of patients with metastatic adenocarcinoma of the pancreas after disease progression following gemcitabine-based therapy, in combination with fluorouracil and leucovorin.

8 May 2017 – Ipsen announced that it had completed its previously announced acquisition of a portfolio of five consumer healthcare products from Sanofi.

30 June 2017 – Ipsen announced that its US affiliate entered into an exclusive, three-year agreement with Saol Therapeutics Inc. to promote Dysport® (abobotulinumtoxinA) for injection for approved therapeutic indications in adult spasticity and pediatric lower limb spasticity in the United States.

Research and Development

27 February 2017 – Ipsen's partner Exelixis announced clinical collaboration with Bristol Myers Squibb for late-stage combination trial in first-line renal cell carcinoma.

15 June 2017 – Ipsen announced that its partner Exelixis initiated Phase Ib trial of cabozantinib in combination with atezolizumab in patients with locally advanced or metastatic solid tumors.

19 June 2017 – Ipsen and its partner Exelixis announced that the analysis of the review by a blinded independent radiology review committee (IRC) had confirmed the primary efficacy endpoint results of investigator-assessed progression-free survival (PFS) from the CABOSUN randomized Phase II trial of cabozantinib as compared with sunitinib in patients with previously untreated advanced renal cell carcinoma (RCC) with intermediate- or poor-risk disease per the International Metastatic Renal Cell Carcinoma Database Consortium (IMDC).

10 July 2017 – Ipsen announced that its partners Exelixis and Bristol-Myers Squibb initiated Phase III trial of Opdivo® in combination with CABOMETYX® or Opdivo® and Yervoy® in combination with CABOMETYX®, versus Sunitinib in previously untreated advanced or metastatic renal cell carcinoma.

10 September 2017 – Ipsen and its partner Exelixis announced updated results from the CABOSUN randomized Phase II trial of cabozantinib in patients with previously untreated advanced renal cell carcinoma (RCC) with intermediate- or poor-risk disease per the International Metastatic Renal Cell Carcinoma Database Consortium (IMDC).

16 October 2017 – Ipsen and its partner Exelixis announced that its global Phase III CELESTIAL trial met its primary endpoint of overall survival (OS), with cabozantinib providing a statistically significant and clinically meaningful improvement in median OS compared to placebo in patients with advanced hepatocellular carcinoma (HCC).

Regulatory

13 March 2017 – Ipsen announced that the Medicines and Healthcare Products Regulatory Agency (MHRA) in the UK, in coordination with fourteen other European regulatory agencies, had approved a new indication for Decapeptyl® as adjuvant treatment in combination with tamoxifen or an aromatase inhibitor, of endocrine-responsive early-stage breast cancer in women at high-risk of recurrence who are confirmed as pre-menopausal after completion of chemotherapy.

16 June 2017 – Ipsen announced that the U.S. Food and Drug Administration (FDA) has expanded the approved use of Dysport® (abobotulinumtoxinA) for injection for the treatment of spasticity in adults, based on its supplemental Biologics License Application (sBLA) in lower limb spasticity.

3 July 2017 – Ipsen and Teijin Pharma Limited, the core company of the Teijin Group's healthcare business announced that Teijin Pharma had received approval from the Japanese Ministry of Health, Labour and Welfare for Ipsen's subcutaneous drug Somatuline® (lanreotide) for the treatment of gastroenteropancreatic neuroendocrine tumors (GEP NET).

21 July 2017 – Ipsen announced that the Committee for Medicinal Products for Human Use (CHMP), the scientific committee of the European Medicines Agency (EMA), adopted a positive opinion recommending the approval of

Xermelo® (telotristat ethyl) 250 mg three times a day (tid) for the treatment of carcinoid syndrome diarrhea in combination with somatostatin analogue (SSA) therapy in adults inadequately controlled by SSA therapy.

16 August 2017 – Ipsen announced that its partner Exelixis completed the submission of a supplemental New Drug Application (sNDA) to the U.S. Food and Drug Administration (FDA) for CABOMETYX® (cabozantinib) tablets as a treatment for patients with previously untreated advanced renal cell carcinoma (RCC).

8 September 2017 – Ipsen announced that the European Medicines Agency (EMA), the European regulatory authority, validated the application for variation to the Cabometyx® (cabozantinib) marketing authorization for the addition of a new indication in first-line treatment of advanced renal cell carcinoma.

18 September 2017 – Ipsen announced that the U.S. Food and Drug Administration (FDA) has approved a supplemental indication for Somatuline® Depot (lanreotide) Injection 120 mg for the treatment of carcinoid syndrome.

19 September 2017 – Ipsen announced that the European Commission approved Xermelo® (telotristat ethyl) 250 mg three times a day for the treatment of carcinoid syndrome diarrhea in combination with somatostatin analogue (SSA) therapy in adults inadequately controlled by SSA therapy.

Governance

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

2 March 2017 – Ipsen announced the appointment of Benoit Hennion as Executive Vice President and President, Primary Care, effective 13 March 2017. Mr. Hennion reports directly to David Meek, CEO of Ipsen, and joins the Executive Leadership Team.

14 April 2017 – Ipsen announced the appointment of Dr. Alexandre Lebeaut as Executive Vice-President, R&D, and Chief Scientific Officer.

Other

11 May 2017 – Ipsen hosted an Investor Day at which the management team provided a comprehensive update on its current business, corporate strategy and outlook. 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. To build a sustainable pipeline of innovative assets, Ipsen will transform the R&D model and continue to invest in business development. In Consumer Healthcare, to establish a sustainable and growing business, Ipsen will complete the OTx model transformation and leverage the three main market-leading brands through consumer innovations, capture the underlying market growth in emerging markets and strengthen the European business. Ipsen provided updated 2020 financial targets of Sales greater than €2.5 billion and Core Operating Income margin greater than 30% of sales.

8 June 2017 – Ipsen announced that it had appointed Natixis to purchase 160,000 Ipsen SA shares, or about 0.2% of the share capital, for a period of at least 2 months. The shares purchased under this agreement will be mainly allocated to cover its free performance share allocation plan.

3.1.2 Analysis of results

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

Sales by therapeutic area and by product (1)

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

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

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

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

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

Full year 2017 sales highlights

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

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

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

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

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

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

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

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

represented 17.4% of total Group sales, compared to 18.1% in 2016.

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

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

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

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

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

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

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

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

Sales by geographical area

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

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

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

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

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

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

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

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

Sales in **Other European countries** reached €395.3 million up 10.9% year-on-year, supported by the strong growth of Dysport®, the launch of Cabometyx® in certain countries, Onivyde® sales to Ipsen's partner, as well as the solid performance of Somatuline® and Decapeptyl®. Over the period, sales in the region represented 20.7% of total Group sales compared to 22.0% in 2016.

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

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

3.1.2.2 Comparison of Core consolidated income statement for 2017 and 2016

Core financial measures are performance indicators. Reconciliation between these indicators and IFRS aggregates is presented in Appendix 3.1.4.5 "Bridges from IFRS consolidated net profit to Core consolidated net profit"

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

(1) As part of the effort to implement its new organization, the Group reviewed the presentation of its financial statements and changed the classification of certain items on its income statement, with the view that the new presentation would provide more relevant information to financial statement readers. These reclassifications had no impact on Operating income or Consolidated net profit. The impact of the various reclassifications on the consolidated income statement for the period ended 31 December 2016 is presented in Appendix 3.1.4.2.

Reconciliation from Core consolidated net profit to IFRS consolidated net profit

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

(1) As part of the effort to implement its new organization, the Group reviewed the presentation of its financial statements and changed the classification of certain items on its income statement, with the view that the new presentation would provide more relevant information to financial statement readers. These reclassifications had no impact on Operating income or Consolidated net profit. The impact of the various reclassifications on the consolidated income statement for the period ended 31 December 2016 is presented in Appendix 3.1.4.2.

Sales

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

Other revenues

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

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

Cost of goods sold

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

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

Royalties paid to partners increased due to Group sales growth.

Selling expenses

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

Research and development expenses

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

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

General and administrative expenses

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

Other core operating income and expenses

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

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

Core Operating Income

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

Net financing costs and Other financial income and expense

In 2017, the Group incurred net financial expenses of €26.6 million, versus €14.3 million in 2016.

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

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

Core income taxes

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

Core consolidated net profit

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

Core Earning per share

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

3.1.2.3 From Core financial measures to IFRS reported figures

Reconciliations between IFRS 2016 / 2017 results and the Core financial measures are presented in Appendix 3.1.4.5.

In 2017, the main reconciling items between Core consolidated net income and IFRS consolidated net income were:

Amortization of intangible assets (excluding software)

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

Other operating income and expenses and Restructuring costs

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

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

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

Impairment losses

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

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

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

Other

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

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

As a consequence, IFRS reported indicators are:

Operating income

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

Consolidated net profit

Consolidated net profit was €272.9 million at 31 December 2017, an increase of 20.5% versus 2016 at €226.6 million.

Earning per share

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

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 segment performance and to allocate resources.

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

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

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

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

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

3.1.3 Net cash flow and financing

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

3.1.3.1 Analysis of the consolidated net cash flow statement

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

Operating cash flow

In 2017, Operating Cash Flow totaled €422.8 million, up €115.7 million (38.3%) versus 2016. The increase was driven by higher Core Operating Income, partially offset by an increase in working capital requirement (WCR) and net capital expenditure (excluding milestones paid).

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

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

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

Net capital expenditure amounted to €94.7 million at 31 December 2017, compared with €84.0 million in 2016. These investments included mainly capital projects to support increased production capacity at industrial sites in the United Kingdom, the United States and France as well as corporate investments in Information Technology and Digital.

Free cash flow

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

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

restructuring plans that were staggered over several fiscal periods.

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

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

Shareholders return and external growth operations

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

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

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

3.1.3.2 Reconciliation of cash and cash equivalents and net cash

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

(*) Net cash / (debt): derivative instruments booked in financial assets and related to financial operations, cash and cash equivalents, less bank overdrafts, bank loans and other financial liabilities and excluding financial derivative instruments on commercial operations.
(**) Financial liabilities mainly exclude €20.4 million in derivative instruments related to commercial operations in 2017, compared with €18.2 million in 2016.

Analysis of Group cash

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

In addition, €300 million in bilateral long-term bank loans were contracted with a maturity of 6.5 years. At 31 December 2017, none of the bank loans were drawn down.

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

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

3.1.4 Appendices

3.1.4.1 Consolidated income statement

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

(1) As part of the effort to implement its new organization, the Group reviewed the presentation of its financial statements and changed the classification of certain items on its income statement, with the view that the new presentation would provide more relevant information to financial statement readers. These reclassifications had no impact on Operating income or Consolidated net profit. The impact of the various reclassifications on the consolidated income statement for the period ended 31 December 2016 is presented in Appendix 3.1.4.2.

3.1.4.2 Reconciliation of the income statement reported at 31 December 2016 published in 2016 and the restated income statement at 31 December 2016 published in 2017

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

In order to better reflect the substance of the operations related to global medical affairs, the Group has decided starting from 2017 to recognize global medical affairs expenses in “Research and development expenses”. These costs, which amounted to €26.7 million in 2016, were previously recognized in “Selling expenses”.

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

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

On 31 December 2017, the Group restated the comparison reporting periods in accordance with IAS 1 Revised.

The impact of the various reclassifications on the consolidated income statement for the period ended 31 December 2016 is presented in the following table:

(in millions of euros)	31 December 2016 Restated	Presentation restatement	31 December 2016 Published
Sales	**1,584.6**		**1,584.6**
Other revenues	86.5		86.5
Revenue	**1,671.1**		**1,671.1**
Cost of goods sold	(351.1)	2.1	(353.3)
Selling expenses	(592.0)	16.4	(608.4)
Research and development expenses	(231.3)	(22.3)	(208.9)
General and administrative expenses	(125.6)	3.8	(129.4)
Other operating income	6.9		6.9
Other operating expenses	(28.6)		(28.6)
Restructuring costs	(1.9)		(1.9)
Impairment losses	(42.9)		(42.9)
Operating Income	**304.7**	**–**	**304.7**
Investment income	0.9		0.9
Financing costs	(5.8)		(5.8)
Net financing costs	**(5.0)**		**(5.0)**
Other financial income and expense	(1.6)		(1.6)
Income taxes	(73.5)		(73.5)
Share of net profit (loss) from entities accounted for using the equity method	1.9		1.9
Net profit (loss) from continuing operations	**226.5**	**–**	**226.5**
Net profit (loss) from discontinued operations	0.1		0.1
Consolidated net profit (loss)	**226.6**	**–**	**226.6**
– Attributable to shareholders of Ipsen S.A.	225.9		225.9
– Attributable to non-controlling interests	0.6		0.6
Basic earnings per share, continuing operations (in euros)	*2.74*		*2.74*
Diluted earnings per share, continuing operations (in euros)	*2.73*		*2.73*
Basic earnings per share, discontinued operations (in euros)	*0.00*		*0.00*
Diluted earnings per share, discontinued operations (in euros)	*0.00*		*0.00*
Basic earnings per share (in euros)	*2.74*		*2.74*
Diluted earnings per share (in euros)	*2.73*		*2.73*

3.1.4.3 Consolidated balance sheet before allocation of net profit

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

3.1.4.4 Cash flow statements

3.1.4.4.1 Consolidated statement of cash flow

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

3.1.4.4.2 Consolidated statement of net cash flow

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

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

(b) Milestones paid correspond to payments subject to the terms and conditions set out in the Group's partnership agreements. The €26 million milestone paid to Exelixis and the €10 million paid to Lexicon accounted for the majority of the milestones paid at 31 December 2017. The amounts paid were recorded as an increase in intangible assets on the consolidated balance sheet. The transactions were included in the "Acquisition of intangible assets" line item in the consolidated statement of cash flow (see Appendix 3.1.4.4.1).

(c) Milestones received are amounts collected by Ipsen from its partners. The €15 million milestone received at 31 December 2017 were comprised of €8 million paid by Radius and €7 million paid by Galderma. The amounts were recorded as deferred income in the consolidated balance sheet and then recognized in the income statement as "Other revenues". Milestones received were included in the "Net change in other operating assets and liabilities" line item in the consolidated statement of cash flow (see Appendix 3.1.4.4.1).

3.1.4.5 Bridges from IFRS consolidated net profit to Core consolidated net profit

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

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

(in millions of euros)	IFRS	Amortization of intangible assets (excl softwares)	Other operating income or expenses	Restructuring	Impairment losses	Other	CORE
	31 December 2016 Restated						31 December 2016 Restated
Sales	1,584.6						1,584.6
Other revenues	86.5						86.5
Revenue	**1,671.1**	**–**	**–**	**–**	**–**	**–**	**1,671.1**
Cost of goods sold (1)	(351.1)						(351.1)
Selling expenses (1)	(592.0)						(592.0)
Research and development expenses (1)	(231.3)						(231.3)
General and administrative expenses (1)	(125.6)						(125.6)
Other operating income	6.9		(6.1)				0.9
Other operating expenses	(28.6)	7.7	12.9				(8.0)
Restructuring costs	(1.9)			1.9			–
Impairment losses	(42.9)				42.9		–
Operating Income	**304.7**	**7.7**	**6.8**	**1.9**	**42.9**	**–**	**363.9**
Income from cash and cash equivalents	0.9						0.9
Gross cost of financial debt	(5.8)						(5.8)
Net financing costs	**(5.0)**	**–**	**–**	**–**	**–**	**–**	**(5.0)**
Other financial income and expense	(1.6)					(7.7)	(9.3)
Income taxes	(73.5)	(2.6)	(2.5)	(0.8)	(10.7)	2.1	(88.0)
Share of net profit (loss) from entities accounted for using the equity method	1.9						1.9
Net profit (loss) from continuing operations	**226.5**	**5.1**	**4.4**	**1.1**	**32.1**	**(5.6)**	**263.6**
Net profit (loss) from discontinued operations	0.1					(0.1)	–
Consolidated net profit	**226.6**	**5.1**	**4.4**	**1.1**	**32.1**	**(5.7)**	**263.6**
– Attributable to shareholders of Ipsen S.A.	225.9	5.1	4.4	1.1	32.1	(5.7)	262.9
– Attributable to non-controlling interests	0.6						0.6
Earnings per share fully diluted – attributable to Ipsen S.A. shareholders (in € per share)	*2.73*	*0.06*	*0.05*	*0.01*	*0.39*	*(0.07)*	*3.18*

(1) As part of the effort to implement its new organization, the Group reviewed the presentation of its financial statements and changed the classification of certain items on its income statement, with the view that the new presentation would provide more relevant information to financial statement readers. These reclassifications had no impact on Operating income or Consolidated net profit. The impact of the various reclassifications on the consolidated income statement for the period ended 31 December 2016 is presented in Appendix 3.1.4.4.1.

3.1.5 Subsequent events

There were no significant subsequent events.

3.1.6 Group outlook

2018 Financial guidance

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

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

2020 Outook

In May 2017, Ipsen provided updated 2020 financial targets:

- Sales greater than €2.5 billion, including Specialty Care sales growth of greater than 14% per year over the period 2016-2020 and Consumer Healthcare sales growth between 4% and 6% per year;
- Core Operating Income margin greater than 30% of sales.

This guidance excludes the impact from any further business development and covers the impact from potential Somatuline® competitive threats.

3.2 CONSOLIDATED FINANCIAL STATEMENTS 2017

3.2.1 Consolidated income statement

(in millions of euros)	Notes	31 December 2017	31 December 2016 Restated
Sales	4.2 & 4.3	1,908.7	1,584.6
Other revenues	4.4	103.0	86.5
Revenue		**2,011.8**	**1,671.1**
Cost of goods sold		(385.6)	(351.1)
Selling expenses		(715.9)	(592.0)
Research and development expenses		(265.8)	(231.3)
General and administrative expenses		(140.8)	(125.6)
Other operating income	7	3.1	6.9
Other operating expenses	7	(105.5)	(28.6)
Restructuring costs	8	(18.8)	(1.9)
Impairment losses	6	14.8	(42.9)
Operating Income	**4.1**	**397.2**	**304.7**
Investment income	*9*	*1.1*	*0.9*
Financing costs	*9*	*(9.2)*	*(5.8)*
Net financing costs	9	(8.1)	(5.0)
Other financial income and expense	9	(18.4)	(1.6)
Income taxes	10.1	(101.4)	(73.5)
Share of net profit (loss) from entities accounted for using the equity method	16	1.4	1.9
Net profit (loss) from continuing operations		**270.7**	**226.5**
Net profit (loss) from discontinued operations	11	2.3	0.1
Consolidated net profit		**272.9**	**226.6**
- Attributable to shareholders of Ipsen S.A.		272.3	225.9
- Attributable to non-controlling interests		0.6	0.6

Basic earnings per share, continuing operations (in euros)	20.2	3.27	2.74
Diluted earnings per share, continuing operations (in euros)	20.3	3.25	2.73
Basic earnings per share, discontinued operations (in euros)	20.2	0.03	0.00
Diluted earnings per share, discontinued operations (in euros)	20.3	0.03	0.00
Basic earnings per share (in euros)	20.2	3.30	2.74
Diluted earnings per share (in euros)	20.3	3.28	2.73

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

The consolidated income statement was restated to reflect changes in presentation. See note 3.2 for details

Comprehensive income statement

(in millions of euros)	31 December 2017	31 December 2016
Consolidated net profit	**272.9**	**226.6**
Actuarial gains and (losses) on defined benefit plans, net of taxes	(4.6)	(7.7)
Other items of comprehensive income that will not be reclassified to the income statement	**(4.6)**	**(7.7)**
Revaluation of financial derivatives for hedging, net of taxes	16.0	(2.8)
Foreign exchange differences, net of taxes	(57.5)	(6.7)
Financial assets available for sale, net of taxes	12.9	(3.0)
Other items of comprehensive income likely to be reclassified to the income statement	**(28.6)**	**(12.5)**
Comprehensive income: Consolidated net profit (loss) and gains and (losses) recognized directly in equity	**239.7**	**206.3**
- Attributable to shareholders of Ipsen S.A.	239.2	205.7
- Attributable to non-controlling interests	0.5	0.6

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

3.2.2 Consolidated balance sheet before allocation of net profit

(in millions of euros)	Notes	31 December 2017	31 December 2016
ASSETS			
Goodwill	12	389.0	357.2
Other intangible assets	13	930.2	380.1
Property, plant & equipment	14	418.9	379.0
Equity investments	15	43.3	21.2
Investments in companies accounted for using the equity method	16	14.7	15.6
Non-current financial assets		112.7	0.2
Deferred tax assets	10.2	142.0	213.2
Other non-current assets	17	4.8	6.7
Total non-current assets		**2,055.6**	**1,373.1**
Inventories	18.2.1	167.4	113.3
Trade receivables	18.1	437.2	363.5
Current tax assets	18.1	58.0	66.3
Current financial assets	18.2.2	29.6	6.6
Other current assets	18.2.3	96.3	75.2
Cash and cash equivalents	19.2	228.0	425.5
Total current assets		**1,016.4**	**1,050.4**
TOTAL ASSETS		**3,072.0**	**2,423.5**
EQUITY & LIABILITIES			
Share capital	20.1	83.7	83.6
Additional paid-in capital and consolidated reserves		1,171.7	998.5
Net profit (loss) for the period		272.3	225.9
Foreign exchange differences		(2.3)	50.9
Equity attributable to Ipsen S.A. shareholders		**1,525.4**	**1,358.9**
Equity attributable to non-controlling interests		10.5	3.3
Total shareholders' equity		**1,535.9**	**1,362.2**
Retirement benefit obligation	5.3.2.2	67.6	58.4
Non-current provisions	21	33.3	21.6
Non-current financial liabilities	22.1	400.3	314.8
Deferred tax liabilities	10.2	21.5	14.6
Other non-current liabilities	18.2.4	71.7	90.6
Total non-current liabilities		**594.3**	**500.0**
Current provisions	21	16.6	27.8
Current financial liabilities	22.1	294.7	58.6
Trade payables	18.1	319.1	241.5
Current tax liabilities	18.1	2.4	4.1
Other current liabilities	18.2.4	290.2	226.4
Bank overdrafts	19.1.2	18.7	3.0
Total current liabilities		**941.8**	**561.3**
TOTAL EQUITY & LIABILITIES		**3,072.0**	**2,423.5**

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

3.2.3 Consolidated statement of cash flow

(in millions of euros)	Notes	31 December 2017	31 December 2016
Consolidated net profit		**272.9**	**226.6**
Share of profit (loss) from companies accounted for using the equity method before impairment losses	16	(0.5)	0.4
Net profit (loss) before share from companies accounted for using the equity method		**272.4**	**227.0**
Non-cash and non-operating items			
- Depreciation, amortization, provisions	6.1	105.8	39.1
- Impairment losses included in operating income and net financial income	6.2	(14.8)	42.9
- Change in fair value of financial derivatives		(1.3)	9.7
- Net gains or losses on disposals of non-current assets		2.7	(2.3)
- Share of government grants released to profit and loss		(0.1)	(0.4)
- Foreign exchange differences		16.9	(13.7)
- Change in deferred taxes	10.2	48.3	8.1
- Share-based payment expense		10.1	5.6
- Gain or (loss) on sales of treasury shares		(0.0)	(0.0)
- Other non-cash items		3.9	2.7
Cash flow from operating activities before changes in working capital requirement		***444.0***	***318.7***
- (Increase)/decrease in inventories	18.1	(38.2)	(7.7)
- (Increase)/decrease in trade receivables	18.1	(84.6)	(42.7)
- Increase/(decrease) in trade payables	18.1	77.6	47.6
- Net change in income tax liability	18.1	6.6	10.5
- Net change in other operating assets and liabilities	18.1	17.4	(8.6)
Change in working capital requirement related to operating activities		***(21.2)***	***(0.9)***
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		**422.9**	**317.8**
Acquisition of property, plant & equipment	14.1	(84.9)	(81.2)
Acquisition of intangible assets	13.1	(155.9)	(291.1)
Proceeds from disposal of intangible assets and property, plant & equipment		0.4	3.6
Acquisition of shares in non-consolidated companies		(1.6)	(1.0)
Payments to post-employment benefit plans	5.3.2.6	(0.6)	(1.3)
Impact of changes in the consolidation scope		(549.5)	(0.0)
Deposits paid		(0.1)	1.8
Change in working capital related to investment activities	18.1	20.5	12.2
Other cash flow related to investment activities		(5.4)	(0.1)
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES		**(777.2)**	**(357.1)**
Additional long-term borrowings	22.1	1.5	327.9
Repayment of long-term borrowings	22.1	(3.3)	(3.9)
Net change in short-term borrowings	22.1	218.3	-
Capital increase		6.9	12.7
Treasury shares		(17.5)	(17.7)
Dividends paid by Ipsen S.A.	20.5	(70.2)	(70.0)
Dividends paid by subsidiaries to non-controlling interests		(0.4)	(0.4)
Change in working capital related to financing activities		(0.1)	3.4
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		**135.2**	**252.0**
CHANGE IN CASH AND CASH EQUIVALENTS		**(219.1)**	**212.7**
OPENING CASH AND CASH EQUIVALENTS	19.1.1	**422.5**	**214.0**
Impact of exchange rate fluctuations		5.9	(4.2)
CLOSING CASH AND CASH EQUIVALENTS	19.1.2	**209.3**	**422.5**

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

3.2.4 Statement of change in consolidated shareholders' equity

(in millions of euros)	Share capital	Share premiums	Consolidated reserves	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 1 January 2017	**83.6**	**732.9**	**411.2**	**(28.1)**	**(1.4)**	**(65.2)**	**225.9**	**1,358.9**	**3.3**	**1,362.2**
Consolidated net profit (loss)	–	–	–	–	–	–	272.3	272.3	0.6	272.9
Gains and (losses) recognized directly in equity [1]	–	–	(44.5)	(4.6)	16.0	–	–	(33.0)	(0.2)	(33.2)
Consolidated net profit (loss) and gains and losses recognized directly in equity	**–**	**–**	**(44.5)**	**(4.6)**	**16.0**	**–**	**272.3**	**239.2**	**0.5**	**239.7**
Allocation of net profit (loss) from the prior period	–	–	225.9	–	–	–	(225.9)	–	–	–
Capital increases (decreases)	0.2	6.2	(0.0)	–	–	(0.1)	–	6.2	–	6.2
Share-based payments	–	–	10.1	–	–	0.8	–	10.9	–	10.9
Own share purchases and disposals	–	–	–	–	–	(19.6)	–	(19.6)	–	(19.6)
Dividends	–	–	(70.2)	–	–	–	–	(70.2)	(0.5)	(70.8)
Other changes	–	–	–	–	–	–	–	–	7.2	7.2
Balance at 31 December 2017	**83.7**	**739.1**	**532.5**	**(32.7)**	**14.6**	**(84.1)**	**272.3**	**1,525.4**	**10.5**	**1,535.9**

(1) Detailed in the note "Comprehensive income statement"

(in millions of euros)	Share capital	Share premiums	Consolidated reserves	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 1 January 2016	**83.2**	**720.1**	**299.6**	**(20.4)**	**1.3**	**(51.2)**	**189.9**	**1,222.5**	**3.1**	**1,225.6**
Consolidated net profit (loss)	–	–	–	–	–	–	225.9	225.9	0.6	226.6
Gains and (losses) recognized directly in equity [1]	–	–	(9.7)	(7.7)	(2.8)	–	–	(20.2)	(0.0)	(20.2)
Consolidated net profit (loss) and gains and losses recognized directly in equity	**–**	**–**	**(9.7)**	**(7.7)**	**(2.8)**	**–**	**225.9**	**205.7**	**0.6**	**206.3**
Allocation of net profit (loss) from the prior period	–	–	189.9	–	–	–	(189.9)	–	–	–
Capital increases (decreases)	0.3	12.8	(3.8)	–	–	7.1	–	16.4	–	16.4
Share-based payments	–	–	5.6	–	–	3.1	–	8.7	–	8.7
Own share purchases and disposals	–	–	–	–	–	(24.2)	–	(24.2)	–	(24.2)
Dividends	–	–	(70.0)	–	–	–	–	(70.0)	(0.4)	(70.3)
Other changes	–	–	(0.3)	–	–	–	–	(0.3)	–	(0.3)
Balance at 31 December 2016	**83.6**	**732.9**	**411.2**	**(28.1)**	**(1.4)**	**(65.2)**	**225.9**	**1,358.9**	**3.3**	**1,362.2**

(1) Detailed in the note "Comprehensive income statement"

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

3.2.5 Notes annexes

Note 1 Significant events and transactions during the period having an impact on the consolidated financial statements at 31 December 2017

1.1 Acquisition of Oncology Assets from Merrimack Pharmaceuticals

On 3 April 2017, Ipsen completed the acquisition of Merrimack Pharmaceuticals' global oncology assets, including its key marketed product Onivyde® for the treatment of patients with metastatic adenocarcinoma of the pancreas. In accordance with the terms of the agreement announced on 8 January 2017, Ipsen gained the exclusive commercialization rights for the current and potential future Onivyde® indications in the U.S., as well as the current licensing agreements with Shire for commercialization rights ex-U.S. and PharmaEngine for Taiwan. The transaction also included Merrimack's commercial and manufacturing infrastructure, and generic doxorubicin HCl liposome injection.

Under the terms of the agreement, Ipsen paid Merrimack $580 million upfront and could pay up to $450 million upon the approval of potential additional indications for Onivyde® in the U.S. The transaction was fully financed by Ipsen's existing cash and lines of credit.

The asset acquisition was treated as a business combination in accordance with IFRS 3 Revised (see note 12), since Ipsen acquired a standalone business. Accordingly, Ipsen recognized an intangible asset totaling €466.6 million and a goodwill amounting to €45.7 million.

1.2 Acquisition of a portfolio of Consumer Healthcare products from Sanofi

On 8 May 2017, Ipsen completed the acquisition of a portfolio of five Consumer Healthcare products marketed in certain European territories from Sanofi. The most significant product is Prontalgine®, an analgesic for the treatment of moderate to severe pain, which is available only in France. The portfolio also includes Buscopan®, an antispasmodic; Suppositoria Glycerini, a laxative; and Mucothiol® and Mucodyne®, expectorants for cough and flu. Together, these regional brands cover a geographical territory of eight European countries. Ipsen paid €83 million upon closing for the products, in line with the terms of the agreement, and recognized €86.5 million in intangible assets in the consolidated financial statements.

The French Ministry of Health on 12 July 2017 issued a decree effective immediately making medicines derived from codeine, dextromethorphan, ethylmorphine, or noscapine available solely through prescription to prevent misuse. Accordingly, the Group revised down its sales forecast for Prontalgine®, which led to a €33.9 million impairment of intangible assets in the consolidated financial statements at 31 December 2017 (see notes 6 and 13).

1.3 Launch of Cabometyx® and new indications

Cabometyx®, acquired as part of the licensing agreement with U.S.-based Exelixis in 2016, continued to be registered in various countries in 2017 as a second-line treatment for advanced renal cell carcinoma (aRCC), its main indication.

Further, on 8 September 2017, the European Medicines Agency (EMA) validated the application for a variation to the Cabometyx® (cabozantinib) marketing authorization for the addition of a new indication in first-line treatment of advanced renal cell carcinoma (aRCC). The filing was based on the results of CABOSUN, a Phase II trial demonstrating that Cabometyx® prolongs progression-free survival (PFS) in treatment-naive patients with intermediate- or poor-risk aRCC compared to sunitinib, the standard of care for more than 10 years.

Lastly, Ipsen announced on 16 October 2017 that the global Phase III CELESTIAL trial met its primary endpoint of overall survival (OS), with cabozantinib providing a statistically significant and clinically meaningful improvement in median OS compared to placebo in patients with advanced hepatocellular carcinoma (HCC). Ipsen, in collaboration with Exelixis, is evaluating potential next steps in the development and regulatory strategy for cabozantinib outside the United States and Japan as a treatment for advanced HCC in patients who have been previously treated.

Note 2 Changes in the scope of consolidation

2.1 2017 financial year

As part of the Group's effort to simplify and streamline its legal and administrative organization, on 2 January 2017, Suraypharm S.A.S. was wound up after its assets were transferred to its sole shareholder, Ipsen Pharma S.A.S.

On 23 January 2017, Ipsen took the control of Akkadeas Pharma, which was included in the scope of consolidation and fully consolidated.

2.2 2016 financial year

At 31 December 2016, Ipsen Pharma Singapore Pte Ltd., a newly established company, was 100%-owned and controlled by the Group and included in the scope of consolidation.

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 14 February 2018 and will be submitted for approval at the Shareholders' Meeting scheduled for 30 May 2018.

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 systematically 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 2017 were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union on the date of preparation. The IFRS as adopted by the European Union differ in certain aspects with 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 Interpretations Committee (IFRIC).

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 Changes in the presentation of certain income statement items

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

To better reflect the nature of transactions related to core medical activities, the Group decided to present the expenses related to those activities in "Research and development costs" as of the 2017 financial year. Those costs totaled €26.7 million in 2016, and were previously posted under "Selling expenses".

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

These changes in presentation had no impact on Operating income or Consolidated net profit.

On 31 December 2017, the Group applied the new income statement format, which complies with IAS 1 Revised, and restated the comparison reporting periods in accordance with the new presentation.

The impact of the various reclassifications on the consolidated income statement for the period ended 31 December 2016 is presented in the following table:

(in millions of euros)	31 December 2016 Restated	Presentation restatements	31 December 2016 Published
Sales	1,584.6		1,584.6
Other revenues	86.5		86.5
Revenue	**1,671.1**		**1,671.1**
Cost of goods sold	(351.1)	2.1	(353.3)
Selling expenses	(592.0)	16.4	(608.4)
Research and development expenses	(231.3)	(22.3)	(208.9)
General and administrative expenses	(125.6)	3.8	(129.4)
Other operating income	6.9		6.9
Other operating expenses	(28.6)		(28.6)
Restructuring costs	(1.9)		(1.9)
Impairment losses	(42.9)		(42.9)
Operating Income	**304.7**	**–**	**304.7**
Investment income	*0.9*		*0.9*
Financing costs	*(5.8)*		*(5.8)*
Net financing costs	(5.0)		(5.0)
Other financial income and expense	(1.6)		(1.6)
Income taxes	(73.5)		(73.5)
Share of net profit (loss) from entities accounted for using the equity method	1.9		1.9
Net profit (loss) from continuing operations	**226.5**	**–**	**226.5**
Net profit (loss) from discontinued operations	0.1		0.1
Consolidated net profit	**226.6**	**–**	**226.6**
- Attributable to shareholders of Ipsen S.A.	225.9	–	225.9
- Attributable to non-controlling interests	0.6	–	0.6
Basic earnings per share, continuing operations (in euros)	2.74	–	2.74
Diluted earnings per share, continuing operations (in euros)	2.73	–	2.73
Basic earnings per share, discontinued operations (in euros)	0.00	–	0.00
Diluted earnings per share, discontinued operations (in euros)	0.00	–	0.00
Basic earnings per share (in euros)	2,74	–	2,74
Diluted earnings per share (in euros)	2,73	–	2,73

3.3 Other standards and interpretations that became applicable as of 1 January 2017

The mandatory standards, amendments and interpretations published by the IASB and applicable as of the 2017 financial year are listed below.

- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses
- Amendments to IAS 7 – Disclosure Initiative related to financing activities
- Amendments to IFRS 12 – Annual Improvements – 2014-2016 Cycle.

A review of these amendments showed that their application had a non-material impact on the Group's annual financial statements, which accordingly were not restated.

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

The Group did not opt for early adoption of the standards, amendments and interpretations adopted by the European Union for which the application was not mandatory on 1 January 2017, namely:

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- Amendments to IFRS 15 – Clarifications
- IFRS 16 – Leases.

Following a review of the main impacts of IFRS 15 – Revenue from contracts with customers, the standard's only impact on the Group's consolidated financial statements is expected to concern the recognition of revenue from static licenses. Previously, such revenue was spread over the life of the licensing agreement. It will now be recognized at a single point in time in Other revenues as soon as it arises. For information, the impact of the first-time application of IFRS 15 on the Group's consolidated financial statements would increase the consolidated equity by €15 million before tax. Furthermore, the standard's impact on Other revenues and Operating income in the consolidated financial statements at 31 December 2017 would be below €10 million.

Following a review of the main impact of IFRS 9 – Financial Instruments, the standard is not expected to have a material

impact on the Group's consolidated financial statements. The impact will involve recognizing changes in the fair value of investment funds held by the Group in the income statement instead of in equity. For information, the standard's impact on net financial result in the consolidated financial statements as at 31 December 2017 would have been below €1 million.

A review of IFRS 16 – Leases impacts is under way by the Group at the end of 2017. At this writing, the main leases impacted by the standard included property leases, vehicle leases and photocopier leases.

3.5 Standards, amendments and interpretations published but not yet approved by the European Union

3.5.1 IASB publications not yet approved by the European Union

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

- Amendments to IFRS 2 – Share-based Payment
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation
- IFRS 14 – Regulatory Deferral Accounts
- IFRIC 22 – Foreign Currency Transaction and Advance Consideration
- IFRIC 23 – Uncertainty over Income Tax Treatments
- Amendments to IAS 40 – Clarifying transfers of property to, or from, investment property when there is evidence of a change in use.

A review of these standards, amendments and interpretations was under way by the Group at the close of the 2017 consolidated financial statements.

3.5.2 IASB publications

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

- IAS 19 – Employee Benefits.

A review of these standards, amendments and interpretations was under way by the Group at the close of the 2017 consolidated financial statements.

3.6 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 assets and liabilities are described in the notes below.

3.7 Use of estimates

To prepare its financial statements, the Group is required to make certain estimates and assumptions with respect to the carrying value of assets and liabilities, income and expense items, and information given 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. Amounts appearing in subsequent financial statements may differ materially from these estimates, should the assumptions change, or if actual conditions are different, particularly given the current economic and financial environment, which could weaken some of the Group's partners and make it difficult to estimate future outlook.

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 assessment (see note 10), and provisions (see note 21).

3.8 Consolidation methods

Subsidiaries over which the Group exercises control are fully consolidated.

Companies controlled jointly with a limited number of outside partners are proportionately consolidated.

Companies over which the Group exercises significant influence and joint ventures 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 compliant with the Group's accounting principles.

Investments in companies that are not consolidated, despite meeting the above conditions, are recognized as equity investments.

3.9 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, liabilities and contingent liabilities are valued at their fair value except exceptions specifically provided for by IFRS 3 (Revised) – 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 acquisition date;
  - 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 open on a transaction-by-transaction basis;
  - and for business combinations achieved in stages, of the fair value at the acquisition date of the share held by the Group before the acquisition date;
  - 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. 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 initial accounting for a business combination can only be determined provisionally, provisional values of the assets and liabilities should be adjusted within one year from the acquisition date, in accordance with the revised version of 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 3.17).

In the case of companies accounted for using the equity method, goodwill is included in the amount invested in the 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 the income statement.

3.10 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 corporate overhead costs and the impact of the currency hedging policy are not allocated to the two operating segments.

The Group uses Core operating income to measure its segment performance. 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 replacements for 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 or 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.

3.11 Translation of financial statements in foreign currencies

The balance sheets of subsidiaries whose functional currency is not the euro, none of which operate in hyper-inflationary economies, are translated at the exchange rates prevailing on the closing date. Their income statements and the items in their statements of cash flows are translated at the average rate for the year, which matches, in the absence of any significant fluctuations, the prevailing exchange rate at the date of the different transactions.

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

- any difference between the rates used for the opening and closing balance sheets;
- 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 conversion 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 conversion differences, initially treated as equity, are recognized in profits or losses on disposals.

3.12 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 on non-monetary assets denominated in foreign currencies are recognized directly in equity (Available-for-sale assets).

3.13 Exchange differences with respect to intra-group transactions and cash flows

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 non-Group share, 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.

3.14 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 3.17).

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 3.32.

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.

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

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

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.

3.15 Property, plant & equipment

Property, plant and equipment items are accounted for at acquisition price, at fair value for business combinations, or at production cost, as applicable, 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. 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 and 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 3.17).

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.

3.16 Leases

3.16.1 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.

3.16.2 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.

3.17 Impairment of assets

3.17.1 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 of actual and forecast sales.

3.17.1.1 Goodwill

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

Goodwill relating to 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.

3.17.1.2 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.

3.17.1.3 Intangible assets with a finite useful life

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

3.17.1.4 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.

3.17.2 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.

3.17.2.1 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 needed, longer estimates and 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%) and to the sales growth rate (range -1% to -2%).

3.17.2.2 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.

3.17.2.3 Intangible assets with a finite useful life

For other intangible assets, the period taken into account for estimating cash flows is based on the economic life intrinsic to each intangible asset. When the economic life exceeds Group forecasts, a 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 the sales growth rate (range -1% to -2%).

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 2017 are presented for intangible assets of unlimited useful life and goodwill in notes 12 and 13 respectively.

3.18 Government grants

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

3.19 Financial assets

Financial assets, excluding cash and derivative financial assets, are classified in one of the four following categories:

- Financial assets at fair value through the income statement,
- Group-issued loans and receivables,
- Financial assets held-to-maturity,
- Available-for-sale financial assets.

Financial assets are classified upon initial recognition according to the Group's intention at the time of acquisition.

3.19.1 Financial assets at fair value through the income statement

These include assets held for the purpose of selling or repurchasing in the near term with the intention of making a profit, and assets voluntarily classified in this category. Derivative instruments are also treated as held for trading, unless they are qualified as hedges.

Such assets are measured at fair value, and any changes are recorded as a change in fair value on the income statement.

Assets in this category are designated as current assets.

3.19.2 Group-issued loans and receivables

Loans and receivables are non-derivative financial assets with a payment that is fixed or can be determined and are not listed on an active market. They are included in current assets, unless they mature more than 12 months after the balance sheet closing date, in which case they are included in non-current assets.

Loans and receivables are measured using the amortized cost method.

The balance sheet value includes principal outstanding plus accrued interest. The recoverable amount of loans and advances is estimated whenever there is an indication that the asset may be impaired and at least on each reporting date. If the recoverable amount is lower than the carrying value, an impairment loss is recognized on the income statement.

The Group's credit risk is fairly limited in Western European countries. The Group sells to clearly identified wholesalers or directly to chemists and hospitals. These parties do not generally present a counterparty risk, but their payment terms may exceed 12 months. These are typical payment terms in the Group's sector.

In international markets, the Group often operates *via* agents or distributors, and may also be subject to geopolitical risks. The Group endeavors to limit the length of customer risks and payment terms, or takes out credit insurance or invoice discounting when available on the market.

Based on reliable default indices and the results of its monitoring and dunning procedures, the Group recognizes an impairment of trade receivables that takes into account the Group's hedging instruments (Coface-type credit insurance).

3.19.3 Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified in the aforementioned categories.

They are included in non-current assets, unless management expects to sell them within 12 months after the balance sheet closing date.

Unrealized capital gains and losses are recognized in equity until the assets are sold, except for impairment losses, which are recognized in the income statement when determined.

This category mainly includes investments in non-consolidated companies and short-term investments that do not meet the definition of other categories of financial assets. They are classified under other non-current assets, other current assets and cash and cash equivalents.

3.19.4 Determination of fair value

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 used by others active in the market.

For investments in non-consolidated and unlisted companies, fair value is based on the Group's share in each company's equity on the reporting date.

If it is not possible to reasonably estimate the fair value of an asset, it is measured at cost.

3.20 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.

3.21 Inventories

Inventories are carried at the lower of cost and net realizable value. Cost 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.

3.22 Securities held for sale

This category includes short-term investments that do not meet the definition of cash equivalents (as per IAS 7 – Statement of Cash Flows) but which nonetheless show limited volatility. These financial assets are measured at fair value (market value) at the closing date, and any changes are recognized in the income statement.

3.23 Cash and cash equivalents

Cash includes cash on hand and demand deposits with banks.

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

3.24 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 option 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.

3.25 Retirement benefit obligations

3.25.1 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 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.

3.25.2 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.

3.26 Provisions

Provisions are recognized in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets to cover all liabilities to third parties 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.

3.27 Financial liabilities

Loans are recorded initially at their fair value. Subsequently they are measured at amortized cost using the effective interest method.

3.28 Derivative financial instruments

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 hedging instruments.

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. Under IAS 39 – Financial Instruments: Recognition and Measurement, financial instruments may only be classified as hedges when the Group can demonstrate and document the effectiveness of the hedging relationship at inception and throughout the life of the hedge.

Derivative instruments recognized as hedging instruments are measured in accordance with IAS 39 hedge accounting criteria.

A cash flow hedge is a hedge of the exposure to cash flow fluctuations, which stems 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 directly 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 in which the hedged transaction affects profit or loss. The recycled gains and losses are recognized in "Other operating income and expenses" for hedges related to operating activities and in "Financial income" or "Financial expense" for hedges related to investing or financing activities. 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.

Derivative instruments that do not qualify as hedge accounting are initially and ultimately measured at fair value, and any changes in fair value are recognized as financial income or financial expense.

3.29 Sales

The Group's revenues are generated mainly by the sale of pharmaceutical products.

Sales are recognized when all the following conditions are met:

- there is evidence of an agreement between the parties;
- the goods have been delivered or the service provided;
- the price is fixed or can be determined.

Sales of goods are recognized when the risks and rewards of ownership have passed to the buyer. Sales of goods are valued at the fair value of the counterparty amount received or to be received.

Rebates and discounts granted to customers are recorded at the same time as the sale of the goods and are classified as a deduction from consolidated sales.

3.30 Other revenues

Other revenues include royalties received and milestone payments received under partnership agreements and various service agreements.

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

Upfront payments and, depending on the achievement of certain targets, milestone payments are generally spread over the term of the contracts.

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

3.31 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.

3.32 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.

3.32.1 Internal research and development work

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

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

3.32.2 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 for the duration of their useful lives beginning on the date the products are commercialized.

3.32.3 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 (Revised) – Business Combinations and IAS 38 – Intangible Assets. A related deferred tax liability is also recognized, if applicable.

3.32.4 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.

3.33 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.

3.34 Taxes

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 carryforwards, 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.

3.35 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. 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.

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 are not replacements for 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 millions of euros)	Specialty care	Consumer Healthcare	Other (unallocated)	31 December 2017
Sales	1,591.9	316.8	–	1,908.7
Other revenues	51.2	51.9	–	103.0
Revenue	**1,643.1**	**368.7**	**–**	**2,011.8**
Core operating income	**570.6**	**91.8**	**(158.8)**	**503.6**

(in millions of euros)	Specialty care	Consumer Healthcare	Other (unallocated)	31 December 2016
Sales	1,273.0	311.6	–	1,584.6
Other revenues	35.0	51.5	–	86.5
Revenue	**1,308.0**	**363.1**	**–**	**1,671.1**
Core operating income	**415.0**	**99.6**	**(150.7)**	**363.9**

In the 2017 financial year, unallocated core operating income (expenses) came to (€158.8) million, compared with (€150.7) million in 2016. 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 millions of euros)	31 December 2017	31 December 2016
Core operating income	**503.6**	**363.9**
Amortization of intangible assets, excluding software	(53.3)	(7.7)
Other operating income and expenses	(48.9)	(6.8)
Restructuring costs	(18.8)	(1.9)
Impairment losses	14.8	(42.9)
Operating Income	**397.2**	**304.7**

4.2 Sales by geographical region

(in millions of euros)	31 December 2017		31 December 2016	
	Amounts	% share	Amounts	% share
Major Western European countries	644.4	34%	571.9	36%
Rest of Europe	395.3	21%	349.2	22%
North America	467.0	24%	273.0	17%
Rest of the World	401.9	21%	390.5	25%
Consolidated sales	**1,908.7**	**100%**	**1,584.6**	**100%**

4.3 Sales by therapeutic area and product

(in millions of euros)	31 December 2017	31 December 2016
Oncology	1,185.2	904.8
Somatuline®	*702.5*	*538.3*
Decapeptyl®	*348.7*	*339.8*
Cabometyx®	*51.7*	*7.2*
Onivyde®	*56.9*	–
Other Oncology	*25.4*	*19.5*
Neuroscience	331.6	286.7
Dysport®	*328.2*	*284.7*
Rare diseases	75.1	81.5
NutropinAq®	*51.8*	*57.7*
Increlex®	*22.9*	*23.7*
Specialty care	**1,591.9**	**1,273.0**
Smecta®	115.5	111.0
Forlax®	42.1	39.3
Tanakan®	41.4	43.6
Fortrans/Eziclen®	32.1	26.8
Etiasa®	17.8	29.3
Other Consumer Healthcare	67.8	61.5
Consumer Healthcare	**316.8**	**311.6**
Consolidated sales	**1,908.7**	**1,584.6**

4.4 Other revenues

(in millions of euros)	31 December 2017	31 December 2016
Royalties received	62.0	44.0
Milestone payments - Licenses	29.9	28.4
Other (co-promotion revenues, re-billings)	11.1	14.2
Other revenues	**103.0**	**86.5**

Other revenues for the 2017 financial year totaled €103.0 million, up 19.1% over the €86.5 million generated in 2016. The change was attributable to the increase in royalties received from Group partners, mainly Galderma for Dysport®, Menarini for Adenuric®, and Shire for Onivyde®.

4.5 Other information

(in millions of euros)	31 December 2017			Total
	Specialty care	Consumer Healthcare	Other (unallocated)	
Acquisition of property, plant & equipment	(61.2)	(19.2)	(4.5)	(84.9)
Acquisition of intangible assets	(52.6)	(87.7)	(15.7)	(155.9)
Total investments	**(113.8)**	**(106.9)**	**(20.1)**	**(240.8)**
Net depreciation, amortization and provisions (excluding financial assets)	(70.3)	(11.3)	(23.3)	(104.8)
Share-based payment expenses with no impact on cash flow	–	–	(10.1)	(10.1)

NB. Share-based payment expenses are not broken down by operating segment.

(in millions of euros)	31 December 2016			Total
	Specialty care	Consumer Healthcare	Other (unallocated)	
Acquisition of property, plant & equipment	(59.5)	(18.6)	(3.1)	(81.2)
Acquisition of intangible assets	(280.2)	(1.2)	(9.7)	(291.1)
Total investments	**(339.7)**	**(19.9)**	**(12.8)**	**(372.3)**
Net depreciation, amortization and provisions (excluding financial assets)	(23.2)	(7.9)	(7.1)	(38.2)
Share-based payment expenses with no impact on cash flow	–	–	(5.6)	(5.6)

NB. Share-based payment expenses are not broken down by operating segment.

Note 5 Personnel

5.1 Headcount

At the end of 2017, the Group's headcount totaled 5,401 employees, compared with 4,907 at the end of 2016.

The average headcount in 2017 was 5,216, compared with 4,816 in 2016.

5.2 Employee expenses

Employee expenses, which are included in the cost of goods sold, selling, general and administrative expenses, research and development expenses and restructuring costs encompass the following items:

(in millions of euros)	31 December 2017	31 December 2016
Wages and salaries	(420.2)	(367.7)
Employer's social security contributions and payroll taxes	(137.1)	(119.0)
Sub-total	**(557.3)**	**(486.7)**
Interest on employee benefits (note 5.3.2.3)	**(5.4)**	**(0.4)**
Annual accounting expenses associated with share-based payments (note 5.4)	(10.1)	(5.5)
Social security contributions on share-based payments	–	(0.1)
Share-based payment expenses sub-total	**(10.1)**	**(5.6)**
Employee profit-sharing	**(11.2)**	**(10.3)**
Total	**(584.0)**	**(503.1)**

In 2017, the average rate of employer's social security contributions and payroll taxes amounted to 32.6% of gross payroll, versus 32.3% in 2016.

The Group's French companies have a discretionary employee profit-sharing agreement. 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 2016, a three-year incentive agreement was set up in France to supplement the above-mentioned agreement. Based on an assessment of the expected fulfillment of the objectives of this incentive agreement, the impact recorded in the consolidated financial statements at 31 December 2017 came to 5.9% of gross payroll. That percentage compares to the 5.5% recorded at 31 December 2016.

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, the United Kingdom and Ireland. In France, a limited number of employees also benefit from a supplementary pension plan.

The Group provides these benefits *via* either 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 obligation".

5.3.2.1 Assumptions used

The main actuarial assumptions applied as at 31 December 2017 are as follows:

	Europe (excluding UK)	United Kingdom	Asia-Oceania
Discount rate	1.3%	2.4%	2.5%
Inflation rate	1.8%	2.2%	N/A
Rate of increase in salaries, net of inflation	Varies by SSC	Plan frozen	5.6%
Rate of increase in pensions	1.7%	2.2%	N/A

A 1.0% increase in the discount rate would lead to decreases in employee benefit obligations of 9.4% in France, 21.5% in Ireland, 20.4% in the UK, and 15.6% in Asia-Oceania.

5.3.2.2 Reconciliation of balance sheet assets and liabilities

(in millions of euros)	31 December 2017			31 December 2016
	Post-employment benefits	Other long-term benefits	Total	Total
Breakdown of net balance sheet amount				
Present value of liabilities	113.2	5.3	118.5	110.3
Fair value of plan assets	51.0	–	51.0	51.9
Net liabilities (a)	**62.3**	**5.3**	**67.6**	**58.4**
Effect of asset ceiling (b)	–	–	–	–
Net liability (a - b)	**62.3**	**5.3**	**67.6**	**58.4**

5.3.2.3 Reconciliation of income statement expenses

(in millions of euros)	31 December 2017			31 December 2016
	Post-employment benefits	Other long-term benefits	Total	Total
Current service costs	6.3	0.5	6.9	6.0
Contributions by plan participants	(0.1)	–	(0.1)	(0.1)
Interest expense on obligations	1.7	0.1	1.7	2.3
Interest income on plan assets	(0.8)	–	(0.8)	(1.2)
Past service costs (plan amendments and curtailments)	(1.4)	–	(1.4)	(5.6)
Actuarial (gains) and loses recognized as expense	–	–	–	0.2
Total	**5.7**	**0.6**	**6.2**	**1.5**
- of which - Operating expenses	4.8	0.5	5.4	0.4
- of which - Interest expense	0.8	0.1	0.9	1.1

In 2017, past service costs included a €1.4 million gain from management retirement benefits following departures.

5.3.2.4 Movements in net liability recognized in the balance sheet

(in millions of euros)	31 December 2017			31 December 2016
	Post-employment benefits	Other long-term benefits	Total	Total
Opening net liability	**53.5**	**4.9**	**58.4**	**51.2**
Charge for the year (note 5.3.2.3)	5.7	0.6	6.2	1.5
Actuarial gains and (losses) recognized in other comprehensive income	4.2	–	4.2	7.8
Employer's contributions to plan assets	(0.6)	–	(0.6)	(1.3)
Benefits paid from internal reserve	(0.4)	(0.1)	(0.5)	(0.7)
Exchange differences	(0.1)	–	(0.1)	(0.3)
Closing net liability	**62.3**	**5.3**	**67.6**	**58.4**

5.3.2.5 Movements in defined benefit plan obligations

(in millions of euros)	31 December 2017			31 December 2016
	Post-employment benefits	Other long-term benefits	Total	Total
Opening balance	**105.4**	**4.9**	**110.3**	**102.6**
Current service costs	6.3	0.5	6.9	6.0
Interest expense on obligations	1.7	0.1	1.7	2.3
Past service costs (plan amendments and curtailments)	(1.4)	–	(1.4)	(5.6)
Benefits paid from plan assets	(4.0)	–	(4.0)	(1.2)
Benefits paid from internal reserve	(0.4)	(0.1)	(0.5)	(0.7)
Actuarial (Gains) and losses - experience adjustments	6.6	–	6.6	(6.5)
Actuarial (Gains) and losses - changes to discount rate	0.5	–	0.5	11.8
Actuarial (Gains) and losses - changes to other assumptions	(0.8)	–	(0.8)	3.8
Exchange differences	(0.7)	–	(0.7)	(2.3)
Closing balance	**113.2**	**5.3**	**118.5**	**110.3**

At 31 December 2017, the defined benefit plan obligations broke down primarily among the following countries: 65.9% in France, 15.6% in the UK and 17.1% in Ireland.

5.3.2.6 Movements in plan assets

(in millions of euros)	31 December 2017			31 December 2016
	Post-employment benefits	Other long-term benefits	Total	Total
Opening balance	**51.9**	**–**	**51.9**	**51.4**
Interest income on plan assets	0.8	–	0.8	1.2
Benefits paid from plan assets	(4.0)	–	(4.0)	(1.2)
Employee contributions to plan assets	0.1	–	0.1	0.1
Employer's contributions to plan assets	0.6	–	0.6	1.3
Actuarial gains and (losses)	2.2	–	2.2	1.1
Exchange differences	(0.6)	–	(0.6)	(2.0)
Closing balance	**51.0**	**–**	**51.0**	**51.9**

At 31 December 2017, the plan assets broke down primarily among the following countries: 42.0% in France, 29.0% in the UK and 28.3% in Ireland.

5.3.2.7 Allocation of plan assets

(in millions of euros)	31 December 2017			
	Shares	Bonds	Other [1]	Total
Europe (excluding UK)	10.4	19.6	5.8	35.8
United Kingdom	9.0	5.6	0.2	14.8
Asia-Oceania	0.3	0.1	-	0.3
Total	**19.8**	**25.2**	**6.0**	**51.0**
Total (as a percentage)	**39%**	**49%**	**12%**	**100%**

(1) Property, cash and other.

(in millions of euros)	31 December 2016			
	Shares	Bonds	Other [1]	Total
Europe (excluding UK)	9.7	21.7	5.7	37.1
United Kingdom	8.4	5.3	0.8	14.5
Asia-Oceania	0.2	0.1	-	0.3
Total	**18.3**	**27.1**	**6.5**	**51.9**
Total (as a percentage)	**35%**	**52%**	**13%**	**100%**

(1) Property, cash and other.

5.3.2.8 Future probable plan benefits

(in millions of euros)	Post-employment benefits	Other long-term benefits	Total
2018	8.4	0.5	8.9
2019	1.6	0.6	2.2
2020	13.4	0.7	14.1
2021	1.5	0.6	2.1
2022	3.5	0.5	4.0
2023-2027	22.4	2.5	24.9

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 2017.

At 31 December 2017, the annual charge for bonus share payments came to €10.1 million, versus €5.5 million at 31 December 2016.

5.4.1 Share option plans granted by Ipsen

5.4.1.1 Details of share option plans

Tranches	Plan dated 31 March 2010					Plan dated 30 June 2011	
	1.1	1.2	1.3	1.4	1.5	1.1	1.2
Date granted by Board of Directors	31/03/2010	31/03/2010	31/03/2010	31/03/2010	31/03/2010	30/06/2011	30/06/2011
Vesting date	31/03/2014	31/03/2014	31/03/2014	31/03/2014	31/03/2014	30/06/2015	30/06/2013
Plan expiration date	31/03/2018	31/03/2018	31/03/2018	31/03/2018	31/03/2018	30/06/2019	30/06/2019
Number of options granted	121,180	123,280	54,330	22,570	40,710	189,703	16,005
Share entitlement per option	1	1	1	1	1	1	1
Exercise price	€36.64	€36.64	€36.64	€36.64	€36.64	€25.01	€25.01
Grant method	Monte Carlo		"Black and Scholes" revised			"Black and Scholes" revised	
Value of shares at grant date	€36.16	€36.16	€36.16	€36.16	€36.16	€24.46	€24.46
Expected volatility	32%	32%	32%	32%	32%	31%	31%
Average life of option	6	6	6	6	5	6	5
Discount rate	2.62%	2.62%	2.62%	2.62%	2.35%	2.90%	2.72%
Dividends	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Performance condition	yes	yes	no	no	no	yes	no
Fair value per option	**€10.69**	**€10.69**	**€10.71**	**€10.71**	**€9.74**	**€7.12**	**€6.48**

5.4.1.2 Valuation of plans

(in millions of euros)	Plan dated 31 March 2010	Plan dated 30 June 2011	Total
Opening valuation of active plans at 31 December 2017	3.8	1.5	5.3
2017 expense	–	–	–
2016 expense	–	–	–

5.4.1.3 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 2017	31 December 2016
Opening balance	**744,771**	**1,142,157**
Options exercised (net of adjustments)	(80,213)	(393,886)
Options cancelled	–	–
Options expired	–	(3,500)
Closing balance	**664,558**	**744,771**

5.4.2 Bonus share plans

On 29 March 2017, the Board of Directors granted:

- 13,365 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,
- 28,275 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,
- 44,070 bonus shares to beneficiaries of its French subsidiaries, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 37,980 bonus shares to beneficiaries of its American subsidiaries, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 28,200 bonus shares to certain beneficiaries of other Group subsidiaries, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity.

On 31 May 2016 and 29 July 2016, the Board of Directors granted:

- 5,070 bonus shares to the non-executive Chairman, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 10,021 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,
- 48,928 bonus shares to members of the Executive Committee, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 72,208 bonus shares to beneficiaries of its French subsidiaries, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 64,727 bonus shares to beneficiaries of its American subsidiaries, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 41,336 bonus shares to certain beneficiaries of other Group subsidiaries, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity.

5.4.2.1 Details of Ipsen bonus share plans

	Plan dated 28 March 2013					Plan dated 27 March 2014			
Tranches	1.1	1.2	1.3	1.4	1.5	1.1	1.2	1.3	1.4
Number of bonus shares	79,859	78,485	21,791	9,540	34,329	65,018	56,062	19,405	21,685
Vesting period (in years)	2	2	4	4	2	2	2	4	2
Value of shares on date granted, before reduction	€27.91	€27.91	€27.91	€27.91	€27.91	€29.75	€29.75	€29.75	€29.75
Fair value of bonus shares	**€23.47**	**€23.47**	**€26.28**	**€26.28**	**€23.47**	**€20.01**	**€20.01**	**€21.74**	**€20.01**

1.1 Beneficiaries include the Chairman, the non-executive Chairman, the Deputy CEO, the Chief Executive Officer, Executive Committee members, and Executive Leadership Team members.
1.2 Beneficiaries from the Group's French subsidiaries.
1.3 Beneficiaries outside the Group's French and American subsidiaries.
1.4 Beneficiaries from the Group's American subsidiaries.

Tranches	Plan dated 1 April 2015				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	1.1	1.2	1.3	1.4
Number of bonus shares	53,021	47,572	21,484	39,970	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	2	2	4	2
Value of shares on date granted, before reduction	€ 44.99	€ 44.99	€ 44.99	€ 44.99	€ 56.69	€ 56.69	€ 56.69	€ 56.69	€ 93.40	€ 93.40	€ 93.40	€ 93.40
Fair value of bonus shares	**€31.10**	**€31.10**	**€31.24**	**€31.24**	**€47.73**	**€47.73**	**€49.04**	**€47.73**	**€101.47**	**€97.01**	**€99.27**	**€97.00**

1.1 Beneficiaries include the Chairman, the non-executive Chairman, the Deputy CEO, the Chief Executive Officer, Executive Committee members, and Executive Leadership Team members.
1.2 Beneficiaries from the Group's French subsidiaries.
1.3 Beneficiaries outside the Group's French and American subsidiaries.
1.4 Beneficiaries from the Group's American subsidiaries.

5.4.2.2 Valuation of Ipsen bonus share plans

(in millions of euros)	Plan dated 30 March 2012	Plan dated 28 March 2013	Plan dated 27 March 2014	Plan dated 1 April 2015	Plan dated 1 June 2016	Plan dated 29 March 2017	Total
Opening valuation	**4.0**	**5.3**	**3.1**	**4.4**	**10.5**	**13.3**	**40.6**
2017 expense	–	0.0	0.1	0.6	5.3	4.0	10.1
2016 expense	0.0	0.2	0.4	1.8	3.1	–	5.5

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 millions of euros)	31 December 2017	31 December 2016
Operating - excluding current assets	(104.8)	(38.2)
Financial	(0.9)	(1.1)
Tax	(0.1)	0.1
Depreciation and amortization before impairment and excluding current assets	**(105.8)**	**(39.1)**
Impairment losses included in operating income (note 6.2)	14.8	(42.9)
Impairment losses	**14.8**	**(42.9)**

6.2 Impairment losses

6.2.1 2017 financial year

During the 2017 financial year, Ipsen recognized the following impairment losses and reversals:

- The intangible assets related to Prontalgine®, the main product in the portfolio acquired from Sanofi, were written down in the amount of €33.9 million (see note 13);
- The impairment loss related to the Increlex® IGF-1 active ingredient was reversed in the amount of €50.4 million (see note 13).

6.2.2 2016 financial year

During the 2016 financial year, the Group recognized the following impairment losses:

- All the intangible assets related to a radiopharmaceutical product for diagnosing neuroendocrine tumors developed by OctreoPharm GmbH were written down in the amount of €31.8 million (see note 13);
- The MCNA intangible asset, an exclusive license for MCNA acquired from Telesta Therapeutics, was written down in the amount of €8.0 million (see note 13);
- The option to acquire 100% of the shares in Canbex Therapeutics was written down in the amount of €5.4 million (see note 17).

Note 7 Other operating income and expenses

In 2017, other operating expenses totaled €102.4 million, mainly due to the amortization of intangible assets from Cabometyx®, Onivyde® and assets acquired from Sanofi, integration costs related to the Onivyde® acquisition, the adaptation of the R&D structure and programs, and a settlement with a partner in Japan.

In 2016, those expenses totaled €21.6 million, primarily from the impact of cash flow hedges, the change in corporate governance, costs related to moving R&D in the UK to the new site in Oxford, and amortization expense for Cabometyx® intangible assets initiated with the beginning of sales.

Note 8 Restructuring costs

In 2017, pre-tax restructuring costs came to €18.8 million, compared with €1.9 million in the prior year. Those expenses consisted mainly of integration costs related to the Onivyde® acquisition, the adaptation of the R&D structure and programs, and a reorganization plan in Europe.

Note 9 Net financial income

(in millions of euros)	31 December 2017	31 December 2016
Total income from loans and receivables	1.1	0.9
Investment income	**1.1**	**0.9**
Interest on debt	(9.2)	(4.6)
Interest on employee profit-sharing fund	(0.0)	(0.1)
Total expenses on financial liabilities measured at amortized cost	**(9.2)**	**(4.7)**
Financial expense on derivative instruments	(0.0)	(1.1)
Total expenses on financial assets held for trading	**(0.0)**	**(1.1)**
Financing costs	**(9.2)**	**(5.8)**
NET FINANCING COSTS	**(8.1)**	**(5.0)**
Other exchange differences	(0.1)	(0.7)
Income and expenses on financial assets and liabilities at fair value	**(0.1)**	**(0.7)**
Impairment of investments in non-consolidated companies	0.0	(0.0)
Income and expenses on available-for-sale financial assets	**0.0**	**(0.0)**
Financial income on employee benefits (note 5.3.2.3)	1.1	1.2
Interest on employee benefits (note 5.3.2.3)	(2.0)	(2.3)
Other financial elements	(17.4)	(0.1)
OTHER FINANCIAL INCOME AND EXPENSE	**(18.4)**	**(1.6)**
FINANCIAL INCOME (EXPENSE)	**(26.6)**	**(6.6)**
Of which total financial income	*57.0*	*64.2*
Of which total financial expense	*(83.6)*	*(70.8)*

In 2017, the Group had net financial expense of €26.6 million, *versus* net financial expense of €6.6 million in 2016.

- **Net financing costs** totaled €8.1 million in 2017, compared with €5.0 million in 2016. The increase resulted chiefly from interest expense on the €300 million in bonds issued by the Group in June 2016 and acquisition-related financing costs in 2017 (see note1).
- In 2017, **Other financial expense** amounted to €18.4 million, *versus* Other financial expense of €1.6 million in 2016. In addition to the impact of foreign exchange fluctuations, the increase stemmed from cash flow hedges, which generated expense of €15.0 million arising from business growth and the Onivyde® acquisition. In 2016, Ipsen received €5.3 million in dividends from Rhythm Holding following the disposal of its Motus Therapeutics subsidiary to Allergan, and a total of €2.4 million from an earnout payment on the sale of Spirogen shares and dividends from the InnoBio fund.

Note 10 Income taxes

10.1 Tax expense

10.1.1 Effective tax rate

(in millions of euros)	31 December 2017	31 December 2016
Net profit (loss) from continuing operations	270.7	226.5
Share of net profit (loss) from entities accounted for using the equity method	1.4	1.9
Net profit from continuing operations before share of results from companies accounted for using the equity method	**269.2**	**224.5**
Current tax	(53.1)	(65.4)
Deferred tax	(48.3)	(8.1)
Income taxes	(101.4)	(73.5)
Pre-tax profit from continuing operations before share of results from companies accounted for using the equity method	**370.7**	**298.1**
Effective tax rate	**27.4%**	**24.7%**

In 2017, income tax expense of €101.4 million resulted in an effective tax rate of 27.4% on pre-tax profit from continuing operations, excluding the share of profit (loss) from companies accounted for using the equity method. This compares with an effective tax rate of 24.7% in 2016.

The higher effective tax rate arose notably from the unfavorable impact of the U.S. tax reform on recognized deferred tax assets.

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 millions of euros)	31 December 2017	31 December 2016
Pre-tax profit from continuing operations before share of results from companies accounted for using the equity method	370.7	298.1
Group tax rate	34.43%	34.43%
Nominal tax expense	**(127.6)**	**(102.6)**
(Increase)/decrease in tax expense arising from:		
- Tax credits	10.5	10.5
- Non-recognition of tax impact on certain losses during the year	(0.4)	(1.8)
- Utilization of tax losses not recognized as deferred tax assets	0.1	0.1
- Recognition of deferred tax assets [1]	(33.0)	0.2
- Other permanent differences [2]	48.9	20.2
Effective tax expense	**(101.4)**	**(73.5)**

(1) The change in recognition of deferred tax assets stems mainly from the negative impact of the recently enacted U.S. tax reform on the value of tax loss carryforwards, offset by the recognition of previously unrecognized deferred tax assets in the United States since 2013 for a total of €26.3 million.
(2) Other permanent differences in 2017 resulted from difference in the Group tax rate of 34.43% and other tax rates where Group subsidiaries are based, as well as events specific to 2017, such as the recognition of receivables from the French authorities.

10.2 Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities in 2017 can be broken down as follows:

(in millions of euros)	31 December 2016	Movements during the year						31 December 2017
		Income statement income / expense	Deferred taxes recorded directly to reserves	SoRIE	Changes in consolidation scope	Foreign exchange differences	Other movements	
Deferred tax assets	213.2	(25.1)	(1.6)	0.2	0.1	(17.9)	(26.8)	142.0
Deferred tax liabilities	(14.6)	(23.3)	(8.9)	(0.8)	(0.8)	1.1	25.8	(21.5)
Net assets / (liabilities)	**198.6**	**(48.3)**	**(10.6)**	**(0.6)**	**(0.8)**	**(16.8)**	**(1.0)**	**120.5**

A breakdown of deferred tax assets / (liabilities) by type is presented in note 10.3.

The €48.3 million decrease recognized in "Income statement income / expense" stems primarily from:

- A €46.0 million expense arising from the unfavorable impact of the recently enacted tax reform in the United States on the value of tax-loss carryforwards. This expense was partially offset by recognizing €19.7 million in previously unrecognized deferred tax assets in the United States;
- The use of €23.6 million in tax-loss carryforwards in the United States;
- The recognition of an €11.1 million gain from the use of tax loss carryforwards in Germany.

At 31 December 2017, the Group recognized €84.1 million in deferred tax assets on tax-loss carryforwards (including €72.9 million in the U.S.), *versus* €141.5 million at 31 December 2016 (see note 10.3). 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 timeframes notably in relation to the duration of the tax-loss carryforwards and the specific situation of each tax consolidation group.

Changes in deferred tax assets and liabilities in 2016 can be broken down as follows:

(in millions of euros)	31 December 2015	Movements during the year						31 December 2016
		Income statement income / expense	Deferred taxes recorded directly to reserves	SoRIE	Changes in consolidation scope	Foreign exchange differences	Other movements	
Deferred tax assets	217.7	(17.9)	–	(0.5)	–	8.4	5.6	213.2
Deferred tax liabilities	(23.1)	9.8	4.4	0.0	–	0.9	(6.5)	(14.6)
Net assets / (liabilities)	**194.6**	**(8.1)**	**4.4**	**(0.5)**	**–**	**9.3**	**(1.0)**	**198.6**

The €8.1 million decrease recognized in "Income statement income / expense" stems primarily from:

- the use of €13.4 million in tax loss carryforwards in France and €14.7 million in tax-loss carryforwards in the United States;
- €8.9 million in deferred tax assets arising from the impairment loss on the Ga-Satoreotide asset, an OctreoPharm GmbH product;
- €9.4 million in deferred tax assets generated by the elimination of margins on inventory.

At 31 December 2016, unrecognized deferred tax assets amounted to €74.7 million. That amount corresponds primarily to the Group's unused R&D tax credits and tax loss carryforwards not used at 31 December 2016. They were not recognized because the companies concerned were unable to determine whether the tax assets could be used based on their earnings forecasts.

At 31 December 2016, the Group recognized €141.5 million in deferred tax assets on tax-loss carryforwards, *versus* €163.9 million a year earlier (see note 10.3). These were mainly tax-loss carryforwards in the United States, where the time limit for using them was nearing expiration. 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.

10.3 Type of deferred taxes recognized on the balance sheet and the income statement

(in millions of euros)	31 December 2016	Movements during the year						31 December 2017
		Income statement income / expense	Deferred taxes recorded directly to reserves	SoRIE	Changes in consolidation scope	Foreign exchange differences	Other movements	
Inventories	47.8	4.9	–	–	–	(1.7)	–	51.0
Tax loss carryforwards	141.5	(41.3)	–	–	–	(15.0)	(1.1)	84.1
Provision for retirement and other benefits	12.9	1.0	–	(0.5)	–	(0.0)	–	13.4
Other	(3.6)	(13.0)	(10.6)	(0.1)	(0.8)	(0.1)	0.0	(28.0)
Net assets / (liabilities)	**198.6**	**(48.3)**	**(10.6)**	**(0.6)**	**(0.8)**	**(16.8)**	**(1.0)**	**120.5**

The €0.8 million in net liabilities from changes in the scope of consolidation corresponds to Akkadeas Pharma's entry into the scope of consolidation during the 2017 financial year.

(in millions of euros)	31 December 2015	Movements during the year					31 December 2016
		Income statement income / expense	Deferred taxes recorded directly to reserves	SoRIE	Changes in consolidation scope	Foreign exchange differences	
Inventories	37.7	9.4	–	–	–	0.6	47.8
Tax loss carryforwards	163.9	(27.8)	–	–	–	6.4	141.5
Provision for retirement and other benefits	13.6	(0.6)	–	(0.5)	–	(0.1)	12.9
Other	(20.7)	10.8	4.4	–	–	2.3	(3.6)
Net assets / (liabilities)	**194.6**	**(8.1)**	**4.4**	**(0.5)**	**–**	**9.3**	**198.6**

Note 11 Net profit (loss) from discontinued operations

In 2017, net profit from discontinued operations totaled €2.3 million, compared to €0.1 million in net profit from discontinued operations in 2016. 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 spun off from Baxter International.

Note 12 Goodwill

12.1 Net goodwill carried in the balance sheet

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.

Goodwill totaling €135.3 million related to the Group's 1998 structuring operations was allocated to the Specialty Care and Consumer Healthcare segments in proportion to the sales generated.

The €53.5 million in goodwill arising from the end of the Group's 2004 structuring operation, with the acquisition of BB et Cie, was allocated in full to the Consumer Healthcare business.

The goodwill related to the acquisition of Vernalis Inc. and Ipsen Biopharmaceuticals Inc. in the second half of 2008, as well as the goodwill related to the acquisition of BioInnovation Ltd in 2013, the goodwill arising from the acquisition of Octreopharm GmbH in 2015, and the goodwill generated by the acquisition of Onivyde® in the first half of 2017, was allocated to the Specialty Care CGU.

Goodwill related to taking control of Akkadeas Pharma in the first half of 2017 was allocated to the Consumer Healthcare CGU.

Changes in goodwill in 2017 can be broken down as follows:

- the acquisition of oncology assets from Merrimack Pharmaceuticals (see note 1.1) recognized in line with IFRS 3 (Revised) – Business Combinations. The goodwill generated by this transaction amounted to $48.8 million, or €45.7 million. It was allocated to the Specialty Care operating segment (see note 12.1.1);
- the acquisition of Akkadeas Pharma, which generated goodwill totaling €8.6 million. It was allocated to the Consumer Healthcare operating segment;
- (€22.8) million in foreign exchange differences on gross goodwill and €0.3 million on impairment losses.

(in millions of euros)	31 December 2016	Movements during the year				31 December 2017
		Increase	Changes in consolidation scope	Decrease	Foreign exchange differences	
Gross goodwill	365.7	–	54.3	–	(22.8)	397.3
Impairment losses	(8.6)	–	–	–	0.3	(8.2)
Net goodwill	**357.2**	**–**	**54.3**	**–**	**(22.4)**	**389.0**

Changes in goodwill in 2016 can be broken down as follows:

(in millions of euros)	31 December 2015	Movements during the year				31 December 2016
		Increase	Changes in consolidation scope	Decrease	Foreign exchange differences	
Gross goodwill	363.2	–	–	–	2.5	365.7
Impairment losses	(10.0)	–	–	–	1.4	(8.6)
Net goodwill	**353.3**	**–**	**–**	**–**	**3.9**	**357.2**

12.1.1 Purchase price analysis on assets acquired from Merrimack Pharmaceuticals

On 3 April 2017, Ipsen completed the acquisition of Merrimack Pharmaceuticals' global oncology assets, including its key marketed product Onivyde®. Under the terms of the agreement, Ipsen gained the exclusive commercialization rights for the current and potential future Onivyde® indications in the U.S., as well as the current licensing agreements with Shire for commercialization rights ex-U.S. and Pharma Engine for Taiwan. The transaction also included Merrimack's commercial and manufacturing infrastructure, and generic doxorubicin HCl liposome injection.

Ipsen paid $580 million to Merrimack upfront and could pay up to $450 million upon the approval of potential additional indications for Onivyde® in the U.S. The transaction was fully financed by Ipsen's existing cash and lines of credit.

Although the transaction was contractually an asset deal, it was treated as a business combination in accordance with IFRS 3 Revised, since Ipsen acquired a standalone business.

The Group mandated an outside expert to help identify and measure the business combination's main assets and liabilities.

The Onivyde acquisition is fully in line with the Group's strategic directions, strengthening Ipsen's positioning in both the U.S. market and the oncology field. Accordingly, the acquisition of the Onivyde® product holds strategic, financial and operating advantages that contribute to advancing the Group's ambitions. Onivyde®, commercialized in the U.S. since 2015, is a differentiating product used to treat patients with metastatic adenocarcinoma of the pancreas.

In addition to the acquired product, whose value is shown as an intangible asset, the Onivyde® acquisition strengthens the Group's development potential and position in oncology and the U.S., which are not reflected in the cash flow generated by the product or the recognized goodwill.

The €45.7 million in goodwill generated by the Onivyde® acquisition was recorded under "Changes in consolidation scope" and breaks down as follows:

(in millions of euros)	
Cash paid for the acquisition	546.3
Fair value of deferred payments to Merrimack Pharmaceuticals	43.1
Fair value of deferred payments to Pharma Engine	75.8
Fair value of deferred payments to be received from Shire	(122.6)
Valuation of the Onivyde acquisition	**542.6**
Fair value of acquired net assets and liabilities:	
- Intangible assets	466.6
- Tangible assets	1.3
- Working capital requirement and other items	29.0
Total	**496.9**
Goodwill arising after allocation period	**45.7**

The impact of the business combination arising from the acquisition of the Onivyde® business led the Group to:

- recognize a €466.6 million intangible asset corresponding to the value of the intellectual property acquired and the fair value of the royalty rights related to the partnerships with Shire and Pharma Engine in territories outside the United States;
- measure the fair value of additional payments that could arise from achieving development and commercial milestones (meeting certain sales thresholds or FDA registration of additional indications) with Merrimack Pharmaceuticals, Shire and Pharma Engine. The fair value of these probability measured and discounted future payments resulted in the recognition of a €122.6 million financial asset and a €118.9 million financial liability;
- recognize intangible assets as well as working capital requirement reassessed at their fair value. Inventories were notably reassessed in the amount of €6.0 million to recognize their market value less distribution costs.

Breakdown of acquired Onivyde® related assets and liabilities:

(in millions of euros)	Opening balance sheet
Assets	
Goodwill	45.7
Other intangible assets	466.6
Property, plant & equipment	1.3
Non-current financial assets	122.6
Current assets	37.3
Cash and cash equivalents	(546.3)
Total assets	**127.2**
Liabilities	
Non-current financial liabilities	118.9
Current liabilities and miscellaneous items	8.3
Total liabilities	**127.2**

12.1.2 Purchase price analysis of Akkadeas Pharma

On 31 January 2017, Ipsen announced that it had taken an equity stake in Akkadeas Pharma with an option to acquire 100% of the company in the future.

Ipsen acquired a 49% interest in the entity through several payments totaling €4.9 million and also holds a call option exercisable in 2018 on the remaining 51% of the company's equity.

After entering the entity into the scope of consolidation, Ipsen opted to apply the full goodwill method. The goodwill came to €8.6 million and was allocated to the Consumer Healthcare CGU.

The goodwill stems from the company's valuation of €12.1 million, less the fair value of the net assets and liabilities acquired.

The impact of the business combination arising from the Akkadeas takeover led the Group to recognize €3.9 million in intangible assets, a €0.5 million fair value reassessment of working capital requirement and a €0.8 million deferred tax liability.

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 (see note 12.1).

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 flows are based on short-term, medium-term and long-term estimates (such as forecasts, annual budgets, five-year strategic plans, and long-term plans specific to product life cycles) for the identified operating segments, *i.e.* Specialty Care and Consumer Healthcare.

At 31 December 2017 and 31 December 2016, no impairment losses related to goodwill were recorded. The previously recorded impairment loss solely concerned 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 millions of euros)	Specialty care	Consumer Healthcare	Total
Net carrying value at 31 December 2017			
Goodwill	292.1	96.9	389.0
Net underlying assets	1,226.9	211.7	1,438.6
Total	**1,519.0**	**308.6**	**1,827.6**
Perpetuity growth rate	**0%**	**0%**	**–**
Discount rate	**9%**	**8%**	**–**

(in millions of euros)	Specialty care	Consumer Healthcare	Total
Net carrying value at 31 December 2016			
Goodwill	277.0	80.1	357.2
Net underlying assets	827.3	120.8	948.1
Total	**1,104.3**	**200.9**	**1,305.2**
Perpetuity growth rate	**0%**	**0%**	**–**
Discount rate	**9%**	**8%**	**–**

Tests were performed to assess the sensitivity of the recoverable amount to changes in certain actuarial assumptions, primarily to the discount rate (range +/- 1%) and to the sales growth rate (range -1% to -2%). The implementation of those sensitivity tests would not lead to the recognition of significant impairment charges.

Note 13 Other intangible assets

13.1 Movements

Movements in 2017 can be broken down as follows:

(in millions of euros)	31 December 2016	Movements during the year					31 December 2017
		Increase	Decrease	Changes in consolidation scope	Foreign exchange differences	Other movements	
Intellectual property	804.3	144.6	(3.5)	473.3	(54.2)	7.3	1 371.8
Intangible assets in progress	10.0	11.3	–	–	(0.1)	(7.2)	13.9
Gross assets	**814.3**	**155.9**	**(3.5)**	**473.3**	**(54.4)**	**0.0**	**1 385.7**
Amortization	(213.7)	(64.7)	2.2	(2.8)	13.2	(8.1)	(273.9)
Impairment losses	(220.5)	(33.9)	51.0	–	13.7	8.1	(181.5)
Net assets	**380.1**	**57.3**	**49.7**	**470.5**	**(27.5)**	**0.0**	**930.2**

The 31 December 2017, the change in net intangible assets resulted notably from the following items:

- As part of acquiring the Onivyde® assets from Merrimack Pharmaceuticals (see note 1.1), €466.6 million in intangible assets corresponding to the value of the intellectual property acquired and the fair value of the royalty rights arising from the partnerships with Shire and Pharma Engine in territories outside the United States were recognized on the balance sheet of the consolidated financial statements. The assets were recorded under "Changes in consolidation scope". Following the limited sales growth recorded in the second half of 2017 and while this does not compromise the product's expectations, Ipsen decided to test the acquired intangible assets for impairment, whose value in use fully supports the assets' carrying value.
- As part of acquiring a portfolio of Consumer Healthcare products from Sanofi (see note 1.2), trademarks, market authorization rights and regulatory rights were recorded on the balance sheet in the gross amount of €86.5 million. The most significant product is Prontalgine®, an analgesic for the treatment of moderate to severe pain, which is available only in France. The portfolio also includes Buscopan®, an antispasmodic; Suppositoria Glycerini, a laxative; and Mucothiol® and Mucodyne®, expectorants for cough and flu. These regional brands are sold in eight European countries.

The value of these assets were partially impaired at 31 December 2017, following the 12 July 2017 announcement of an immediately effective decree issued by France's Health Ministry making medicines derived from codeine, dextromethorphan, ethylmorphine, or noscapine available through prescription only to prevent misuse. Ipsen subsequently lowered its sales forecast for Prontalgine®, the most significant product in the portfolio acquired from Sanofi, leading to €33.9 million of intangible assets. The partial impairment loss takes into account the planned development of a new product with significant synergies with Prontalgine®.

- As part of acquiring Akkadeas Pharma, €3.9 million in intangible assets arising from customer relations, distribution licenses and trademark licenses were recorded on the balance sheet in the consolidated financial statements. The assets were recorded under "Changes in consolidation scope".
- In 2017, Ipsen recognized €38 million in intangible assets arising from additional milestone payments to Exelixis as part of an exclusive licensing agreement signed in 2016. It also recognized €10 million in intangible assets arising from additional milestone payments to Lexicon.

At 31 December 2017, amortization expense for intangible assets came to €64.7 million, mainly as a result of the Onivyde® assets, the operating license signed with Exelixis for Cabometyx® in 2016, and €11.4 million in software-related amortization expense.

In 2017, the move by Increlex®'s manufacturer of its production plant to Visp, Switzerland was completed, and the plant received compliance approval from the FDA and the EMA. With the future supply of Increlex® now secured, the impairment provision related to the Increlex® IGF-1 active ingredient was reversed at 31 December 2017 for €50.4 million.

At 31 December 2017, the Group's intangible assets with an indefinite useful life had a total net carrying value of €24.7 million.

The assets concerned intellectual property or rights acquired for proprietary oncology, endocrinology and neuroscience 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 3.14). For these intangible assets, the recoverable amount corresponds to the value in use based on estimated expected future cash flows.

Movements in 2016 can be broken down as follows:

(in millions of euros)	31 December 2015	Movements during the year					31 December 2016
		Increase	Decrease	Changes in consolidation scope	Foreign exchange differences	Other movements	
Intellectual property	539.4	282.8	(22.3)	–	(2.0)	6.4	804.3
Intangible assets in progress	7.9	8.3	–	–	(0.2)	(6.1)	10.0
Gross assets	**547.3**	**291.1**	**(22.3)**	**–**	**(2.2)**	**0.3**	**814.3**
Amortization	(185.8)	(18.0)	1.1	–	(3.5)	(7.6)	(213.7)
Impairment losses	(210.1)	(40.4)	21.1	–	1.3	7.6	(220.5)
Net assets	**151.5**	**232.7**	**(0.0)**	**–**	**(4.4)**	**0.3**	**380.1**

The increase in net assets arose mainly from the following:

- the €266.4 million acquisition of exclusive commercialization rights for cabozantinib from Exelixis, including an upfront payment and additional milestone payments;
- a €5.1 million regulatory milestone payment made to Lexicon;
- the €5.0 million acquisition from 3B Pharmaceuticals GmbH of an exclusive license for new radiopharmaceutical products in oncology;
- information technology investments;
- a €31.8 million impairment loss on the Ga-Satoreotide asset, an OctreoPharm GmbH product;
- an €8.0 million impairment loss and derecognition of the MCNA asset acquired from Telesta Therapeutics;
- the derecognition of €13.2 million in fully amortized Santhera intangible assets; and
- €18.0 million in amortization expense for intangible assets, including €10.3 million in amortization expense for software.

13.2 Breakdown of intangible assets by asset type

(in millions of euros)	31 December 2017			31 December 2016		
	Gross value	Amortization & Impairment	Net value	Gross value	Amortization & Impairment	Net value
Brands and trademarks	77.1	(47.4)	29.7	21.2	(20.9)	0.4
Licenses	1,123.9	(291.5)	832.4	659.9	(318.0)	341.8
Patents	9.4	(9.3)	0.2	9.2	(9.2)	0.0
Know-how	39.5	(19.1)	20.3	10.1	(10.1)	0.0
Software	117.8	(86.0)	31.8	103.7	(75.9)	27.8
Other intangible assets	4.1	(2.2)	1.9	0.3	(0.2)	0.1
Intangible assets in progress	13.9	–	13.9	10.0	–	10.0
Total	**1,385.7**	**(455.5)**	**930.2**	**814.3**	**(434.2)**	**380.1**
Of which impairment losses		*(181.5)*			*(220.5)*	

In 2017, the net amount of intangible assets with an indefinite useful life came to €24.7 million, versus €59.8 million in 2016. These were intellectual property assets for proprietary drugs classified in "Licenses".

Note 14 Property, plant & equipment

14.1 Breakdown by asset type

Movements in 2017 can be broken down as follows:

(in millions of euros)	31 December 2016	Movements during the year					31 December 2017
		Increase	Decrease	Changes in consolidation scope	Foreign exchange differences	Other movements	
Land	20.2	0.4	–	0.3	(0.3)	2.3	23.0
Buildings	264.5	20.8	(6.8)	0.1	(4.7)	62.0	335.9
Plant & equipment	301.8	11.5	(13.4)	1.0	(5.5)	62.1	357.5
Other assets	68.4	6.7	(4.7)	0.3	(1.7)	12.4	81.4
Assets in progress	174.3	45.2	–	0.1	(3.6)	(138.8)	77.2
Advance payments	0.0	0.2	–	(0.0)	(0.0)	–	0.3
Gross assets	**829.3**	**84.9**	**(24.8)**	**1.8**	**(15.8)**	**(0.0)**	**875.2**
Depreciation	(444.2)	(33.2)	20.4	(0.1)	6.6	(1.3)	(451.8)
Impairment losses	(6.1)	(1.7)	2.0	–	–	1.3	(4.6)
Depreciation & impairment losses	**(450.3)**	**(34.9)**	**22.4**	**(0.1)**	**6.6**	**(0.0)**	**(456.3)**
Net assets	**379.0**	**50.0**	**(2.4)**	**1.6**	**(9.2)**	**(0.0)**	**418.9**

In 2017, acquisitions of property, plant and equipment totaled €84.9 million, compared with €81.2 million in 2016. The increase resulted primarily from capital spending needed to boost production capacity at the Group's manufacturing sites in France and the United Kingdom.

Movements in 2016 can be broken down as follows:

(in millions of euros)	31 December 2015	Movements during the year					31 December 2016
		Increase	Decrease	Changes in consolidation scope	Foreign exchange differences	Other movements	
Land	20.8	0.1	(0.7)	–	(0.4)	0.5	20.2
Buildings	228.6	3.5	(1.4)	–	(2.0)	35.9	264.5
Plant & equipment	266.2	8.4	(6.2)	–	(8.5)	41.9	301.8
Other assets	132.1	3.7	(6.9)	–	(2.0)	(58.5)	68.4
Assets in progress	143.6	65.5	–	–	(14.7)	(20.1)	174.3
Advance payments	**791.2**	**81.2**	**(15.2)**	**–**	**(27.6)**	**(0.3)**	**829.3**
Gross assets	(430.0)	(31.1)	13.9	–	9.9	(6.9)	(444.2)
Depreciation	(12.5)	(0.5)	–	–	–	6.9	(6.1)
Depreciation & impairment losses	**(442.5)**	**(31.6)**	**13.9**	**–**	**9.9**	**(0.0)**	**(450.3)**
Net assets	**348.7**	**49.6**	**(1.3)**	**–**	**(17.7)**	**(0.3)**	**379.0**

14.2 Breakdown by currency of property, plant and equipment, net of depreciation

The breakdown by currency of property, plant and equipment, net of depreciation, is as follows:

(in millions of euros)	31 December 2017	31 December 2016
Euro	247.8	212.8
U.S. dollar	22.9	23.7
Pound sterling	137.8	133.0
Chinese Yuan renminbi	7.8	8.0
Other currencies	2.6	1.5
Total	**418.9**	**379.0**

Note 15 Equity investments

Movements in 2017 can be broken down as follows:

(in millions of euros)	31 December 2016	Movements during the year				31 December 2017
		Acquisitions and increases	Disposals and decreases	Foreign exchange differences	Other movements	
Equity investments	34.1	7.1	–	(0.4)	15.4	56.1
Write-downs & impairment losses	(12.9)	–	–	0.4	(0.4)	(12.8)
Net book value (Available-for-sale financial assets)	**21.2**	**7.1**	**–**	**–**	**15.0**	**43.3**

Net equity investments classified as financial assets available for sale notably included the following equity investments at 31 December 2017:

- A €20.4 million interest in Rhythm Pharmaceuticals based on the company's unit share price of $29.06 at that date;
- A €6.9 million interest in Radius Health Inc. based on the company's unit share price of $31.77 at that date. At the 2017 share price, the decrease in the value of the Innobio investment amounted to €2.6 million;
- A €6.6 million investment in the Innobio venture capital fund. At the 2017 share price, the decrease in the value of the Innobio investment amounted to €0.7 million.

Movements in 2016 can be broken down as follows:

(in millions of euros)	31 December 2015	Movements during the year				31 December 2016
		Acquisitions and increases	Disposals and decreases	Foreign exchange differences	Other movements	
Equity investments	42.0	1.0	–	(1.8)	(7.1)	34.1
Write-downs & impairment losses	(16.4)	–	–	1.8	1.7	(12.9)
Net book value (Available-for-sale financial assets)	**25.6**	**1.0**	**–**	**(0.0)**	**(5.5)**	**21.2**

Net equity investments classified as financial assets available for sale notably included the following equity investments at 31 December 2016:

- A €9.5 million interest in Radius Health Inc. based on the company's unit share price of $38.03 at that date. At the 2016 share price, the decrease in the value of the Innobio investment amounted to €5.0 million;
- A €7.3 million investment in the Innobio venture capital fund. At the 2016 share price, the decrease in the value of the Innobio investment amounted to €2.1 million.

Note 16 Investments in companies accounted for using the equity method

At 31 December 2017, the Group owned a 50% interest in Linnea SA, consolidated using the equity method.

At 31 December 2017, the value of Linnea shares on the Group's balance sheet totaled €14.7 million, with Linnea contributing €1.4 million to the Group's net profit. The company paid out €0.9 million in dividends in 2017.

At 31 December 2016, the value of Linnea shares on the Group's balance sheet totaled €15.6 million, with Linnea contributing €1.9 million to the Group's net profit. The company paid out €2.3 million in dividends in 2016.

The information presented below corresponds to the financial statements of Linnea SA, prepared in accordance with Group accounting principles (for amounts taken at 100%).

(in millions of euros)	At 31 December 2017			
	Assets	Liabilities, excluding shareholder's equity	Sales	Net profit (loss) for the year
Linnea SA	36.5	7.1	36.2	2.8
Total	**36.5**	**7.1**	**36.2**	**2.8**

(in millions of euros)	At 31 December 2016			
	Assets	Liabilities, excluding shareholder's equity	Sales	Net profit (loss) for the year
Linnea SA	45.6	14.4	40.6	3.8
Total	**45.6**	**14.4**	**40.6**	**3.8**

Note 17 Other non-current assets

(in millions of euros)	31 December 2017	31 December 2016
Liquidity agreement [1]	2.3	3.8
Deposits paid	2.5	2.9
Other financial assets	–	–
Total other non-current assets (loans, receivables and other) [2]	**4.8**	**6.7**

(1) Changes are due to the liquidity agreement with Natixis Bleichroeder, a subsidiary of Natixis, signed in February 2007 and automatically 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 (value at the transaction date and then tested for impairment on each reporting date).

Note 18 Detail of the change in working capital requirement

18.1 Movements

Movements in 2017 can be broken down as follows:

(in millions of euros)	31 December 2016	Movements during the year						31 December 2017
		Change in w/cap related to operating activities	Change in w/ cap related to investing activities	Change in w/ cap related to financing activities	Changes in consolidation scope	Foreign exchange differences	Other movements	
Inventories (see note 18.2.1.)	113.3	38.2	–	–	20.5	(4.7)	–	167.4
Trade receivables	363.5	84.6	–	–	8.4	(19.1)	(0.2)	437.2
Current tax assets	66.3	(10.0)	–	–	0.1	(1.2)	2.8	58.0
Other current assets (see note 18.2.3)	75.2	16.0	0.2	–	9.8	(2.1)	(2.7)	96.3
WCR assets [1]	**618.3**	**128.8**	**0.2**	**–**	**38.8**	**(27.1)**	**(0.0)**	**758.8**
Trade payables	(241.5)	(77.6)	–	–	(9.0)	9.0	0.1	(319.1)
Current tax liabilities	(4.1)	3.3	–	–	(0.2)	0.3	(1.8)	(2.4)
Other current liabilities (see note 18.2.4)	(226.4)	(33.2)	(20.7)	–	(0.3)	5.7	(15.3)	(290.2)
Other non-current liabilities (see note 18.2.4)	(90.6)	(0.2)	–	–	–	3.4	15.8	(71.7)
WCR liabilities [2]	**(562.6)**	**(107.6)**	**(20.7)**	**–**	**(9.4)**	**18.3**	**(1.3)**	**(683.3)**
Total	**55.7**	**21.2**	**(20.5)**	**–**	**29.3**	**(8.8)**	**(1.4)**	**75.5**

(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.

At 31 December 2017, gross trade receivables past due totaled €76.4 million:

(in millions of 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	**76.4**	38.9	12.3	13.2	12.0
Trade receivables - net value	**74.4**	38.5	12.2	13.1	10.7

Changes in "Other non-current liabilities" were due mainly to the recognition of deferred income on payments received from Group partnerships. Within the framework of partnership agreements, the milestone payments received by the Group for these contracts were recognized on a straight-line basis over the life of the contracts. The portion unrecognized as income was recorded as "Other non-current liabilities", if due after 12 months, and as "Other current liabilities" if due within one year.

Movements in 2016 can be broken down as follows:

(in millions of euros)	31 December 2015	Movements during the year						31 December 2016
		Change in w/cap related to operating activities	Change in w/ cap related to investing activities	Change in w/ cap related to financing activities	Changes in consolidation scope	Foreign exchange differences	Other movements	
Inventories (see note 18.2.1.)	107.4	7.7	–	–	–	(1.7)	–	113.3
Trade receivables	311.0	42.7	–	–	–	7.0	2.8	363.5
Current tax assets	82.9	(13.0)	–	–	–	0.1	(3.7)	66.3
Other current assets (see note 18.2.3)	75.6	5.3	(0.6)		–	(1.8)	(3.4)	75.2
WCR assets [1]	**576.9**	**42.6**	**(0.6)**	**–**	**–**	**3.5**	**(4.2)**	**618.3**
Trade payables	(195.1)	(47.6)	–	–	–	1.5	(0.4)	(241.5)
Current tax liabilities	(12.0)	2.5	–	–	–	0.8	4.7	(4.1)
Other current liabilities (see note 18.2.4)	(201.5)	(14.0)	(11.6)	–	–	2.1	(1.4)	(226.4)
Other non-current liabilities (see note 18.2.4)	(124.5)	17.4	–	–	–	10.8	5.7	(90.6)
WCR liabilities [2]	**(533.1)**	**(41.7)**	**(11.6)**	**–**	**–**	**15.2**	**8.5**	**(562.6)**
Total	**43.9**	**0.9**	**(12.2)**	**–**	**–**	**18.7**	**4.3**	**55.7**

(1) Impairment losses on "WCR assets" were not reported due to their immaterial nature. 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.

At 31 December 2016, gross trade receivables past due totaled €52.2 million.

(in millions of 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	**52.2**	34.5	6.3	6.2	5.2
Trade receivables – net value	**50.2**	34.3	6.3	6.0	3.6

Changes in "Other non-current liabilities" were due mainly to the recognition of deferred income on the payments received from Group partnerships. Within the framework of partnership agreements, the milestone payments received by the Group for these contracts were recognized on a straight-line basis over the life of the contracts. The portion unrecognized as income was recorded as "Other non-current liabilities", if due after 12 months, and as "Other current liabilities" if due within one year.

18.2 Breakdown

18.2.1 Inventories

(in millions of euros)	31 December 2017			31 December 2016
	Gross value	Depreciation	Net value	Net value
Raw materials and supplies	51.5	(2.2)	49.4	39.7
Work in progress	63.2	(6.7)	56.5	26.4
Finished goods	66.2	(4.7)	61.5	47.2
Total	**180.9**	**(13.5)**	**167.4**	**113.3**

18.2.2 Current financial assets

At 31 December 2017, current financial assets included derivative instruments totaling €29.6 million, versus €6.6 million at 31 December 2016.

18.2.3 Other current assets

(in millions of euros)	31 December 2017	31 December 2016
Receivables related to the sale of non-current assets	0.2	0.0
Advance payments to suppliers	21.9	15.9
Prepayments	22.9	16.4
Recoverable VAT	43.6	32.4
Other assets	7.7	10.5
Total current assets (loans and receivables) (1)	**96.3**	**75.2**

(1) The fair value of "Loans and receivables" corresponds to the value reported in the balance sheet (value at the transaction date and then tested for impairment on each reporting date).

18.2.4 Other current and non-current liabilities

(in millions of euros)	31 December 2017	31 December 2016
Non-current deferred income	71.7	90.6
Total other non-current liabilities (1)	**71.7**	**90.6**
Amounts due to non-current asset suppliers	56.3	35.9
Employment-related liabilities	142.8	117.8
VAT payable	21.1	13.5
Other current tax liabilities	8.3	6.5
Deferred income	38.8	37.9
Other liabilities	22.8	14.9
Total other current liabilities (1)	**290.2**	**226.4**

(1) The carrying amount of other current and non-current liabilities was deemed to be a reasonable estimation of fair value.

Note 19 Cash and cash equivalents

19.1 Net cash and cash equivalents

19.1.1 Opening net cash and cash equivalents

(in millions of euros)	Consolidated balance sheet at 1 January 2017	Consolidated balance sheet at 1 January 2016
Cash and cash equivalents – assets	425.5	226.1
Bank overdrafts – liabilities	(3.0)	(12.1)
Opening net cash and cash equivalents	**422.5**	**214.0**

19.1.2 Closing net cash and cash equivalents

(in millions of euros)	Consolidated balance sheet at 1 January 2017	Consolidated balance sheet at 1 January 2016
Cash and cash equivalents – assets	228.0	425.5
Bank overdrafts - liabilities	(18.7)	(3.0)
Closing net cash and cash equivalents	**209.3**	**422.5**

19.2 Cash and cash equivalents

(in millions of euros)	31 December 2017	31 December 2016
Interest-bearing deposits	125.5	357.9
Cash and cash equivalents	102.5	67.6
Cash and cash equivalents – assets	**228.0**	**425.5**

Cash equivalents are presented at fair value (market value) and meet IAS 7 – Statement of Cash Flows criteria. They are available immediately and without penalty, subject to a maximum 24-hour notice.

Note 20 Consolidated equity

20.1 Share capital

At 31 December 2017, Ipsen's share capital was comprised of 83,732,057 ordinary shares each with a nominal value of €1, including 47,852,938 shares with double voting rights, compared with 83,557,864 ordinary shares each with a nominal value of €1, including 47,829,011 shares with double voting rights at 31 December 2016.

These changes arose from the issuance of 174,193 new shares following the exercise of warrants in the 2017 financial year.

20.2 Basic earnings per share

Basic earnings per share were calculated on the weighted average number of shares outstanding during the year (see note 3.35).

Movements in the weighted average number of shares outstanding for the two periods reported are shown in note 20.4.

	31 December 2017	31 December 2016
Weighted average number of shares outstanding during the year	82,549,563	82,308,644
Consolidated net profit – attributable to Ipsen S.A. shareholders (in millions of euros)	272.3	225.9
Basic earnings per share (in euros)	**3.30**	**2.74**
Net profit from discontinued operations – attributable to Ipsen S.A. shareholders (in millions of euros)	2.3	0.1
Basic earnings per share, discontinued operations (in euros)	**0.03**	**0.00**
Net profit from continuing operations – attributable to Ipsen S.A. shareholders (in millions of euros)	270.0	225.8
Basic earnings per share, continuing operations (in euros)	**3.27**	**2.74**

20.3 Diluted earnings per share

- **Stock option plans**

At 31 December 2017, all stock option plans were dilutive, as at 31 December 2016.

Share transactions occurring after 31 December 2017 would not significantly modify the number of shares used in calculating earnings per share or diluted earnings per share.

- **Bonus shares**

At 31 December 2017, bonus shares for the plan of 27 March 2014 (foreign tax-resident beneficiaries) – which was free of performance conditions – and the plan of 1 April 2015, 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 2017	31 December 2016
Weighted average number of shares outstanding during the year	83,030,871	82,621,792
Consolidated net profit – attributable to Ipsen S.A. shareholders (in millions of euros)	272.3	225.9
Diluted earnings per share (in euros)	**3.28**	**2.73**
Net profit from discontinued operations – attributable to Ipsen S.A. shareholders (in millions of euros)	2.3	0.1
Diluted earnings per share, discontinued operations (in euros)	**0.03**	**0.00**
Net profit from continuing operations – attributable to Ipsen S.A. shareholders (in millions of euros)	270.0	225.8
Diluted earnings per share, continuing operations (in euros)	**3.25**	**2.73**

20.4 Weighted average number of shares outstanding

20.4.1 Weighted average number of shares outstanding to calculate basic earnings per share

20.4.1.1 Weighted average number of shares at 31 December 2017

	31 December 2017
Number of ordinary shares at 31 December 2016	**83,557,864**
Treasury shares (weighted average number)	(1,101,854)
Impact of options exercised in the 2017 financial year – Stock option plan of 12 December 2006	34,770
Impact of options exercised in the 2017 financial year – Stock option plan of 30 May 2007	20,265
Impact of options exercised in the 2017 financial year – Stock option plan of 12 December 2007	2,411
Impact of options exercised in the 2017 financial year – Stock option plan of 31 March 2010	35,570
Impact of options exercised in the 2017 financial year – Stock option plan of 30 June 2011	538
Weighted average number of shares outstanding at 31 December 2017	**82,549,563**

20.4.1.2 Weighted average number of shares at 31 December 2016

	31 December 2016
Number of ordinary shares at 31 December 2015	**83,245,602**
Treasury shares (weighted average number)	(1,020,492)
Impact of options exercised in the 2016 financial year – Stock option plan of 12 December 2006	25,820
Impact of options exercised in the 2016 financial year – Stock option plan of 30 May 2007	6,320
Impact of options exercised in the 2016 financial year – Stock option plan of 12 December 2007	16,410
Impact of options exercised in the 2016 financial year – Stock option plan of 10 November 2009	3,311
Impact of options exercised in the 2016 financial year – Stock option plan of 31 March 2010	10,085
Impact of options exercised in the 2016 financial year – Stock option plan of 30 June 2011	20,276
Capital increase reserved for employees – 21 July 2016	35,628
Capital decrease – 27 July 2016	(34,317)
Weighted average number of shares outstanding at 31 December 2016	**82,308,644**

20.4.2 Weighted average number of shares outstanding to calculate diluted earnings per share

	31 December 2017	31 December 2016
Weighted average number of shares outstanding to calculate basic earnings per share	**82,549,563**	**82,308,644**
Dilutive effect of stock options	431,945	278,216
Dilutive effect of bonus shares	49,363	34,932
Weighted average number of shares outstanding to calculate diluted earnings per share	**83,030,871**	**82,621,792**

20.5 Dividends paid

Dividends paid by Ipsen SA were as follows:

		31 December 2017	31 December 2016
Dividend payout (in euros)	(a)	70,247,053	69,956,704
Number of shares on the payment date	(b)	82,643,592	82,302,005
Dividend per share (in euros)	**(a) / (b)**	**0,85**	**0,85**

Note 21 Provisions

21.1 Movements

Movements in 2017 can be broken down as follows:

(in millions of euros)	31 December 2016	Movements during the year					31 December 2017
		Charges	Reversals		Foreign exchange differences	Other movements	
			Applied	Released			
Business and operating risks	2.2	7.1	–	(0.3)	(0.1)	–	8.8
Legal risks	15.4	11.6	(1.9)	(2.7)	(0.1)	–	22.3
Restructuring costs	3.2	7.7	(0.7)	(0.9)	(0.0)	–	9.3
Other	28.5	6.6	(24.0)	(0.4)	(1.3)	–	9.5
Total provisions	**49.4**	**32.9**	**(26.6)**	**(4.2)**	**(1.5)**	**–**	**49.9**
- of which current	27.8	12.5	(24.6)	(0.7)	(1.1)	2.8	16.6
- of which non-current	21.6	20.4	(2.0)	(3.5)	(0.4)	(2.8)	33.3

At 31 December 2017, 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 resolve various disagreements of commercial origin whose individual impact was limited.

- **Legal risks**

These provisions included:

– €15.4 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;

– €6.4 million for costs related to labor-related litigation that the Group may incur;

– €0.5 million for various other legal risks.

- **Restructuring costs**

These provisions correspond mainly to costs incurred by the Group to adapt its structure.

- **Other**

At 31 December 2017, a provision was recorded for Group performance-related medium-term bonus plans.

Movements in 2016 can be broken down as follows:

(in millions of euros)	31 December 2015	Movements during the year					31 December 2016
		Charges	Reversals		Foreign exchange differences	Other movements	
			Applied	Released			
Business and operating risks	2.6	0.9	(1.3)	(1.3)	0.1	1.1	2.2
Legal risks	17.3	6.1	(2.6)	(3.4)	0.1	(2.0)	15.4
Restructuring costs	10.3	0.7	(5.2)	(2.6)	–	–	3.2
Other	31.1	20.3	(22.3)	(0.8)	0.2	–	28.5
Total provisions	**61.3**	**28.1**	**(31.5)**	**(8.0)**	**0.3**	**(0.8)**	**49.4**
- of which current	29.9	15.6	(26.8)	(2.5)	0.2	11.5	27.8
- of which non-current	31.4	12.5	(4.6)	(5.5)	0.1	(12.3)	21.6

At 31 December 2016, 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 resolve various disagreements of commercial origin whose individual impact was limited.

- **Legal risks**

These provisions included:

– €10.2 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;

– €4.7 million for costs related to labor-related litigation that the Group may incur;

– €0.5 million for various other legal risks.

- **Restructuring costs**

These provisions correspond mainly to costs incurred by the Group to adapt its structure.

- **Other**

At 31 December 2016, a provision was recorded for Group performance-related medium-term bonus plans approved by the Board of Directors.

21.2 Impact on consolidated income in 2017

In 2017, charges totaling €32.8 million were recognized in Operating income, while charges totaling €0.1 million were recognized in Income taxes.

Released reversals totaling €4.2 million were recognized in Operating income in 2017.

21.3 Impact on consolidated income in 2016

Charges totaling €28.1 million were recognized in Operating income in 2016.

Released reversals totaling €8.0 million were recognized in Operating income in 2016.

Note 22 Bank loans and financial liabilities

22.1 Movements

Movements in bank loans and other financial liabilities between 31 December 2016 and 31 December 2017 were as follows:

(in millions of euros)	31 December 2016	Additions	Repayments	Net change in interest	Other movements [2]	Changes in consolidation scope	Foreign exchange differences	31 December 2017
Bonds and bank loans	297.1	–	–	–	0.4	–	–	297.5
Other financial liabilities [1]	17.8	1.4	(3.3)	0.0	(10.0)	118.9	(22.1)	102.8
Non-current financial liabilities (measured at amortized cost)	**314.8**	**1.4**	**(3.3)**	**0.0**	**(9.6)**	**118.9**	**(22.1)**	**400.3**
Credit lines and bank loans	4.0	46.8	–	–	(4.7)	–	–	46.0
Other financial liabilities	36.3	171.5	–	0.4	24.4	–	(4.6)	228.0
Current financial liabilities (measured at amortized cost)	**40.3**	**218.3**	**–**	**0.4**	**19.7**	**–**	**(4.6)**	**274.0**
Derivative financial instruments	18.2	–	–	–	2.5	–	–	20.7
Current financial liabilities (financial liabilities measured at fair value)	**18.2**	**–**	**–**	**–**	**2.5**	**–**	**–**	**20.7**
Current financial liabilities	**58.6**	**218.3**	**–**	**0.4**	**22.2**	**–**	**(4.6)**	**294.7**
Total financial liabilities	**373.4**	**219.7**	**(3.3)**	**0.4**	**12.6**	**118.9**	**(26.7)**	**695.0**

(1) Additions and repayments of other financial liabilities were related to employee profit sharing. Changes in consolidation scope correspond to financial liabilities recognized as part of acquiring oncology assets from Merrimack Pharmaceuticals (see note 1.1).
(2) The €10.1 million in other movements corresponds to financial liabilities denominated in foreign currencies, while the €2.5 million in other movements corresponds to the change in the fair value of derivative financial instruments used to hedge foreign exchange risk.

On 16 June 2016, Ipsen S.A. issued €300 million in unsecured, seven-year bonds paying an annual interest rate of 1.875%.

In addition, €300 million in depreciable bank loans were contracted with a maximum maturity of 6.5 years beginning June 2016. At 31 December 2017, none of these bank loans had been tapped by the Group.

On 6 June 2017, Ipsen S.A. amended its syndicated loan to increase the facility amount to €600 million euros and to expend its maturity to 17 October 2022. At 31 December 2017, €42 million of this facility had been drawn down.

On 27 June 2017, Ipsen increased its program for issuing commercial paper (NEU CP – Negotiable European Commercial Paper) from €300 million to €600 million. At 31 December 2017, €202 million in NEU CP had been issued.

Movements in bank loans and other financial liabilities between 31 December 2015 and 31 December 2016 were as follows:

(in millions of euros)	31 December 2015	Additions	Repayments	Net change in interest	Other movements	Changes in consolidation scope	Foreign exchange differences	31 December 2016
Bonds and bank loans	–	296.8	–	–	0.2	–	–	297.1
Other financial liabilities [1]	20.6	1.1	(3.1)	0.0	(0.4)	–	(0.4)	17.8
Non-current financial liabilities (measured at amortized cost)	**20.6**	**297.9**	**(3.1)**	**0.0**	**(0.1)**	**–**	**(0.4)**	**314.8**
Credit lines and bank loans	4.0	–	–	–	–	–	–	4.0
Other financial liabilities	2.5	30.0	(0.8)	3.1	1.5	–	(0.0)	36.3
Current financial liabilities (measured at amortized cost)	**6.5**	**30.0**	**(0.8)**	**3.1**	**1.5**	**–**	**(0.0)**	**40.3**
Derivative financial instruments	4.5	–	–	–	13.7	–	–	18.2
Current financial liabilities (financial liabilities measured at fair value) [2]	**4.5**	**–**	**–**	**–**	**13.7**	**–**	**–**	**18.2**
Current financial liabilities	**11.0**	**30.0**	**(0.8)**	**3.1**	**15.3**	**–**	**(0.0)**	**58.6**
Total financial liabilities	**31.6**	**327.9**	**(3.9)**	**3.1**	**15.1**	**–**	**(0.4)**	**373.4**

(1) Additions and repayments of other financial liabilities were related to employee profit sharing.
(2) The €13.7 million in other movements corresponds to the change in the fair value of derivative financial instruments used to hedge foreign exchange risk.

22.2 Breakdown by maturity and currency

At 31 December 2017, the Group had issued €300 million in bonds maturing on 16 June 2023. Ipsen had also at that date tapped $50 million (€42 million) of its syndicated loan maturing 17 October 2022.

The Group's financial debt was denominated entirely in euros in the 2016 financial year.

Note 23 Derivative financial instruments

23.1 Interest rate risk hedging

The Group's net debt consisted primarily of fixed-rate debt following the €300 million bond issue in June 2016. At 31 December 2017, there were no derivative financial instruments for hedging interest rate risk.

23.2 Exchange rate risk hedging

23.2.1 Exposure to exchange rate risk

A share of the Group's business is conducted in countries where the euro, Ipsen'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 U.S. 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 6% or minus 5%.

Several types of risks can be identified:

- Transactional foreign exchange risk related to business activities. The Group has hedged 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.

At 31 December 2017 and 31 December 2016, derivative financial instruments held by the Group broke down as follows:

(in millions of euros)	31 December 2017	31 December 2016
Put forward contracts	25.7	(15.3)
Seller at maturity foreign exchange swaps	(0.1)	(0.7)
Call forward contracts	(13.3)	5.1
Call option contracts	0.3	–
Buyer at maturity foreign exchange swaps	0.0	0.2
Sales transactions	**12.7**	**(10.7)**
Financial transactions	**1.1**	**(0.9)**
Total net position	**13.8**	**(11.6)**

23.2.2 Transactional foreign exchange risk

The Group's hedging policy is aimed a protecting Operating income from foreign exchange rate fluctuations vis-à-vis 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.

To reduce its exposure to foreign exchange rate fluctuations, Ipsen 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's policy and practices preclude carrying out derivative financial instrument transactions for speculative gain.

23.2.3 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.

23.3 Derivative financial instruments reported in the balance sheet

Derivative financial instruments reported in the balance sheet at 31 December 2017 and 2016:

(in millions of euros)	31 December 2017		31 December 2016	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Market value of currency instruments	34.5	20.7	6.6	18.2
Total	**34.5**	**20.7**	**6.6**	**18.2**

Note 24 Financial instruments reported in the balance sheet

In accordance with the amendments 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.

Financial instruments reported in the balance sheet at 31 December 2017 break down as follows:

(in millions of euros)	31 December 2017		Breakdown by financial instrument class - balance sheet value					Level of fair value		
	Carrying value	Fair value	Fair value through income statement	Available-for-sale financial assets	Loans, eceivables and other liabilities	Liabilities at amortized cost	Derivatives	Level 1	Level 2	Level 3
Equity investments	43.3	43.3	–	43.3	–	–	–	29.3	6.6	7.3
Non-current financial assets	112.7	112.7	–	–	107.8	–	4.9	–	4.9	107.8
Other non-current assets	4.8	4.8	–	–	4.8	–	–	4.8	–	–
Trade and accounts receivable	437.2	437.2	–	–	437.2					
Current financial assets	29.6	29.6	–	–	–	–	29.6	–	29.6	–
Other current assets	96.3	96.3	–	–	96.3	–	–			
Cash and cash equivalents	228.0	228.0	228.0	–	–	–	–	228.0	–	–
ASSETS	**951.8**	**951.8**	**228.0**	**43.3**	**646.0**	**–**	**34.5**	**262.0**	**41.1**	**115.2**
Non-current financial liabilities	400.3	412.7	–	–	–	400.3	–	309.9	4.3	98.5
Other non-current liabilities	71.7	71.7	–	–	71.7	–	–			
Current financial liabilities	294.7	294.7	–	–	–	274.0	20.7	251.1	22.7	21.0
Trade payables	319.1	319.1	–	–	319.1	–	–			
Other current liabilities	290.2	290.2	–	–	290.2	–	–			
Bank overdrafts	18.7	18.7	–	–	–	18.7	–	18.7	–	–
LIABILITIES	**1,394.7**	**1,407.1**	**–**	**–**	**680.9**	**693.1**	**20.7**	**579.7**	**26.9**	**119.5**

Financial instruments reported in the balance sheet at 31 December 2016 break down as follows:

(in millions of euros)	31 December 2016		Breakdown by financial instrument class - balance sheet value					Level of fair value		
	Carrying value	Fair value	Fair value through income statement	Available-for-sale financial assets	Loans, eceivables and other liabilities	Liabilities at amortized cost	Derivatives	Level 1	Level 2	Level 3
Equity investments	21.2	21.2	–	21.2	–	–	–	11.9	7.3	2.0
Non-current financial assets	0.2	0.2	–	–	0.2	–	–	–	–	0.2
Other non-current assets	6.7	6.7	–	–	6.7	–	–	6.7		–
Trade and accounts receivable	363.5	363.5	–	–	363.5					
Current financial assets	6.6	6.6	–	–	–	–	6.6	–	6.6	–
Other current assets	75.2	75.2	–	–	75.2	–	–			
Cash and cash equivalents	425.5	425.5	425.5	–	–	–	–	425.5	–	–
ASSETS	**898.9**	**898.9**	**425.5**	**21.2**	**445.5**	**–**	**6.6**	**444.0**	**13.9**	**2.2**
Non-current financial liabilities	314.8	323.0	–	–	–	314.8	–	305.2	5.1	12.7
Other non-current liabilities	90.6	90.6	–	–	90.6	–	–			
Current financial liabilities	58.6	58.6	–	–	–	40.3	18.2	4.0	54.6	–
Trade payables	241.5	241.5	–	–	241.5	–	–			
Other current liabilities	226.4	226.4	–	–	226.4	–	–			
Bank overdrafts	3.0	3.0	–	–	–	3.0	–	3.0	–	–
LIABILITIES	**935.0**	**943.1**	**–**	**–**	**558.6**	**358.1**	**18.2**	**312.2**	**59.7**	**12.7**

Note 25 Information on proportionally consolidated entities

25.1 Balance sheet items

25.1.1 Balance sheet at 31 December 2017

(in millions of euros)	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Companies				
Cara Partners	8.9	11.3	6.1	5.6
Garnay Inc.	2.4	0.2	(0.0)	0.0
Saint-Jean d'Illac S.C.A.	2.2	0.3	0.1	0.1
Wallingstown Company	2.5	6.6	–	0.4
Wallingstown Company Ltd	–	–	–	–
Total	**16.0**	**18.4**	**6.1**	**6.1**

25.1.2 Balance sheet at 31 December 2016

(in millions of euros)	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Companies				
Cara Partners	8.2	10.8	6.9	5.5
Garnay Inc.	2.1	0.1	–	0.0
Saint-Jean d'Illac S.C.A.	1.9	1.1	0.1	0.2
Wallingstown Company	1.5	6.5	–	0.1
Wallingstown Company Ltd	–	–	–	–
Total	**13.7**	**18.5**	**6.9**	**5.8**

25.2 Income statement items

25.2.1 Income statement at 31 December 2017

(in millions of euros)	Sales	Operating expenses	Share of net profit (loss)
Companies			
Cara Partners	4.2	(2.1)	1.9
Garnay Inc.	0.3	(0.1)	0.1
Saint-Jean d'Illac S.C.A.	0.2	(1.2)	(0.6)
Wallingstown Company	11.3	(9.7)	1.6
Wallingstown Company Ltd	–	–	–
Total	**16.0**	**(13.1)**	**2.9**

25.2.2 Income statement at 31 December 2016

(in millions of euros)	Sales	Operating expenses	Share of net profit (loss)
Companies			
Cara Partners	4.5	(1.6)	2.7
Garnay Inc.	0.1	(0.4)	–
Saint-Jean d'Illac S.C.A.	0.2	1.0	0.9
Wallingstown Company	11.9	(8.9)	3.0
Wallingstown Company Ltd	–	–	–
Total	**16.7**	**(9.9)**	**6.7**

Note 26 Information on related parties

26.1 Director and executive compensation

In 2017, the total compensation paid to Board and Executive Leadership Team members amounted to €15.4 million, of which €2.0 million were paid to members of the Board of Directors and €13.4 million were paid to members of the Executive Leadership Team.

Pension and similar benefits for Board members and members of the Executive Leadership Team came to €12.7 million at 31 December 2017, with a total of €2.8 million paid to members of the Board of Directors and €9.9 million paid to Executive Leadership Team members.

On 8 July 2016, the Board of Directors set the compensation terms and conditions for the corporate mandates of the Chairman of the Board of Directors and the Chief Executive Officer, with a targeted bonus subject to performance conditions.

The Chairman and the Chief Executive Officer benefit from the Company's current complementary retirement benefits.

In addition, the Board is obligated – under certain conditions – to pay a departure package equal to 24 months of the Chairman's and the Chief Executive Officer's fixed compensation under their corporate mandates.

26.2 Transactions with related parties

26.2.1 In the income statement at 31 December 2017

(in millions of euros)	Income	Operating expenses
Proportionately consolidated companies [1]	6.7	(10.5)
Associated companies [1]	–	–
Companies over which the Group's executive officers exercise significant influence [2]	–	(0.1)
Total	**6.7**	**(10.6)**

(1) The Group's relationship with Schwabe was formalized in a cooperation agreement signed on 27 July 2005 concerning:
- 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.

(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 income statement at 31 December 2016

(in millions of euros)	Income	Operating expenses
Proportionately consolidated companies [1]	6.1	(9.7)
Associated companies [1]	–	–
Companies over which the Group's executive officers exercise significant influence [2]	–	(0.1)
Total	**6.1**	**(9.8)**

(1) See note 26.2.1.

26.2.3 On the balance sheet at 31 December 2017

(in millions of euros)	Loans and receivables	Trade receivables	Bank loans/ Debt	Trade payables
Proportionately consolidated companies [1]	11.2	3.5	0.7	4.7
Total gross	**11.2**	**3.5**	**0.7**	**4.7**
Provisions for doubtful accounts receivables	–	–	–	–
Total (net of write-offs)	**11.2**	**3.5**	**0.7**	**4.7**

(1) See note 26.2.1.

26.2.4 On the balance sheet at 31 December 2016

(in millions of euros)	Loans and receivables	Trade receivables	Bank loans/ Debt	Trade payables
Proportionately consolidated companies [1]	8.7	3.0	–	4.3
Total gross	**8.7**	**3.0**	**–**	**4.3**
Provisions for doubtful accounts receivables	–	–	–	–
Total (net of write-offs)	**8.7**	**3.0**	**–**	**4.3**

(1) See note 26.2.1.

26.2.5 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 2017.

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 amounts presented below correspond to the maximum amounts that may be owed (commitments given) or received (commitments received), if all the conditions have been met.

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 millions of euros)	31 December 2017
Key agreements in oncology	670.9
Key agreements in endocrinology	150.7
Key agreements in neurology	107.1
Key agreements in Consumer Healthcare	18.7
Total	**947.4**

At 31 December 2017, commitments given by the Group and related to key agreements in oncology totaled €670.9 million, versus commitments of 806.4 million at 31 December 2016. Milestone payments that could be made to Exelixis accounted for €634.7 million of that amount.

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 millions of euros)	31 December 2017
Key agreements in oncology	18.3
Key agreements in endocrinology	96.3
Key agreements in neurology	28.0
Key agreements in Consumer Healthcare	67.6
Key agreements in haematology	155.5
Total	**365.7**

27.2 Financial commitments

The Ipsen Group has subscribed to a worldwide 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 €10.0 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 on 2 May 2017 issued a letter of guarantee payable upon first demand in favor of the third-party insurer for a total amount of €9.0 million. The first-demand guarantee is renewable annually.

Further, the Group owns a 50% interest in a Swiss company, consolidated using the equity method, that subscribed to two credit lines totaling CHF10.0 million, half of which is backed by a general assignment of receivables. The credit lines were drawn on during the year on an ad-hoc and limited basis.

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 3.26.

Most of the questions raised by these claims are complex and are 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 €12.8 million at 31 December 2017, and were broken down as follows:

(in millions of euros)	Maturity			Total
	Less than one year	From one to five years	Over five years	
Industrial assets	11.1	0.1	–	**11.2**
Research and development assets	1.6	–	–	**1.6**
Total	**12.7**	**0.1**	**–**	**12.8**

27.5.2 Commitments related to rental agreements

The total amount of future rent payments due in respect of agreements for rented premises amounted to €167.4 million at 31 December 2017, compared with €153.2 million at 31 December 2016.

Due dates are as follows:

(in millions of euros)	31 December 2017	31 December 2016
Less than one year	25.1	26.2
From one to five years	78.0	57.3
Over five years	64.3	69.7
Total	**167.4**	**153.2**

At 31 December 2017, rental lease-related commitments stemmed primarily from the Group's Boulogne headquarters, the buildings rented by the UK subsidiary Ipsen Biopharm Ltd and the building rented by the U.S. subsidiary Ipsen Bioscience, Inc.

At 31 December 2017, Ipsen had no future rent payments due in respect of sub-leased rental premises, compared to €2.5 million at 31 December 2016.

27.5.3 Risk of acceleration of borrowings

The Group's exposure to this risk is described in note 22.1.

At 31 December 2017, no commitment or contingent liability had been contracted that could significantly affect the assessment of the consolidated financial statements.

27.5.4 Endorsements, pledges and guarantees given

Total guarantees given came to €21.9 million at 31 December 2017. These commitments correspond primarily to guarantees given to government authorities to participate in calls for tender.

27.5.5 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 2017, those commitment totaled €87.2 million.

Note 28 Post closing events with no impact on the consolidated financial statements at 31 December 2017

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 Ipsen S.A.'s consolidated financial statements themselves or make it necessary to mention such an event in the notes to the consolidated financial statements.

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 2017 and 31 December 2016.

29.1 Fully consolidated companies

Name and legal form	Country	Registered office	31 December 2017	31 December 2016
			% interest	% interest
Ipsen S.A. (Parent Company)	France	Boulogne	100	100
BB et Cie S.A.S.	France	Boulogne	100	100
Beaufour-Ipsen Industrie S.A.S.	France	Dreux	100	100
Ipsen Innovation S.A.S.	France	Les Ulis	100	100
Ipsen Pharma S.A.S.	France	Boulogne	100	100
Suraypharm S.A.S.	France	Boulogne	–	100
Sutrepa S.A.S.	France	Boulogne	100	100
Ipsen Pharma Biotech S.A.S.	France	Signes	100	100
Ipsen Pharma GmbH	Germany	Ettlingen	100	100
OctreoPharm Sciences GmbH	Germany	Berlin	100	100
Ipsen Pty Ltd	Australia	Glen Waverley	100	100
Ipsen N.V.	Belgium	Gand	100	100
Beaufour Ipsen Farmaceutica LTDA	Brazil	Sao Paulo	100	100
Ipsen Biopharmaceuticals Canada Inc.	Canada	Mississauga	100	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	Seoul	100	100
Ipsen Pharma S.A.	Spain	Barcelona	100	100
Ipsen Biopharmaceuticals Inc.	United States	Massachusetts	100	100
Ipsen Bioscience Inc.	United States	New Jersey	100	100
Ipsen Epe	Greece	Athens	80	80
Elsegundo Ltd	Ireland	Cork	100	100
Ipsen Manufacturing Ireland Ltd	Ireland	Dublin	100	100
Ipsen Pharmaceuticals Ltd	Ireland	Dublin	100	100
Ipsen S.p.A.	Italy	Milan	100	100
Ipsen – Akkadeas Pharma S.r.l	Italy	Milan	49	–
Ipsen Ré S.A.	Luxembourg	Luxembourg	100	100
Ipsen Mexico S. de R.L. de C.V.	Mexico	Mexico City	100	100
Ipsen Farmaceutica B.V.	Netherlands	Hoofddorp	100	100
Ipsen Poland LLC	Poland	Warsaw	100	100
Ipsen Portugal – Produtos Farmaceuticos S.A.	Portugal	Lisbon	100	100
Ipsen Ltd	United Kingdom	London	100	100
Ipsen BioInnovation Ltd	United Kingdom	Oxford	100	100
Ipsen Biopharm Ltd	United Kingdom	Wrexham	100	100
Ipsen Developments Ltd	United Kingdom	Berkshire	100	100
Sterix Ltd	United Kingdom	London	100	100
Ipsen OOO	Russia	Moscow	100	100
Ipsen Pharma Singapore PTE. Ltd	Sweden	Kista	100	100
Institut Produits Synthèse (Ipsen) AB	Singapore	Singapore	100	100
Ipsen Pharma Tunisie S.A.R.L.	Tunisia	Tunis	100	100
Ipsen Ukraine services LLC	Ukraine	Kiev	100	100

29.2 Proportionally consolidated companies

Name and legal form	Country	Registered office	31 December 2017	31 December 2016
			% interest	% interest
Garnay Inc.	United States	South Carolina	50	50
Saint-Jean d'Illac S.C.A.	France	Boulogne	50	50
Cara Partners	Ireland	Cork	50	50
Perechin Unlimited Company	Ireland	Cork	50	50
Portpirie Unlimited Company	Ireland	Cork	50	50
Wallingstown Company	Ireland	Cork	50	50
Wallingstown Company Ltd	Ireland	Cork	50	50

29.3 Companies consolidated using the equity method

Name and legal form	Country	Registered office	31 December 2017	31 December 2016
			% interest	% interest
Linnea SA	Switzerland	Riazzino	50	50

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		%	
	2017	2016	2017	2016	2017	2016	2017	2016
Certification and limited interim review of separate and consolidated financial statements								
Issuer	*244*	*181*	*34%*	*26%*	*213*	*152*	*27%*	*20%*
Fully consolidated subsidiaries	*479*	*413*	*66%*	*60%*	*517*	*467*	*65%*	*62%*
Sub-total	**723**	**594**	**100%**	**86%**	**730**	**619**	**92%**	**83%**
Services other than the certification of the financial statements (1)								
Issuer	–	*98*	–	*14%*	*33*	*75*	*4%*	*10%*
Fully consolidated subsidiaries	–	–	–	–	*29*	*56*	*4%*	*7%*
Sub-total	**–**	**98**	**–**	**14%**	**62**	**131**	**8%**	**17%**
Total	**723**	**692**	**100%**	**100%**	**792**	**750**	**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 included 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 free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.
The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.
This report also includes information relating to the specific verification of information given in the Group's management report.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Ipsen S.A.

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

Statutory Auditors' report on the consolidated financial statements

Year ended 31 December 2017

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

Opinion

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

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

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

Basis for the opinion

Audit standards

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

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

Independence

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

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

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

Justification of the assessment – Key points of the audit

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

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

Accounting of the acquisition of oncology assets from Merrimack Pharmaceuticals

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

Identified risk

As part of its development, in April 2017 the Group acquired assets from Merrimack Pharmaceuticals, in particular in oncology in the United States, in the amount of 546.3 million euros. This transaction was analysed, with regard to the revised IFRS 3 standard, as a business combination, and led the group in particular to recognise intangible assets in the amount of 466.6 million euros, for

intellectual property and rights to acquired royalties, a financial asset of 122.6 million euros and a financial liability of 118.9 million euros for the additional payments that may take place based on the achievement of key development and sales steps, in addition to goodwill in the amount of 45.7 million euros.

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

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

Audit procedures implemented with regard to the identified risk

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

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

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

Assessment of the recoverable amount of licences

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

Identified risk

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

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

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

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

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

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

Audit procedures implemented with regard to the identified risk

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

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

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

Evaluation of deferred tax assets recognised in the United States

Notes 3.34, 10.2 and 10.3 to the consolidated financial statements

Risk identified

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

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

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

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

Audit procedures implemented with regard to the identified risk

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

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

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

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

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

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

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

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

Information resulting from other legal and regulatory obligations

Appointment of the statutory auditors

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

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

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

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

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

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

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

Objective and audit approach

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

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

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

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

Furthermore:

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

Audit Committee Report

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

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

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

The Statutory Auditors

Paris La Défense, 14 February 2018

KPMG Audit
Department of KPMG S.A.

Catherine Porta
Partner

Cédric Adens
Partner

Neuilly-sur-Seine, 14 February 2018

Deloitte & Associés

Jean Marie Le Guiner
Partner

3.3 COMPANY FINANCIAL STATEMENTS 2017

3.3.1 Summary document

Balance sheet at 31 December 2017

Assets (in millions of euros)	31 December 2017			31 December 2016
	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	1,167.5		1,167.5	1,167.5
- Loans	483.7		483.7	0.0
- Other financial assets	9.5	0.1	9.4	9.5
Non-current assets	**1,660.9**	**0.1**	**1,660.9**	**1,177.2**
Receivables				
- Advances and down-payments to suppliers	0.0		0.0	0.5
- Trade and accounts receivables	15.0		15.0	14.1
- Other receivables	45.0		45.0	216.8
Other				
- Short-term investments	65.0	1.4	63.6	54.3
- Cash and cash equivalents	65.4		65.4	110.1
- Prepayments	0.0		0.0	0.0
Current assets	**190.4**	**1.4**	**189.1**	**395.8**
Debt issuance costs to be amortized	**3.0**		**3.0**	**3.0**
- Bond redemption premium	**1.5**		**1.5**	**1.8**
Unrealized losses on foreign exchange	**14.3**		**14.3**	**0.0**
Total assets	**1,870.2**	**1.4**	**1,868.8**	**1,577.7**

Liabilities and shareholders' equity (in millions of euros)	31 December 2017	31 December 2016
Share capital	83.7	83.6
Paid-in capital	739.1	732.9
Legal reserve	44.7	44.7
Other reserves	94.4	94.4
Retained earnings	158.9	253.4
Net profit (loss) for the period	(17.4)	(24.3)
Regulated provisions	0.0	0.0
Equity	**1,103.5**	**1,184.7**
Provisions for contingencies	20.5	13.7
Provisions for losses	0.7	7.4
Provisions for contingencies and losses	**21.3**	**21.1**
Other bonds	303.1	303.1
Bank borrowings	42.5	0.0
Sundry borrowings and financial liabilities	201.6	30.3
Trade and accounts payable	5.1	1.3
Taxes payable and payroll and payroll on-cost amounts payable	12.1	10.6
Amounts due to non-current asset suppliers	0.7	1.6
Other liabilities	173.9	25.1
Cash instruments	0.4	0.0
Deferred income	0.0	0.0
Debts	**739.4**	**371.9**
Unrealized gains on foreign exchange	4.7	0.0
Total equity & liabilities	**1,868.8**	**1,577.7**

Income statement at 31 December 2017

(in millions of euros)	31 December 2017	31 December 2016
Sales of merchandise	–	–
Production sold - services	20.1	18.2
Net sales	**20.1**	**18.2**
Reversal of depreciation, amortization & provisions, expense transfers	17.6	22.5
Other revenues	–	–
Operating income	**37.6**	**40.8**
Other purchases and external charges	(9.7)	(5.2)
Taxes and duties	(1.1)	(2.6)
Wages and salaries	(20.7)	(22.9)
Payroll on-costs	(7.6)	(8.4)
Depreciation expense on fixed assets	(0.6)	(0.4)
Provision expense on fixed assets	–	–
Provision expense for contingencies and losses	(13.4)	(13.1)
Miscellaneous operating expenses	(1.0)	(0.9)
Operating expenses	**(54.1)**	**(53.7)**
Operating profit (loss)	**(16.5)**	**(12.9)**
Financial income from participating interests	0.5	1.6
Income from other non-current receivables	7.0	–
Other interest and similar income	1.7	0.1
Reversal of provisions and transfer of extraordinary expense	–	47.2
Foreign exchange gains	18.0	0.0
Financial income	**27.1**	**48.8**
Depreciation, amortization and provision charges	(1.7)	(0.1)
Interest and other financial expenses	(10.7)	(3.9)
Foreign exchange losses	(21.7)	(0.0)
Financial expense	**(34.1)**	**(4.1)**
Net financial income (expense)	**(6.9)**	**44.7**
Pre-tax profit (loss) on ordinary activities	**(23.4)**	**31.8**
Extraordinary income from operations	–	–
Extraordinary income from capital transactions	0.5	85.4
Reversal of provisions and transfer of extraordinary expense	–	0.0
Extraordinary income	**0.5**	**85.4**
Extraordinary expense from operations	–	–
Extraordinary expense from capital transactions	(7.1)	(142.5)
Depreciation, amortization and provision charges	–	–
Extraordinary expenses)	**(7.1)**	**(142.5)**
Net extraordinary income (expense)	**(6.6)**	**(57.1)**
Employee profit-sharing	–	–
Income tax income (expense)	12.6	1.0
Net profit (loss) for the year	**(17.4)**	**(24.3)**

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 2017. The total balance sheet amount comes to €1,868.8 million, while the income statement shows a net loss of €17.4 million for the period. Had the Company been taxed separately, its net loss for tax purposes would have totaled €23.3 million.

The reporting period covers the 12-month period from 1 January to 31 December 2017.

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 Oncology Assets from Merrimack Pharmaceuticals

On 3 April 2017, Ipsen completed the acquisition of Merrimack Pharmaceuticals' global oncology assets, including its key marketed product Onivyde® for the treatment of patients with metastatic adenocarcinoma of the pancreas. In accordance with the terms of the agreement announced on 8 January 2017, Ipsen gained the exclusive commercialization rights for the current and potential future Onivyde® indications in the U.S., as well as the current licensing agreements with Shire for commercialization rights ex-U.S. and PharmaEngine for Taiwan. The transaction also included Merrimack's commercial and manufacturing infrastructure, and generic doxorubicin HCl liposome injection.

Under the terms of the agreement, Ipsen paid $580 million to Merrimack upfront and could pay up to $450 million more if potential additional indications for Onivyde® win approval in the U.S. The transaction was fully financed by Ipsen's existing cash and lines of credit.

1.2 Share repurchasing program

On 8 June 2017, Ipsen announced that it had granted Natixis a mandate to purchase 160,000, Ipsen S.A. shares, representing 0.2% 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 bonus share plans. The buyback program was in line with the authorizations granted by the Combined Shareholder's Meeting of 7 June 2017.

The program ended on 08 August 2017.

Under the program, the Company repurchased 160,000 shares for a total €18.1 million in the year ended 31 December 2017.

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°2014-03 approved by the Order of 8 September 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, an impairment provision 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.

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 provisions of the French Commercial Code, net assets and liabilities arising from these obligations are 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, in keeping with the advice 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 loses 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.

Ipsen does not return the tax savings contributed by loss-generating subsidiaries after they return to profitability.

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 2016	Increases	Decreases	31 December 2017
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 2017.

3.1.2 Financial investments

- Change in gross amounts

(in millions of euros)		31 December 2016	Increases	Decreases	31 December 2017
Equity investments - shares	**Note 3.1.3**	**1,167.5**	**0.0**	**0.0**	**1,167.5**
Loans		0.0	483.7	0.0	483.7
FPCI - Private equity professional fund		5.0	–	–	5.0
Company shares / liquidity agreement		0.5	34.0	(32.5)	2.0
Liquidity agreement		4.0	32.4	(34.0)	2.5
Total other financial assets	**Note 3.1.4**	**9.5**	**550.2**	**(66.4)**	**493.2**
Total financial assets		**1,177.0**	**550.2**	**(66.4)**	**1,660.7**

- Change in write-downs

(in millions of euros)	31 December 2016	Increases	Decreases	31 December 2017
Equity investments - shares	–	–	–	–
Company shares	–	–	–	–
Liquidity agreement	–	0.1	–	0.1
Other financial assets	–	–	–	–
Total	**–**	**0.1**	**–**	**0.1**

3.1.3 Equity investments

Information about subsidiaries and affiliates is disclosed in the subsidiaries and affiliates table (note 6).

3.1.4 Other financial assets

At 31 December 2017, this item broke down as follows:

- €483.7 million in loans, including accrued interest, granted by the Company to various subsidiaries as part of the acquisition of Merrimack Pharmaceuticals' global oncology assets (note 1.1).
- 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 10 tranches amounting to 86% of the shares, or €4.3 million paid from 2009 to 2017, and deferred tranches totaling €0.7 million that will be gradually called by the fund management company. At 31 December 2017, the Company held 2.89% of the fund.
- Company shares held as part of a liquidity agreement entrusted — by a decision taken 22 March 2005 — to Natexis Bleichroder 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 2017, the Company held 19,647 shares with a gross value of €2.0 million and provided €2.4 million in cash under the liquidity agreement.

3.2 Receivables by maturity

(in millions of euros)	Gross amount 2016	Gross amount 2017	of which	
			Less than one year	More than one year
Other financial assets	4.5	4.5	4.5	–
Other trade receivables	14.1	15.0	15.0	–
Personnel and related accounts	–	–	–	–
Social security and other welfare agencies	–	–	–	–
State and other public authorities			–	
- Income tax	53.1	42.2 [(a)]	42.2	–
- Value added tax	0.1	1.0	1.0	–
- Other	0.1	0.1	0.1	–
Group and associated companies	162.8	1.4 [(b)]	1.4	–
Miscellaneous receivables	1.2	0.2	0.2	–
Prepayments	0.0	0.0	0.0	–
TOTAL RECEIVABLES	**236.0**	**64.6**	**64.6**	**–**

(a) The decline in the amount of income tax receivables versus 31 December 2016 stemmed mainly from the repayment of research tax credits received in 2017.
(b) The decrease stems primarily from the current account with Ipsen Pharma SAS, the Group's centralizing cash pooling company, following the acquisition of Merrimack Pharmaceuticals' global oncology assets (note 1.1).

3.3 Short-term investments

The Company holds short-term investments comprised of 1,139,952 of its own shares valued at €65 million.

- Change in short-term investments

(in millions of euros)	31 December 2016	Increases	Decreases	31 December 2017
Gross value	54.3	18.1 [(a)]	(7.4) [(b)]	65.0
Write-downs	–	(1.4)	–	(1.4)
Net value	**54.3**	**16.8**	**(7.4)**	**63.6**

(a) See note 1.2.
(b) The decrease in short-term investments resulted from the allotment of 140,856 bonus shares to beneficiaries of the 29 September 2008 and 30 March 2009 stock option plans, as well as the 28 March 2013 and 1 April 2015 bonus share plans.

3.4 Cash and cash equivalents

At 31 December 2017, 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 2017, debt issuance costs came to €3 million and broke down as follows:

- €1 million arising from the bonds issued by the Company on 16 June 2016 (see note 3.9.2). The €1.3 million in related issuance costs were spread over the duration of the loan, *i.e.* seven years. An amount totaling €0.2 million was expensed for the 2017 financial year.

- €0.4 million arising from the bilateral loan (see note 3.9.2). The €0.5 million in related issuance costs were spread over the duration of the bilateral loan, *i.e.* 6.5 years. An amount totaling €0.1 million was expensed for the 2017 financial year.
- €1.7 million arising from the syndicated loan (see note 3.9.2). Issuance costs totaling €2.7 million were spread over the duration of the loan, for which the initial maturity date of 17 October 2019 was extended to 17 October 2022. An amount totaling €0.3 million was expensed for the 2017 financial year.

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 2016, the balance of the redemption premium remaining on the asset side of the balance sheet came to €1.8 million. The Company expensed amortization of €0.3 million in the 2017 financial year. At 31 December 2017, the balance of the redemption premium remaining on the asset side of the balance sheet totaled €1.5 million.

3.7 Unrealized losses on foreign exchange

At 31 December 2017, unrealized losses on foreign exchange totaled €14.3 million and corresponded to marking intercompany loans denominated in foreign currencies to the exchange rate at the closing date (see note 3.1.4).

3.8 Equity

- Share capital
  - At 31 December 2017, Ipsen's share capital was comprised of 83,732,057 ordinary shares each with a nominal value of €1, including 47,852,938 shares with double voting rights, compared with 83,557,864 ordinary shares each with a nominal value of €1, including 47,829,011 shares with double voting rights at 31 December 2016.
  - The changes during the 2017 financial year included 174,193 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 2016, before allocation of net profit	**83.6**	**29.8**	**703.1**	**44.7**	**94.4**	**253.4**	**(24.3)**	**–**	**1 184.7**
Dividends	–	–	–	–	–	0.8 [(a)]	(71.0)	–	**(70.2)**
Net profit (loss) for the period	–	–	–	–	–	–	(17.4)	–	**(17.4)**
Capital increase	–	–	–	–	–	–	–	–	**0.0**
Capital decrease by Ipsen	–	–	–	–	–	–	–	–	**0.0**
Capital increase from exercised warrants	0.2	–	6.2	–	–	–	–	–	**6.3**
Other movements	–	–	–	–	–	(95.3)	95.3	–	**0.0**
Balance at 31 December 2017, before allocation of net profit	**83.7**	**29.8**	**709.3**	**44.7**	**94.4**	**158.9**	**(17.4)**	**0.0**	**1,103.5**

(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)	2016	Movements during the period				2017
		Charges	Reversals		Other movements	
			Applied	Released		
Provisions for litigation	–	–	–	–	–	–
Other provisions for contingencies	13.7	12.9	(5.6)	(0.5)	–	20.5
- Provisions for contingencies	**13.7**	**12.9**	**(5.6)**	**(0.5)**	**–**	**20.5**
- Provisions for losses	**7.4**	**0.4**	**(7.1)**	**0.0**	**–**	**0.7**
Total	**21.1**	**13.4**	**(12.7)**	**(0.6)**	**–**	**21.2**

At 31 December 2017, provisions for contingencies and losses included the following items:

- Provisions for Group performance-related medium-term bonus plans approved by the Board of Directors;
- Provisions recorded to account for employee bonus-share and stock-option allocation obligations based on services rendered (see notes 1.2 and 2.1.2.4);
- 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 2016	Gross amount 2017	of which		
			Within 1 year	1 to 5 years	Over 5 years
Other bonds	303.1	303.1	3.1	0.0	300.0
Bank borrowings					
– Initially up to one year	0.0	0.0	0.0	–	–
– Initially over one year	–	42.0	–	42.0	–
Sundry borrowings and financial liabilities	30.3	202.0 [(a)]	202.0	0.0	–
Trade payables	1.3	5.1	5.1	–	–
Taxes payable and payroll and payroll on-cost amounts payable					
Personnel and related accounts payable	6.4	6.7	6.7	–	–
Social security and other welfare agency payables	3.1	4.1	4.1	–	–
State and other public authority payables:					
– Income tax	–	–	–	–	–
– Value added tax	0.9	1.2	1.2	–	–
– Other taxes and duties	0.2	0.2	0.2	–	–
Total taxes payable and payroll and payroll on-cost amounts payable	**10.6**	**12.1**	**12.1**	**–**	**–**
Other liabilities					
Amounts payable to fixed asset suppliers and related accounts	1.6	0.7	0.7	–	–
Group and associated companies	24.8	161.0 [(b)]	161.0	–	–
Other liabilities	0.3	13.3 [(c)]	13.3	–	–
Total other liabilities	**26.7**	**175.0**	**175.0**	**–**	**–**
Deferred income	**0.0**	**0.0**	**0.0**		
TOTAL LIABILITIES	**371.9**	**739.4**	**397.3**	**42.1**	**300.0**

(a) Commercial paper issue (see note 3.9.2).
(b) The increase stemmed primarily from the current account with Ipsen Pharma SAS, the Group's centralizing cash pooling company, following the acquisition of Merrimack Pharmaceuticals' global oncology assets (see note 1.1).
(c) The increase resulted mainly from the €12.9 million in gains realized on financial instruments and deferred in the balance sheet at 31 December 2017, in line with regulation n° 2015-05 of 2 July 2015, established the ANC, France's accounting standards authority, relative to forward financial instruments and hedging transactions (see note 2.1.2.7).

3.10.2 Sundry borrowings, financial liabilities and bonds

On 16 June 2016, Ipsen S.A. issued €300 million in unsecured, seven-year bonds paying an annual interest rate of 1.875%. At 31 December 2017, the bonds including accrued interest were recognized as debt in the Company financial statements in the amount of €303.1 million in the "Other bond borrowings" line item.

In addition, €300 million in depreciable bank loans were contracted with a maximum maturity of 6.5 years beginning June 2016. At 31 December 2017, none of these bank loans had been tapped by the Group.

On 6 June 2017, Ipsen S.A. amended its syndicated loan to increase the facility amount to €600 million and to extend its maturity to 17 October 2022. At 31 December 2017, $50 million, or €42 million of the loan had been drawn and the amount recorded in the "Bank borrowings" line item.

On 27 June 2017, Ipsen S.A. increased its program for issuing commercial paper (NEU CP - Negotiable European Commercial Paper) from €300 million to €600 million. At 31 December 2017, €201.6 million in NEU CP had been issued, with the amount recorded in the "Sundry borrowings and financial liabilities" line item.

3.11 Accrued liabilities

(in millions of euros)	2017	2016
Sundry borrowings and financial liabilities	3.5	3.2
Suppliers - invoices not yet received	1.0	0.8
Fixed asset suppliers - invoices not yet received	0.7	1.6
Personnel		
- Accrued liabilities for paid vacation	0.5	0.9
- Accrued liabilities for bonuses	3.1	3.4
- Accrued liabilities for employee profit-sharing	–	0.0
- Accrued liabilities for profit-sharing	0.1	0.1
- Accrued liabilities for retirement indemnities	3.0	1.9
- Accrued social welfare expenses	1.2	1.9
State - Accrued expenses	0.4	0.4
Other accrued expenses and interest on current accounts	–	0.0
TOTAL	**13.5**	**14.2**

3.12 Unrealized gains on foreign exchange

At 31 December 2017, unrealized gains on foreign exchange totaled €4.7 million and corresponded to marking bank borrowings denominated in foreign currencies to the exchange rate at the closing date.

Note 4 Notes to the income statement

4.1 Operating income

Operating income totaled €37.6 million in the 2017 financial year and broke down as follows:

- €17.5 million in personnel expense re-invoiced to subsidiaries,
- €2.6 million in miscellaneous costs re-invoiced to subsidiaries,
- €13.3 million in reversals of provisions for contingencies and losses,
- €4.3 million in expense transfers, including €3.4 million from reclassifying provision charges for contingencies and losses as personnel expense and €0.6 million from debt issuance costs to be amortized (see note 3.5).

4.2 Operating expenses

The €0.4 million increase in operating expenses versus the previous financial year stemmed mainly from:

- The €4.5 million increase in other external charges, primarily related to the re-invoicing of administrative costs,
- The €1.5 million decrease in the “Taxes and duties” line item,
- The €3 million decrease in the “Wages and salaries” and “Payroll on-costs” line items.

4.3 Financial income

(in millions of euros)	2017	2016
Income from equity investments [(a)]	0.5	1.6
Income from other non-current receivables [(b)]	7.0	0.0
Reversal of provisions and expenses transferred [(c)]	0.0	47.2
Other financial income [(d)]	1.7	0.1
Foreign exchange gains [(e)]	18.0	0.0
Total financial income	**27.1**	**48.8**

(a) At 31 December 2017, income from equity investments consisted primarily of payouts from the InnoBio FPCI private equity fund, as was the case at 31 December 2016 (see note 3.1.4).
(b) At 31 December 2017, this line item consisted mainly of interest on loans granted to subsidiaries (see note 3.1.4).
(c) At 31 December 2016, this line item was composed chiefly of reversals of equity investment write-downs on the Ipsen Biopharmaceuticals and Suraypharm S.A.S. subsidiaries.
(d) At 31 December 2017, this line item mainly included other financial income from forward financial instruments, as well as proceeds from commercial paper issues.
(e) At 31 December 2017, this line item primarily consisted of foreign exchange gains related to financial transactions.

4.4 Financial expense

(in millions of euros)	2017	2016
Foreign exchange differences [(a)]	(21.7)	(0.0)
Interest and other financial expenses [(b)]	(10.7)	(3.9)
Depreciation, amortization and provision charges	(1.7)	(0.1)
Total financial expense	**(34.1)**	**(4.1)**

(a) At 31 December 2017, this line item primarily consisted of foreign exchange losses arising from financial transactions.
(b) At 31 December 2017, this line item included €2.9 million in other financial expense from forward financial instruments and €8.2 million in interest on borrowings and bonds (see note 3.9.2).

4.5 Net extraordinary income (expense)

(in millions of euros)	2017	2016
Gains from share buybacks	0.5	0.7
Reversal of provision for investment	–	0.0
Extraordinary income from capital transactions	–	84.8
Extraordinary income	**0.5**	**85.4**
(Losses) from share buybacks	(7.1)	(10.6)
Extraordinary expense from capital transactions	–	(131.9)
Miscellaneous extraordinary expenses	–	–
Extraordinary expenses	**(7.1)**	**(142.5)**
Net extraordinary income (expense)	**(6.6)**	**(57.1)**

Net extraordinary expense for the 2017 financial year resulted mainly from the €6.5 million capital loss realized during the transfer of treasury shares to certain beneficiaries in respect of bonus share plans (see note 3.3).

At 31 December 2016, net extraordinary expense included €47.2 million in asset contributions made by Ipsen S.A. to Ipsen Pharma SAS and the €10 million capital loss realized during the transfer of treasury shares to certain beneficiaries in respect of bonus share plans, stock option plans and the Group's employee savings program.

4.6 Income tax breakdown

The income tax line for the 2017 financial year shows a net gain of €12.6 million, which corresponds to tax consolidation income and the reimbursement of the tax on previously paid dividends.

(in millions of euros)	Pre-tax	Net tax amount	After tax
Profit (loss) on ordinary activities	(23.4)	–	(23.4)
Net extraordinary income (expense) and employee profit-sharing	(6.6)	–	(6.6)
Income tax income from tax consolidation	–	(12.6)	12.6
Book profit (loss)	**(30.0)**	**(12.6)**	**(17.4)**

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 2017.

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 2017 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 2017 financial year totaled €6.3 million.

Retirement pensions and similar benefit obligations for executives and officers came to €3.4 million at 31 December 2017.

5.1.2 Loans and advances to top management.

No advances or loans were made to the Company's top management.

5.2 Transactions with affiliated companies and related parties

5.2.1. Balance sheet

(in millions of euros)	2017	2016
Assets		
Equity investments	1,167.5	1,167.5
Loans	483.7	–
Trade receivables	15.0	14.1
Group and associated companies	1.4	162.8
Other receivables	0.0	–
Total	**1,667.6**	**1,344.4**

(in millions of euros)	2017	2016
Liabilities		
Trade payables	4.0	0.4
Group and associated companies	129.5	–
Other liabilities	31.6	24.9
Total	**165.1**	**25.4**

5.2.2 Financial income and expense

(in millions of euros)	2017	2016
Financial expense with affiliated companies	(0.1)	(0.0)
Financial income with affiliated companies	7.0	0.0
Total	**6.9**	**(0.0)**

5.2.3 Transactions with related parties

There were no material transactions with related parties not concluded in arm's length transactions.

5.3 Average headcount at period closing

	2017	2016
Top and upper management	11	15
Total	**11**	**15**

5.4 Financial commitments

5.4.1 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 2017, obligations arising from retirement bonuses and the supplementary pension plan amounted to €2.1 million and €27.8 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 1.3%,
- 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.
- TH 11-13 mortality table for men and TF 11-13 mortality table for women.

These obligations were outsourced to an insurance company. At 31 December 2017, the fair value of these financial assets came to €1.6 million for the retirement bonuses and the €8.4 million for the supplementary pension plan, assuming a long-term rate of return of 1.3%.

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 2017. A discount rate of 1.30% was assumed to calculate the €0.3 million long-service award obligation.

5.4.2 Commitments given

The Ipsen Group has subscribed to a worldwide 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 €10.0 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 on 2 May 2017 issued a letter of guarantee payable upon first demand in favor of the third-party insurer for a total amount of €9.0 million. The first-demand guarantee is renewable annually.

5.4.3 Commitments on financial instruments

Off-balance sheet commitments corresponding to forward purchases and sales of foreign currencies are presented in note 5.7.

5.5 Share option plans granted by the Company

5.5.1 Details of share option plans

	Plan dated 31 March 2010					Plan dated 30 June 2011	
Tranches	1.1	1.2	1.3	1.4	1.5	1.1	1.2
Date granted by Board of Directors	31/03/2010	31/03/2010	31/03/2010	31/03/2010	31/03/2010	30/06/2011	30/06/2011
Vesting date	31/03/2014	31/03/2014	31/03/2014	31/03/2014	31/03/2014	30/06/2015	30/06/2013
Plan expiration date	31/03/2018	31/03/2018	31/03/2018	31/03/2018	31/03/2018	30/06/2019	30/06/2019
Number of options granted	121,180	123,280	54,330	22,570	40,710	189,703	16,005
Share entitlement per option	1	1	1	1	1	1	1
Exercise price	€36.64	€36.64	€36.64	€36.64	€36.64	€25.01	€25.01
Grant method	Monte Carlo		« Black and Scholes » revised			« Black and Scholes » revised	
Value of shares at grant date	€36.16	€36.16	€36.16	€36.16	€36.16	€24.46	€24.46
Expected volatility	32%	32%	32 %	32%	32%	31%	31%
Average life of option	6	6	6	6	5	6	5
Discount rate	2.62%	2.62%	2.62%	2.62%	2.35%	2.90%	2.72%
Dividends	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Performance condition	oui	oui	non	non	non	oui	non
Fair value per option	**€10.69**	**€10.69**	**€10.71**	**€10.71**	**€9.74**	**€7.12**	**€6.48**

5.5.2 Valuation of plans

(in millions of euros)	Plan dated 31 March 2010	Plan dated 30 June 2011	TOTAL
Opening valuation of active plans at 31 December 2017	3.8	1.5	5.3

5.5.3 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 2017	31 December 2016
Opening balance	**744,771**	**1,142,157**
Options exercised (net of adjustments)	(80,213)	(393,886)
Options adjusted	–	–
Options expired	–	(3,500)
Closing balance	**664,558**	**744,771**

On **29 March 2017**, the Board of Directors granted:

- 13,365 bonus shares to the Chairman and Chief Executive Officer, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 28,275 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,
- 44,070 bonus shares to beneficiaries of its French subsidiaries, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 37,980 bonus shares to beneficiaries of its American subsidiaries, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 28,200 bonus shares to certain beneficiaries of other Group subsidiaries, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity.

On **31 May 2016 and 29 July 2016**, the Board of Directors granted:

- 5,070 bonus shares to the non-executive Chairman, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 10,021 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,
- 48,928 bonus shares to members of the Executive Committee, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 72,208 bonus shares to beneficiaries of its French subsidiaries, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 64,727 bonus shares to beneficiaries of its American subsidiaries, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 41,336 bonus shares to certain beneficiaries of other Group subsidiaries, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity.

5.6.1 Details of Ipsen bonus share plans Ipsen

	Plan dated 27 March 2014				Plan dated 1st April 2015			
Tranches	1.1	1.2	1.3	1.4	1.1	1.2	1.3	1.4
Number of bonus shares	65 018	56 062	19 405	21 685	53 021	47 572	21 484	39 970
Vesting period (in years)	2	2	4	2	2	2	4	2
Value of shares on date granted, before reduction	€29.75	€29.75	€29.75	€29.75	€44.99	€44.99	€44.99	€44.99
Fair value of bonus shares	**€20.01**	**€20.01**	**€21.74**	**€20.01**	**€31.10**	**€31.10**	**€31.24**	**€31.24**

	Plan dated 1st 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**

1.1 Beneficiaries include the Chairman and Chief Executive Officer, the non-executive Chairman, the Deputy CEO, the Chief Executive Officer, Executive Committee members, and Executive Leadership Team members.
1.2 Beneficiaries from the Group's French subsidiaries.
1.3 Beneficiaries outside the Group's French and American subsidiaries.
1.4 Beneficiaries from the Group's American subsidiaries.

5.6.2 Valuation of Ipsen bonus share plans

(in millions of euros)	Plan dated 27 March 2014	Plan dated 1 April 2015	Plan dated 1 June 2016	Plan dated 29 March 2017	TOTAL
Opening valuation	3.1	4.4	10.5	13.3	31.3

5.7 Derivative financial instruments

5.7.1 Interest rate risk hedging

Ipsen S.A.'s net debt consisted primarily of fixed-rate debt following the €300 million bond issue in June 2016. At 31 December 2017, there were no derivative financial instruments for hedging interest rate risk.

5.7.2 Exchange rate risk hedging

USD-denominated borrowings and loans granted expose Ipsen S.A. to financing foreign exchange risk arising from fluctuations in the value of financial liabilities and receivables denominated in currencies other than the Company's functional currency.

Ipsen S.A. hedges its foreign-currency denominated debts and receivables using such financial instruments as forward contracts and currency swaps that match the net amount of the borrowings and loans in USD.

At 31 December 2017, derivative financial instruments held by the Ipsen S.A. broke down as follows:

- USD 196 million in buyer forward contracts,
- USD 148.9 million in seller forward contracts,
- USD 50 million in buyer foreign exchange swaps,
- USD 199.6 million in seller foreign exchange swaps.

At 31 December 2017, the fair value of those financial instruments amounted to a negative €3 million.

At 31 December 2017, realized gains deferred in the balance sheet totaled €12.9 million (see note 3.9.1).

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 endorsements, 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					
1. SUBSIDIARIES												
Sutrepa	€130 K	€213,249 K	64		166,580	€88,816 K	-	-	-	-	€2,553 K	-
Ipsen Pharma	€5 856 K	€598,806 K	100		188,905	€1,078,615 K	-	-	-	€1,207,709 K	€233,534 K	-
Socapharma	€30 K	€(26) K	100		30,000	€30 K	-	-	-	-	€(3) K	-
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 KPLN	6,021 KPLN	1		1	€15 K	-	-	-	-	3,557 KPLN	-

Note 7 Cash flow statement

(in millions of euros)	31 December 2017	31 December 2016
Opening cash and cash equivalents	**110.1**	**5.0**
Net profit	(17.4)	(24.3)
Elimination of income and expense with no impact on cash flow or not used in operating activities	–	–
- Net depreciation, amortization and provision charges	2.4	(4.0)
Cash flow	**(15.0)**	**(28.3)**
Change in working capital requirement related to operating activities	24.5	15.1
Net cash flow from operating activities	**9.5**	**(13.2)**
Acquisition of equity investments	–	–
Disposal of equity investments	–	–
Other cash flows related to financing activities	(483.7)	3.7
Change in working capital related to operating activities	(0.9)	(0.3)
Net cash provided (used) by investment activities	**(484.6)**	**3.4**
Repayment of borrowings	(3.3)	(0.2)
Debt issues	217.1	331.3
Change in share capital	6.3	9.3
Share repurchasing agreement	(10.7)	(7.4)
Dividends paid	(70.2)	(70.0)
Change in working capital related to financing activities	290.8	(148.3)
Net cash provided (used) by financing activities	**430.0**	**114.8**
Changes in cash and cash equivalents	**(45.0)**	**105.0**
Closing cash and cash equivalents	**65.0**	**110.1**

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

Ipsen S.A.

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

Statutory Auditors' Report on the Annual Financial Statements

Year ended 31 December 2017

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

Opinion

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

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

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

Basis for the opinion

Audit standards

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

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

Independence

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

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

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

Justification of the assessments – Key point of the audit

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

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

Assessment of equity investments

Identified risk

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

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

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

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

Audit procedures implemented with regard to the identified risk

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

For the assessments based on historic data:

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

For the assessments based on forecast data:

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

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

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

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

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

Report on corporate governance

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

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

Other information

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

Information resulting from other legal and regulatory obligations

Appointment of the statutory auditor

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

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

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

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

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

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

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

Objective and audit approach

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

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

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

Furthermore:

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

Report to the Audit Committee

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

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

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

The Statutory Auditors

Paris La Défense, 14 February 2018

KPMG Audit
Department of KPMG S.A.

Catherine Porta
Partner

Cédric Adens
Partner

Neuilly-sur-Seine, 14 February 2018

Deloitte & Associés

Jean Marie Le Guiner
Partner

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)	2017	2016
Service delivery	20.1	18.2
Operating income	**20.1**	**18.2**

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)	2017	2016
Net sales	20.1	18.2
Operating losses	(16.5)	(12.9)
Net financial income (expense)	(6.9)	44.7
Profit on ordinary activities	**(23.4)**	**31.8**
Net extraordinary income (expense)	(6.6)	(57.1)
Pre-tax profit	**(30.0)**	**(25.3)**
Income tax - Gain	12.6	1.0
Net profit (loss)	**(17.4)**	**(24.3)**

Operating losses increased by €3.6 million over the performance in 2016 the financial year. The main observations are as follows:

- Re-invoices to the subsidiaries increased by €1.9 million;
- Provision reversals and expense transfers decreased by €4.9 million, due chiefly to the decline in reversed provisions for medium-term bonuses and bonus shares;
- Other external charges increased by €4.5 million, primarily as a result of re-invoicing of administrative costs;
- The "Taxes and duties" line item decreased by €1.5 million;
- The "Wages and salaries" and "Payroll on-costs" line items decreased by €3 million.

Net financial income declined €51.6 million versus the 2016 financial year, primarily due to the reversal in 2016 of equity investment write-downs on shares contributed by the Ipsen Biopharmaceuticals and Suraypharm subsidiaries to Ipsen Pharma SAS.

Net extraordinary expense declined €50.5 million versus the 2016 financial year, primarily due to the reversal in 2016 of equity investment write-downs on shares contributed by the Ipsen Biopharmaceuticals and Suraypharm subsidiaries to Ipsen Pharma SAS.

3.3.4.4 Income tax

At 31 December 2017, the Company reported an income tax gain of €12.6 million, which corresponds to tax consolidation income and the reimbursement of the tax on dividends paid previously.

3.3.4.5 Funding

The cash flow statement disclosed in the notes shows an decrease in cash and cash equivalents at the close of 2017, with decline arising mainly from interest-bearing deposits.

3.3.4.6 Net cash flow from operating activities

The increase observed in net cash flow from operating activities in 2017 stemmed mainly from the decrease in the net loss for the year versus 2016 and the change in operating receivables and liabilities (see notes 3.2, 3.5 to 3.7 and 3.10 to 3.11 to the annual financial statements).

3.3.4.7 Net cash provided (used) by investment activities

The net cash used by investment activities stemmed primarily from the €483.7 million in loans granted by the Company to various subsidiaries (see note 3.14 of the notes to the annual accounts).

3.3.4.8 Net cash provided (used) by financing activities

At 31 December 2017, financing activities generated a net source of funds totaling €430 million, after a generating a net source of funds amounting to €114.8 million at 31 December 2016.

The €213.8 million net increase in debt issues stemmed from the following items:

- €42 million from the bilateral loan issued in May 2017 (see note 3.9.2 to annual financial statements), and
- €171.5 million from the commercial paper drawn at 31 December 2017 (see note 3.9.2 to the annual financial statements).

The €6.3 million increase in equity resulted from a €0.2 million capital increase and a €6.1 million increase in share premiums arising from the issuance of new shares after stock options were exercised (see note 3.8 to the annual financial statements).

The lower €10.7 million in uses of funds from share buyback agreements arose from the following transactions:

- The repurchase by the Company in the 2017 financial year of 160,000 of its own shares totaling €18.1 million, as part of the share buyback program announced by the Company on 8 June 2017 (see note 1.3);
- The allotment of 140,856 bonus shares totaling €7.4 million to beneficiaries of the 29 September 2008 and 30 March 2009 stock option plans, as well as the 28 March 2013 and 1 April 2015 bonus share plans.

In 2017, the Company paid out €70.2 million in dividends, compared with €70 million in 2016.

At 31 December 2017, the Company's current account balance with Group companies showed a credit of €128.8 million, up €290.8 million over a debit current account balance of €162.8 million at 31 December 2016.

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 2017, 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)	2017		2016	
	Sales	Net profit (loss)	Sales	Net profit (loss)
Ipsen Pharma	1,207.7	233.5	1,084.6	178.5
Sutrepa	–	2.6	–	3.4
Socapharma	–	(0.0)	–	(0.0)

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:

(in millions of euros)	Invoices received but not paid at the closing date of the period						Invoices issued but not paid at the closing date of the period					
		Overdue						Overdue				
Late payment tranches	Not past due	1 to 30 days	31 to 60 days	61 to 90 days	Over 91 days	1 day and over total	Not past due	1 to 30 days	31 to 60 days	61 to 90 days	Over 91 days	1 day and over total
Number of invoices	5					2	18					4
Total amount of invoices, incl. VAT	**4.0**				0	**0**	**4.7**		0		0.2	**0.2**
Percentage of invoices, incl. VAT	**100%**	0%	0%	0%	0%	**0%**	**97%**	0%	0%	0%	3%	**3%**
Percentage of total amount of purchases for the period, incl. VAT	**34%**	0%	0%	0%	0%	**0%**						
Percentage of total amount of sales, incl. VAT							**38.5%**	0.0%	0.0%	0.0%	1.3%	**1.3%**
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 2016 financial year came to €17.4 million.

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 euros per share)	Annual dividend payout total (*)	Dividend per share
2015	70,005,861	0.85
2016	70,759,527	0.85
2017	70,247,053	0.85

(*) After cancelling dividends on treasury shares in retained earnings.

3.3.4.17 Company earnings and other financial highlights over the past five years

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

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

4 GROUP'S EMPLOYEES AND ENVIRONMENTAL ISSUES

4.1 HUMAN RESOURCES

4.1.1 Group workforce

At 31 December 2017, 46% of the Group's 5,401 employees were employed outside the major Western European countries.

The following table shows a geographical analysis of Group's employees by function.

Split

	Sales and marketing	Manufacturing and supply	Research and Development	Administration and other	Total
At 31 December 2017					
Major Western European countries (1)	920	957	536	491	**2,904**
Other European countries	314	133	22	51	**520**
North America	302	95	37	65	**499**
Rest of the world (2)	1,282	66	8	122	**1,478**
Total	**2,818**	**1,251**	**603**	**729**	**5,401**
At 31 December 2016					
Major Western European countries (1)	878	899	459	447	**2,683**
Other European countries	292	120	22	49	**483**
North America	236	5	55	52	**348**
Rest of the world (2)	1,203	70	11	109	**1,393**
Total	**2,609**	**1,094**	**547**	**657**	**4,907**

(1) *i.e.*: Germany, Spain, France, Italy and the United Kingdom.
(2) Including Asia.

Structure and trends

The following tables provide an insight into the structure and recent trends in the Group's workforce.

Overall workforce trends

	31 December 2017	31 December 2016
Major Western European countries (1)	2,904	2,683
Other European countries	520	483
North America	499	348
Rest of the world (2)	1,478	1,393
Total	**5,401**	**4,907**

(1) *i.e.*: Germany, Spain, France, Italy and the United Kingdom.
(2) Including Asia.

Analysis of the workforce by type of employment contract (joint ventures non included)

As illustrated by these tables, the Group maintains a high level of permanent jobs.

(As a percentage)	31 December 2017	31 December 2016
Permanent	85%	85%
Non-permanent	15%	15%

Part-time

(As a percentage)	31 December 2017	31 December 2016
Full-time	96%	95%
Part-time	4%	5%

Analysis of the workforce by employment category (joint ventures non included)

	Non Sales force		Sales force[1]	
	Exempt staff	Non-exempt staff	Exempt staff	Non-exempt staff
At 31 December 2017	1,852	1,764	1,345	384
At 31 December 2016	1,607	1,652	1,218	380

(1) "Field" sales force.

Recruitments (joint ventures non included)

	31 December 2017			31 December 2016		
	Total	Of which		Total	Of which	
		Perm	Fixed term		Perm	Fixed term
Major Western European countries [1]	**601**	404	197	**531**	377	154
Other European countries	**111**	62	49	**118**	72	46
North America	**272**	271	1	**109**	107	2
Rest of the world [2]	**488**	189	299	**386**	127	259
Total	**1,472**	**926**	**546**	**1,144**	**683**	**461**

(1) *i.e.*: Germany, Spain, France, Italy and the United Kingdom.
(2) Including Asia.

Termination of employees (joint ventures non included)

	Redundancies, dismissals	Mutual agreement	Resignations, end of fixed-term contracts, seasonal contracts	Retirements, deaths	Total
2017 financial year					
Major Western European countries [1]	66	23	267	24	380
Other European countries	24	1	49	2	76
North America	64	3	59	5	131
Rest of the world [2]	59	45	288	5	397
Total	**213**	**72**	**663**	**36**	**984**
2016 financial year					
Major Western European countries [1]	155	27	228	28	438
Other European countries	16	2	57	1	76
North America	15	–	43	–	58
Rest of the world [2]	45	65	188	2	300
Total	**231**	**94**	**516**	**31**	**872**

(1) *i.e.*: Germany, Spain, France, Italy and the United Kingdom.
(2) Including Asia.

Absenteeism

Absenteeism reasons taken into account: illness, work/journey accident, unjustified absence unpaid.

The following table shows the absenteeism rates by function during the 2017 and 2016 financial years:

	2017 financial year	2016 financial year
Manufacturing and supply chain	4.4%	4.3%
Sales and marketing	1.7%	1.6%
Administration and other	3.0%	2.9%
Research and Development	1.4%	1.9%
Total	**2.5%**	**2.5%**

4.1.2 The Group's Human Resources policy

Ipsen's Human Resources policy is dedicated to supporting and enabling the Group's strategy. The Human Resources team aims at creating the right framework:

- to foster the professional development and growth of all employees through continuous dialogue about their needs and motivations, whilst offering a wide variety of training and development opportunities,
- to promote a culture of agility, results orientation, team spirit and accountability,
- to enhance the employee's engagement through an inclusive environment, a culture of continuous improvement and a competitive compensation policy which rewards their contribution.

Employer branding

- In 2017, we put together the framework to build a new and appealing Employment Value Proposition to attract, motivate and retain our talents. It includes the 5 following key components: Professional Opportunities and Impact, Performance and Recognition, Work Life Balance and Work Environment, Compensation and Benefits.
- Significant investment and effort are made to communicate this message through a wide variety of marketing channels, social media, job fairs and professional events, to our targeted audiences both internally and externally as well as to enhance our presence where potential candidates of interest to our business can be found.
- In 2017, we designed and prepared the launch of an innovative and state-of-the art Human Resources Information System (HRIS) which will provide to our employees and managers an amazing experience.

Recruitment and mobility

In 2017, Ipsen focused the recruitment strategy on supporting the business transformation especially in Specialty Care International and Global Franchises and Research & Development. Continuous improvement of the recruitment and selection process was made to improve the Terms & Conditions of a number of contracts with recruitment agencies resulting in significant process quality gains and cost optimization.

Recruitment

Ipsen's commitment to ensure diversity within its workforce starts with a call to recruit a broad range of profiles and competencies (cf. "Equal opportunities and diversity within the Group"). In 2017, the Group recruited a total of 1,472 new employees, which split as follows: 21% in Manufacturing and supply chain, 11% in Research and Development, 55% in Sales and Marketing and 13% in support functions.

The split by gender of our recruitments (56% women and 44% of men) shows our strong commitment as an equal opportunity employer.

New science-based methodologies such as best psychometric tests, work samples, best interviewing techniques, etc. for selecting the best quality candidates are being deployed across the Group and customized to each job segment.

Once recruited, new employees are welcomed and integrated to Ipsen *via* either local programs at site level, Divisional or Functional events and programs and/or Global Induction sessions for Managers and experienced professionals coupled with the access to numerous resources through our e-learning and communication portal and tools. This year we have significantly improved the offering with a whole suite of online resources grouped into three modules to ensure new joiners get quickly to know who we are, how we conduct business, our culture, and our expectations of our employees.

Internal mobility

Ipsen actively promotes internal mobility both within and across Divisions and Functions as well as geographical. Mobility is key to employees' professional development and to the company's dynamism and multicultural awareness. It enables to offer new career opportunities, increases employees' engagement and contributes to the company's performance improvement overall.

Job vacancies are systematically advertised on the Group's intranet portal. The Talent Review & Planning process in place is an opportunity for our leaders and their supporting HR partners to discuss job opportunities and identify the best candidates available internally.

Development and training

Ipsen constantly aims at providing its employees with effective and efficient development resources adapted to the needs of each employee and the requirements of our business. Our people leaders and professionals at the higher levels of responsibility can find best-market resources to develop their managerial skills on the Ipsen Management Academy, which not only offers high-performance training courses, but also promotes innovative development methodologies such as peer-to-peer exchanges, coaching and mentoring guides, serious game learning, etc.

In addition, the Group has modernized and expanded its training offering through the Ipsen Learning Platform, which combines all our online training resources and management tools in one single information system. Significant investment is also being put to offer an optimal blend of online, face-to-face and innovative resources to fit each segment of our learners' needs and styles.

Talent Review and Planning

In 2017, we renewed our Talent Review & Planning process. We introduced significant changes to increase our leaders' visibility of our foreseen talent needs and gaps as well as to enable proper action planning to fill those gaps either through developing the necessary skills internally or external recruiting.

The Personal Development Meeting (PDM) is a key element of our Employees' Development Process and allows each employee to make an update with his/her manager on the employee's professional experience, skills, motivations, and to identify employee's development areas and professional expectations and interests. It leads to the formalization of an action plan whose implementation is accompanied and advised by our Human Resources experts.

Our revised 4 Action Principles (Agility, Results Orientation, Accountability and Team Spirit) are the foundational behaviors we expect from each of our employees. These Principles are embedded in every people-related management process from recruitment to professional development and performance management.

Individual performance assessment

The Performance Management process is an essential one in the management of people. It is an ongoing process with formal appraisal meetings. The dialogue between the manager and each team member is an opportunity to set clear expectations on the employee's contribution to the Group's strategic objectives.

It provides managers with the means to motivate and encourage their team members to achieve challenging but realistic objectives. The outcome of the goal-setting interview should allow alignment and agreement on the expected performance and the definition of the means to enable the employee to reach them. At year end, it is an opportunity for the employee and the manager to summarize their dialogue throughout the year on the employee's performance and the difficulties they may have encountered.

In 2017, we have carefully prepared the launch in early 2018 of our new Performance Management process, iPERFORM. Simpler, less formulaic, continuous and more integrated with our Professional Development process, iPERFORM aims at providing an effective framework to take every employee's and the company's overall performance to the next level.

Training and development investment

The investment of the Group in training and development in 2017 was in support of both the strategic needs of the company and of the individual performance. The employee's development needs are identified through the performance management process (short-term) and through the Personal Development Meeting (long-term).

In 2017 the number of hours of training per employee was in excess of 24.

Over the past three years, the total number of training hours provided by the Group has been as follows:

Number of hours of training	2017	2016	2015
TOTAL	**128,944**	**127,069**	**112,071**

Equal opportunities and diversity within the Group

The Group endeavors to ensure that all employees benefit from non-discrimination rules which apply in the country they are employed in. At Group level, employment and compensation policies are based on objective criteria and individual performance. Employees are thus given equal opportunities without any discrimination on the basis of race, color, religion, gender, disability, family situation, sexuality, age, nationality or ethnic background.

Certain Group companies have defined equal opportunities policy (United Kingdom), while others have incorporated measures ensuring equal opportunities into their recruitment policy (Poland, Korea) or into more general codes of conduct (Italy).

The average age of employees in the Group is 41.

Split per age (joint ventures non included)

	2017	2016
Under 30 years old	11%	10%
30-50 years old	69%	71%
Over 50 years old	20%	19%

Equal opportunities for men and women

Among the measures implemented within the Group, the most significant one relates to equal opportunities for men and women. Gender equality at Ipsen is founded, for instance, on work-life balance – flexible working hours, part-time working – with no adverse effect on career prospects.

In 2017, Ipsen signed its forth agreement on equal opportunities for men and women in France. In this new agreement, Ipsen included the Quality of life at work policy based on four pillars:

- work-life balance,
- support accountability and empowerment,
- behavior promoting the health and well-being,
- monitoring risky situation and support people in need.

Beyond the legal rules about discriminations due to gender, Ipsen reaffirms that the principles of equal opportunity between all employees constitute a value applicable from hiring throughout the career.

The following table provides an analysis of the number of male and female employees within the Group, per employment category:

(as a percentage)		31 December 2017		31 December 2016	
		Male	Female	Male	Female
Non-field sales force	Exempt staff	14.9%	19.7%	14.6%	18.5%
	Non-exempt staff	12.5%	20.5%	12.9%	21.1%
Field sales force	Exempt staff	12.1%	13.1%	11.5%	13.5%
	Non-exempt staff	2.3%	4.8%	2.3%	5.5%
Total		**41.9%**	**58.1%**	**41%**	**59%**

Integration of disabled workers

Since 2009, Ipsen has been committed to helping disabled workers find their place within the company.

In France, Ipsen has signed in January 2014 a partnership with an association created by the LEEM (Pharmaceutical Companies French Association) to implement an industry-wide agreement regarding disability. This association enables companies to pool and coordinate their efforts and costs in line with four priorities:

- Recruitment;
- Maintain disabled workers in their position: site Human Resources managers and labor doctors anticipate critical situations to enable employees to pursue their professional activity;
- Develop a formal purchasing policy to outsource contracts with centers employing disabled workers;
- Communicate, raise awareness and train: various initiatives are rolled-out on sites to engage employees on this topic and more broadly on Diversity.

Ipsen is also a founding member of the first French Club House, a non-profit organization specialized in helping people with psychical problems.

Employing young and senior workers and transferring knowledge

Ipsen signed in 2017 a new agreement, for a 3-year period, in order to pursue its commitment in France to employing young and senior workers as well as transferring knowledge.

For young workers, it aims at: giving them access to long-term employment; improving their integration in the company; developing their competencies thanks to the experience of more senior colleagues.

For senior workers, it aims at: maintaining their employment; enabling them to transfer their knowledge; helping them prepare and make plans for retirement.

Group's compensation and benefits policy

Compensation and benefits

Ipsen's compensation and benefits philosophy provides a flexible and innovative framework which truly takes care of our people and support our business through three guiding principles:

- Rewards for what matters;
- Ensure external focus and internal consistency;
- Foster high performance results.

These principles are applied in the countries where the Group is established and fit to the local social-economic and legal context.

The compensation structure takes into account external benchmark for the whole Group using the most relevant providers in our industry in each country we operate.

The annual compensation review is the opportunity for the managers to review the remuneration of their team members, based on the performance and the competitiveness. It is deployed according to standard process across the Group.

Based on their level of responsibility, employees are eligible to a variable compensation. This variable policy fosters our will to take performance to the next level and is in line with our business objectives.

Furthermore, a profit sharing agreement was signed in France in 2016 for a three-year duration in order to extend an existing employee savings plan and strengthen the employees' commitment to the Group results ensuring at the same time a solidarity between French entities and the reinforcement of local performance recognition.

Being in the healthcare industry has a specific meaning: we do care about our people in a similar way we want our people to care about patients.

4.2 ENVIRONMENT, HEALTH AND SAFETY

The Environment, Health and Safety (EHS) data presented in this document and originating from the implementation of Ipsen's EHS policy stem from the consolidation of EHS data from all ten sites. They include the activities of the research and development (R&D) centers, those of the production of active substances, and the activities up to and including the final finished products (Perimeter 1). For the most representative indicators of EHS, the perimeter has been extended to integrate the data from commercial offices (Perimeter 2) which are detailed in the methodology notes.

4.2.1 Regulatory Issues

Ipsen's activities are regulated by the applicable environment, health and safety legislation and associated regulation.

In Western Europe, the Ipsen's manufacturing sites and research and development centers are located in countries belonging to the European Union. Within the European Union, environmental and labor legislations have significantly developed since the early 1980s.

Concerning workplace health and safety, Ipsen companies are subject to regulatory requirements to protect the health and safety of employees, particularly through the assessment

of occupational risk. Legislation and regulation in this area are regularly strengthened.

These last years have seen the emergence of new requirements around environment, health and safety in Europe related to the management of chemical hazards, to psychological risks as well as to the environment through the energy consumption and carbon emission impacts as well as through waste management impacts.

Regarding environmental legislation, the sites are covered in 2017 by EU Directive No. 2008/1/CE of 15 January 2008 (Text abrogated by Article 81 of Directive No. 2010/75/EU of the European Parliament and of the Council of 24 November 2010 as of 7 January 2014 => Official Bulletin of European Union L 334 of 17 December 2010) and n° 2010/75/UE of 24 November 2010 related to integrated pollution prevention and control, and industrial emissions.

These directives define a system introducing specific operating procedures (declaration or filing for authorization to operate) and cover all environmental issues potentially facing an industrial site (for example, waste management, environmental discharges, use, handling and storage of toxic and/or hazardous substances). These directives have been and will be enacted progressively in national legislation in every EU member state and their provisions must be observed at each of the Ipsen facilities located in these countries. Furthermore, the European Parliament adopted directive 2004/35 on 24 April 2004 on environmental liability related to the prevention and remediation of environmental damage. The Directive, now enacted in EU member states and in France since August 2008, established "the polluter pays principle" in the case of environmental damages caused by the user's activities.

In France, the requirements in terms of sustainable development have partly been enforced through the publication of decrees related to the laws of the Grenelle Environment on the themes of energy efficiency, reduction of energy consumption, risk management and preservation of health. As part of its commitment to compliance, Ipsen ensures the inclusion of these requirements in its new project development.

The REACH regulation (Registration, Evaluation, Authorization and Restriction of Chemicals) was formally adopted on 1 June 2007. Its aim is to improve the protection of human health and the environment and has been the subject of a detailed analysis by Ipsen. This analysis has enabled Ipsen to control the impact of this regulation on its activities. In order to fully understand and define the risks to our business and put in place appropriate mitigation plans, Ipsen has implemented a governance on REACH in the form of a multi-disciplinary steering committee and a task force with members covering all of our manufacturing activities (both in-house and at contract manufacturers). In addition to mitigating the potential risks, the REACH steering committee and task force have and continue to increase awareness of the regulation and its potential impacts at Ipsen. Finally, Ipsen continues to watch and influence amendments to the regulations, in particular, those concerning substance classification that may impact Ipsen's business or products. The REACH regulatory requirements will conclude the third phase of registration activities in June 2018. Ipsen is ensuring that it meets all the registration requirements that will go into effect at that time.

In 2008, the regulation implementing international recommendations from the Global Harmonization System (GHS) on the labelling of chemical substances was disclosed. This regulation (CE) n° 1272/2008 of 16 December 2008, called Characterization, Labelling and Packaging (CLP) defines the new rules for classification, packaging and labelling of chemical products in Europe. This new system is progressively replacing the pre-existing European CLP system. It is applicable to substances since 1 December 2010. The measures of this regulation concern both chemicals having an effect on the environment and those having an impact on the health and safety of workers. The procedures for implementing this new regulation and its impact on Ipsen's activities have been analyzed. Since 2010, Ipsen ensures that the required notifications of chemical products from Ipsen are in place.

A newly developing area that is being monitored and evaluated internally is the issue concerning Pharmaceuticals in the Environment (PIE). Specific legislation has not yet been developed but Ipsen understands that this is an area that must be managed properly to prevent the impact of our active ingredients on the environment. Actions underway are to evaluate actual emissions from our manufacturing sites for specific peptides to determine if these materials are being released in our waste water discharges. Preliminary monitoring has not detected these materials to date. Further sampling and analyses are planned to ensure that this remains the case.

The regulatory changes concerning chemicals management also appeared in the United States as the OSHA standard 1910.1200 "Hazard Communication Standard" of 26 March 2012 and in China with the Decree n° 7 Chinese Ministry of Environment Protection. These regulations are intended to harmonize device and chemical management based on similar principles to those of REACH and GHS.

In the light of these important European regulatory issues, Ipsen proactively monitors new information concerning EU directives. Ipsen is currently analyzing the impact of regulations with special attention to those regarding energy efficiency, greenhouse gases, substances that deplete the ozone layer, and more generally, on changes in EHS legislation applicable to its business activities.

Given its increasing integration with worldwide trade channels, China has for several years been developing a specific framework of EHS regulations. The manufacturing facility operated by Ipsen in China is thus subject to a set of regulations in this area. The highest Chinese authority for environmental issues is the Ministry of Environmental Protection (EPM) which is leading its local Environmental Protection Bureau (EPB) in each province. Each EPB reports directly to the Ministry as well as to local authorities. The EPB supervises each company according to its relative size, as such; the site in Tianjin is controlled by the Tianjin Huayuan industrial zone EPB. In parallel, the highest authority for safety is the State Administration of Work Safety of the People's Republic of China who has the same organizational system of local branches. Thus, the Huayuan Industrial Zone branch

supervises the Tianjin site regarding worker safety. For work-related health, it is the State Administration of Work Safety of the People's Republic of China which takes into account these activities.

The Cambridge research and development center in the United States is subject to environment, health, and safety legislation and regulations specific to the United States. This framework is, for the most part, similar to the framework in Western European countries. The regulatory system in the USA is based on both the federal and state legislation administered at both levels as well as additional local regional, county and city requirements. Federal authorities are represented by the EPA (Environmental Protection Agency) which develops environmental regulations applicable to industry and by OSHA (Occupational Safety and Health Administration) in charge of developing health and safety regulations to ensure a safe and healthy working environment. The State of Massachusetts, in turn, is responsible for enforcing federal laws, which are interpreted to be the minimum level of requirements, and can make them more stringent. EPA, OSHA and the states conduct inspections to ensure regulatory compliance.

Finally, at the international level, Ipsen watches carefully for events that could have a direct or indirect impact on the various business activities of Ipsen regarding EHS.

4.2.2 EHS Policy

4.2.2.1 Ipsen's EHS policy

In 2017, Ipsen released its updated Environment, Health and Safety (EHS) policy (as shown below). The EHS policy was signed by the Executive Committee including the CEO and his direct reports. The EHS policy focuses on commitment and accountability across Ipsen regarding core EHS principles.

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 53 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 53 EHS 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 (EHS) 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 will achieve certification as an organization to ISO 14001 and OHSAS 18001 by 2017 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 53 EHS 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.

Executive Leadership Team Signatures

4.2.2.2 Ipsen EHS Manual and 2020 Goals

The Ipsen Environment, Health and Safety Management Manual describes the management and operational standards necessary to protect the environment, and to respect and manage health and safety of our employees. The goal of this Manual is to drive continuous improvement in EHS performance at Ipsen and throughout its supply and customer networks.

From an operational perspective, Ipsen's EHS policy is implemented through a rolling EHS strategic plan. This plan drives the development of annual targets which are applicable to all of the Ipsen sites. The EHS strategic plan (2018-2021) was updated and approved by the Ipsen Executive Committee in December 2017 and includes the establishment of a new EHS governance system within the organization, the individual involvement and commitment of each employee, the gradual deployment of EHS objectives to office activities and support functions, risk reduction through targeted programs and better visibility through internal and external communication. An Ipsen Group EHS Council was created consisting of the Executive Committee. This Council meets twice per year to discuss EHS performance and set EHS strategic direction for the next period. In 2017, two Council meetings were held and delivered the revised EHS Policy signed by the Council members and performance against the three 2020 targets designed to demonstrate Ipsen's desire to be best in class with our pharma peers in the EHS area. These targets are as follows:

- Reduce the medicalized accident frequency rate to less than 2.00 by 2020.
- Reduce energy consumption and carbon greenhouse gas emissions (Scope 1 and 2) by 5% by 2020 using 2016 as the baseline.
- Reduce water consumption by 30% by 2020 using 2016 as the baseline.

Ipsen has been focused on implementing an EHS management system in order to ensure site compliance, the operational control of activities and continuous improvement of our system and performance. In 2017, Ipsen achieved Group certification in conformance with ISO 14001 – 2015 and OHSAS 18001 – 2007 Standards for Ipsen Corporate EHS and its three French manufacturing sites located in Dreux, Signes and L'Isle-sur-la-Sorgue. In 2018, it is planned to include the manufacturing sites located in Wrexham and Dublin which will then include all manufacturing sites with the exception of our joint venture in Cork, Ireland, our Consumer HealthCare (formerly known as Primary Care) facility located in Tianjin, China, and our newly acquired Technical Operations manufacturing site located in Cambridge, Massachusetts, USA. Ipsen's R&D sites will join the group certification by 2020 or sooner as they determine appropriate. In addition, integrating these various EHS elements into the business allows Ipsen to ensure a better product management as well as better control of its production equipment. Our "People Based Safety" (PBS) program, our flagship project, is designed to focus on individual responsibilities to raise awareness that all accidents are preventable, and that each and every one of us has an important role to play in preventing them. We want to inspire everyone in the Ipsen community to make a personal commitment to being proactive and react to all unsafe situations before an accident occurs. We encourage open dialog and individual empowerment with a challenge to all to consider how we can all perform our work more safely. This cultural change which began in 2014/2015 is now well embedded in Ipsen and will continue to drive better EHS performance in future years.

By making a continual commitment to the health and safety of employees and to the protection of the environment, and by focusing on the dissemination of best practices and the implementation of preventive actions, EHS is an integral component of sustainable development and demonstrating Corporate Social Responsibility (CSR) at Ipsen.

4.2.3 EHS 2017 Performance

4.2.3.1 Compliance and External Recognition

In this highly regulated environment, one of Ipsen's primary concerns is regulatory compliance. As such, Corporate EHS has established and renewed global Ipsen EHS Standards regarding Environment, Health and Safety (EHS). Each site ensures the compliance of its activities and facilities to applicable legal requirements in order to better control, minimize and prevent health and safety risks and environmental impacts.

Ipsen has a set of requirements and good practices which are captured in its global EHS standards. These EHS Standards were revised in 2016/2017 and several new EHS Standards were added in order to make them comprehensive and complete. It is important to note that the standards defining the management systems for Ipsen are aligned with the occupational health-safety standard OHSAS 18001 – 2007 and the environmental standard ISO 14001 – 2015.

Beginning in 2015 and finishing in 2017, these EHS Standards were reviewed, revised and new Standards developed to fill gaps in the original EHS Standards. These revised and new EHS Standards were released in 2016 and 2017 with an expected implementation schedule that goes out through 2018. These EHS Standards apply to all R&D and manufacturing operations within Ipsen. A separate commercial office EHS manual was also developed and released in 2016 which details the EHS requirements to be followed by commercial office locations. This new Manual is being implemented by our eight largest affiliate offices in 2017 (France, UK, Russia, China, Germany, Italy, Spain, and the USA). The other affiliate offices will implement this Manual in 2018/2019. A third set of EHS Standards is in development for our joint venture plantations which deal with EHS issues related to industrial agricultural operations (*Ginkgo biloba* plantations located in France and the USA). This Manual is finalized and being implemented by these agricultural operations in 2017.

The sites of Ipsen have moved forward with the implementation of these global standards through action plans and have reached a high level of compliance with regard to internal requirements. This process continues to improve and is tested through an internal audit process administered by our Global Internal Audit function which is independent of the EHS function.

In 2017 Ipsen has not received any notices of violation regarding EHS compliance with its R&D or manufacturing operations.

Legal and regulatory intelligence

Legal and regulatory intelligence in the areas of environment and health and safety has been put into place at each Ipsen site (Perimeter 1). This allows each R&D and manufacturing site to keep track and update their EHS systems as applicable regulatory developments occur. This is also being established for the commercial office affiliates as part of the implementation of their EHS Office Manual programs.

Regulatory compliance assessment and other requirements

All sites operated by Ipsen have all the environmental, health and safety permits and licenses required for their operations and comply with applicable EHS regulations.

As part of Ipsen's EHS policy, each site performs a compliance evaluation with regard to regulatory requirements and other requirements such as applicable global standards.

To assess compliance with applicable requirements and global standards, internal audits are performed on all the Ipsen sites (Perimeter 1 and partly including Perimeter 2). EHS is involved and conducts audits related to business acquisitions, divestitures, partnerships, joint ventures, supply chain evaluations, and contracted services including third-party research and manufacturing operations.

Certifications

Ipsen completed the first phase of a Group certification project regarding the ISO 14001 – 2015 and OHSAS 18001 – 2007 standards for Corporate EHS and the three French manufacturing sites in 2017. In 2018, the additional manufacturing operations located in Dublin, Ireland and Wrexham, UK, will join the Ipsen Group certification. The R&D sites will join the Ipsen certification in 2020 and are working toward having their sites prepared against the two standards over this period.

In addition to the Group certification, two other manufacturing sites are ISO 14001 – 2015 and OHSAS 18001 – 2007 certified individually: Cork and Tianjin. These certifications are subject to annual surveillance audits and are renewed every 3 years. These individual certifications will be maintained by Cork (joint venture) and Tianjin (unique Chinese requirements), therefore these two sites will stay outside the Ipsen Group certification for the time being.

External Recognition

The Wrexham, Milton Park (formerly Abingdon site) and Slough sites in the UK have all received recognition from local authorities regarding occupational health and safety. The Royal Society for the Prevention of Accidents (RoSPa) has presented each site with awards for the prevention of accidents. The Wrexham site has been awarded by RoSPa multiple times over the past ten years. Milton Park has received this award twice and Slough has received this award once.

4.2.3.2 Assuring the health and safety of employees

Reduce accidents

The number of medicalized accidents and the associated frequency rates (FR1 and FR2) have decreased significantly in 2017. The implementation of a ''People Based Safety'' approach resulting in S3 Code of Conduct visits and managerial safety visits on all sites belonging to Perimeter 1 has caused this reduction along with a focus by all sites to reduce these medicalized accidents. The senior management has put a particular emphasis on the improvement of these indicators and on the implementation of actions such as on site safety visits/inspections, encouraging reporting of unsafe conditions and behaviors, and the reporting and sharing of good practices, incidents and near misses. Medicalized accidents related to slips, trips and falls in 2017 represent the most frequent medicalized accidents category within the Group as in previous years. A campaign to reduce this type of medicalized accidents was launched in late 2014/2015 and was deployed by the organization in 2015/2016. This has resulted in a significant decrease in the frequency of this category of medicalized accidents in 2017.

Beyond the risk assessments performed regarding all work stations at the sites, potential accident scenarios and identified hazardous situations and conditions are identified with associated corrective and preventive actions developed and assigned. These are included in the annual health and safety program at each site.

In addition, in 2017 Ipsen continued its project of profit-sharing launched in 2010 for its French employees based on various criteria one of which was EHS data related to medicalized accident frequency.

Road Safety

A policy on road safety was implemented by Ipsen in 2011, in order to improve driving safety, to hold drivers responsible for safe driving to reduce the risk of accidents.

In 2017, the deployment of an action plan aimed at reducing the frequency and the severity of accidents continued on the global perimeter with an emphasis in Office locations. A communication is regularly done to the employee representatives.

Industrial Hygiene

The risks related to the use of hazardous materials have led Ipsen to put in place a policy and associated standards driving the prevention and protection of employee health and safety.

Ipsen continued its industrial hygiene program which focuses on hazardous chemical exposure risk control management and improvement.

Ipsen's industrial hygiene strategy results in the provision of updated safety data sheets for proprietary products in accordance with the requirements of the CLP regulation and the Globally Harmonized System (GHS), incorporating any new information that has an impact on the classification. In addition, Ipsen has continued its work on the risk profiling of Ipsen's products regarding health, safety and the environment, in order to implement recommendations for product handling and for the selection of associated equipment. The industrial hygiene issues concerning the Ipsen compounds and commercial products are integrated in the site master plans of the facilities. This has led to the development of significant investment to comply with general precautionary principles through the elimination of dependence on personal protective respiratory equipment at the sites which use substances identified as hazardous to health and safety. This has been accomplished by addressing the risks at their source, and ensuring the most effective and reliable collective protections for these types of processes. The multi-year investment program in regards to the implementation of the industrial hygiene program will be continued at affected sites in 2018 and into the future. All new processes are risk-assessed and the same balanced approach to health and safety protection are included in design and operational methods of these new processes.

Well Being and Work Life Balance

Prevention of the psychosocial risks (RPS) is integrated in a global approach to preserving occupational health and quality of life. The RPS covers occupational hazards that occur naturally or through anthropogenic means, and that can impact employee health.

The French framework agreement regarding the prevention of the RPS in December 2010 constituted a first step for the worldwide implementation of a health plan. This agreement defines a general framework, and relies on three significant themes: identification of the psychosocial risks, prevention of the risk factors in the workplace, and accompaniment of employees. With this agreement, Ipsen wishes to continue the actions already engaged by the French sites and set up a common approach to prevention globally. For example, in China, a major initiative was implemented in 2016 to reduce absenteeism through well being actions such as encouraging proper diet, exercise and work life balance. The impact was a significant improvement. This approach will be modeled for implementation at other Ipsen locations.

In 2014, Ipsen initiated an evaluation process of the Quality of Life at Work on the entire French perimeter and more than 62% of subjects responded to the survey. This study allowed development and implementation of preventive and corrective action plans. These were defined for each division and site in order to be most suited to the results and the local context. Thus, results and action plans in 2015 were reported for each entity and their implementation was monitored and confirmed. All manufacturing sites are implementing various programs to improve the quality of life and to ensure that Ipsen sites are great places to work. This fits in with the desire to improve our operations making them more robust through Enterprise Excellence.

Strenuous labor conditions

In France, under Law No. 2010-1330 of 9 November 2010 on the pension reform and its implementing regulations, a prevention approach on strain at work was initiated in 2011 and led to the realization of a preliminary diagnosis of strenuous labor conditions. There were ten risk factors to consider under these regulatory requirements, four were required to be implemented in 2015 and the additional six risk factors were to be implemented in 2016. These risk factors have been addressed by the French locations. Ipsen will stay vigilant and continue its preventive action approach to preserve the health of employees by implementing associated strenuous labor conditions action plans.

4.2.3.3 Reduce the environmental footprint

Soil, Subsoil & Pollution Prevention

As stated in Ipsen's EHS policy, Ipsen is committed to limit the EHS impact on people and on the environment, and hence to prevent any accidental pollution ensuring the sustainable development of Ipsen and its surrounding environment.

Therefore, specific procedures are in place to treat incidents of accidental pollution on Ipsen's industrial sites.

Products and materials that could cause accidental pollution are stored in appropriately controlled areas. Their handling and disposal follow specific procedures and guidelines. The sites also follow the rules set by the different regulations concerning the transportation of hazardous materials (ADR, IATA, RID...).

All environmental incidents are recorded in the EHS management system framework in place at manufacturing and R&D sites. The most significant incidents are systematically reported to the appropriate administrative authorities, if applicable, and to Corporate EHS. In 2017, breaches of waste water discharge licenses or permits were reported by the sites located at Dublin, Signes and Cork. These breaches were dealt with quickly by determining the root causes and implementing corrective actions in a thorough and rapid manner.

Besides, in accordance with the "Real Estate Compliance" global standard, environment, hygiene and safety audits of compliance were performed in 2010 on 2 French sites: the site of Dreux and the site of L'Isle-sur-la-Sorgue. These audits aimed at identifying potential high-risk areas in terms of soil and underground water pollution associated with the current and past activities handled at those sites. According to the conclusions, no obvious high-risk areas of soil and underground water pollution associated with the current conditions of operation were identified during these audits. In 2014, two due diligence assessments took place at Wrexham, UK and at Dublin, Ireland, sites prior to the acquisition of neighboring land. In addition, as part of the transfer of the Milford site in 2013, an audit (phase 1 and 2) was conducted and did not reveal any surface or subsurface contamination. A subsurface investigation began in 2012 in Barcelona, Spain after the closure of the Ipsen site in 2011 showed soil and subsoil pollution. In accordance with Ipsen's internal obligations and the local Authority's requirements, a remediation plan was developed, submitted and approved by local authorities. The plan has been executed with additional monitoring in progress. The authorities have been satisfied with the remedial investigations and activities aimed at removing the contamination from this site. A third round of soil and ground water oxidation treatment was conducted in 2017 and has met Ipsen's and the Authority's expectation. Monitoring post treatment to ensure the effectiveness of the treatment over the long term will continue for the next few years. A due diligence assessment was conducted in regards to the acquisition of the Merrimack site located in Cambridge, Massachusetts, USA.

In terms of land use, Ipsen sites have not shown any demonstrated adverse impacts. Ipsen is involved in agricultural activities with plantations growing *Ginkgo biloba* trees. The plantations are located in France and the US. There have been no adverse impacts with these plantation sites.

Noise pollution

No significant noise issues were reported regarding Ipsen facilities that caused nuisance to neighbors with the exception of the Ipsen site located at L'Isle-sur-la Sorgue where some areas were identified as a minor nuisance based on the low noise levels in the surrounding neighborhood. An awareness campaign in the neighborhood, including an invitation to meet with the site's management, has been conducted annually since 2014. Future plans are shared with the neighbors and their issues are also captured and addressed. Noise reduction opportunities to reduce the noise levels emanating from the plant have been implemented and the noise levels meet the regulatory levels required.

Impact of Ipsen activities on climate change

Ipsen's approach to carbon reduction includes identifying sources of carbon emissions throughout the organization,

next is to quantify or at least estimate the amount of these emissions, and finally to target opportunities to reduce these emissions. Ipsen has conducted this approach for several years and continues to implement methods to identify, quantify and reduce carbon emissions.

A focus for Ipsen has been the scope 1 and 2 carbon emissions as these are directly controlled by Ipsen. Ipsen's activities are guided by the 10 voluntary commitments of LEEM (agreement with the MEDDEM – Ministry of the Environment, Sustainable Development, Energy and the Sea). Ipsen has implemented energy conservation programs at its manufacturing and R&D facilities to reduce these emissions even with a growing company. The work done so far has been effective and Ipsen will continue to pursue these opportunities.

Ipsen is also broadening its collection of internal data such as including more affiliate commercial offices in various countries as well as determining scope 3 emissions. More sources are being evaluated. Ipsen is studying ways to reduce emissions associated with sources of carbon such as vehicle fleets, supply chain opportunities, distribution opportunities, and employee travel opportunities.

Scope 3 emissions account for almost three-quarters of total annual emissions. The main challenges lie mainly in the carbon associated with components, including packaging, business travel (notably by plane) and freight transport. To date, Ipsen has identified these scope 3 emission sources as the most critical to measure and manage. We will look at additional scope 3 emission sources and confirm that we have targeted the most appropriate sources to measure and manage.

To a lesser extent, Ipsen also plans to work on lower-carbon work such as working from home or waste management. The complexity of the estimates requires rigorous methodological analysis which began in 2016 and has continued through 2017. This is necessary to be able to implement control actions based on reliable data.

In 2017, Ipsen has identified the climate change risks such as changes in regulatory requirements affecting Ipsen operations and those of our supply chain, uncertainty of physical risks such as flooding and other natural disasters which impact our operations and our supply chain, carbon taxation, mandatory trading programs, mandatory energy efficiency standards, mandatory emission limits, and product and process standards. Other risks include energy shortages, resource scarcity, price changes prompted by scarcity, consumer changes in attitude and demand, and reputation risks. All of these risks can impact operations, costs and ability to compete in the biotech business sector.

Other air emissions

Ipsen monitors other substances which could be discharged into the atmosphere through its various activities. It particularly monitors volatile organic compounds (VOCs) and controlled substances identified as causes of the depletion of the ozone layer under the Montreal Protocol. Emissions of VOC to the atmosphere for 2017 were mainly related to the sites of Signes and Cork (approximately 84% of the Ipsen global emissions). Emissions from the research and development centers do not contribute significantly to these emissions.

Ipsen has also started to collect air emission data related to boiler emissions from fuel burning. These are now captured in the table presented later in this report. The emissions measured include sulphur oxides and nitrogen oxides.

Energy consumption

Energy consumption at Ipsen increased by more than 2.00% regarding Perimeter 1. For Perimeter 2, the global consumption in energy increased by over 0.1% between 2016 and 2017. This energy increase is the result of significant expansion at the majority of Ipsen's manufacturing sites in 2017. We also have more office sites reporting energy consumption in 2017 than in previous years.

The sites of Cork, Dreux, Signes and Wrexham represent more than two thirds (67%) of the energy consumption of the manufacturing and R&D activities.

The split between energy sources (electricity, gas and fuel) has been maintained at the same level since 2012. In 2017, fuel oil consumption remained relatively small. In 2017, purchased steam source was used by the Cambridge US R&D site.

Renewable energy and green energy consist of contracted energy from electrical energy providers. The sites of Wrexham and Dublin signed energy agreements with the utility providers during 2017 to go 100% renewable power. Cork used 100% renewable electricity in 2017. Other sites are increasing their electricity supplied by renewable power. In addition, the Cambridge site is sourcing steam supply from a district heating loop available to the site thus eliminating onsite steam producing systems. Ipsen is looking at more opportunities to improve the use of renewable/green power sourced energy.

Waste Management

Growth in production across Ipsen has not resulted in increased waste generation. With more than 20% growth in the production of major products as well as expansion of manufacturing site footprints with new buildings, additional production shifts and additional production capacity again has not resulted in a concomitant increase in waste generation.

Ipsen waste profile in terms of hazardous / non-hazardous ratios has increased in the amount of hazardous waste generated each year. The increasing trend is driven by product demand, increased production capacity, and increases in building projects. At L'Isle-sur-la-Sorgue, there is an effort to reclassify waste currently classified as hazardous production waste to non-hazardous by product that can be recycled.

Ipsen waste treatment mix has remained relatively constant over the period. The proportion of recycled waste remains dominant with a percentage of 61% compared to incineration and landfilling. It should be noted that the largest producers of waste, the sites of Cork, Signes, Wrexham and L'Isle-sur-la-Sorgue, recycle their waste 76%, 81%, 60% and 98%, respectively.

Finally, sites continue to implement waste optimization programs by searching for new technologies and methods to decrease the amount of waste generated and to increase the amount of waste that is recycled.

Food Waste

Ipsen does not create a large amount of food waste at its facilities. Food waste is managed through local waste management services. This area is not considered a significant waste stream for Ipsen.

Water Consumption

Ipsen's water consumption totaled 529,281 m^3 in 2017 compared to 469,579 m^3 in 2016, which shows an increase of 12.71%.

The Isle-sur-la-Sorgue site consumed 66% of the Ipsen total 2017 water consumption. 99.6% of this water was sourced from well water. This site's water consumption has increased by 12.71% in 2017 compared to 2016 consumption due to production expansion. Water conservation and recycling projects have been implemented and more are identified for implementation at the L'Isle-sur-la-Sorgue site in 2018 and 2019. The well water consumption is expected to reduce by 30% in 2020 once these projects are implemented.

Water treatment

Ipsen has six sites with on-site wastewater treatment plants that treat all or part of liquid wastes. Those are the sites of Cambridge, Cork, L'Isle-sur-la-Sorgue, Signes, Dublin, and Tianjin. The volume of wastewater treated represents a 15.91% increase in wastewater being treated in 2017 *versus* 2016.

Green Chemistry or solvent usage optimization

Ipsen launched an initiative since 2009 to develop ideas that could lead to the use of more environmentally friendly products. Examples of solvent usage reduction or reuse projects:

- At the Cork site, manufacturing processed 95% of the solvent used through regeneration;
- At the Signes site, near 75% of solvents used are recycled.

In parallel, Ipsen has committed to implementing EHS considerations into the overall new product development process. These requirements include considering alternative materials for formulations, process aids including solvents, and packaging. These EHS considerations were piloted in 2017 and will be finalized in 2018 becoming part of the ongoing product development process.

The effort to find substitutes for the use of solvents in peptide manufacturing continued in 2017. Several promising candidate solvent alternatives were tested with disappointing results. These efforts continue, new alternatives being tested in various processes. Our peptide alternative solvent development organization, based in Dublin, has been conducting this work and continues to do so. This group has become part of the American Chemical Society Green Chemistry Initiative and is participating in efforts to find alternatives to various chemicals used in our processes.

Stakeholders Relations

Ipsen is concerned about the potential impact of its activities on the areas surrounding its sites. Also, as part of its overall EHS policy and in the context of its implementation at the sites, Ipsen integrated stakeholder requests and opinions. Based on these inputs, meetings were held and partnership activities were organized.

As in previous years, Ipsen conducted communication campaigns at the sites of Cork and L'Isle-sur-la-Sorgue. In Cork, the site participated in communication activities and support for resident associations as well as other companies in the local area. In L'Isle-sur-la-Sorgue, a meeting on site with members of the neighborhood allowed the sharing of site activities and identification of EHS prevention measures associated with the operations of the site.

Biodiversity: biological equilibrium, natural habitats and protected species

Ipsen's policy is to provide a safe workplace that protects the environment and does not harm the health of its employees or that of neighboring communities. The preservation of ecological equilibrium, conservation of natural habitats and protection of protected species are monitored closely.

The measures taken to curb impacts on biological equilibrium, natural habitats and protected plant and animal species are integrated into Ipsen's general environmental protection program. Initiatives implemented at Ipsen site located at Signes followed its collaboration with the GEPS (*Groupement d'Entreprises du Plateau de Signes*) regarding the draft "APIVIGILANCE". It is a system of environmental biomonitoring using bees as markers of environmental quality: the health of the bee population extends to the health of the immediate environment. The observations of the activity in and around the bee hives, behavior of the bees and analysis of samples obtained from the local environment allow the monitoring of the health of the hives and bee populations. These analyses provide a trend of the air quality in the vicinity of the site and links with the solvents used predominantly by companies in the business park. Bee populations are also used to monitor the environmental conditions at the Ipsen sites located in Les Ulis and Dreux. At the Cork facility, awareness campaigns to promote land conservation were conducted. Additionally, a maintenance program of green areas has been implemented for the preservation of the flower beds at the site and the regular planting of trees. At Dreux, the site has collaborated on a fish counting operation in the River named "Les Châtelets".

Table 1. Ipsen Sustainability Performance

Sustainability Area	2015	2016	2017
Safety and Health Management			
Ipsen Perimeter 1 Fatalities	0	0	0
Ipsen Perimeter 1 Severity Rate	0.02	0.03	0.03
Ipsen Perimeter 1 Medicalized Accidents with Lost Days (Frequency Rate 1 FR1)	2.12	2.03	0.97
Ipsen Perimeter 1 Medicalized Accidents with and without Lost Days (Frequency Rate 2 FR2)	4.59	2.03	0.97
Ipsen Perimeter 2 Medicalized Accidents with Lost Days (Frequency Rate 1 FR1)	1.71	2.56	1.43
Ipsen Perimeter 2 Medicalized Accidents with and without Lost Days (Frequency Rate 2 FR2)	2.90	2.69	1.91
Ipsen First Aids	83	68	88
Ipsen Near Misses	240	189	125
Ipsen Occupational Health	1	2	1
Contractor Fatalities	0	0	0
Contractor Medicalized Accidents with Lost Days	5	4	4
Contractor Medicalized Accidents with and without Lost Days	5 (*)	5 (*)	29
Contractor First Aids	6	10	12
Waste Management			
Total Waste (tons)	9,756	13,161	11,133
Hazardous Waste (tons)	2,643	3,324	3,859
Non-Hazardous Waste (tons)	7,113	9,837	7,274
Recycled Materials (tons)	6,566	9,668	6,794
Recycling Rate (%)	67.3	73.47	61
Energy Management			
Electrical Energy (kWh) Perimeter 2	62,681,362	62,850,159	64,506,903
Renewable including Green Power (% of total energy) Perimeter 2	3.47	2.78	13.99
Other Energy (kWh) Perimeter 2	2,025,267	2,047,287	1,139, 474
Fuel Derived Energy (kWh) Perimeter 2	70,095,054	71,551,005	70,971,741
Total Energy (kWh) Perimeter 2	134,801,683	136,448,451	136,618,119
Manufacturing and R&D Energy (kWh)	126,222,078	129,806,050	133,279,393
Affiliate Commercial Office Energy (kWh)	8,579,605	5,290,950	3,338,726
Vehicle Fleet Efficiency (km/l)	Not Collected	12	15
Vehicle Fleet Energy (kWh)	Not Collected	15,154,999	16,115,684
Carbon Management			
Carbon Scope 1 Total Emissions (tons)	13,024	13,239	14,180
Carbon Scope 2 Total Emissions (tons)	15,399	14,589	13,530
Carbon Scope 3 Total Emissions (tons)	Not Collected	67,795	72,618
Carbon Scope 3 Fuel and Energy-related Activities (tons)	Not Collected	4,230	859
Carbon Scope 3 Purchased Goods and Services (tons)	Not Collected	42,295	30,660
Carbon Scope 3 Capital Goods (tons)	Not Collected	539	2,193
Carbon Scope 3 Upstream Transportation and Distribution (tons)	Not Collected	Not Collected	Not Collected

Sustainability Area	2015	2016	2017
Carbon Scope 3 Waste Generated in Operations (tons)	Not Collected	2,351	3,058
Carbon Scope 3 Upstream Leased Assets (tons)	Not Collected	10,646	3,478
Carbon Scope 3 Business Travel (tons)	Not Collected	3,371	12,000
Carbon Scope 3 Downstream Transportation and Distribution (tons)	Not Collected	Not Collected	6,956
Carbon Scope 3 Processing of sold products (tons)	Not Collected	Not Collected	Not Collected
Carbon Scope 3 End of life Treatment of sold products (tons)	Not Collected	605	10,311
Carbon Scope 3 Employee Commuting (tons)	Not Collected	3,755	3,103
Water Management			
Total Water Consumption (m^3)	485,554	469,579(**)	529,281
Supply from Well Water and Surface Water Origin (%)	66	66	66
Total Water Recycled (m^3)	Not Collected	Not Collected	14,600
Hazardous Materials Management			
Solvent Consumption (tons)	19,182	21,494	23,317
Reclaimed Solvents (tons)	17,852	20,042	21,819
Refrigerant Gas Losses (tons)	1.07	0.49	0.41
Compliance Management			
Notices of Violation Received	0	2	0
Fines and Penalties Paid (€)	0	0	0
Air Emissions Management			
VOC Emissions (tons)	10.2	9.55	4.18
NOx Emissions (tons)	Not Collected	Not Collected	1.88
SOx Emissions (tons)	Not Collected	Not Collected	0.68
Waste Water Management			
Waste Water Treated (m^3)	363,362	359,493	416,916
COD Loading (tons)	Not Collected	Not Collected	196
BOD Loading (tons)	Not Collected	Not Collected	80
Total Suspended Solids (tons)	Not Collected	Not Collected	160
Unit Production (tons)	33,104,456	30,073,580	26,790,764
Sales (€M)	1,444	1,585	1,909
Total Facility Area (m^2)	101,649	102,966	123,220
Headcount (number) with joint venture	4,635	4,907	5,401
Headcount (number) without joint venture			5,345
EHS Investments (€000)	4,926	7,521	11,631

(*) Contractor Medicalized Accidents with and without Lost Days for 2015 and 2016 has been updated from previously reported results.
(**) Water consumption data for 2016 has been updated from previously reported results.

4.2.3.4 EHS Culture

Integrating EHS into Business

EHS has been integrated into several aspects of the business including product development management, manufacturing management, purchasing and supply partner management, internal audit management, risk management, corporate social responsibility, customer management, business development, human resources management, investor management and regulatory management. An area that we are exploring is integration in the marketing and sales part of the business with opportunities to promote superior EHS performance and EHS-positively impacted product attributes.

Eco-design

The development of approaches to eco-design is part of the Ipsen's EHS strategic plan. Ipsen sites carried out major eco-design projects.

At Tianjin, the redesign of the outer packaging for Smecta was completed. This involved two projects: 1) to shorten satchel length by 10 mm and 2) to reduce the thickness of the packaging from 9 µm to 7 µm. These two projects have resulted in the reduction of consumption of natural resources which is expected by the Chinese authorities. This has also reduced the amount of waste generated.

At Dreux, an eco-design project around packaging was implemented in 2010 through a training of all the concerned parties of the site and a 2-day diagnosis performed by an external consultant. The training and the diagnosis report had raised awareness on different sectors. The action plan resulting from this audit has been implemented in 2011 with the purchase of software for the modeling of packaging. In 2012, a complementary diagnostic for packaging optimization of raw materials has been achieved. At Dreux, actions are conducted to reduce the impact of the product on the environment like decreasing from 9 µm to 7 µm the thickness of sachet used in Smecta® both in Dreux, as well as Forlax® in Dreux. Today, 85% of Smecta® and Forlax® production at Dreux is 7 µm. Another project for the reduction in the size of the sachets of Smecta® and Forlax® is ongoing at Dreux. Forlax®, made at Dreux and dedicated to the French market, now has smaller sachets.

In parallel, actions for reducing or recycling solvents (detailed in the green chemistry paragraph) are developed on the Cork, Signes and Dublin sites.

In addition to the solvent reduction and recycling projects at Cork, there is an ongoing project to reduce the use of a chemical consisting of lead which is used to precipitate the active ingredient from the *Ginkgo biloba* leaves. If successful, this material will be removed from the process and result in a significant reduction in hazardous waste as well as hazardous material use.

Finally, as explained in the Green Chemistry section above, we launched an innovative syringe technology Somatuline® Depot Injection for the treatment of neuroendocrine tumors to reduce medical waste and protect against needle stick injuries. Ipsen won the California Product Stewardship Council's 2015 Green Arrow Award for System & Design Innovation for this industry-changing product. The impact of this new delivery system avoided 67 tons (US) of CO_2 emissions, reduced 53 tons (US) of solvents and saved more than 3 tons (US) of packaging in both 2016 and 2017. Design opportunities continue to be investigated for future product and packaging configurations.

Training

As a major part of the Ipsen EHS program, awareness campaigns and training regarding environment, health and safety topics continued in 2017. Each site defined its training program as a function of its own risks and impacts. All employees are trained for the inherent risks and associated environmental impact of their workstation. Employees develop a professional and responsible attitude in going about their daily work.

In 2017, corporate EHS developed an induction course which describes the basic EHS philosophy, policy, approaches, expectations, governance, EHS team member contacts and performance. This course was made part of the Ipsen Learning Platform required courses for new employees worldwide. Sites are also using this course to improve EHS communications with existing employees.

General training on EHS awareness for newcomers, as well as training on fire prevention, evacuation tests, protective equipment, and first aid, was performed by all Ipsen sites.

More specific training related to Ipsen required approaches and applicable workplace practices, such as training courses confined space management, explosive atmospheres management, and manager safety visit training, were deployed.

Well-being at work was emphasized especially in regards to absenteeism, stress management and work life balance.

4.2.4 Internal resources

4.2.4.1 Internal management resources for EHS issues

Ipsen EHS policy and strategy are applied at each site/division by the site managing directors. Senior management as well as site employees are heavily involved in the daily management of EHS and the application of Corporate EHS standards and guidelines. As such, in actions and behavior everyone contributes to the success of the EHS policy.

In addition, to reinforce its policy of prevention, the Ipsen EHS Team which comprises one or more representatives from each manufacturing site, R&D center, commercial affiliate and Corporate, meets regularly to share experiences, to set strategy and to reflect on best practices for managing EHS. In 2016, the Ipsen EHS Team created a 2017 through 2020 EHS strategy for the organization. This strategy led to the creation of specific projects and charters to manage the areas of global EHS data management system, Group certification to ISO 14001 – 2015 and OHSAS 18001 – 2007 Standards, EHS in product development process including Green Chemistry, REACH management, Pharmaceuticals in the Environment (PIE) management, People-Based Safety (PBS) S3 improvement management, and resource conservation (focused on energy and water conservation and reduction of carbon emissions). These projects have integrated teams with EHS and other groups across Ipsen participating and leading various tasks. In 2017, these projects and charters were updated and new tasks added to the multiyear projects. Funding and human resources are made available to ensure the successful outcomes on each of these projects.

EHS management at each site is coordinated by an EHS manager under the authority of the site director. A total of 33 people makes up Ipsen's EHS organization. They report

to the Corporate Environment, Health and Safety function (2 people) and to their site managing directors. Corporate EHS reports to Technical Operations but has global authority across the Ipsen organization for EHS matters.

The Committees of Health, Safety and Work Conditions in France, or their equivalent in other countries, meet regularly and are involved in monitoring activities and projects concerning the health and safety of employees.

4.2.4.2 Spending on the prevention of EHS impacts and on regulatory compliance

Since environment, health and safety protection are constant priorities. Ipsen makes regular capital expense and operating expense investments in these areas. In 2017, with the implementation of master plans on the sites, which includes the setting of new improvements for EHS protection, the amount of investment in EHS totaled just over 7.1 million euros.

Ipsen's key EHS investments are summarized below:

- acquisition of a new business and manufacturing location in Cambridge, Massachusetts, USA and associated EHS evaluation and integration of Ipsen Standards;
- a new Research and Development site in the United Kingdom in Oxford – Milton Park with the inclusion of systems, equipment and processes to prevent employee exposure to hazardous chemicals or biological agents;
- air emission and wastewater discharge control systems;
- closure of R&D laboratory operations at the Ipsen site located in Cambridge, Massachusetts, USA ensuring that all locations are properly managed, disposed and remaining areas decontaminated to EHS standards;
- energy and water efficiency improvement projects;
- projects for improving the segregation between manufacturing / laboratory/ offices areas;
- projects for improving equipment in order to reduce the risk of falling form height and to enhance machine guarding;
- improvements in ergonomics and manual handling workstations;
- and the improvement of fire protection systems.

There have also been major expansions and addition of new buildings at most of the Ipsen R&D and Manufacturing sites in 2017 all of which involve EHS investments in various systems.

4.2.4.3 Provisions and guarantees for EHS, compensation and remediation

Regular surveys on environmental risks, work-related health and safety risks and the implementation of proactive policies for mitigation of these risks, enable Ipsen to limit its exposure and liability or, more generally, to remediate in a rapid and managed manner to the environmental damage caused by its operations. Due to this approach, Ipsen does not carry environmental provisions for remedial activities.

In addition, since 2004, no ruling or compensation payments related to environmental damages caused by any of Ipsen's R&D or manufacturing facilities were brought to Ipsen's attention.

4.2.5 2017 Ipsen UN Global Compact Communication on Progress

Since 2012, Ipsen has committed to and adheres to the Global Compact program of the United Nations.

Ipsen is a leading global biotech company focusing on specialty care and innovation. Ipsen also has a significant presence in consumer healthcare. Ipsen's R&D is focused on its innovative and differentiated technological platforms, peptides and toxins, located in the heart of the leading biotechnological and life sciences hubs (Les Ulis, France; Oxford/Milton Park, UK; Cambridge, USA).

Our focus fosters deep engagement with medical specialists and we make it our business to listen closely to their needs so that together we can advance patient care. We combine this strategic focus with a diversified approach that enables us to follow our research and development into new specialty areas where unmet needs are significant.

In partnership with the medical community, we bring scientific excellence and rigor to deliver leading products that improve patient outcomes. And, we go above and beyond this to provide education and information, with the highest level of integrity, which helps patients to fully understand the choices available to them and make well-informed treatment decisions with their doctors. We know we are successful when doctors and patients place their trust in our products and our company, when our employees excel and when our efforts make a meaningful difference in the lives of the patients and communities we serve.

For almost 90 years, Ipsen has been committed to the health, safety, and well-being of the people who put their trust in our products. Every day, we strive to better people's lives in a wide range of ways — from developing new treatments for complex and disabling medical conditions to offering science-based medical over the counter solutions. Our determination to make a positive contribution extends to not only the people who benefit from our products, but also to our employees and to the global community in which we live and work. It remains our goal to ensure that our contribution to science reflects our commitment to a safe, healthy workplace, strong communities and responsible, ethical business practices in everything we do, from research and development to sales and marketing. Ipsen remains focused on sustainable business practices including:

- Offering needed products that have environmental, health and safety design considerations,

- Managing climate change through energy efficiency and carbon footprint reduction,
- Continuing to improve operational efficiency, reducing waste and increasing recycling,
- Providing a safe and healthy workplace for our employees,
- Working with our supply chains to improve corporate responsibility performance, and
- Enhancing positive community interaction.

As an example, Ipsen has received the Green Arrow Award for system design and innovation regarding the product Somatuline® Depot by the California Product Stewardship Council.

In this introduction, I am highlighting some of our key achievements and challenges relating to our corporate social responsibility. More information about these and other areas of our commitment is provided throughout our website. You can also read more about our business environment, strategy, goals and performance in our Annual Report. Moreover, the philanthropic mission of the Fondation Ipsen is to contribute to the development and dissemination of scientific knowledge and to foster interactions between researchers and clinical practitioners. Its ambition is to initiate a reflection about the major scientific issues of the forthcoming years.

Sustainability is the balance between the competing priorities of economic, social and environmental responsibilities. Ipsen has and will continue to commit resources and measure performance to ensuring that the highest ethical standards are applied within the whole organization. Thus, Ipsen confirms its will to include UN Global Compact fundamental principles in its sphere of influence.

In conclusion, Ipsen has had a long commitment to sustainable business values. We work to keep these core values in mind in all aspects of our business so that we can maintain the excellent reputation and respect that we enjoy with our stakeholders and the communities in which we operate.

David Meek
Chief Executive Officer
Ipsen

UN Global Compact Commitments and Performance

The following narrative will demonstrate how Ipsen is addressing each of these Principles and plans for improving performance in each of these areas.

Principle 1: Protection of Human Rights

Ipsen approaches the Protection of Human Rights as it does any other personal freedom and has articulated this support through its Code of Conduct. The Code of Conduct applies to all Ipsen employees and in all of Ipsen's business dealings. The Code of Conduct requires, among other things, that employees respect Human Rights and do not discriminate against anyone based on characteristics protected by law. Harassment is not tolerated in any form. Violence or threats of violence in the workplace are not tolerated. The Code of Conduct applies to persons or entities representing or working on behalf of Ipsen as well.

In 2012, Ipsen committed to the UN Universal Declaration of Human Rights. Ipsen is in alignment with this Declaration and found its commitment to be a natural method to strengthen its resolve in the area of Human Rights.

In 2013 and 2014, Ipsen continued its commitment to its Code of Conduct and ensuring that employees and representatives of the company continue to follow the Code by providing extensive training regarding the expectations based on the Code of Conduct and requiring that all employees complete this training process. In 2015 and 2016, work was initiated internally to include the UN Global Principles in the procurement process. In addition, in 2017, Ipsen started working with EcoVadis which allows Ipsen to manage the ethical sourcing and responsible procurement of goods and services. EcoVadis, on behalf of Ipsen, is conducting supply chain partner assessments on a pilot group of eighteen core suppliers that include aspects such as Human Rights.

Principle 2: Complicity in Human Rights Abuses

Ipsen will not be complicit in Human Rights abuses as stated in its Code of Conduct. In 2012, Ipsen committed to the UN Universal Declaration of Human Rights. Ipsen is in alignment with this Declaration and found its commitment to be a natural method to strengthen its resolve in the area of Human Rights.

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Principle 3: Freedom of Association and Collective Bargaining

Ipsen approaches the right to freedom of association and collective bargaining as it does any other personal freedom and has articulated this support through its Code of Conduct. In 2012, Ipsen committed to the UN Universal Declaration of Human Rights. Ipsen is in alignment with this Declaration and

found its commitment to be a natural method to strengthen its resolve in the area of Human Rights.

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Principle 4: Forced and Compulsory Labor

Ipsen will not be complicit in forced or compulsory labor per Ipsen's Code of Conduct. In 2012, Ipsen committed to the UN Universal Declaration of Human Rights. Ipsen is in alignment with this Declaration and found its commitment to be a natural method to strengthen its resolve in the area of Human Rights.

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Principle 5: Child Labor

Ipsen will not be complicit in the use of child labor per Ipsen's Code of Conduct. In 2012, Ipsen committed to the UN Universal Declaration of Human Rights. Ipsen is in alignment with this Declaration and found its commitment to be a natural method to strengthen its resolve in the area of Human Rights.

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Principle 6: Discrimination

Ipsen approaches discrimination as it does any other personal freedom and has articulated this support through its Code of Conduct. The Code of Conduct applies to all Ipsen employees and in all of Ipsen's business dealings. The Code of Conduct requires that employees respect Human Rights and do not discriminate against anyone based on characteristics protected by law. Harassment is not tolerated in any form. Violence or threats of violence in the workplace are not tolerated. The Code of Conduct applies to persons or entities representing or working on behalf of Ipsen, as well.

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Principle 7: Precautionary Approach

Ipsen has adopted the Precautionary Approach in all its business dealings and articulates this in its Annual Registration Document. Ipsen has always practiced the precautionary principle with regard to its products and operations. The inherent nature of researching and developing drug products for human use demonstrates the precautionary principle in action. Ipsen considers the impacts of actions undertaken through a rigorous risk assessment process with multiple gates through which the company proceeds when the multitude of risks are determined to be acceptable to Ipsen and the various stakeholders in the process including patients, physicians, employees, government officials, investors, and others.

Principle 8: Environmental Responsibility

Ipsen has a very strong stand on environmental responsibility as indicated by its EHS policy, programs and various performance reports (see pages 19-20 and 69-93). Ultimately, Ipsen has been reducing energy and water consumption at its facilities and has goals to continue improving this performance. In 2018, Ipsen is considering participating in the CEO Water Mandate and the Caring for Climate C4C Ipsen.

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working with EcoVadis which allows Ipsen to manage the ethical sourcing and responsible procurement of goods and services. EcoVadis, on behalf of Ipsen, is conducting supply chain partner assessments on a pilot group of eighteen core suppliers that include aspects such as Human Rights.

Principle 9: Environmentally Friendly Technologies

Ipsen has made its approaches and technologies used to achieve the results captured in Principle 8 available to the public through the Ipsen website, and various trade associations and partnerships.

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Principle 10: Corruption

Ipsen has established positions against corruption including bribery in its Code of Conduct. In 2012, Ipsen committed to the UN Universal Declaration of Human Rights. Ipsen is in alignment with this Declaration and found its commitment to be a natural method to strengthen its resolve in the area of Human Rights.

Conclusion

Ipsen will continue to enhance support of the UN Global Compact Principles. Ipsen will collaborate with the UN Global Compact on methods and means to improve its performance and the performance of all entities regarding these Principles.

4.3 SOCIAL & SOCIETAL INFORMATION

4.3.1 Social relations

4.3.1.1 Employee representation

Employees are represented in each Group company 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 also 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 freedoms of employee representatives are strictly observed and that they enjoy the same promotion and training opportunities as other employees.

Lastly, an European Works Council was setting up following the conclusion of an agreement on 28 August 2013. As from this date, Ipsen's European Work Council has been created, composed of 10 members representing European countries, and it met for the first time on 17 June 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 Group's business and its strategic directions.

It's an European employee representation body for information and consultation on so-called "transnational" issues which is responsible for sharing information and exchange of views, fostering experience-sharing and building coordination between European countries.

4.3.1.2 Collective agreements

See paragraph 4.1.2 "The Group's Human Resources policy" (paragraphs: "Equal opportunities and diversity within the Group", "Integration of disabled workers", "Employing young and senior workers and transferring knowledge", "Group's compensation and benefits policy").

4.3.1.3 Social initiatives

According to country specific environments, the Group's policy on social initiatives is based on four main priorities:

- initiatives benefiting its employees' children,
- initiatives for retired employees,
- initiatives for active employees,
- and, lastly, all other initiatives, such as relationships with not-for-profit organizations, sponsorship, etc.

Aside from the normal benefits related to family events, the calendar and various subsidized leisure activities, the Group aims to provide genuine support to its employees.

4.3.2 Societal information

4.3.2.1 Social, economic and territory impact

Ipsen's ambition is to become a leading global biopharmaceutical company focused on innovation and specialty care by:

- Developing and advancing therapies in areas of high unmet needs;
- Creating differentiated solutions capitalizing on our own expertise in Research & Development;
- Transforming and growing our business in targeted therapeutic areas (Oncology, Neuroscience and Rare Diseases) to bring patients access to innovative solutions;
- Fostering a culture of excellence, responsibility, agility and teamwork.

Ipsen now has a truly global footprint, with more than 50% of sales outside Europe. North America is the fastest growing region and the US is Ipsen's number one affiliate. Ipsen continues to invest and capture opportunities in emerging markets such as Russia, Brazil and in China

Ipsen pursues an active policy of partnership, either for research or commercial purposes, with the following objectives:

- Access new technologies or competencies for research & development programs;
- Investigate new or complementary research areas;
- Enhance Ipsen's distribution network through the acquisition of commercial rights for products from third parties, in countries where Ipsen operates;
- Optimize the value of products issued from Ipsen's research that do not fit into its targeted therapeutic areas, by out-licensing them to partners that will develop and market them in specific territories.

Several strategic partnerships are ongoing for:

- Early stage development & technology: Rhythm, bioMérieux, Oncodesign, CEA, CNRS, Inserm, Johns Hopkins, Salk Institute, Institut Gustave Roussy, Harvard Medical School, Peptimimesis, Institute of Molecular and Cell Bilogy, 3B Pharmaceuticals, etc.;
- Late stage development & marketing: Galderma, Debiopharm, Photocure, Teijin, GW Pharmaceuticals, Lexicon, Exelixis.

4.3.2.2 Impact of its activity on nearby or local populations

Ipsen is committed to the importance of health, safety and respect for the environment. Approaches to eco-design and waste reduction are integrated from the very outset when designing new manufacturing or industrial projects. Studies are carried out into the design and optimization of packaging of Ipsen medicines as well as into the palletization of products, while also taking into account potential recycling solutions.

4.3.2.3 Relationships with stakeholders

Dialogue with stakeholders

A company's ability to respond to stakeholders' expectations is a measure of its credibility and sustainability. Ipsen, as a global specialty-driven pharmaceutical group, 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 (staff, healthcare professionals and patients, investors and financial community, suppliers / partners, regulatory authorities and agencies, local communities, media, etc.) to provide reliable and factual information, to pursue a constructive dialogue, develop partnerships, support patient associations, with the ultimate goal of providing innovative solutions for patients.

Trade associations

Ipsen is a member of national and international associations and/or inter-professional trade groups in which it plays a proactive role in sector-wide initiatives, notably with the following:

- Regional trade associations such as EFPIA (European Federation of Pharmaceutical Industry Association) and PhRMA (Pharmaceutical Research and Manufacturers of America);
- Bodies with a national footprint such as FarmaIndustria in Spain, *Les Entreprises du Médicament* (Leem) in France, APIPHARMA in Portugal, Association of the British Pharmaceutical Industry (ABPI) in United Kingdom, Research and Development Pharmaceutical Association of China (RDPAC).

The Group also has interactions and relationships with scientific groups or clusters in order to set up public / private partnerships (universities, research centers) such as ARIIS in France or industry/trade groups (*e.g.* Polepharma in France).

In France, the Ipsen Group is a member of "G5 Health", a think-tank that brings together CEOs of the main France-based healthcare companies (bioMérieux, Guerbet, Ipsen, LFB, Pierre Fabre, Sanofi, Servier and Théa).

Investors, Financial community and Media

The Group maintains a regular and transparent dialogue with its investors and the financial community through the publication of its financial statements and during meetings specifically organized for the investor community. Meetings with media are also organized in the same context.

Supervisory authorities

The pharmaceutical industry is highly regulated by government bodies. Regulations cover nearly all aspects of the Group's activities, from Research and Development and marketing to its manufacturing facilities and processes.

In each country where it markets its products or conducts research, the Ipsen Group has to comply with the standards

laid down by the local regulatory authorities and by any other competent supranational regulatory authority. These authorities namely include the European Medicines Agency (EMA), the French Agency for the Safety of Medicines and Health Products (ANSM) in France, the 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, in markets where the company operates.

Patients / civil society

Communication with patients organizations must comply with the standard policy of Ethics & Compliance and the local regulatory authorities where the Group operates.

The aim is to first listen to the needs of the patient's organizations so that we can better meet patients' and caregivers' expectations.

This can be done through Disease awareness campaigns or Disease education materials, but also by taking into account patients' needs as of the preliminary stage of clinical studies.

Ipsen continues its efforts to support global and local patients organizations projects for example:

- Dystonia Europe
- Europa UOMO (The European Prostate Cancer Coalition)
- International Neuroendocrine Cancer Alliance (INCA)
- European Cancer Patient Coalition (ECPC)
- NET Patient Foundation
- International Kidney Cancer Coalition (IKCC).

In addition, some rare diseases charity organizations have been granted like FOB (*Association Fibrosysplasie Ossifiante Progressive*) and ProMESSES (*ProFamilles et Malades: Eduquer, Soutenir, Surmonter Ensemble la Schizophrénie*).

Healthcare professionals and scientists

As part of Ipsen's commitment to improve the health and quality of life of patients, Healthcare Professionals (HCP) and Organizations (HCO) work with us on a variety of activities ranging from clinical research to sharing best clinical practices and information on how new medicines can be adapted to patient pathways.

Interactions with Healthcare Professionals and Organizations must comply with the laws, regulations, and industry codes in force in the countries in which Ipsen operates, enabling these interactions to be conducted with integrity and trust.

At Ipsen, all interactions with HCPs and HCOs must be based on legitimate and genuine need and business purpose, and engagements with HCPs must be remunerated and transparently established.

Many countries have adopted laws or codes to implement Transparency, such as the United States (US Sunshine Act), France (Bertrand law) or European countries that fall under the EFPIA Disclosure Code – The public disclosure of transfers of value has marked a significant development in the relationship between the pharmaceutical industry and HCPs.

In accordance with the applicable rules, Ipsen is committed to working with all stakeholders in healthcare to ensure the value of these relationships and the benefits of greater transparency are understood.

During the first semester 2017, and in accordance with the Transparency laws and Codes, Ipsen has made publicly available, on its website, all the transfers of value made to HCPs and HCOs in 2016, in the United States and in the European countries.

The Fondation Ipsen

Established in 1983 under the aegis of the *Fondation de France*, the ambition of the Fondation Ipsen is to initiate a reflection about the major scientific issues of the forthcoming years. Thus, the mission of the Fondation Ipsen is to contribute to the development and spreading of scientific knowledge. For more than 30 years, the Fondation Ipsen has organized over 250 meetings and produced several hundred publications; more than 250 scientists and biomedical researchers have been awarded prizes and research grants. In 2017, the Fondation Ipsen invited speakers, internationally recognized, to present their work illustrating a broad range of promising biomedical innovations.

2017 has been a year of transition for the Fondation with the nomination in December of a new President. All along the year, Fondation Ipsen improved its capabilities in terms of communication and digitalization in order to be able to spread more widely the emerging scientific knowledge which is a key pillar in Fondation Ipsen strategy.

In 2017, the Fondation Ipsen continued to hold its *Colloques Médecine et Recherche* (CMR) in Cancer Science series. The 13th annual meeting was held right in the "Cradle of Humankind" (Magaliesburg, South Africa) from 22 April to 26 April on the topic of *"Cancer Therapy: Modulating the immune system"*. This event, which acquired an international recognition, gathered the most prominent scientists in Cancer research, including Nobel prize laureates like David Baltimore (*California Institute of Technology*, USA) or Michael J. Bishop (*University of California*, San Francisco, USA). All along these four days, the talks and the interactions were focused on the scientific and medical challenges of immunotherapy.

The Fondation Ipsen pursued its partnerships with the *Salk Institute for Biological Studies* (La Jolla, USA) and AAAS (The American Association for the Advancement of Science), the world's largest multidisciplinary scientific society and a leading publisher of cutting-edge research through notably its scientific journals *Science*. The 11th meeting of the "Biological Complexity" series (25-27 January) was dedicated to "RNA Biology". Several themes have been discussed, from the latest discoveries (CRISPR-Cas9, Long non-coding ARN, etc.) until the most promising therapeutic perspectives. Among the invited speakers, Phillip A. Sharp (1993 Nobel Laureate in Physiology or Medicine), gave a talk on *"RNA Biology and Therapeutics"*, and Emmanuelle Charpentier (*Max Planck Institute for Infection Biology*, Berlin, Germany) who developed the CRISPR-Cas9 technology, a 1-hour special lecture. The discovery of CRISPR-Cas9, a natural immune defense system in bacteria, has revolutionized genome editing, by enabling precise and highly efficient cutting and splicing of

any genomes. These genome editing tools are now used daily in laboratories worldwide and offer promising perspectives, especially in terms of drug development against devastating diseases like Cancer or Duchenne Muscular Dystrophy.

In 2017, the Fondation Ipsen also awarded annual prizes to reward outstanding research, within the framework of international conferences.

- The **16th Endocrine Regulation Prize** was awarded at the ECE (European Congress of Endocrinology) in Lisbon (Portugal), on 23 May, to Bruce McEwen (*Rockefeller University*, New York, USA). The international jury chaired by Iain Robinson (*National Institute for Medical Research*, United Kingdom) recognized the pioneering work of the laureate on glucocorticoids, stress and neuronal degeneration.
- The **22nd Longevity Prize** has been awarded, on 24 July, during the 21st International Association of Gerontology and Geriatrics (IAGG) World Congress, in San Francisco. The international jury chaired by Professor Thomas Kirkwood (*Newcastle University*, UK and Copenhagen University, Denmark), has unanimously decided to award the prize to Andrzej Bartke (*Southern Illinois University School of Medicine*, Springfield, USA) for his pioneering analysis of the molecular and hormonal mechanisms that can extend mammalian longevity.

Finally, the Fondation Ipsen has also been part of the NeuroFrance 2017 meeting (Bordeaux, 17-19 May), with the organization of a special lecture on "Brain and Machine Learning and Memory". The invited speakers, Hughes Bersini (*Laboratoire IRIDIA, Université Libre de Bruxelles*, Belgium) and Paul Frankland (*Hospital for Sick Children*, Toronto, Canada), discussed the parallel between human being and the machine, *i.e.* conscious and unconscious artificial intelligence and the persistence and transience of memory.

4.3.2.4 Subcontracts and suppliers

We subcontract a significant part of our Research and Development to CROs (Contract Research Organizations), including toxicology studies, phases I to IV clinical study monitoring and management, as well as part of drug development and manufacturing to CDMOs (Contract Development and Manufacturing Organizations).

More generally, purchasing value representing a high percentage of Ipsen sales, involving suppliers in the Ipsen Corporate Social Responsibility (CSR) program is essential to deliver a sustainable business.

This is translated into the nine governing principles introducing the global purchasing policy, which are:

1. quality, efficiency and effectiveness;
2. probity and equity;
3. transparency;
4. effective competition, including fair dealing;
5. objective practices related to pricing and contracting;
6. respect and protection of intellectual property and information;
7. strong focus on building mutually beneficial relationships;
8. environment and sustainability considerations;
9. and other risk management considerations.

Moreover, a specific paragraph of this policy focuses on ethical standards, for which purchasing team members ought to be a model.

In France, Ipsen signed in 2013 the *"Charte des Relations Inter-Entreprises"*. The objective of this Charter is to build a balanced and sustainable relationship between large companies and their suppliers in knowledge and respect of the rights and duties of each party.

How does the purchasing community translate these principles into action?

Firstly, Corporate Social Responsibility (CSR) criteria are considered as part of the supplier selection and evaluation process.

EHS or more widely CSR are part of our specifications in more and more categories.

- Namely, for equipment purchases and capital expenses, EHS reviews the specifications in Les Ulis, Dreux, Dublin and Wrexham.
- For contract manufacturing, a certain standard is required for subcontractors manipulating our drugs, for whom we not only collect detailed EHS information before selection, but we may also perform EHS site audit to assess the Health and Safety protection level of their staff before selection and once they have become our supplier.
- In Dreux, our biggest volume manufacturing site, we have added in 2013 a CSR section in our evaluation tool applied to the most strategic material suppliers. In 2014, we have systematized this evaluation to all our suppliers of material and packaging; furthermore, we have also enlarged this assessment to our main providers of facility management (maintenance, security...).
- We have included a clause covering sustainability and labor in most of our Facility management contracts for Dreux, Signes and Les Ulis (maintenance, security…).
- We have included EHS in our Supplier Relationship Management (SRM) program and specifically in the SRM tool being developed for managing Ipsen-Supplier relationships.
- In 2017, we conducted a pilot working with EcoVadis to help manage supplier compliance with CSR and Sustainable practices. This will allow Ipsen to work with suppliers to improve their CSR and sustainability standings as well as improve our relationships with these suppliers. In 2018, we intend to expand the supplier base to more than 30 key suppliers.

Purchasing is a major participant in the "Phare" program managed by Human Resources, aiming at promoting Insertion and Consideration of Disability in employment. In continuity of the audit performed in 2011 to assess the level of outsourcing with protected and engaged companies in France, some

actions have been implemented on our sites since 2012 and are subject to annual monitoring:

- Gardening in our three French manufacturing sites Dreux, L'Isle-sur-la-Sorgue and Signes as well as at Les Ulis our R&D site, purchasing of pallets at L'Isle-sur-la-Sorgue, painting work at Dreux.
- In our sites of Dreux and L'Isle-sur-la-Sorgue, we buy from protected and adapted companies in France some of our cleaning products and office supplies; we also outsource to them the enveloping and the mail postage. Annually, Dreux buys visit cards from French protected and engaged companies.
- Some breakfasts and catering services at Signes, part of our meal trays servicing, the provision and maintenance of green plants in Boulogne and Les Ulis, design of Ipsen greeting cards and mailing to all Ipsen French employees. In 2015, L'Isle-sur-la-Sorgue (ISS) bought for the first time compositions for the gift packages given to their staff to a sheltered workshop.
- At Signes, we purchased work equipment that have been analyzed by ergonomists in 2014 in order to optimize and maintain the position of disabled workers and improve the working conditions of the working unit. This analysis was extended over 2015 and also on a perimeter including L'Isle-sur-la-Sorgue (ISS).

Actions are conducted to reduce the impact of the product on the environment like decreasing from 9 µm to 7 µm the thickness of sachet used in Smecta® both in Dreux and in Tianjin, as well as Forlax® in Dreux. Since 2014, 85% of Smecta® and Forlax® production at Dreux is 7 µm.

Another advanced project on our production sites is to reduce the weight of cartons used in the manufacture of our cases. At Dreux, this project has already been completed.

Also in the packaging area, another project on the reduction of the sachets size for Forlax® in Dreux was finalized in 2014. Forlax® produced at Dreux for the French market has today smaller sachets. Our Tianjin plant in 2015 began the reduction of sachets for Smecta® and finalized this project in 2017.

Finally, we launched an innovative syringe technology Somatuline® Depot Injection for the treatment of neuroendocrine tumors to reduce medical waste and protect against needle stick injuries. Ipsen won the California Product Stewardship Council's 2015 Green Arrow Award for System & Design Innovation for this industry-changing product. The impact of this new delivery system avoided to 67 tons (US) of CO_2 emissions, reduced 53 tons (US) of solvents and saved more than 3 tons (US) of packaging in both 2016 and 2017.

Ipsen EHS and Purchasing are working with EcoVadis to drive sustainability and CSR evaluations with our key suppliers. In 2017, 18 suppliers were targeted for assessment and evaluation. The outcome was half these suppliers are now rated using the EcoVadis methodology and the others are being worked with to gain an understanding about why they did not complete the assessment or participate in the process. We are expanding this program to an additional 30 suppliers in 2018. We will also work to increase engagement as well as to address those suppliers that don't meet minimum expectations.

4.3.2.5 Loyalty of practices

The new mechanisms for combatting bribery and corruption do not dramatically impact the obligations applicable to the companies operating already in an international environment, as Ipsen, but the Law Sapin II has equipped France with a new legal tool enabling our country to ensure a sustainable competitiveness for its companies.

Ipsen's continued commitment to the highest ethical standards has been communicated through the Company's Code of Conduct and its Ethics & Compliance program. Ipsen's Code of Conduct applies to all Ipsen employees and its Ethics & Compliance program which has been developed to meet international standards, driven by ethical principles, applies to all countries and functions in the company.

Actions taken to prevent all forms of corruption

Ipsen has adopted a continuous improvement approach for its anti-corruption program. Ipsen also joined the United Nations "Global Compact" program in 2012, confirming the Group's commitment to fighting corruption in all its forms.

Both the Ipsen Internal Ethics & Compliance program and the Third-Party Compliance program are designed and continuously improved 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.

In 2017, the Global Policy about Interactions with External Stakeholders and the Global Directive on Interactions with HCPs and HCOs have been published to introduce the principles that these interactions should adhere to and the requirements that should be satisfied. The latter has been accompanied by the identification of country specific requirements for interactions with HCPs or HCOs. In addition, Global Guidance on Interactions with Patient Organizations and Patients has also become effective to set the principles and requirements to enhance the anti-corruption infrastructure. The entire compliance infrastructure has undergone a continuous assessment with the objective to strengthen the anti-corruption measures across all components of the Ethics & Compliance program and beyond.

Through the Third-Party Compliance program Ipsen assessed, in 2017, around 1,000 transactions the company engaged with partners and suppliers. The due diligence performed, completed by trainings and monitoring activities, are consistent with main anti-corruption legislations requirements (*e.g.*: FCPA, UK Anti-Bribery Act and French Law Sapin II) and other anti-corruption legislations.

Ipsen encourages a speak-up culture so that all employees can report any incidents or breaches related to, among other risks, potential corruption facts and Ipsen has implemented an alert reporting procedure described in the Company's Code of Conduct.

Measures taken in favor of the safety and health of customers

Ipsen's vision as a leading pharmaceutical company is to strive to deliver significant improvements in patients' health

and quality of life by providing effective therapeutic solutions to fulfill unmet medical needs.

As a pharmaceutical Company, pharmacovigilance is a key activity within Ipsen with both ethical and legal aspects. As part of the Research and Development Division, the Global Patient Safety (GPS) department, includes pharmacovigilance among its various accountabilities to ensure the safety of patients receiving Ipsen products. The Senior Vice President, Head of Global Patient Safety also fulfils the role of European Union Qualified Person for Pharmacovigilance (EU QPPV), and reports to the Senior Vice President, Head of Global Regulatory Affairs, Safety and Quality. The objectives of Global Patient Safety are:

- to ensure the proactive evaluation and communication of evolving safety knowledge about all Ipsen drug products, so that benefit-risk is optimized for patients, both in clinical development and after market launches; and
- to maintain a sustainable cross-functional Ipsen PV System, fully compliant with pharmacovigilance legislation worldwide, and sourced cost-effectively with reliable access to the right capacity of skills and capabilities to secure efficient delivery of fluctuating workload demands.

The achievement of these objectives requires the collection and evaluation of adverse event data from all sources worldwide, and ensuring that these data are accurately entered onto our Global Patient Safety database and expedited as required to health authorities according to the relevant pharmacovigilance legislation. This database provides information for the ongoing assessment of the benefit-risk profiles of all Ipsen products authorized for marketing, and those molecules which are in clinical development. The data are examined using state of the art software and statistical analyses to look for safety signals, which are then evaluated to ascertain whether these constitute new risks or changes to existing risks. Regular aggregate reports of safety data are prepared for submission to health authorities according to their timelines and requirements.

Ipsen's safety culture is based on strong collaboration between Non-Clinical Drug Safety, and Global Patient Safety, providing an integrated scientific approach to safety decision-making. The sources of safety data include spontaneous case reports from healthcare professionals and consumers, clinical trials, pre-clinical and toxicology information, solicited case reports from organized patient data collection systems (*e.g.* patient support programs, registries, etc.), published articles in the scientific and medical literature and communications from health authorities.

Thus GPS staff work closely with their colleagues within other functions to develop clinical trial programs, clinical study reports, Marketing Authorization Applications, responses to questions from Health Authorities, and to ensure effective communication of up-to-date benefit-risk information *via* the product information (Summary of Product Characteristics, Prescribing Information, Patient Leaflets) to assist the physicians and patients in making the best patient-centric decisions on treatment. Such collaborative working may also involve Ipsen partners when the product is the subject of a licensing venture.

A collaborative teamwork

GPS benefits from effective teamwork at all levels to achieve its objectives, namely:

- Within GPS;
- Across the wider pharmacovigilance community, including all Ipsen-staff with pharmacovigilance responsibilities in local affiliates and subsidiaries who interface with local customers and local health authorities to ensure patient safety and compliance with the regulatory legislation;
- Other functions within Ipsen, and Ipsen's partner-companies and third party vendors.

The medical safety governance at Ipsen culminates with the Ipsen Benefit-Risk Decision Board, chaired by the Chief Medical Officer, which includes senior experts from the relevant functions required for effective benefit-risk decision making, including changes to the Company Core Data Sheets and subsequent Summaries of Product Characteristics, Prescribing Information and Investigator's Brochures for all Ipsen development and post-marketing authorization products.

In June 2014 the MHRA (UK) conducted a routine Good Pharmacovigilance Practice (GVP) inspection at Ipsen. There were no critical findings identified in the Company's pharmacovigilance system (a critical finding is defined as a deficiency in pharmacovigilance systems, practices or processes that adversely affect the rights, safety or well-being of patients or that poses a potential risk to public health or that represents a serious violation of applicable legislation and guidelines). All Corrective and Preventative Actions in relation to this inspection have been completed.

Respect of Human Rights and Promotion and Respect of the fundamental principles of the International Labor Organization (ILO)

Through our Code of Conduct and our human resources policy, we commit to respect Human Rights and to promote and respect the fundamental principles of the ILO (International Labor Organization), in particular:

- to support and respect the protection of internationally proclaimed Human Rights;
- to make sure that we are not complicit in Human Rights abuses;
- to encourage the freedom of association and the effective recognition of the right to collective bargaining;
- to eliminate all forms of forced and compulsory labor;
- to abolish child labor;
- to ban discrimination in respect of employment and occupation.

Moreover, since 2012, Ipsen adheres to the Global Compact program of the United Nations and confirms the will of the Group to include its fundamental principles in particular in the domain of Human Rights and standards of work in its sphere of influence.

Methodological note on the social and environmental reporting

Human Resources

- **Headcounts**

The headcount indicators reported in the registration document come from three main sources of information:

1. HRConnect – HRIS of Ipsen – which covers all countries except China. Data retrieved from HRConnect enable to provide all indicators except the absenteeism rate (see below).
2. iPeople – New HRIS of Ipsen as of 23 November 2017 for the HR community only. Since this date, the site HR stopped using HRConnect and updated the employees' data directly on iPeople.
3. A standard Excel table: China submitted every month until November 2017 a file which includes the list of employees with the necessary data (headcount up-to-date, start date/leave date, birth date, etc.) enabling the HRIS Department (Human Resources Information System) to produce indicators. Since the HR Go Live of iPeople, China is included in this new system.

Regarding joint ventures, the Group HR policy does not apply to these entities; no reporting is being done to Ipsen's Human Resources. Therefore, the only information taken into account for joint ventures is the headcount related to the total Group Workforce. The other indicators do not take into account information related to joint ventures.

Headcount computation rule: "Is considered as present any employee with a current work contract with Ipsen who has a status Active or Inactive in HRConnect". "Active" means "any employee paid the last day of the month which is under consideration"; "inactive" means "any employee unpaid the last day of the month which is under consideration".

External resources: temporary workers, trainees, etc. are excluded from headcounts.

- **Absenteeism**

A specific standard Excel table covers the absenteeism rate. This template is sent, at the end of the year, to every country or site with a Human Resources manager: Algeria, Australia, Brazil, Canada, China, France, Germany, Ireland, Italy, Korea, Mexico, Russia, Spain, United Kingdom, United States and Vietnam. At the end of 2017, this perimeter represents about 91% of Ipsen's population (excluding joint ventures). However, the absenteeism rate for the French sites is based on data retrieved from the French payroll system and provided by Payroll Department.

- **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 within 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.

Environment, Health and Safety (EHS)

Perimeter 1 of the reporting includes 7 manufacturing or production sites: Dreux (France), Dublin (Ireland), L'Isle sur-la-Sorgue (France), Signes (France), Tianjin (China) and Wrexham (United Kingdom) and the joint venture in Cork (Ireland), as well as 3 research and development (R&D) sites: Les Ulis (France), Cambridge (United States) and Oxford-Milton Park formerly Abingdon (United Kingdom). The joint venture of Cork is included in the perimeter of this reporting as this site follows the Ipsen EHS policy. The sites that were acquired during 2017 are not included in the data of this report but will be included next year.

In addition, the Perimeter 2 encompasses tertiary sites of the Group with a Human Resource representative, that is to say: Algeria, Germany, Australia, Czech Republic, Greece, Hungary, Poland, Romania, Mexico, USA (Basking Ridge), France (Boulogne-Billancourt), Brazil, China, Korea, Spain, Italy, Russia, Sweden, Ukraine, the Netherlands, Belgium, and Canada, UK (Slough) and Vietnam. This perimeter covers 95% of headcount at end 2017. Note that for offices, health and safety indicators (number of medicalized accidents, number of occupational disease, number of days lost), information is now regularly collected during the year (except for Algeria and Korea). The energy data are collected for the annual exercise.

The Perimeter 1 represents Ipsen's main environmental impacts related to the activities of production and research and development. The choice of extending to Perimeter 2 has been made to include the energy consumption of international offices as well as accident data, which have a non-negligible impact at Group level. The Perimeter 1 will be taken as a reference except where the Perimeter 2 is specifically mentioned.

Data consolidation is performed using an internal reporting file, which also defines EHS monitoring indicators. The data are controlled and compiled using this central file, which possesses means of control and alert (absurd data, problems of units, etc.). This central reporting file has been introduced to persons in charge of EHS on site in order to minimize the sources of errors.

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 CO_2 emissions are those of the Base Carbone ADEME and those provided by the IEA emission factors related to international electricity consumption.
- Energy indicators and associated CO_2 emissions, published in 2015 for sites of Cambridge (additional supply of steam) and Algeria (data for gas were provided in m^3 and not in kWh in 2015) have been modified. Furthermore, without any additional and detailed information, the steam network

used by the Cambridge site has been estimated with an emission factor of 0.203 kg CO_2/kWh, which corresponds to the average of French networks. Use of this network was discontinued in August 2017 when the laboratory operations at the site were closed and decommissioned. Energy 2016 data was used for 2017 calculations for Cambridge.

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 assistance, 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 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	Travel agency (km) and reporting on gasoline consumption (liters)	Base Carbone

Scope	Categories	Description	Data sources	Emissions Factor sources
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
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 English translation of the Statutory Auditors' 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 by one of the Statutory Auditors, appointed as independent third party, on the consolidated human resources, environmental and social information included in the management report

For the year ended 31 December 2017

To the Shareholders,

In our capacity as Statutory Auditors of IPSEN SA, (the "Company"), appointed as independent third party and certified by COFRAC under number(s) 3-1048[1], we hereby report to you on the consolidated human resources, environmental and social information for the year ended 31 December 2017 included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code (*Code de commerce*).

Company's responsibility

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the guidelines used by the Company (hereinafter the "Guidelines"), summarized in the management report and available on request at the company's head office.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics *(Code de déontologie)* of our profession and the requirements of article L.822-11 of the French Commercial Code. 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.

Statutory Auditor's responsibility

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

It is not our responsibility to provide any conclusion on the compliance with other applicable legal expectations, in particular those concerning article L.225-102-4 of the French code of commerce (duty of care) or the French law 2016-1691 (fight against corruption).

Our work involved six persons and was conducted between October 2017 and February 2018 during a three-week period. We were assisted in our work by our sustainability experts.

We performed our work in accordance with the order dated 13 May 2013 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[2] concerning our conclusion on the fairness of CSR Information.

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programs arising from them.

(1) The scope of which is available at www.cofrac.fr.
(2) ISAE 3000 – *Assurance engagements other than audits or reviews of historical financial information*.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, *i.e.*, the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in chapter 4 of the management report.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted ten interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important[3]:

- at parent entity sites level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organization, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities/divisions/sites selected by us[4] on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents between 19% and 29% of quantitative social data disclosed, and between 23% and 100% of quantitative environmental data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Neuilly-sur-Seine, 14 February 2018

One of the Statutory Auditors,
Deloitte & Associés

Jean-Marie Le Guiner
Partner

Eric Dugelay
Partner, Sustainability Services

(3) **Social indicators:** Group workforce at 31 December; Termination of employees (joint ventures not included); Absenteeism; Number of hours of training.
EHS indicators: Frequency rate 1 (FR1); Severity rate; Carbon Scope 1 and 2 Total Emissions (tons); VOC Emissions (tons); Total Energy (kWh) Perimeter 2; Manufacturing and R&D Energy (kWh); Split of Energy (%) by energy source; Total Waste (tons); Hazardous Waste and Non-Hazardous Waste (tons); Recycled Waste (tons); Total Water Consumption (m3); Supply from Well Water and Surface Water Origin (%); Waste Water Treated (m3); Solvent Consumption (tons); Reclaimed Solvents (tons).
Qualitative information: Compliance and external recognition; Impact of Ipsen activities on climate change; Subcontracts and suppliers; Actions taken to prevent all forms of corruption; Measures taken in favor of the safety and health of customers.

(4) Beaufour Ipsen Industrie in L'Isle-sur-la-Sorgue (indicators on water consumption); Carapartners in Cork (indicators on energy consumption, waste and solvents); Ipsen Innovation in Les Ulis (HR and EHS indicators); Ipsen Manufacturing Ireland Ltd in Dublin (HR and EHS indicators); Ipsen Pharma Biotech in Signes (indicators on VOC emissions); IPSEN Pharma S.A.S. in Boulogne (RH indicators and accidents).

5 CORPORATE GOVERNANCE AND LEGAL INFORMATION

This section presents the Corporate governance and legal information of Ipsen SA 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 2018 to review and approve the financial statements for the financial year ended on 31 December 2017, in accordance with the provisions of Article L.225-37 of the French Commercial Code. It has been prepared with the assistance of Executive Management, the Human Resources department and the Company Secretary.

The Company is governed by a Board of Directors. It determines 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 BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

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 to the position of Chief Executive Officer for an indefinite period, this appointment has been effective since 18 July 2016. During the same meeting, the Board voted to confirm Mr. Marc de Garidel as Chairman of the Board of Directors.

This evolution about the governance reflects the determination of the Group to accelerate his international development and to be prepared for the challenges that the pharmaceutical industry is currently facing. The separation of said duties is also governance's good practice, more and more applied in the pharmaceutical industry.

The separation of functions allows the Chief Executive Officer to focus on strategy, the continuation of the Group's transformation and its operations, while the Chairman of the Board of Directors can give his full attention to leading and managing the Board of Directors.

The Executive management has thus been entrusted to a Chief Executive Officer with an international profile and experience, Mr. David Meek. 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.

Corporate Governance Code

The Company refers to the AFEP-MEDEF Corporate Governance Code, revised on November 2016, 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.

AFEP-MEDEF recommendations not applied	Ipsen's practice and reasons why
Article 8 Independence criteria	The independence criteria for Board members are defined in paragraph 5.1.1.1 of this Registration document. Although inspired by the independence criteria drafted by the AFEP-MEDEF Code, the Board of Directors took the decision, at the time of its stock exchange listing in 2005, to establish its own independence criteria. In particular, the criterion which states that a director should not have been a director for more than twelve years has not been selected by the Board of Directors. Indeed, the Board of Directors considers that being a director for a long period does not automatically result in the loss of independent director status and cannot consequently constitute in itself a reason of non-independence without taking into consideration the director's personality and experience. The Board of Directors is also of the opinion that the experience gained within the Board combined with deep knowledge of the Company is an advantage in a Group characterized by long-term investment cycles and helps to make informed decisions in view of his experience. Every year and at the end of the term of office during which this period is reached, the Board assesses the criterion of independence, taking the director's individual circumstances into account. The French *Haut Comité du Gouvernement d'Entreprise* (HCGE), (High Committee of Corporate Governance) deemed this explanation not fully relevant. Nevertheless, the explanation was maintained by Ipsen, based on its view that the duration could not of itself affect a director's critical objectivity.
Article 16.1 The Nomination Committee should have a majority of independent Directors	This provision is not applied because the Company is controlled by a majority shareholder. Furthermore, the Board considered that both the quality and experience of independent members on the Nomination and Governance Committee ensure open debate and that the current composition does not undermine the operation of the committee.
Article 17.1 The Compensation Committee should be chaired by an independent Director	This provision is not applied because the Company is controlled by a majority shareholder. Moreover, two out of three members 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 compensation.

Introduction to the Internal Rules

The purpose of the Internal Rules is to define the role and methods of operation of the Board of Directors, in accordance with the law, the Articles of Association, and the rules of corporate governance applicable to listed companies. The Internal Rules are reviewed by the Board of Directors on a regular basis. The main provisions of these Internal Rules are set out below. It is available on the Company's website (www.ipsen.com).

5.1.1 Board of Directors and Executive Management

5.1.1.1 Board of Directors

5.1.1.1.1 Composition of the Board of Directors

Evolution of the Board of Directors during the 2017 financial year

During 2017, the changes in the Board of Directors are as follows:

	Nature of the change	Consequences of the change
Shareholders' Meeting held on 7 June 2017	Renewal of Antoine Flochel as Director	N/A
	Appointment of Margaret Liu and Carol Stuckley to the Board of Directors	International experience, increase in the number of independent Directors and feminization of the Board of Directors
	Appointment of Mr David Meek to the Board of Directors	More than 25 years' experience in the pharmaceutical industry and Officer of American citizenship.

There are currently 14 Board members, 6 of whom are independent.

In accordance with Article L.225-27-1 of the French Commercial Code, the Board of Directors will submit a resolution with regard to employee representation on the Board of Directors for approval by the Combined Annual Shareholders' Meeting held in 2018 to approve the financial statements for the financial year ended 31 December 2017.

Summary table of the members of the Board of Directors as at December 31, 2017

Name	Function	Nationality	Gender	Age	Date of first appointment	Date of last renewal	End of term of office (*)	Committee membership
Marc de Garidel	Chairman of the Board of Directors	French	M	60	11/10/2010 with effect as at 22/11/2010	27/05/2015	ASM 2019	Innovation and Development Committee (Chairman) Nomination and Governance Committee
Antoine Flochel	Vice-Chairman and Director	French	M	53	30/08/2005	07/06/2017	ASM 2021	Compensation Committee (Chairman) Innovation and Development Committee
Anne Beaufour	Director	French	F	54	30/08/2005	04/06/2014	ASM 2018	Nomination and Governance Committee (Chairperson) Innovation and Development Committee (Guest)
Henri Beaufour	Director	French	M	53	30/08/2005	27/05/2015	ASM 2019	Nomination and Governance Committee (**) Innovation and Development Committee (Guest)
Hervé Couffin	Independent Director	French	M	66	30/08/2005	04/06/2014	ASM 2018	Nomination and Governance Committee Audit Committee
Margaret Liu	Independent Director	USA	F	61	07/06/2017	N/A	ASM 2021	Ethics Committee Innovation and Development Committee
Pierre Martinet	Independent Director	French	M	68	19/09/2005	04/06/2014	ASM 2018	Audit Committee (Chairman) Compensation Committee

Name	Function	Nationality	Gender	Age	Date of first appointment	Date of last renewal	End of term of office (*)	Committee membership
Mayroy SA (represented by Philippe Bonhomme)	Director	Luxembourg	N/A	48	01/06/2012	31/05/2016	ASM 2020	Ethics Committee
David Meek	Chief Executive Officer and Director	USA	M	54	07/06/2017	N/A	ASM 2021	Innovation and Development Committee (Guest)
Michèle Ollier	Independent Director	French-Swiss	F	59	27/05/2015	N/A	ASM 2019	Nomination and Governance Committee Innovation and Development Committee
Hélène Auriol-Potier	Independent Director	French	F	55	04/06/2014	N/A	ASM 2018	Ethics Committee (Chairperson) Compensation Committee
Carol Stuckley	Independent Director	USA	F	62	07/06/2017	N/A	ASM 2021	Audit Committee
Christophe Vérot	Director	French	M	57	27/05/2011	27/05/2015	ASM 2019	Audit Committee Nomination and Governance Committee
Carol Xueref	Director	British	F	62	01/06/2012	31/05/2016	ASM 2020	Innovation and Development Committee Ethics Committee

(*) The Company has implemented staggered terms of office in 2011, which explains the different maturity dates.
(**)Henri Beaufour is a member of the Nomination and Governance Committee since 17 January 2017.

Antoine Flochel's appointment as Director was renewed by the Shareholders' Meeting of 7 June 2017 and as Vice-Chairman of the Board by the Board of Directors meeting on the same day for the duration of his term of office as a Director, *i.e.*, until the Shareholders' Meeting to be held in 2021 to approve the financial statements for the 2020 financial year.

Ms. Margaret Liu, Ms. Carol Stuckley and Mr. David Meek were appointed as Directors by the Shareholders' Meeting of 7 June 2017, for a term of four years expiring at the Shareholders' Meeting called in 2021 to approve the financial statements for the 2020 financial year.

Main activities of the Board members as at 31 December 2017

Marc de Garidel Chairman of the Board of Directors	Nationality: French	Shares owned: 152,580 Voting rights: 152,680

Committees:
Innovation and Development Committee (Chairman)
Nomination and Governance Committee

Date of birth:
16 March 1958

Date of 1st appointment:
22 November 2010

Last renewal date:
27 May 2015

Term of office:
2019 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 company Mayroy SA.

Marc de Garidel has been Vice-President of EFPIA between 2014 until June 2017, the European Pharmaceutical Trade Association, and chairs the Association of French Health Care companies (G5) since 2011. His mandate as Chairman of IMI governing board also expired in May 2017.

He is Vice-president of the Board of Vifor Pharma (Switzerland) since May 2017 (formerly Galenica) of which he was a board member since 2015.

Positions and functions currently held

Main function:
- Ipsen SA, Chairman of the Board of Directors

Other positions:
- G5 Santé (France), Chairman and spokesperson*
- Filière des Industries et Technologies de Santé (France), Vice-President of the Strategic Committee*
- Vectorlab GmbH (Switzerland), Chairman*
- Vifor Pharma GmbH** (formerly Galenica) (Switzerland), Director and Vice-president of the Board of Directors*
- Mayroy SA (Luxembourg), advisor

Positions previously held that expired during the last five years

Past positions previously held:
- Ipsen SA (France), Chairman and Chief Executive Officer until 18 July 2016
- Ipsen Pharma SAS (France), Chairman
- Suraypharm SAS (France), Chairman
- Pharnext (France), Director*
- Comité Biotech du Leem (Les Entreprises du Médicament)*
- European Biopharmaceutical Enterprises, Chairman*
- Promethera (Belgium), Non-Executive Chairman*
- Inserm Transfert (France), Vice-President of the Advisory Board*
- EFPIA, Director and Vice-President*
- IMI (Innovative Medicines Initiative), Chairman of the Board of Directors*
- Galenica**, Director*

* Outside Ipsen Group.
** Listed company.

Antoine Flochel Vice-Chairman of the Board of Directors	Nationality: French	Shares owned: 5,000** Voting rights: 7,000

Committees:
Compensation Committee (Chairman)
Innovation and Development Committee

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 a Managing Director and Chairman of the Board of Mayroy SA and Director of Beech Tree SA.

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 the Paris Institut des Études Politiques (institute of political studies), holds a law degree and a postgraduate degree in economics of the Paris Dauphine University, as well as an MSc in finance from the London School of Economics.

Positions and functions currently held

Main function:
- Financière de Catalogne SPRL (Luxembourg), Legal Manager*

Other positions:
- Mayroy SA (Luxembourg), Managing Director and Chairman of the Board
- Beech Tree SA (Luxembourg), Director
- Blue Hill Participations S.à.r.l (Luxembourg), Legal Manager*
- KF Finanz AG (Switzerland), Director*
- Financière CLED SPRL (Belgium), Legal Manager*
- VicJen Finance SA (France), Chairman*
- Meet Me Out (France), Director*

Positions previously held that expired during the last five years

- Baigo Capital GmbH (Germany), Member of the Advisory Board*
- Financière Althea IV SAS (France), Advisor*
- Beavan Somua Fund (Guernsey), Director*
- SCI Financière CLED (France), Legal Manager*
- New Challenger SAS (France), Member of the Supervisory Board*
- ADH (France), Director*
- Alma Capital Europe SA (Luxembourg), Director*
- Alma Capital Investment Funds SICAV (Luxembourg), Director*
- Alma Capital Investment Managers (Luxembourg), Director*

* 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 2017. He is also Legal Manager of Financière de Catalogne, which held 3,000 shares of the Company and 3,000 voting rights at the same date.

Anne Beaufour Director	Nationality: French	Shares owned: 1 Voting rights: 2

Committees:
Nomination and Governance Committee (Chairperson)
Innovation and Development Committee (Guest)

Date of birth:
8 August 1963

Date of 1st appointment:
30 August 2005

Last renewal date:
4 June 2014

Term of office:
2018 Shareholders' Meeting

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 5.2.3.1, which directly and/or indirectly hold shares of the Company.

Positions and functions currently held

Main function:
- Mayroy SA (Luxembourg), Vice Chairperson of the Board of Directors and Managing Director

Other positions:
- Beech Tree SA (Luxembourg), Director and Chairperson of the Board of Directors
- Highrock S.à.r.l. (Luxembourg), Legal Manager*
- Bluehill Participations S.à.r.l. (Luxembourg), Legal Manager*
- South End Consulting Limited (SEC Ltd) (United Kingdom), Director*

Positions previously held that expired during the last five years

- FinHestia S.à.r.l. (Luxembourg), Legal Manager

* Outside Ipsen Group.

Henri Beaufour Director	Nationality: French	Shares owned: 1 Voting rights: 2

Committees:
Nomination and Governance Committee
Innovation and Development Committee (Guest)

Date of birth:
6 January 1965

Date of 1st appointment:
30 August 2005

Last renewal date:
27 May 2015

Term of office:
2019 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, as described in section 5.2.3.1, which directly and/or indirectly hold shares of the Company.

Positions and functions currently held

Main function:
- Mayroy SA (Luxembourg), Director

Other positions:
- Beech Tree SA (Luxembourg), Director

Positions previously held that expired during the last five years

None

Hervé Couffin Independent Director	Nationality: French	Shares owned: 1,200 Voting rights: 2,400

Committees:
Nomination and Governance Committee
Audit Committee

Date of birth:
26 October 1951

Date of 1st appointment:
30 August 2005

Last renewal date:
4 June 2014

Term of office:
2018 Shareholders' Meeting

Biography and experience

Hervé Couffin is Chairman and Chief Executive Officer of Callisto, a consultancy advising management teams on LBOs.

He sits on the Board of Directors of Antargaz as well as on the Supervisory Board of Gerflor. From 1998 to 2004, he was a member of the Executive Leadership Team and senior partner at PAI Partners. Previously, he worked for Paribas for 15 years.

Hervé Couffin is a graduate of the École Polytechnique and a qualified Corps des Mines engineer.

Positions and functions currently held

Main function:
- Callisto SAS (France), Chairman and Chief Executive Officer*

Other positions:
- HC Conseil SARL (France), Managing Parner*
- Antargaz, Finagaz, UGI France (France), Permanent representative of HC Conseil in the Board of Directors*
- Topflor SAS (Gerflor Group) (France), Permanent Representative of HC Conseil in the Advisory Board*

Positions previously held that expired during the last five years

- Mersen** (France), Chairman of the Board of Directors*
- French-Tunisian Oil Company (Tunisia), Director*

* Outside Ipsen Group.
** Listed company.

Margaret Liu Independent Director	Citizenship: USA	Shares owned: 411 Voting rights: 411

Committees:
Ethics Committee
Innovation and Development Committee

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 and President of the International Society for Vaccines since 2016.

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 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 Institutet's highest in May 2017, Medicine Doctor honoris causa-MDhc.

Positions and functions currently held

Main function:
- ProTherImmune, Global Health (USA), Vaccines and Immunotherapy Consultant*

Other positions:
- International Society for Vaccines, President(1) *
- Jenner Institute, University of Oxford (UK), Scientific Advisory Board*

Positions previously held that expired during the last five years

- International Vaccine Institute (KR), Vice-Chairperson(1) *
- Keystone Symposia (USA), Director*

* Outside Ipsen Group.
(1) Until 31 December 2017.

Mayroy SA Director	Nationality: Luxembourg	Shares owned: 47,269,813 Voting rights: 94,539,623

Committees:
Ethics Committee

Date of 1st appointment:
1 June 2012

Date of last renewal:
31 May 2016

Term of office:
2020 Shareholders' Meeting

Biography and experience

The company Mayroy SA is a *société anonyme* incorporated under the laws of Luxembourg in 1994. The company Mayroy SA is a shareholder of Ipsen SA.

Registered office: 11 boulevard Royal, L-2449 Luxembourg.

Number B48865 RCS Luxembourg.

As of 31 December 2017, Mayroy SA held 47,269,813 shares, *i.e.*, 56.45% of the share capital and 94,539,623 voting rights, *i.e.*, 72.49% of net voting rights.

Philippe Bonhomme Permanent representative of Mayroy SA	Nationality: French	Shares owned: 500 Voting rights: 1,000

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 with Coopers & Lybrand (renamed into PricewaterhouseCoopers).

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 function:
- Hottinguer Corporate Finance SA (France), Partner, Director and Member of the Management Committee*

Other positions:
- Mayroy SA (Luxembourg), Director

Positions previously held that expired during the last five years

Aucun

* Outside Ipsen Group.

Pierre Martinet Independent Director	Nationality: French	Shares owned: 2,132 Voting rights: 4,264

Committees:
Audit Committee (Chairman)
Compensation Committee

Date of birth:
2 December 1949

Date of 1st appointment:
19 September 2005

Date of last renewal:
4 June 2014

Term of office:
2018 Shareholders' Meeting

Biography and experience

Pierre Martinet is the Chairman of Almacantar (Luxembourg).

From 1993 to 2014, he held different general managing duties within Exor's Group in Paris, Luxembourg, and Geneva.

From 1990 to 1992, he was a member of Perrier's executive team. From 1986 to 1990, he participated in the management of investment funds at Paribas Technology, then at Pallas Venture, a group that he helped co-found. Previously, he worked at Cartier as General Secretary from 1977 to 1985. In 1974, Pierre Martinet started his career in Rothschild Bank.

Pierre Martinet is a graduate of the Paris ESC business school and of the Columbia Graduate School of Business.

Positions and functions currently held

Main function:	Other positions:
• Almacantar (Luxembourg), Chairman*	None

Positions previously held that expired during the last five years

• Old Town SA (Luxembourg), Managing Director*

* Outside Ipsen Group.

David Meek Director and Chief Executive Officer	Citizenship : USA	Shares owned: 1 Voting rights: 1

Committee:
Innovation and Development Committee (Guest)

Date of birth:
12 September 1963

Date of 1st appointment:
Chief Executive Officer: 18 July 2016 (unlimited term)
Director: 7 June 2017

Term of office:
2021 Shareholders' Meeting

Biography and experience

David Meek was appointed CEO of Ipsen in July 2016. He is also on the Board of Directors of Ipsen. David Meek has over 25 years of experience in the pharmaceutical industry where he has held various global executive positions in major pharmaceutical and biotechnology companies. Prior to joining Ipsen David Meek was Executive Vice-President and President of the oncology division of Baxalta.

David Meek started his biopharma career at Johnson & Johnson and Janssen Pharmaceutica (1989-2004) where he held a variety of senior US sales and marketing positions across therapeutic areas in primary care, specialty care, and oncology.

He then joined Novartis (2005-2012), where he successively served as the global business franchise head for the company's respiratory and dermatology franchise in Basel, Switzerland; President and Chief Executive Officer of the pharmaceutical division in Canada; and the head of oncology for Northern, Central and Eastern Europe. From 2012 to 2014, he served as Chief Commercial Officer of Endocyte, an oncology biotechnology company.

Prior to his biopharma career David Meek was an officer in the United States Army. He is a graduate of the University of Cincinnati.

Positions and functions currently held

Main function:	Other positions:
• Ipsen SA (France), Chief Executive Officer	• Ipsen Pharma SAS (France), Chairman

Positions previously held that expired during the last five years

None

Michèle Ollier Independent Director	Citizenship: French-Swiss	Shares owned: 500 Voting rights: 500

Committees:
Nomination and Governance Committee
Innovation and Development Committee

Date of birth:
2 June 1958

Date of 1st appointment:
27 May 2015

Term of office:
2019 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 2005, 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 Rhone-Poulenc Rorer in particular in oncology and in the division "gene therapy", RPR Gencel. 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 function:
- Medicxi (Switzerland and United Kingdom), Partner*

Other positions:
- Epsilon 3 Bio Limited (United Kingdom)*
- LinguaFlex Inc. (United States of America)*
- STX pharma Limited (United Kingdom)*
- 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)*
- Diasome Pharmaceuticals, Inc. (United States of America)*
- Gadeta BV (The Netherlands)*
- Vitavest NL Coop (The Netherlands)*

Positions previously held that expired during the last five years
- Minerva Neuroscience, Inc.** (United States of America)*
- Funxional Therapeutics (United Kingdom)*
- Purple Therapeutics Limited (United Kingdom)*
- Encare Biotech BV (The Netherlands)*
- AbTco BV (The Netherlands)*
- Aegerion Inc** (United States of America)*
- OncoEthix (Switzerland)*
- Cyrenaic Pharma Inc (United States of America)*
- Sonkei Pharma Inc (United States of America)*
- Mind-NRG (Switzerland)*
- Profibrix (The Netherlands)*

* Outside Ipsen Group.
** Listed company.

Hélène Auriol-Potier Independent Director	Nationality: French	Shares owned: 600 Voting rights: 1,200

Committees:
Ethics Committee (Chairperson)
Compensation Committee

Date of birth:
26 November 1962

Date of 1st appointment:
4 June 2014

Term of office:
2018 Shareholders' Meeting

Biography and experience

Since October 2016, Helene Auriol-Potier is General manager Public Sector Western Europe at Microsoft.

Hélène Auriol-Potier built her career in the digital technologies and telecommunications industry in the United States, Europe, Africa and Asia. She started her career in New York at France Telecom in 1986. In 1990, she joined the Canadian mobile technology company, Nortel, where she spent 16 years and successively held several management positions including Vice-President Mobile Pre-Sale division and Vice-President EMEA, Services & Operations.

In 2006, she joined Dell as Managing Director in charge of Africa and the Mediterranean Region and as member of the Executive Leadership Team of Dell Emerging Markets. In 2009, she was recruited by Microsoft as Managing Director – Enterprises, Public Sector and Partners – and as member of the Executive Leadership Team for Microsoft France. Then, she was appointed Chairperson of Microsoft Singapore and member of the Executive Leadership Team of Microsoft Pacific Asia.

Hélène Auriol-Potier graduated from the École Nationale Supérieure des Télécommunications in Paris and completed an Executive Program from INSEAD.

Positions and functions currently held

Main function:
- Microsoft, General Manager Public Sector Western Europe*

Other positions:
- Oddo BHF SCA (formerly Oddo & Cie), Member of the Supervisory Board*
- Safran** (France), Independent Director*

Positions previously held that expired during the last five years
- Faiveley Transport** (France), Independent Director*
- Microsoft Dynamics Europe, General manager*

* Outside Ipsen Group.
** Listed company.

Carol Stuckley Independant Director	Citizenship: USA	Shares owned: 352 Voting rights: 352

Committees:
Audit 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 is currently the Chief Financial Officer and Senior Vice President of Healthcare Payment Specialists, LLC in Fort Worth, TX. Healthcare Payment Specialists provides 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 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 function:
- Healthcare Payment Specialists, LLC (United States of America), Chief Financial Officer and Senior Vice President*

Other positions:
- Financial Executives International (United States of America), Fort Worth Chapter, President and Board Member*

Positions previously held that expired during the last five years

- Harris & Dickey, LLC (United States of America) and Carol Stuckley, LLC, Consultant*
- Galderma Laboratories, L.P. (United States of America), Vice-President, Finance (Chief Financial Officer), North America*

* Outside Ipsen Group.

Christophe Vérot Director	Nationality: French	Shares owned: 1,500 Voting rights: 3,000

Committees:
Audit Committee
Nomination and Governance Committee

Date of birth:
23 July 1960

Date of 1st appointment:
27 May 2011

Date of last renewal:
27 May 2015

Term of office:
2019 Shareholders' Meeting

Biography and experience

Since 1991, Christophe Vérot has a consultancy activity in Corporate Finance then Valuation & Economics within PwC where he is a partner since 1995. Christophe Vérot is the author of several articles and publications on merger and acquisitions and valuation methods.

From 1985 to 1988, Christophe Vérot was an auditor at Price Waterhouse. From 1988 to 1991, he was a consultant at SIAR, a Scandinavian consultancy firm on strategy.

Christophe Vérot is a graduate of the ESSEC.

Positions and functions currently held

Main function:
- PwC Investissements SAS (France), Chairman and Member of the Management Committee*

Other positions:
- PwC Corporate Finance SAS (France), Permanent Representative of PwC Investments at the Board of Directors*
- PwC Holdings France (France), Member of the Management Committee and Chairman*
- PricewaterhouseCoopers Corporate Finance (France), Permanent Representative of PwC Investments at the Board of Directors*
- Association Guersanté (France), Director and Company Secretary*
- PricewaterhouseCoopers GIE (France), Director*

Positions previously held that expired during the last five years

None

* Outside Ipsen Group.

Carol Xueref Director	Nationality: British	Shares owned: 500 Voting rights: 1,000

Committees:
Ethics Committee
Innovation and Development Committee

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 the 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 the 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 in-house lawyers (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 function:
- Floem SAS, Chairperson*

Other positions:
- Eiffage** (France), Director and member of the Compensation and Appointments Committee and member of the Strategic Committee*
- Essilor International** (France), Director of several non-French subsidiaries of the Group*

Positions previously held that expired during the last five years

- Essilor International, Director of several subsidiaries of the Group (France and abroad), Secretary General and Member of the Executive Leadership Team*

* Outside Ipsen Group.
** Listed company.

For the purposes of their office, Directors are domiciled at the Company's registered office.

Members of the Board of Directors

Statutory provisions

Subject to the exceptions provided for by law, the Board of Directors is comprised of a minimum of three and a maximum of eighteen members who are appointed by Ordinary Meetings of Shareholders.

Directors must own at least one share in the Company. If, on the day of appointment, a Director does not own the number of shares required, or if, during the term of office, he or she ceases to own the required number, the Director shall be deemed to have resigned from his or her position unless the situation is remedied within the statutory period.

Should one or more seats on the Board of Directors become vacant between two Shareholders' Meetings, either through death or resignation, the Board of Directors may appoint temporary replacements under the conditions set out by law.

However, if the number of Directors in office falls below the minimum legal requirement, the Directors still in office or, failing that, the Statutory Auditors, must immediately call an Ordinary Shareholders' Meeting in order to bring the Board back up to strength.

Temporary appointments made by the Board of Directors will be subject to ratification by the following Shareholders' Meeting. If the temporary appointments are not approved by the Shareholders' Meeting, the resolutions adopted and actions taken by or with the support of such Directors will nevertheless still be valid. The Director elected to replace another will remain in office only for the remainder of his predecessor's term.

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.

Provisions of the Internal rules of the Board of Directors as at December 31, 2017

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 annual report lists the mandates held by members of the Board of Directors and records their 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. He must also seek the prior opinion of the Board before 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 that 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 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.

Directors shall not carry out transactions in any shares of companies in respect of which they hold insider information, owing to their position, which would be likely to have a significant effect on the price of the securities concerned.

Without prejudice to the applicable provisions of the Articles of Association, every Director must be a Company shareholder in a personal capacity and own, directly or indirectly, a relatively significant number of shares.

Any Director, whether an individual or a permanent representative of a legal entity to whom directors' fees have been paid, must hold, before the expiry of a two year period following his first appointment, a number of Company shares of an amount at least equivalent to the last net annual amount of director's fees paid to him by the Company.

It is recalled that the Company officers must retain registered shares, until the end of their term of office at least a number of shares equivalent to 20% of the net proceeds resulting from the selling of stock options or performance shares granted.

These shares must be held in registered form.

The Company regularly informs Directors of the timetable of blackout periods as well as new obligations applicable to them.

Independence of the members of the Board of Directors

A Director is currently deemed independent if he or she meets the following criteria as of the date on which his/her status is assessed:

- he or she is neither an employee, nor an executive officer nor a member of the Board and is not closely related (notably by not receiving any compensation in any form whatsoever) to an executive officer or to a member of the Board of a Group entity or to a natural or legal person, controlling the Company, alone or jointly, directly or indirectly, within the meaning of Article L.233-3 of the French Commercial Code, and has not held such a position during the course of the previous five years;
- is not an executive officer and is not closely related to an executive officer of a company in which a Group entity holds an executive office, either directly or indirectly, through an employee appointed as such, or in which a corporate officer of the Company (currently in office or having held such office within the past five years at least) holds, directly or indirectly, a corporate office;
- is not a customer, or a supplier or an investment banker or a commercial banker, or a significant service provider of the Company or of the Group, or a member of a customer company, or a supplier, or an investment bank or a commercial bank, or a material service provider of the Company or of the Group or for which either the Company or the Group accounts for a material share of business;

The assessment as to whether the relationship with the Company or the Group is material or not is debated at a meeting of the Nomination and Governance Committee once a year and the quantitative and qualitative criteria having led to this assessment are explained in the registration document.

- does not (i) represent a shareholder that owns, (ii) is not a member of an entity holding directly or indirectly or (iii) does not directly or indirectly own, more than five per cent (5%) of the Company's share capital or voting rights;
- does not have close family ties with a corporate officer;
- has not been an auditor of the Company within the previous five years;
- is not a non-executive officer receiving variable compensation in cash or in the form of shares or any compensation linked to the performance of the Company or the Group.

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 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.

Furthermore, once a year, the Nomination and Governance Committee assesses whether or not the directors' business relationship with the Company or the Group is material. This assessment forms part of the annual review of directors' independence based on a multi-criteria approach using both quantitative and qualitative criteria (including the duration and continuity of the relationship, the organization of the relationship and the amounts concerned). The Committee verifies, where appropriate, that the amounts of transactions between the Company and the relevant director or the company with which he or she is associated (as a customer, supplier, merchant banker or investment banker) do not exceed certain thresholds of the stakeholders' revenue, equity, assets or debt.

At its meeting of February 14, 2018, the Board of Directors noted that there was no business relationship between the members of the Board of Directors and the Company. Upon proposal of the Nomination and Governance Committee, it considered that Ms. Hélène Auriol-Potier, Ms. Michèle Ollier, Ms. Margaret Liu, Ms. Carol Stuckley, Mr. Hervé Couffin and Mr. Pierre Martinet are independent directors within the meaning of the Board's Internal Rules described above. The other Board members are related to an entity which controls the Company or perform senior management duties.

Ms. Anne Beaufour and Mr. Henri Beaufour are brother and sister. There are no other family relationships among the other members of the Company's Board of Directors and/or Executive Management of the Company.

The detail of the current independence criteria evaluation is as follows:

Independence criteria	He or she is neither an employee, nor an executive officer nor a member of the Board and is not closely related (notably by not receiving any compensation in any form whatsoever) to an executive officer or to a member of the Board of a Group entity or to a natural or legal person, controlling the Company, alone or jointly, directly or indirectly, within the meaning of Article L.233-3 of the French Commercial Code, and has not held such a position during the course of the previous five years	Is not an executive officer and is not closely related to an executive officer of a company in which a Group entity holds an executive office, either directly or indirectly, through an employee appointed as such, or in which a corporate officer of the Company (currently in office or having held such office within the past five years at least) holds, directly or indirectly, a corporate office	Is not a customer, or a supplier, or an investment banker or a commercial banker, or a significant service provider of the Company or of the Group, or a member of a customer company, or a supplier, or an investment bank or a commercial bank or a material service provider of the Company or of the Group or for which either the Company or the Group accounts for a material share of business	Does not (i) represent a shareholder that owns, (ii) is not a member of an entity holding directly or indirectly or (iii) does not, directly or indirectly, own more than five percent (5%) of the Company's share capital or voting rights	Has not been Statutory Auditor of the Company in the previous five years	Do not have close family ties with an executive officer	Is not a non-executive officer receiving variable compensation in cash or in the form of shares or any compensation linked to the performance of the Company or the Group
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 Board and Managing Director of Mayroy SA, the company controlling Ipsen SA	–	–	–

Independence criteria	He or she is neither an employee, nor an executive officer nor a member of the Board and is not closely related (notably by not receiving any compensation in any form whatsoever) to an executive officer or to a member of the Board of a Group entity or to a natural or legal person, controlling the Company, alone or jointly, directly or indirectly, within the meaning of Article L.233-3 of the French Commercial Code, and has not held such a position during the course of the previous five years	Is not an executive officer and is not closely related to an executive officer of a company in which a Group entity holds an executive office, either directly or indirectly, through an employee appointed as such, or in which a corporate officer of the Company (currently in office or having held such office within the past five years at least) holds, directly or indirectly, a corporate office	Is not a customer, or a supplier, or an investment banker or a commercial banker, or a significant service provider of the Company or of the Group, or a member of a customer company, or a supplier, or an investment bank or a commercial bank or a material service provider of the Company or of the Group or for which either the Company or the Group accounts for a material share of business	Does not (i) represent a shareholder that owns, (ii) is not a member of an entity holding directly or indirectly or (iii) does not, directly or indirectly, own more than five percent (5%) of the Company's share capital or voting rights	Has not been Statutory Auditor of the Company in the previous five years	Do not have close family ties with an executive officer	Is not a non-executive officer receiving variable compensation in cash or in the form of shares or any compensation linked to the performance of the Company or the Group
Directors							
Anne Beaufour	–	–	–	Anne Beaufour is the Board Vice-Chairperson and Managing Director of Mayroy SA, the company controlling Ipsen SA	–	Anne Beaufour and Henri Beaufour are brother and sister	–
Henri Beaufour	–	–	–	Henri Beaufour is a Director of Mayroy SA, the company controlling Ipsen SA	–	Anne Beaufour and Henri Beaufour are brother and sister	–
Hervé Couffin	–	–	–	–	–	–	–
Margaret Liu	–	–	–	–	–	–	–
Mayroy SA (represented by Philippe Bonhomme)	–	–	–	Mayroy SA is the main shareholder of Ipsen SA	–	–	–
Pierre Martinet	–	–	–	–	–	–	–
David Meek	David Meek is Chief Executive Officer of Ipsen SA	–	–	–	–	–	–
Michèle Ollier	–	–	–	–	–	–	–
Hélène Auriol-Potier	–	–	–	–	–	–	–
Carol Stuckley	–	–	–	–	–	–	–
Christophe Vérot	Christophe Vérot is closely linked to Mayroy SA	–	–	–	–	–	–
Carol Xueref	Carol Xueref is closely linked to Mayroy SA	–	–	–	–	–	–

Ms. Hélène Auriol-Potier, Independent Director of the Company, is also a member of Oddo BHF SCA's Supervisory Board. The Board of Directors of Ipsen has taken note of the policies on management of conflicts of interests set up by the Oddo Group. The Board also noted that the consolidated holding of the subsidiary Oddo Asset Management in the share capital of Ipsen, through several management funds, was below the 5% legal threshold.

Balanced gender representation on the Board of Directors

Currently, six Directors are women out of a total of 14 (*i.e.* 42.86%). The target of 40% of each gender to be represented on the Board has been met, in accordance with the provisions of Article L.225-18-1 of the French Commercial Code on equal representation of men and women on company Boards, since the Shareholders' Meeting of 7 June 2017 when Ms. Margaret Liu and Ms. Carol Stuckley were appointed as Directors.

Policy of the Board of Directors on its composition

The Board of Directors is currently comprised of 14 members, six of them are women, Ms. Hélène Auriol-Potier, Ms. Anne Beaufour, Ms. Margaret Liu, Ms. Michèle Ollier, Ms. Carol Stuckley and Ms. Carol Xueref.

Five of its members are non-French nationals: Ms. Carol Xueref is a UK national, Ms. Margaret Liu, Ms. Carol Stuckley and Mr. David Meek, are US nationals, and Ms. Michèle Ollier, is of French and Swiss nationality.

The Nomination and Governance Committee regularly examines and reviews the desirable balance in the composition of the Board of Directors and reports to it. The objectives of the Board of Directors are to ensure the presence of independent members, a balanced representation of women and men, a diversity of nationalities as well as international skills and experience particularly in the following fields: science, drug development, finance, legal affairs and more generally in each area concerned by the Group's activities.

In this context, the Board of Directors, on the recommendation of the Nomination and Governance Committee, submitted for the approval of the Shareholders' Meeting of 7 June 2017 the appointments of Ms. Margaret Liu, Ms. Carol Stuckley and Mr. David Meek.

Chairman of the Board of Directors

Statutory provisions

The Board of Directors shall elect its Chairman among its members, for a term that may not exceed his/her term of office as a Director. The Chairman must be a person and not a legal entity, failing which the appointment will be null and void. The Chairman may stand for re-election. He may be removed by the Board of Directors at any time.

In the event of the Chairman's temporary unavailability or death, the Board of Directors may appoint another Director to take his place for a limited but renewable period in the event of temporary unavailability; and until a new Chairman is elected, in the event of death.

The Chairman chairs the Board's meetings and organizes and manages its work. He reports to the Shareholders' Meeting on the work of the Board of Directors and enforces its decisions. The Chairman is responsible for ensuring that the Company's governing bodies operate correctly (in compliance with good governance principles) and that the Directors are able to perform their duties.

The Board of Directors may also appoint a Deputy Chairman from among its individual members, who chairs meetings of the Board in the event of an exceptional absence of the Chairman. Otherwise, in the absence of the Chairman, meetings of the Board of Directors are chaired by the oldest Director present.

Internal rules of the Board of Directors' provisions

The Chairman shall currently particularly ensure that Directors have all of the information required to fulfill their mission. He coordinates the work of the Board with that of the Committees.

In addition, the Chairman also fulfills the following specific missions:

- he assists the Chief Executive Officer, at the request of the latter, within the framework of the representation of the Company in national and international professional organizations (G5, European pharmaceutical association);
- he may represent the Company, in cooperation with the Chief Executive Officer and at the request 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 regularly consulted by the Chief Executive Officer regarding any significant events related to the Company's strategy and major growth projects;
- he may participate, at the invitation of the Chief Executive Officer, in internal meetings with the executives and teams of the Company, in order to provide insight on strategic issues;
- in cooperation with the Chief Executive Officer, he allows the Group to benefit from his knowledge and contacts in the biotech companies sector, in the academic world and regarding venture capital ("scouting");
- he devotes every effort to promote the values and the image of the Company and of the Group at all times; and
- he may take part in discussions between the Company and institutional investors.

In all of these specific missions, the Chairman acts in close coordination with the Chief Executive Officer who will solely be in charge of the leadership and operational management of the Group.

The Vice-Chairman of the Board, when one has been appointed, assists the Chairman in his mission to organize and supervise the Board's works. 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.

5.1.1.1.2 Operating rules

Internal Rules of the Board of Directors

The Board adopted Internal Rules, the main points of which are:

- the role, operation and resources of the Board of Directors;
- independence criteria for Directors;
- directors' obligations, particularly relating to conflicts of interests, if applicable, with a requirement to abstain from discussions and voting as well as relating to confidentiality, by introducing a general discretion obligation covering all information and documents obtained in the discharge of their duties;
- permanent Board Committees.

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:

- regularly 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 (the "Group"), its investments, 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, on a proposal of the 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;
- ensure 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.

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.

Functioning and meetings of the Board of Directors

The Board of Directors meets as often as required by the interest of the Company, when convened by its Chairman at the Company's registered office or in any other place indicated in the notice. In accordance with the provisions of the article 4.1 of the Internal Rules, the Board meets at least once per quarter. Directors may take part in meetings by any means allowed by law, the Articles of Association, and the Internal Rules of the Board of Directors.

Moreover, if the Board has not met for a period of over two months, at least one-third of its members, and the Chief Executive Officer if he is not also the Chairman, may ask the Chairman to call a meeting to discuss an agenda attached to the request. The Chairman may not refuse to call a meeting under these circumstances.

Should he fail to do so, and only in such a case, the Chief Executive Officer, or one of the Deputy Chief Executive Officers, or at least two Directors, may call a Board meeting and set the agenda.

Notices of meetings are made by any means in writing (*e.g.* by letter, fax, telex or electronic mail), not less than fifteen days before the date of the meeting, except in emergencies when the notice may be issued by any means but must be sent no later than the day before the meeting. Notices of meetings may, however, be made verbally and without a period of notice if all members of the Board so agree.

An attendance register is kept and signed by those Directors attending the Board meeting.

Resources and conditions of preparation of the works of the Board – Confidentiality

Members of the Board of Directors must receive all necessary information and may obtain any documents they consider useful from the Company's General Management. Prior to any meeting, they may request any reports, documents, and research prepared by the Group and may commission any external technical reports at the Company's expense.

In this respect, and without prejudice to individual directors' right to information by law and the Articles of Association, the Vice-Chairman of the Board, acting on behalf of all directors, may request the Chairman of the Board, where this person also acts as Chief Executive Officer, to provide any information document required by the directors to discharge their duties in accordance with the laws and the Articles of Association.

The Board is regularly informed and, especially during its meetings, of the Company's financial situation, cash position and significant commitments of the Company.

The Board of Directors may have call on the Group's main senior executives, whether or not they are Company officers. The Directors may, collectively or individually, consult the Group's senior executives for advice on any matter, after advising the Chairman of the Board and may meet these senior executives without the Chairman being present.

Directors may likewise, collectively or individually, during or outside meetings, ask the Chairman for information they deem useful, should disclosure of said information not be prohibited by rules of prudence on confidentiality.

Directors receive any relevant information, specifically, monthly reports, press reviews, and financial analysts' reports. Directors are also regularly informed of market developments, the competitive environment and the main issues, including in the fields of corporate social and environmental responsibility.

Directors also regularly receive information on any change in corporate governance regulations.

The Board of Directors is a collegial body whose deliberations are binding on its members. The Board's members, and any other person participating in meetings, are bound by a strict duty of confidentiality and discretion with respect to any information disclosed to them by the Company in connection with the Board and Committee deliberations that are of a confidential nature or that are presented as such by the Chairman of the Board of Directors.

Members of the Board of Directors are appointed by all the shareholders and must act in all circumstances in the Company's corporate interest. Directors are bound to report to the Board any conflict of interest, whether actual or potential, between him/her and the Company or Group. Consequently, they must abstain from taking part in the voting on the related resolution.

Quorum and majority

The Board of Directors shall only validly deliberate if at least half of its members are present. Decisions are adopted by a majority vote of the directors present or represented. In the event of a tie, the Chairman has a casting vote.

Directors attending meetings by videoconferencing or other telecommunications means are deemed to be present for the purposes of calculating the quorum and majority, within the limits and under the conditions provided for by law. This option cannot be used in the case of the decisions provided for by Articles L.232-1 and L.233-16 of the French Commercial Code.

Powers of the Board of Directors

The Board is responsible for defining and implementing the Company's strategic guidelines.

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.

In relations with third parties, the Company is bound even by acts of the Board of Directors that are not consistent with the corporate purpose, unless it proves that the third party was aware that the act exceeded such purpose, or could not be unaware thereof given the circumstances, it being specified that the mere publication of the Articles of Association is not sufficient to constitute such proof.

The Vice-Chairman assists the Chairman of the Board in the organization and management of the Board's works and contributes to preparing the Board's meetings.

The Board of Directors shall carry out such controls and verifications as it deems appropriate.

5.1.1.1.3 Work of the Board of Directors in 2017

Meetings and work of the Board of Directors in 2017

Number of members	Number of independent members	Number of meetings	Attendance rate
14	6	12	86%

The Board of Directors met 12 times during the 2017 financial year. The average attendance rate at the meetings was 86% in 2017 (excluding committee meetings).

The Company's Statutory Auditors of the Company were called to the 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 2017:

- financial statements and financial position: review and approval of the 2016 annual and consolidated financial statements, the 2017 half-year financial statements, examination of the management forecast documents, and the 2018 budget;
- strategy and development: review and follow-up of acquisition (in particular the acquisition of asset from Merrimack Pharmaceuticals), partnership and development projects, and Group strategic review;
- compensation: review and determination of the compensation of the Chairman of the Board and of the Chief Executive Officer, preparation on Company officers' compensation policy and grant of performance shares;
- organization and operation of the Board of Directors: discussion on the operation of the Board of Directors (self-assessment), proposal to renew the appointments of directors, report on the independence of the Directors, assessment of executive officer's performance, without their presence, change of the Strategic Committee to the Innovation and Development Committee, discussions on forming an *ad hoc* Committee named *Scientific Advisory Board*;
- Shareholders' Meeting: review and approval of the report of the Chairman of the Board of Directors on preparation and organization of the work of the Board and on internal control and risk management procedures, convening notice of the Combined Shareholders' Meeting of 7 June 2017;
- share capital: capital increase linked to exercise of subscription options.

Work of the Chairman of the Board of Directors in 2017

During the 2017 financial year, the Chairman of the Board of Directors organized and directed the work of the Board. He coordinated the work of the Board with that of the Committees.

The Chairman presented in particular the Board of Directors' organization and operations during the Shareholders' Meeting of 7 June 2017, including the works of the Board and its Committees, the evolution of the Group's governance as part of the separation of functions of Chairman and Chief Executive Officer as well as the appointment and renewal of the term of office of directors.

The Chairman of the Board of Directors is also Chairman of the Innovation and Development Committee. He worked with the directors to set the new missions of this Committee, previously called the Strategic Committee. He is also a member of the Nomination and Governance Committee, and actively contributed to the recruitment of the new directors appointed by the Shareholders' Meeting of 7 June 2017, as well as to the discussions on the creation of the Scientific Advisory Board.

During the 2017 financial year, he was Chairman and spokesperson of the *G5 Santé* and also the representative of the *Filière des Industries et Technologies de Santé*. In this role, he represented the Company with his peers of the pharmaceutical industry and attended meetings with public authorities. He participated in the organization of the meetings of these two bodies. He reported to the Chief Executive Officer and to the Board of the Company on developments in the pharmaceutical field.

5.1.1.1.4 Evaluation of the Board of Directors

The Internal Rules of the Board of Directors provide for an annual discussion on its operation, composition and organization in a restricted session without the presence of the Chairman of the Board, where appropriate, the Chief Executive Officer and senior executives. This restricted session is prepared by the Nomination and Governance Committee, working closely with the Vice Chairman of the Board or a director specifically appointed for the purpose. The committee may call in an outside consultant to conduct an assessment. The Board also conducts a formal evaluation at least every three years.

Moreover, the directors conduct an evaluation on the performance of the Chairman, the Chief Executive Officer and, if any, the Deputy Chief Executive Officer(s), without their presence.

A formal assessment of the Board of Directors' operation was carried out by Ms. Michèle Ollier, independent Director, under the aegis of the Nomination and Governance Committee. This assessment was conducted by Ms. Michèle Ollier on the basis of individual interviews with each Director. The conclusions of this assessment were presented and discussed during the Board of Directors meetings held on 22 February 2017 and 9 March 2017. The Directors emphasized the satisfactory operation of the Board of Directors. They appreciated the improvements made in 2016, in particular regarding the prior transmission by the management of justified documents, the good interaction between the Board and the specialized Committees, as well as the quality of the reports prepared by the Chairperson of the specialized Committees which continue to improve.

They also mentioned new opportunities for improvement, such as starting discussions on recruiting Directors with management, scientific, development or company management experience in our and related sectors. Furthermore, Directors considered it would be appropriate to create a Scientific Advisory Board, paying attention to conflict of interest issues. Finally, although recent, Directors are of the opinion that the separation of the functions of Chairman of the Board and Chief Executive Officer is positive.

During these discussions, Directors were given the opportunity to express their appreciation of individual contributions of their counterparts.

In 2017, these proposals led to several implementations by the Board. In this context, the Board of Directors notably:

- proposed the appointments of Ms. Margaret Liu, with scientific skills and international experience, and Ms. Carol Stuckley, with financial skills and international experience, to the Shareholders' Meeting of 7 June 2017. These two appointments also enabled the Board to reach the target of balanced gender representation within the Board.
- engaged a process of reflection to create a Scientific Advisory Board, see paragraph 5.1.1.2 in this Registration Document;
- adopted at its meeting of 13 December 2017 a new policy on directors' fees including a predominant variable portion linked to attendance at Board meetings, in accordance with the provisions of the Afep-Medef Code.

5.1.1.2 The Committees of the Board of Directors

Common rules to all committees – Organization and operation of the Committees of the Board of Directors

In accordance with its Internal Rules, the Board of Directors may establish temporary or permanent specialized Committees with at least three and no more than six members, of its choosing, and appoint the Chairperson of said Committees. These Committees submit their opinions and proposals to the Board and report to the Board on their work.

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 cannot delegate anyone 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.

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 meet only 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.

The Chairperson of a Committee may invite all Board members to several of its meetings. 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 Annual Report.

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 of Directors has set up five permanent committees:

- an Innovation and Development Committee (formerly the Strategic Committee),
- an Audit Committee,
- a Compensation Committee,
- a Nomination and Governance Committee, and
- an Ethics Committee.

The Board of Directors engaged a process of reflection to create in 2018 an *ad hoc* committee named "Scientific Advisory Board" composed of scientific experts from outside the Group. For further details, see below.

The Innovation and Development Committee (formerly Strategic Committee)

Number of members	Number of independent members	Number of meetings	Attendance rate
5	2	3	83%

The Innovation and Development Committee comprises, as at the filing date, the Chairman of the Board and four other permanent members of the Board of Directors.

The Innovation and Development Committee is currently comprised of five members, two of whom are independent with regard to the independence criteria referred to above.

Its members are:

- Marc de Garidel (Chairman);
- Antoine Flochel;
- Margaret Liu (independent member);
- Michèle Ollier (independent member);
- Carol Xueref.

Ms. Anne Beaufour, Mr. Henri Beaufour and Mr. David Meek are guests of the Innovation and Development Committee.

The role of the Innovation and Development Committee 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 may call on the Group's senior executives, whether Company officers or not.

It meets at least four times a year, convened by its Chairman or by a majority of its members.

In 2017, the missions of the Committee have been redefined and its name modified accordingly. Due to this transformation, the Innovation and Development Committee (formerly Strategic Committee) met only three times during this financial year. The global attendance rate was 83%.

The Innovation and Development Committee (formerly Strategic Committee) mainly worked during the year on the exam and review of proposed acquisitions (acquisition of the assets of Merrimack Pharmaceuticals), partnership and Group development plans. These works have been reported and, when appropriate, a recommendation made to the Board, after each Committee meeting.

The Audit Committee

Number of members	Number of independent members	Number of meetings	Attendance rate
4	3	5	100%

The Audit Committee comprises, as at the filing date, 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 Chairman of the Committee from among its members. The Chairman of the Committee is also an independent director.

The Audit Committee is currently comprised of four members, three of whom are independent.

Its members are:

- Pierre Martinet (Chairman and independent member),
- Hervé Couffin (independent member),
- Carol Stuckley (independent member) and,
- Christophe Vérot.

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. Ms. Carol Stuckley, Messrs. Pierre Martinet and Hervé Couffin fulfill the independence and financial, accounting or statutory audit criteria given their professional experience as described above.

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 accounting and financial 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 and 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 and major off-balance sheet commitments of the Company;
- 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.

The Audit Committee meets at least four times a year, convened by its Chairman.

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.

The Audit Committee met five times in 2017 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 2016 annual and consolidated financial statements, the 2017 half-year financial statements, the 2017 closing options and the 2018 budget review, the review of the report of the Chairman of the Board of Directors on preparation and organization of the Board's work and on internal control and risk management procedures, the review of the 2016 internal audit report, the 2017 and 2018 internal audit plan and the work review of the Group's internal audit and of the internal control procedures, and the approval of the services other than statutory audit work provided by the Statutory Auditors. These works have been reported and, when appropriate, a recommendation made to the Board, after each Committee meeting.

The Nomination and Governance Committee

Number of members	Number of independent members	Number of meetings	Attendance rate
6	2	5	73%

The Nomination and Governance Committee comprises, as at the filing date, 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.

In 2017, the Nomination and Governance Committee was comprised of six members, two of whom are independent.

Its members are:

- Anne Beaufour (Chairperson),
- Henri Beaufour,
- Marc de Garidel,
- Hervé Couffin (independent member),
- Michèle Ollier (independent member) and,
- Christophe Vérot.

The Chief Executive Officer may attend meetings of the Nomination and Governance Committee and give his opinion when the agenda is about the appointment of ELT members or managers of the Group.

The role of the Nomination and Governance Committee is to:

- make proposals to the Board of Directors concerning the re-election, replacement or appointment of new Directors, in close cooperation with the Chairman of the Board;
- give its opinion, with the support of the Board's Chairman, on the recruitment or the replacement of the Chief Executive Officer and/or Deputy Chief Executive Officers where required, as well as the members of the Executive Leadership Team;
- prepare, in close cooperation with the Vice-Chairman of the Board or a Director specially appointed for this purpose, the annual "executive session" of the Board of Directors dedicated to the assessment of its method of operation in the absence of the Chairman of the Board, the Chief Executive Officer and senior management;
- give its opinion, with the support of the Board's Chairman, on the list of independent members of the Board of Directors;
- design a succession plan as necessary, working closely with the Chairman of the Board, for executive Company officers to propose succession solutions to the Board in the event of unforeseen vacancies.

The Nomination and Governance Committee meets at least twice a year when convened by its Chairman or at the request of the Chairman of the Board.

The Nomination and Governance Committee met five times in 2017 with an attendance rate of 73%. The Committee's work focused mainly on the assessment of the organization and operation of the Board of Directors, the qualification of independent members and the selection of new directors. These works have been reported and, when appropriate, a recommendation made to the Board, after each Committee meeting.

The Compensation Committee

Number of members	Number of independent members	Number of meetings	Attendance rate
3	2	4	100%

The Compensation Committee comprises, as at the filing date, at least three and no more than six directors, including a majority 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.

The Compensation Committee is currently comprised of three members two of whom are independent.

Its members are:

- Antoine Flochel (Chairman),
- Hélène Auriol-Potier (independent member) and,
- Pierre Martinet (independent member).

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.

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;

- make 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.

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 met four times in 2017 with an attendance rate of 100%. Its activities primarily involved determination of the compensation of the Chief Executive Officer and of the Chairman of the Board of Directors, the report on compensation policy for Company officers, the policy for the granting of performance shares in the Group and for directors' fees. These works have been reported and, when appropriate, a recommendation made to the Board, after each Committee meeting.

The Ethics Committee

Number of members	Number of independent members	Number of meetings	Attendance rate
4	2	4	100%

The Ethics Committee comprises, as at the filing date, 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.

The Ethics Committee is currently comprised of four members two of whom are independent.

Its members are:

- Hélène Auriol-Potier (Chairperson and independent member),
- Carol Xueref,
- Margaret Liu (independent member) and
- Mayroy SA (represented by Mr. Philippe Bonhomme).

The role of the Ethics Committee is to:

- review the definition of the Group's fundamental values as well as of its ethics and compliance policies;
- submit recommendations on ethics and compliance to the Board of Directors; discuss all issues related 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;
- monitor the implementation and efficiency of procedures used to disseminate the Code of Ethics and overall policies and make sure they are bought into by employees and complied with throughout the Company;
- study the Group's risks mapping from an ethics and compliance standpoint;
- review the ethics and compliance activity report within the Group;
- study 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 after such breaches are detected.
- examine potential conflicts of interest for members of the Company's Board of Directors and communicate the results of its findings in accordance with an internal procedure to protect confidentiality.

The Ethics 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.

The Ethics Committee meets at least once a year when convened by its Chairperson.

The Committee met four times in 2017 with an attendance rate of 100%. Its activities primarily involved the review and/or examination of the procedures and regulations concerning ethics, compliance, transparency and governance. These works have been reported and, when appropriate, a recommendation made to the Board, after each Committee meeting.

Ad hoc Committee: the Scientific Advisory Board

It is forecasted to set up in 2018 a Scientific Advisory Board as an *ad hoc* committee rather than an additional permanent committee of the Board of Directors, composed of internationally recognized experts in the field of sciences, from outside the Board.

The Scientific Advisory Board's mission would be to inform the Board of Directors, provide guidance on the scientific direction of the company, inform it about scientific developments in fields it competes in, and provide strategic advice, in particular regarding emerging science and technology issues and trends in the fields of oncology, neurosciences, endocrinology and rare diseases.

The Scientific Advisory Board would be composed of a Chairman, who would run the committee and additional members. The members would be selected by the Chairman, outside Ipsen, among those who are the best placed and experienced to fulfil the missions of the Committee.

5.1.1.3 Executive Management

Company's 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 Company also announced on 16 February 2016 that it had started the process to recruit its future Chief Executive Officer. The separation of functions is effective since 18 July 2016, the start date of Mr. David Meek's appointment as Chief Executive Officer. With this change of governance, the appointment of Marc de Garidel as Chairman of the Board of Directors has been confirmed.

Executive Management

David Meek Chief Executive Officer and Director	Citizenship : USA	Shares owned: 1 Voting rights: 1

Committee:
Innovation and Development Committee (Guest)

Date of birth:
12 September 1963

Date of 1st appointment:
Chief Executive Officer: 18 July 2016 (unlimited term)
Director: 7 June 2017

Term of office as Director:
2021 Shareholders' Meeting

Biography and experience

David Meek was appointed CEO of Ipsen in July 2016. He is also on the Board of Directors of Ipsen. David Meek has over 25 years of experience in the pharmaceutical industry where he has held various global executive positions in major pharmaceutical and biotechnology companies. Prior to joining Ipsen David Meek was Executive Vice-President and President of the oncology division of Baxalta.

David Meek started his biopharma career at Johnson & Johnson and Janssen Pharmaceutica (1989-2004) where he held a variety of senior US sales and marketing positions across therapeutic areas in primary care, specialty care, and oncology.

He then joined Novartis (2005-2012), where he successively served as the global business franchise head for the company's respiratory and dermatology franchise in Basel, Switzerland; President and Chief Executive Officer of the pharmaceutical division in Canada; and the head of oncology for Northern, Central and Eastern Europe. From 2012 to 2014, he served as Chief Commercial Officer of Endocyte, an oncology biotechnology company.

Prior to his biopharma career David Meek was an officer in the United States Army. He is a graduate of the University of Cincinnati.

Positions and functions currently held

Main function:	Other positions:
• Ipsen SA (France), Chief Executive Officer	• Ipsen Pharma SAS (France), Chairman

Positions and functions previously held that expired during the last five years

None.

For the purposes of his duties, the Chief Executive Officer is domiciled at the Company's registered office.

The Chief Executive Officer

Appointment and removal

When the Board of Directors opts to separate the roles of Chairman of the Board and Chief Executive Officer, it appoints the Chief Executive Officer, sets his or her term of office, and determines any restrictions on his or her powers.

The Chief Executive Officer may be dismissed at any time by the Board of Directors. If the Chief Executive Officer is not the Chairman, his or her dismissal may give rise to damages if his or her dismissal is unjustified.

The Chief Executive Officer is subject to the provisions of Article L.225-94-1 of the French Commercial Code on simultaneous holding of office as Chief Executive Officer, a member of Management Board, sole managing Director, Director or member of the Supervisory Board of French *sociétés anonymes* with their registered offices in France.

If the Chairman is also the Chief Executive Officer, the provisions concerning the Chief Executive Officer also apply to him or her.

Powers

in accordance with the provisions of the articles of association, the Chief Executive Officer has the broadest powers to act at any time and in all circumstances in the name and on behalf of the Company, within the limits of the Company's corporate purpose and subject to those powers expressly granted by law to Shareholders' Meetings and to the Board of Directors.

The Chief Executive Officer represents the Company in its dealings with third parties. The Company is bound by the Chief Executive Officer's acts even if the acts are outside of the corporate purpose, 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 sole publication of the Company's Articles of Association is not sufficient to constitute such proof.

However, for certain operations of Business Development, the Board of Directors has determined thresholds for which the approval of the Board, upon recommendation of the Innovation and Development Committee, will be required.

As part of his duties, the Chief Executive Officer, member of the Board of Directors, periodically meets the Company's investors and reports to the Board.

Deputy Chief Executive Officers

Upon a proposal of the Chief Executive Officer, the Board of Directors may appoint one or more persons to assist the Chief Executive Officer with the title of Deputy Chief Executive Officer.

The maximum number of Deputy Chief Executive Officers is set at five.

The scope and term of the powers granted to Deputy Chief Executive Officers are determined by the Board of Directors and the Chief Executive Officer.

With respect to third parties, Deputy Chief Executive Officers have the same powers as the Chief Executive Officer.

Deputy Chief Executive Officers may be dismissed by the Board of Directors at any time upon a proposal of the Chief Executive Officer.

If the Chief Executive Officer ceases to exercise or is prevented from exercising his or her duties, the Deputy Chief Executive Officers will remain in office until a new Chief Executive Officer is appointed, unless the Board of Directors decides otherwise.

As of this Registration Document, no Deputy Chief Executive Officer has been appointed.

5.1.1.4 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 Executive Leadership Team 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

As at 15 March 2018, the members of the Executive Leadership Team are as follows:

Name	Function	Date of entry in the ELT
David Meek	Chief Executive Officer	2016
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
Dominique Laymand	Executive Vice-President, Chief Ethics and Compliance Officer	2017
Alexandre Lebeaut	Executive Vice President Research & Development, Chief Scientific Officer	2017
Aymeric Le Chatelier	Executive Vice-President, Chief Financial Officer	2014
Ivana Magovčević-Liebisch	Executive Vice President, Chief Business Officer	2018
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
Harout Semerjian	Executive Vice President, Chief Commercial Officer	2017

Have left the Executive Leadership Team in 2017: Jean Fabre, Cynthia Schwalm, Stéphane Bessette and Jonathan Barnsley. Christophe Jean left the ELT in March 2018 to become Special Advisor to the Chief Executive Officer until June 30, 2018.

There are no family relationships between the members of the Executive Leadership Team, nor with the members of the Board. It is specified that Mr. David Meek is Chief Executive Officer and Director of the Company.

To the Company's best knowledge and as of the date of publication of the present registration 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 Executive Leadership Team, except David Meek, 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 Executive Leadership Team.

Biographies of the Executive Leadership Team members

The biography of David Meek is given in section 5.1.1.1 of this Registration Document.

Dominique Bery
Executive Vice President, Strategy & Transformation

Citizenship:
French

Appointment date:
13 March 2018

Date of birth:
27 April 1971

Biography and experience

Dominique joined Ipsen in April 2017.

Dominique spent the previous 18 years with McKinsey & Company, where she was elected Partner in 2010. Dominique co-led the Pharmaceuticals and Medical Products Practice in Europe and served multiple pharmaceutical and biotech companies. She also worked with diagnostics companies, hospitals, payors, ministries of health, patient associations, and public health organizations, gaining extensive experience in the healthcare industry.

Located in Paris and Washington, Dominique led many company-wide transformation projects across Europe, US and Africa, working hand in hand with management and their teams. She supported clients to set their strategic priorities at corporate, business unit, and therapeutic area level, and she worked with a number of brand teams to accelerate brand performance. She brings a truly cross-functional perspective, having worked closely with most functions in pharmaceutical companies. In parallel, she initiated the creation of a community of women executives in France, focused on developing the capabilities of women executives on key business topics such as innovation, leadership in transformation, business model disruption.

Dominique is a graduate from ESSEC and holds a Masters in Business Administration from Harvard Business School.

Current positions inside the Group

None

François Garnier
Executive Vice President, General Counsel

Citizenship:
French

Appointment date:
5 January 2015

Date of birth:
4 May 1962

Biography and experience

François Garnier was appointed Executive Vice-President, General Counsel in December 2014, effective as of 5 January 2015.

François began his career in 1989 at Servier S.A. as International Contracts Manager, and remained with the company until September 1995. He then moved to Rhône Poulenc Rorer S.A. to take up the position of Counsel for Corporate Transactions. In 1996 he moved to the United States as Associate Counsel, before being appointed Chief Counsel for France in 1999. François continued his career as Chief Counsel at Aventis Animal Nutrition until 2001, when he joined the Pharmacia Group as Chief Counsel for Europe.

Francois joined Pfizer France in 2003, as Vice-President, General Counsel before moving on to become Chief Counsel for Pfizer's operations in Europe from 2009 to 2014. He was International Chief Counsel (ex-US) for Pfizer Inc. from January 2014.

A student from the IEP in Paris, Francois graduated from the University of Panthéon-Assas prior to working in the legal departments of a number of pharmaceutical groups.

Current positions inside the Group

- Ipsen Pharma SAS (France), Managing Director

Benoît Hennion
Executive Vice-President and President, Consumer HealthCare

Citizenship:
French

Appointment date:
13 March 2017

Date of birth:
7 March 1976

Biography and experience

Benoit Hennion has been Executive Vice-President and President, Consumer HealthCare since March 2017.

Benoît joined Ipsen in 2006 within the Corporate Strategic Planning team. In 2009, he became Consumer HealthCare Business Unit Head for France, and subsequently, in 2011, General Manager of France Operations (including both Specialty Care and Consumer HealthCare).

Following the separation of the Specialty Care and Consumer HealthCare businesses in 2014, Benoit was appointed Vice President, Asia-Pacific, Specialty Care. Benoit gained his MBA degree at ESSEC (Paris, France).

Before joining Ipsen, he started his career at Société Générale in the Czech Republic and then served for six years in the Paris office of Roland Berger Strategy Consultants.

Current positions inside the Group

- Ipsen Pharma SAS (France), Managing Director

Dominique Laymand
Executive Vice-President Chief Ethics and Compliance Officer

Citizenship:
French

Appointment date:
6 October 2017

Date of birth:
23 August 1954

Biography and experience

Dominique Laymand was appointed Executive Vice-President, Chief Ethics and Compliance Officer in October 2017.

Dominique Laymand joined Ipsen in 2015 as Senior Vice-President, Chief Ethics and Compliance Officer.

Dominique is in charge of Ethics & Compliance strategy for the Ipsen Group, the deployment of the Global Ethics & Compliance program and the organization of this department. The Global Ethics & Compliance program is based on an integrated approach to prevention and management of operational risks, as well as on strong principles of integrity and ethics in the conduct of business.

Previously Dominique served as Vice-President Ethics & Compliance at Bristol Myers Squibb, setting up and managing the Ethics & Compliance Europe, Middle East, Africa, Turkey and Russia program.

Dominique also chairs the committee of compliance at the European Federation of Pharmaceutical Industries and Associations (EFPIA) and also at the French Association of Pharmaceutical Industries (Leem).

Dominique is the president of ETHICS, an association which includes international professionals in Ethics and Compliance working in the healthcare sector.

Current positions inside the Group

None

Alexandre Lebeaut
Executive Vice-President Research & Development, Chief Scientific Officer

Citizenship:
USA

Appointment date:
14 April 2017

Date of birth:
14 November 1957

Biography and experience

Dr. Alexandre Lebeaut was appointed Executive Vice-President, R&D, and Chief Scientific Officer in April 2017.

Dr. Lebeaut joined Ipsen in 2013 as Senior Vice President, Chief Development Officer, Global Drug Development and was appointed Interim Head of R&D in December 2016. He earned his M.D. from Paris Diderot University and specialized in Pediatrics at Paris Descartes University. Before joining Ipsen, he held several global leadership positions in Clinical Development and Medical Affairs with biopharmaceutical companies including Axcan Pharmaceuticals, Sanofi, Novartis and the Schering Plough Research Institute.

Current positions inside the Group

- Ipsen Pharma SAS (France), Managing Director
- Ipsen Innovation SAS (France), Managing Director
- Ipsen Bioscience Inc. (United States of America), Chairman
- Ipsen (Beijing) Pharmaceutical Science and Technology Development, Co. Ltd. (China), Director

Aymeric Le Chatelier
Executive Vice-President, Chief Financial Officer

Citizenship:
French

Appointment date:
3 November 2014

Date of birth:
26 May 1969

Biography and experience

Aymeric Le Chatelier was appointed as Executive Vice-President, Chief Financial Officer in November 2014.

Aymeric, a graduate from HEC, started his career at Arthur Andersen in 1993. He became internal auditor first at Lagardère group in 1997 and then at Vivendi group in 1998. From 1999, he successively executed several roles in finance management in France and the United States within Veolia Environnement, notably as Deputy Chief Financial Officer of Veolia Water in 2004-2005. In 2006, he joined the Arjowiggins group, a leading manufacturer of creative and technical paper, and was appointed Group Chief Financial Officer in 2009. In 2013, Aymeric was appointed Financial Director of ERDF (the electricity distribution network company of EDF) and in 2014, he became a member of the Management Board in charge of Finance and Sourcing within ERDF.

Current positions inside the Group

- Ipsen Pharma SAS (France), Managing Director

Ivana Magovčević-Liebisch
Executive Vice-President, Chief Business Officer

Citizenship:
USA

Appointment date:
13 March 2018

Date of birth:
11 July 1967

Biography and experience

Ivana Magovčević-Liebisch Ph.D, J.D was appointed Executive Vice-President, Chief Business Officer in March 2018. She is in charge of Business Development, External Innovation and Strategic Alliances.

Ivana joins Ipsen from Axcella Health Inc., where she served as Executive Vice-President, Chief Strategy and Corporate Development Officer. Prior to joining Axcella, Ivana was Senior Vice-President and Head of Global Business Development at Teva Pharmaceutical Industries Ltd (2013-2017), where she led and executed multiple business development transactions ranging from licensing to acquisition of drug candidates, commercial products and companies for the global specialty drug business. She previously worked at Dyax Corp (2001-2013) in management roles of increasing scope and responsibility, including Executive Vice-President and Chief Operating Officer. Ivana began her biopharma career at Transkaryotic Therapies, Inc (1998-2001), where she was Director of Intellectual Property and Patent Counsel.

Ivana serves as a member of the Board of Directors of Applied Genetic Technologies Corporation (AGTC), is a member of the Board of Directors for Alivio Therapeutics, a Trustee of Suffolk University, and an overseer of the Boston Ballet, Boston Museum of Science and Beth Israel Deaconess Medical Center.

Ivana holds a Ph.D. in Genetics from Harvard University and received her J.D. in High Technology law from Suffolk University Law School. She graduated from Wheaton College with a B.A. in Biology and Chemistry. In 2008, Ivana was the winner of the Women Entrepreneurs in Science and Technology Leadership Award.

Current positions inside the Group

None

Régis Mulot
Executive Vice-President, Chief Human Resources Officer

Citizenship:
French

Appointment date:
13 March 2018

Date of birth:
10 May 1966

Biography and experience

Régis Mulot was appointed Executive Vice President, Chief Human Resources Officer in March 2018.

Régis Mulot joins Ipsen from Staples Inc., the global specialty retail and e-commerce company, where he served as Executive Vice-President, Chief Human Resources Officer, leading a global team of over 600 professionals. Prior to his career with Staples (2009-2018), Mr Mulot held HR leadership positions with Levi Strauss & Co (2002-2008) and the technology start-up Broadnet Europe (2000-2002), following earlier roles at GTECH Corporation (1994-2000), International Post Corporation (1991-1994) and Chronopost SA (1989-1991).

Régis Mulot serves on the Board of Trustees, Simmons College (Boston M.A.); is Past Chairman of the Business Advisory Committee of the Simmons School of Management 2014-2017; Member of the French-American Chamber of Commerce, New England; and Founder and Chair of the French-American HR Forum since 2016. He has been Co-chair of the Boston CHRO (Chief Human Resources Officers) Leadership summit since 2014, and a Gartner CHRO Leadership Board member since 2017.

Régis Mulot holds a DESS Entreprises Publiques (Master in Public Administration) from Paris XI-Sud in partnership with Paris IX-Dauphine and Institut International d'Administration Publique (IIAP). He also holds a Maîtrise Droit Public (Bachelor of Law) from Paris II–Panthéon-Assas, and is a Beta Gamma Sigma honoree from the Simmons College Chapter.

Current positions inside the Group

None

Aidan Murphy
Executive Vice-President, Technical Operations

Citizenship:
British

Appointment date:
1 January 2018

Date of birth:
13 April 1966

Biography and experience

Aidan Murphy was appointed Executive Vice-President, Technical Operations, effective 1 January 2018. Dr Aidan Murphy has more than 25 years experience in the pharmaceutical and biotechnology industry, and since joining Ipsen in 2006 has held a number of manufacturing leadership roles in many countries.

Since 2014 Aidan Murphy has held the position of Senior Vice President Biologics Development and Manufacturing at Ipsen. Also during his tenure at Ipsen, he has led the manufacturing sites of Tianjin (China), Dublin (Ireland), and Wrexham (UK) and occupied global roles as SVP CMC (Chemistry, Manufacturing, and Controls) Development & Engineering and Head of Specialty Care Manufacturing. He holds a PhD in organic chemistry from Trinity College, Dublin.

Current positions inside the Group

- Ipsen Pharma SAS (France), Managing Director
- Ipsen Manufacturing Ireland Limited (Ireland), Director

Richard Paulson
Executive Vice-President and Chief Executive Officer of Ipsen North America

Citizenship:
Canadian

Appointment date:
5 February 2018

Date of birth:
11 September 1967

Biography and experience

Richard Paulson was appointed Executive Vice-President and Chief Executive Officer of Ipsen North America, effective 5th February 2018.

He is responsible for driving continued growth in both the US and Canadian markets across key therapeutics areas of oncology, neurology and rare diseases.

During a 10-year career at Amgen, Richard Paulson held a number of positions in the company, including General Manager, Central and Eastern Europe, and subsequently General Manager Germany, before assuming leadership positions in Amgen's Oncology Business Unit. Prior to joining Amgen, he held international positions in general management, marketing and market access with Pfizer. He also served in a number of sales and marketing roles with increasing seniority for GlaxoWellcome in Canada.

Richard Paulson earned his undergraduate degree in Commerce from the University of Saskatchewan, Canada, and his MBA from the University of Toronto, Canada.

Current positions inside the Group

- Ipsen Biopharmaceuticals, Inc. (United States of America), Director

Harout Semerjian
Executive Vice-President, Chief Commercial Officer

Citizenship:
Canadian

Appointment date:
2 February 2017

Date of birth:
6 November 1970

Biography and experience

Harout Semerjian, Executive Vice-President, Chief Commercial Officer, has been a member of the ELT since 2 February 2017.

Harout Semerjian has more than 23 years of pharmaceutical experience, including the last 17 years at Novartis focused on oncology and specialty care. He took on leadership roles with increasing responsibility across the U.S., Canada, Europe, Middle East & North Africa in addition to headquarter-based roles. His last role was Senior Vice-President and Global Launch Head of ribociclib. Prior to that, he was Vice-President and U.S. Hematology Franchise Head based in New Jersey.

He holds dual MBA degrees from Cornell University, New York and from Queen's University, Canada. He also holds a Bachelor Degree of Science in Biology from the Lebanese American University.

Current positions inside the Group

- Ipsen Pharma SAS, Managing Director
- Ipsen Biopharm Limited, Chairman and Director
- Ipsen Developments Limited, Chairman and Director
- Ipsen Limited, Chairman and Director
- Pothold Limited, Chairman and Director
- Specwood Limited, Chairman and Director
- Sterix Limited, Chairman and Director
- Ipsen Bioinnovation Limited, Chairman and Director

5.1.1.5 Conflicts of interests, no-condemnation and service contracts

Conflicts of interest involving governance, management and executive managements bodies

The director is elected by all the shareholders and must act in all circumstances in the Company's interest.

Directors must inform the Board about any actual or potential conflicts of interest between themselves and the Company or the Group and must abstain from taking part in any vote by the Board on the relevant deliberations.

Moreover, as part of its missions, the Ethics Committee regularly reviews with the Board of Directors the issue of conflict of interest. Each director must report its activities to the Ethics Committee on an annual basis for review and recommendation to the Board of Directors.

To the best of the Company's knowledge and as of the date of publication of this registration 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 Chief Executive Officer, 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 Registration document, none of the members of the Board of Directors neither 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;
- disqualified from acting as a board member, senior executive or supervisory board member or from participating in the management of a listed company.

Service contracts with members of the Company's governing bodies

To the Company's best knowledge, no services contracts has been signed, involving directors or any member of the Executive Board 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.

5.1.1.6 Specific terms for participating in Shareholders' Meetings

The specific terms for the participation of shareholders in the Annual Shareholders' Meeting are found in section 5.2.1.4 of this Registration Document.

5.1.1.7 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 5.2.3.5 of this Registration Document.

5.1.1.8 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 5.2.2.4 of this Registration Document.

5.1.2 Compensation of Company officers

5.1.2.1 Directors' fees

Rules regarding the allocation of directors' fees

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 directors' fees as follows:

- each member of the Board of Directors receives a director's fee of €40,000 for a full year of service,
- the Vice-Chairman of the Board of Directors receives an additional fee of €50,000 for a full year of service,
- the members of Committees of the Board receive a director's fee of €15,000 for a full year of service,
- the Chairmen of the Nomination and Governance Committee, the Innovation and Development Committee and the Ethics Committee receive an additional director's fee of €20,000 for a full year of service,
- the Chairmen of the Audit Committee and the Compensation Committee receive an additional director's fee of €35,000 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 additional directors' fees amounting to €5,000 for intercontinental travel to attend a meeting of the Board.

Directors' fees are paid on a half year basis (within the month following each half-year closing).

The gross amount of directors' fees paid for 2017 was €903,939.

Individual amounts of fees and other compensation paid to directors (gross amounts – rounded) (Table 3 of AMF recommendations)

Directors	Amounts paid (**) in 2016	Amounts paid (**) in 2017
Marc de Garidel(*) – Director's fees – Other compensation	 €81,989 see section 5.1.2.3.2	 – see section 5.1.2.3.2
Anne Beaufour – Director's fees – Other compensation	 €95,000 –	 €94,042 –
Henri Beaufour – Director's fees – Other compensation	 €61,667 –	 €65,897 –
Hervé Couffin – Director's fees – Other compensation	 €75,000 –	 €75,000 –
Antoine Flochel – Director's fees – Other compensation	 €160,000 –	 €160,000 –

(*) The compensation elements of Mr. Marc de Garidel, paid *prorata temporis* in respect of his functions as Chairman and Chief Executive Officer until 18 July 2016 and as Chairman from this date, are presented at section 5.1.2.3.2 of the registration document and should be added. Since 18 July 2016 and for the financial year 2017, Mr. Marc de Garidel has not received any directors' fees.

(**) Directors' fees are paid on a half-year basis (within the month following each half-year closing), based *prorata temporis* on the time spent in office during the semester, if applicable.

Directors	Amounts paid (**) in 2016	Amounts paid (**) in 2017
Margaret Liu (1) – Director's fees – Other compensation	 – –	 €10,000 –
Pierre Martinet – Director's fees – Other compensation	 €110,000 –	 €110,000 –
Mayroy SA – Director's fees – Other compensation	 €60,000 –	 €60,000 –
David Meek (2) – Director's fees – Other compensation	 – see section 5.1.2.3.1	 – see section 5.1.2.3.1
Michèle Ollier – Director's fees – Other compensation	 €75,000 –	 €75,000 –
Hélène Auriol-Potier – Director's fees – Other compensation	 €95,000 –	 €95,000 –
Carol Stuckley (1) – Director's fees – Other compensation	 – –	 €9,000 –
Christophe Vérot – Director's fees – Other compensation	 €75,000 –	 €75,000 –
Carol Xueref – Director's fees – Other compensation	 €75,000 –	 €75,000 –
Total **– Director's fees** **– Other compensation**	 **€963,656** **–**	 **€903,939** **–**

(*) The compensation elements of Mr. Marc de Garidel, paid *prorata temporis* in respect of his functions as Chairman and Chief Executive Officer until 18 July 2016 and as Chairman from this date, are presented at section 5.1.2.3.2 of the registration document and should be added. Since 18 July 2016 and for the financial year 2017, Mr. Marc de Garidel has not received any directors' fees.

(**) Directors' fees are paid on a half-year basis (within the month following each half-year closing), based *prorata temporis* on the time spent in office during the semester, if applicable.

(1) Director since 7 June 2017, the amount of director's fees is calculated *prorata temporis* on the time spent in office during the semester.

(2) Director since 7 June 2017, Mr. David Meek, Chief Executive Officer, has not received any directors' fees. The compensation elements of Mr. David Meek in respect of his function as Chief Executive Officer since 18 July 2016, are presented at section 5.1.2.3.1 of the registration document and should be added.

The Board of Directors decided, at its meeting of 13 December 2017, a new Directors' fees policy that includes a predominant variable portion linked to attendance at meetings of the Board.

5.1.2.2 Principles and criteria governing the compensation of Company officers

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

Principles and criteria governing the compensation of Company officers

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

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

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

The compensation paid to Company officers is structured as follows:

- fixed compensation;
- annual variable compensation (only for executive officers);
- if applicable, multi-annual variable compensation (only for executive officers);

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

The individual elements of compensation for Company officers are described in section 5.1.2.3.2 of this registration document.

In accordance with the article L.225-100 of the French Commercial Code, compensation elements paid or granted for financial year 2017 to Mr. Marc de Garidel, Chairman of the Board of Directors and Mr. David Meek, Chief Executive Officer, shall be submitted to the vote of the Shareholders at the Annual Combined Shareholders' Meeting to be held in 2018 to approve the accounts for the financial year ended on 31 December 2017, following a specific resolution for each of them.

For the record, according to articles L.225-37-2, paragraph 2 and L.225-100, paragraph 6 of the French Commercial Code, the payment of variable or exceptional compensation elements for the past financial year and in respect of his term of office is subject to approval, by the Annual Combined Shareholders' Meeting to be held in 2018 to approve the accounts for the financial year ended on 31 December 2017, of the compensation elements paid or granted for the past financial year.

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

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

Fixed compensation

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

Annual variable compensation

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

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

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

The criteria for determining annual variable compensation for the 2018 financial year are presented at paragraph 5.1.2.3.1 B hereunder.

Multi-annual variable compensation

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

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

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

Exceptional compensation and/or financial indemnity

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

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

Special financial indemnity

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

Directors' fees

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

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

The allocation rules and the specific details of gross directors' fees paid during the 2017 financial year are presented at section 5.1.2.1 of this Registration Document.

Stock options and performance shares

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

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

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

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

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

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

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

Other benefits

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

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

Severance payment

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

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

Non-compete payment

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

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

Additional pension scheme

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

5.1.2.3 Compensation of Company Officers

5.1.2.3.1 Compensation elements of Mr. David Meek, Chief Executive Officer

For financial year 2017, the compensation elements of Mr. David Meek, Chief Executive Officer, was determined by the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 22 February 2017.

In accordance with the articles L.225-37-2 and L.225-100 of the French Commercial Code, the compensation elements paid or granted to Mr. David Meek, Chief Executive Officer, for the financial year ended on 31 December 2017, in respect of his term of office comply with the principles and criteria approved by the Shareholders' Meeting held on 7 June 2017.

It is nevertheless specified that payment of the variable compensation elements granted to Mr. David Meek for the financial year ended on 31 December 2017 will depend on its approval by the Shareholders' Meeting to be held in 2018.

In accordance with articles L.225-37-2 and L.225-100 of the French Commercial Code, the principles and criteria for

determining, allocating and granting fixed, variable elements making up the total compensation and benefits of any kind attributable to Mr. David Meek, in respect of his duties as Chief Executive Officer, for the 2018 financial year, was determined by the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 14 February 2018 and will be subject of a resolution submitted to the approval of the Shareholders' Meeting to be held in 2018.

A. Summary tables of compensation, options and shares granted to Mr. David Meek, Chief Executive Officer

Summary table of compensation, options and performance shares (Table 1 of AMF recommendations)

(gross rounded amount – in euros)	2016 Financial Year	2017 Financial Year
David Meek Chief Executive Officer		
Compensations due for the year (see details below)	1,599,554 (**)	2,666,155
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 (*)	478,311 (1)	1,248,291 (2)
Total	**2,077,865**	**3,914,446**

(*) For further details, see section 5.1.2.3.1 paragraphs B and C below.
(**) Mr. David Meek has been Chief Executive Officer since 18 July 2016.
(1) Book value for a target award of 10,021 performance shares. The amount of performance shares granted in 2016 to Mr. David Meek is calculated on a *prorata temporis* basis.
(2) Book value for a target award of 13,365 performance shares.

Summary table of compensation (Table 2 of the AMF recommendations)

(gross rounded amount – in euros)	2016		2017	
	Amounts due	Amounts paid	Amounts due	Amounts paid
David Meek Chief Executive Officer				
Fixed compensation	410,714 (1)	410,714	900,000	900,000
Annual variable compensation – Annual performance	438,840 (2)	–	1,314,000 (5)	438,840 (2)
Multi-annual variable compensation	–	–	–	–
Exceptional compensation – Integration within the Group	300,000 (3)	–	–	300,000 (3)
Special financial indemnity	450,000 (4)	450,000	450,000 (4)	450,000 (4)
Directors' fees	–	–	–	–
Benefits in kind	0	0	2,155	2,155
Total	**1,599,554**	**860,714**	**2,666,155**	**2,090,995**

(1) The Board of Directors fixed an amount of €410,714 for the period from 18 July 2016 to 31 December 2016 in respect of his duties as Chief Executive Officer (*prorata temporis* amount calculated on an annual basis of €900,000).
(2) The Board of Directors, at its meeting held on 22 February 2017, 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 2016 of the Chief Executive Officer at €438,840 (*prorata temporis* amount calculated from 18 July 2016 on an annual target basis of €900,000). This amount was paid in 2017. The performance criteria and their achievement are presented paragraph B below.
(3) The Board of Directors, at its meeting held on 22 February 2017, upon recommendation of the Compensation Committee, fixed an amount of €300,000 in respect of Mr. David Meek's exceptional bonus linked to the success of his integration within the Group.
(4) The Board of Directors held on 8 July 2016 decided to grant Mr. David Meek a special financial indemnity of a gross amount of €900,000, to be paid in two instalments, under condition, one in 2016 and one in 2017. For further details, see section 5.1.3.2.1 paragraph B below.
(5) 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 of the Chief Executive Officer for 2017 at €1,314,000. This amount will be paid in 2018, subject to the approval by the Shareholders' Meeting to be held in 2018 to approve the 2017 financial statements, of the compensation elements paid or granted for the previous financial year. The performance criteria and their achievement are presented paragraph B below.

B. Details of the compensation elements granted to Mr. David Meek, Chief Executive Officer

The compensation of the Chief Executive Officer is determined by the Board of Directors upon recommendation of the Compensation Committee.

Fixed compensation

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

The Board of Directors, at its meeting held on 22 February 2017 and upon recommendation of the Compensation Committee, has set Mr. David Meek's fixed compensation at a gross annual amount of €900,000.

For the 2018 financial year, the Board of Directors, at its meeting held on 14 February 2018 and upon recommendation of the Compensation Committee, has set the elements relating to the compensation and benefits in kind for the Chief Executive Officer. The amount of the gross fixed compensation for 2018 has not been changed since his appointment in 2016, and still amounts to €900,000.

Annual variable compensation

The annual variable compensation is linked to the Group's global performance and to the realization of personal goals set for the Chief Executive Officer.

For the 2017 financial year, the Board of Directors, during its meeting held on 22 February 2017, has decided to grant to Mr. David Meek a gross target bonus of €900,000, which may vary within a range between 0% and 200% (*i.e.* from 0 to €1,800,000) based on the following quantifiable and qualitative performance criteria: the two-thirds of this target bonus depend on quantifiable criteria of equal weighting based on the achievement of level of consolidated net sales, core operating income, diluted earnings per share and cash-flow from operations; the balance is based on qualitative criteria concerning managerial and strategic objectives. The detail of qualitative criteria has been precisely pre-established by the Board but is not made public for confidentiality reasons.

At its meeting held on 14 February 2018, the Board of Directors, upon recommendation of the Compensation Committee, set the gross amount of the variable part of the compensation for financial year 2017 at €1,314,000.

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%*		
	Diluted earnings per share	*1/6*	*0% to 200%*		
	Cash-flow from operations	*1/6*	*0% to 200%*	% of achievement	Amount
Quantifiable objectives		2/3	0% to 200%	159%	954,000
Qualitative objectives		1/3	0% to 200%	120%	360,000
Total		**100%**	**0% to 200%**	**146%**	**1,314,000**

The payment of variable compensation elements of Mr. David Meek is subject to the approval of the Annual Shareholders' Meeting to be held in 2018 to approve the financial statements for the year ended December 31, 2017, of the elements of compensation paid or granted in respect of the past year.

For the 2018 financial year, the Board of Directors, during its meeting held on 14 February 2018, has decided to grant Mr. David Meek a gross target bonus of €900,000, which may vary within a range between 0% and 200% (*i.e.* 0 to €1,800,000) based on quantifiable and qualitative performance criteria as follows : the two-thirds of this gross target bonus depend on quantifiable criteria with weights equal based on the achievement of levels of consolidated net sales, core operating income, diluted earnings per share and cash-flow from operations; the balance is based on qualitative criteria concerning managerial and strategic objectives. The detail of qualitative criteria has been precisely established by the Board but is not made public for confidentiality reasons.

Multi-annual variable compensation

Mr. David Meek does not receive any multi-annual variable compensation.

Special financial indemnity

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

The Board of Directors, at its meeting held on 8 July 2016, and upon recommendation of the Compensation Committee, decided to grant Mr. David Meek a special financial indemnity of an annual gross amount of €900,000, payable in two installments (50% on the date of his appointment as Chief Executive Officer and 50% one year later, provided that he has not resigned or left the Company by that time), to offset the loss of a portion of the elements of his variable

remuneration at his previous employer. Mr. David Meek received special financial indemnities of €450,000 for 2016 and €450,000 for 2017.

Performance shares

Executive Company officers as well as certain senior executives of the Group may benefit from stock-options and/or performance shares under plans approved and set each year by the Board of Directors upon recommendation of the Compensation Committee.

The Chief Executive Officer can benefit from these plans whose features are described at paragraph 5.2.2.3.2 of the registration document.

The Board of Directors, at its meeting held on 29 March 2017, granted to Mr. David Meek under the performance shares plan and contingent on Company performance over the 2017-2018 period, 13,365 shares, representing 0.02% of the share capital.

Details regarding this allocation are given below, see section C.

Other benefits

Mr. David Meek receives benefits resulting from the conditions linked to the performance of his duties at Ipsen, in particular: a relocation package in France, assistance with filing his personal income tax returns, reimbursement of reasonable attorney fees and expenses incurred in connection with the finalization of the terms and conditions of his appointment as Chief Executive Officer, company car and driver, business travel and accommodation expenses incurred whilst exercising his duties, healthcare under a global healthcare policy, and death and disability coverage under the Group's policy or a specific policy, D&O liability insurance.

Payments, benefits and compensation likely to be due to Mr. 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 Mr. David Meek, Chief Executive Officer

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 Mr. David Meek, Chief Executive Officer

Subscription or purchase options granted during the 2017 financial year (table 4 of AMF recommendations)

No option was granted to the Chief Executive Officer, Mr. David Meek, during the 2017 financial year.

Synthesis of the subscription or purchase options granted (table 8 of AMF recommendations)

The Chief Executive Officer, Mr. David Meek, does not hold any Ipsen option.

Subscription or purchase options exercised during the 2017 financial year (table 5 of AMF recommendations)

No option was exercised by the Chief Executive Officer, Mr. David Meek, during the 2017 financial year.

b. Performance shares granted to Mr. David Meek, Chief Executive Officer

Performance shares granted during the 2017 financial year (table 6 of AMF recommendations)

	Plan date	Number of bonus shares granted	Book value of the shares (per share) [1]	Book value of the shares [1]	Acquisition date	Date of availability	Performance conditions
David Meek Chief Executive Officer	29/03/2017	13,365 [2]	€93.40	€1,248,291	30/03/2019	30/03/2021 [3]	Yes

(1) Share value at the date of grant. The global amount of granted shares book value is listed on table 1 under paragraph 5.1.2.3.1.
(2) Allocation subject to performance conditions, representing 0.02% of the share capital as of 29 March 2017.
(3) 50% of the shares will be available on 30 March 2019.

At its meeting held on 29 March 2017, upon recommendation of the Compensation Committee, the Board of Directors decided to award Mr. David Meek, Chief Executive Officer, 13,365 shares in the form of performance shares under article L.225-197-1 of the French Commercial Code.

The definitive acquisition of the performance shares is subject to a presence condition in the Company. The definitive number of performance shares acquired will depend on the level of achievement of the performance conditions applicable, that will be assessed annually by comparing the target level of performance achieved by the Company during the first and the second financial years set by the plan. Each of the conditions is assessed on a scale of 0 to 250%.

The performance conditions are based, for the one third of the granted shares, on an internal criterion based on the Core Operating Income, for the second third on an internal criterion based on specific incomes and, for the last third, on an external criterion based on the relative performance of IPSEN's stock price compared to that of the other companies which are part of the STOXX TMI 600 Health Care index. The details of these internal and external performance conditions as well as the degree of achievement (expected and achieved), 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.

Summary of performance shares granted

The table below describes, as of 31 December 2017, the total of performance shares granted to the Chief Executive Officer. For further details, see Table 10, section 5.2.2.3.2.

Company Officer	Date of grant	Number of options granted	Definitive Acquisition Date	Date of availability	Number of shares to be held
David Meek Chief Executive Officer from 18 July 2016	29/07/2016	10,021 (1)	30/07/2018	30/07/2020(3)	20% capital gain net of acquisition value
David Meek Chief Executive Officer	29/03/2017	13,365 (1)	30/03/2019	30/03/2021(4)	20% capital gain net of acquisition value
Total		**23,386** (2)			

(1) Award subject to performance conditions, see section b above.
(2) *i.e.* approx. 0.03% of the share capital as of 31 December 2017.
(3) 50% of the shares will be available on 30 July 2018.
(4) 50% of the shares will be available on 30 March 2019.

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 are based, for the half of the granted shares, on an internal criterion based on the Core 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), 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 and 29 March 2017, 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.

Mr. David Meek undertook a formal commitment 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 2017 financial year (Table 7 of AMF recommendations)

During the 2017 financial year, no performance shares granted to the Chief Executive Officer became available, as Mr. David Meek was appointed on 18 July 2016.

D. Summary of commitments issued in favor of Mr. David Meek, Chief Executive Officer (Table 11 of AMF recommendations)

	Employment contract		Additional pension scheme		Payments or benefits due or to be due 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

Mr. David Meek, Chief Executive Officer, does not have an employment contract.

Additional pension scheme

Mr. 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 potential beneficiary in activity, the right to widow's 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 maintaining of the recurring operating margin of the Group during the three years preceding departure at a minimum threshold of 15%.

The pension is calculated at 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 fixed 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%.

Because entitlement to benefit from this scheme requires 5-year seniority, if Mr. David Meek had claimed any payment of his pension on 1 January 2018, he would have received nothing under the plan.

Payments or benefits due or likely to be due upon termination of his functions within the Group

At its meeting held on 8 July 2016, the Board of Directors decided to grant Mr. 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 (fixed and variable) remuneration paid for his duties as Chief Executive Officer,
- 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.

Non-compete payment

Mr. David Meek agreed, in the event of his departure from the Group, during a period of 24 months following the date of his effective departure from the Company, not to perform or participate from an operational standpoint (including as a consultant), within the territory of the European Economic Area (EEA) and/or North America, in any activity relating to the development and/or the marketing of products belonging to the same therapeutic category (source IMS-Health) as one of the top three products of the Group based on the turnover generated by such products or their importance from a strategic standpoint and any product acquired by the Company, between 1 January 2016 and the date of Mr. David Meek's effective departure, for a total consideration exceeding €300 million.

The indemnity owed by the Company in consideration of this non-compete undertaking will be deemed to be included, for a portion equal to 50% of the amount hereof, in the severance package referred to above if it is also owed.

5.1.2.3.2 Compensation elements of Mr. Marc de Garidel, Chairman of the Board of Directors

For financial year 2017, the compensation elements of Mr. Marc de Garidel, Chairman of the Board of Directors, was determined by the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 22 February 2017.

In accordance with the articles L.225-37-2 and L.225-100 of the French Commercial Code, the compensation elements paid or granted to Mr. Marc de Garidel, Chairman of the Board, for the 2017 financial year, in respect of his term of office, comply with the principles and criteria approved by the Shareholders' Meeting held on 7 June 2017.

Furthermore, the principles and criteria for determining, allocating and granting fixed, variable elements making up the total compensation and benefits of any kind attributable to Mr. Marc de Garidel, in respect of his duties as Chairman of the Board, for the 2018 financial year, was determined by the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 14 February 2018 and will be the subject of a resolution submitted to the approval of the Shareholders' Meeting to be held in 2018. Mr. Marc de Garidel does not receive variable compensation.

A. Summary tables of compensation, options and shares granted to Mr. Marc de Garidel, Chairman of the Board

a. Summary table of compensation, options and performance shares

Total amount of compensation, options and performance shares granted for 2017 (table 1 of the AMF recommendations)

(gross rounded amount – in euros)	2016 Financial Year(*)	2017 Financial Year
Marc de Garidel Chairman of the Board of Directors (*)		
Compensations due for the year (see details below)	2,865,894	2,796,981
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 (**)	241,997(1)	–
Total	**3,107,891**	**2,796,981**

(*) Mr. Marc de Garidel was Chairman of the Board of Directors and Chief Executive Officer until 18 July 2016 and then Chairman of the Board of Directors from this date.
(**) For further details, see paragraphs B and C below.
(1) Book value for a target grant of 5,070 performance shares. The number of performance shares granted to Mr. Marc de Garidel in 2016 is calculated *prorata temporis* based on time served as Chief Executive Officer of Ipsen during the 2016 financial year.

b. Summary table of compensation (Table 2 of the AMF recommendations)

Total amount of the compensation for 2017 financial year

	2016(*)		2017	
(gross rounded amount – in euros)	Amounts due	Amounts paid	Amounts due	Amounts paid
Marc de Garidel Chairman of the Board of Directors (*)				
Fixed compensation	772,817(1)	772,817	800,000	800,000
Annual variable compensation	454,950(3)	1,075,000(2)	–	454,950(3)
Multi-annual variable compensation	1,588,396(4)	1,588,396(4)	1,990,906(5)	1,990,906(5)
Exceptional compensation	–	–	–	–
Directors' fees	43,656	81,989	–	–
Benefits in kind(6)	6,075	6,075	6,075	6,075
Total	**2,865,894**	**3,524,277**	**2,796,981**	**3,251,931**

(*) Mr. Marc de Garidel was Chairman of the Board of Directors and Chief Executive Officer until 18 July 2016 and then Chairman of the Board of Directors from this date.
(1) The Board of Directors fixed an amount of €407,738 for the period from 1 January 2016 to 18 July 2016 in respect of his office as Chairman and Chief Executive Officer (*prorata temporis* amount calculated on an annual basis of €750,000) as well as an amount of €365,079 for the period from 18 July 2016 to 31 December 2016 in respect of his office as Chairman (*prorata temporis* amount calculated on a target annual basis of €800,000).
(2) The Board of Directors, at its meeting held on 29 February 2016, upon recommendation of the Compensation Committee, fixed, in view of the realization of the pre-established criteria, the amount of the variable compensation for 2015 for the Chairman and Chief Executive Officer at €1,075,000. This amount was paid in 2016.
(3) The Board of Directors, at its meeting held on 22 February 2017, 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 Chairman and Chief Executive Officer for 2016 at €454,950 (*prorata temporis* amount until 18 July 2016 calculated on a target annual basis of €750,000) This amount was paid in 2017.
(4) The Board of Directors, at its meeting held on 30 March 2016, upon recommendation of the Compensation Committee, fixed, in view of the realization of the pre-established criteria, the multi-annual variable compensation of the Chairman and Chief Executive Officer for 2014 and 2015 at €1,588,396. For further details, see paragraph B bellow.
(5) The Board of Directors, at its meeting held on 29 March 2017, upon recommendation of the Compensation Committee, fixed, in view of the realization of the pre-established criteria, the amount of the multi-annual variable compensation of the Chairman and Chief Executive Officer for 2015 and 2016 at €1,990,906. For further details, see paragraph B bellow.
(6) Benefits in kind are comprised of a company car.

B. Details of the compensation elements granted to Mr. 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 2017 financial year, the Board of Directors, upon recommendation of the Compensation Committee, fixed, at its meeting held on 22 February 2017, the compensation elements of Mr. Marc de Garidel in respect of his duties as Chairman of the Board of Directors.

It is reminded that Mr. Marc de Garidel was Chairman and Chief Executive Officer until 18 July 2016.

a. As Chairman and Chief Executive Officer, until 18 July 2016

Annual variable compensation

For the record, in respect of his duties as Chairman and Chief Executive Officer until 18 July 2016, Mr. Marc de Garidel benefited from an annual variable compensation linked to the Group's global performance and to the fulfilment of objectives determined by the Board of Directors.

The Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 29 February 2016, and in respect of his duties as Chairman and Chief Executive Officer, decided to fix the variable part of Mr. Marc de Garidel's compensation at a gross target bonus of €750,000 (100% of his fixed compensation), within a range of 0 to 150% (*i.e.*, from 0 to €1,125,000), based on the following quantitative and qualitative performance criteria: the two-third of this target bonus based on quantitative criteria of equal weighting depend on the achievement of levels of consolidated revenues, current operating profits, diluted earnings per shares and cash-flow from operations; the third is based on qualitative criteria concerning strategic orientations. The details of qualitative criteria and the level of completion expected for quantitative criteria are not made public for confidentiality reasons.

At its meeting held on 22 February 2017, the Board of Directors decided to grant Mr. Marc de Garidel an amount calculated on a *prorata temporis* basis in respect of his duties as Chairman and Chief Executive Officer. Having established the fulfilment of the performance conditions, the Board of Directors decided to grant Mr. Marc de Garidel an amount of €454,950 (*i.e.* €842,950 on an annual basis), upon recommendation of the Compensation Committee.

Mr. Marc de Garidel did not receive any annual variable compensation for the 2017 financial year.

Multi-annual variable compensation

For the record, in respect of his duties as Chairman and Chief Executive Officer until 18 July 2016, Mr. Marc de Garidel benefited from multi-annual variable compensation mechanisms.

The Board of Directors at its meeting held on 27 March 2014 decided, upon recommendation of the Compensation Committee, to implement a mid-term bonus subject to performance conditions for the 2014 and 2015 financial years, to benefit 156 beneficiaries within the Group. The Board of Directors granted, within this plan, a mid-term bonus to the Chairman and Chief Executive Officer of a gross amount of €375,000 (representing 50% of the fixed compensation). This bonus was paid in 2016, following the assessment by the Board of Directors that performance conditions were achieved, which are based, for the half of the target amount, on the achievement of an internal criterion based on the recurring adjusted EBIT level of the Group and, for the other half of the target amount, on an external criterion based on the performance of the stock market price of the Ipsen share in comparison to the STOXX 600 TMI Health Care index. The detail of internal and external criteria and the level of achievement (expected and realized) for quantitative criteria were precisely established by the Board but are not made public for confidentiality reasons. The mid-term bonus was subject to a presence condition which must be fulfilled between 27 March 2014 and 27 March 2016. The Board of Directors, at its meeting held on 30 March 2016, assessed the achievement of the performance conditions and decided to pay to the Chairman and Chief Executive Officer the amount of €1,588,396.

At its meeting held on 1 April 2015, the Board of Directors also decided, upon recommendation of the Compensation Committee, to implement a mid-term bonus for the 2015 and 2016 financial years, subject to performance and presence conditions, to benefit 168 beneficiaries within the Group. The Board of Directors granted, within this plan, a mid-term bonus to the Chairman and Chief Executive Officer of a gross amount of €375,000 (representing 50% of the fixed compensation). This bonus was paid in 2017, following the assessment by the Board of Directors that performance conditions were achieved, which are based, for the half of the target amount, on the achievement of internal criterion based on the level reached by the current operating income (excluding research tax credit) of the Group and, for the other half of the target amount, on an external criterion based on the performance of the stock market price of the share of the Company in comparison to the STOXX 600 TMI Health Care index. The detail of internal and external criteria and the level of achievement (expected and realized) for quantitative criteria were precisely established by the Board but are not made public for confidentiality reasons. The payment of the mid-term bonus decided by the Board of Directors on 1 April 2015 was subject to a presence condition which must be fulfilled between 1 April 2015 and 1 April 2017.

Mr. Marc de Garidel continued to benefit, in proportion to the time as Chief Executive Officer during the 2016 financial year (*i.e.* 27.35%), from multi-annual variable compensation elements granted to him as part of Deferred Cash plans indexed to the Ipsen share price, approved by the Board of Directors on April 1, 2015 (for the 2015 and 2016 financial years).

The Board of Directors at its meeting held on 29 March 2017 assessed the achievement of the performance conditions and decided to pay the amount of €1,990,906.

Summary table of multi-annual variable compensation

(gross rounded amounts – in euros)	2015		2016(*)		2017(*)	
	Due	Paid	Due	Paid	Due	Paid
Marc de Garidel **Chairman of the Board of Directors (*)**	931,318	931,318	1,588,396	1,588,396	1,990,906	1,990,906

(*) Mr. Marc de Garidel was Chairman and Chief Executive Officer until 18 July 2016 and then Chairman from this date.

b. As Chairman of the Board of Directors

Fixed compensation

Fixed compensation is subject to be reviewed by the Board of Directors according to the Company's market position and taking account changing responsibilities.

For the 2017 financial year, the Board of Directors, upon recommendation of the Compensation Committee, fixed, at its meeting held on 22 February 2017, the compensation elements and benefits in kind of the Chairman of the Board. The amount of the gross fixed compensation for 2017 remained unchanged (*i.e.* €800,000). This compensation takes into account the particular missions performed by the Chairman of the Board as part of the separation of the functions (see section 5.1.1.1).

Annual variable compensation

The Board of Directors has decided that Mr. Marc de Garidel will not receive any variable compensation in respect of his office as Chairman of the Board of Directors of the Company.

Multi-annual variable compensation

The Board of Directors has decided that Mr. 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.

Directors' fees

The Board of Directors has decided that Mr. Marc de Garidel will not receive any director's fees in respect of his office as Chairman of the Board of the Company.

Stock options and performance shares

The Board of Directors has decided that Mr. Marc de Garidel will not receive any stock options and/or performance shares in respect of his duties as Chairman of the Board.

Other benefits

Mr. Marc de Garidel receives benefits resulting from the conditions linked to the performance of his duties at Ipsen, in particular assistance with filing his personal income tax returns, reimbursement of reasonable attorney fees and expenses incurred in connection with the finalization of the terms and conditions of his corporate mandate, company car and driver, business travel and accommodation expenses incurred whilst exercising his duties, healthcare under a global healthcare policy, and death and disability coverage under the Group's policy or a specific policy, D&O liability insurance.

Payments, benefits and compensation due or to be due to Mr. 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 Mr. 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.

Details of these commitments are given below (see section D. below).

C. Subscription and/or purchase options and performance shares granted to Mr. 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 definitive number of shares that will vest will depend on the applicable performance conditions.

For the record, in respect of his office as Chairman and Chief Executive Officer until 18 July 2016, Mr. Marc de Garidel benefited from options described below.

In accordance with the AFEP-MEDEF Code (§24.2), no stock options and/or performance shares have been granted to Mr. Marc de Garidel, in respect of his office as Chairman of the Board.

a. Subscription or purchase options granted to Mr. Marc de Garidel, Chairman and Chief Executive Officer until 18 July 2016

Subscription or purchase options granted during the 2017 financial year (table 4 of AMF recommendations)

No options were granted to the Chairman, Mr. Marc de Garidel, during the 2017 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	Number of options granted	Nature of the options	Exercise price	Exercise date	Expiry date	Number of options exercised
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) Mr. 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) Mr. 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 2017 (Table 5 of the AMF recommendations)

No options were exercised by Mr. Marc de Garidel during the 2017 financial year.

Summary of performance shares granted

Mr. Marc de Garidel did not benefit from performance shares during the 2017 financial year.

The table below describes the total of performance shares granted to Mr. Marc de Garidel as Chairman and Chief Executive Officer [1]. For further details, see Table 10, section 5.2.2.3.2.

Company Officer	Date of grant	Number of options granted	Date of vesting	Date of availability	Number of shares to be held
Marc de Garidel Chairman and Chief Executive Officer until 18 July 2016 [1]	30/06/2011	4,490 [2]	01/07/2013	01/07/2015	20% capital gain net of acquisition value
	30/03/2012	23,940 [2]	31/03/2014	31/03/2016	
	28/03/2013	22,590 [2]	29/03/2015	29/03/2017	
	27/03/2014	18,712 [2]	28/03/2016	28/03/2018	
	01/04/2015	12,588 [2][3]	02/04/2017	02/04/2019	
	31/05/2016	5,070 [2][3]	01/06/2018	01/06/2020	
Total		**87,390 [4]**			

(1) Mr. 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 Mr. 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 0.10% of the share capital on 31 December 2017.

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.

Mr. 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 2017 financial year (Table 7 of AMF recommendations)

Company Officer	Date of grant	Number of shares granted
Marc de Garidel Chairman of the Board of Directors (1)	28/03/2013	21,653 (2)

(1) Mr. 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.

D. Summary of commitments made to Mr. Marc de Garidel, Chairman of the Board of Directors (Table 11 of AMF recommendations)

	Employment contract		Additional pension scheme		Payments or benefits due or to be due 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 Chairman of the Board of Directors		X	X		X		X	

Employment contract

Mr. Marc de Garidel, Chairman of the Board, does not have any employment contract.

Additional pension scheme

Mr. Marc de Garidel, Chairman of the Board, may potentially benefit from the defined benefit additional pension scheme 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 potential beneficiary in activity, the right to widow's or widower's pension is maintained.

In accordance with the Article L.225-42-1 of the French Commercial Code, the grant of this additional pension scheme shall be subject to the following performance condition: the maintaining of the recurring operating margin of the Group during the three years preceding departure at a minimum threshold of 15%.

The pension is calculated at 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 fixed 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 Mr. Marc de Garidel, the amount of the annual pension, as of 31 December 2017, is estimated at €242,903. This amount was calculated according to the procedures under Decree No. 2016-182 of 23 February 2016, bearing in mind that this amount is based on a reference compensation calculated on the average gross full-time compensation (bonus included) received during the last 36 months. Under Mr. Marc de Garidel's new compensation structure, he will only receive fixed compensation in respect of his duties during the following financial years. 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).

Payments or benefits due or likely to be due upon termination of his functions within the Group

At its meeting held on 8 July 2016, the Board of Directors decided to grant Mr. 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.

Non-compete payment

Mr. 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 one of 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 due, for a portion equal to 50%.

5.1.3 Statutory Auditors' special report on regulated agreements and commitments

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

Ipsen

Société Anonyme

65, Quai Georges Gorse – 92650 Boulogne-Billancourt Cedex

Statutory Auditors' special report on regulated agreements and commitments

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

To the shareholders,

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

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

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

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

AGREEMENTS AND COMMITMENTS SUBJECT TO APPROVAL BY THE SHAREHOLDERS' MEETING

Agreements and commitments authorised during the past financial year

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

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

Agreements and commitments approved in previous financial years

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

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

b) which were not implemented during the past financial year

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

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

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

These compensation elements include:

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

  The Board of Directors also decided that Mr Marc de Garidel is to benefit from three additional years of service within the context of the Company's additional pension scheme in return for his undertaking to continue his involvement within the Group as Chairman of the Board, provided that his effective departure from the Company does not take place prior to the month of November of the year he reaches 62 years of age. These additional years of service will allow Mr Marc de Garidel to benefit from an annuity equal to at least €80,000, *i.e.* an annuity comparable to the one that would result from the pension entitlements at the end of the 2015 financial year (about €88,000 euros), should he leave on the year of his 62nd birthday. The accrual of these additional years of service would take place on a year-by-year basis starting with financial year 2017 and subject to compliance with the performance conditions described above for the year in question. This benefit would not result in Mr Marc de Garidel accruing conditional entitlements at a pace exceeding the maximum accrual allowed by law (*i.e.*, currently, 3% of the annual benchmark compensation used to calculate the annuity paid under the Company's supplementary pension plan).
- A severance payment with identical terms and conditions, in accordance with the recommendations set out in the AFEP-MEDEF Code, namely:
  - an indemnity which will only be due in the event of a forced departure *(départ contraint)* within the meaning of the AFEP-MEDEF Code,
  - of an amount equal to the compensation received from the Company over the last 24 rolling calendar months preceding the effective date of his departure,
  - the grant of which will be subject to the same performance condition as that applicable to the severance payment, namely maintaining the recurring operating margin of the Group during the three years preceding his departure at a minimum threshold of 15%, and
  - including, for a portion equal to 50% of the amount hereof, the amount payable in consideration of the non-compete undertaking referred to below.

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

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

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

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

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

These compensation elements include:

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

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

During the meeting of the Board of Directors held on 8 July 2016, Mr David Meek agreed, in the event of his departure from the Group, for a period of twenty four (24) months following the date of his effective departure from the Company, not to perform or participate from an operational standpoint (including as a consultant), within the territory of the European Economic Area (EEA) and/or North America, in any activity relating to the development and/or the marketing of products belonging to the same therapeutic category (source IMS-Health) as:

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

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

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

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

The Statutory Auditors

KPMG Audit
A Division of KPMG S.A.

Catherine Porta
Partner

Cédric Adens
Partner

Deloitte & Associés

Jean Marie Le Guiner
Partner

5.2 INFORMATION RELATED TO THE COMPANY AND ITS SHARE CAPITAL

5.2.1 Main Provisions of the Articles of Association

5.2.1.1 Corporate purpose (Article 2 of the Articles of Association)

The Company's corporate purpose in France and any other country whether directly or indirectly, is the following:

- 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.

5.2.1.2 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 by passing its resolutions.

Executive Management

In accordance with 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 Company also announced on 16 February 2016 that it had initiated the process to recruit its future Chief Executive Officer. This separation of functions has been effective since David's Meek appointment as Chief Executive Officer. Within this change of governance, the appointment of Marc de Garidel as Chairman of the Board of Directors has been confirmed. For further details, see section 5.1.

5.2.1.3 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, to carry it forward 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 (Article 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 Shareholders' Meeting 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 legal provisions.

5.2.1.4 Shareholders' Meetings (Articles 21 to 26 of the Articles of Association)

Participation in Shareholder's 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 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 Shareholders' Meeting, either in the registered share accounts kept by the Company or in the bearer share accounts kept by the authorized intermediary. In accordance with the terms of Article 26.1 of the Articles of Association, each shareholder has a voting right equal to the number of shares he/she holds or represents in all Shareholders' Meetings.

Ordinary Shareholders' Meetings

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 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 votes 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, unless this period is extended by court order.

Extraordinary Shareholders' Meeting

The Extraordinary Shareholders' Meeting may amend any 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 voteon items which are not on the agenda, in accordance with current regulations. However, it may in any event remove one or more Directors from office and appoint 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 date on which it was originally convened.

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.

5.2.1.5 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 means 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 voting rights for any Shareholders' Meeting that would be held in a two-year period following the date the corrective disclosure is made. 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.

5.2.1.6 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.

5.2.1.7 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 contain for any specific provision in that respect.

5.2.1.8 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.

5.2.1.9 Provisions that could delay, defer or prevent a change in control

There are no specific provisions of the Articles of Association that could delay, defer or prevent a change in the control of the Company.

5.2.2 Share Capital

5.2.2.1 Amount of share capital

As of 31 December 2017, the share capital of the Company amounted to €83,732,057 divided into 83,732,057 shares fully subscribed and paid-up of same class, each with a par value of €1.

As of 14 February 2018, the share capital of the Company amounted to €83,782,308 divided into 83,782,308 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).

5.2.2.2 Changes in share capital

Date	Transaction	Par value per share (in euro)	Number of shares	Nominal amount of share capital (in euros)	Share or contribution premium (in euro)	Cumulative share or contribution premiums (in euros)	Cumulated amount of share capital (in euros)	Cumulated number of outstanding shares
31/12/2014	Options exercises	1	1,500	1,500	43,320	714,873,694	82,869,083	82,869,083
02/03/2015	Options exercises	1	13,875	13,875	361,245	715,234,939	82,882,958	82,882,958
01/04/2015	Options exercises	1	39,898	39,898	1,068,756	716,303,695	82,922,856	82,922,856
01/04/2015	Bonus shares grant (Plan dated 28/03/2013)	1	142,596	142,596	–	716,303,695	83,065,452	83,065,452
27/05/2015	Options exercises	1	22,200	22,200	541,052	716,844,747	83,087,652	83,087,652
01/07/2015	Bonus shares grant (Plan dated 30/06/2011)	1	39,100	39,100	–	716,844,747	83,126,752	83,126,752
30/07/2015	Options exercises	1	19,726	19,726	577,654	717,422,401	83,146,478	83,146,478
07/10/2015	Options exercises	1	77,784	77,784	2,163,896	719,586,297	83,224,262	83,224,262
16/12/2015	Options exercises	1	21,340	21,340	525,967	720,112,264	83,245,602	83,245,602
29/02/2016	Options exercises	1	900	900	27,657	720,139,921	83,246,502	83,246,502
31/05/2016	Options exercises	1	13,180	13,180	457,229	720,597,150	83,259,682	83,259,682

Date	Transaction	Par value per share (in euro)	Number of shares	Nominal amount of share capital (in euros)	Share or contribution premium (in euro)	Cumulative share or contribution premiums (in euros)	Cumulated amount of share capital (in euros)	Cumulated number of outstanding shares
21/07/2016	Capital increase by issue of shares	1	80,000	80,000	3,372,000	723,969,150	83,339,682	83,339,682
27/07/2016	Cancellation of treasury shares	1	(80,000)	(80,000)	–	–	83,259,682	83,259,682
27/07/2016	Options exercises	1	10,435	10,435	326,749	724,295,899	83,270,117	83,270,117
05/10/2016	Options exercises	1	117,367	117,367	4,157,665	728,453,564	83,387,484	83,387,484
15/12/2016	Options exercises	1	160,380	160,380	4,166,322	732,619,886	83,547,864	83,547,864
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

5.2.2.3 Potential share capital

As of 31 December 2017, the potential share capital represents a maximum potential dilution of 0.19% distributed as follows:

5.2.2.3.1 Stock purchase or subscription options plans

Description

Every Ipsen SA stock subscription or purchase option grants the right to subscribe to or purchase one Company share.

The rights resulting from options granted to beneficiaries are fully vested at the end of a four-year period and can be exercised on one or several occasions.

With respect to all plans, in the event of a tender offer, granted options are immediately vested and exercisable. Moreover, the underlying shares are negotiable, without any condition attached.

As of 31 December 2017, with respect to all Ipsen plans, there were 664,558 outstanding options (after deduction of the number of options exercised or cancelled to account for the departure of certain beneficiaries), of which 503,619 purchase options and 160,939 subscription options, representing a potential increase of the share capital up to €160,939 and a maximum potential dilution of 0.19%.

The following table **(Table 8 of AMF recommendations)** presents, as of 31 December 2017, the description of the Ipsen Options granted and valid:

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 31/12/2017	Cancelled or expired as at 31/12/2017	Outstanding as at 31/12/2017
			Of beneficiaries	Of options	Number of beneficiaries	Of options							
02/06/2006	12/12/2006	12/12/2006	31	42,000	–	–	Subscription	12/12/2010	13/12/2018	29.88	9,500	15,500	17,000
02/06/2006	12/12/2006	12/12/2006	20	28,500	–	–	Subscription	12/12/2010	13/12/2018	33.21	10,000	9,500	9,000
02/06/2006	12/12/2006	12/12/2006	5	266,668	–	–	Purchase	12/12/2010	13/12/2018	38.73	34,334	20,000	212,334
02/06/2006	12/12/2006	12/12/2006	5	266,666	–	–	Purchase	12/12/2010	13/12/2018	35.86	61,401	20,000	185,265
02/06/2006	12/12/2006	12/12/2006	5	266,666	–	–	Subscription	12/12/2010	13/12/2018	33.21	201,833	20,000	44,833
02/06/2006	30/05/2007	30/05/2007	3	55,000	–	–	Subscription	30/05/2011	31/05/2017	39.06	50,000	5,000	0
02/06/2006	12/12/2007	12/12/2007	2	53,334	–	–	Purchase	12/12/2011	13/12/2017	41.33	53,334	0	0
02/06/2006	12/12/2007	12/12/2007	2	26,666	–	–	Subscription	12/12/2011	13/12/2017	41.33	26,666	0	0
02/06/2006	12/12/2007	12/12/2007	2	53,334	–	–	Purchase	12/12/2011	13/12/2017	38.27	53,334	0	0
02/06/2006	12/12/2007	12/12/2007	2	26,666	–	–	Subscription	12/12/2011	13/12/2017	38.27	26,666	0	0
02/06/2006	29/09/2008	29/09/2008	1	10,000	–	–	Subscription	29/09/2012	29/09/2018	34.68	0	0	10,000
02/06/2006	29/09/2008	29/09/2008	201	216,200	–	–	Purchase	29/09/2012	29/09/2018	34.68	103,000	39,450	73,750
02/06/2006	30/03/2009	30/03/2009	41	148,300	–	–	Purchase	30/03/2013	30/03/2019	26.39	40,350	75,680	32,270
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
04/06/2009	31/03/2010	31/03/2010	22	40,710	–	–	Subscription	31/03/2014	01/04/2018	36.64	22,240	14,900	3,570
04/06/2009	31/03/2010	31/03/2010	105	321,360 (*)	–	–	Subscription	31/03/2014	01/04/2018	36.64	118,069	138,570	64,721
27/05/2011	30/06/2011	30/06/2011	10	16,005	–	–	Subscription	30/06/2015	01/07/2019	25.01	12,980	2,775	250
27/05/2011	30/06/2011	30/06/2011	6	189,703 (*)	1	121,180	Subscription	30/06/2015	01/07/2019	25.01	164,302	13,836	11,565 (1)
Total				**2,039,778**							**1,000,009**	**375,211**	**664,558**

(*) Options granted under performance conditions.
(1) The Board of Directors, at its meeting held on 1 April 2015, noted 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 2017 financial year to the ten Group employees receiving the highest number (Table 9 of AMF recommendations)

During the 2017 financial year, no options were granted.

Exercise of stock options during 2017 financial year by the ten Group employees exercising the highest number (Table 9 of AMF recommendations)

During the 2017 financial year, the options exercised by the ten Group employees that have exercised the highest number reached a total of 174,560 options at a weighted average price of €36.15. These exercises resulted in the attribution of 174,560 Ipsen shares.

5.2.2.3.2 Free Shares and Performance shares plans

Description

The final acquisition of the shares granted as part of the 2013, 2014 and 2015 plans mentioned in the chart below, is effective at the end of the 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 chart 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 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 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 beneficiairies.
- 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 is then effective subject to a presence condition and, for certain plans, to the achievement of performance conditions set out by the Board of Directors on the grant date.

During the 2017 financial year, 113,656 shares were transferred to beneficiaries at the end of the acquisition period for free shares granted under the 28 March 2013 and 1st April 2015 plans, under the form of existing shares.

As of 31 December 2017, with respect to all Ipsen plans, 430,102 rights to free 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 planned.

The following table **(table 10 of AMF recommendations)** presents, as of 31 December 2017, the description and terms of the Ipsen free 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 shares granted				Nature of the shares granted	Date of final acquisition	Date of availability	Number of shares		
			Total number		Of which number granted to executive directors					Cancelled as at 31/12/2017	Number of shares transferred or created	Outstanding as at 31/12/2017
			Of beneficiaries	Of shares	Number of beneficiaries	Of shares						
27/05/2011	28/03/2013	28/03/2013	9	79,859(1)	2	39,759	New shares	29/03/2015	29/03/2017	3,313(2)	76,546	–
27/05/2011	28/03/2013	28/03/2013	104	71,065(1)	–	–	New shares	29/03/2015	29/03/2017	12,435(2)	58,630	–
27/05/2011	28/03/2013	28/03/2013	14	7,420	–	–	New shares	29/03/2015	29/03/2017	–	7,420	–
27/05/2011	28/03/2013	28/03/2013	12	34,329(1)	–	–	Existing shares	29/03/2015	29/03/2017	24,216(2)	10,113	–
27/05/2011	28/03/2013	28/03/2013	32	21,791(1)	–	–	Existing shares	29/03/2017	29/03/2017	4,904	16,887	–
27/05/2011	28/03/2013	28/03/2013	18	9,540	–	–	Existing shares	29/03/2017	29/03/2017	3,710	5,830	–
31/05/2013	27/03/2014	27/03/2014	103	62,368(1)	–	–	Existing shares	28/03/2016	28/03/2018	11,397(3)	50,971	–
31/05/2013	27/03/2014	27/03/2014	10	76,011(1)	2	32,933	Existing shares	28/03/2016	28/03/2018	16,232(3)	59,779	–
31/05/2013	27/03/2014	27/03/2014	10	30,781(1)	–	–	Existing shares	28/03/2016	28/03/2018	12,322(3)	–	18,459(*)
31/05/2013	27/03/2014	27/03/2014	33	20,795(1)	–	–	Existing shares	28/03/2018	28/03/2018	5,868	–	14,927
31/05/2013	01/04/2015	01/04/2015	9	48,310(1)	2	22,658	Existing shares	02/04/2017	02/04/2019	9,506(4)	38,804	–
31/05/2013	01/04/2015	01/04/2015	80	47,572(1)	–	–	Existing shares	02/04/2017	02/04/2019	5,550(4)	42,022	–
31/05/2013	01/04/2015	01/04/2015	17	39,970(1)	–	–	Existing shares	02/04/2017	02/04/2019	9,066(4)	–	30,904(*)
31/05/2013	01/04/2015	01/04/2015	31	26,195(1)	–	–	Existing shares	02/04/2019	02/04/2019	2,431	–	23,764
31/05/2016	31/05/2016	31/05/2016	115	60,008(1)	1	2,535	Existing shares	01/06/2018	01/06/2018	13,417	–	46,591
31/05/2016	31/05/2016	31/05/2016	115	59,963(1)	1	2,535	Existing shares	01/06/2018	01/06/2020	13,410	–	46,553
31/05/2016	29/07/2016	29/07/2016	1	5,011(1)	1	5,011	Existing shares	30/07/2018	30/07/2018	–	–	5,011
31/05/2016	29/07/2016	29/07/2016	1	5,010(1)	1	5,010	Existing shares	30/07/2018	30/07/2020	–	–	5,010
31/05/2016	31/05/2016	31/05/2016	58	47,571(1)	–	–	Existing shares	01/06/2020	01/06/2020	1,500	–	46,071
31/05/2016	31/05/2016	31/05/2016	19	32,367(1)	–	–	Existing shares	01/06/2018	01/06/2018	7,613	–	24,754
31/05/2016	31/05/2016	31/05/2016	19	32,360(1)	–	–	Existing shares	01/06/2018	01/06/2020	7,612	–	24,748(*)
31/05/2016	29/03/2017	29/03/2017	113	30,472(1)	–	–	Existing shares	30/03/2019	30/03/2019	796	–	29,676
31/05/2016	29/03/2017	29/03/2017	113	30,428(1)	–	–	Existing shares	30/03/2019	30/03/2021	794	–	29,634
31/05/2016	29/03/2017	29/03/2017	1	6,683(1)	1	–	Existing shares	30/03/2019	30/03/2019	–	–	6,683
31/05/2016	29/03/2017	29/03/2017	1	6,682(1)	1	–	Existing shares	30/03/2019	30/03/2021	–	–	6,682
31/05/2016	29/03/2017	29/03/2017	68	35,790(1)	–	–	Existing shares	30/03/2021	30/03/2021	960	–	34,830
31/05/2016	29/03/2017	29/03/2017	18	20,923(1)	–	–	Existing shares	30/03/2019	30/03/2019	3,016	–	17,907
31/05/2016	29/03/2017	29/03/2017	18	20,912(1)	–	–	Existing shares	30/03/2019	30/03/2021	3,014	–	17,898(*)
Total				**970,186**						**173,082**	**367,002**	**430,102**

(1) Shares granted under performance conditions.
(2) The Board of Directors, at its meeting held on 1 April 2015, noted the partial achievement of performance conditions attached to these shares.
(3) The Board of Directors, at its meeting held on 30 March 2016, noted the achievement of performance conditions attached to these shares.
(4) The Board of Directors, at its meeting held on 29 March 2017, noted the achievement of performance conditions attached to these shares.
(*) The registration on the accounts will be made after a four-year period following the date of grant.

Grants of Ipsen performance Shares to employees during the 2017 financial year

During the 2017 financial year, the top ten Group employees (excluding executive officers) to whom have been granted the highest number of performance shares, received a total number of 34,695 shares.

5.2.2.4 Authorized and non-issued share capital

The Combined Shareholders' Meetings held on 31 May 2016 and 7 June 2017 authorized the delegation of authority to the Board of Directors regarding shares capital increases as follows, it being specified that only ongoing delegations and authorizations as of 31 December 2017 are mentioned below:

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	7 June 2017 (20th)	26 months (6 August 2019)	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	7 June 2017 (21th)	26 months (6 August 2019)	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	7 June 2017 (22th)	26 months (6 August 2019)	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	7 June 2017 (23th)	26 months (6 August 2019)	10% of the share capital (a, c, d, e, i)
Share capital increase to compensate contributions in kind of shares or securities	7 June 2017 (25th)	26 months (6 August 2019)	10% of the share capital (a, e, i)

Issues reserved to employees (and, if applicable, to executive officers)

	Autorisations en cours		
	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	7 June 2017 (26th)	26 months (6 August 2019)	5% of the share capital (a, e)
Stock subscription and purchase options granted to employees and executive directors	7 June 2017 (27th)	26 months (6 August 2019)	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	31 May 2016 (13th)	26 months (30 July 2018)	3% of the share capital (f, g, h)

(a) Based on a share capital of €83,557,864 as at the date of the combined Shareholders' Meeting held on 7 June 2017.
(b) Global common limit of 20% of the share capital as of the date of the 7 June 2017 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 at the grant day. This authorization has been used in 2016 up to a target amount of 245,738 shares, *i.e.*, 0.60% of the share capital to date in case of maximum performance. In 2017, this authorization was used up to a target amount of 151,890 shares, or 0.33% of the share capital to date in case of maximum performance.
(h) Sub-ceiling of 20% of the share capital within this envelop for allocation to company officers.
(i) Supsended in period of public offer.

5.2.2.5 Number of shares held by the Company

Authorizations

Share repurchase program and cancellation of shares

	Autorisations en cours		
	Date of the Shareholders' Meeting (resolution number)	Duration (expiry)	Characteristics
Share repurchase	7 June 2017 (18th resolution)	18 months (6 December 2018)	Maximum repurchase price per share: €200 Limit of 10% of the number of shares comprising the share capital[(a)]
Cancellation of shares	7 June 2017 (19th resolution)	24 months (6 June 2019)	10% of the share capital as of the date of decision of cancellation

(a) Supsended in period of public offer.

Treasury shares (excluding liquidity agreement)

As of 31 December 2017, the Company held 1,139,829 of its own shares dedicated to the covering of its stock purchase options, bonus shares and performance bonus shares plans (see sections 5.2.2.3.1 and 5.2.2.3.2).

As of 28 February 2018, the Company held 1,135,301 of its own shares dedicated to the covering of its stock purchase options, bonus shares and performance bonus shares plans (see sections 5.2.2.3.1 and 5.2.2.3.2).

5.2.2.6 Share repurchase program

The Combined Shareholders' Meeting held on 7 June 2017 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 31 may 2016. Pursuant to this decision, the Board of Directors decided on 7 June 2017 to set up a new share repurchase program with a limit of 10%.

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 Business Ethics Charter of the AMAFI (French Association of Investment Firms) which was approved by the French *Autorité des marchés financiers*. As per the liquidity contract, the following assets appeared on the liquidity account: 46,838 shares and €1,259,939.79.

On 8 June 2017, the Company announced having appointed Natixis to purchase 160,000 Ipsen SA shares, or about 0.2% of the share capital, for a period of at least 2 months. The shares purchased under this agreement will be mainly allocated to cover its free performance share allocation plan. The program ended on 8 August 2017 due to to the acquisition of the target number of shares.

27,200 treasury shares have been used in 2017 to cover the exercise of purchase options (see 5.2.2.3.1).

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 2017 financial year:

Number of shares purchased:	333,811
Average purchase price:	€101.77
Number of shares sold:	321,726
Average sale price:	€100.83
Total amount of dealing and brokerage expenses:	€145,050
Number of shares used in 2017:	140,856 allocated shares: – 27,200 shares for the coverage of options plans – 113,656 shares as part of performance shares plans
Number of shares registered in the name of the Company at the end of the financial year:	1,159,476 shares (of which 19,647 shares within the liquidity contract and 160,000 within the repurchase program
Estimated value at the average purchase price:	€117,999,872.52
Nominal value:	€1,159,476 including: – €1,139,829 dedicated to the coverage of options and shares plans – €19,647 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	0.02%
Coverage of stock purchase options or other employee share ownership system	1.36%
Securities giving right to shares	–
Acquisitions	–
Cancellation	–

5.2.2.7 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 financial memorandum on the commercial paper program and outstanding amounts issued can be consulted on the Banque de France website (www.banque-france.fr).

5.2.3 Shareholding

5.2.3.1 Share ownership and voting rights

As of 31 December 2017, the Company's share capital amounted to €83,732,057, divided into 83,732,057 shares, each with a par value of €1. The corresponding theoretical number of voting rights amounted to 131,584,995 and the number of net voting rights amounts to 130,425,519.

As of 28 February 2018, the Company's share capital amounts to €83,782,308, divided into 83,782,308 shares, each with a par value of €1. The corresponding theoretical number of voting rights amounts to 131,607,413 and the number of net voting rights amounts to 130,463,495.

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 2017, 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
Mayroy SA	47,269,813	56.45%	94,539,623	71.85%	94,539,623	72.49%
Free Float (bearer shares)	34,223,963	40.87%	34,223,963	26.01%	34,223,963	26.24%
Treasury shares	1,159,476	1.39%	1,159,476	0.88%	0	0%,
Other registered shareholders	740,922	0.89%	1,229,941	0.93%	1,229,941	0.94%
Employee FCP(1)	178,366	0.21%	265,941	0.20%	265,941	0.20%
Board of Directors (excluding Mayroy SA)(2)	159,517	0.19%	166,051	0.13%	166,051	0.13%
Total	**83,732,057**	**100%**	**131,584,995**	**100%**	**130,425,519**	**100%**

(1) FCP Ipsen Shares is the only mutual fund for employee participation in the share capital of the Company.
(2) Certain Directors of the Company are presumed to act in concert: Anne Beaufour, who owns 1 share and 2 voting rights, Henri Beaufour, who owns 1 share and 2 voting rights, Carol Xueref, who owns 500 shares and 1,000 voting rights, Christophe Vérot, who owns 1,500 shares and 3,000 voting rights, Marc de Garidel, who owns 152,580 shares and 152,680 voting rights, the company Mayroy SA and Antoine Flochel. It is specified, to the Company's knowledge and based on Directors' statements, that VicJen Finance SA, a company of which Antoine Flochel is Chairman of the Board of Directors, holds as at 31 December 2017, 2,000 shares and 4,000 voting rights, and the company Financière de Catalogne of which M. Flochel is the manager, holds, 3,000 shares and 3,000 voting rights as at 31 December 2017. Subsequently the concert participation amounts to 56.64% of the share capital and 72.59% of the voting rights.

In accordance with the provisions of law and its bylaws providing for disclosure of any holdings greater than 1% of the share capital or voting rights, the Company has been informed that the following thresholds have been crossed during the last three financial years:

- 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 4 December 2015, the 1% voting rights threshold;
- the company Franklin Resources Inc., acting for its own account et the account of its affiliates declared to the Company that it crossed:
  - downwards, on 14 January 2015, the 1% voting rights threshold;
  - downwards, on 9 February 2015, the 1% share capital threshold;
- the company Opera Finance Europe SARL to the Company that it crossed:
  - downwards, on 1 April 2015, the 4% and 3% share capital threshold;
  - downwards, on 1 April 2015, the 2% voting rights threshold;
  - downwards, on 27 May 2015, the 2% and 1% share capital threshold;
  - downwards, on 27 May 2015, the 1% voting rights threshold;
- the company Serimnir Fund SICAV declared to the Company that it crossed:
  - upwards, on 1 April 2015, the 1% and 2% share capital threshold;
  - upwards, on 1 April 2015, the 1% voting rights threshold;
  - downwards, on 17 April 2015, the 2% share capital threshold;
  - downwards, on 28 April 2015, the 1% voting rights threshold;
  - downwards, on 6 May 2015, the 1% share capital threshold;
  - upwards, on 26 May 2015, the 1% and 2% share capital threshold;
  - upwards, on 26 May 2015, the 1% voting rights threshold;
  - downwards, on 27 May 2015, the 2% share capital threshold;
  - downwards, on 27 May 2015, the 1% share capital threshold;
  - downwards, on 27 May 2015, the 1% voting rights threshold;
- the company BNP Paribas Investment Partners declared to the Company that it crossed:
  - upwards, on 12 February 2016, the 1% share capital threshold;
  - upwards, on 7 April 2016, the 1% voting rights capital threshold;
  - upwards, on 30 June 2016, the 2% share capital threshold;
  - 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;
- the company BNP Asset Management declared to the Company that it crossed:
  - upwards, on 10 November 2017, the 1 % voting rights threshold.

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.

At the date of this registration document's, and to the Company's knowledge, there were no significant alterations of the share capital distribution, with regard to the one presented above at 31 December 2017.

Mayroy is a *société anonyme* organized and existing under the laws of the Luxembourg. As at the date of filing of this registration document, its share capital is owned by Beech Tree S.A. ("Beech Tree"), also a *société anonyme* organized and existing under the laws of the Luxembourg, up to 93.22%, including 58.10% directly, and 35.12% indirectly, through its subsidiaries FinHestia S.àr.l. and Bee Master Holding BV, these two companies are incorporated under the forms of limited liability companies existing under the laws of the Luxembourg.

Anne Beaufour and her brother, Henri Beaufour, hold together, directly and indirectly, 100% of Beech Tree share capital. None of them control Beech Tree, which in the absence of any shareholders' agreement, is governed by its Articles of Association.

5.2.3.2 Transactions on Company's Shares

Definition of blackout periods

The Company complies with recommendation no 2016-08 of the *Autorité des marchés financiers* of 26 October 2016, and the AFEP-MEDEF Code. 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 or 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:

- 30 calendar days prior to the publication of the 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 triggered by knowledge of precise 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, includeing options as well as shares resulting from the exercise of options or to performance shares, is prohibited.

Mr. David Meek, Chief Executive Officer, and Mr. Marc de Garidel, Chairman of the Board of Directors, 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 bonus shares granted until the end of the holding period that has been decided by the Board of Directors.

Transactions on the Company's Securities carried out in 2017

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 2017, as such transactions were declared to the Company and the *Autorité des marchés financiers*:

	Purchases			Sales			Exercice of stock-options		
	Date	Number	Price per unite	Date	Number	Price per unite	Date	Number	Price per unite
Philippe Robert-Gorsse, Executive Vice-President, Specialty Care Franchises (1)	–	–	–	9 January 2017	3,330	71.30	–	–	–
Philippe Robert-Gorsse, Executive Vice-President, Specialty Care Franchises (1)	–	–	–	3 February 2017	2,130	75.00	–	–	–
Marc de Garidel Chairman of the Board of Directors	–	–	–	2 March 2017	4,041	89.16	–	–	–
Marc de Garidel Chairman of the Board of Directors	–	–	–	15 March 2017	12,000	90.54	–	–	–
Marc de Garidel Chairman of the Board of Directors	–	–	–	22 March 2017	4,282	89.11	–	–	–
Marc de Garidel Chairman of the Board of Directors	–	–	–	6 June 2017	21,653	119.63	–	–	–
Benoît Hennion Executive Vice President and President, Consumer HealthCare (2)	–	–	–	–	–	–	20 June 2017	1,360	123,80
Benoît Hennion Executive Vice President and President, Consumer HealthCare (2)	–	–	–	–	–	–	20 June 2017	1,450	123,85
Benoît Hennion Executive Vice President and President, Consumer HealthCare (2)	–	–	–	20 June 2017	825	123.76	–	–	–
Benoît Hennion Executive Vice President and President, Consumer HealthCare (2)	–	–	–	20 June 2017	3,707	123.80	–	–	–

(1) Left his position during the year 2017.
(2) Exercise followed by sale.

5.2.3.3 Evolution of share ownership and voting rights over the past three financial years (as of 31 December 2017)

	2017					
	Number of shares	%	Number of gross voting rights	%	Number of net voting rights	%
Mayroy SA	47,269,813	56.45	94,539,623	71.85	94,539,623	72.49
Free Float (bearer shares)	34,223,963	40.87	34,223,963	26.01	34,223,963	26.24
Treasury shares	1,159,476	1.39	1,159,476	0.88	0	0
Other registered shareholders	740,922	0.89	1,229,941	0.93	1,229,941	0.94
Employee FCP (*)	178,366	0.21	265,941	0.20	265,941	0.20
Board of Directors (excluding Mayroy SA)	159,517	0.19	166,051	0.13	166,051	0.13
Total	**83,732,057**	**100**	**131,584,995**	**100**	**130,425,519**	**100**

	2016						2015					
	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	56.57	94,539,617	71.96	94,539,617	72.58	47,269,813	56.78	94,539,617	72.15	94,539,617	72.78
Free Float (bearer shares)	34,019,228	40.71	34,019,228	25.89	34,019,228	26.12	34,026,745	40.88	34,026,745	25.97	34,026,745	26.19
Treasury shares	1,128,340	1.35	1,128,340	0.86	0	0	1,119,090	1.34	1,119,090	0.85	0	0
Other registered shareholders	750,581	0.90	1,196,456	0.91	1,196,456	0.92	689,809	0.83	1,098,450	0.84	1,098,450	0.85
Employee FCP (*)	201,000	0.24	288,575	0.22	288,575	0.22	91,135	0.11	182,270	0.14	182,270	0.14
Board of Directors (excluding Mayroy SA)	188,902	0.23	214,659	0.16	214,659	0.16	49,010	0.06	58,185	0.04	58,185	0.04
Total	**83,557,864**	**100**	**131,386,875**	**100**	**130,258,535**	**100**	**83,245,602**	**100**	**131,024,357**	**100**	**129,905,267**	**100**

(*) The FCP Ipsen Shares is the only employee shareholding fund to the share capital of the Company.

5.2.3.4 Shareholders' agreements and parties acting in concert

Agreements between shareholders of the Company

None.

Agreements between shareholders of Mayroy

None.

Parties acting in concert

Certain Directors of the Company (Anne Beaufour, Henri Beaufour, Antoine Flochel, Carol Xueref, Christophe Vérot and Marc de Garidel) and the company Mayroy SA are presumed to act in concert.

5.2.3.5 Nature of control

The Company is controlled as described above. Measures taken to avoid any abusive control are as follows:

- separation of the functions of Chairman of the Board and Chief Executive Officer;
- presence of six independent Directors of fourteen members in the Company's Board of Directors as described in chapters 5.1.1.1, 5.1.1.2 and 5.1.2.1 of the present registration document;
- presence of two independent Directors of five members in the Innovation and Development Committee;
- presence of two independent Directors of six members in the Nomination and Governance Committee;
- presence of three independent Directors of four members in the Audit Committee, including the Chairperson of the Committee;
- presence of two independent Directors of three members in the Compensation Committee;
- presence of two independent Directors of four members in the Ethics Committee, including the Chairperson of the Committee.

5.2.3.6 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 takeover bid

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 takeover bid:

- Ownership of the Company's share capital: see section 5.2.3 of the registration document.
- Restrictions contained in the Articles of Association on voting rights: none; except, in case of failure to declare the crossing of 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 of which the Company has knowledge in accordance with the provisions of Article L.233-11 of the French Commercial Code: none.
- 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 the present 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 to represent it at shareholders' meetings (see section 5.2.3 of the present registration document).
- Agreements between shareholders of which the Company is aware that may cause restrictions on transfers of shares and exercises of voting rights: see section 5.2.3.4 of the present 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 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 compensations tomembers 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 takeover bid: see section 5.1.2 of the present document.

5.2.3.7 Dividends

Dividends paid in the past five financial years

	Dividends paid in				
	2017	2016	2015	2014	2013
Total number of shares giving rights to dividend	83,580,494	83,246,502	82,882,958	82,611,659	84,100,253
Distribution (in euros, excluding tax credit)	71,043,419.90(*)	70,759,526.70(*)	70,450,514.30(*)	66,089,327.20(*)	67,280,202.40(*)
Gross dividend amount per share (in euros, excluding tax credit)	0.85	0.85	0.85	0.80	0.80

(*) 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 based on an analysis 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.

5.2.3.8 Related-party transactions

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 chapter 3.2 note 26 of the present document, (iii) the agreements and commitments described in the Special Report of the Statutory Auditors on regulated agreements and commitments presented in section 5.1.3 of the registration document, there are no other agreements between the Group and related parties.

6 ANNEXES

6.1 PERSON RESPONSIBLE

6.1.1 Attestation of the person responsible for the registration document

Mr. David Meek, Chief Executive Officer of Ipsen

"I affirm that having taken all reasonable care to ensure that such is the case, the information contained in this 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 presented in paragraph 6.4.3 of the present 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.

I've obtained a letter from the Statutory Auditors certifying that they have verified the financial and accounting information provided in this registration document and that they have read the document as a whole."

Boulogne-Billancourt,
23 March 2018

David Meek,
Chief Executive Officer

6.1.2 Person responsible for financial information

Aymeric Le Chatelier
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

6.1.3 Person responsible for account audit and fees

6.1.3.1 Statutory Auditors

Deloitte & Associés

Represented by Mr. Jean-Marie Le Guinier
185, avenue Charles de Gaulle
B.P. 136
92524 Neuilly-sur-Seine 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.

6.1.3.2 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.

6.1.3.3 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 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 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 Cross-reference table for the Registration Document

To facilitate consultation of this registration document, the table below outlines the minimum information to be included in this registration document pursuant to Appendices I of Regulation no. 809/2004 of the European Commission dated 29 April 2004.

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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

2017 Registration document
This Annual Report is also available on the Company's website at www.ipsen.com.

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