2018 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 €83,808,761
Registered office: 65 quai Georges Gorse – 92650 Boulogne-Billancourt
419 838 529 R.C.S. Nanterre

IPSEN
Innovation for patient care

2018 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 26 March 2019. 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 23 March 2018 under number D.18-0180 for the 2017 financial year and on 27 March 2017 under number D.17-0231 for the 2016 financial year, for the following financial information, prepared under IFRS (International Financial Reporting Standards): 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.

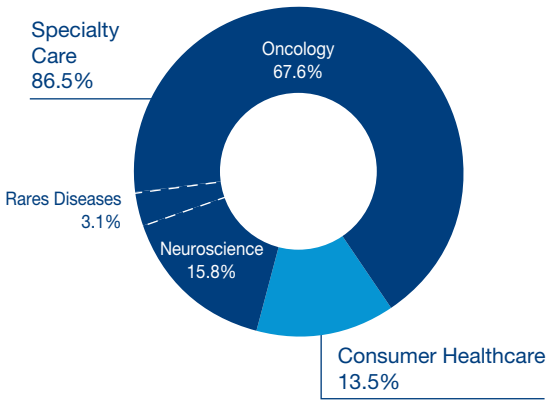
Investors are urged to pay careful attention to the risk factors described in paragraphs 2.1.1; 2.1.2; 2.1.3 and 2.1.4 of this registration document before making their investment decision. One or more of these risks may have an adverse effect on the Group's activities, condition, results of operations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

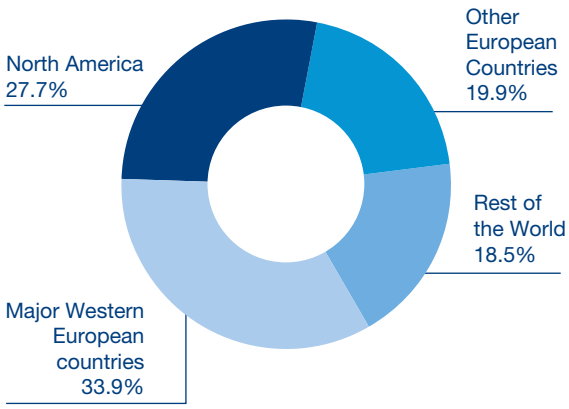
Forward-looking statements, targets and forecasts shown in this registration document may be affected by risks, either known or unknown, uncertainties or other factors that may lead to the Group's future results of operations, performance and achievements differing significantly from the stated or implied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

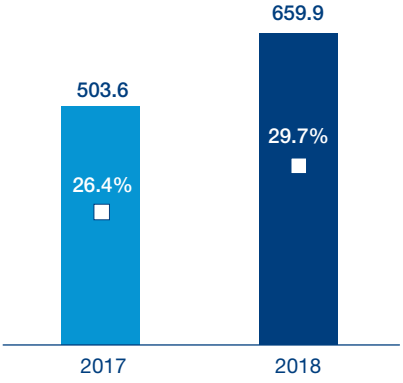
2018 Group Sales by therapeutic area



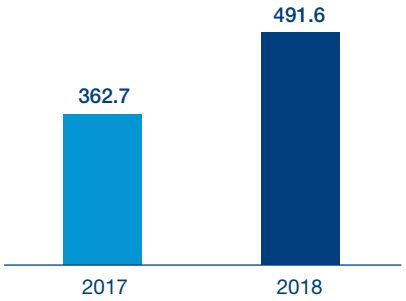
2018 Group Sales by geographic area



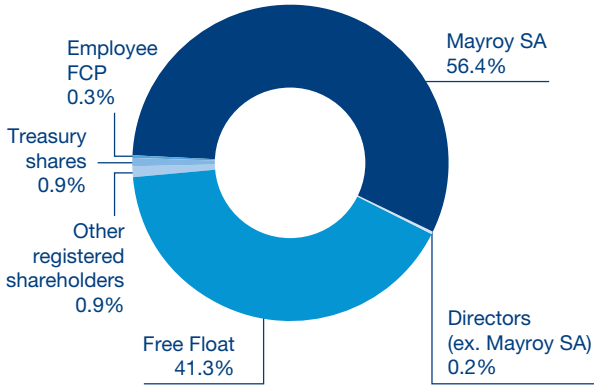
Core Operating Income (in millions euros) and core operating margin (as a % of sales)



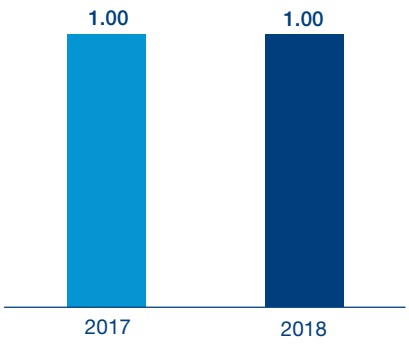
Core consolidated Net Profit (in millions euros)



Ownership of the Company's share capital at 31 December 2018



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



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

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.

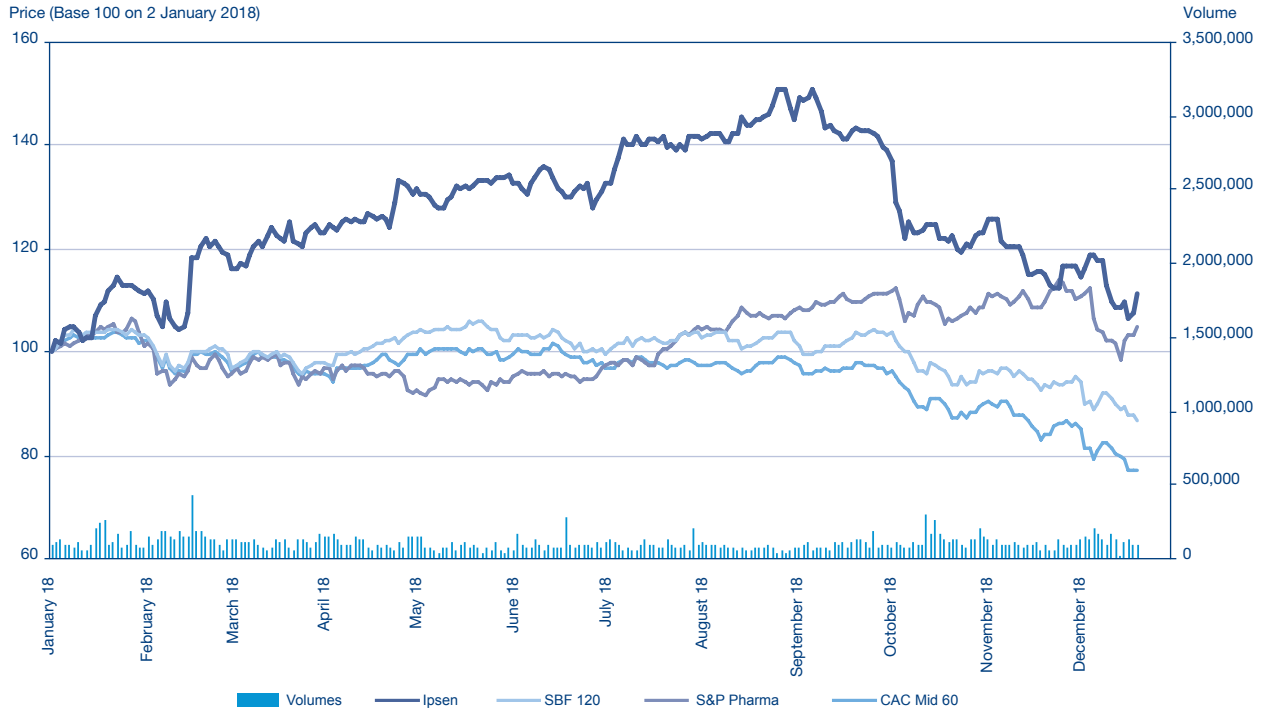
Ipsen shares joined the Deferred Settlement System on 28 March 2007 and joined the SBF120 index on 24 December 2007.

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		2018 trading data	
ISIN Code	FR0010259150	Average share price	€128.5
Euronext Code	IPN.PA	Highest price (31/08/2018)	€153.2
ADR Code	IPSEY	Lowest price (02/01/2018)	€101.4
SRD / PEA Eligibility	Yes / Yes	Stock market capitalization(1)	€9,457.8 M
Total Shares(1)	83.8 M	Average daily volume	107,145.1

(1) As of 31 December 2018.

Comparison between Ipsen's share price performance and the principal stock market indicators between 2 January 2018 and 31 December 2018 (Source: Reuters)



1 PRESENTATION OF IPSEN AND ITS ACTIVITY

1.1 GROUP OVERVIEW AND STRATEGY

1.1.1 History and Development of the Company

1.1.1.1 Legal Entity Overview

Registered name

Ipsen

Registered office

65 Quai Georges Gorse, 92650 Boulogne-Billancourt, France

Telephone number

+33 (0)1 58 33 50 00

Legal Form and applicable laws

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

Registration details

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

Its Legal Entity Identifier number is 549300M6SGDPB4Z94P11.

Date of incorporation and term

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

1.1.1.2 Group Overview

Ipsen is a global 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 neuroendocrine tumors, renal cell carcinoma, hepatocellular carcinoma, pancreatic cancer and prostate cancer. Ipsen also has a well-established Consumer Healthcare business. With total sales of €2,224.8 million in 2018, Ipsen sells more than 20 drugs in over 115 countries, with a direct commercial presence in more than 30 countries.

Specialty Care

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

The Specialty Care business generated sales of €1,924.5 million in 2018, or 86.5% of the Group's sales. The Group focuses on:

- Oncology (67.6% of Ipsen's sales) with Somatuline®, a best-in-class somatostatin analog for the treatment of neuroendocrine tumors; Cabometyx®, the first and only monotherapy TKI demonstrating significant clinical improvements in both first-line and second-line renal cell carcinoma, and also the first and only TKI with proven, significant OS in a second-line advanced hepatocellular carcinoma population; 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 the treatment of prostate cancer;
- Neuroscience (15.8% of Ipsen's sales) with the key product Dysport® for therapeutic and aesthetic indications;
- Rare Diseases (3.1% 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 €300.3 million in 2018, or 13.5% of the Group's sales. China, France and Russia account for 59.7% of Consumer Healthcare sales.

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

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

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

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

In 1994, the Group acquired the UK-based company Speywood (known at the time as Porton International), which

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.

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

Recently, the Group completed two important transactions to accelerate its evolution toward 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.

Therapeutic area[1]	Product name	2018 sales (in millions euros)	Principal therapeutic indications[2]
Specialty Care: 86.5% of full year sales			
Oncology	Somatuline®	846.7	Neuroendocrine tumors; acromegaly
Oncology	Cabometyx®	148.2	Renal cell carcinoma, second-line hepatocellular carcinoma
Oncology	Onivyde®	109.4	Metastatic pancreatic cancer
Oncology	Decapeptyl®	372.6	Advanced metastatic prostate cancer; uterine fibroids; precocious puberty; endometriosis; female sterility (*in vitro* fertilization), early stage breast cancer
Neuroscience	Dysport®	347.8	Motor muscular disorders (cervical dystonia; adult and children spasticity, blepharospasms and hemifacial spasms) and medical aesthetics (glabellar lines, lateral canthal lines, hyperhidrosis)
Rare Diseases	NutropinAq®	45.9	Growth failure in children due to growth hormone (GH) deficiency, Turner syndrome or chronic renal failure and GH deficiency in adults
Rare Diseases	Increlex®	24.1	Long-term treatment of growth failure in children and adolescents with severe primary insulin-like growth factor-1 deficiency (severe primary IGF-1)
Consumer Healthcare: 13.5% of full year sales			
Gastroenterology	Smecta®	126.5	Chronic and acute diarrhoea; symptomatic treatment of pain linked to oesogastroduodenal conditions and colic
Gastroenterology	Forlax®	39.8	Constipation
Gastroenterology	Fortrans® / Eziclen®	31.4	Intestinal cleaning
Gastroenterology	Etiasa®	4.2	Inflammatory bowel diseases
Cognitive disorders	Tanakan®	37.7	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 90-year heritage of family ownership, 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 which enable the Group to benefit from available scientific expertise and to hire highly-qualified personnel;
- *A recognized ability to secure and manage large-scale partnerships* with the world's leading and innovative pharmaceutical and biotechnology companies such as Exelixis, Lexicon, Servier, Teijin, Galderma and Menarini;
- *An effective management team* with significant experience in the pharmaceutical industry.

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 faced by patients and caregivers.

Specialty Care:

In Specialty Care, Ipsen is focused on three key therapeutic areas, Oncology, Neuroscience and Rare Diseases, in which 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, prostate cancer and more recently hepatocellular carcinoma;
- Neuroscience in both the therapeutic 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 further expand with new opportunities.

Consumer Healthcare:

In Consumer Healthcare, the Group maintains a sustainable and growing business. To sustain growth, Ipsen is completing the OTx(1) model transformation and leverage its three main market-leading brands by enhancing consumer innovations, capturing the underlying market growth in emerging markets and strengthening the European business.

A Development and Commercial Powerhouse driven by innovation

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

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

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

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

Business Development

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

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

1.1.2.2 2020 Financial Targets

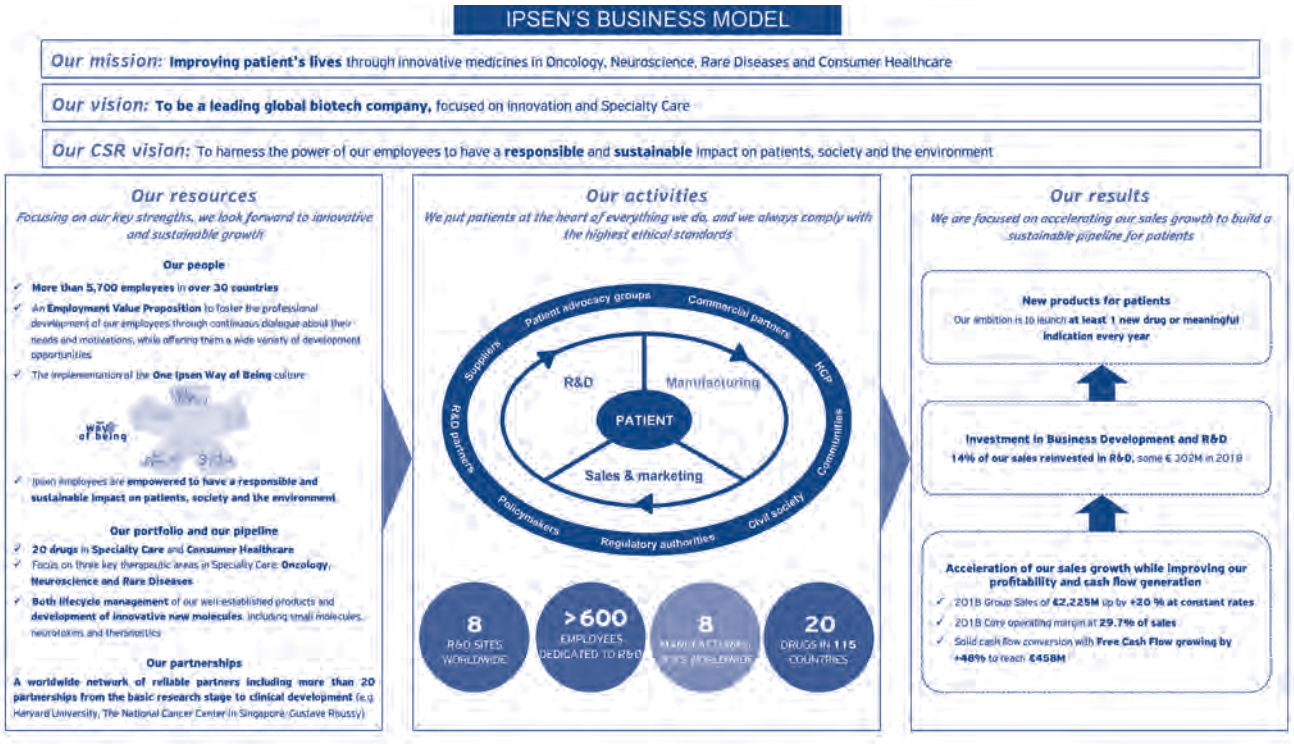
In May 2017, Ipsen provided the following 2020 financial targets:

- Sales greater than €2.5 billion.
- 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 increased Somatuline® competitive threats.

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

1.1.3 Business Model



1.2 GROUP 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® 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 was launched in 2001 and allows the product to be presented in a pre-filled, ready-to-use syringe (single use only) for easier administration. A pre-filled ready-to-use device was launched in 2011 with a retractable needle enabling the safe delivery of the full dose with every injection. A new delivery system with a further improved design was approved in the first European in October 2018, after which each national health authority has to issue national approval. 16 countries have issued the national approval.

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 was launched in 2001 for the treatment of acromegaly and carcinoid syndrome associated with neuroendocrine tumors. In 2015, the EMA approved Somatuline® Autogel® for the treatment of 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 2018, Somatuline® Autogel® / Depot® was marketed in 57 countries for the treatment of acromegaly and neuroendocrine tumors.

In 2018, Somatuline® Autogel® / Depot® was the first and fastest growing product of the Group with sales amounting €846.7 million, of which 52.7% 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 (hepatocyte growth factor receptor) and AXL (tyrosine kinase receptor) 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 both treatment-naïve adults with intermediate or poor risk as well as in adults following prior vascular endothelial growth factor (VEGF)-targeted therapy.

Cabometyx® is the first and only targeted therapy in second-line RCC to demonstrate clinically and statistically significant improvement across three endpoints (PFS, OS and ORR), with a convenient regimen of one tablet daily as well as the first and only single agent targeted therapy in first-line treatment of a RCC to demonstrate superiority over sunitinib, the former standard of care across PFS and disease control.

Marketing

Cabometyx® was first launched in Europe in Germany in late 2016, and was also made accessible in most Western European countries.

As of 31 December 2018, Cabometyx® was available in 24 countries with reimbursement in 2L RCC and in 7 countries with reimbursement in 1L RCC. In 2018, sales of Cabometyx® amounted to €148.2 million.

In November 2018, the European Commission approved Cabometyx® as a monotherapy for the treatment of hepatocellular carcinoma (HCC) in adults who have previously been treated with sorafenib. This approval allows for the marketing of Cabometyx® in this indication in all 28 member states of the European Union, Norway and Iceland.

Cabometyx® is prescribed primarily by oncologists.

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

Competition

In RCC, many other treatments are approved in Europe. Some products have been marketed for several years like Sutent® (Pfizer), Nexavar® (Bayer), Afinitor® (Novartis), and Inlyta® (Pfizer). Two other products received approval in 2016 in second-line RCC: 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.

In first-line RCC, four other therapies are currently approved as of 31 December 2018: sunitinib, pazopanib, tivozanib, temsirolimus and the combination of bevacizumab and interferon alfa. Only Cabometyx demonstrated superiority over sunitinib, which was considered as the standard of care to date.

In January 2018, combination therapy of ipilumab and nivolumab received European approval for the initial treatment of advanced renal cell carcinoma patients with intermediate and poor risk.

In Europe, only one other product, Stivarga® (Bayer), is approved for second-line HCC.

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, 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® has been approved 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. Servier has ex-U.S., ex-Taiwan commercialization rights to Onivyde® and PharmaEngine has commercialization rights in Taiwan.

Onivyde® sales reached €109.4 million in 2018.

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, dysmenorrhea (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 estrogen 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 2018 with Major Western European countries (G5) accounting for 49.3% of total sales and China representing a large portion of Decapeptyl® sales (20%).

At 31 December 2018, Decapeptyl® had marketing authorizations in over 76 countries, including 28 in Europe.

Decapeptyl® is prescribed primarily by the following specialists: urologists, oncologists, radiotherapists, pediatric endocrinologists, gynecologists, 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 September 2017, the EMA approved Xermelo® for the treatment of carcinoid syndrome diarrhea in combination with a somatostatin analog.

As of 31 December 2018, Xermelo® had marketing authorizations in 32 countries (including 28 EU countries, ex-U.S. and Japan), and reimbursed in 11 countries.

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

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

Competition

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

Hexvix®

Active substance and indications

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

Marketing

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

Cometriq®

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 U.S. and Europe based on the Phase III, international, multicenter, randomized, double-blind study (EXAM).

This study demonstrated a statistically significant and clinically meaningful improvement in progression free survival with Cometriq® as compared to placebo, corresponding to a decrease of 72% of the risk of disease progression in patients with progressive locally advanced (not amenable by surgery) or metastatic 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 (clostridium botulinum) that blocks acetylcholine release from nerve endings resulting in the relaxation of hyperactive muscles.

Dysport® is approved in the following therapeutic indications in adults:

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

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

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

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

- Glabellar lines,
- Lateral canthal lines (crow's feet lines),

in adult patients under 65 years, when the severity of these lines has an important psychological impact on the patient.

Marketing

Dysport® was initially launched in the United Kingdom in 1991 and had marketing authorization in 87 countries as of 31 December 2018.

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

As of 31 December 2018, Dysport remains the first and only botulinum toxin approved by the FDA for this indication.

On 16 June 2017, the FDA expanded the approved use of Dysport® for injection for the treatment of spasticity in adults, based on its supplemental Biologics License Application (sBLA) in lower limb spasticity.

In aesthetics, Ipsen and Galderma have been exclusive partners since 2007 for the research, development and distribution of Ipsen's botulinum toxin type A product for aesthetic and dermatological indications in some European countries (under the brand name Azzalure®) and in other territories including the United States and Canada since 2014 (these agreements are presented in detail in section 1.2.2 of this 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 administered by trained physicians *e.g.* neurologists, physical medicine & rehabilitation specialists, neuropediatricians, orthopedic surgeons, ENT specialists, ophthalmologists, dermatologists, and plastic surgeons.

In 2018, Ipsen's *in vitro* Cell Based Assay was approved by regulatory authorities in several countries, notably in the E.U., Switzerland and Canada.

The Cell-Based Assay is replacing the *in vivo* LD50 test used to establish the stability and potency of its toxin-based product (Dysport® and Azzalure®), which will lead to a drastic reduction of animal-based testing. This major milestone is the result of Ipsen's commitment to animal welfare.

Competition

Dysport®'s main competitors are Botox® (Allergan) and to a lesser extent Xeomin® (Merz) for both aesthetic and therapeutic indications. Competitive intensity in the BoNT market is expected to increase further as more competitors, mainly from Asia, enter the U.S. and European markets.

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 and, in later adult life.

NutropinAq® is a ready-to-use liquid formulation in the form of solution for injection (in a cartridge (10 mg/2 ml)).

NutropinAq® is indicated for the following:

- Long-term treatment of growth failure in children due to inadequate secretion of endogenous growth hormone;
- Long-term treatment of growth failure associated with Turner syndrome in girls over two years old;
- Treatment of growth failure in prepubertal children associated with chronic renal insufficiency ahead of kidney transplantation;

- Treatment of adults with growth hormone deficiency of either childhood or adult onset.

Marketing

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

Growth hormones are prescribed by pediatric and adult endocrinologists.

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

Competition

Six other companies have marketed recombinant growth hormones 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 DNA-derived human insulin-like growth factor (IGF-1). IGF-1 is the direct hormonal mediator of stature and bone growth and must be present for normal growth of bones and cartilage in children.

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

Marketing

Increlex® has been marketed in the United States since the beginning of 2006 and in the European Union since August 2007.

Recombinant IGF-1 is prescribed by pediatric endocrinologists.

Competition

Increlex® is the only treatment available for patients living with Severe-Primary IGF-1 deficiency in the U.S. and European union. No competitor exists in these territories.

■ 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. Ipsen is actively working on life cycle management with new flavors, forms, or line extensions (*e.g.* in-licensing of LP299V and promotion under the Smecta brand).

Marketing

As of 31 December 2018, Smecta® had market authorization in about 90 countries. In 2018, Smecta® sales represented 5.7 % of total Ipsen sales, of which 71.4% were generated in China, France, and Russia, the product's main markets.

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

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

Competition

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

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, the Baltics and Algeria.

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 2018, Forlax® was granted marketing authorizations in about 55 countries. In 2018, 45.9% of Forlax® sales were generated in France.

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

Competition

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

In France, 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 to be the "gold standard" for bowel cleansing preparation before coloscopy. As of 31 December 2018, Fortrans® held marketing authorizations in about 57 countries.

Fortrans® is available in more than 40 countries. Russia and Poland are the two largest markets.

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

On 31 December 2018, Eziclen® was marketed by Ipsen or its local partners in 19 countries.

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. The agreement is presented in detail in section 1.2.2 "Major Contracts" of this registration document.

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 for the distribution and promotion of 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 2018, Tanakan® was approved in approximately 66 countries, mainly in Europe, Russia, and Asia.

In 2018, 24.0% 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 in 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. When combined, these regional brands span a geographic scope of eight European countries.

Akkadeas Portfolio

In 2017 Ipsen acquired Akkadeas Pharma which possessed diversified gastrointestinal-focused portfolio including probiotics, medical devices and food supplements in Italy.

1.2.2 Major Contracts

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

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

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

1.2.2.1 Agreements in Specialty Care

1.2.2.1.1 Agreements in Oncology

Debiopharm (Lausanne, Switzerland)

The Group has maintained an ongoing relationship with Debiopharm since 1983 when it entered into its first licensing 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 two-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® currently approved in the U.S. and the European Union (EU) for the second-line treatment of patients with advanced renal cell carcinoma (RCC) who have received first-line antiangiogenic therapy and for the first-line treatment of adults with intermediate or poor risk advanced RCC. In November 2018, Ipsen received approval from the European Commission for Cabometyx® for the treatment of hepatocellular carcinoma (HCC) in adults who have previously been treated with sorafenib.

Under the agreement Exelixis received a $200 million upfront payment, as well as several regulatory milestone payments ($60 million upon the approval in Europe for second-line RCC, $50 million upon the approval in Europe for first-line RCC and additional milestone payments when the EMA was granted approval for HCC, as well as additional regulatory milestones for potential further indications). The agreement also includes up to $545 million of potential commercial milestones and tiered royalties to Exelixis of up to 26% on Ipsen's net sales of cabozantinib in its territories.

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

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

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 the context of the first rights of negotiations granted to Galderma to further expand the territories, the Group granted to Galderma exclusive rights, to promote and distribute under the trademark Dysport® certain formulations of botulinum toxin in aesthetic indications in Brazil, Argentina, Mexico, Australia and New Zealand.

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

In 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 and in 2018 to include Singapore and Thailand.

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 was granted the exclusive global right to develop, manufacture, and commercialize IGF-1 in all indications except central nervous system diseases. In consideration for these rights, the Group paid certain amounts to Genentech dependent on sales reaching certain levels and royalties on sales. Both agreements expired in the fourth quarter of 2018 and Ipsen retains global rights to develop, manufacture and commercialize IGF-1 on a royalty-free basis.

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 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 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. Ipsen obtained approval of Xermelo® in Switzerland on 28 March 2018, in Australia on 14 September 2018 and in Canada on 11 October 2018.

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 (abaloparatide) 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 already granted an exclusive license to this compound to the Japanese group Teijin. 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. Abaloparatide was approved by the FDA in April 2017, which triggered a milestone payment from Radius to Ipsen of €8 million. In Europe, following a negative CHMP opinion for marketing authorization in March 2018 and a re-examination procedure, the CHMP communicated a negative trend vote in July 2018.

Radius pays the Group different fixed sums depending on the success of the various 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 the use by Ipsen of certain know-how for use in Japan. In June 2018, a final decision in the arbitral proceedings was issued by the arbitral tribunal, which found that Radius did not breach Ipsen's contractual right to elect to co-promote abaloparatide in France. However, the arbitral tribunal found that Radius breached its obligation to provide Ipsen with certain know-how for use in Japan, and as a result, ordered Radius to pay Ipsen (i) $10 million (including pre-award interest), (ii) $5 million if abaloparatide receives marketing approval in Japan, and (iii) a fixed mid-single-digit royalty based on net sales of abaloparatide in 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 hormone MSH and ghrelin, which regulate food intake, energy homeostasis, and gastrointestinal function. Rhythm Pharmaceuticals is developing setmelanotide, an MC4 receptor agonist for the treatment of rare genetic disorders of obesity. Under the terms of the license agreement, Ipsen will receive progressive payments of up to $40 million upon the achievement of certain development and commercial milestones and royalties on future sales of the products. Rhythm will continue to use Ipsen's recognized formulation expertise to develop innovative delivery systems for the peptide programs.

Allergan GI (Madison, NJ, USA)

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

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 sublicensed its exclusive development and commercialization rights for Adenuric® in Europe, including Russia and certains CIS countries to Menarini. In addition, Ipsen continues to promote the product alongside Menarini in France.

Febuxostat was launched by Menarini in 2010 in Europe and 2017 in Russia, under the 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 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 royalties on Ipsen's sales as well as payments upon the achievement of certain milestones such as product launches and commercial sales thresholds. The product is marketed under the Eziclen® trademark in most countries of the European Union and under the Izinova® trademark in some other countries, including France and the United Kingdom.

Ethypharm (Saint-Cloud, France)

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

1.2.3 Research and Development

In 2016, Ipsen started a process of transformation of the R&D model with the aim of building both valuable and a sustainable pipeline of innovative assets in three therapeutics areas: Oncology, Neuroscience and Rare Diseases.

To do so, the Group focuses on accelerating priority internal projects, effectively managing the R&D portfolio and actively externally sourcing assets through business developments. The mission of the R&D organization is to deliver at least one new molecular entity or meaningful indication every year.

1.2.3.1 Research and Development Activities

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

Research and Development primarily focuses on two areas:

- Discovery, development, and regulatory approval of new molecular entities;
- Lifecycle management of products marketed by the Group through the:
  - Extension and expansion of labelled indications;
  - Development of new indications;
  - Development of new formulations and delivery systems;
  - Registration in new geographical areas.

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

As of 31 December 2018, more than 600 employees were assigned to Research and Development including 200 contributing through Pharmaceutical Development.

For the financial year 2018, Research and Development expenses totaled €302.1 million, compared to €265.8 million in 2017.

Novel botulinum toxin-based drug discovery in Neuroscience:

The engineering of new botulinum toxins is primarily carried out in Ipsen R&D facilities in Milton Park (Oxford, UK), in partnership with Les Ulis (Paris-Saclay) and/or in collaboration with academic research centers and biotechs. Botulinum toxins have a unique potential for very broad therapeutic applications in many areas including: neurology, urology, oncology, endocrinology, regenerative medicine, etc. The R&D team in Milton Park is very experienced in botulinum toxin biology 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. The Group is developing novel recombinant fast-acting and long-acting neurotoxins that have potential advantages of better control, robustness as well as quality and process manufacturing. It also allows the Group to leverage its development, manufacturing and commercialization expertise in the neurotoxin market.

Pharmaceutical development is located at the Dreux, Berlin, Dublin and Wrexham sites and aims to design and develop formulations and innovative delivery systems for new chemical

entities or for marketed products. These novel technologies 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 at Ipsen strives to be at the forefront of major advances emerging in science and medical practice such as the progression of molecular medicine and biomarkers which are revolutionizing the diagnosis and prognosis of diseases and the selection of the best treatment leading based on genetic markers to the emergence of personalized medicine. This commitment to translational sciences is reflected in a willingness to invest in biobanking during clinical trials, bioinformatics predictive biometry based on simulation modelling and requiring large data banks (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 in-licensing and other modes of acquisition of translational knowledge.

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, *MD Anderson Cancer Center* in Houston, 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 2018 contributed to a venture capital fund investing in pre-IND (Investigational New Drug) to late clinical phase assets. In 2018, Ipsen also partnered with Arix Bioscience, MD Anderson and BioLabs.

1.2.3.2 Research and Development Centers

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

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

Ipsen Innovation, the Research and Development Center in Les Ulis, located in the Paris-Saclay hub, was opened in 1969 and a new facility was built in 1996. The scientists focus on novel medicines in the fields of Neuroscience and Oncology. Notably, the Pharmacodynamic and Metabolism group in Les Ulis has expanded to support Ipsen projects from discovery to 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 and knowledge in terms of innovative molecules and drug candidates. Cambridge is a "Center of Innovation" combining activities of research and assessment of these new molecules based on a strategic and operational partnership between the R&D and Business Development teams.

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

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

Ipsen Bioinnovation, located in a leading innovation hub at the Milton Park campus in Oxfordshire, represents Ipsen's technological platform for toxins, with expertise in engineering recombinant and modified toxins for new therapeutic solutions in Neuroscience and co-locates research scientists with the major R&D activities of clinical development, 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 FIH clinical trial Phase I (Phase I or first-in-human 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 is conducted. The scope of the Exploratory Development phase is up to the clinical proof of concept (PoC). Once both early efficacy and short-term safety have been established from the PoC and meet the Product Target Profile, the drug can proceed to the confirmatory development phase. Exploratory Development benefits from innovative question-based development plans, adaptive design, modeling and simulation, biomarkers, and translational science/medicine.

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

1.2.3.3.2 The development programs

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

The molecule portfolio in development is the following:

Product under development	Indications	Development stage
Oncology		
Decapeptyl®	3M Endometriosis – China	Phase III
Cabometyx®	Advanced Renal Cell Carcinoma (RCC) 1L	Approved
	Hepatocellular Carcinoma (HCC) 2L	Approved
Cabometyx® in combination with nivolumab(1)	Advanced Renal Cell Carcinoma (RCC) 1L	Phase III
	Hepatocellular Carcinoma (HCC) 1L/2L	Phase I
Cabometyx® in combination with atezolizumab(2)	Solid tumors	Phase Ib
	Hepatocellular Carcinoma (HCC) 1L	Phase III
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
	Non-NET indications	Phase I/II
IPN-01087A	Pancreatic ductal adenocarcinoma	Phase I
IPN60090 (MD Anderson)		Phase I
Neuroscience		
Dysport®	Paediatric upper limb spasticity (PUL)	Phase III
	Glabellar Lines – China	Submitted
	Hallux Valgus	Phase II
	Vulvodynia	Phase II
Dysport® Solution (liquid)	Glabellar Lines	Phase III
Fast acting toxin rBoNT/E	First-in-human clinical trials	Phase I
Long acting toxin rBoNT/A	Multiple therapeutic and esthetic indications	
Long acting toxin rBoNT/A'	Multiple therapeutic and esthetic indications	
Rare Diseases		
Somatuline® Autogel®	Acromegaly – China	Submitted

(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.

Oncology

Somatuline® Autogel® in neuroendocrine tumors

The Group continues to develop this product with the first European approval for the Somatuline® new delivery system.

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").

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 previously untreated advanced hepatocellular carcinoma.** The Phase III COSMIC-312 study, sponsored by Exelixis and co-funded by Ipsen, was initiated in November 2018.The pivotal trial evaluates Cabometyx® in combination with Tecentriq® versus sorafenib in previously untreated advanced hepatocellular carcinoma (HCC).
- **Cabozantinib in combination with atezolizumab in locally advanced or metastatic solid tumors.** The dose-escalation stage of a Phase I trial sponsored by Exelixis and 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 an oncology asset from Merrimack Pharmaceuticals, in Cambridge, MA, known as 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 Servier for commercialization rights ex-U.S. and PharmaEngine for Taiwan. The acquisition also included the Merrimack commercial and manufacturing infrastructure for Onivyde®.

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

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

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.

Systemic Radiation Therapy (SRT) uses the ability of one single peptide to target specific receptors to deliver a radionuclide directly to a tumor aiming to either diagnose or treat, depending on the radioactive agent. This targeting approach provides 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 trizoxetan is an NET imaging tool utilizing positron emission tomography (PET, PET/CT) and is currently in clinical development, and ^{177}Lu-satoreotide tetraxetan is Systemic Radiation Therapy.

IPN-01087

In 2016, the Group entered into a licensing agreement with 3B Pharmaceuticals, a German company, to develop novel radiopharmaceuticals in oncology. Ipsen acquired exclusive worldwide rights to develop and commercialize a novel small molecule radiopharmaceutical targeting the neurotensin receptor-1. Ipsen announced that the first patient has been dosed in a Phase I/II study for the first-in-class radionuclide ^{177}Lu-IPN01087 (formerly known as 3BP-227). The key objective of the Phase I dose-escalation trial is to evaluate the safety and activity, as well as to identify the optimum systemically-administered dose of radiation to treat patients with any of the following solid tumors expressing NTSR1: pancreatic ductal adenocarcinoma, colorectal cancer, gastric cancer, gastrointestinal stromal tumors, Ewing sarcoma and squamous cell carcinoma of the head and neck.

Neuroscience

Dysport®

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

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

Ipsen's world class R&D centers are pushing technological boundaries to develop the next generation of recombinant toxins, including fast and long-acting neurotoxins, expected to address a broad range of clinical conditions. As of 31 December 2018, Ipsen is the only company with recombinant toxins in preclinical and Phase I trials.

Rare Diseases

Somatuline® Autogel® in acromegaly

The Group continues to develop this product with the submission of an acromegaly indication in China.

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 business. As of 31 December 2018, the Group held 2,271 patents, 1,009 of which were issued in European countries and 129 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 597 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 53 applications in Europe and the 17 PCTs currently filed are likely to yield a significantly higher number than the 70 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 – preparation process	 Ipsen Ipsen	 Patent now expired (Europe) and 2020 (USA)(1) 2031 (Europe) and 2032 (USA)
Somatuline®	Tulane University	Patent now expired
Decapeptyl® – Pamoate formulation – Acetate formulation	 Debiopharm Syntex	 Patent now expired Patent now expired
Decapeptyl® 6 month formulation	Debiopharm	2028 (Europe)(2)

(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 one EP patent.

Product	Patent holder	Patent expiration date
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®	Photocure École Polytechnique Lausanne	2016 + SPC(5) 2019
Onivyde®		
– composition	Ipsen	2025 (Europe)(6) and 2025-2028 (USA)(7)
– indications	Ipsen	2033 (Europe(8) and USA); 2035-2037 (Europe and USA) (if patents granted)
– formulation	Ipsen	2036 (Europe & USA) (if patents granted)
Xermelo®		
– compound	Lexicon	2027 (Europe)(9)
– polymorphic form	Lexicon	2028 (Europe)(10)
– preparation process and intermediates	Lexicon	2028 (Europe)
– dosage forms	Lexicon	2032 (Europe) (if patent granted)
^{177}Lu-satoreotide tetraxetan		
– compound	Salk Institute(11)	2027 (Europe) and 2029 (USA)
^{68}Ga-satoreotide trizoxetan		
– compound	Salk Institute(11)	2027 (Europe) and 2029 (USA)
Neuroscience		
Dysport®(12)	–	No patent filed
Dysport® liquid formulation	Ipsen	2025 (Europe)(13) 2025 (USA)
Endocrinology		
NutropinAq®	Genentech	Patent now expired (Europe)
Increlex®		
– Medical use	Genentech	Patent now expired
– Medical use	Ipsen Biopharmaceuticals (previously known as Tercica)	2024 (Europe) and 2025 (USA)
– Formulation	Genentech	Patent now expired
– Manufacturing process	Genentech	Patent now expired

(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. An opposition has been filed against the EP patent.
(7) Applications for Patent Term Extension have been filed for two US patents which, if granted, would extend the patent life until 2027 or 2029, respectively.
(8) An opposition has been filed against the EP patent.
(9) Based on this EP patent, an extension has been filed *via* the filing of SPC in a number of European countries (Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, The Netherlands, Poland, Portugal, Romania, Spain, Switzerland and Great Britain) which will extend the patent term until 2032 in countries wherein the SPC will be granted.
(10) Based on this EP patent, an extension has been filed *via* the filing of SPC in Bulgaria which will extend the patent term until 2032 if the SPC is granted.
(11) The Salk Institute for Biological Studies; Universitat Bern; University Hospital Basel.
(12) There is no patent on the indications and formulation currently marketed but applications are pending in the field of botulinum toxin.
(13) An opposition had been filed against a first EP patent. At the end of the opposition procedure, the EP patent has been maintained under an amended form without limiting the scope of the patent. The opponent appealed this decision. Oppositions were also filed against the second EP patent granted in February 2015.

Product	Patent holder	Patent expiration date
Primary Care		
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 now expired (Europe & USA)
Nisis® and Nisisco® – active substance – preparation process of oral formulation	 Ciba Geigy Novartis	 Patent now expired (Europe) Patent now expired (Europe)
Adenuric® (febuxostat) – active substance – polymorphic form – solid composition	 Teijin	 Patent now expired (Europe) 2019 (Europe)(14) 2023 (Europe)(15)
Eziclen® / Izinova®	Braintree	2023 (Europe)(16)

(14) The EP patent granted in November 2009 has been maintained under an amended form relating to a therapeutic composition of a polymorphic form of febuxostat during the opposition procedure. The patent will expire in June 2019. Based on this EP patent, 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.
(15) Based on this EP patent, a SPC has been granted in Estonia which extends the patent term until 2023.
(16) Based on this EP patent, 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, Mandarin...).

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 2018, are shown in the table below.

Brands and trademarks	Number of applications
Somatuline® / Somatuline® Autogel®	304
Decapeptyl® / Diphereline®	255
Cabometyx® / Cometriq®(1)	191
Dysport®	322
Onivyde®	87
Xermelo®(2)	89
Smecta® / Smectago® / Smebiocta®	1,063
Tanakan®	247
Forlax®	293
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 may initiate legal action to have its rights recognized.

1.2.4.3 Domain Names

As of 31 December 2018, the Group had 1,898 domain names (reserved or in the process of being reserved).

1.2.5 Main Markets

1.2.5.1 Market Data

Sectorial information by therapeutic area and region is detailed in section 3 of this registration document for the 2018 and 2017 financial years.

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

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

Price-setting and control

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

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

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

The governments of many countries in which the Group operates continue to introduce new measures to reduce public health expenses, some of which have affected the Group sales and profitability over the last years.

1.2.7 The Group's Legal Structure

Ipsen S.A. acts as a holding company with regards to its affiliated companies and has no operational activities. Certain senior managers are employed by Ipsen S.A. under certain conditions and invoicing provisions described in paragraph 3.3.4. The Group comprises 54 consolidated affiliates, which are shown as such in note 29 in paragraph 3.2.5.

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

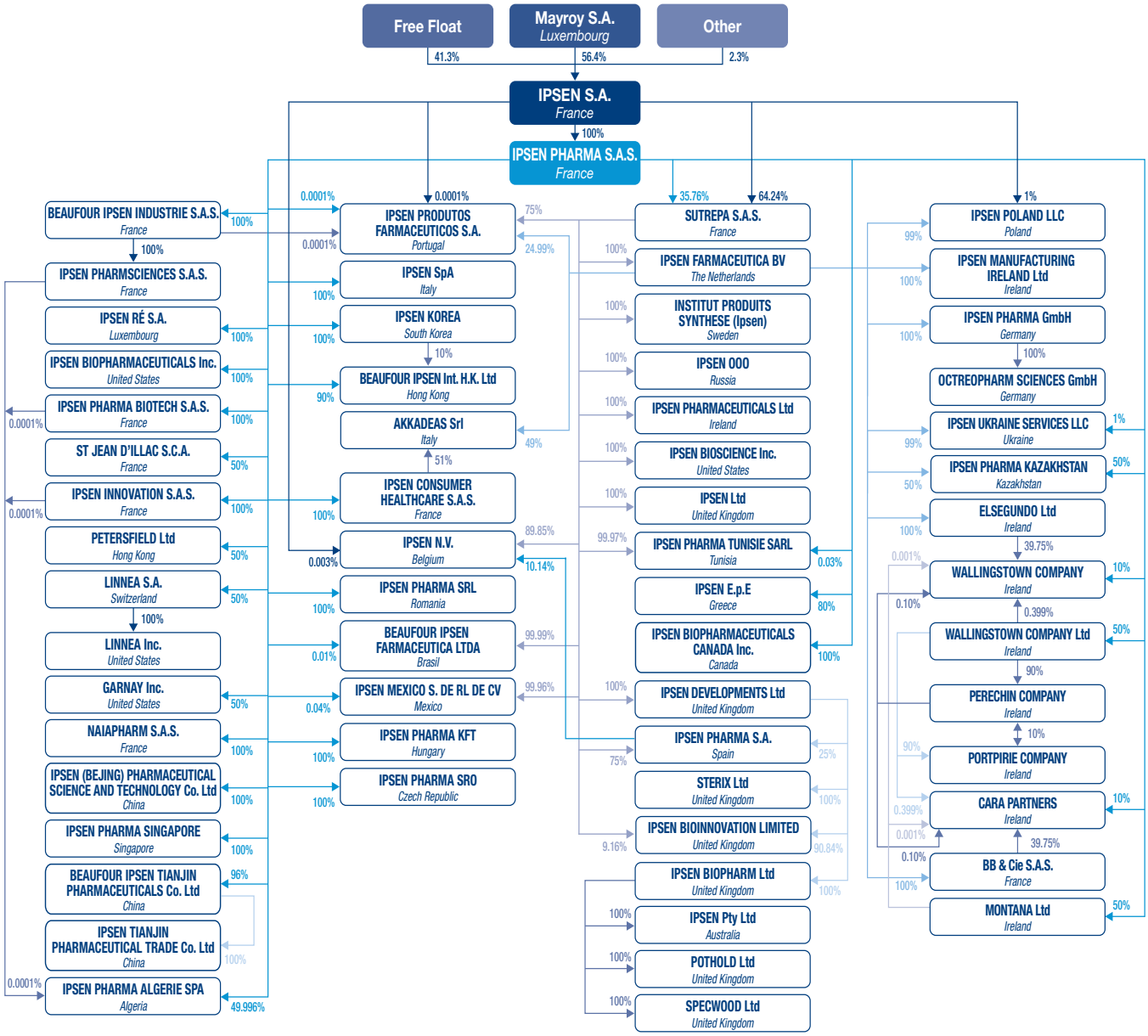
Ipsen S.A. is controlled by a company incorporated in Luxembourg, Mayroy S.A. Description of this company and its shareholding is to be found in chapter 5.2.3.

1.2.7.1 Organizational Structure

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

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

Group Organization chart as of 31 December 2018



■ 1.2.7.2 Incorporations and Discontinuations

In order to facilitate and encourage the development of the Group's activity in Eastern Europe, companies have been set-up or representative offices transformed into subsidiaries, in Romania, Czech Republic and Hungary. In addition, to further implement the Group's activities on a local scale, a company has been created in Algeria: Ipsen Pharma Algerie SPA.

In January 2019, Ipsen Pharma SAS, which previously owned 80% of its Greek subsidiary Ipsen E.p.E, has acquired 100% of its share capital.

2 RISKS AND CONTROL

2.1 RISKS FACTORS

The Group operates in a rapidly evolving environment which may pose many risks to the Group, some of which are outside of its control. Investors are advised to carefully review each of the risks described below as well as all the information contained in this 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 and results.

2.1.1 Business Risks

#	Risk name	Risk description
2.1.1.1	**Market competition and dependence on products**	The Group operates in well-stablished, rapidly-evolving, and very competitive markets, in particular, Oncology: • The Group's competitors include major international pharmaceutical groups whose size, experience, and capital resources exceed those of the Group; • The Group may have to face competition from generic products; • The Group may adapt quickly to new technologies, scientific changes, digital and advanced analytics introduced by competitors. Since a few products make up the majority of Group sales, with Somatuline, Decapeptyl®, Dysport®, Cabometyx® and Onyvide® representing two thirds of sales in 2018, the competitive threat to Ipsen's business model and performance is accrued. Details of the competitive environment of the Group's main products are set out in section 1.2.1 of this registration document.
2.1.1.2	**Risks of failure in Research in Development**	In order to build an innovative and sustainable pipeline the Group invests substantial amounts in Research and Development. In 2018, the Group spent €302.1 million on Research and Development, representing around 13.6% of consolidated sales. Ipsen will be unable to recover these investments if the Group's clinical trials are not as successful as anticipated or if such products do not receive regulatory approval. The Research and Development process is long and there is a substantial risk that drugs may not be approved.
2.1.1.3	**Risks of cyberattacks**	The Group's activities are largely dependent on information systems. Despite all the measures in place to secure its processes, the Group may have to deal with incidents, notably connected to malicious acts against such information systems, such as cyber-attacks that could lead to activity disruptions, fraud, the loss or alteration of critical data, or theft or corruption of data.
2.1.1.4	**Dependence on third parties**	Ipsen depends on third parties: • To optimize the Research and Development portfolio: the Group enters into collaborative agreements with third parties to carry out pre-clinical and clinical trials; • To manufacture certain products: the Group subcontracts the production of certain active ingredients to third parties or purchases finished products directly from its partners or their subcontractors; • To develop and market certain products: third parties could behave in ways that are damaging to the Group's business (see paragraph 1.2.2 "Major Contracts"); • Related to intellectual property: (1) the Group's intellectual property: third parties collaborating with Ipsen may claim the benefits from intellectual property rights for the Group's inventions or may not ensure that the Group's unpatented technology remains confidential; (2) Third party intellectual property: The Group is dependent on intellectual property rights held by third parties in order to manufacture and market several of its products.
2.1.1.5	**Risks related to drug approval, pricing and reimbursement**	The Group is dependent on prices that are set for drugs and is vulnerable to the potential withdrawal of certain drugs from the list of reimbursable products by governments and the relevant regulatory authorities in the countries in which it operates. In general terms, the Group is faced with uncertainty related to the prices set for its products, since pharmaceutical prices have come under severe pressure over the last few years (recommendation to use generic drugs, lower prices or reimbursement, other restrictive measures that limit increases in the cost of medical services, parallel imports).

#	Risk name	Risk description
2.1.1.6	**Risks associated with international activities**	The Group operates throughout the world. As such, the Group faces various risks specific to its international activities, in particular, and the following: • Risks arising from unexpected regulatory or political changes such as changes in tax regulation and regulations on trade and tariffs, such as Brexit, protectionist measures; • Risks arising from limitations on the repatriation of earnings; • Risk of financial default on the part of certain public and private operators with which the Group conducts business; • Risks arising from the validity of various intellectual property rights being deferred; • Risks arising from various labor regulations; • Risks arising from political or economic changes affecting a given region or country; • Risks arising from increased difficulties in recruiting staff and managing operating entities abroad; • Risks arising from the 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; • Risk incurred by employees when travelling for their missions.
2.1.1.7	**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 in its three key therapeutic areas. Despite dedicated processes in place, acquisitions could fail or underperform in case of inappropriate due diligence or unsuccessful integration.
2.1.1.8	**Ethics & Compliance risks** CSR	Despite its continued commitment to upholding the highest ethical standards, Ipsen could face various Ethics and Compliance risks, such as: • Risk of off-label promotion: The Group's employees or third parties involved in the promotion of Ipsen products could fail to observe the ethical principles laid down by the Group, and promote products off-label; • Risk of improper influence / conflict of interests: Ipsen employees or third parties involved in Ipsen activities could put themselves in a situation where there is an actual, apparent or perceived conflict of interest between their role within Ipsen and their own financial or personal situation, which could influence their ability to act in the best interest of Ipsen. These conflicts of interest could involve external stakeholders such as HCPs, HCOs, payers, members of regulatory bodies or government officials; • Risk of corruption: Ipsen employees or third parties involved in Ipsen activities could promise, offer, give, receive or solicit any kind of value or advantage to another person to distort someone's conduct or to obtain an undue favor or advantage; • Risk of non-compliance with pharmaceutical regulations / code: There is a risk for Ipsen employees or third parties involved in Ipsen activities to be non-compliant with requirements of international and country regulations and Pharma Codes (*e.g.* IFPMA, EFPIA, PhRma, country codes, U.S. price reporting) in interactions with HCPs, HCO and other stakeholders, in all promotional and non-promotional interactions (*e.g.* meetings, congresses, fee for services etc.). Details of the Ethics and Compliance program are set out in Chapter 4 of this registration document.

2.1.2 Industrial and Environmental Risks

#	Risk name	Risk description
2.1.2.1	**Supply shortages and other disruptions risks** CSR	Despite a strong end-to-end supply chain organization, the marketing of certain products by the Group has been and could be affected by supply shortages and other disruptions. Such difficulties may be of both a regulatory nature (*e.g.* the need to correct certain technical problems in order to bring production sites into compliance with applicable regulations) and a technical nature (*e.g.* difficulties obtaining supplies of satisfactory quality, difficulties manufacturing active ingredients, or drugs complying with their technical specifications on a sufficiently reliable and uniform basis at the required volume). Supply shortages and other disruption risks may impact patients and may result in a significant reduction in sales for one or more products.

#	Risk name	Risk description
2.1.2.2	**Environment and safety risks** CSR	Environmental laws in various countries impose real and potential obligations on the Group with regards to repairing environmental damage or refurbishing contaminated sites. Stricter laws relating to the environment, health, and safety as well as more rigorous enforcement measures than those in force currently could generate considerable liabilities and costs for the Group and make the Group's handling, production, use, reuse, or processing of substances or pollutants subject to more rigorous inspection measures than those currently observed. The Group uses dangerous substances in performing its business, and claim related to the Group's handling, storage, use or reuse of those substances could generate considerable liabilities and costs for the Group. The Group is exposed not only to environmental risks related to environmental contamination but also to health risks (accidental contamination or occupational disease) linked to the fact that Ipsen's employees handle active or toxic substances in the course of their research or production activities. These risks also exist for third parties with which the Group works. The Group's EHS (Environment, Health, and Safety) policy is described in Chapter 4.

2.1.3 Financial Risks

#	Risk name	Risk description
2.1.3.1	**Exchange rate risks**	A significant share of sales comes from countries where the Group's reporting currency, the euro, is the functional currency. However, due to its international business, the Group is exposed to fluctuations in exchange rates that may impact its results. Several types of risks can be distinguished: • The transactional exchange rate risk related to business and operational activities • Exchange rate risk associated with financing contracted in a currency different from functional currencies The Group's policy is to hedge against the impact of exchange rate fluctuations on its net income compared to its budget. Exposure to currency risk is assessed by the subsidiaries before being forwarded to the Treasury Department. The Group hedges, based on the estimates, the major currencies. To reduce its exposure to fluctuations in exchange rates, Ipsen uses derivative instruments such as forward sales or purchase contracts, currency swaps, and NDF (Non-Deliverable Forwards).
2.1.3.2	**Interest rate risks**	Given its level of long-term debt as of 31 December 2018 (note 22 to the consolidated financial statements in chapter 3 of the registration document), 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 2018 in chapter 3 of the registration document.
2.1.3.3	**Liquidity and counterparty risks**	The Group's policy consists of diversifying its counterparties so as to avoid excessive concentration and in dealing with first rate counterparties. As of 31 December 2018, the Group's cash and cash equivalents amounted to €310.9 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.
2.1.3.4	**Share price fluctuation**	The Company's share price could fluctuate significantly in response to the following types of events: • Changes in the Group's or its competitors' financial performance from one period to another • The announcement by the Group or one of its partners of the success or failure of one of the Group's Research and Development programs conducted either on its own or in conjunction with a third party / failure of the commercial launch of a new product • Announcements by competitors or announcements concerning the pharmaceutical industry • Announcements regarding changes in the Group's executive team or key personnel.

2.1.4 Regulatory and Legal Risks

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

2.2 RISK MANAGEMENT AND INTERNAL CONTROL

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

Introduction

Risk management objectives are to:

- Secure the general Group objective of improving patient health and quality of life by providing effective therapeutic solutions for unmet medical needs;
- Create and preserve the value, assets and reputation of the Group;
- Make decisions and processes secure to reach Group objectives by taking into account risk factors;
- Ensure consistency between the Group's actions and its values;
- Mobilize employees around a shared vision of the Company's main risks and around the specific risks in their own area of activity;
- Protect 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 the 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's strategy and ambition:
  - Set Ipsen's long-term strategy and ambition and endorse the corresponding 10-year strategic plan and 5-year business plan in line with the strategy,
  - Approve R&D pipeline priorities,
  - Translate Ipsen's strategic vision and ambition into annual objectives for the organization,
  - Validate annual budget;
- Act as an efficient decision-making body:
  - Monitor financial performance and review division/function corrective action plans, endorse recommended financial communication and guidance,
  - Align the organization, processes, talent and capabilities to deliver on Ipsen's annual objectives,
  - Assess talent and ensure succession planning,
  - Endorse the launch of key cross-functional projects, fund them adequately and monitor progress made on a regular basis,
  - Implement Deal Review Board (DRB) decisions on Merger and Acquisitions (M&A) / Business Development and Licensing (BD&L) deals;
- Promote efficient governance and decision-making process:
  - Ensure Ipsen policies and procedures are consistent, built on ethical principles, appropriate organizational

structures, well-defined responsibilities and demonstrated competencies,

- Coordinate with 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.

The composition of the ELT is given in section 5.1.2 of this Registration Document.

Deal Review Board (DRB)

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

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

Specialty Care Innovation Board (SCIB)

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

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

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 mission is to:

- Maintain an effective compliance and ethics program that ensures a culture of integrity enabling the Company to conduct its global business with the highest ethical standards, in full compliance with all applicable laws and regulations and the Group Code of Conduct;
- 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 address them in a confidential manner.

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

The Group's 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's major risks is in place. Its main objectives are:

- The distribution of a culture of risk management to ensure a homogeneous approach to risk management, in compliance with the Group's policies. This objective includes elaborating on 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's insurance programs as described in the paragraph 2.1.6;
- The piloting of a crisis management process and 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 Manufacturing Practices (GMP) and Good Distribution Practices (GDP) compliance across the Group. Its role is to establish, improve and maintain an integrated global Quality Management System that complies with Good Laboratory Practices (GLP), Good Clinical Practices (GCP), Good Manufacturing Practices (GMP), Good Distribution Practices (GDP) and Good Pharmacovigilance Practices (GVP) for clinical and commercial products.

The Global Regulatory Safety and Quality (GRSQ) group is accountable for Good Vigilance Practices (GVP), Good Clinical Practices (GCP) and Good Laboratory Practices (GLP) and is well-aligned with the global quality function, with shared responsibility (and functional reporting) for quality oversight, specifically related to R&D GXP compliance.

Each manufacturing plant and development unit has a Quality Group that is on site and is responsible for assuring site GMP and GDP compliance. These manufacturing plants have a local auditing program, integrated with the global program, and site-specific procedures and processes that are aligned with the Group Quality Manual. Site Quality heads have a functional reporting to the Senior Vice President, Quality.

Quality Governance

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

Quality Management system

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

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

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

Pharmacovigilance

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

Quality Systems Evaluation Board (QSEB)

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

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

Expenditures and Cash control financial framework

Financial authorization

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

Financing and Treasury

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

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

2.2.2 Information Management

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

Information on Risk Management and Insurance

A major risk mapping for the Company validated by the ELT and proposed 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 product Quality and Safety

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

Financial information

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

- Preparing consolidated financial statements in accordance with the applicable laws and regulations;
- Managing the budgeting and forecasting processes;
- Reviewing Group performance and any variance against forecasts and providing the ELT with the relevant Key Performance Indicators to support the strategy implementation;
- Reviewing periodical management reporting for each of the Company's entities;
- Managing fiscal affairs;
- Ensuring effective treasury management and financing for all Company entities;
- Controlling the integrity of financial reporting.

Preparation of consolidated financial statements

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

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

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

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

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

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

External Communications committee

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

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

Financial controlling

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

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

2.2.3 Risk Management Framework

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

Risk Management Components

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

The Risk Management organization is described in section 2.2.1.

Risk identification and analysis

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

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

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

Risk factors

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

Risk treatment and insurance

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. Some risks are transferred to the insurance market.

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

Product liability insurance covers all 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.

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

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

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

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

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

Financial Risk Management

Financial Risk Management hedges the following risks:

- Foreign exchange risks:

  Due to its global business, the Group is exposed to fluctuations in exchange rates that may impact its results. The Group hedges the budgeted amount of foreign currency cash flow to mitigate the effect of currency rate changes through standard currency derivatives. Detailed information can be found in section 2.1.4.2 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 President Chief Risk Officer meets every semester, or upon request of any of its members, to review and approve the forex policy, provide guidelines, and validate the hedging strategy.

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

  In 2018, the Group Treasury department bought currency derivatives (forward exchange contracts and "vanilla" options). The instruments purchased to hedge exposure are primarily denominated in USD, RUB, GBP, BRL, CNY/CNH, PLN, CZK, HUF, RON, AUD, CHF. The Group's policy is to hedge for the budget period to come. Detailed information can be found in section 2.1.4.2 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. This cash position is mainly centralized and the selection of investment options is carried out by the Treasury Department in pursuance of a formalized charter which defines:
  - the treasury management objectives;
  - the criteria in terms of asset allocation and risk diversification;
  - the methodology for monitoring the performance and position of the Group cash flow.

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

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

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

2.2.4 Control Activities

Audits

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

Global Internal Audit

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

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 (referred to as 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 2018 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 2018 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

21 February 2018 – Arix Bioscience plc ("Arix"), a global healthcare and life science company supporting medical innovation, and Ipsen, a global specialty-driven biopharmaceutical company focused on innovation and specialty care, announced a strategic agreement to develop and commercialize innovative therapies.

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

19 July 2018 – Ipsen, a global biopharmaceutical group focused on innovation and specialty care, announced an agreement with BioLabs to open a life science co-working facility within Ipsen's new North America global hub in Kendall Square, Cambridge, Massachusetts. The shared laboratory space, called the 'Ipsen Innovation Center – BioLabs' (IPSEN-ICB) will be a fully equipped 15,000 square-feet combined office and laboratory facility dedicated to supporting entrepreneurs and startup companies developing the next generation of therapeutics for patients.

Research and Development

16 January 2018 – Ipsen and Exelixis, Inc. announced detailed results of the pivotal phase 3 CELESTIAL trial in patients with previously treated advanced hepatocellular carcinoma (HCC). In CELESTIAL, cabozantinib provided a statistically significant and clinically meaningful improvement versus placebo in overall survival (OS).

20 November 2018 – Ipsen and 3BP announced the first patient has been dosed in a Phase I/II study for the first-in-class radionuclide 177Lu-IPN01087 (formerly known as 3BP-227). IPN01087 is a compound that targets cancer cells in patients with advanced solid tumors which express the Neurotensin Receptor Subtype 1 (NTSR1).

05 December 2018 – Exelixis and Ipsen announced the initiation of a phase 3 pivotal trial (COSMIC-312) of cabozantinib in combination with atezolizumab versus sorafenib in previously untreated advanced hepatocellular carcinoma. The co-primary endpoints of the trial are progression-free survival and overall survival. An exploratory arm will also evaluate cabozantinib monotherapy in this first-line setting. COSMIC-312 is a multicenter, randomized, controlled phase 3 pivotal trial that aims to enroll approximately 640 patients at up to 200 sites globally.

Regulatory

17 May 2018 – Ipsen announced that the European Commission (EC) has approved Cabometyx® (cabozantinib) for the first-line treatment of adults with intermediate- or poor-risk advanced renal cell carcinoma (aRCC). This approval allows for the marketing of Cabometyx® (cabozantinib) in this indication in all 28 member states of the European Union, Norway and Iceland.

15 November 2018 – Ipsen announced that the European Commission (EC) has approved Cabometyx® (cabozantinib) as a monotherapy for hepatocellular carcinoma (HCC) in adults who have previously been treated with sorafenib. This approval allows for the marketing of Cabometyx® (cabozantinib) in this indication in all 28 member states of the European Union, Norway and Iceland.

Governance

12 January 2018 – Ipsen announced the appointment of Richard Paulson as Executive Vice-President and Chief Executive Officer of Ipsen North America, responsible for all commercial operations throughout the region. The role reports directly to David Meek, CEO of Ipsen, and Mr Paulson will be a member of the Ipsen Executive Leadership Team.

13 March 2018 – Ipsen announced the appointment of two key executive positions in its Executive Leadership Team. Ivana Magovčević-Liebisch, Ph.D., J.D., joins as Executive Vice-President, Chief Business Officer, and Régis Mulot joins as Executive Vice-President, Chief Human Resources Officer.

Other

4 June 2018 – Ipsen announced that it has initiated a share respurchase program. It has appointed an investment services provider to purchase 250,000 Ipsen S.A. shares, or about 0.30% of the share capital, over a period of at least 3 months. The shares purchased under this agreement will be mainly allocated to cover its free share allocation plans and its new employee share ownership plan.

3.1.2 Analysis of results

3.1.2.1 Comparison of Consolidated Sales for the Fourth Quarter and Full Year 2018 and 2017

Sales by therapeutic area and by product

Note: Unless stated otherwise, all variations in sales are stated excluding foreign exchange impacts, established by recalculating net sales for the relevant period at the rate from the previous period)

(in million euros)	4th Quarter				Full Year			
	2018	2017	% Variation	% Variation at constant currency	2018	2017	% Variation	% Variation at constant currency
Oncology	414.6	325.6	27.4%	27.2%	1,503.0	1,185.6	26.8%	29.9%
Somatuline®	*227.2*	*189.2*	*20.1%*	*19.7%*	*846.7*	*702.5*	*20.5%*	*24.4%*
Decapeptyl®	*100.2*	*89.6*	*11.8%*	*12.8%*	*372.6*	*348.7*	*6.9%*	*8.1%*
Cabometyx®	*47.4*	*20.6*	*130.2%*	*131.0%*	*148.2*	*51.7*	*186.5%*	*187.5%*
Onivyde®	*33.7*	*19.7*	*71.3%*	*68.5%*	*109.4*	*56.9*	*92.4%*	*100.8%*
Other Oncology	6.2	6.6	-5.4%	-5.3%	26.0	25.8	0.9%	1.1%
Neuroscience	88.7	88.2	0.6%	5.6%	351.5	331.6	6.0%	12.8%
Dysport®	*87.3*	*87.2*	*0.1%*	*5.0%*	*347.8*	*328.2*	*6.0%*	*12.6%*
Rare Diseases	16.9	17.3	-2.4%	-3.0%	70.0	74.7	-6.4%	-5.1%
NutropinAq®	*10.5*	*12.3*	*-14.9%*	*-14.7%*	*45.9*	*51.8*	*-11.5%*	*-11.3%*
Increlex®	*6.4*	*5.0*	*28.2%*	*24.9%*	*24.1*	*22.9*	*5.3%*	*8.9%*
Specialty Care	**520.3**	**431.1**	**20.7%**	**21.6%**	**1,924.5**	**1,591.9**	**20.9%**	**24.7%**
Smecta®	*31.3*	*36.1*	*-13.3%*	*-11.0%*	*126.5*	*123.8*	*2.2%*	*5.3%*
Forlax®	*11.2*	*10.4*	*7.3%*	*8.4%*	*39.8*	*42.1*	*-5.5%*	*-4.4%*
Tanakan®	*12.1*	*14.8*	*-17.8%*	*-15.3%*	*37.7*	*41.4*	*-9.1%*	*-6.0%*
Fortrans/Eziclen®	*9.3*	*8.7*	*7.3%*	*11.3%*	*31.4*	*32.1*	*-2.3%*	*1.7%*
Etiasa®	*4.1*	*3.1*	*30.5%*	*29.3%*	*4.2*	*17.8*	*-76.2%*	*-75.6%*
Other Consumer Healthcare	16.1	14.9	7.7%	7.9%	60.7	59.5	1.9%	2.6%
Consumer Healthcare	**84.1**	**88.0**	**-4.5%**	**-2.6%**	**300.3**	**316.8**	**-5.2%**	**-2.9%**
Group Sales	**604.4**	**519.2**	**16.4%**	**17.5%**	**2,224.8**	**1,908.7**	**16.6%**	**20.1%**

* Including Smectite sales previously recorded in Other Consumer Healthcare.

Full year 2018 sales highlights

Group sales reached €2,224.8 million, up 20.1%, driven by Specialty Care sales growth of 24.7% and Consumer Healthcare sales growth of 2.7% re-stated from the Etiasa® new contractual set-up (or down 2.9% as reported).

Specialty Care sales amounted to €1,924.5 million, up 24.7%. Oncology and Neuroscience sales grew by 29.9% and 12.8%, respectively, and Rare Diseases sales decreased by 5.1%. Over the period, the relative weight of Specialty Care continued to increase to reach 86.5% of Group sales compared to 83.4% in 2017.

In **Oncology,** sales reached €1,503.0 million, up 29.9% year-on-year, driven by the continued strong performance of Somatuline® as well as the launches of Cabometyx® and Onivyde®. Over the period, Oncology sales represented 67.6% of total Group sales compared to 62.1% in 2017.

Somatuline® – Sales reached €846.7 million, up 24.4% year-on-year, driven by continuous growth in North America of 38.2% from strong volume growth and market share gains, strong double-digit growth in most European countries, notably Germany, Sweden, France and the UK, as well as the contribution from Japan following the launch of the neuroendocrine tumor indication in 2017.

Decapeptyl® – Sales reached €372.6 million, up 8.1% year-on-year, positively impacted by volume growth in most European countries, notably in France, Spain and the UK, as well as by good performance in China.

Cabometyx® – Sales reached €148.2 million, driven by good performance in all European countries including Germany, France and the UK, as well as new launches in other countries including Australia. In the fourth quarter of 2018, sales increased by 22.2% over the third quarter of 2018.

Onivyde® – Sales amounted to €109.4 million. In the fourth quarter of 2018, sales were up 68.5% year-on-year and increased by 22.8% over the third quarter of 2018 driven by strong sales to ex-US partner in the fourth quarter.

In **Neuroscience,** sales of ***Dysport®*** reached €347.8 million, up 12.6% driven by the resupply and strong performance in Brazil, solid volume growth in the U.S. in the therapeutics market as well as the good performance of Galderma in the aesthetics market in Europe. For the Full Year 2018, Neuroscience sales represented 15.8% of total Group sales compared to 17.4% in 2017.

In **Rare Diseases,** sales of ***NutropinAq®*** reached €45.9 million, down 11.3% year-on-year, impacted by lower volumes across Europe. Sales of Increlex® reached €24.1 million, growing by 8.9% year-on-year, driven by the performance in the U.S. Over the period, Rare Diseases sales represented 3.1% of total Group sales compared to 3.9% in 2017.

Consumer Healthcare sales reached €300.3 million, up 2.7% year-on-year re-stated from the Etiasa® new contractual set-up (or down 2.9% as reported). Sales were positively impacted by the good performance of the Smecta® brand and the contribution from the products acquired in 2017. Over the period, Consumer Healthcare sales represented 13.5% of total Group sales, compared to 16.6% in 2017.

Smecta® – Sales reached €126.5 million, up 5.3% year-on-year, driven by good growth in China (impacted by a negative inventory effect in 2017), France as well as in Korea, Russia and Central Asia.

Forlax® – Sales reached €39.8 million, down 4.4% year-on-year, impacted by lower sales to partners and the importation delay in Algeria.

Tanakan® – Sales reached €37.7 million, down 6.0% year-on-year, impacted by a continuous market slow-down in France and the importation ban in Algeria.

Fortrans/Eziclen® – Sales reached €31.4 million, up 1.7% year-on-year, driven by good performance in China, Vietnam and Ukraine, partly offset by the negative inventory impact and competitive pressure in Eastern European Countries.

Etiasa® – Sales reached €4.2 million, down 75.6% year-on-year, due to the new contractual set up in China.

Other Consumer Healthcare – Sales reached €60.7 million, up 2.6% year-on-year, supported by the contribution of products acquired in 2017 and other drug-related products, offsetting the Adrovance® erosion in France.

Sales by geographical area

Group sales by geographical area in the fourth quarter and full year 2018 and 2017:

(in million euros)	4th Quarter				Full Year			
	2018	2017	% Variation	% Variation at constant currency	2018	2017	% Variation	% Variation at constant currency
France	80.8	64.9	24.5%	24.6%	282.0	247.7	13.8%	13.9%
Germany	51.1	43.3	18.1%	18.1%	184.1	152.1	21.1%	21.1%
Italy	22.9	22.5	1.8%	1.8%	101.5	90.7	11.9%	11.9%
United Kingdom	24.5	22.3	9.7%	9.8%	95.0	80.3	18.4%	19.5%
Spain	24.8	20.5	20.9%	20.9%	91.1	73.6	23.7%	23.7%
Major Western European Countries	**204.1**	**173.6**	**17.6%**	**17.6%**	**753.8**	**644.4**	**17.0%**	**17.1%**
Eastern Europe	57.0	53.9	5.8%	11.7%	198.0	196.4	0.8%	6.2%
Other Europe	60.2	54.7	10.1%	15.2%	245.7	199.0	23.5%	27.4%
Other European Countries	**117.2**	**108.5**	**8.0%**	**13.5%**	**443.7**	**395.3**	**12.2%**	**16.9%**
North America	**176.3**	**127.7**	**38.1%**	**35.5%**	**615.6**	**467.0**	**31.8%**	**37.9%**
Asia	56.5	55.5	2.0%	2.6%	207.3	205.7	0.8%	3.5%
Rest of the World excluding Asia	50.3	54.0	-6.9%	-2.7%	204.3	196.3	4.1%	11.3%
Rest of the World	**106.8**	**109.4**	**-2.4%**	**0.0%**	**411.7**	**401.9**	**2.4%**	**7.3%**
Group Sales	**604.4**	**519.2**	**16.4%**	**17.5%**	**2,224.8**	**1,908.7**	**16.6%**	**20.1%**

Sales in **Major Western European countries** reached €753.8 million, up 17.1% year-on-year. Over the period, sales in Major Western European countries represented 33.9% of total Group sales compared to 33.8% in 2017.

France – Sales reached €282.0 million, up 13.9% year-on-year, mainly driven by the Cabometyx® ramp-up, the strong sales of Decapeptyl® and the sustained growth of Somatuline®.

Germany – Sales reached €184.1 million, up 21.1% year-on-year, driven by the Cabometyx® ramp-up and the strong growth of Somatuline®.

Italy – Sales reached €101.5 million, up 11.9% year-on-year, mainly driven by the launch of Cabometyx®, and supported by the good performance of Decapeptyl® as well as Somatuline®.

United Kingdom – Sales reached €95.0 million, up 19.5% year-on-year, driven by the strong performance of Cabometyx®, Somatuline® and Decapeptyl.

Spain – Sales reached €91.1 million, up 23.7% year-on-year, driven by the contribution of Cabometyx® and the good performance of Somatuline® and Decapeptyl®.

Sales in **Other European Countries** reached €443.7 million, up 16.9% year-on-year, supported by the launch of Cabometyx® in certain countries, Onivyde® sales to Ipsen's partner, the strong growth of Dysport® as well as the solid performance of Somatuline® and Decapeptyl®. Over the period, sales in the region represented 19.9% of total Group sales compared to 20.7% in 2017.

Sales in **North America** reached €615.6 million, up 37.9% year-on-year, driven by the continued strong growth of Somatuline® as well as the Onivyde® launch contribution and the good performance of Dysport® in the therapeutics market. Over the period, sales in North America represented 27.7% of total Group sales compared to 24.5% in 2017.

Sales in the **Rest of the World** reached €411.7 million, up 7.3% year-on-year, driven by the resupply and strong performance of Dysport® in Brazil, the growth of Somatuline® in Japan, partly offset by the negative impact of the new Etiasa® contractual set-up in China. Over the period, sales in the Rest of the World represented 18.5% of total Group sales compared to 21.1% in 2017.

3.1.2.2. Comparison of Core consolidated income statement for 2018 and 2017

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

	31 December 2018		31 December 2017		% change
	(in million euros)	% of sales	(in million euros)	% of sales	
Sales	**2,224.8**	**100%**	**1,908.7**	**100%**	**16.6%**
Other revenues	123.6	5.6%	103.0	5.4%	19.9%
Revenue	**2,348.4**	**105.6%**	**2,011.8**	**105.4%**	**16.7%**
Cost of goods sold	(454.2)	-20.4%	(385.6)	-20.2%	17.8%
Selling expenses	(787.4)	-35.4%	(715.9)	-37.5%	10.0%
Research and development expenses	(302.1)	-13.6%	(265.8)	-13.9%	13.7%
General and administrative expenses	(165.7)	-7.4%	(140.8)	-7.4%	17.7%
Other core operating income	21.1	0.9%	0.4	0.0%	N.A.
Other core operating expenses	(0.3)	0.0%	(0.5)	0.0%	-46.7%
Core Operating Income	**659.9**	**29.7%**	**503.6**	**26.4%**	**31.0%**
Net financing costs	(5.3)	-0.2%	(8.1)	-0.4%	-34.9%
Other financial income and expense	(20.1)	-0.9%	(18.4)	-1.0%	8.7%
Core income taxes	**(144.1)**	**-6.5%**	**(115.7)**	**-6.1%**	**24.5%**
Share of net profit (loss) from entities accounted for using the equity method	1.1	0.0%	1.4	0.1%	-22.8%
Core consolidated net profit	**491.6**	**22.1%**	**362.7**	**19.0%**	**35.5%**
– Attributable to shareholders of Ipsen S.A.	491.9	22.1%	362.1	19.0%	35.9%
– Attributable to non-controlling interests	(0.4)	0.0%	0.6	0.0%	N.A.
Core EPS fully diluted – attributable to Ipsen S.A. shareholders (in euros per share)	*5.91*		*4.36*		35.5%

Reconciliation from Core consolidated net profit to IFRS consolidated net profit

(in million euros)	31 December 2018	31 December 2017
Core consolidated net profit	**491.6**	**362.7**
Amortization of intangible assets (excluding software)	(53.2)	(37.6)
Other operating income or expenses	(25.5)	(33.6)
Restructuring	(16.0)	(13.0)
Impairment losses	(9.8)	12.8
Other	2.0	(18.5)
IFRS consolidated net profit	**389.1**	**272.9**
IFRS EPS fully diluted – attributable to Ipsen S.A. shareholders (in euros)	*4.68*	*3.28*

Sales

At the end of December 2018, the Group's consolidated Sales reached €2,224.8 million, up 16.6% year-on-year and up 20.1% excluding the impact of foreign exchange.

Other revenues

Other revenues for the financial year 2018 totaled €123.6 million, up 19.9% versus €103.0 million at the end of December 2017. The evolution was attributable to higher royalties received from partners, mainly Galderma for Dysport®, Menarini for Adenuric® and Servier for Onivyde®.

Other revenues were also positively impacted in 2018 by the new contractual set-up implemented in the third quarter of 2017 for Etiasa® in China.

Cost of goods sold

At the end of December 2018, Cost of goods sold amounted to €454.2 million, representing 20.4% of Net sales, compared to €385.6 million or 20.2% of Net sales at the end of December 2017. The productivity efficiency and positive mix effect have been fully compensated by the increase of royalties paid to partners.

Selling expenses

In 2018, Selling expenses amounted to €787.4 million, up 10.0% versus 2017, representing 35.4% of Net sales versus. 37.5% in 2017, an improvement of 2.1pts. The evolution reflects the commercial efforts deployed to support the Cabometyx® launch in Europe, the growth of Somatuline® in the United States and in Europe as well as the commercial investment for Onivyde® in the United States.

Research and Development expenses

For the financial year 2018, Research and Development expenses totaled €302.1 million, compared to €265.8 million in 2017. The Group increased investments in Research and Development in Oncology, especially for Cabometyx®, Onivyde® and the Systemic Radiation Therapy (SRT) programs, as well as in Neuroscience, mainly for the new Dysport® indications and the recombinant neurotoxin programs.

General and Administrative expenses

In 2018, General and Administrative expenses amounted to €165.7 million, compared to €140.8 million at the end of December 2017. The increase resulted primarily from the reinforcement of the corporate functions supporting Ipsen's growth and the impact of the Group's positive performance on variable compensation. General and administrative expenses represented 7.4% of Net sales, in line with last year.

Other Core Operating Income and expenses

At year-end 2018, Other Core Operating Income and expenses amounted to an income of €20.8 million versus an expense of €0.1 million in 2017. This evolution is due to the impact of the currency hedging policy.

Core Operating Income

Core Operating Income in 2018 reached €659.9 million, representing 29.7% of sales, compared to €503.6 million in 2017, representing 26.4% of sales, a growth of 31.0% and an increase in profitability of 3.3 points.

Net financing costs and Other financial income and expense

In 2018, the Group incurred Net financial expenses of €25.3 million, versus €26.6 million in 2017. Net financing costs decreased by €2.8 million, driven by the decrease of the net debt level over the period. Other financial income and expense increased by €1.6 million, mainly attributable to the cost of hedging implemented to mitigate the foreign exchange exposure of the Group and the impact of the Onivyde® earn-out re-evaluation under IFRS.

Core income taxes

In 2018, Core income tax expense of €144.1 million resulted from a core effective tax rate of 22.7% on core profit before tax compared to a core effective tax rate of 24.3% in 2017. The decrease in the core effective tax rate is mainly attributable to the decrease of U.S. corporate income tax rate following the U.S. tax reform.

Core consolidated net profit

In 2018, Core consolidated net profit increased by 35.5% to €491.6 million, with €491.9 million fully attributable to Ipsen S.A. shareholders. This compares to Core consolidated net profit of €362.7 million, with €362.1 million fully attributable to Ipsen S.A. shareholders in 2017.

Core Earning per share

In 2018, Core EPS fully diluted came to €5.91, up 35.5% versus €4.36 per share in 2017.

3.1.2.3 From Core financial measures to IFRS reported figures

Reconciliations between IFRS 2017 / 2018 results and the Core financial measures are presented in Appendix 4.

In 2018, the main reconciling items between Core consolidated net income and IFRS consolidated net income were:

Amortization of intangible assets (excluding software)

Amortization of intangible assets (excluding software) in 2018 amounted to €73.1 million before tax, compared to €53.3 million before tax in 2017, mainly due to the higher amortization of intangible assets from Cabometyx® and Onivyde®.

Other operating income and expenses and Restructuring costs

Other non-core operating income and expenses for 2018 amounted to an expense of €30.4 million before tax, mainly related to the termination of R&D studies, costs arising from the Group's transformation programs and a settlement with Galderma in Brazil, partially compensated by a favorable settlement with a U.S. partner. Restructuring costs came to €21.9 million before tax, impacted by the relocation of the U.S. commercial affiliate to Cambridge, Massachusetts.

In 2017, Other non-core operating expenses totaled €48.9 million before tax, and restructuring expenses amounted to €18.8 million before tax, consisting mainly of integration costs related to the Onivyde® acquisition, the adaptation of the R&D structure and programs, the cost of a settlement with a partner in Japan and a reorganization plan in Europe.

Impairment losses

In 2018, the Group recognized an impairment loss of €15.0 million before tax on the intangible asset of Xermelo® as sales expectations have been revised down in 2018 by the Group following a more restricted label received from EMA for the treatment of carcinoid syndrome diarrhea in combination with somatostatin analogue ("SSA") therapy in adults inadequately controlled by SSA therapy.

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

- the reversal of the IGF-1 / Increlex® impairment for €50.4 million following the completion of the transfer to the new manufacturing site, approved by both the EMA

(European Medicines Agency) and the FDA (Food and Drug Administration), securing the production of Increlex®;

- the impairment of Prontalgine® for €33.9 million following the consequence of the decree announced by the French Ministry of Health on 12 July 2017, listing all medicines containing codeine, dextromethorphan, ethylmorphine or noscapine on the list of medicines available only by prescription.

Other

In 2018, Other items amounted to an income of €2.0 million related to discontinued operations.

In 2017, Other items amounted to an expense of €18.5 million and were mainly related to the negative impact of the 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.

Consequently, IFRS reported indicators are:

Operating income

In 2018, Operating income totaled €519.4 million versus €397.2 million in 2017, with an Operating margin of 23.3%, up 2.5 points compared to 2017.

Consolidated net profit

Consolidated net profit was €389.1 million at 31 December 2018, showing an increase of 42.6% versus 2017 at €272.9 million.

Earning per share

Fully diluted EPS was €4.68 in 2018 versus €3.28 in 2017.

3.1.2.4 Operating segments: Core Operating Income by therapeutic area

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

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

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

Sales, Revenue and Core Operating Income are presented by therapeutic area for the 2018 and 2017 financial years in the following table:

(in million euros)	31 December 2018	31 December 2017	Variation	
			Change	%
Specialty Care				
Sales	1,924.5	1,591.9	332.6	20.9%
Revenue	1,987.1	1,643.1	344.0	20.9%
Core Operating Income	740.4	570.6	169.8	29.8%
% of sales	*38.5%*	*35.8%*		
Consumer Healthcare				
Sales	300.3	316.8	(16.5)	-5.2%
Revenue	361.3	368.7	(7.3)	-2.0%
Core Operating Income	83.9	91.8	(7.8)	-8.5%
% of sales	*27.9%*	*29.0%*		
Total Unallocated				
Core Operating Income	(164.5)	(158.8)	(5.7)	3.6%
Group total				
Sales	2,224.8	1,908.7	316.1	16.6%
Revenue	2,348.4	2,011.8	336.6	16.7%
Core Operating Income	659.9	503.6	156.3	31.0%
% of sales	*29.7%*	*26.4%*		

In 2018, **Specialty Care** sales grew to €1,924.5 million, up 20.9% over 2017 (24.7% at constant exchange rates), reaching 86.5% of total consolidated sales at 31 December 2018, versus 83.4% a year earlier. In 2018, **Core Operating Income** for Specialty Care amounted to €740.4 million, representing 38.5% of sales. This compares to €570.6 million in the prior-year period, representing 35.8% of sales. The improvement reflects the continued growth of Somatuline® in

the United States and Europe, the contribution of Cabometyx® and Onivyde®, as well as the performance of Dysport® and Decapeptyl®, along with increased commercial and research & development investments.

In 2018, **Consumer Healthcare** sales came to €300.3 million, down 5.2% year-on-year (or down 2.9% at constant exchange rates), but growing by 2.7% once restated from the new contractual set-up in China for Etiasa®, partially compensated by the good performance of the Smecta® brand and the contribution of the products acquired in 2017. In 2018, **Core Operating Income** for Consumer Healthcare amounted to €83.9 million, representing 27.9% of sales, compared to 29.0% in 2017, reflecting commercial investments to support the OTx strategy.

In 2018, **Unallocated Core Operating Income** came to a negative €164.5 million, compared to a negative €158.8 million in the year-earlier period. The evolution is mainly attributable to the reinforcement of the unallocated corporate functions and the impact of the Group's positive performance on variable compensation, partially compensated by the favorable impact of the currency hedging policy.

3.1.3 Net cash flow and financing

In 2018, the Group had a net cash increase of €220.8 million, bringing closing net debt to €242.5 million.

3.1.3.1 Analysis of the consolidated net cash flow statement

(in million euros)	31 December 2018	31 December 2017
Opening net cash / (debt)	**(463.3)**	**68.6**
Core Operating Income	**659.9**	**503.6**
Non-cash items	41.2	18.1
Change in operating working capital requirement	3.6	(45.2)
(Increases) decreases in other working capital requirement	5.3	40.1
Net capex (excluding milestones paid)	(120.4)	(94.7)
Dividends received from entities accounted for using the equity method	0.9	0.9
Operating Cash Flow	**590.5**	**422.8**
Other non-core operating income and expenses and restructuring costs (cash)	(31.7)	(53.4)
Financial income (cash)	(25.9)	(16.8)
Current income tax (P&L, excluding provisions for tax contingencies)	(89.3)	(53.0)
Other operating cash flow	14.9	9.4
Free Cash Flow	**458.4**	**309.0**
Dividends paid	(83.5)	(70.6)
Net investments (Business Development and milestones)	(120.2)	(789.2)
Share buyback	(24.6)	(18.1)
FX on net indebtedness	(10.2)	33.8
Other (discontinued operations and financial instruments)	0.9	3.3
Shareholders return and external growth operations	**(237.6)**	**(840.9)**
CHANGE IN NET CASH / (DEBT)	**220.8**	**(531.9)**
Closing net cash / (debt)	**(242.5)**	**(463.3)**

Operating Cash Flow

In 2018, Operating Cash Flow totaled €590.5 million, up €167.7 million (+39.7%) versus 2017, mainly driven by higher Core Operating Income (up €156.3 million).

Non-cash items increased for the full year 2018 by €41.2 million versus an increase of €18.1 million in 2017, impacted by the increase in depreciation and a change in long-term management incentive programs.

Working capital requirement for operating activities decreased by €3.6 million in 2018, compared to an increase of €45.2 million in 2017. The change at 31 December 2018 stemmed mainly from the following:

- a €29.8 million increase in inventories during the year, in-line with business growth;
- a €29.0 million increase in trade receivables, in-line with sales growth and positively impacted by higher cash collection on overdue invoices, compared to a €84.6 million increase in trade receivables in 2017;
- a €62.4 million increase in trade payables as of 31 December 2018, as compared to an increase of €77.6 million in 2017.

In 2018, Other working capital requirement needs decreased by €5.3 million, mainly driven by an increase in tax liabilities partially compensated by other receivables.

Net capital expenditure amounted to €120.4 million in 2018, compared to €94.7 million in 2017, and mainly included 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 projects.

Free Cash Flow

In 2018, Free Cash Flow came to €458.4 million, up €149.4 million (+48.3%) versus 2017, mainly driven by an improvement in Operating cash flow and lower Other operating income or expenses and restructuring costs, partially compensated by higher financial expenses and current income tax.

Other non-core operating income and expenses and restructuring costs of €31.7 million included a positive settlement with a U.S. partner, offset by costs arising from the Group's transformation programs and a settlement with Galderma in Brazil. In 2017, €53.4 million of payments included Onivyde® integration costs, the impact of the transformation of the R&D model, a settlement with a partner in Japan and costs arising from the change in corporate governance.

The €25.9 million in financial expenses paid in 2018, vs. €16.8 million in 2017 resulted mainly from higher hedging costs.

The change in current income tax stemmed mainly from the growth of income, partially compensated by the improvement in the effective tax rate resulting from the U.S. tax reform.

Shareholders return and external growth operations

In 2018, the dividend payout to Ipsen S.A. shareholders amounted to €83.0 million.

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

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

3.1.3.2 Reconciliation of cash and cash equivalents and net cash

(in million euros)	31 December 2018	31 December 2017
Current financial assets (derivative instruments on financial operations)	**0.7**	**1.4**
Closing cash and cash equivalents	**310.9**	**209.3**
Bonds	(297.9)	(297.5)
Other financial liabilities (excluding derivative instruments) (**)	(88.1)	(102.8)
Non-current financial liabilities	**(386.0)**	**(400.3)**
Credit lines and bank loans	(4.0)	(46.0)
Financial liabilities (excluding derivative instruments) (**)	(164.1)	(227.6)
Current financial liabilities	**(168.1)**	**(273.6)**
Debt	**(554.1)**	**(673.9)**
Net cash / (debt) (*)	**(242.5)**	**(463.3)**

(*) 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 €15.8 million in derivative instruments related to commercial operations in 2018, compared to €20.4 million one year earlier.

Analysis of Group cash

Ipsen S.A. issued on 16 June 2016, a €300 million unsecured seven-year public bond loan with an annual interest rate of 1.875% issued on 16 June 2016. In addition, €300 million in bilateral long-term bank loans were contracted with a maturity of 6.5 years. As of 31 December 2018, none of the bank loans were drawn down.

Ipsen S.A. also has a syndicated loan of €600 million maturing on 17 October 2022. As of 31 December 2018, no amount was drawn down on this facility.

Ipsen S.A. has a program of "NEU CP - Negotiable EUropean" Commercial Paper, for €600 million, of which €141 million was issued as of 31 December 2018.

Estimated impact of IFRS 16 standard

The Group completed the diagnostic of the main impacts of the standard IFRS 16 – Leases. The main contracts concerned by this standard are property leases and vehicle rentals.

The Group will utilize the simplified retrospective method for the first application of this standard as of 1 January 2019.

The Group estimates that the application of IFRS 16 will lead to an increase in the financial liabilities between €170 and €200 million as of 1 January 2019.

3.1.4 Appendices

3.1.4.1 Consolidated income statement

(in million euros)	31 December 2018	31 December 2017
Sales	**2,224.8**	**1,908.7**
Other revenues	123.6	103.0
Revenue	**2,348.4**	**2,011.8**
Cost of goods sold	(454.2)	(385.6)
Selling expenses	(787.4)	(715.9)
Research and development expenses	(302.1)	(265.8)
General and administrative expenses	(165.7)	(140.8)
Other operating income	39.0	3.1
Other operating expenses	(121.7)	(105.5)
Restructuring costs	(21.9)	(18.8)
Impairment losses	(15.0)	14.8
Operating Income	**519.4**	**397.2**
Investment income	3.1	1.1
Financing costs	(8.4)	(9.2)
Net financing costs	**(5.3)**	**(8.1)**
Other financial income and expense	(20.1)	(18.4)
Income taxes	(108.1)	(101.4)
Share of net profit (loss) from entities accounted for using the equity method	1.1	1.4
Net profit (loss) from continuing operations	**387.0**	**270.7**
Net profit (loss) from discontinued operations	2.0	2.3
Consolidated net profit (loss)	**389.1**	**272.9**
– Attributable to shareholders of Ipsen S.A.	389.5	272.3
– Attributable to non-controlling interests	(0.4)	0.6

Basic earnings per share, continuing operations (in euros)	*4.67*	*3.27*
Diluted earnings per share, continuing operations (in euros)	*4.65*	*3.25*
Basic earnings per share, discontinued operations (in euros)	*0.02*	*0.03*
Diluted earnings per share, discontinued operations (in euros)	*0.02*	*0.03*
Basic earnings per share (in euros)	*4.70*	*3.3*
Diluted earnings per share (in euros)	*4.68*	*3.28*

3.1.4.2 Consolidated balance sheet before allocation of net profit

(in million euros)	31 December 2018	31 December 2017
ASSETS		
Goodwill	395.6	389.0
Other intangible assets	1,011.9	930.2
Property, plant & equipment	474.5	418.9
Equity investments	65.2	43.3
Investments in companies accounted for using the equity method	15.5	14.7
Non-current financial assets	92.9	112.7
Deferred tax assets	131.9	142.0
Other non-current assets	4.4	4.8
Total non-current assets	**2,191.8**	**2,055.6**
Inventories	198.5	167.4
Trade receivables	463.0	437.2
Current tax assets	47.7	58.0
Current financial assets	5.5	29.6
Other current assets	126.4	96.3
Cash and cash equivalents	344.5	228.0
Total current assets	**1,185.6**	**1,016.4**
TOTAL ASSETS	**3,377.4**	**3,072.0**
EQUITY AND LIABILITIES		
Share capital	83.8	83.7
Additional paid-in capital and consolidated reserves	1,366.0	1,171.7
Net profit (loss) for the period	389.5	272.3
Foreign exchange differences	1.8	(2.3)
Equity attributable to Ipsen S.A. shareholders	**1,841.1**	**1,525.4**
Equity attributable to non-controlling interests	2.3	10.5
Total shareholders' equity	**1,843.4**	**1,535.9**
Retirement benefit obligation	63.8	67.6
Non-current provisions	44.5	33.3
Other non-current financial liabilities	386.0	400.3
Deferred tax liabilities	19.7	21.5
Other non-current liabilities	61.0	71.7
Total non-current liabilities	**574.9**	**594.3**
Current provisions	21.1	16.6
Current financial liabilities	184.2	294.7
Trade payables	379.8	319.1
Current tax liabilities	11.4	2.4
Other current liabilities	329.0	290.2
Bank overdrafts	33.6	18.7
Total current liabilities	**959.2**	**941.8**
TOTAL EQUITY & LIABILITIES	**3,377.4**	**3,072.0**

3.1.4.3 Cash flow statements

3.1.4.3.1 Consolidated statement of cash flow

(in million euros)	31 December 2018	31 December 2017
Consolidated net profit (loss)	**389.1**	**272.9**
Share of profit (loss) from entities accounted for using the equity method before impairment losses	(0.2)	(0.5)
Net profit (loss) before share from entities accounted for using the equity method	**388.9**	**272.4**
Non-cash and non-operating items		
– Depreciation, amortization, provisions	142.6	105.8
– Impairment losses included in operating income and net financial income	15.0	(14.8)
– Change in fair value of financial derivatives	(2.0)	(1.3)
– Net gains or losses on disposals of non-current assets	4.8	2.7
– Foreign exchange differences	(6.5)	16.9
– Change in deferred taxes	19.2	48.3
– Share-based payment expense	12.8	10.1
– Other non-cash items	(1.1)	3.8
Cash flow from operating activities before changes in working capital requirement	***573.8***	***444.0***
– (Increase) / decrease in inventories	(29.8)	(38.2)
– (Increase) / decrease in trade receivables	(29.0)	(84.6)
– Increase / (decrease) in trade payables	62.4	77.6
– Net change in income tax liability	26.5	6.6
– Net change in other operating assets and liabilities	(33.0)	17.4
Change in working capital requirement related to operating activities	***(2.9)***	***(21.2)***
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**570.9**	**422.9**
Acquisition of property, plant & equipment	(107.4)	(84.9)
Acquisition of intangible assets	(180.1)	(155.9)
Proceeds from disposal of intangible assets and property, plant & equipment	3.2	0.4
Acquisition of shares in non-consolidated companies	(30.2)	(1.6)
Payments to post-employment benefit plans	(1.2)	(0.6)
Impact of changes in the consolidation scope	(7.4)	(549.5)
Change in working capital related to investment activities	49.6	20.5
Other cash flow related to investment activities	(0.8)	(5.5)
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES	**(274.3)**	**(777.2)**
Additional long-term borrowings	0.9	1.5
Repayment of long-term borrowings	(3.9)	(3.3)
Net change in short-term borrowings	(107.3)	218.3
Capital increase	2.6	6.9
Treasury shares	(10.3)	(17.5)
Dividends paid by Ipsen S.A.	(83.0)	(70.2)
Dividends paid by subsidiaries to non-controlling interests	(0.5)	(0.4)
Change in working capital related to financing activities	(0.7)	(0.1)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**(202.2)**	**135.2**
CHANGE IN CASH AND CASH EQUIVALENTS	**94.4**	**(219.1)**
Opening cash and cash equivalents	**209.3**	**422.5**
Impact of exchange rate fluctuations	7.3	5.9
Closing cash and cash equivalents	**310.9**	**209.3**

3.1.4.3.2 Consolidated net cash flow statement

(in million euros)	31 December 2018	31 December 2017
Opening net cash / (debt)	**(463.3)**	**68.6**
CORE OPERATING INCOME	**659.9**	**503.6**
Non-cash items	**41.2**	**18.1**
(Increase) /decrease in inventories	(29.8)	(38.2)
(Increase) / decrease in trade receivables	(29.0)	(84.6)
Increase / (decrease) in trade payables	62.4	77.6
Change in operating working capital requirement	**3.6**	**(45.2)**
Change in income tax liability	26.5	6.6
Change in other operating assets and liabilities (excluding milestones received)	(21.2)	33.5
Other changes in working capital requirement	**5.3**	**40.1**
Acquisition of property, plant & equipment	(107.4)	(84.9)
Acquisition of intangible assets (excluding milestones paid)	(26.7)	(19.2)
Disposal of fixed assets	3.2	0.4
Change in working capital related to investment activities	10.5	8.9
Net capex (excluding milestones paid)	**(120.4)**	**(94.7)**
Dividends received from entities accounted for using the equity method	**0.9**	**0.9**
Operating Cash Flow	**590.5**	**422.8**
Other non-core operating income and expenses and restructuring costs (cash)	(31.7)	(53.4)
Financial income (cash)	(25.9)	(16.8)
Current income tax (P&L, excluding provisions for tax contingencies)	(89.3)	(53.0)
Other operating cash flow	14.9	9.4
Free Cash Flow	**458.4**	**309.0**
Dividends paid (including payout to non-controlling interests)	**(83.5)**	**(70.6)**
Acquisition of shares in non-consolidated companies	(25.3)	(1.6)
Acquisition of other financial assets (1)	–	(5.4)
Impact of changes in consolidation scope (2)	(8.0)	(671.1)
Milestones paid (3)	(117.2)	(39.3)
Milestones received (4)	36.0	14.7
Other Business Development operations	(5.7)	(86.5)
Net investments (Business Development and milestones)	**(120.2)**	**(789.2)**
Share buyback	**(24.6)**	**(18.1)**
FX on net indebtedness	(10.2)	33.8
Other (discontinued operations and financial instrument)	**0.9**	**3.3**
Shareholders return and external growth operations	**(237.6)**	**(840.9)**
CHANGE IN NET CASH / (DEBT)	**220.8**	**(531.9)**
Closing net cash / (debt)	**(242.5)**	**(463.3)**

(1) Acquisitions of shares in non-consolidated companies is mainly comprised of an equity investment in Arix Bioscience for €17 million and an additional investment in an external innovation fund for €8 million.
(2) Impact of change in consolidation scope reflects the last equity stake in Akkadeas Pharma.
(3) Milestones paid correspond to payments subject to the terms and conditions set out in the Group's partnership agreements. They mainly include €98 million milestones paid to Exelixis, a total of €14 million paid to MD Anderson Cancer Center following the license agreement signed in May 2018 and to 3B Pharmaceuticals for additional milestones. 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) Milestones received are amounts collected by Ipsen from its partners. The €36 million received are related to a milestone from Servier following the Onivyde® acquisition closed in 2017 and a milestone received from Galderma for territory extension in Asia for €15 million. The amounts were recorded as deferred income in the consolidated balance sheet and then recognized in the income statement as "Other revenues" in case of dynamic license or directly in "Other revenues" in case of static license. 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).

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

(in million euros)	IFRS 31 December 2018	Amortization of intangible assets (excl. software)	Other operating income or expenses	Restructuring Costs	Impairment losses	Other	CORE 31 December 2018
Sales	2,224.8						2,224.8
Other revenues	123.6						123.6
Revenue	**2,348.4**	**–**	**–**	**–**	**–**	**–**	**2,348.4**
Cost of goods sold	(454.2)						(454.2)
Selling expenses	(787.4)						(787.4)
Research and development expenses	(302.1)						(302.1)
General and administrative expenses	(165.7)						(165.7)
Other operating income	39.0		(17.9)				21.1
Other operating expenses	(121.7)	73.1	48.3				(0.3)
Restructuring costs	(21.9)			21.9			–
Impairment losses	(15.0)				15.0		–
Operating Income	**519.4**	**73.1**	**30.4**	**21.9**	**15.0**	**–**	**659.9**
Net financing costs	(5.3)						(5.3)
Other financial income and expense	(20.1)						(20.1)
Income taxes	**(108.1)**	**(20.0)**	**(4.9)**	**(6.0)**	**(5.2)**	**–**	**(144.1)**
Share of net profit (loss) from entities accounted for using the equity method	1.1						1.1
Net profit (loss) from continuing operations	387.0	53.2	25.5	16.0	9.8	–	491.6
Net profit (loss) from discontinued operations	2.0					(2.0)	–
Consolidated net profit	**389.1**	**53.2**	**25.5**	**16.0**	**9.8**	**(2.0)**	**491.6**
– Attributable to shareholders of Ipsen S.A.	389.5	53.2	25.5	16.0	9.8	(2.0)	491.9
– Attributable to non-controlling interests	(0.4)						(0.4)
Earnings per share fully diluted - attributable to Ipsen S.A. shareholders (in € per share)	*4.68*	*0.64*	*0.31*	*0.19*	*0.12*	*(0.02)*	*5.91*

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

(in million euros)	IFRS	Amortization of intangible assets (excl. software)	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*

3.1.5 Subsequent events

There were no significant subsequent events.

3.1.6 Group outlook

2019 Financial Guidance

The Group has set the following financial targets for 2019:

- **Group sales growth** year-on-year at constant currency **greater than +13.0%;** based on the current level of exchange rates, sales growth at current rates would be positively impacted by around 1.0%.
- **Core operating margin** around **31.0%** of net sales, excluding incremental investments in pipeline expansion initiatives.

The 2019 Financial Guidance issued on 14 February 2019 does not consider the Clementia acquisition to come. The Group has updated its 2019 financial objectives which are disclosed in section 3.4.

2020 Outlook

In May 2017, Ipsen provided the following 2020 financial targets:

- Sales greater than €2.5 billion.
- 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 competitive threats to Somatuline®.

3.2 CONSOLIDATED FINANCIAL STATEMENTS 2018

3.2.1 Consolidated income statement

(in million euros)	Notes	31 December 2018	31 December 2017
Sales	4.2 & 4.3	2,224.8	1,908.7
Other revenues	4.4	123.6	103.0
Revenue		**2,348.4**	**2,011.8**
Cost of goods sold		(454.2)	(385.6)
Selling expenses		(787.4)	(715.9)
Research and development expenses		(302.1)	(265.8)
General and administrative expenses		(165.7)	(140.8)
Other operating income	7	39.0	3.1
Other operating expenses	7	(121.7)	(105.5)
Restructuring costs	8	(21.9)	(18.8)
Impairment losses	6	(15.0)	14.8
Operating Income	**4.1**	**519.4**	**397.2**
Investment income	*9*	*3.1*	*1.1*
Financing costs	*9*	*(8.4)*	*(9.2)*
Net financing costs	9	(5.3)	(8.1)
Other financial income and expense	9	(20.1)	(18.4)
Income taxes	10.1	(108.1)	(101.4)
Share of net profit (loss) from entities accounted for using the equity method	16	1.1	1.4
Net profit (loss) from continuing operations		**387.0**	**270.7**
Net profit (loss) from discontinued operations	11	2.0	2.3
Consolidated net profit		**389.1**	**272.9**
– Attributable to shareholders of Ipsen S.A.		389.5	272.3
– Attributable to non-controlling interests		(0.4)	0.6
Basic earnings per share, continuing operations (in euros)	20.2	4.67	3.27
Diluted earnings per share, continuing operations (in euros)	20.3	4.65	3.25
Basic earnings per share, discontinued operations (in euros)	20.2	0.02	0.03
Diluted earnings per share, discontinued operations (in euros)	20.3	0.02	0.03
Basic earnings per share (in euros)	20.2	4.70	3.30
Diluted earnings per share (in euros)	20.3	4.68	3.28

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

Comprehensive income statement

(in million euros)	31 December 2018	31 December 2017
Consolidated net profit	**389.1**	**272.9**
Actuarial gains and (losses) on defined benefit plans, net of taxes	7.6	(4.6)
Financial assets at fair value through other items of comprehensive income (OCI), net of taxes	(3.7)	
Other items of comprehensive income that will not be reclassified to the income statement	**3.8**	**(4.6)**
Revaluation of financial derivatives for hedging, net of taxes	(18.1)	16.0
Foreign exchange differences, net of taxes	4.3	(57.5)
Financial assets available for sale, net of taxes		12.9
Other items of comprehensive income likely to be reclassified to the income statement	**(13.7)**	**(28.6)**
Comprehensive income: Consolidated net profit (loss) and gains and (losses) recognized directly in equity	**379.2**	**239.7**
– Attributable to shareholders of Ipsen S.A.	379.6	239.2
– Attributable to non-controlling interests	(0.4)	0.5

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

3.2.2 Consolidated balance sheet before allocation of net profit

(in million euros)	Notes	31 December 2018	31 December 2017
ASSETS			
Goodwill	12	395.6	389.0
Other intangible assets	13	1,011.9	930.2
Property, plant & equipment	14	474.5	418.9
Equity investments	15	65.2	43.3
Investments in companies accounted for using the equity method	16	15.5	14.7
Non-current financial assets	17.1	92.9	112.7
Deferred tax assets	10.2	131.9	142.0
Other non-current assets	17.2	4.4	4.8
Total non-current assets		**2,191.8**	**2,055.6**
Inventories	18.2.1	198.5	167.4
Trade receivables	18.1	463.0	437.2
Current tax assets	18.1	47.7	58.0
Current financial assets	18.2.2	5.5	29.6
Other current assets	18.2.3	126.4	96.3
Cash and cash equivalents	19.2	344.5	228.0
Total current assets		**1,185.6**	**1,016.4**
TOTAL ASSETS		**3,377.4**	**3,072.0**

EQUITY AND LIABILITIES			
Share capital	20.1	83.8	83.7
Additional paid-in capital and consolidated reserves		1,366.0	1,171.7
Net profit (loss) for the period		389.5	272.3
Foreign exchange differences		1.8	(2.3)
Equity attributable to Ipsen S.A. shareholders		**1,841.1**	**1,525.4**
Equity attributable to non-controlling interests		2.3	10.5
Total shareholders' equity		**1,843.4**	**1,535.9**
Retirement benefit obligation	5.3.2.2	63.8	67.6
Non-current provisions	21	44.5	33.3
Non-current financial liabilities	22.1	386.0	400.3
Deferred tax liabilities	10.2	19.7	21.5
Other non-current liabilities	18.2.4	61.0	71.7
Total non-current liabilities		**574.9**	**594.3**
Current provisions	21	21.1	16.6
Current financial liabilities	22.1	184.2	294.7
Trade payables	18.1	379.8	319.1
Current tax liabilities	18.1	11.4	2.4
Other current liabilities	18.2.4	329.0	290.2
Bank overdrafts	19.1.2	33.6	18.7
Total current liabilities		**959.2**	**941.8**
TOTAL EQUITY & LIABILITIES		**3,377.4**	**3,072.0**

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

3.2.3 Consolidated statement of cash flow

(in million euros)	Notes	31 December 2018	31 December 2017
Consolidated net profit		**389.1**	**272.9**
Share of profit (loss) from companies accounted for using the equity method before impairment losses	16	(0.2)	(0.5)
Net profit (loss) before share from companies accounted for using the equity method		**388.9**	**272.4**
Non-cash and non-operating items			
– Depreciation, amortization, provisions	6.1	142.6	105.8
– Impairment losses included in operating income and net financial income	6.2	15.0	(14.8)
– Change in fair value of financial derivatives		(2.0)	(1.3)
– Net gains or losses on disposals of non-current assets		4.8	2.7
– Foreign exchange differences		(6.5)	16.9
– Change in deferred taxes	10.2	19.2	48.3
– Share-based payment expense		12.8	10.1
– Other non-cash items		(1.1)	3.8
Cash flow from operating activities before changes in working capital requirement		***573.8***	***444.0***
– (Increase)/decrease in inventories	18.1	(29.8)	(38.2)
– (Increase)/decrease in trade receivables	18.1	(29.0)	(84.6)
– Increase/(decrease) in trade payables	18.1	62.4	77.6
– Net change in income tax liability	18.1	26.5	6.6
– Net change in other operating assets and liabilities	18.1	(33.0)	17.4
Change in working capital requirement related to operating activities		***(2.9)***	***(21.2)***
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		**570.9**	**422.9**
Acquisition of property. plant & equipment	14	(107.4)	(84.9)
Acquisition of intangible assets	13.1	(180.1)	(155.9)
Proceeds from disposal of intangible assets and property, plant & equipment		3.2	0.4
Acquisition of shares in non-consolidated companies	15	(30.2)	(1.6)
Payments to post-employment benefit plans	5.3.2.6	(1.2)	(0.6)
Impact of changes in the consolidation scope		(7.4)	(549.5)
Change in working capital related to investment activities	18.1	49.6	20.5
Other cash flow related to investment activities		(0.8)	(5.5)
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES		**(274.3)**	**(777.2)**
Additional long-term borrowings	22.1	0.9	1.5
Repayment of long-term borrowings	22.1	(3.9)	(3.3)
Net change in short-term borrowings	22.1	(107.3)	218.3
Capital increase		2.6	6.9
Treasury shares		(10.3)	(17.5)
Dividends paid by Ipsen S.A.	20.5	(83.0)	(70.2)
Dividends paid by subsidiaries to non-controlling interests		(0.5)	(0.4)
Change in working capital related to financing activities		(0.7)	(0.1)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		**(202.2)**	**135.2**
CHANGE IN CASH AND CASH EQUIVALENTS		**94.4**	**(219.1)**
OPENING CASH AND CASH EQUIVALENTS	19.1.1	**209.3**	**422.5**
Impact of exchange rate fluctuations		7.3	5.9
CLOSING CASH AND CASH EQUIVALENTS	19.1.2	**310.9**	**209.3**

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

3.2.4 Statement of change in consolidated shareholders' equity

(in million euros)	Share capital	Share premiums	Consolidated reserves [3]	Reserves related to retirement benefit obligations	Cash flow hedge reserves	Treasury shares	Net profit (loss) for the period	Total Group equity	Equity attributable to non-controlling interests	Total equity
Balance at 31 December 2017	**83.7**	**739.1**	**532.5**	**(32.7)**	**14.6**	**(84.1)**	**272.3**	**1,525.4**	**10.5**	**1,535.9**
First-time application of IFRS 15 – Revenue from Contracts with Customers (see note 3.2.1)	–	–	14.0	–	–	–	–	14.0	–	14.0
Balance at 1 January 2018	**83.7**	**739.1**	**546.5**	**(32.7)**	**14.6**	**(84.1)**	**272.3**	**1,539.4**	**10.5**	**1,549.9**
Consolidated net profit (loss)	–	–	–	–	–	–	389.5	389.5	(0.4)	389.1
Gains and (losses) recognized directly in equity [1]	–	–	0.6	7.6	(18.1)	–	–	(9.8)	(0.0)	(9.9)
Consolidated net profit (loss) and gains and losses recognized directly in equity	**–**	**–**	**0.6**	**7.6**	**(18.1)**	**–**	**389.5**	**379.6**	**(0.4)**	**379.2**
Allocation of net profit (loss) from the prior period	–	–	272.3	–	–	–	(272.3)	–	–	–
Capital increases (decreases)	0.1	2.6	0.0	–	–	0.0	–	2.7	–	2.7
Share-based payments	–	–	(18.3)	–	–	43.5	–	25.2	–	25.2
Own share purchases and disposals	–	–	–	–	–	(22.8)	–	(22.8)	–	(22.8)
Dividends	–	–	(83.0)	–	–	–	–	(83.0)	(0.4)	(83.4)
Other changes [2]	–	–	(0.1)	–	–	–	–	(0.1)	(7.5)	(7.5)
Balance at 31 December 2018	**83.8**	**741.7**	**718.0**	**(25.1)**	**(3.4)**	**(63.3)**	**389.5**	**1,841.1**	**2.3**	**1,843.3**

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

(in million 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”.

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

3.2.5 Notes

Note 1 Significant events and transactions during the period having an impact on the consolidated financial statements at 31 December 2018

1.1 New indications for Cabometyx®

On 17 May 2018, Ipsen announced that the European Commission (EC) had approved Cabometyx® (cabozantinib) for the first-line treatment of adults with intermediate or poor-risk advanced renal cell carcinoma (aRCC), allowing for the marketing of Cabometyx® in this indication in all 28 member states of the European Union, Norway and Iceland.

The decision was based on the CABOSUN trial, which demonstrated that cabozantinib significantly prolongs progression-free survival (PFS) compared to sunitinib in treatment-naive aRCC patients with intermediate or poor risk. Cabozantinib is the first and only monotherapy to demonstrate superior clinical efficacy over sunitinib in treatment-naive aRCC patients with intermediate or poor risk.

On 15 November 2018, Ipsen announced that the European Commission (EC) had approved Cabometyx® (cabozantinib) 20, 40, 60 mg as a monotherapy for hepatocellular carcinoma (HCC) in adults who have previously been treated with sorafenib. The approval allows for the marketing of Cabometyx® (cabozantinib) in this indication in all 28 member states of the European Union, Norway and Iceland.

The EC's approval of the MAA (Marketing Authorization Application) was based on the results of the global placebo-controlled CELESTIAL phase 3 pivotal trial which met its primary endpoint of overall survival (OS), with cabozantinib providing a statistically significant and clinically meaningful improvement in OS, compared with placebo in patients with advanced HCC who have been previously treated with sorafenib.

Note 2 Changes in the scope of consolidation

2.1 2018 financial year

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

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

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

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

2.2 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 acquired control of Akkadeas Pharma S.r.l., which was included in the scope of consolidation and fully consolidated.

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 13 February 2019 and will be submitted for approval at the Shareholders' Meeting scheduled for 28 May 2019.

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 2018 were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union on the date of preparation. The IFRS as endorsed by the European Union differ in certain aspects from the IFRS published by the IASB.

International accounting standards include International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), as well as the interpretations issued by the Standing Interpretations Committee (SIC), and the International Financial Reporting 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 Standards and interpretations that became applicable as of 1 January 2018

The mandatory standards, amendments and interpretations published by the IASB and applicable as of the 2018 financial year are listed below.

- IFRS 15 – Revenue from Contracts with Customers
- Amendments to IFRS 15 – Clarifications
- IFRS 9 – Financial Instruments
- Amendments to IFRS 2 – Classification and Measurement of Share-Based Payment Transactions
- IFRIC 22 – Foreign Currency Transaction and Advance Consideration
- Annual Improvements – 2014-2016 Cycle - Amendments to IFRS 1 and IAS 28
- Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IAS 40 – Transfers of Investment Property

The impacts of applying IFRS 15, and the amendments clarifying the application of IFRS 15 and IFRS 9 in the Group's annual financial statements are described in notes 3.2.1 and 3.2.2.

A review of the other amendments and standards entering into force on 1 January 2018 showed that their application had a non-material impact on the Group's annual financial statements, which accordingly were not restated. The amendments to IFRS 4 and IAS 40 do not apply to the Group's activities.

3.2.1 Application of IFRS 15 – Revenue from Contracts with Customers

The Group began applying IFRS 15 as of 1 January 2018 using the simplified retrospective application approach. None of the simplification measures provided for by the standard was used. In practice, IFRS 15 introduces a method of revenue recognition based on the transfer of control over the goods or services, and no longer the transfer of risks and rewards. The Group's revenues are generated mainly by the sale of pharmaceutical products, with this revenue recognized at the date of transfer of control. The first-time application of IFRS 15 had a limited impact on the Group's financial statements, primarily affecting the revenue recognition of licenses.

Licensing agreements are recognized in "Other revenues" (see note 4.4) and can be broken down into two distinct types, as follows:

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

The change in the criteria for determining the transfer of control led to a change in how revenue generated by static licenses is recognized. Previously, such revenue was spread over the life of the licensing agreement. From now on, they are recognized once in "Other revenue", when control of the licensed asset has been transferred.

The notion of control introduced by IFRS 15 did not change the conclusions about agent-principal status in assessments previously undertaken by the Group.

The Group also ensured that the particulars and changes introduced by IFRS 15 did not change how the following items were recognized:

- performance obligations included in contracts (timing and measurement conditions);
- customer product returns, as well as rebates and discounts granted;
- costs associated to the realization of contracts.

The transition to IFRS 15 resulted in a €14 million increase in equity on 1 January 2018, with a corresponding decrease in deferred income in the balance sheet (see note 18.2.4) and impact on deferred taxes.

3.2.2 Application of IFRS 9 – Financial Instruments

IFRS 9 specifies how an entity should classify and measure financial assets and liabilities as well as the conditions for applying hedge accounting. The standard replaced IAS 39 – Financial Instruments: Recognition and Measurement.

The Group applied IFRS 9 on 1 January 2018 and opted to recognize the impacts of first-time application in the opening balance sheet without restating previous financial years. The first-time application of the standard had no significant impact on Ipsen's consolidated financial statements. The main impacts of applying IFRS 9 were as follows:

- For investments in non-consolidated companies held for investment purposes and previously recognized in "Available-for-sale financial assets", the Group opted to recognize them at fair value through "Other comprehensive income", without reclassifying them later in profit or loss. In compliance with IFRS 9, the changes in the fair value of interests held by the Group in investment funds are now recognized in profit or loss (see note 15).
- At 1 January 2018, amounts recognized under the principles of IAS 39 as reserves for available-for-sale assets in "Other comprehensive income" were reclassified as "Other items of comprehensive income that will not be reclassified to the income statement" for equity investments, and as consolidated reserves for investment funds, with no impact on the total amount of consolidated shareholders' equity.
- Expected loss model: the Group applied the expected loss model introduced by IFRS 9 to its trade receivables. Accordingly, the impairment of trade receivables is based on a loss rate observed over the three previous years. This approach measures the impairment amount on a client-by-client basis. Some specific risk factors, such as economic, country and client default risks, are individually assessed and taken into account during the evaluation.

  Applying the new estimated credit loss model to trade receivables recognized in Ipsen's consolidated balance sheet at 1 January 2018 showed no significant difference compared with the old model for losses incurred. As a result, applying this aspect of IFRS 9 had no notable impact on the consolidated balance sheet at 1 January 2018.
- To a large extent, IFRS 9 maintains the recommendations of IAS 39 in the area of classifying financial liabilities and, as a result, its application had no impact on the Group's accounting methods for financial liabilities.
- Hedge accounting: the application of IFRS 9 provisions for hedge accounting had no impact on Ipsen's consolidated financial statements.

The Group adopted the corresponding amendments to IFRS 7 – Financial Instruments: Disclosures to be made in the notes to the 2018 financial statements, without generally applying them to comparative data.

3.3 Standards, amendments and interpretations endorsed 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 endorsed by the European Union for which the application was not mandatory on 1 January 2018, namely:

- IFRS 16 – Leases
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation
- IFRIC 23 – Uncertainty of Income Tax Treatments
- Amendment to IAS 28 – Long Term Interests in Associates and Joint Ventures

The Group conducted a review of the main impacts of IFRS 16 – Leases. The main leases impacted by the standard included property leases and vehicle leases. Ipsen will use the simplified retrospective approach for the first-time application of IFRS 16 on 1 January 2019. In compliance with IFRS 16 provisions, the aggregate impact of applying IFRS 16 at the date of transition will be recognized in equity, and the comparative data will not be restated.

In accordance with the options authorized by the standard, lease agreements with a term of less than 12 months or whose original asset value is under $5000 will not be restated.

The review of commercial leases relied on contractual provisions to determine the assumptions used for estimating right-of-use assets and lease liabilities. The term of the lease used corresponds to the non-cancellable period provided for in the agreement unless the Group is reasonably certain that it will exercise an extension option. Lease agreement liabilities will be measured at the present value of remaining lease payments and discounted using an incremental borrowing rate (IBR) set at 31 December 2018. The incremental borrowing rate of each lease agreement will take into account the remaining term of the lease commitment. A marginal incremental interest rate will be applied. The Group will use a swap curve adjusted for Ipsen's financing spread depending on the currency zone in which the lease operates.

Pending the IFRS IC conclusions, Ipsen considered that the exemption for the initial recognition of deferred taxes called for in IAS 12 should apply to the recognition of the right of use and the lease liability during the transition to IFRS 16. As a result, no deferred taxes will be recognized at the transition date.

The amount of the IFRS 16 liability represents Ipsen's lease payment commitments at 31 December 2018, *i.e.* €204.8 million discounted over the remaining term of the leases and adjusted for any prepaid or accrued lease payment (see note 27.5.2).

The Group believes that the application of IFRS 16 will — at 1 January 2019 — increase financial liabilities by €170 million to €200 million and generate corresponding tangible assets from the recognition of rights of use. Based on the assumptions used, the annual impact on Core Operating Income is expected to be less than €5 million, while the impact on Consolidated net profit is expected to be under €5 million in 2019. These estimates were based on facts and circumstances at 31 December 2018.

A review of the amendments to IFRS 9, IAS 28 and IFRIC 23 was under way by the Group at the close of the 2018 consolidated financial statements.

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

3.4.1 IASB publications not yet endorsed by the European Union

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

- Amendments to IFRS 3 – Business Combinations
- Amendments to IAS 1 and IAS 8 – Definition of Material
- Annual Improvements – 2015 - 2017 Cycle
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement
- Amendments to References to the Conceptual Framework in IFRS
- IFRS 17 – Insurance Contracts

A review of these standards, amendments and interpretations was under way by the Group at the close of the 2018 consolidated financial statements.

3.4.2 IASB publications following the closing date

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

At this writing, no standard or interpretation have been published since the closing date.

3.5 Measurement bases used in preparing the consolidated financial statements

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

3.6 Use of estimates

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

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

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).

3.7 Consolidation methods

Subsidiaries controlled by the Group are fully consolidated.

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

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

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

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

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

3.8 Business combinations

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

On first-time consolidation of an exclusively controlled company, identifiable assets and liabilities are valued at

their fair value except exceptions specifically provided for by IFRS 3 – Business Combinations.

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

- the total amount of the following elements:
  - the cost of acquisition at the 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 reviewed by the Group on a transaction-by-transaction basis,
  - for business combinations achieved in stages, the fair value at the acquisition date of the share held by the Group before the 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, as long as they do not result from existing facts and circumstances at the transaction date. They are discounted over their useful life if the impact is material. Any discounting adjustments to the carrying amount of the liability are recognized in "Other financial income and expense",
- and the net amount of identifiable assets acquired and identifiable liabilities assumed, measured at their fair value at the acquisition date.

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

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

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

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

3.9 Operating segments

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

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

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

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

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

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

3.10 Conversion of financial statements in foreign currencies

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

Exchange differences are transferred to the cumulative conversion 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 converted 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.

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

Receivables and payables denominated in foreign currencies are initially converted at the exchange rates prevailing on the transaction date and then revalued at the closing rates prevailing on the reporting date.

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

Exchange differences arising from the elimination of foreign currency transactions between fully consolidated companies are transferred to the cumulative conversion 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.

3.12 Other intangible assets (excluding goodwill)

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

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

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

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

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

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

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

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.

3.13 Property, plant & equipment

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

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

Depreciation is usually calculated on a straight-line basis over the assets' estimated useful lives. Some industrial assets are depreciated based on production volumes.

Estimated useful lives are as follows:

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

Land is not depreciated.

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

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

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

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

3.14 Leases

3.14.1 Finance leases

Assets acquired under finance leases are capitalized when the lease contract transfers to the Group substantially all risks

and rewards incidental to ownership. Criteria used to assess whether a contract should be classified as a finance lease include:

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

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

3.14.2 Operating leases

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

3.15 Impairment of assets

3.15.1 Type of asset tested

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

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

3.15.1.1 Goodwill

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

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

3.15.1.2 Intangible assets with an indefinite useful life

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

3.15.1.3 Intangible assets with a finite useful life

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

3.15.1.4 Tangible fixed assets and long-term financial assets

Other non-current assets, including tangible fixed assets and long-term financial assets, are also tested for impairment when events or changed circumstances indicate that an asset may be impaired.

3.15.2 Impairment tests - methods used by the Group

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

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

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

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

3.15.2.1 Goodwill

Regarding goodwill, the Group calculates recoverable amounts of cash-generating units from their value in use. This is determined by discounting their estimated future cash flows to present value. These cash flow estimates are based on five-year or, if warranted, longer estimates and are made for each operating segment (*i.e.* Specialty Care and Consumer Healthcare) by the Group's operating entities. In addition, tests are performed to assess the sensitivity of the recoverable amount of cash-generating units or groups of cash-generating units to changes in certain assumptions, primarily to the discount rate (range +/- 1%), sales growth (range -1% to -2%) and the long-term growth rate (range +/- 1%).

3.15.2.2 Intangible assets with an indefinite useful life

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

3.15.2.3 Intangible assets with a finite useful life

For other intangible assets, the period taken into account for estimating anticipated cash flows is based on the economic life intrinsic to each intangible asset. When the economic life exceeds Group forecasts, the terminal value may be used. Tests are also performed to assess the sensitivity of the recoverable amount to changes in certain assumptions,

primarily to the discount rate (range +/- 1%) and to sales growth (range -1% to -2%).

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 2018 are presented for goodwill and intangible assets of unlimited useful life in notes 12 and 13 respectively.

3.16 Government grants

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

3.17 Financial assets

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

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

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

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

3.17.1 Financial assets at amortized cost

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

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

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

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

3.17.2 Financial assets at fair value through other comprehensive income

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

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

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

Further, IFRS 9 provides an option to classify equity instruments irrevocably on an instrument-by-instrument basis as instruments measured at fair value through other comprehensive income, as long as these instruments meet the IAS 32 definition of equity.

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

3.17.3 Financial assets at fair value through profit or loss

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

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

- short-term investments. These investments do not meet the definition of cash equivalents (as per IAS 7 – Statement of Cash Flows) but which nonetheless show limited volatility;
- interests owned by the Group in investment funds. The interests held in these funds do not meet the definition of equity instruments but do meet the definition of debt instruments instead;

- contingent milestone payments already recognized in the financial statements of an acquired entity or resulting from a business combination.

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

3.17.4 Fair value of financial instruments

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

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

3.18 Non-current assets held for sale and discontinued operations

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

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

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

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

3.19 Inventories

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

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

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

3.20 Cash and cash equivalents

Cash includes cash on hand and demand deposits with banks.

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

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

3.21 Stock option plans

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

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

3.22 Retirement benefit obligations

3.22.1 Post-employment benefits

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

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

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

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

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

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

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

3.22.2 Other employee benefits

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

3.23 Provisions

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

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

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

3.24 Financial liabilities

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

3.25 Derivative financial instruments and hedge accounting

3.25.1 Hedge accounting

As part of its overall strategy for managing foreign exchange risks, the Group completed a number of transactions involving the use of derivative financial instruments. The Group uses derivatives instruments designated as cash flow hedging instruments. The Group has not designated any derivative instruments as fair value hedges.

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

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

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

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

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

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

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

3.25.2 Other derivative instruments

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

3.26 Sales

The Group’s revenues are generated mainly by the sale of pharmaceutical products. Sales are recognized when control of the goods or services has been transferred to the customer. Sales are recognized in the amount of the sums that the Group expects to collect. Revenue from the sale of pharmaceutical products is recognized when control has been transferred, generally upon delivery, in accordance with the delivery and acceptance clauses provided in the contract with the customer (see note 3.2.1).

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

According to IFRS 15, they are identified as being variable price components.

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

3.27 Other revenues

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

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

Revenues received from licenses are broken down according to IFRS 15 criteria, *i.e.* static or dynamic licenses (see note 3.2.1).

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

3.28 Cost of sales

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

3.29 Research and Development

3.29.1 Internal Research and Development

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

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

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

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

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

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

3.29.2 Research and Development acquired separately

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

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

3.29.3 Research and Development acquired in a business combination

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

3.29.4 Research tax credits

Research tax credits are classified as operating grants, in accordance with common practice within the pharmaceutical industry. In accordance with IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance, operating grants are recognized in operating income, after the R&D expenses to which they are directly linked have been deducted.

3.30 Other operating income and expenses

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

3.31 Taxes

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

The main temporary differences in the Group's consolidated financial statements stem from tax loss 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 C.V.A.E. is presented on the "Income Tax" line.

3.32 Earnings per share

A basic earnings per share is calculated on the weighted average number of shares outstanding during the period.

The weighted average number of shares outstanding is calculated according to movements in share capital, less any treasury shares held by the Group.

Diluted earnings per share is calculated by dividing consolidated net profit for the year attributable to equity holders of Ipsen S.A. by the weighted average number of ordinary shares outstanding plus any potentially dilutive ordinary shares not yet issued.

Note 4 Operating segments

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

All costs allocated to these two segments are presented in the key performance indicators. Only general and administrative expenses and the impact of cash flow hedges are not allocated to the two operating segments.

The Group uses Core operating income to measure its 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 million euros)	Specialty Care	Consumer Healthcare	Other (unallocated)	31 December 2018
Sales	1,924.5	300.3	–	2,224.8
Other revenues	62.6	61.0	–	123.6
Revenue	**1,987.1**	**361.3**	**–**	**2,348.4**
Core operating income	**740.4**	**83.9**	**(164.5)**	**659.9**

(in million 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 the 2018 financial year, unallocated core operating income (expenses) came to (€164.5) million, compared with (€158.8) million in 2017. The expenses stemmed mainly from unallocated general and administrative expenses and the impact of cash flow hedges.

The reconciliation of Core operating income and Operating Income is presented in the following table:

(in million euros)	31 December 2018	31 December 2017
Core operating income	**659.9**	**503.6**
Amortization of intangible assets, excluding software	(73.1)	(53.3)
Other operating income and expenses	(30.4)	(48.9)
Restructuring costs	(21.9)	(18.8)
Impairment losses	(15.0)	14.8
Operating Income	**519.4**	**397.2**

4.2 Sales by geographical region

(in million euros)	31 December 2018		31 December 2017	
	Amounts	% share	Amounts	% share
Major Western European countries	753.8	34%	644.4	34%
Rest of Europe	443.7	20%	395.3	21%
North America	615.6	28%	467.0	24%
Rest of the World	411.7	19%	401.9	21%
Consolidated sales	**2,224.8**	**100%**	**1,908.7**	**100%**

4.3 Sales by therapeutic area and product

(in million euros)	31 December 2018	31 December 2017
Oncology	1,503.0	1,185.6
Somatuline®	*846.7*	*702.5*
Decapeptyl®	*372.6*	*348.7*
Cabometyx®	*148.2*	*51.7*
Onivyde®	*109.4*	*56.9*
Other Oncology	*26.0*	*25.8*
Neuroscience	351.5	331.6
Dysport®	*347.8*	*328.2*
Rare Diseases	70.0	74.7
NutropinAq®	*45.9*	*51.8*
Increlex®	*24.1*	*22.9*
Specialty Care	**1,924.5**	**1,591.9**
Smecta®(1)	126.5	123.8
Forlax®	39.8	42.1
Tanakan®	37.7	41.4
Fortrans/Eziclen®	31.4	32.1
Etiasa®	4.2	17.8
Other Consumer Healthcare	60.7	59.5
Consumer Healthcare	**300.3**	**316.8**
Consolidated sales	**2,224.8**	**1,908.7**

(1) Adjusted for Smectite sales (drug related sales) previously allocated to "Other Consumer Healthcare".

4.4 Other revenues

(in million euros)	31 December 2018	31 December 2017
Royalties received	78.1	62.0
Milestone payments – Licenses	27.5	29.9
Other (co-promotion revenues, re-billings)	18.0	11.1
Other revenues	**123.6**	**103.0**

Other revenues for the 2018 financial year totaled €123.6 million, up 19.9% over the €103.0 million reported in 2017. The change was attributable to the increase in royalties received from Group partners, mainly Galderma for Dysport®, Menarini for Adenuric®, and Servier for Onivyde®. In the 2018 financial year, other revenues were also favorably impacted by the new Etiasa® contractual model in China established in the third quarter of 2017.

4.5 Other information

(in million euros)	31 December 2018			Total
	Specialty Care	Consumer Healthcare	Other (unallocated)	
Acquisition of property, plant & equipment	(83.5)	(19.4)	(4.5)	(107.4)
Acquisition of intangible assets	(157.6)	(2.1)	(20.4)	(180.1)
Total investments	**(241.1)**	**(21.5)**	**(24.9)**	**(287.5)**
Net depreciation, amortization and provisions (excluding financial assets)	(92.0)	(15.3)	(34.7)	(142.0)
Share-based payment expenses with no impact on cash flow	–	–	(12.8)	(12.8)

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

(in million 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.

Note 5 Personnel

5.1 Headcount

At the end 2018, the Group totaled 5,723 employees, compared with 5,401 at end 2017.

The average headcount in 2018 was 5,518, compared with 5,216 in 2017.

5.2 Employee expenses

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

(in million euros)	31 December 2018	31 December 2017
Wages and salaries	(459.0)	(420.2)
Employer's Social security contributions and payroll taxes	(133.8)	(135.4)
Sub-total	**(592.8)**	**(555.6)**
Interest on employee benefits (note 5.3.2.3)	**(6.6)**	**(5.4)**
Expenses associated with share-based payments (note 5.4) (*)	(12.8)	(10.1)
Social security contributions on share-based payments	(4.1)	(1.7)
Share-based payment expenses sub-total	**(16.9)**	**(11.8)**
Employee profit-sharing	**(11.4)**	**(11.2)**
Total	**(627.8)**	**(584.0)**

(*) Including a €1.5 million expense associated with the 2018 employee shareholding plan.

In 2018, the average rate of employer's Social security contributions and payroll taxes amounted to 29.2% of gross payroll.

The Group's French companies have an employee profit-sharing agreement as required by law. Employees may invest their entitlement in either an interest-bearing savings account within the company or in a company savings plan invested in collective investment funds managed by a financial institution. In 2016, a three-year incentive agreement was set up in France to supplement the above-mentioned agreement.

5.3 Long-term employee benefits

5.3.1 Benefit plans

5.3.1.1 Retirement benefit obligations

In some countries, the Group's employees are eligible for supplementary pension payments paid annually to retirees, or to lump sum retirement allowances paid on retirement. The main countries concerned are France, the United Kingdom and Ireland. In France, a limited number of employees also benefit from a supplementary pension plan.

The Group provides these benefits either *via* defined contribution or defined benefit plans.

Under defined contribution plans, the Group has no obligation other than to pay the agreed contributions, with the corresponding expense charged to income for the year.

5.3.1.2 Other long-term benefits

The Group also pays out bonuses intended to reward employees based on length of service. These long service awards relate mainly to the Group's employees in France.

5.3.2 Measurement and recognition of liabilities

The Group's liabilities related to employee benefits are calculated by an external actuary using the assumptions that are applicable in the relevant countries.

Discount rates are determined by reference to a market rate based on bonds issued by first class issuers. The main

benchmark index used is the iBoxx Corporate AA for the Eurozone and the United Kingdom.

Assumptions with regard to staff turnover and mortality rates are specific to each country.

Some liabilities are covered by financial assets held in funds invested with insurance companies (plan assets).

The impact on the income statement of the return on plan assets for retirement schemes is measured by applying the discount rate used for the liabilities.

Unfunded liabilities and plan deficits are recognized in the balance sheet under "retirement benefit obligations".

5.3.2.1 Assumptions used

The main actuarial assumptions applied as at 31 December 2018 are as follows:

	Europe (excluding UK)	United Kingdom	Asia-Oceania
Discount rate	1.5%	2.8%	2.0%
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%	2.0%	N/A

A 1% increase in the discount rate would lead to decreases in employee benefit obligations of 9.5% in France, 20.7% in Ireland, 19.1% in the UK, and 15.6% in Asia-Oceania.

5.3.2.2 Reconciliation of balance sheet assets and liabilities

(in million euros)	31 December 2018			31 December 2017
	Post-employment benefits	Other long-term benefits	Total	Total
Breakdown of net balance sheet amount				
Present value of liabilities	100.8	5.5	106.4	118.5
Fair value of plan assets	42.6	–	42.6	51.0
Net liabilities (a)	**58.2**	**5.5**	**63.8**	**67.6**
Effect of asset ceiling (b)	–	–	–	–
Net liability (a – b)	**58.2**	**5.5**	**63.8**	**67.6**

5.3.2.3 Reconciliation of income statement expenses

(in million euros)	31 December 2018			31 December 2017
	Post-employment benefits	Other long-term benefits	Total	Total
Current service costs	6.3	0.5	6.9	6.9
Contributions by plan participants	(0.1)	–	(0.1)	(0.1)
Interest expense on obligations	1.7	0.1	1.8	1.7
Interest income on plan assets	(0.8)	–	(0.8)	(0.8)
Past service costs (plan amendments and curtailments)	0.0	–	0.0	(1.4)
Actuarial (gains) and loses recognized as expense	–	(0.2)	(0.2)	–
Total	**7.2**	**0.4**	**7.6**	**6.2**
– of which – Operating expenses	6.3	0.3	6.6	5.4
– of which – Interest expense	0.9	0.1	1.0	0.9

5.3.2.4 Movements in net liability recognized in the balance sheet

(in million euros)	31 December 2018			31 December 2017
	Post-employment benefits	Other long-term benefits	Total	Total
Opening net liability	**62.3**	**5.3**	**67.6**	**58.4**
Charge for the year (note 5.3.2.3)	7.2	0.4	7.6	6.2
Actuarial gains and (losses) recognized in other comprehensive income	(9.4)	–	(9.4)	4.2
Employer's contributions to plan assets	(1.2)	–	(1.2)	(0.6)
Benefits paid from internal reserve	(0.6)	(0.2)	(0.8)	(0.5)
Exchange differences	(0.1)	–	(0.1)	(0.1)
Closing net liability	**58.2**	**5.5**	**63.8**	**67.6**

5.3.2.5 Movements in defined benefit plan obligations

(in million euros)	31 December 2018			31 December 2017
	Post-employment benefits	Other long-term benefits	Total	Total
Opening balance	**113.2**	**5.3**	**118.5**	**110.3**
Current service costs	6.3	0.5	6.9	6.9
Interest expense on obligations	1.7	0.1	1.8	1.7
Past service costs (plan amendments and curtailments)	0.0	–	0.0	(1.4)
Benefits paid from plan assets	(9.3)	–	(9.3)	(4.0)
Benefits paid from internal reserve	(0.6)	(0.2)	(0.8)	(0.5)
Actuarial (Gains) and losses – experience adjustments	(5.5)	(0.2)	(5.7)	6.6
Actuarial (Gains) and losses – changes to discount rate	(4.2)	(0.1)	(4.3)	0.5
Actuarial (Gains) and losses – changes to other assumptions	(0.6)	0.0	(0.6)	(0.8)
Exchange differences	(0.3)	–	(0.3)	(0.7)
Closing balance	**100.8**	**5.5**	**106.4**	**118.5**

At 31 December 2018, defined benefit plan obligations broke down primarily among France 65.3%, the UK 15.4%, and Ireland 17.6%.

5.3.2.6 Movements in plan assets

(in million euros)	31 December 2018			31 December 2017
	Post-employment benefits	Other long-term benefits	Total	Total
Opening balance	**51.0**	**–**	**51.0**	**51.9**
Interest income on plan assets	0.8	–	0.8	0.8
Benefits paid from plan assets	(9.3)	–	(9.3)	(4.0)
Employee contributions to plan assets	0.1	–	0.1	0.1
Employer's contributions to plan assets	1.2	–	1.2	0.6
Actuarial gains and (losses)	(0.9)	–	(0.9)	2.2
Exchange differences	(0.3)	–	(0.3)	(0.6)
Closing balance	**42.6**	**–**	**42.6**	**51.0**

At 31 December 2018, plan assets broke down primarily among France 31.0%, the UK 35.2%, and Ireland 38.2%.

5.3.2.7 Allocation of plan assets

(in million euros)	31 December 2018			
	Shares	Bonds	Other [1]	Total
Europe (excluding UK)	10.8	10.0	6.4	27.2
United Kingdom	9.2	5.6	0.2	15.0
Asia-Oceania	0.3	0.1	–	0.4
Total	**20.3**	**15.7**	**6.6**	**42.6**
Total (as a percentage)	**48%**	**37%**	**15%**	**100%**

(1) Property, cash and other.

(in million 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.

5.3.2.8 Future probable plan benefits

(in million euros)	Post-employment benefits	Other long-term benefits	Total
2019	8.7	0.6	9.3
2020	3.3	0.6	3.9
2021	1.1	0.6	1.7
2022	3.5	0.7	4.2
2023	5.0	0.7	5.8
2024-2028	15.9	2.8	18.8

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 2018.

At 31 December 2018, the annual charge for bonus share payments came to €11.3 million, versus €10.1 million at 31 December 2017.

5.4.1 Share option plans granted by Ipsen

5.4.1.1 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	1.5%	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

The plans still active at 31 December 2018 did not generate any expense in the 2017 or 2018 consolidated financial statements.

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 2018	31 December 2017
Opening balance	**664,558**	**744,771**
Options exercised (net of adjustments)	(418,953)	(80,213)
Options expired	(209,520)	–
Closing balance	**36,085**	**664,558**

5.4.2 Bonus share plans

On 30 March 2018, the Board of Directors granted:

- 9,230 bonus shares to the Chief Executive Officer, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 30,160 bonus shares to members of the Executive Leadership Team, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 84,240 bonus shares to beneficiaries of Group subsidiaries, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 87,510 bonus shares to beneficiaries of Group subsidiaries, subject to length of service conditions but not performance conditions specific to the Group, or specific to a Group entity,

On **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.

5.4.2.1 Details of Ipsen bonus share plans

	Plan dated 1 April 2015				Plan dated 1 June 2016			
Tranches	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
Vesting period (in years)	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
Fair value of bonus shares	**€31.10**	**€31.10**	**€31.24**	**€31.24**	**€47.73**	**€47.73**	**€49.04**	**€47.73**

	Plan dated 29 March 2017				Plan dated 30 May 2018			
Tranches	1.1	1.2	1.3	1.4	1.1	1.2	1.5	1.6
Number of bonus shares	41,640	44,070	37,980	28,200	9,230	30,160	84,240	87,510
Vesting period (in years)	2	2	4	2		50% at 2 yrs 50% at 3 yrs		
Value of shares on date granted, before reduction	€93.40	€93.40	€93.40	€93.40	€134.40	€134.40	€134.40	€134.40
Fair value of bonus shares	**€101.47**	**€97.01**	**€99.27**	**€97.00**	**€134.90**	**€134.90**	**€134.90**	**€131.84**

1.1 Beneficiaries include the Chairman, the 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.
1.5 Beneficiaries from subsidiaries subject to performance conditions.
1.6 Beneficiaries from subsidiaries not subject to performance conditions.

5.4.2.2 Valuation of Ipsen bonus share plans

(in million euros)	Plan dated 28 March 2013	Plan dated 27 March 2014	Plan dated 1 April 2015	Plan dated 1 June 2016	Plan dated 29 March 2017	Plan dated 30 May 2018	Total
Opening valuation	**5.3**	**3.1**	**4.4**	**10.5**	**13.3**	**25.3**	
2018 expense	–	–	0.2	1.3	4.2	5.6	11.3
2017 expense	0.0	0.1	0.6	5.3	4.0		10.1

Note 6 Depreciation, amortization, provisions and impairment losses

6.1 Depreciation, amortization, provisions and impairment losses included in the cash flow statement

The following table shows the amount of depreciation, amortization, provisions and impairment losses added back to determine gross cash flow from operations:

(in million euros)	31 December 2018	31 December 2017
Operating - excluding current assets	(142.0)	(104.8)
Financial	(1.1)	(0.9)
Tax	0.4	(0.1)
Depreciation and amortization before impairment and excluding current assets	**(142.6)**	**(105.8)**
Impairment losses included in operating income (note 6.2)	(15.0)	14.8
Impairment losses	**(15.0)**	**14.8**

6.2 Impairment losses

6.2.1 2018 financial year

In the 2018 financial year, Ipsen recognized a €15 million impairment loss on the Xemelo® intangible asset (see note 13).

6.2.2 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).

Note 7 Other operating income and expenses

In 2018, other operating expenses totaled €82.7 million, mainly owing to amortization expense on the Cabometyx® and Onivyde® intangible assets, the discontinuation of research and development work, the impact of Group transformation programs, and the payment of an indemnity to Galderma in Brazil that was partially offset by an indemnity received from a U.S. partner and the impact of cash flow hedges.

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

Note 8 Restructuring costs

In 2018, pre-tax restructuring costs came to €21.9 million, including expenses to move the U.S. sales subsidiary to Cambridge, Massachusetts.

At 31 December 2017, pre-tax restructuring costs totaled €18.8 million and stemmed primarily from Onivyde®-related integration costs, expenses arising from adapting the R&D structure and programs, and a restructuring plan in Europe.

Note 9 Net financial income (expense)

(in million euros)	31 December 2018	31 December 2017
Income from loans and receivables	3.1	1.1
Investment income	**3.1**	**1.1**
Interest on debt	(8.3)	(9.2)
Total expenses on financial liabilities measured at amortized cost	**(8.4)**	**(9.2)**
Financing costs	**(8.4)**	**(9.2)**
NET FINANCING COSTS	**(5.3)**	**(8.1)**
Other exchange differences	(0.5)	(0.1)
Income and expenses on financial assets and liabilities at fair value	**(0.5)**	**(0.1)**
Impairment of investments in non-consolidated companies	(0.1)	0.0
Income and expenses on investments in non-consolidated companies	**(0.1)**	**0.0**
Financial income on employee benefits (note 5.3.2.3)	0.8	1.1
Interest on employee benefits (note 5.3.2.3)	(1.8)	(2.0)
Other financial elements	(18.5)	(17.4)
OTHER FINANCIAL INCOME AND EXPENSE	**(20.1)**	**(18.4)**
FINANCIAL INCOME (EXPENSE)	**(25.3)**	**(26.6)**
Of which total financial income	*71.1*	*57.0*
Of which total financial expense	*(96.5)*	*(83.6)*

In 2018, the Group had net financial expense of €25.3 million, versus net financial expense of €26.6 million in 2017.

- The **"net financing costs" item** showed expense of €5.3 million, compared with €8.1 million in expense reported a year earlier, in line with the decrease in net debt for the period.
- In 2018, **other financial expenses** totaled €20.1 million, versus €18.4 million in other financial expenses a year earlier. The 2018 result stemmed mainly from the cost of hedges put into place to reduce the Group's currency risk exposure and the revaluation of future payments related to the acquisition of Onivyde®, in accordance with IFRS.

Note 10 Income taxes

10.1 Tax expense

10.1.1 Effective tax rate

(in million euros)	31 December 2018	31 December 2017
Net profit (loss) from continuing operations	387.0	270.7
Share of net profit (loss) from entities accounted for using the equity method	1.1	1.4
Net profit from continuing operations before share of results from companies accounted for using the equity method	**386.0**	**269.2**
Current tax	(88.9)	(53.1)
Deferred tax	(19.2)	(48.3)
Income taxes	(108.1)	(101.4)
Pre-tax profit from continuing operations before share of results from companies accounted for using the equity method	**494.1**	**370.7**
Effective tax rate	**21.9%**	**27.4%**

In 2018, income tax expense of €108.1 million resulted in an effective tax rate of 21.9% on pre-tax profit from continuing operations, excluding the share of profit (loss) from companies accounted for using the equity method. That compares with an effective rate of 27.4% in 2017.

The lower effective tax rate was due notably to the non-recurring, unfavorable impact of U.S. tax reform on recognized deferred tax assets in 2017.

10.1.2 Reconciliation between the effective and nominal tax expense

The following table shows the reconciliation between the effective and nominal tax expense based on pre-tax profit from continuing operations taxed at the standard French rate of 34.43% for the two years presented:

(in million euros)	31 December 2018	31 December 2017
Pre-tax profit from continuing operations before share of results from companies accounted for using the equity method	494.1	370.7
Group tax rate	34.43%	34.43%
Nominal tax expense	**(170.1)**	**(127.6)**
(Increase)/decrease in tax expense arising from:		
– Tax credits	8.5	10.5
– Non-recognition of tax impact on certain losses during the year	(1.5)	(0.4)
– Utilization of tax losses not recognized as deferred tax assets	–	0.1
– Recognition of deferred tax assets [1]	(3.3)	(33.0)
– Other permanent differences [2]	58.4	48.9
Effective tax expense	**(108.1)**	**(101.4)**
Effective tax rate	**21.9%**	**27.4%**

(1) The change in recognition of deferred tax assets stems mainly from the negative impact in 2017 of U.S. tax reform on the value of tax loss carryforwards, partially offset by carrying forward a total of €26.3 million in deferred taxes not recognized in the United States as of 2013.
(2) Other permanent differences in 2018 resulted from the difference between the Group tax rate of 34.43% and other tax rates where Group subsidiaries are based.

10.2 Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities in 2018 can be broken down as follows:

(in million euros)	31 December 2017	1st application of IFRS 15 (see note 3.2.1)	1 January 2018	Movements during the year						31 December 2018
				Income statement income / expense	Deferred taxes recorded directly to reserves	SoRie	Changes in consolidation scope	Foreign exchange differences	Other movements	
Deferred tax assets	142.0	(2.6)	139.4	(20.5)	1.6	(1.6)	–	2.1	10.9	131.9
Deferred tax liabilities	(21.5)	–	(21.5)	1.3	11.8	(0.3)	–	(0.4)	(10.6)	(19.7)
Net assets / (liabilities)	**120.5**	**(2.6)**	**117.9**	**(19.2)**	**13.5**	**(1.9)**	**–**	**1.6**	**0.3**	**112.2**

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

The €19.2 million decrease recognized in "Income statement income / expense" includes the use of €18.4 million in tax-loss carryforwards in the United States.

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

(in million 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**

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 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.

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

(in million euros)	31 December 2017	1st application of IFRS 15 (see note 3.2.1)	1 January 2018	Movements during the year						31 December 2018
				Income statement income / expense	Deferred taxes recorded directly to reserves	SoRie	Changes in consolidation scope	Foreign exchange differences	Other movements	
Consolidation restatements of margins on inventories	51.0	–	51.0	3.3	–	–	–	(0.2)	–	54.0
Tax loss carryforwards	84.1	–	84.1	(19.5)	–	–	–	1.8	(18.4)	47.9
Provision for retirement and other benefits	13.4	–	13.4	1.5	–	(1.6)	–	(0.0)	–	13.3
Other	(28.0)	(2.6)	(30.6)	(4.4)	13.5	(0.3)	–	0.1	18.7	(3.0)
Net assets / (liabilities)	**120.5**	**(2.6)**	**117.9**	**(19.2)**	**13.5**	**(1.9)**	**–**	**1.6**	**0.3**	**112.2**

At 31 December 2018, the Group recognized €47.9 million in deferred tax assets on tax-loss carryforwards (including €37.4 million in the U.S.), versus €84.1 million at 31 December 2017. 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.

(in million 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	
Consolidation restatements of margins on 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**

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.).

Note 11 Net profit (loss) from discontinued operations

In 2018, net profit from discontinued operations totaled €2 million, compared to €2.3 million in net profit from discontinued operations in 2017. 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 S.A.S., 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, were 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 2018 can be broken down as follows:

(in million euros)	31 December 2017	Movements during the year			31 December 2018
		Increase	Decrease	Foreign exchange differences	
Gross goodwill	397.3	–	–	6.5	403.7
Impairment losses	(8.2)	–	–	0.1	(8.1)
Net goodwill	**389.0**	**–**	**–**	**6.6**	**395.6**

12.2 Impairment of goodwill

For impairment testing purposes, goodwill is allocated to the cash-generating units defined by the Group. The cash-generating units identified for the allocation and performance of goodwill-related impairment tests correspond to the operating segments. The Group's two operating segments are Specialty Care and Consumer Healthcare. Accordingly, goodwill is allocated in line with the Group's organization (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 flow estimates are based on five-year estimates and a terminal value for each operating segment (*i.e.* Specialty Care and Consumer Healthcare) and are made by the Group's operating entities.

At 31 December 2018 and 31 December 2017, no impairment losses related to goodwill were recorded. The previously recorded impairment loss concerned solely the goodwill arising from the acquisition of Sterix Ltd.

The carrying value of the respective cash-generating units and the key assumptions are shown below:

(in million euros)	Specialty Care	Consumer Healthcare	Total
Net carrying value at 31 December 2018			
Goodwill	298.7	96.9	395.6
Net underlying assets	1,296.0	244.5	1,540.5
Total	**1,594.7**	**341.4**	**1,936.1**
Perpetuity growth rate	**2.5%**	**2.5%**	**–**
Discount rate	**9%**	**8%**	**–**

(in million 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%**	**–**

The assumed perpetuity growth rate was revised up from 0% in 2017 to 2.5% in 2018, in view of the expected growth of the Group's business activities.

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

Note 13 Other intangible assets

13.1 Movements

Movements in 2018 can be broken down as follows:

(in million euros)	31 December 2017	Movements during the year					31 December 2018
		Increase	Decrease	Changes in consolidation scope	Foreign exchange differences	Other movements	
Intellectual property	1,371.8	163.8	(12.0)	–	6.9	12.1	1,542.6
Intangible assets in progress	13.9	16.3	–	–	(0.0)	(10.5)	19.7
Gross assets	**1,385.7**	**180.1**	**(12.0)**	**–**	**6.9**	**1.5**	**1,562.3**
Amortization	(273.9)	(86.6)	11.7	–	(3.8)	(5.4)	(358.1)
Impairment losses	(181.5)	(15.0)	–	–	(1.5)	5.8	(192.3)
Net assets	**930.2**	**78.5**	**(0.3)**	**–**	**1.6**	**1.9**	**1,011.9**

At 31 December 2018, the change in net intangible assets resulted notably from the following items:

- Ipsen recognized €130 million in intangible assets arising from additional milestone payments to Exelixis as part of an exclusive licensing agreement signed in 2016;
- Ipsen recognized €6 million in intangible assets arising from additional milestone payments to 3B Pharmaceutical;
- Ipsen recognized €13 million in intangible assets as part of partnership with the University of Texas' MD Anderson Cancer Center. This asset corresponds to various payments under a global licensing and joint development agreement, signed 29 May 2018, for a pre-clinical oncology drug candidate discovered by researchers in MD Anderson's Institute for Applied Cancer Science (IACS). As part of this collaborative effort, MD Anderson will progress the drug candidate through Phase I clinical development, with Ipsen responsible for further global development and commercialization;
- Amortization expense on intangible assets came to €86.6 million, mainly arising from the Onivyde® and Cabometyx® assets and €13.4 million in amortization expense for software;
- Ipsen recorded a pre-tax €15 million impairment loss on the Xermelo® intangible asset, a Specialty Care product whose sales outlook was revised down after receiving a more limited label from the European Medicines Agency (EMA) for the treatment of carcinoid syndrome diarrhea in combination with somatostatin analogue (SSA) therapy in adults inadequately controlled by SSA therapy. The carrying value of Xermelo® still on the asset side of the balance sheet came to €15.6 million at 31 December 2018. A 1 percentage-point change in the discount rate would increase or decrease the asset's carrying value by €1 million.

At 31 December 2018, the Group's intangible assets with an indefinite useful life and classified under "Licenses" had a total carrying value of €44.1 million.

The assets concerned intellectual property or rights acquired for proprietary Oncology, Neuroscience and Rare Disease drugs that were in an advanced phase of development but had not yet been commercialized. As a result, the assets have not yet been amortized, in accordance with the Group's accounting principles (see note 3.12). For these intangible assets, the recoverable amount corresponds to the value in use based on estimated expected future cash flows.

Movements in 2017 can be broken down as follows:

(in million 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**

At 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, €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".
- As part of acquiring a portfolio of select Consumer Healthcare products from Sanofi, trademarks, market authorization rights and regulatory rights were recorded on the balance sheet in the gross amount of €86.5 million. The main product is Prontalgine®.
- At 31 December 2017, the Group recorded a partial impairment loss on these assets totaling €33.9 million. The partial impairment loss took into account the planned development of a new product with significant Prontalgine® synergy benefits.
- 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® 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 €50.4 million impairment provision related to the Increlex® / IGF-1 active ingredient was reversed at 31 December 2017.

At 31 December 2017, the Group's intangible assets with an indefinite useful life had a total 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 3.12). For these intangible assets, the recoverable amount corresponds to the value in use based on estimated expected future cash flows.

13.2 Breakdown of intangible assets by asset type

(in million euros)	31 December 2018			31 December 2017		
	Gross value	Amortization & Impairment	Net value	Gross value	Amortization & Impairment	Net value
Brands and trademarks	77.1	(49.1)	28.0	77.1	(47.4)	29.7
Licenses	1,281.9	(381.0)	900.9	1,123.9	(291.5)	832.4
Patents	9.4	(9.2)	0.1	9.4	(9.3)	0.2
Know-how	39.4	(20.5)	18.9	39.5	(19.1)	20.3
Software	130.7	(88.0)	42.7	117.8	(86.0)	31.8
Other intangible assets	4.2	(2.6)	1.6	4.1	(2.2)	1.9
Intangible assets in progress	19.7	–	19.7	13.9	–	13.9
Total	**1,562.3**	**(550.4)**	**1,011.9**	**1,385.7**	**(455.5)**	**930.2**
Of which impairment losses		*(192.3)*			*(181.5)*	

Note 14 Property, plant & equipment

Movements in 2018 can be broken down as follows:

(in million euros)	31 December 2017	Movements during the year					31 December 2018
		Increase	Decrease	Changes in consolidation scope	Foreign exchange differences	Other movements	
Land	23.0	1.5	(0.8)	–	0.0	0.1	23.9
Buildings	335.9	5.8	(13.9)	–	(0.5)	14.9	342.2
Plant & equipment	357.5	15.0	(18.7)	–	(1.8)	22.4	374.4
Other assets	81.4	9.8	(10.4)	–	(0.2)	7.9	88.5
Assets in progress	77.2	75.0	(0.0)	–	0.0	(46.9)	105.3
Advance payments	0.3	0.2	(0.2)	–	0.0	(0.0)	0.2
Gross assets	**875.2**	**107.4**	**(44.1)**	**–**	**(2.5)**	**(1.5)**	**934.5**
Depreciation	(451.8)	(39.8)	36.4	–	0.8	(1.0)	(455.3)
Impairment losses	(4.6)	(1.2)	0.1	–	(0.0)	1.0	(4.7)
Depreciation & impairment losses	**(456.3)**	**(41.0)**	**36.5**	**–**	**0.8**	**0.0**	**(460.0)**
Net assets	**418.9**	**66.4**	**(7.6)**	**–**	**(1.7)**	**(1.5)**	**474.5**

In 2018, acquisitions of property, plant and equipment totaled €107.4 million, compared with €84.9 million in 2017. The increase resulted primarily from capital spending needed to boost production capacity at the Group's manufacturing sites in France and the United Kingdom, as well as investments made to move the U.S. sales subsidiary to Cambridge, Massachusetts.

Movements in 2017 can be broken down as follows:

(in million 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**

Note 15 Equity investments

Movements in 2018 can be broken down as follows:

(in million euros)	31 December 2017	Movements during the year				31 December 2018
		Acquisitions and increases	Disposals and decreases	Foreign exchange differences	Other movements	
Equity investments at fair value through other comprehensive income	29.8	17.0	–	–	(8.0)	38.8
Equity investments at fair value through profit or loss	13.5	13.2	(0.3)	–	(0.0)	26.4
Equity investments	**43.3**	**30.2**	**(0.3)**	**–**	**(8.0)**	**65.2**

At 31 December 2018, equity investments at fair value through other comprehensive income notably included the following:

- a €12.3 million interest in Arix Bioscience plc, including an initial investment of €17 million on 19 February 2018, and an adjusted decrease in fair value of €4.7 million;
- a €19.6 million interest in Rhythm Pharmaceuticals, including a €0.7 million decrease in fair value for the period;
- a €3.7 million interest in Radius Health Inc., including a €3.2 million decrease in fair value for the period;

At 31 December 2018, equity investments at fair value through profit or loss notably included the following:

- a €11.2 million interest in the Innobio venture capital fund, including an additional investment of €5 million and a €0.4 million decrease in fair value for the period;
- a €14.1 million interest in the Agent Capital fund, including an additional investment of €8.2 million and a €0.4 million increase in fair value for the period.

The transition of equity investments at 31 December 2017 to 1 January 2018 is presented in the following table.

(in million euros)	Equity investments at fair value through other comprehensive income	Equity investments at fair value through profit or loss	31 December 2017
Equity investments	42.0	14.1	56.1
Write-downs & impairment losses	(12.2)	(0.6)	(12.8)
Equity investments at 1 January 2018	**29.8**	**13.5**	**43.3**

Movements in 2017 can be broken down as follows:

(in million 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**

Note 16 Investments in companies accounted for using the equity method

At 31 December 2018, the Group owned a 50% interest in Linnea S.A., consolidated using the equity method.

At 31 December 2018, the value of Linnea shares on the Group's balance sheet totaled €15.5 million, with Linnea contributing €1.1 million to the Group's net profit. The company paid out €0.9 million in dividends to the Group in 2018.

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

(in million euros)	At 31 December 2018			
	Assets	Liabilities, excluding shareholder's equity	Sales	Net profit (loss) for the year
Linnea S.A.	39.1	8.1	31.7	2.2

(in million euros)	At 31 December 2017			
	Assets	Liabilities, excluding shareholder's equity	Sales	Net profit (loss) for the year
Linnea S.A.	36.5	7.1	36.2	2.8

Note 17 Non-current financial assets and other non-current assets

17.1 Non-current financial assets

At 31 December 2018, non-current financial assets totaled €92.9 million and corresponded to probability-measured and discounted future payments that the Group may receive following the 3 April 2017 acquisition of oncology assets from Merrimack Pharmaceuticals.

In 2018, the €20.4 million decline in non-current financial assets resulted from payment received for Onivyde®. That payment, made by Servier, was included in "Net cash provided (used) by financing activities" in the consolidated statement of cash flow along with additional Onivyde® payments .

17.2 Other non-current assets

(in million euros)	31 December 2018	31 December 2017
Liquidity agreement (1)	1.8	2.3
Deposits paid	2.6	2.5
Total other non-current assets (2)	**4.4**	**4.8**

(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 (on each reporting date, the value at the transaction date, less impairment in the amount of the expected losses initially recognized).

Note 18 Detail of the change in working capital requirement

18.1 Movements

Movements in 2018 can be broken down as follows:

(in million euros)	31 December 2017	1st application of IFRS 15 (3)	1 January 2018	Movements during the period					31 December 2018
				Change in w/ cap related to operating activities	Change in w/ cap related to investing activities	Change in w/ cap related to financing activities	Foreign exchange differences	Other movements	
Inventories	167.4	–	167.4	29.8	–	–	1.3	–	198.5
Trade receivables	437.2	–	437.2	29.0	–	–	(4.0)	0.8	463.0
Current tax assets	58.0	–	58.0	(10.8)	–	–	0.6	(0.2)	47.7
Other current assets (see note 18.2.3)	96.3	–	96.3	27.7	(0.1)	(0.1)	(0.2)	2.9	126.4
WCR assets (1)	**758.8**	**–**	**758.8**	**75.7**	**(0.1)**	**(0.1)**	**(2.3)**	**3.6**	**835.6**
Trade payables	(319.1)	–	(319.1)	(62.4)	–	–	(1.2)	2.9	(379.8)
Current tax liabilities	(2.4)	–	(2.4)	(15.7)	–	–	0.2	6.5	(11.4)
Other current liabilities (see note 18.2.4)	(290.2)	3.1	(287.1)	21.6	(49.5)	0.8	1.6	(16.4)	(329.0)
Other non-current liabilities (see note 18.2.4)	(71.7)	13.5	(58.2)	(16.2)	–	(0.0)	0.4	13.1	(61.0)
WCR liabilities (2)	**(683.3)**	**16.5**	**(666.8)**	**(72.8)**	**(49.5)**	**0.8**	**1.0**	**6.1**	**(781.2)**
Total	**75.5**	**16.5**	**92.0**	**2.9**	**(49.6)**	**0.7**	**(1.3)**	**9.6**	**54.3**

(1) The fair value of "WCR assets" corresponds to the value reported in the balance sheet (on each reporting date, the value at the transaction date less impairment in the amount of the expected losses initially recognized).
(2) The carrying amount of items comprising "WCR liabilities" was deemed to be a reasonable estimation of fair value.
(3) Impacts of the first-time application of IFRS 15 (see note 3.2.1)

At 31 December 2018, gross trade receivables past due totaled €67.2 million.

(in million euros)	Total	Trade receivables < 3 months	Trade receivables from 3 to 6 months	Trade receivables from 6 to 12 months	Trade receivables > 12 months
Trade receivables – gross value	**67.2**	49.5	2.6	7.0	8.1
Trade receivables – net value	**65.3**	48.7	2.5	6.9	7.1

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. Following the first-time application of IFRS 15 in 2018, deferred income includes only amounts related to dynamic licenses (see notes 3.2.1 and 3.27).

Movements in 2017 can be broken down as follows:

(in million 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	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.

18.2 Breakdown

18.2.1 Inventories

(in million euros)	31 December 2018			31 December 2017
	Gross value	Depreciation	Net value	Net value
Raw materials and supplies	57.3	(2.5)	54.9	49.4
Work in progress	72.9	(13.7)	59.2	56.5
Finished goods	89.1	(4.6)	84.5	61.5
Total	**219.3**	**(20.8)**	**198.5**	**167.4**

18.2.2 Current financial assets

At 31 December 2018, current financial assets notably included derivative instruments totaling €4.9 million, versus €29.6 million at 31 December 2017.

18.2.3 Other current assets

(in million euros)	31 December 2018	31 December 2017
Receivables related to the sale of non-current assets	0.0	0.2
Advance payments to suppliers	24.9	21.9
Prepayments	29.5	22.9
Recoverable VAT	49.4	43.6
Other assets	22.6	7.7
Total other current assets [1]	**126.4**	**96.3**

(1) The fair value of "Other current assets" corresponds to the value reported in the balance sheet (on each reporting date, the value at the transaction date less impairment in the amount of the expected losses initially recognized).

18.2.4 Other current and non-current liabilities

(in million euros)	31 December 2018	31 December 2017
Non-current deferred income	61.0	71.7
Total other non-current liabilities (1)	**61.0**	**71.7**
Amounts due to non-current asset suppliers	106.2	56.3
Employment-related liabilities	150.9	142.8
VAT payable	24.2	21.1
Other current tax liabilities	10.3	8.3
Deferred income	24.9	38.8
Other liabilities	12.5	22.8
Total other current liabilities (1)	**329.0**	**290.2**

(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 million euros)	Consolidated balance sheet at 1 January 2018	Consolidated balance sheet at 1 January 2017
Net cash and cash equivalents – assets	228.0	425.5
Bank overdrafts – liabilities	(18.7)	(3.0)
Opening cash and cash equivalents	**209.3**	**422.5**

19.1.2 Closing net cash and cash equivalents

(in million euros)	Consolidated balance sheet at 31 December 2018	Consolidated balance sheet at 31 December 2017
Net cash and cash equivalents – assets	344.5	228.0
Bank overdrafts – liabilities	(33.6)	(18.7)
Closing cash and cash equivalents	**310.9**	**209.3**

The “Net cash and cash equivalents” line item consists of demand deposit and term deposit accounts with banks.

Bank overdrafts are repayable on demand.

19.2 Cash and cash equivalents

(in million euros)	31 December 2018	31 December 2017
Interest-bearing deposits	207.2	125.5
Cash and cash equivalents	137.4	102.5
Cash and cash equivalents – assets	**344.5**	**228.0**

Cash equivalents are presented at fair value (market value) and meet IAS 7 – Statement of Cash Flows criteria.

There are no significant cash and cash equivalents unavailable to the Group.

Note 20 Consolidated equity

20.1 Share capital

At 31 December 2018, Ipsen's share capital was comprised of 83,808,761 ordinary shares each with a nominal value of €1, including 48,047,154 shares with double voting rights, compared with 83,732,057 ordinary shares each with a nominal value of €1, including 47,852,938 shares with double voting rights at 31 December 2017.

These changes arose from the issuance of 76,704 new shares following the exercise of warrants in the 2018 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 3.32).

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

	31 December 2018	31 December 2017
Weighted average number of shares outstanding during the year	82,897,511	82,549,563
Consolidated net profit – attributable to Ipsen S.A. shareholders (in millions of euros)	389.5	272.3
Basic earnings per share (in euros)	**4.70**	**3.30**
Net profit from discontinued operations – attributable to Ipsen S.A. shareholders (in millions of euros)	2.0	2.3
Basic earnings per share, discontinued operations (in euros)	**0.02**	**0.03**
Net profit from continuing operations – attributable to Ipsen S.A. shareholders (in millions of euros)	387.4	270.0
Basic earnings per share, continuing operations (in euros)	**4.67**	**3.27**

20.3 Diluted earnings per share

- **Stock option plans**

At 31 December 2018, all stock option plans were dilutive, as at 31 December 2017, and were taken into account when calculating diluted earnings per share.

Share transactions occurring after 31 December 2018 would not significantly modify the number of shares used in calculating earnings per share or diluted earnings per share.

- **Bonus shares**

At 31 December 2018, bonus shares for the plans of 1 April 2015 (U.S. tax-resident beneficiaries), 31 May 2016 (U.S. and foreign tax-resident beneficiaries), and 29 March 2017, as well as the portion of bonus shares free of performance conditions in the 30 May 2018 plan, were not included in the calculation of the average weighted number of shares for basic earnings per share, but were included in diluted earnings.

	31 December 2018	31 December 2017
Weighted average number of shares outstanding during the year	83,248,336	83,030,871
Consolidated net profit – attributable to Ipsen S.A. shareholders (in millions of euros)	389.5	272.3
Diluted earnings per share (in euros)	**4.68**	**3.28**
Net profit from discontinued operations – attributable to Ipsen S.A. shareholders (in millions of euros)	2.0	2.3
Diluted earnings per share, discontinued operations (in euros)	**0.02**	**0.03**
Net profit from continuing operations – attributable to Ipsen S.A. shareholders (in millions of euros)	387.4	270.0
Diluted earnings per share, continuing operations (in euros)	**4.65**	**3.25**

20.4 Weighted average number of shares outstanding

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

	31 December 2018	31 December 2017
Number of ordinary shares at start of year	**83,732,057**	**83,557,864**
Treasury shares (weighted average number)	(895,416)	(1,101,854)
Impact of options exercised in the 2018 financial year – Stock option plan of 12 December 2006	2,823	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 2018 financial year – Stock option plan of 31 March 2010	57,762	35,570
Impact of options exercised in the 2018 financial year – Stock option plan of 30 June 2011	286	538
Weighted average number of shares outstanding during the year	**82,897,511**	**82,549,563**

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

	31 December 2018	31 December 2017
Weighted average number of shares outstanding to calculate basic earnings per share	**82,897,511**	**82,549,563**
Dilutive effect of stock options	28,741	431,945
Dilutive effect of bonus shares	322,084	49,363
Weighted average number of shares outstanding to calculate diluted earnings per share	**83,248,336**	**83,030,871**

20.5 Dividends paid

Dividends paid by Ipsen S.A. were as follows:

		31 December 2018	31 December 2017
Dividend payout (in euros)	(a)	83,017,070	70,247,053
Number of shares on the payment date	(b)	83,017,070	82,643,592
Dividend per share (in euros)	**(a) / (b)**	**1.00**	**0.85**

Note 21 Provisions

21.1 Movements

Movements in 2018 can be broken down as follows:

(in million euros)	31 December 2017	Movements during the year					31 December 2018
		Charges	Reversals		Foreign exchange differences	Other movements (*)	
			Applied	Released			
Business and operating risks	8.8	18.4	(3.2)	(4.6)	0.0	–	19.4
Legal risks	22.3	7.6	(4.3)	(9.1)	0.3	6.6	23.2
Restructuring costs	9.3	8.5	(2.6)	(0.2)	0.3	–	15.3
Other	9.5	3.3	(5.3)	(0.1)	0.2	(0.0)	7.6
Total provisions	**49.9**	**37.7**	**(15.4)**	**(14.0)**	**0.8**	**6.6**	**65.5**
– of which current	16.6	12.9	(10.3)	(1.2)	0.5	2.6	21.1
– of which non-current	33.3	24.8	(5.0)	(12.9)	0.3	4.0	44.5

(*) The valuation by some Group subsidiaries of the recovery risk for research tax credits, previously recorded in the "Current tax assets" line item, was reclassified in the "Legal risks" line item.

At 31 December 2018, provisions broke down as follows:

- **Business and operating risks**

These provisions included certain risks of an economic nature reflecting costs that the Group could be brought to bear to terminate commercial contracts or resolve various disagreements of commercial origin. Charges for the period stemmed mainly from terminating research and development studies.

- **Legal risks**

These provisions included:

- €18.4 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;
- €4.6 million for costs related to labor-related litigation that the Group may incur;
- €0.2 million for various other legal risks.

- **Restructuring costs**

These provisions correspond mainly to costs incurred by the Group to adapt its structure. At 31 December 2018, the increase in this line item resulted notably from moving the U.S. sales subsidiary to Cambridge, Massachusetts.

- **Other**

At 31 December 2018, a provision was recorded for Group performance-related medium-term bonus plans. The reversals for the period arose after remuneration was paid following the maturity of the plans.

Movements in 2017 can be broken down as follows:

(in million euros)	31 December 2016	Movements during the year					31 décembre 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

21.2 Impact on consolidated income

Charges totaling €37.7 million were recognized in Operating income in 2018. In 2018, released reversals totaling €13.6 million were recognized in Operating income, while €0.4 million in released reversals were recognized in Income taxes.

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.

Note 22 Bank loans and financial liabilities

22.1 Movements

Movements in bank loans and other financial liabilities between 31 December 2017 and 31 December 2018 were as follows:

(in million euros)	31 December 2017	Additions	Repayments	Net change in interest	Other movements	Foreign exchange differences	31 December 2018
Bonds and bank loans	297.5	–	–	–	0.4	–	297.9
Other financial liabilities	102.8	3.2	(3.9)	0.0	(15.0)	0.9	88.1
Non-current financial liabilities (measured at amortized cost)	**400.3**	**3.2**	**(3.9)**	**0.0**	**(14.6)**	**0.9**	**386.0**
Credit lines and bank loans	46.0	0.1	(46.8)	–	4.7	–	4.1
Other financial liabilities	228.0	–	(81.7)	(0.1)	14.8	2.6	163.7
Current financial liabilities (measured at amortized cost) (1)	**274.0**	**0.1**	**(128.4)**	**(0.1)**	**19.6**	**2.6**	**167.8**
Derivative financial instruments	20.7	–	–	–	(4.3)	–	16.5
Current financial liabilities (financial liabilities measured at fair value) (2)	**20.7**	**–**	**–**	**–**	**(4.3)**	**–**	**16.5**
Current financial liabilities	**294.7**	**0.1**	**(128.4)**	**(0.1)**	**15.3**	**2.6**	**184.2**
Total financial liabilities	**695.0**	**3.3**	**(132.3)**	**(0.1)**	**0.7**	**3.5**	**570.2**

(1) The carrying book amount of current financial liabilities measured at amortized cost was deemed to be a reasonable estimation of fair value. Repayments included additional payments made for Onivyde® and are presented in "Net cash provided (used) by financing activities" in the consolidated statement of cash flow along with additional Onivyde® payments received from Servier (see note 17.1).
(2) Fair value corresponds to the market value. The (€4.3) million in other movements corresponds to the change in the fair value of derivative financial instruments used to hedge foreign exchange risk.

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. At 31 December 2018, none of these bank loans had been tapped by the Group.

Ipsen S.A. also has a €600 million syndicated loan that matures on 17 October 2022. At 31 December 2018, this credit line remained untapped.

Ipsen S.A. has a €600 million program for issuing commercial paper (NEU CP - Negotiable European Commercial Paper), of which €141 million had been issued as of 31 December 2018.

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

(in million 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.
(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.

22.2 Breakdown by maturity and currency

At 31 December 2018, the Group had:

- €300 million in bonds maturing on 16 June 2023;
- an untapped, €600 million syndicated line of credit maturing on 17 October 2022.

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 2018, there were no derivative financial instruments for hedging interest rate risk.

23.2 Exchange rate risk hedging

23.2.1 Application of IFRS 9 – Financial Instruments

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 US dollar, the pound sterling, the Chinese yuan, or the Russian ruble against the euro (the main currencies in which the Group operates) would impact sales by plus 5% or minus 4%, and operating income by plus 5% or minus 4%.

Several types of risks can be identified:

- transactional foreign exchange risk related to business activities: The Group hedges its main foreign currencies, including the USD, GBP, CNY, RUB, CHF, PLN, AUD, and BRL, based on its budget forecasts;
- financing foreign exchange risk related to financing contracted in a currency other than the functional currencies of Group entities.

Ipsen implemented a foreign exchange rate hedging policy to reduce the exposure of its net profit to foreign currency fluctuations.

At 31 December 2018 and 31 December 2017, derivative financial instruments held by the Group are broken down as follows:

(in million euros)		31 December 2018						31 December 2017		
		Face value	Fair value		Nominal value by maturity			Face value	Fair value	
			Assets	Liabilities	Less than 1 year	1 to 5 years	Over 5 years		Assets	Liabilities
Exchange rate risk hedging – Sales transactions										
Put forward contracts	Cash Flow Hedge	702.0	3.6	(13.2)	702.0	–	–	545.7	29.1	(3.3)
Put option contracts		21.2	0.0	–	21.2	–	–	13.0	0.0	–
Seller at maturity foreign exchange swaps		88.6	0.2	(0.2)	88.6	–	–	86.9	0.2	(0.2)
Call forward contracts		243.2	0.3	(2.5)	243.2	–	–	349.1	3.4	(16.8)
Call option contracts		11.1	0.1	–	11.1	–	–	18.0	0.3	–
Buyer at maturity foreign exchange swaps		38.0	0.1	(0.0)	38.0	–	–	20.7	0.0	(0.0)
Total business transactions		**1,104.1**	**4.3**	**(15.8)**	**1,104.1**			**1,033.3**	**33.1**	**(20.4)**
Exchange rate risk hedging – Financial transactions										
Put forward contracts	Derivatives not qualified	15.3	0.2	(0.0)	15.3	–	–	11.6	0.1	(0.0)
Seller at maturity foreign exchange swaps		321.7	0.3	(0.2)	321.7	–	–	202.5	1.0	(0.3)
Call forward contracts		43.3	0.1	(0.1)	43.3	–	–	0.9	0.0	(0.0)
Buyer at maturity foreign exchange swaps		334.0	0.1	(0.3)	334.0	–	–	128.2	0.3	(0.0)
Financial transactions		**714.3**	**0.7**	**(0.6)**	**714.3**			**343.2**	**1.4**	**(0.3)**
Total hedging of business and financial transactions		**1,818.5**	**4.9**	**(16.5)**	**1,818.5**			**1,376.5**	**34.5**	**(20.7)**

- **Impact of financial instruments used for future cash flow hedges on equity**

At 31 December 2018, the future cash flow hedge reserve for business transactions came to a pre-tax (€5.1) million, compared to a pre-tax reserve of €22.3 million at 31 December 2017.

- **Impact of financial instruments used for future cash flow hedges on Operating income**

At 31 December 2018, financial instruments used for future cash flow hedges on business transactions positively impacted Operating income in the amount of €15.7 million, mainly as a result of gains from hedging USD-denominated transactions.

- **Impact of financial instruments used for future cash flow hedges on Net financial income (expense)**

At 31 December 2018, the ineffective impact of financial instruments used for future cash flow hedges recognized in Net financial income (expense) came to (€15.8) million.

- **Impact of financial instruments not qualified for future cash flow hedges on Net financial income (expense)**

At 31 December 2018, the ineffective impact of financial instruments classified in "Financial assets and liabilities at fair value through profit or loss" totaled (€3.6) million.

23.2.2 Transactional foreign exchange risk

The Group's hedging policy is aimed at 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 and highly probable business transactions.

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 mainly uses future cash flow hedge accounting.

The Group's policy is not aimed at 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 2018 and 2017:

(in million euros)	31 December 2018		31 December 2017	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Market value of currency instruments	4.9	16.5	34.5	20.7
Total	**4.9**	**16.5**	**34.5**	**20.7**

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.

Derivative financial instruments reported in the balance sheet at 31 December 2018 are broken down as follows:

(in million euros)	31 December 2018		Breakdown by financial instrument class - balance sheet value						Level of fair value		
	Carrying value	Fair value	Fair value through income statement	Financial assets at fair value through other comprehensive income	Financial assets at fair value through the profit or loss	Assets at amortized cost	Liabilities at amortized cost	Derivatives	Level 1	Level 2	Level 3
Equity investments	65.2	65.2	–	38.8	26.4	–	–	–	38.4	11.2	15.6
Non-current financial assets	92.9	92.9	–	–	–	92.9		–	–		92.9
Other non-current assets	4.4	4.4	–	–	–	4.4	–		4.4	–	–
Trade and account receivables	463.0	463.0	–	–	–	463.0		–			
Current financial assets	5.5	5.5	0.6	–	–	–	–	4.9	–	4.9	0.6
Other current assets	126.4	126.4	–	–	–	126.4	–	–			
Cash and cash equivalents	344.5	344.5	344.5	–	–	–	–	–	344.5	–	–
ASSETS	**1,101.9**	**1,101.9**	**345.1**	**38.8**	**26.4**	**686.6**	**–**	**4.9**	**387.3**	**16.2**	**109.0**
Non-current financial liabilities	386.0	393.5	–	–	–		386.0	–	305.5	3.4	84.6
Other non-current liabilities	61.0	61.0		–	–	–	61.0	–			
Current financial liabilities	184.2	184.2	–	–	–	–	167.8	16.5	148.7	18.0	17.5
Trade payables	379.8	379.8	–	–	–	–	379.8	–			
Other current liabilities	329.0	329.0	–	–	–	–	329.0	–			
Bank overdraft	33.6	33.6	–	–	–	–	33.6	–	33.6	–	–
LIABILITIES	**1,373.7**	**1,381.2**	**–**	**–**	**–**	**–**	**1,357.2**	**16.5**	**487.8**	**21.4**	**102.1**

Derivative financial instruments reported in the balance sheet at 31 December 2017 are broken down as follows:

(in million 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, receivables 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 account receivables	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**

Note 25 Information on entities consolidated as joint operations

25.1 Balance sheet items

(in million euros)	31 December 2018				31 December 2017			
	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Companies								
Cara Partners	10.5	13.0	4.9	6.8	8.9	11.3	6.1	5.6
Garnay Inc.	2.5	0.5	–	0.1	2.4	0.2	–	0.0
Saint-Jean d'Illac S.C.A.	2.2	0.4	0.1	0.1	2.2	0.3	0.1	0.1
Wallingstown Company	4.2	6.6	–	0.0	2.5	6.6	–	0.4
Total	**19.4**	**20.4**	**4.9**	**6.9**	**16.0**	**18.4**	**6.1**	**6.1**

Data pertaining to other companies consolidated as joint operations were not material.

25.2 Income statement items

(in million euros)	31 December 2018			31 December 2017		
	Sales	Operating expenses	Share of net profit (loss)	Sales	Operating expenses	Share of net profit (loss)
Companies						
Cara Partners	4.8	(3.3)	1.6	4.2	(2.1)	1.9
Garnay Inc.	0.2	0.0	0.3	0.3	(0.1)	0.1
Saint-Jean d'Illac S.C.A.	0.4	0.3	0.6	0.2	(1.2)	(0.6)
Wallingstown Company	12.6	(10.9)	1.7	11.3	(9.7)	1.6
Total	**18.1**	**(13.9)**	**4.2**	**16.0**	**(13.1)**	**2.9**

Data pertaining to other companies consolidated as joint operations were not material.

Note 26 Information on related parties

26.1 Director and executive compensation

In 2018, the total compensation paid to Board and Executive Leadership Team members amounted to €17.7 million, of which €2 million were paid to members of the Board of Directors and €15.7 million were paid to members of the Executive Leadership Team (see Chapter 5).

Pension and similar benefits for Board members and members of the Executive Leadership Team came to €5.2 million at 31 December 2018, with a total of €2.3 million paid to members of the Board of Directors and €2.9 million paid to Executive Leadership Team members.

On 14 February 2018, the Board of Directors determined the Chief Executive Officer's compensation scheme for his corporate mandate, including a targeted bonus subject to performance conditions.

On 28 March 2018, the Board of Directors reviewed the fixed portion of the compensation scheme set for the Chairman of the Board of Directors.

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 compensation under their corporate mandates.

26.2 Transactions with related parties

26.2.1 In the income statement

(in million euros)	31 December 2018		31 December 2017	
	Income	Operating expenses	Income	Operating expenses
Companies consolidated as joint operations (1)	7.3	(11.0)	6.7	(10.5)
Associated companies (1)	–	0.0	–	–
Companies over which the Group's executive officers exercise significant influence (2)	–	(0.1)	–	(0.1)
Total	**7.3**	**(11.0)**	**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 balance sheet

(in million euros)	31 December 2018				31 December 2017			
	Loans and receivables	Trade receivables	Bank loans/ Debt	Trade payables	Loans and receivables	Trade receivables	Bank loans/ Debt	Trade payables
Companies consolidated as joint operations (1)	12.8	5.1	0.7	4.1	11.2	3.5	0.7	4.7
Total gross	**12.8**	**5.1**	**0.7**	**4.1**	**11.2**	**3.5**	**0.7**	**4.7**
Provisions for doubtful accounts receivables	–	–	–	–	–	–	–	–
Total (net of write-offs)	**12.8**	**5.1**	**0.7**	**4.1**	**11.2**	**3.5**	**0.7**	**4.7**

(1) See note 26.2.1.

26.2.3 Off-balance sheet commitments

This item includes rent commitments to companies over which executive officers of the Group exercise significant influence. The total amount of future rent payments due in respect of these rented premises amounted to €0.1 million at 31 December 2018.

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 million euros)	31 December 2018
Key agreements in Oncology	1,119.6
Key agreements in Neuroscience	108.6
Key agreements in Consumer Healthcare	19.0
Total	**1,247.3**

At 31 December 2018, commitments given by the Group and related to key agreements in oncology totaled €1,120 million, versus commitments of €671 million at 31 December 2017. These commitments included €529 million in milestone payments that may be paid Exelixis, as well as €473 million in milestone payments that may be paid to the MD Anderson Cancer Center at the University of Texas, following the agreement signed 29 May 2018.

27.1.2 Operating commitments received

As part of its key agreements listed in the following table, the Group could receive milestone payments related to the success of development and marketing phases:

(in million euros)	31 December 2018
Key agreements in Oncology	18.4
Key agreements in Neuroscience	34.4
Key agreements in Rare Diseases	324.7
Key agreements in Consumer Healthcare	67.6
Key agreements in Haematology	162.2
Total	**607.3**

At 31 December 2018, commitments received by the Group and related to key agreements in rare diseases totaled €325 million, versus commitments of €96 million at 31 December 2017. These commitments included €226 million in milestone payments that may be received from Tiburio Therapeutics Inc., following a partnership agreement signed 20 December 2018 concerning a license for the treatment of non-functioning pituitary adenoma (NFPA) and rare endocrine diseases.

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 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 15 March 2018 issued a letter of guarantee payable upon first demand in favor of the third-party insurer for a total amount of €9 million. The first-demand guarantee is renewable annually.

Further, the Group owns a 50% interest in the Swiss-based entity Linnea S.A., consolidated using the equity method, and which has subscribed to three credit lines totaling CHF11 million. These credit lines were not drawn on during the year.

27.3 General risks

The Group may be involved in litigation, arbitration and other legal proceedings. Such proceedings are generally related to civil litigation concerning product liability, intellectual property rights, competition law, trading practices, trade rules, labor rights, tax issues, waste treatment and environmental issues, and requests for guaranteeing the liabilities of assets sold. Provisions related to litigation and arbitration are recognized in compliance with the principles presented in note 3.23.

Most of the questions raised by these claims are complex and subject to significant uncertainties. As a consequence, it is sometimes difficult to measure the probability that the Group will have to recognize an expense and to measure the amount. Contingent liabilities relate to those cases where it is not reasonably possible to provide a reliable estimate of the financial impact that could arise from the settlement of the cases, or where the probability is low that the cases will result in payment by the Group.

In general, risks are measured according to a series of complex assumptions about future events. These measurements are based on estimates and assumptions deemed reasonable by management. The Group believes that the total amount of provisions recognized for the aforementioned general risks is adequate based on currently available information. However, given the uncertainties inherent to such litigation and to contingent liability estimates, the Group cannot rule out the possibility of future decisions that could have an unfavorable material impact on its results.

The Group set up a tax pool in France for all of Group companies operating in France that meet legal requirements. The system provides for various penalty provisions when entities leave the tax group, mentioned here for informational purposes.

27.4 Liquidity risk and counterparty risk

The Group's policy is to diversify its business counterparties so as to avoid the risks associated with excessive concentration and to make qualitative decisions in choosing these counterparties. Further, the Group monitors the credit risks associated with the financial instruments in which it invests and limits its investments according to the credit rating of its business counterparties. These funds are managed by the Group and are mainly invested in term deposits and term accounts. The Group invests its surpluses in short-term money-market financial instruments negotiated with counterparties whose credit ratings are at least A-1 (Standard & Poor's) or P-1 (Moody's).

27.5 Other commitments

27.5.1 Capital expenditure commitments

Future Group expenditures resulting from investment commitments amounted to €52.5 million at 31 December 2018, and were broken down as follows:

(in million euros)	Maturity			Total
	Less than one year	From one to five years	Over five years	
Industrial assets	40.4	8.0	–	**48.4**
Research and development assets	1.4	–	–	**1.4**
Other	2.8	–	–	**2.8**
Total	**44.6**	**8.0**	**–**	**52.5**

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 €204.8 million at 31 December 2018, compared with €167.4 million at 31 December 2017.

Due dates are as follows:

(in million euros)	31 December 2018	31 December 2017
Less than one year	30.9	25.1
From one to five years	111.4	78.0
Over five years	62.4	64.3
Total	**204.8**	**167.4**

At 31 December 2018, rental lease-related commitments stemmed primarily from the Group's Boulogne headquarters, the buildings rented by the UK subsidiary Ipsen Biopharm Ltd and the buildings rented by Ipsen's U.S. subsidiaries.

The application of IFRS 16 is expected to trigger a liability commensurate with Ipsen's off-balance sheet commitments at 31 December 2018, discounted over the remaining term of the leases and adjusted for any payment shifts.

27.5.3 Risk of acceleration of borrowings

The Group's exposure to this risk is described in note 22.2.

At 31 December 2018, 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 €38.3 million at 31 December 2018. 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 2018, those commitment totaled €74.8 million.

Note 28 Post closing events with no impact on the consolidated financial statements at 31 December 2018

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 2018 and 31 December 2017.

29.1 Fully consolidated companies

Name and legal form	Country	Registered office	31 December 2018	31 December 2017
			% interest	% interest
Ipsen S.A. (Parent company)	France	Boulogne (92)	100	100
BB et Cie S.A.S.	France	Boulogne (92)	100	100
Beaufour Ipsen Industrie S.A.S.	France	Dreux (28)	100	100
Ipsen Consumer Healthcare S.A.S.	France	Boulogne (92)	100	–
Ipsen Innovation S.A.S.	France	Les Ulis (91)	100	100
Ipsen Pharma S.A.S.	France	Boulogne (92)	100	100
Ipsen PharmSciences S.A.S.	France	Dreux (28)	100	–
Sutrepa S.A.S	France	Boulogne (92)	100	100
Ipsen Pharma Biotech S.A.S.	France	Signes (83)	100	100
Ipsen Pharma Algérie S.P.A.	Algeria	Algiers	49	–
Ipsen Pharma GmbH	Germany	Ettlingen	100	100
OctreoPharm Sciences GmbH	Germany	Berlin	100	100
Ipsen Pty Limited	Australia	Glen Waverley	100	100
Ipsen N.V.	Belgium	Merelbeke	100	100
Beaufour Ipsen Farmaceutica LTDA	Brazil	São 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	New Jersey	100	100
Ipsen Bioscience Inc.	United States	Massachusetts	100	100
Ipsen Epe	Greece	Athens	80	80
Elsegundo Limited	Ireland	Cork	100	100
Ipsen Manufacturing Ireland Limited	Ireland	Dublin	100	100
Ipsen Pharmaceuticals Limited	Ireland	Dublin	100	100
Ipsen S.p.A.	Italy	Milan	100	100
Akkadeas Pharma S.r.l	Italy	Milan	100	49
Ipsen Pharma Kazakhstan	Kazakhstan	Almaty	100	–
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	Algés	100	100
Ipsen Pharma Romania S.R.L.	Romania	Bucharest	100	–
Ipsen Limited	United Kingdom	Berkshire	100	100
Ipsen BioInnovation Limited	United Kingdom	Oxford	100	100
Ipsen Biopharm Limited	United Kingdom	Wrexham	100	100
Ipsen Developments Limited	United Kingdom	Berkshire	100	100
Sterix Limited	United Kingdom	Slough	100	100
Ipsen OOO	Russia	Moscow	100	100
Ipsen Pharma Singapore PTE Ltd	Singapore	Singapore	100	100
Institut Produits Synthèse (Ipsen) AB	Sweden	Kista	100	100
Ipsen Pharma Tunisie S.A.R.L.	Tunisia	Tunis	100	100
Ipsen Ukraine Services LLC	Ukraine	Kiev	100	100

29.2 Companies consolidated as joint operations for the Group's share of net profit or loss

Name and legal form	Country	Registered office	31 December 2018	31 December 2017
			% interest	% interest
Garnay Inc.	United States	South Carolina	50	50
Saint-Jean d'Illac S.C.A.	France	Boulogne (92)	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 2018	31 December 2017
			% interest	% interest
Linnea S.A.	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 thousand euros)	Deloitte & Associés				KPMG Audit			
	Amounts, net of VAT		%		Amounts, net of VAT		%	
	2018	2017	2018	2017	2018	2017	2018	2017
Certification and limited interim review of separate and consolidated financial statements								
Issuer	*210*	*244*	*27%*	*34%*	*179*	*213*	*26%*	*27%*
Fully consolidated subsidiaries	*545*	*479*	*69%*	*66%*	*474*	*517*	*70%*	*65%*
Sub-total	**755**	**723**	**96%**	**100%**	**653**	**730**	**96%**	**92%**
Services other than the certification of the financial statements (1)								
Issuer	*22*	*0*	*3%*	*0%*	*0*	*33*	*0%*	*4%*
Fully consolidated subsidiaries	*9*	*0*	*1%*	*–*	*29*	*29*	*4%*	*4%*
Sub-total	**31**	**0**	**4%**	**0%**	**29**	**62**	**4%**	**8%**
Total	**786**	**723**	**100%**	**100%**	**682**	**792**	**100%**	**100%**

(1) The nature of "services other than the certification of financial statements" provided by the Statutory Auditors to the consolidating entity and its controlled subsidiaries includes the certification of financial, environmental and corporate social responsibility data, and independent third-party missions.

3.2.6 Statutory Auditors' report on the consolidated financial statements

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Ipsen S.A.

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

Statutory Auditors' report on the consolidated financial statements

Financial Year ended 31 December 2018

For the attention of the Annual General Meeting of Ipsen S.A.,

Opinion

In compliance with the assignment entrusted to us by your Annual General Meeting, we have conducted an audit of the consolidated financial statements of Ipsen S.A. pertaining to the year which ended 31 December 2018, as attached to the present report.

We certify that, with regards to the IFRS accounting standards adopted in the European Union, the consolidated financial statements present a true and fair view of the results of the operations for the most recent fiscal year, of the financial position and of the assets and liabilities of the Group at the end of the year.

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 2018 to the issuance date of our report, and, in particular, we have not provided any services prohibited by Article 5, Paragraph 1, of Regulation (EU) no. 537/2014 or by the code of ethics of the profession of statutory auditor.

Observation

Without questionning the conclusion expressed above, we bring your attention to note 3.2.1 of the annex "Application of the norm IFRS 15 – Product of regular activities from contracts concluded with clients" and to 3.2.2 of the annex "Application of the norm IFRS 9 – Financial Instruments" which expose the impact of changes in accounting methods, since 1 January 2018 of IFRS 15 and 9 respectively.

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 bring 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.

Assessment of the recoverable amount of licences

Notes 3.12, 3.15, 3.29, 6.2 and 13 to the consolidated financial statements

Identified risk

On 31 December 2018, the net value of the Group licences, presented in other intangible assets, stands at 900.9 million euros versus a total balance sheet of 3,377.4 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 3.15 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 3.15 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.

Finally, we also assessed the appropriateness of the information disclosed in the following notes to the consolidated financial statements: 3.12, 3.15, 3.29, 6.2 and 13.

Specific verifications

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.

We attest that the consolidated declaration of extra-financial performance described in article L.225-102-1 of the French Commercial Code *(Code de commerce)*, was included in the Management Report, while noting that, in accordance with the Article L.823-10 of the Code, we did not assess the information it contains for either its veracity or its coherence with the consolidated financial statements and that this information must be assessed by an independent third party organization.

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 2018, KPMG S.A. was in the 14th consecutive year of its assignment and Deloitte & Associés was in its 21st year, including 14 years for both firms the company's shares have been admitted for trade on a regulated market.

Responsibilities of Management and of the persons constituting the corporate governance related to the 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, for the procedures related to the compiling and processing of accounting and financial information.

The consolidated financial statements were 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, 15 February 2019

KPMG Audit
Department of KPMG S.A

Catherine Porta
Partner

Cédric Adens
Partner

Paris La Défense, 15 February 2019

Deloitte & Associés

Jean Marie Le Guiner
Partner

3.3 2018 COMPANY FINANCIAL STATEMENTS

3.3.1 Summary document

Balance sheet at 31 December 2018

Assets (in million euros)	31 December 2018			31 December 2017
	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	1,167.4		1,167.4	1,167.5
– Loans	437.3		437.3	483.7
– Other financial assets	14.7	0.0	14.7	9.4
Non–current assets	**1,619.7**	**0.0**	**1,619.6**	**1,660.9**
Receivables				
– Advances and down–payments to suppliers	0.0		0.0	0.0
– Trade and accounts receivables	13.3		13.3	15.0
– Other receivables	27.7		27.7	45.0
Other				
– Short–term investments	60.8	2.5	58.3	63.6
– Cash and cash equivalents	65.7		65.7	65.4
– Prepayments	0.1		0.1	0.0
Current assets	**167.5**	**2.5**	**165.0**	**189.1**
Debt issuance costs to be amortized	**2.4**		**2.4**	**3.0**
Bond redemption premium	**1.2**		**1.2**	**1.5**
Unrealized losses on foreign exchange	**5.5**		**5.5**	**14.3**
Total assets	**1,796.4**	**2.5**	**1,793.8**	**1,868.8**

Liabilities (in million euros)	31 December 2018	31 December 2017
Share capital	83.8	83.7
Paid-in capital	741.7	739.1
Legal reserve	44.7	44.7
Other reserves	94.4	94.4
Retained earnings	58.5	158.9
Net profit (loss) for the period	(15.4)	(17.4)
Regulated provisions		0.0
Equity	**1,007.7**	**1,103.5**
Provisions for contingencies	15.6	20.5
Provisions for losses	0.4	0.7
Provisions for contingencies and losses	**15.9**	**21.3**
Other bonds	303.1	303.1
Bank borrowings	0.4	42.5
Sundry borrowings and financial liabilities	141.3	201.6
Trade and accounts payable	4.9	5.1
Taxes payable and payroll and payroll on-cost amounts payable	6.5	12.1
Amounts due to non-current asset suppliers	5.3	0.7
Other liabilities	307.9	173.9
Cash instruments	0.8	0.4
Deferred income	0.0	0.0
Debts	**770.2**	**739.4**
Unrealized gains on foreign exchange	0.0	4.7
Total equity & liabilities	**1,793.8**	**1,868.8**

Income statement at 31 December 2018

(in million euros)	31 December 2018	31 December 2017
Sales of merchandise	–	–
Production sold - services	15.4	20.1
Net sales	**15.4**	**20.1**
Reversal of depreciation, amortization & provisions, expense transfers	16.1	17.6
Other revenues	–	–
Operating income	**31.5**	**37.6**
Other purchases and external charges	(6.7)	(9.7)
Taxes and duties	(1.0)	(1.1)
Wages and salaries	(10.9)	(20.7)
Payroll on-costs	(2.0)	(7.6)
Depreciation expense on fixed assets	(0.6)	(0.6)
Provision expense on fixed assets	–	–
Provision expense for contingencies and losses	(8.0)	(13.4)
Miscellaneous operating expenses	(1.0)	(1.0)
Operating expenses	**(30.1)**	**(54.1)**
Operating profit (loss)	**1.4**	**(16.5)**
Financial income from participating interests	0.0	0.5
Income from other non-current receivables	8.9	7.0
Other interest and similar income	4.2	1.7
Reversal of provisions and transfer of extraordinary expense	0.0	0.0
Foreign exchange gains	35.5	18.0
Financial income	**48.6**	**27.1**
Depreciation, amortization and provision charges	(1.4)	(1.7)
Interest and other financial expenses	(14.0)	(10.7)
Foreign exchange losses	(35.9)	(21.7)
Financial expense	**(51.3)**	**(34.1)**
Net financial income (expense)	**(2.7)**	**(6.9)**
Pre-tax profit (loss) on ordinary activities	**(1.3)**	**(23.4)**
Extraordinary income from operations	–	–
Extraordinary income from capital transactions	1.3	0.5
Reversal of provisions and transfer of extraordinary expense	–	–
Extraordinary income	**1.3**	**0.5**
Extraordinary expense from operations	–	–
Extraordinary expense from capital transactions	(14.9)	(7.1)
Depreciation, amortization and provision charges	–	–
Extraordinary expenses	**(14.9)**	**(7.1)**
Net extraordinary income (expense)	**(13.5)**	**(6.6)**
Employee profit-sharing	–	–
Income tax income (expense)	(0.6)	12.6
Net profit (loss) for the year	**(15.4)**	**(17.4)**

3.3.2 Notes on the annual financial statements

Notes

These are the notes to the balance sheet and the income statement for the year ended 31 December 2018. The total balance sheet amount comes to €1,793.8 million, while the income statement shows a net loss of €15.4 million for the period. Had the Company been taxed separately, its net loss for tax purposes would have totaled €17.9 million.

The reporting period covers the 12-month period from 1 January to 31 December 2018.

The notes and tables presented below form an integral part of the annual financial statements.

Note 1 Significant events during the year

1.1 Share repurchasing program

On 4 June 2018, Ipsen announced that it had granted Natixis a mandate to purchase 250,000 Ipsen S.A. shares, representing approximately 0.3% of the Company's share capital at that date. The purchase was to take place over a period of three months. The purchased shares were allocated primarily to cover share awards as part of the Company's bonus share plans and new employee shareholding plans.

The buyback program was in line with the authorizations granted by the Combined Shareholder's Meeting of 30 May 2018.

The program ended on 12 October 2018.

Under the program, the Company repurchased 250,000 shares for a total €34.5 million in the year ended 31 December 2018.

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°2018-07 of 10 December 2018, which modified ANC Regulation n°2014-03 approved by the Order of 5 June 2014), in observance of the prudence principle and the independence of financial years and the presumption of a going concern.

The Company did not carry out a revaluation of its balance sheet.

2.1.2 Valuation methods

2.1.2.1 Intangible assets

Intangible assets are accounted for at acquisition cost or contribution value, less cumulative amortization and any impairment losses.

The cost of intangible assets with a defined useful life, less any residual value, is amortized over a period corresponding to the useful life estimated by the Company. Amortization periods are determined on a case-by-case basis depending on the type of asset concerned.

Intangible assets with an indefinite useful life are not amortized, but are systematically tested annually for impairment.

As a general rule, brands and trademarks are not amortized.

2.1.2.2 Financial investments

- Equity investments

Equity investments whose long-term ownership is deemed useful to Ipsen's activity, notably because it allows for the exercise of influence or control over the issuing company, are recognized at acquisition cost. When the value at the closing date is below the carrying value, a provision for impairment is recorded for the difference. The value at the closing date is measured according to such criteria as the value of the share held in the net assets or the earnings prospects of the relevant company. These criteria are weighted by the effects of owning these shares in terms of strategy or synergies, in respect of other investments held.

Acquisition-related expenses are included in the acquisition cost of the shares. These expenses are spread over five years for tax purposes *via* a regulated provision in the accounts.

- Other financial assets
  - Liquidity agreement. Under the program to buy back the Company's own shares, Ipsen funds a liquidity account as part of a liquidity agreement. The contributions made are not available and, as a result, are posted to "Other financial assets."

The capital gains and losses from each transaction are recognized on the income statement, without offset.

At the closing date, short-term investment amounts are measured at their net asset liquidation value. Capital gains realized between the closing date value and the starting value are not recognized. Unrealized capital losses are written down.

– Share repurchase program aimed at cancelling the shares. Shares repurchased for purposes of cancellation are recorded at acquisition cost in "Other financial assets". These shares are not subject to an assessment of their net asset liquidation value at the close of the period.

2.1.2.3 Receivables

Receivables are measured at nominal value.

Receivables are assessed on a case-by-case basis and may be written down depending on the risks identified.

2.1.2.4 Short-term investments

In accordance with opinion 2008-17 of France's National Accounting Board (*Conseil National de Comptabilité* – CNC), Company shares allotted to bonus share plans and stock option plans and purchased outside the framework of a liquidity agreement are recorded at acquisition cost, *i.e.* the purchase price plus transaction fees, in "Short-term investments". Other Company shares held as part of a liquidity agreement are fixed assets classified as other investment securities.

At the closing date, provisions were recorded as follows:

- For Company shares purchased with a view to allocating them to bonus share plans, a provision was recorded on the liability side of the balance sheet to account for employee share allocation obligations based on services rendered. Because the allotment of Ipsen's bonus share plans are subject to length of service conditions at the Company, the provision is spread over the vesting period, as required under the CNC opinion;
- Otherwise, for Company shares, when the value at the closing date, *i.e.* the average monthly share price during the last month of the financial year, is below carrying value, 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. Derivative instruments classified as IOPs are recognized at fair value on the balance sheet against corresponding amounts in revaluation reserves. Unrealized losses on IOP transactions were provisioned as contingencies.

Foreign exchange gains and losses are posted in the "Other operating income" or "Other operating expenses" line item under operating income (expenses), or in the "Foreign exchange gains" or "Foreign exchange losses" line item under financial income (expense), depending on the nature of the transaction. In line with the hedge accounting symmetry principle, foreign exchange hedging transactions are recognized in the same income statement line item as the hedged item.

The Company opted to stagger premiums and discounts on foreign exchange hedges over the hedging period in the "Other financial income" / "Other financial expenses" line on the income statement.

2.1.2.8 Foreign exchange differences

Foreign-currency denominated income and expense items were recorded in euros based on the exchange rate in effect at the transaction date. Debts, receivables, and cash denominated in foreign currencies were translated into euros at the closing exchange rate at year-end.

The resulting translation differences for debts and receivables denominated in foreign currencies were posted to "Foreign exchange differences" on the balance sheet. The Company follows "overall foreign exchange position" principles. For transactions whose due dates are sufficiently close, any foreign exchange gains or losses are considered as part of an overall foreign exchange position and the amount of the

provision for foreign exchange losses is limited to the excess of losses over gains. Hedging transactions and the items hedged are excluded from the position.

2.1.2.9 Retirement benefit obligations

Company employees may be entitled to compensation when they retire or to a pension following their retirement. The Company's liabilities arising from such post-employment benefits are calculated by using an actuary model and assumptions applicable in France.

The corresponding liabilities, based on the rights vested to the beneficiaries, are covered by contributions to independent organizations (insurance companies), which are responsible for paying the pensions and other benefits. In accordance with provision of the French Commercial Code, net assets and liabilities arising from these obligations were not recognized, as the Company does not apply the preferential method.

Further, amounts intended to reward employees for their length of service are paid out as bonuses by the Company.

2.1.2.10 Tax consolidation regime

To reflect the tax consolidation that unites the Company with its subsidiaries, Ipsen, in accordance with the other member companies of its tax consolidation group, has adopted the following rules, 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 on the balance sheet

3.1 Non-current assets

3.1.1 Intangible assets

- Change in gross amounts

(in million euros)	31 December 2017	Increases	Decreases	31 December 2018
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 2018.

3.1.2 Financial investments

- Change in gross amounts

(in million euros)		31 December 2017	Increases	Decreases	31 December 2018
Equity investments – shares	**Note 3.1.3**	**1,167.5**	**0.0**	**(0.1)**	**1,167.4**
Company shares / liquidity agreement		2.0	0.5	0.0	2.5
Company shares to be cancelled		0.0	0	0.0	0.0
Liquidity agreement		2.5	0	0.0	2.5
Loans		483.7	8.8	(55.3)	437.3
FPCI - Private equity professional fund		5.0	5.0	–	10.0
Total other financial assets	**Note 3.1.4**	**493.2**	**14.3**	**(55.3)**	**452.3**
Total financial assets		**1,660.7**	**14.3**	**(55.3)**	**1,619.7**

- Change in write-downs

(in million euros)	31 December 2017	Increases	Decreases	31 December 2018
Equity investments – shares	–	–	–	–
Company shares	–	–	–	–
Liquidity agreement	0.1	0.0	(0.0)	0.0
Other financial assets	–	–	–	–
Total	**0.1**	**0.0**	**(0.0)**	**0.0**

3.1.3 Equity investments

Information about subsidiaries and affiliates is disclosed in the subsidiaries and affiliates table.

3.1.4 Other financial assets

At 31 December 2018, this item broke down as follows:

- €437.3 million in loans, including accrued interest, granted by the Company to various subsidiaries as part of the acquisition of Merrimack Pharmaceuticals' global oncology assets.
- Shares in the InnoBio FPCI private equity professional fund: In 2009, the Company signed a subscription form for five thousand shares at an initial investment value of €1,000 each, with the InnoBio FPCI for a total of €5 million. The commitment includes 13 tranches amounting to 93% of the shares, or €4.7 million paid from 2009 to 2018, and deferred tranches totaling €0.3 million that will be gradually called by the fund management company. At 31 December 2018, the Company held 2.89% of the fund.
- Shares in the InnoBio 2 FPCI private equity professional fund: In 2018, the Company signed a subscription form for five thousand shares at an initial investment value of €1,000 each, with the InnoBio 2 FPCI for a total of €5 million. The commitment includes the amount called in the initial tranche totalling 1% of the shares, or €0.05 million paid in 2018, and deferred tranches totaling €4.95 million that will be gradually called by the fund management company. At 31 December 2018, the percentage of the fund held by the Company was non-material.
- Company shares held as part of a liquidity agreement entrusted to Oddo BHF as of 1 July 2018 for a period of one year and renewable by tacit agreement. The liquidity agreement complies with the AMAFI Ethics Charter, approved by the French financial markets authority.

At 31 December 2018, the Company held 21,648 shares with a gross value of €2.5 million and provided €2.2 million in cash under the liquidity agreement.

3.2 Receivables by maturity

(in million euros)	Gross amount 2017	Gross amount 2018	of which	
			Less than one year	More than one year
Other financial assets	4.5	4.7	4.7	–
Other trade receivables	15.0	13.3	13.3	–
Personnel and related accounts payable	–	–	–	–
Social security and other welfare agency payables	–	–	–	–
State and other public authorities			–	
– Income tax	42.2	26.3 [(a)]	26.3	–
– Value added tax	1.0	0.5	0.5	–
– Other	0.1	0.0	0.0	–
Group and associated companies	1.4	–	–	–
Miscellaneous receivables	0.2	0.9	0.9	–
Prepayments	0.0	0.1	0.1	–
TOTAL RECEIVABLES	**64.6**	**45.7**	**45.7**	**–**

(a) The decline in the amount of income tax receivables versus 31 December 2017 stemmed mainly from the repayment of research tax credits received in 2018.

3.3 Short-term investments

The Company holds short-term investments comprised of 722,095 of its own shares valued at €60 million.

- Change in short-term investments

(in million euros)	31 December 2017	Increases	Decreases	31 December 2018
Gross value	65.0	34.6 [(a)]	(38.7) [(b)]	60.8
Write-downs	(1.4)	(1.1)	–	(2.5)
Net value	**63.6**	**33.4**	**(38.7)**	**58.3**

(a) Increase in short-term investments from the repurchase of 250,000 shares authorized by the Combined Shareholder's Meeting of 20 May 2018.
(b) Decrease in short-term investments following the allotment of 667,857 bonus shares to beneficiaries of the 12 December 2006, 29 September 2008 and 30 March 2009 stock option plans, the 27 March 2014, 31 May 2016 and 29 July 2016 bonus share plans, and the employee shareholding program launched in 2018.

3.4 Cash and cash equivalents

At 31 December 2018, 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 2018, debt issuance costs came to €2.4 million and broke down as follows:

- €0.8 million arising from the bonds issued by the Company on 16 June 2016. 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 2018 financial year.
- €0.3 million arising from the bilateral loan. 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 2018 financial year.
- €1.3 million arising from the syndicated loan. 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 2018 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 2017, the balance of the redemption premium remaining on the asset side of the balance sheet came to €1.5 million. The Company expensed €0.3 million for the 2018 financial year, with a redemption-premium balance of €1.2 million remaining on the asset side of the balance sheet at 31 December 2018.

3.7 Unrealized losses on foreign exchange

At 31 December 2018, unrealized losses on foreign exchange totaled €5.5 million and corresponded to marking intercompany loans denominated in foreign currencies to the exchange rate at the closing date.

3.8 Equity

- Share capital
  - At 31 December 2018, Ipsen's share capital was comprised of 83,808,761 ordinary shares each with a nominal value of €1, including 48,047,154 shares with double voting rights, compared with 83,732,057 ordinary shares each with a nominal value of €1, including 47,852,938 shares with double voting rights at 31 December 2017.
  - The changes during the 2018 financial year resulted from 76,704 new shares issued as share warrants were exercised.

- Change in share capital

(in million 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 2017, before allocation of net profit	**83.7**	**29.8**	**709.3**	**44.7**	**94.4**	**158.9**	**(17.4)**	**–**	**1,103.5**
Dividends	–	–	–	–	–	(100.4) [(a)]	17.4	–	**(83.0)**
Net profit (loss) for the period	–	–	–	–	–	–	(15.4)	–	**(15.4)**
Capital increase	–	–	–	–	–	–	–	–	**0.0**
Capital decrease by Ipsen	–	–	–	–	–	–	–	–	**0.0**
Capital increase from exercised warrants	0.1	–	2.6	–	–	–	–	–	**2.7**
Other movements	–	–	–	–	–	–	–	–	**0.0**
Balance at 31 December 2018, before allocation of net profit	**83.8**	**29.8**	**711.9**	**44.7**	**94.4**	**58.5**	**(15.4)**	**0.0**	**1,007.7**

(a) Dividends on treasury shares are posted to retained earnings.

3.9 Provisions for contingencies and losses

The change in provisions for contingencies and losses from the opening to the closing of the financial year breaks down as follows:

(in million euros)	2017	Movements during the period				2018
		Charges	Reversals		Other movements	
			Applied	Released		
Provisions for litigation	0.0	0.0	0.0	0.0	–	0.0
Other provisions for contingencies	20.5	8.0	(10.0)	(2.9)	–	15.6
– Provisions for contingencies	**20.5**	**8.0**	**(10.0)**	**(2.9)**	**–**	**15.6**
– Provisions for losses	**0.7**	**0.0**	**(0.4)**	**0.0**	**–**	**0.4**
Total	**21.3**	**8.0**	**(10.4)**	**(2.9)**	**0.0**	**15.9**

At 31 December 2018, 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;
- Provisions to cover expenses related to long service awards.

3.10 Borrowings and debt

3.10.1 Liabilities by maturity

(in million euros)	Gross amount 2017	Gross amount 2018	of which		
			Within 1 year	1 to 5 years	Over 5 years
Other bonds	303.1	303.1	3.1	300.0	0.0
Bank borrowings – Initially up to one year – Initially over one year	 0.0 42.0	 0.4 0.0	 0.4 0.0	 0.0 0.0	 0.0 0.0
Sundry borrowings and financial liabilities	202.0	141.3 [(a)]	141.3	0.0	0.0
Trade payables	5.1	4.9	4.9	0.0	0.0
Taxes payable and payroll and payroll on-cost amounts payable					
Personnel and related accounts payable	6.7	3.3	3.3	0.0	–
Social security and other welfare agency payables	4.1	3.0	3.0	0.0	0.0
State and other public authority payables: – Income tax – Value added tax – Other taxes and duties	 – 1.2 0.2	 – (0.0) 0.1	 – (0.0) 0.1	 0.0 0.0 0.0	 0.0 0.0 0.0
Total taxes payable and payroll and payroll on-cost amounts payable	**12.1**	**6.5**	**6.5**	**–**	**–**
Other liabilities					
Amounts payable to fixed asset suppliers and related accounts	0.7	5.3	5.3	0.0	0.0
Group and associated companies	161.0	301.6 [(b)]	301.6	0.0	0.0
Other liabilities	13.3	7.2	7.2	0.0	0.0
Total other liabilities	**175.0**	**314.1**	**314.1**	**–**	**–**
Deferred income	**0.0**	**0.0**	**0.0**		
TOTAL LIABILITIES	**739.3**	**770.2**	**470.2**	**300.0**	**0.0**

(a) Commercial paper issue.
(b) The increase stemmed primarily from the current account with Ipsen Pharma SAS, the Group's centralizing cash pooling company, as part of the €60 million commercial paper issue, the €35 million share buyback plan and the €83 million dividend payout.

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 2018, 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 2018, 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 this facility had been drawn down. The drawdown was repaid in January 2018.
- Ipsen S.A. also has access to a €600 million program to issue commercial paper, €141.3 million of which had been drawn at 31 December 2018 and recorded in the "Sundry borrowings and financial liabilities" line item on the balance sheet.

3.11 Accrued liabilities

(in million euros)	2018	2017
Sundry borrowings and financial liabilities	3.4	3.5
Suppliers – invoices not yet received	0.9	1.0
Fixed asset suppliers – invoices not yet received	5.3	0.7
Personnel		
– Accrued liabilities for paid vacation	0.3	0.5
– Accrued liabilities for bonuses	2.0	3.1
– Accrued liabilities for employee profit-sharing	0.0	0.0
– Accrued liabilities for profit-sharing	0.1	0.1
– Accrued liabilities for retirement indemnities	0.9	3.0
– Accrued social welfare expenses	1.0	1.2
State – Accrued expenses	0.2	0.4
Other accrued expenses and interest on current accounts	0.0	0.0
TOTAL	**14.1**	**13.5**

3.12 Unrealized gains on foreign exchange

At 31 December 2018, unrealized gains on foreign exchange corresponding to marking bank borrowings denominated in foreign currencies to the exchange rate at the closing date were non-material.

Note 4 Notes to the income statement

4.1 Operating income

Operating income totaled €31.5 million in the 2018 financial year and broke down as follows:

- €6.7 million in personnel expense re-invoiced to subsidiaries,
- €8.7 million in miscellaneous costs re-invoiced to subsidiaries,
- €13.3 million in reversals of provisions for contingencies and losses,
- €2.8 million in expense transfers.

4.2. Operating expenses

The €24 million decrease in operating expenses versus the previous financial year stemmed mainly from:

- The €15.4 million decline in the "Wages and salaries" and "Payroll on-costs" line items;
- The €5.4 million decrease in provision charges for contingencies and losses;
- The €3 million decline in the "Other purchases and external charges" line item.

4.3 Financial income

(in million euros)	2018	2017
Income from equity investments	0.0	0.5
Income from other non-current receivables[a]	8.9	7.0
Reversal of provisions and expenses transferred	0.0	0.0
Other financial income[b]	4.2	1.7
Foreign exchange gains[c]	35.5	18.0
Total financial income	**48.6**	**27.1**

(a) At 31 December 2018, this line item consisted mainly of interest on loans granted to subsidiaries.
(b) At 31 December 2018, this line item mainly included other financial income from forward financial instruments, as well as proceeds from commercial paper issues.
(c) At 31 December 2018, this line item primarily consisted of foreign exchange gains related to financial transactions.

4.4 Financial expense

(in million euros)	2018	2017
Foreign exchange differences[a]	(35.9)	(21.7)
Interest and other financial expenses[b]	(14.0)	(10.7)
Depreciation, amortization and provision charges	(1.4)	(1.7)
Total financial expense	**(51.3)**	**(34.1)**

(a) At 31 December 2018, this line item primarily consisted of foreign exchange losses arising from financial transactions.
(b) At 31 December 2018, this line item included €6.5 million in other financial expense from forward financial instruments and €7.3 million in interest on borrowings and bonds.

4.5 Net extraordinary income (expense)

(in million euros)	2018	2017
Gains from share buybacks	1.3	0.5
Reversal of provision for investment	–	–
Extraordinary income from capital transactions	–	–
Extraordinary income	**1.3**	**0.5**
(Losses) from share buybacks	(14.8)	(7.1)
Extraordinary expense from capital transactions	(0.0)	–
Miscellaneous extraordinary expenses	–	–
Extraordinary expenses	**(14.9)**	**(7.1)**
Net extraordinary income (expense)	**(13.5)**	**(6.6)**

The net extraordinary expense for the 2018 financial year stemmed primarily from the €14 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.

At 31 December 2017, net extraordinary expense 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.

4.6 Income tax breakdown

The income tax line for the 2018 financial year shows a net expense of €0.6 million.

(in million euros)	Pre-tax	Net tax amount	After tax
Profit on ordinary activities	(1.3)	–	(1.3)
Net extraordinary income (expense) and employee profit-sharing	(13.5)	–	(13.5)
Income tax income from tax consolidation	–	0.6	(0.6)
Book profit (loss)	**(14.9)**	**0.6**	**(15.4)**

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 2018.

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 2018 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 2018 financial year totaled €3.9 million.

Retirement pensions and similar benefit obligations for executives and officers came to €3.5 million at 31 December 2018.

5.1.2 Loans and advances to top management

No advances or loans were made to the Company's top management.

5.2 Average headcount at period closing

	2018	2017
Top and upper management	6	11
TOTAL	**6**	**11**

5.3 Financial commitments

5.3.1 Commitments to personnel

Apart from retirement bonuses mandated under a collective bargaining agreement with the French pharmaceutical industry and obligations related to a supplementary pension plan, the Company has no other obligations arising from employee pensions, complementary retirement benefits, retirement bonuses or contributions, or similar post-employment benefits.

At 31 December 2018, obligations arising from retirement bonuses and the supplementary pension plan amounted to €1.1 million and €20.1 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 1.54%,
- 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 13-15 mortality table for men and TF 13-15 mortality table for women.

These obligations were outsourced to an insurance company. At 31 December 2018, the fair value of these financial assets came to €1.2 million for the retirement bonuses and the €1.3 million for the supplementary pension plan, assuming a long-term rate of return of 1.54%.

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 2018. A discount rate of 1.54% was assumed to calculate the €0.4 million long-service award obligation.

5.3.2 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 15 March 2018 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.

5.3.3 Commitments on financial instruments

Off-balance sheet commitments corresponding to forward purchases and sales of foreign currencies are presented in note 5.6.

5.4 Share option plans granted by the Company

5.4.1 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	1.5%	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**

5.4.2 Valuation of plans

(in million euros)	Plan dated 31 March 2010	Plan dated 30 June 2011	TOTAL
Opening valuation of active plans at 31 December 2018	3.8	1.5	5.3

5.4.3 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 2018	31 December 2017
Opening balance	**664,558**	**744,771**
Options exercised (net of adjustments)	(418,953)	(80,213)
Options expired	(209,520)	–
Closing balance	**36,085**	**664,558**

5.5 Bonus share plans

On 30 March 2018, the Board of Directors granted:

- 9,230 bonus shares to the Chief Executive Officer, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 30,160 bonus shares to members of the Executive Leadership Team, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 84,240 bonus shares to beneficiaries of Group subsidiaries, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 87,510 bonus shares to beneficiaries of Group subsidiaries, subject to length of service conditions but not performance conditions specific to the Group, or specific to a Group entity.

On 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.

5.5.1 Details of Ipsen bonus share plans

	Plan dated 1 April 2015				Plan dated 1 June 2016			
Tranches	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
Vesting period (in years)	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
Fair value of bonus shares	**€31.10**	**€31.10**	**€31.24**	**€31.24**	**€47.73**	**€47.73**	**€49.04**	**€47.73**

	Plan dated 29 March 2017				Plan dated 30 May 2018			
Tranches	1.1	1.2	1.3	1.4	1.1	1.2	1.5	1.6
Number of bonus shares	41,640	44,070	37,980	28,200	9,230	30,160	84,240	87,510
Vesting period (in years)	2	2	4	2	50% at 2 years 50% at 3 years			
Value of shares on date granted, before reduction	€93.40	€93.40	€93.40	€93.40	€134.40	€134.40	€134.40	€134.40
Fair value of bonus shares	**€101.47**	**€97.01**	**€99.27**	**€97.00**	**€134.90**	**€134.90**	**€134.90**	**€131.84**

1.1 Beneficiaries include the Chairman, the 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.
1.5 Beneficiaries from subsidiaries subject to performance conditions.
1.6 Beneficiaries from subsidiaries not subject to performance conditions.

5.5.2 Valuation of Ipsen bonus share plans

(in million euros)	Plan dated 1 April 2015	Plan dated 1 June 2016	Plan dated 29 March 2017	Plan dated 30 May 2018	TOTAL
Opening valuation	4.4	10.5	13.3	25.3	53.5

5.6 Derivative financial instruments

5.6.1 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 2018, there were no derivative financial instruments for hedging interest rate risk.

5.6.2 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 2018, derivative financial instruments held by the Ipsen S.A. broke down as follows:

- USD 59 million in buyer forward contracts,
- USD 59 million in seller forward contracts,
- USD 93.8 million in seller foreign-exchange swaps.

At 31 December 2018, the fair value of those financial instruments amounted to €0.1 million.

At 31 December 2018, realized gains deferred in the balance sheet totaled €5.9 million.

Note 6 Subsidiaries and affiliates

(Amounts in thousands of currency units)

Detailed information for each interest, in which gross value exceeds 1% of the company's share capital	Share capital	Equity other than share capital and excl. net profit	Percentage of share capital held %	Number		Carrying amount of shares held		Outstanding loans and advances granted by the Company	Amount of endorsments, guarantees, and letters of intent provided by the Company	Sales, net of VAT, for the last year (avg. exch. rate)	Net profit (loss) for the last year (avg. exch. rate)	Dividends collected by the Company in the last year, net of ESOP
				Interest	Shares	Gross amounts	Provisions					
1. SUBSIDIARIES												
Sutrepa	€130 K	€215,802 K	64		166,580	€88,816 K	-	-	-	-	€37,671 K	-
Ipsen Pharma	€5,856 K	€832,439 K	100		188,905	€1,078,615 K	-	-	-	€1,340,915 K	€127,735 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	4,194 KPLN	1		1	€15 K	-	-	-	-	(429) KPLN	-

Note 7 Cash flow statement

(in million euros)	31 December 2018	31 December 2017
Opening cash and cash equivalents	**65.0**	**110.1**
Net profit (loss)	(15.4)	(17.4)
Elimination of income and expense with no impact on cash flow or not used in operating activities		–
– Net depreciation, amortization and provision charges	(3.3)	2.4
Cash flow	**(18.7)**	**(15.0)**
Change in working capital requirement related to operating activities	1.3	24.5
Net cash flow from operating activities	**(17.5)**	**9.5**
Acquisition of equity investments		–
Disposal of equity investments		–
Other cash flows related to financing activities	41.2	(483.7)
Change in working capital related to investment activities	4.6	(0.9)
Net cash provided (used) by investment activities	**45.8**	**(484.6)**
Repayment of borrowings	(247.1)	(3.3)
Debt issues	144.7	217.1
Change in share capital	2.7	6.3
Share repurchasing agreement	4.1	(10.7)
Dividends paid	(83.0)	(70.2)
Change in working capital related to financing activities	150.9	290.8
Net cash provided (used) by financing activities	**(27.7)**	**430.0**
Changes in cash and cash equivalents	**0.6**	**(45.0)**
Closing cash and cash equivalents	**65.7**	**65.0**

Note 8 Subsequent events

No event occurring between the closing date of the consolidated financial statements and the date of their approval by the Board of Directors, and not taken into consideration, was likely to call into question the annual financial statements themselves or make it necessary to mention such an event in the notes to the annual financial statements.

3.3.3 Statutory Auditor's Report on the annual financial statements

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Ipsen S.A.

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

Statutory Auditors' Report on the Annual Financial Statements

Year ended 31 December 2018

For the attention of the Annual General Meeting of Ipsen S.A.,

Opinion

In compliance with the assignment entrusted to us by your Annual General Meeting, we have conducted an audit of the consolidated financial statements of Ipsen S.A. pertaining to the year which ended 31 December 2018, as attached to the present report.

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

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

Basis for the opinion

Audit standards

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

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

Independence

We conducted our audit in accordance with the independence rules applicable to us, during the period from 1 January 2018 to the issuance date of our report, and, in particular, we have not provided any services prohibited by Article 5, Paragraph 1, of Regulation (EU) no. 537/2014 or by the code of ethics of the profession of statutory auditor.

Justification of the assessments – Key point of the audit

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

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

Assessment of equity investments

Identified risk

Equity investments are listed in the balance sheet as of 31 December 2018 in the net amount of 1,167.4 million euros, accounting for one of the largest items in the balance sheet. They are recognised at the time of their entry at their acquisition cost and depreciated based on their inventory value representing what the Company would accept to outlay to obtain them if it had to acquire them.

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

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

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

Audit procedures implemented with regard to the identified risk

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

- verify that the value of the share of net profits in the assets is coherent with its value derived from a multiples analysis.
- verify that the equity retained matches the financial statements of the entities that have been audited or undergone cost accounting procedures and that, when applicable, the adjustments carried out with regard to this equity are based on documented evidence;
- obtain the cashflow forecasts and operations forecasts for the activities of the entities concerned produced by their operational divisions and assess their consistency with the forecast data taken from the latest strategic plans, produced under the supervision of their general management for each one of these activities and approved, when applicable, by the Board of Directors;
- verify the consistency of the assumptions retained with the economic environment on the dates of the closing and preparing of the financial statements;
- verify that the value resulting from the cashflow forecasts has been adjusted to reflect the amount of debt held by the entity considered.

Specific verifications

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

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

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

We attest to the sincerity and the coherence of the information related to the terms of payment, mention in the Article D. 441-4 of the French Commercial Code *(Code de commerce)*, with the annual financial statements.

Report on corporate governance

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

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

Other information

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

Information resulting from other legal and regulatory obligations

Appointment of the statutory auditors

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

As of 31 December 2018, KPMG Audit was in the 14th consecutive year of its assignment and Deloitte & Associés in its 21st year, including 14 years for both firms since the company's shares have been admitted for trade on a regulated market.

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

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

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

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

The annual financial statements were approved by the Board of Directors.

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

Objective and audit approach

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

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

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

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

Report to the Audit Committee

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

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

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

The Statutory Auditors

Paris La Défense, 15 February 2019

KPMG Audit
Department of KPMG S.A.

Catherine Porta
Partner

Cédric Adens
Partner

Paris La Défense, 15 February 2019

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 million euros)	2018	2017
Services	15.4	20.1
Operating income	**15.4**	**20.1**

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 million euros)	2018	2017
Net sales	15.4	20.1
Operating profit (losses)	1.4	(16.5)
Net financial income (expense)	(2.7)	(6.9)
Profit on ordinary activities	**(1.3)**	**(23.4)**
Net extraordinary income (expense)	(13.5)	(6.6)
Pre-tax profit	**(14.9)**	**(30.0)**
Income tax – Gain	(0.6)	12.6
Net profit (loss)	**(15.4)**	**(17.4)**

Operating losses declined by €17.9 million over the performance in the 2017 financial year. The main observations are as follows:

- Provisions for contingencies and losses decreased by €5.4 million, due chiefly to the decline in provision charges for medium-term bonuses and bonus shares;
- The "Wages and salaries" and "Payroll on-costs" line items decreased by €15.4 million.

Net financial expense declined by €4.1 million over the performance in the 2017 financial year, primarily due to the positive foreign exchange impact on financial transactions.

Net extraordinary expense increased by €6.9 million over the performance in the 2017 financial year, mainly as a result of the €7.7 million capital loss realized during the transfer of treasury shares to certain beneficiaries in respect of bonus share plans.

3.3.4.4 Income tax

At 31 December 2018, the Company reported an income tax charge of €0.6 million.

3.3.4.5 Funding

The cash flow statement disclosed in the notes shows that cash and cash equivalents at the close of 2018 were stable versus a year earlier.

3.3.4.6 Net cash flow from operating activities

The decrease observed in net cash flow from operating activities in 2018 stemmed notably from the change in operating receivables and liabilities.

3.3.4.7 Net cash provided (used) by investment activities

This line item consists primarily of partial repayments of loans granted to group subsidiaries.

3.3.4.8 Net cash provided (used) by financing activities

At 31 December 2018, financing activities generated a net use of funds totaling €27.7 million, versus a net source of funds amounting to €430 million at 31 December 2017.

The €102.40 million net decrease in debt issues stemmed from the following items:

- €42 million from the bilateral loan issued in May 2017 and repaid in 2018, and
- €60.2 million from the net change in commercial paper drawn at 31 December 2017 and 31 December 2018.

The €2.7 million increase in equity resulted from a €0.1 million capital increase and a €2.6 million increase in share premiums arising from the issuance of new shares after stock options were exercised.

The €4.3 million variation in share buyback agreements arose from the following transactions:

- The repurchase by the Company in the 2018 financial year of 250,000 of its own shares totaling €34.5 million, as part of the share buyback program announced by the Company on 4 June 2018;
- The allotment of 667,857 bonus shares totaling €38.7 million to beneficiaries of the 12 December 2006, 29 September 2008 and 30 March 2009 stock option plans, the 27 March 2014, 1 April 2015 and 31 May 2016 bonus share plans, and the employee shareholding program of 9 July 2018.

In 2018, the Company paid out €83 million in dividends, compared with €70.2 million in 2017.

At 31 December 2018, the Company's current account balance with Group companies showed a credit of €278.9 million, up €150.8 million over a credit current account balance of €128 million at 31 December 2017.

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 2019, 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 million euros)	2018		2017	
	Sales	Net profit (loss)	Sales	Net profit (loss)
Ipsen Pharma	1,340.9	127.3	1,207.7	233.5
Sutrepa	–	37.3	–	2.6
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 thousand 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	21	9					12	25	23					4
Total amount of invoices, incl. VAT	**4,007**	**3,992**		5		10	**15**	10,108	**9,967**				141	**141**
Percentage of invoices, incl. VAT		**100%**	0%	0%	0%	0%	**0%**		**99%**	0%	0%	0%	1%	**1%**
Percentage of total amount of purchases for the period, incl. VAT	8,445	**47%**	0.0%	0.1%	0.0%	0.1%	**0.2%**							
Percentage of total amount of sales, incl. VAT								23,904	41.7%	0.0%	0.0%	0.0%	0.6%	**0.6%**
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 2018 financial year came to €15.4 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 € per share)	Annual dividend payout Total (*)	Dividend per share
2016	70,759,527	0.85
2017	70,247,053	0.85
2018	83,017,070	1.00

(*) After cancelling dividends on treasury shares in retained earnings.

3.3.4.17 Company earnings and other financial highlights over the past five years

	2014	2015	2016	2017	2018
Share capital at year-end (in million euros)					
– Share capital	82.9	83.2	83.6	83.7	83.8
– Number of shares outstanding (in thousands)	*82,869.1*	*83,245.6*	*83,557.9*	*83,732.1*	*83,809*
– Number of outstanding preferred shares without voting rights	–	–	–	–	–
– Maximum number of shares to be created	–	–	–	–	–
Transactions and results for the year (in million euros)					
– Net sales	16.1	21.1	18.2	20.1	15.4
– Profits before income tax, employee profit-sharing, amortization, depreciation and provisions	*113.3*	*164.0*	*(76.5)*	*(27.6)*	*(12.5)*
– Income tax - Gain (losses)	8.6	5.5	1.0	12.6	(0.6)
– 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	*114.2*	*191.4*	*(24.3)*	*(17.4)*	*(15.4)*
– Dividends paid out(**)	65.5	70.0	70.0	70.2	83.0
Earnings per share (in € per share)					
– Earnings after income tax and employee profit-sharing, but before amortization, depreciation and provisions	1.0	2.0	(1.0)	0.0	0.0
– Earnings after income tax, employee profit-sharing, amortization, depreciation and provisions	1.0	2.0	0.0	0.0	0.0
– Dividend per share	0.80	0.85	0.85	0.85	1.00
Personnel (in million euros)					
– Average number of employees during the year(*)	16	17	15	11	6
– Total payroll for the year	16.6	25.1	22.9	20.7	10.9
– Total payroll on-costs for the year (social security, welfare, etc.)	6.2	8.2	8.4	7.6	2.0

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

3.4 SIGNIFICANT ENGAGEMENT FOLLOWING THE ACCOUNTS SETTLEMENT DATE OF 31 DECEMBER 2018

On 25 February 2019, Ipsen announced the acquisition of Clementia Pharmaceuticals, to significantly boost its Rare Diseases portfolio. Ipsen will acquire Clementia's late-stage drug candidate: palovarotene, with pediatric disease and breakthrough therapy designations for the treatment of an ultra-rare bone disorder and a path to approval in 2020.

Under the terms of the agreement, Ipsen will pay US$25.00 per share in cash upfront on the completion of the transaction, for an initial aggregate consideration of US$1.04 billion, plus deferred payments on the achievement of future regulatory milestones in the form of contingent value right (CVRs) of US$6.00 per share, which will be paid upon FDA acceptance of the regulatory filing for palovarotene for the treatment of MO, representing an additional potential payment of US$263 million. The initial cash consideration represents a premium of 77% to Clementia's 30-day volume-weighted average stock price prior to the announcement. The completion of the transaction is anticipated to occur in the second quarter of 2019.

The transaction will be fully financed by Ipsen's cash and existing lines of credit and will significantly increase its level of net debt. It is expected to have a limited dilutive impact on Ipsen's core operating margin for 2019 and 2020 given the costs of the ongoing clinical trials and preparation for the commercial launch of palovarotene.

Consequently, Ipsen is updating its 2019 financial objectives and now expects:

- Sales growth of greater than 13.0% at current exchange rates (unchanged);
- Core operating margin of around 30.0% of net sales (previous guidance of around 31.0% of Net Sales), excluding other potential investments and pipeline expansion initiatives.

The transaction will also be dilutive at the Consolidated Net Income level.

4 COMPANY SOCIAL RESPONSIBILITY

Introduction

The present Chapter reflects social, societal and environmental informations required by Articles L.225-102-1 and R.225-105 of the French Commercial Code, amended by the *ordonnance* n°2017-1180 and the *décret d'application* n°2017-1265, transposing the Directive 2014/95/UE of the European Parliament and of the Council of 22 October 2014 regarding the disclosure of non-financial information.

As per the requirements of the Non-Financial Performance Reporting, for social, societal and environmental risks, the Chapter 4 includes:

- A description of the policies and diligences implemented to identify, prevent and limit the occurrence of the risk,
- The results of such policies through key performance indicators.

Ipsen's Business Model is described in Chapter 1.

The subsequent paragraphs of the present Chapter describe the Group's commitments in terms of Human Resources and Environment, Health and Safety.

4.1 MAIN COMPANY SOCIAL AND ENVIRONMENTAL RESPONSIBILITY RISKS

In this section, Ipsen describes the main Company Social Responsibility risks factors it has identified and the policies and diligences implemented as well as indicators and results achieved.

When such risks are already detailed in Chapter 2 (which details Ipsen major risks factors), a cross reference to Chapter 2 is made for the description of the risk.

When the risk is not described in Chapter 2, it is described in the correspondence table below.

Risk Management governance, including risk identification and validation are described in Chapter 2.2

Risk description	Policies and diligences	Indicators and results
Risk class: EMPLOYEES		
HR risks: employee motivation / quality of 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. 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.	Attract & Retain Talents: • Roll-out of a new and clear Employer Value Proposition • Reinforcement of our Recruitment resources and expansion of our talent sourcing thanks to our 3-hub approach • Intensification of our efforts to identify and actively promote talents • Promotion of "Great Place to Work" and wellbeing-at-work initiatives • Creation of high-quality development and leadership programs • Initiative to improve on-boarding of newcomers • Active communication within the Group Leadership Team and between the Executive Leadership Team and the Group Talents and Leaders Social relationships: • Maintenance of regular and constructive relationships with local employee representatives. • In June 2016, creation of a European Work Council to tackle "transnational issues"	• Absenteeism rate (Please refer to 4.2.1) • Engagement index: This indicator is measured every 2 years and showed a 4 points improvement in 2017 at 79%.

Risk description	Policies and diligences	Indicators and results
Risk class: ENVIRONMENT, HEALTH AND SAFETY		
Safety risks Improper handling, storage, transportation or neutralization of dangerous substances General health and Safety risks Please refer to section 2.1.2.2 "Environment and safety risks"	• Group's Environment, Health, and Safety (EHS) policy and programs • Controlled storage, handling, use, and processing of dangerous substances • Internal EHS audits	• Accidents Please refer to Table 2 "Ipsen Sustainability Performance" in section 4.3.3 • Occupational Illness Please refer to Table 2 "Ipsen Sustainability Performance" in section 4.3.3
Environment risks: impact on environment Water use, air and river pollutionrivers, destruction of biodiversity Please refer to 2.1.2.2 "Environment and safety risks"	• Group's Environment, Health, and Safety (EHS) policy and programs • Controlled storage, handling, use, and processing of dangerous substances • Internal EHS audits	• Environmental contamination (air emissions, waste water treatment monitoring) Please refert to Table 2 "Ipsen Sustainability Performance" in section 4.3.3
Climate change: Risks related to climate change such as natural disasters, stricter regulation or carbon taxation, impacting Ipsen's use of energy, natural resources and generation of greenhouse gas (GHG) emissions	• Group's Environment, Health, and Safety (EHS) policy and programs • CSR programs and policies	• GHG emissions (scope 1, 2 and 3) Please refer to Table 2 "Ipsen Sustainability Performance" in section 4.3.3)
Risk class: PATIENTS AND SOCIETY		
Cyber-attacks risk: Incidents such as cyber-attacks that could lead to theft, loss or alteration of critical data, including private data Please refer to 2.1.1.3 "Cyber-attack risk"	• Governance organized to report cyber risk at an executive level • Cyber-risk-based approach supporting IT infrastructure and services management • Security incident management framework • The Group subscribed a cyber-assurance contract • Vulnerability, threat and incident monitoring by security experts • User awareness and trainings	• Number of cyberattacks cases reported to the CNIL: 2 in 2018
Supply shortages risks Please refer to section 2.1.2.1 "Supply shortages and other disruptions risks"	• Deployment of Strategic inventories and Safety Stocks, designed to, respectively, cover the risk of manufacturing line failure and variability on sales demand • Business continuity plans ensure a clear roadmap to protect patient supply in case of a major disruption • By 2019, Ipsen will have deployed world class information systems giving same day visibility and planning on demand, supply and inventories.	• On Time in Full (number of order lines expedited on time to external customers as a percentage of total number of order lines)improvedin 2018 v. 2017: 99.7% v. 99.5% • Number of stockouts (number of times in which product was not available to ship, due to over demand, production, quality or any other reason) improved in 2018 v. 2017 at 3 occurences v.4

Risk description	Policies and diligences	Indicators and results
Risk class: PATIENTS AND SOCIETY		
Counterfeiting risks Please refer to section 2.1.4.3 "Counterfeiting risks"	• Ipsen anti-counterfeiting committee devoted to mitigating the risk and investigating team to coordinate and follow up suspicious counterfeiting cases • Customs registration • Online monitoring • Ipsen a member of the Pharmaceutical Security Institute (PSI) • In Europe, serialization will help fighting counterfeiting • EFPIA/LEEM action plans	• Number of counterfeiting cases identified and reported to ANSM: 5 cases in 2018 (compared to 12 in 2017)
Product liability risks Patient safety Please refer to section 2.1.4.4 "Product liability risks"	• Employees annual training on safety reporting • Medical Safety Governance (including Global Patient Safety program) • Processes in place to ensure collection of all safety information on products • Ongoing Business Improvement Program for the Pharmacovigilance system and Quality Management System	• Pharmacovigilance report • Quality assessment Please refert to section 4.4.2.5
Ethics and compliance risks Please refer to section 2.1.1.8 "Ethics & Compliance risks"	**For all risks:** Code of Conduct and Policies & Procedures: • Ipsen Code of Conduct • Global Anti-Corruption Policy • Global Conflict of Interest Policy and SOP • Global Policy and Directive on Interactions with External Stakeholders • Global Policy and SOP on Promotional Materials • Global SOP on Non-Promotional Materials Trainings and Internal Communication *Ad hoc* Ethics & Compliance advice and support Ethics & Compliance Monitoring **Third Parties:** Business Partners' Code of Conduct Third Parties Compliance Program: Due Diligence SOP	• Outcome of E&C Monitoring • Outcome of Internal Audits • Evolution of ethics and compliance culture within the organization Please refer to section 4.3.5

In addition to the risks identified above and considered as major for Company Social Responsibility, the Group is involved in Research and Development activities requiring animal experimentation either internally or externally, to be able to identify and deliver the best medicines for patients.

This topic has faced increasing sensitivity from the community and the Group could be challenged on the use of animals for Research and Development as well as how animal welfare is guaranteed in all its activities.

This risk is monitored through the Animal Ethics Committee in place to evaluate all internal protocols using animals as well as promoting 3Rs rule (Replace, Refine, Reduce), the Animal welfare body implemented on research sites and the Animal ethics is evaluated during quality assessments of all CROs, which are required to have at least the same level of exigence

Finally, as per the requirements of the Non-Financial Performance Reporting on Tax evasion risk, the Group declares to pay taxes in each jurisdiction where it operates and has a tax policy in place ensuring the respect and implementation of tax regulations in such jurisdictions.

Ipsen complies with the Transfer pricing OECD recommandations (most notably the Country-by-Country file) and is regularly audited by the relevant tax authorities. It maintains a cooperative and open relationship with such authorities.

Every year, the tax risks are presented to the Audit Committee.

4.2 HUMAN RESOURCES

4.2.1 Group workforce

The following table shows Ipsen's employees with a divisional and geographical breakdown.

As of 31 December 2018, around 47% of the Group's workforce was employed outside the major Western European countries

Split by geographies and divisions

	Sales and marketing	Manufacturing and supply	Research and Development	Administration and other	Total
At 31 December 2018					
Major Western European countries (1)	965	982	576	521	**3,044**
Other European countries	345	164	25	51	**585**
North America	331	96	67	88	**582**
Rest of the world (2)	1,308	65	16	123	**1,512**
Consolidated Total	**2,949**	**1,307**	**684**	**783**	**5,723**
of which Joint Ventures consolidated at 50% (3)	**–**	**49**	**–**	**4**	**53**
Total Ipsen employees	**2,949**	**1,258**	**684**	**779**	**5,670**
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**
Consolidated Total	**2,818**	**1,251**	**603**	**729**	**5,401**
of which Joint Ventures consolidated at 50% (3)	**–**	**52**	**–**	**4**	**56**
Total Ipsen employees	**2,818**	**1,199**	**603**	**725**	**5,345**

(1) *i.e.* Germany, Spain, France, Italy and the United Kingdom.
(2) Including Asia.
(3) Headcount of the Joint Ventures consolidated in the financial section. Refer to the methodological note on the social and environmental reporting at the end of this chapter for more details on the processing of Joint Ventures HR indicators.

Analysis of the workforce by type of employment contract

As illustrated by these tables, the Group maintains a high level of permanent jobs.

(Expressed as a percentage)	31 December 2018	31 December 2017
Permanent	85%	85%
Non-permanent	15%	15%

Part-time

(Expressed as a percentage)	31 December 2018	31 December 2017
Full-time	96%	96%
Part-time	4%	4%

Analysis of the workforce by employment category

	Non-Sales force		Sales force[1]	
	Exempt staff	Non-exempt staff	Exempt staff	Non-exempt staff
At 31 December 2018	2,084	1,827	1,410	349
At 31 December 2017	1,852	1,764	1,345	384

(1) "Field" sales force.

Recruitment

	31 December 2018			31 December 2017		
	Total	Of which		Total	Of which	
		Perm	Fixed term		Perm	Fixed term
Major Western European countries[1]	**594**	436	158	**601**	404	197
Other European countries	**166**	119	47	**111**	62	49
North America	**217**	207	10	**272**	271	1
Rest of the world[2]	**411**	151	260	**488**	189	299
Total	**1,388**	**913**	**475**	**1,472**	**926**	**546**

(1) *i.e.*: Germany, Spain, France, Italy and the United Kingdom.
(2) Including Asia.

Termination of employees

	Redundancies, dismissals	Mutual agreement	Resignations, end of fixed-term contracts, seasonal contracts	Retirements, deaths	Total
2018 financial year					
Major Western European countries[1]	87	66	284	21	458
Other European countries	13	14	90	2	119
North America	21	8	92	3	124
Rest of the world[2]	30	27	302	3	362
Total	**151**	**115**	**768**	**29**	**1,063**
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**

(1) *i.e.*: Germany, Spain, France, Italy and the United Kingdom.
(2) Including Asia.

Absenteeism

Reasons for absenteeism include: illness, work/journey accident, unjustified absence unpaid.

The following table shows the absenteeism rates by function during the 2018 and 2017 financial years:

	2018 financial year	2017 financial year
Manufacturing and supply chain	3.9%	4.4%
Sales and marketing	1.3%	1.7%
Administration and other	3.0%	3.0%
Research and Development	1.4%	1.4%
Total	**2.3%**	**2.5%**

4.2.2 Human Resources Framework

Ipsen's vision is to foster an agile and collaborative organization, empower its employees to sharpen their skills and make every day a learning experience, whilenurturing an engaged and inclusive culture and caring about every individual.

In 2018, Ipsen implemented an innovative and state-of-the art Human Resources Information System based on Workday and called iPeople which covers most HR processes: employee lifecycle, performance and talent management as well as talent acquisition.

Recruitment

In 2018, Ipsen continued to focus its recruitment strategy on supporting the business transformation especially in Specialty Care International, Global Franchises and Research & Development.

Recruitment and on-boarding

Ipsen's commitment to ensure diversity within its workforce began with a call to recruit a broad range of profiles and competencies (cf. "Equal opportunities and diversity within the Group"). In 2018, the Group recruited a total of 1,388 new employees, split as follows: 19% in Manufacturing and supply chain, 13% in Research and Development, 52% in Sales and Marketing and 16% in support functions.

The split by gender inrecruitment (61% women and 39% of men) shows the Group's strong commitment as an equal opportunity employer.

In 2018, Ipsen launched a company-wide initiative to develop a consistent and state-of-the art on-boarding experience to its newcomers, based on its new HR backbone system, iPeople.

Employer branding

In 2018, Ipsen detailed its new Employment Value Proposition that relies on its 4 hallmarks: its ideal size, its constant transformation and growth, its unique mission in Specialty Care, and its people-centered organization, including:

- An employer advertising campaigns in the subway in the US to support the North America HQ's recruitment campaign,
- A stronger digital presence with a revamped global career website,
- And a Great Place to Work recognition in Brazil, Mexico and Ireland.

The Group also reinforced our infrastructure by rolling-out a new global Applicant Tracking System.

Talent management

Learning and Development

Ipsen continuously provides its employees with effective and efficient development resources adapted to the needs of each employee and the requirements of our business.

In 2018, the Group:

- regrouped all existing development elements under one umbrella, iDevelop, supported by a new philosophy where every single employee is a talent and deserves a development plan,
- designed and piloted two major global leadership development programs: "Being a Bold and Disruptive Leader in a New Era" for executives in collaboration with the London Business School and "One Ipsen Leadership Program" for middle management based on a blended approach mixing webinars, face-to-face sessions and applied learnings,
- continued to support our cultural transformation by offering our senior learders transformational workshops in partnership with external facilitators,
- and piloted some new global coaching programs for future leaders in the Specialty Care area.

During the year, each employee received an average of 26 hours in training. The number of hours of training has constantly increased since 2015.

Number of hours of training	2018	2017	2016	2015
Total	149,541	128,944	127,069	112,071

The increase in training hours is linked to a better identification and registration of training activity, thanks to the use of a single training management system common to the entire Ipsen group.

Talent Review and Planning

In 2018, the Group fostered its Talent Review & Planning process by leveraging its new iPeople tool (that allows employees and managers to get better visibility over their career and development opportunities) and by having a more frequent and structured review of its talents by the Executive Leadership Team.

Individual performance assessment

The Performance Management process is an essential one in the management of people.

In 2018, Ipsen trained all of its managers on its new iPerform philosophy, aiming to accelerate the development of all Ipsen employees with the support of its new iPeople system.

This new philosophy is based on the following pillars:

- alignment with the Group's strategic objectives and clarity on expected contribution,
- continuous and transparent feedback throughout the year,
- agility to adapt to business priorities throughout the year,
- integration with the personal development objectives by having one development objective for each employee.

More than 99% of the Group's employees receive business objectives and an annual performance review.

Internal mobility

Ipsen actively promotes internal as well as geographical mobility. Mobility is key to employees' professional development and to the company's dynamism and multicultural awareness. It allows for offer new career opportunities, increases in employee engagement and contributes to the company's overall performance improvement.

Thanks to the new HR system, employees are now made aware of internal opportunities and can actively advertise their competencies and desires in terms of mobility. In 2018, Ipsen enhanced our International Mobility policies and practices to deliver the best services to our internationally mobile employees.

One Ipsen Way of Being and *BeOne* recognition program

In 2018, the Group replaced its multiple pre-existing value frameworks by a unique *One Ipsen Way of Being*, to support Ipsen bold strategy, articulated around 5 elements:

- "We trust each other"
- "We share and learn every day"
- "We own our outcome"
- "We honor our word"
- "We drive to win together"

Each employee participated to a *One Ipsen Way of Being* launch workshop during the second half of the year.

In June 2018, Ipsen launched a peer-to-peer recognition platform, called *BeOne* based on its *One Ipsen Way of Being*.

Equal opportunities and diversity within the Group

The Group is committed to ensuring 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 based on race, color, religion, gender, disability, family situation, sexuality, age, nationality or ethnic background.

Gender equal opportunities

In 2018, Ipsen employed 58% women.

(Expresed as a percentage)	31 December 2018		31 December 2017	
	Male	Female	Male	Female
Total	42.0%	58.0%	41.9%	58.1%

Ipsen actively promotes gender equality with specific initiatives in its 3 hubs: France, the US and the UK.

In **France,** Ipsen signed its fourth agreement on equal opportunities for men and women in 2017. In this agreement, Ipsen included the wellbeing-at-work policy based on four pillars:

- work-life balance,
- support of accountability and empowerment,
- behavior promoting health and well-being at work,
- monitoring of risky situations and psychological support.

In **North America,** several initiatives have been launched to promote diversity and gender balance:

- Elevate: an internal employee resource group which focuses on the advocacy of women. The strategic pillars of Elevate focus on mentorship, professional development and events.
- *Women in the Enterprise of Science & Technology* (WEST) External Partnership: WEST is a learning community that provides women in the enterprise of science and technology with the inspiration, knowledge, and connections to reach their full potential. WEST programs are designed to enhance skills, develop professional networks, provide inspiration, and empower women to achieve their full potential.
- *Healthcare Businesswomen's Association* (HBA) External Partnership: HBA's purpose is to further the advancement and impact of women in the business of healthcare. NA Ipsen employees are eligible for a free membership which allows them to attend networking events, professional & personal development seminars, workshops and conferences.
- 30% Club Canada External Partnership: 30% Club is committed to building a strong foundation of business leaders to champion meaningful, sustainable change in

the gender balance of board and executive committees, encouraging better leadership, governance, and all-round performance. As a member of the 30% Club, Ipsen is publicly indicating its support for the notion that it is good business practice to have women holding 30% of C Suite and board seats in Canada and that we, as a key member of Canada's business community, share the aspiration to collectively reach this goal by the end of 2022.

In the **UK,** Ipsen published in April 2018 its first gender pay gap report in line with the UK government's Equity Act, showing a median gap of 2.9%. Ipsen is proud that the number sits well below the average for UK businesses, which is currently 18%.

Ipsen initiated a partnership with Simmons University, a well-known Boston institution, sponsoring their third international women in leadership conference in November 2018 in Dublin. This collaboration will be extended in 2019 through a silver sponsorship of the Simmons Leadership Conference in the US.

Ipsen's Executive Leadership Team will continue to support initiatives to align our strategy to hire, develop, engage and retain women, especially in leadership roles, and work to close the wage gap and ensure fundamental fairness for all.

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 a partnership with an association created by the *LEEM* (French Association of Pharmaceutical Companies) in January 2014 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:

- Recruiting disabled workers;
- Maintaining disabled workers in their position by ensuring HR managers and the occupational health service work together to anticipate critical situations;
- Developing a formal purchasing policy to outsource contracts with centers employing disabled workers;
- Communicating, raising awareness and training *via* on-site initiatives that engage employees on the issues of disability and more broadly of diversity.

Ipsen is also a founding member of the first French Club House, a non-profit organization specialized in helping people with mental health problems.

Employee health and wellness awareness

Ipsen reinforced its health and wellness program by supporting new initiatives such as:

- The *Ipsen in Motion* initiative that enrolled 1,350 employees thoughout the Group who walked, biked or run to support a local Spanish patients association,
- the *Employment and Cancer Charter* signed in November 2018 by Ipsen France in association with the National Cancer Institute (INC). This Charter that includes 11 concrete engagements as an employer to improve the level of support offered to employees with cancer or other chronic illnesses.

Employing young and senior workers and transferring knowledge

The average employee age in the Group is 42, with 23% of the workforce over 50 years old.

Split by age group

	2018	2017
Under 30 years old	11%	11%
30-50 years old	66%	69%
Over 50 years old	23%	20%

In 2017, Ipsen signed in France a new 3-year agreement, to pledge to its commitment of employing young and senior workers as well as transferring knowledge between generations.

For young workers, it aims at giving them access to long-term employment, improving their integration in the company and 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 its people and support its business through three guiding principles:

- Rewarding what matters;
- Ensuring external focus and internal consistency;
- Fostering high performance results.

The Group is also reinforcing this compensation framework by increasing the share ownership opportunities for its employees:

- In 2018, it successfully implemented an Employee Stock Purchase Plan in 21 countries with a high participation rate (52%) and an enhanced employer contribution (combination of discount on share price and employer contribution to ranges of employee investment);

4.3 ENVIRONMENT, HEALTH AND SAFETY

The Environment, Health and Safety (EHS) activities within Ipsen originates from the implementation of Ipsen's EHS policy agreed and signed by the Executive Leadership Team. The EHS performance data presented in this document is the consolidation of EHS data from Manufacturing and Research & Development (R&D) Centers. The business at these sites includes activities concerned with research and development of new entities and indications (R&D centers) and production of active substances and final finished products including distribution (Manufacturing and R&D). For the most representative indicators of EHS, the perimeter has been extended to integrate the data from commercial offices (Global) which are detailed in the methodology notes.

4.3.1 Regulatory Issues

Ipsen's activities are regulated by the applicable national and local environment, health and safety legislation and associated regulations as well as internal requirements based on best practices and external international standards such as ISO 14001.

In Western Europe, Ipsen's sites are located inside the European Union. Within the European Union, environmental and labor legislation has significantly changed since the early 1980s.

Concerning workplace health and safety and environmental protection, Ipsen sites in all countries are subject to regulatory requirements designed to protect the health and safety of employees and the environment, particularly through the assessment of occupational risk. Legislation and regulation in this area are regularly strengthened.

Recently, the emergence of new requirements concerning environment, health and safety in Europe related to the management of chemicals, chemical hazards, waste, psychosocial risks, energy conservation and carbon emission risks have increased significantly.

Regarding environmental legislation, the sites are covered in 2018 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 the provisions must be observed at each Ipsen facility 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 compliance to these requirements throughout its growth and 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 manage the impact of this regulation on its activities. In addition to mitigating the potential risks, the REACH committee have and continue to increase awareness of the regulation within Ipsen and its supply chain. Ipsen continues to observe and manage amendments to the regulation.

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 rules for classification, packaging and labelling of chemical products in Europe. This replaced the previous European CLP system. It has been applicable since 1 December 2010. The measures of this regulation concern both chemicals affecting the environment and the health and safety of workers. Since 2010, Ipsen ensures that the required chemical product notifications are in place.

A developing area 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 a potential negative impact of active ingredients on the environment.

Actions were completed to evaluate actual emissions from manufacturing sites for specific peptides to determine if these materials are being released in waste water discharges after waste treatment.

Preliminary monitoring has not detected these materials to date. Studies and existing literature have shown that peptides are broken down into their chemical consituents during waste water treatment involving pH adjustment. The chemical constituent components are elemental and do not cause any adverse environmental effects.

In order to determine and address any adverse impacts of new products and existing products on the environment through patient excretion, the European Medicines Agency (EMA), among others in various countries, requires Environmental Risk Assessments (ERA) to be included in submissions for Marketing Approval of all new medicinal products for use in humans, including new indications for drugs already previously approved for other indications. Ipsen has included these ERA studies in submissions, and, where appropriate, conducted relevant fate and effect studies as required to inform the ERA.For existing products already on the market, Ipsen has commenced a program to evaluate the fate and effects of these medicinal products on the environment using the EMA approach to ERA. This will continue through 2020.

The regulatory changes concerning chemical management exist in the United States as the OSHA 1910.1200 “Hazard Communication Standard” and in China with the Decree n° 7 Chinese Ministry of Environment Protection. These Standards and Decrees are intended to harmonize chemical management based on similar principles to those of REACH and GHS.

In the light of these important global regulatory requirements, Ipsen proactively and globally monitors new information concerning directives and regulations. 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 any changes in EHS legislation applicable to its business activities.

Given its increasing integration with global trade, China has for several years been developing and implementing a specific framework of EHS regulations. The manufacturing facility operated by Ipsen in China is subject to these regulations. The 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. 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 which has a similar organizational system for 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 Ipsen Cambridge Research and Development and manufacturing center in the United States is subject to environment, health, and safety legislation and regulations specific to the United States. 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 as the minimum requirements, and can make them more stringent. The EPA, OSHA and the states conduct inspections to ensure regulatory compliance.

Finally, at the international level, Ipsen carefully monitors events that could have a direct or indirect impact on its various business activities regarding EHS.

4.3.2 EHS Policy

4.3.2.1 Ipsen's EHS policy

Ipsen's updated Environment, Health and Safety (EHS) policy is shown below. The EHS policy was signed by the Executive Committee including the CEO and those who report directly to him. 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 S3 and People-Base Safety into our daily business decisions and processes. Management and employees lead this effort behind this important Ipsen value as part of the cultural transformation process, and all employees are responsible and influenced for both their safety and the safety of those around them. We promote our S3 Environment, Health and Safety Code of responsibility, leadership, sustainability and demonstration of ownership internally and with our business partners. We actively promote a healthy lifestyle and encourage employees to proactively manage their personal health.

Complying with all applicable regulatory and Ipsen Environment, Health & Safety standards and requirements wherever we operate. We will engage with stakeholders to develop responsible laws, regulations and innovative programs that provide safeguards for the community, the workplace, and the environment while providing flexibility to meet the needs of our business. We achieved and maintain certification as an organization to ISO 14001 and OHSAS 18001 with plans to transfer to ISO 45001 in 2019 ensuring that we will have a proactive management system in place to ensure positive continuous improvement in reducing our EHS footprint.

Committing to protect the environment by preventing pollution and striving to conserve natural resources through innovative processes and continuous improvement methodologies with the goal of reducing, reusing, recycling, and identifying safer material substitutes or alternatives for our operations. We strive to utilize green chemistry principles to identify safer material substitutes or alternatives for our operations and ensure that our S3 Environment, Health and Safety Code Principles and actions drive this process through integration into research and development processes. We have invested in energy and water conservation through focused efforts to identify where conservation opportunities exist and will continue to do so. We will work to reduce our carbon emissions over time which will reduce our impact on climate change.

Committing to designing and manufacturing products that are safe and minimize impact to the environment. We will be a responsible member of the communities in which we live and work. As we expand our knowledge and understanding of the risks, opportunities and impacts of our operations and our products, we will share this knowledge with the broader community.

Overall, we are committed to continually improving our EHS standards, culture and performance, and will continue to transparently report our performance goals and metrics. We will continue to maintain appropriate controls, including periodic review, to ensure that this policy is appropriate and being followed.

Executive Leadership Team Signatures

4.3.2.2 Ipsen EHS Manual, 2021 Goals and 2025 Bold Promise

The Ipsen Environment, Health and Safety Management Manual describes the management and operational standards necessary to protect the environment, and to respect and manage the health and safety of employees. The goal of this manual is to drive continuous improvement in EHS performance at Ipsen and throughout its supply and customer networks.

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 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 and consists of the Executive Committee. This Council meets twice a year in June and December to discuss EHS performance and set the EHS strategic direction for the next period. In 2018, council meetings 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 versus its pharma peers in the EHS area. These targets are to:

- Reduce the medicalized accident frequency rate to less than 2.00 by 2020;
- Reduce the normalized energy consumption and carbon greenhouse gas emissions (Scope 1 and 2) by 5% by 2020, using 2016 as the baseline;
- Reduce the normalized water consumption by 30% by 2020, using 2016 as the baseline.

Ipsen set the medicalized accident frequency rate, energy consumption, greenhouse gas emissions and water consumption goals normalized to occupied area captured in square meters. The following discussion uses these normalized values to establish performance to date against the goals set above. Ipsen is well on its way to meet its 2020 EHS goals (see Table 1 below).

Ipsen's medicalized accident frequency rate was below 2.00 in both 2017 and 2018, hence below its 2020 target. This strong performance has occurred ahead of schedule. In 2018, the medicalized accident frequency rate was 1.10. Ipsen believes further reductions are possible and will aim to drive this rate to zero. This goal is considered to be achieved and new targets will be established in 2019. 2019 will serve as the new baseline for future targets and goals.

The normalized energy consumption to occupied space decreased by 13% in 2018 versus the 2016 baseline. This goal is considered achieved and new targets will be established in 2019. 2019 will serve as the new baseline for future targets and goals.

The normalized greenhouse gas emissions to occupied space decreased by 19% in 2018 versus the 2016 baseline. The greenhouse gas emissions in absolute terms decreased by 35% in 2018 using a market-based approach.

The normalized water consumption to occupied space increased by 2% in 2018 versus 2016 baseline. Ipsen will re-evaluate the goal in 2019 and establish additional targets related to water reduction and reuse within its sites to achieve the 2020 goal by 2022.

Table 1. Ipsen EHS 2020 Performance Targets

Ipsen EHS Goal	2016 Baseline	2017	2018	Vairation 2018 v. 2016 (%)
Reduce medicalized accident rate FR2 to < 2.00 by 2020				
Ipsen Perimeter 2 FR2 Medicalized Accidents with and without Lost Days (Frequency Rate 2 FR2)	2.69	1.91	1.45	-46
Reduce the energy consumption by 5% by 2020				
Ipsen Total Energy Normalized to Occupied Area (kWh/m^2)	1.33	1.11	1.16	-13
Reduce GHG Scope 1 & 2 Emissions by 5% by 2020				
Ipsen GHG Scope 1 & 2 Emissions Normalized to Occupied Area (tCO_2E/m^2)	0.270	0.225	0.219	-19
Reduce Water Consumption by 30% by 2020				
Ipsen Total Water Consumption Normalized to Occupied Area (m^3/m^2)	4.56	4.30	4.85	+6

Ipsen implemented an EHS management system in order to ensure site compliance, the operational control of its activities and continuous improvements of its system and performance. In 2018, Ipsen maintained and added to Group certification in conformance with ISO 14001– 2015 and OHSAS 18001– 2007 Standards for Ipsen Corporate EHS five manufacturing sites located in Dreux, Signes, L'Isle-sur-la-Sorgue, Dublin and Wrexham. This Group Certification includes all manufacturing sites with the exception of its joint venture in Cork, Ireland, its Consumer HealthCare facility located in Tianjin, China, its Technical Operations manufacturing site located in Cambridge, MA, USA and an acquisition, Octreopharm based in Germany. Both the Tianjin and Cork sites are also ISO 14001-2015 and OHSAS 18001-2007 certified. The manufacturing site in Cambridge is aiming to achieve the Group certification in 2021, and Octreopharm should follow suit. Ipsen's remaining R&D sites will be certified by 2020. In addition, integrating these various EHS elements into the business allows Ipsen to ensure better product management as well as better control of its production equipment. It also positions Ipsen to be a partner of choice for future joint ventures and partnerships.

The People Based Safety (PBS) program, Ipsen's flagship project, is designed to focus on individual responsibility to raise awareness to the fact that all accidents are preventable, and that each and every employee has an important role to play in preventing them. The Group encourages open dialog and individual empowerment and challenges all of its employees to consider how they can perform their work in a safer way. 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 supporting the sustainable delivery of business goals and demonstrates Ipsen's commitment to sustainable development and Corporate Social Responsibility (CSR).

4.3.2.3 United Nations Sustainability Development Goals

Many of the EHS activities within Ipsen Group contribute in varying ways to the United Nations (UN) Sustainability Development Goals (SDG). The relevant logo Is shown next to the activites described in the table below.

UN SDG	Ipsen Environment, Health and Safety Activities in support of SDG
	Environment, Health and Safety and Wellbeing programs running at all sites, including manufacturing and R&D where specific Industrial Hygiene progams are implemented Reduction of medicalised accidents (including road traffic accidents) to a frequency rate below 2.00 Group OHSAS 18001 certification in place, requiring continual improvement in Occupation Health and Safety Management to drive down the number of accidents
	Training provided at all sites Staff development program On the job training EHS interns/students at the Dreux site Group OHSAS 18001 certification in place, requiring continual improvement in Occupation Health and Safety Management
	Company Social Responsibilty (CSR) policy on employment rights and discrimination
	Protecting rivers from pollution at all sites Waste water treatment plants at manufacturing sites Monitoring of water sensitive sites Biodiversity protection at sites with ponds, rivers Water use reduction target (30%) through water reuse project at l'Isle-sur-la-Sorgue Group ISO 14001 certification in place, requiring continual improvement in Environmental Management and water resource conservation

UN SDG	Ipsen Environment, Health and Safety Activities in support of SDG
	100% renewable energy used at six sites (Dublin, Cork, Wrexham, ISS, Milton Park, Slough) Solar panels included in design at Signes and Wrexham Energy reduction (resource reduction) project Group ISO 140001 certification in place, requiring continual improvement in Environmental Management and resource conservation The Signes site has achieve ISO 50001 certification. Three more sites (Dreux, Wrexham and Cork) have targeted 2020 to achieve ISO 50001 certification.
	Staff representation at site EHS councils Company Social Responsibility Committee with three pillars (Employees, Patients & Society, Environment) to continually improve working environment for all workers at Ipsen Group OHSAS 18001 certification in place, requiring continual improvement in Occupation Health and Safety Management requiring consultation with all interested parties including workers Dublin received a *Great Place to Work* award Shingo Bronze level prize at Wrexham
	Design of new facilties including offices, R&D and manufacturing with the latest innovative approaches and materials, including energy efficiency, water efficiency, organisation of people and traffic and ergonomic solutions
	Environment, Health and Safety programs running at all sites, including manufacturing and R&D sites, where specific waste handling, recycling and waste reduction progams are implemented Car sharing schemes in place at certain sites Bike to work scheme Group ISO 14001 certification in place, requiring continual improvement in Environmental Management and protection of the environment
	Company Social Responsibility Committee with three pillars (Employees, Patients & Society, Environment) to continually improve company sustainability in all areas Chemical safety management plans in place at all manufacturing and R&D sites Shingo Prize Bronze level awarded to Wrexham site Group ISO 14001 certification in place, requiring continual improvement in Environmental Management and waste reduction programs at sites Sustainable metrics for Ipsen Group reported annually to various indices (DJSI, FTSE4Good, GAIA, CDP, etc)
	Group ISO 14001 certification in place, requiring continual improvement in Environmental Management and consideration of Climate Change impacts and prevention Reduction in normalized greenhouse gas emissions target achieved and further targets to be established in 2019.
	Group ISO 14001 certification in place, requiring continual improvement in Environmental Management and waste reduction programs at sites Water treatment plants at manufacturing sites Supplier management program including sustainability assessments of selected critical suppliers
	Carbon offsetting through tree planting programs Biodiversity projects run at sites, including beekeeping, wetland and river protection projects

UN SDG	Ipsen Environment, Health and Safety Activities in support of SDG
	Company Social Responsibility Committee with three pillars (Employees, Patients & Society, Environment) to continually improve company sustainability in all areas Ethics and Compliance Policy and Standards in place
	Ipsen works with several external partners, including EFPIA, regulatory and industry bodies and local stakeholders to share best practices, and influence.

4.3.3 EHS 2018 Performance

4.3.3.1 Compliance and External Recognition

In this highly regulated environment, one of Ipsen's primary concerns is regulatory compliance. Corporate EHS has established global Ipsen EHS Standards regarding Environment, Health and Safety (EHS). These standards are reviewed on a three-year basis in order to ensure that they are up to date with current practices as well as still relevant to our operations. Each site ensures compliance to applicable legal requirements and internal EHS Standards. Compliance is checked on a three-year basis for Ipsen's R&D and manufacturing facilities and on a five-year basis for its commercial office locations.

The Ipsen EHS 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.

These EHS Standards apply to all R&D and manufacturing operations within Ipsen. A separate commercial office EHS manual, released in 2016, details the EHS requirements to be followed by commercial office locations. This new manual, already being implemented by Ipsen's eight largest affiliate offices (France, UK, Russia, China, Germany, Italy, Spain, and the USA) will be implemented at the other affiliate offices in 2019. A third set of EHS Standards was developed for the joint venture plantations which deals 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.

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. This process continues to improve and was tested during 2018 through an internal audit process administered by Ipsen's Global Internal Audit function which is independent of the EHS function.

Several sites such as l'Isle-sur-la-Sorgue, France have received positive compliance points for their excellent EHS programs.

In 2018 Ipsen did not receive 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 (R&D and manufacturing). This allows each site to keep track and update its 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 environment, health and safety permits and licenses required for their operations and comply with these licenses and applicable EHS regulations.

As part of Ipsen's EHS policy, each site performs a compliance evaluation periodically with regards to regulatory requirements and other requirements such as applicable global EHS standards.

To assess compliance with applicable requirements and global EHS standards, internal audits are performed on all the Ipsen sites. EHS is involved and conducts audits related to business acquisitions, divestitures, partnerships, joint ventures, supply chain partners, and contracted services including third-party research and manufacturing operations.

Certifications

Ipsen achieved Group certification regarding the ISO 14001-2015 and OHSAS 18001-2007 standards for Corporate EHS. In 2018, the three French R&D and manufacturing siteswith an Ipsen Group certification were joined by the additional manufacturing operations located in Dublin, Ireland and Wrexham, UK. Ipsen's three R&D sites will join the Ipsen certification in 2020/21 and are working toward having their sites prepared to comply with the two standards over the

period. Ipsen plans to transition from OHSAS 18001-2007 to ISO 45001 2018 during 2019.

In addition to the Group certification, two other manufacturing sites are ISO 14001-2015 and OHSAS 18001-2007 certified individually: Cork, Ireland and Tianjin, China. 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.

Several sites are pursuing ISO 50001 (Energy Standard) over the next three years with the site in Signes France obtaining this certification in 2018.

External Recognition

The Wrexham, Milton Park 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 Milton Park and Slough sites 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 three times and Slough has received this award twice. Notably, the Wrexham site has achieved a Bronze Certification for Shingo during 2018. The Signes, France site received two awards in recognition for its CSR work at the highest level.

4.3.3.2 Assuring the health and safety of employees

Reduce accidents

The number of medicalized accidents and the associated frequency rates (FR1 and FR2) have decreased in 2018 versus 2017. The implementation of a “People Based Safety” approach resulting in S3 Code of Conduct visits and managerial safety visits on all R&D and manufacturing sites has caused this reduction alongside a specific focus to reduce accidents on all sites. Senior management has particularly emphasized 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 2018 represent the most frequent medicalized accidents category within the Group as in previous years. A campaign to reduce this type of medicalized accident was deployed by the organization. This has resulted in a significant decrease in the frequency of this category of medicalized accident in 2018.

Beyond the risk assessments performed regarding all work stations at the sites, potential accident scenarios and identified hazardous situations and conditions are captured with associated corrective and preventive actions developed and assigned.

In addition, in 2018, Ipsen continued its project of profit-sharing for its French employees based on various criteria, one of which was EHS data related to medicalized accident frequency.

Road Safety

A road safety policy was implemented by Ipsen in 2015, in order to improve driving safety and to hold drivers accountable for safe driving to reduce the risk of accidents. A review of the Insurance data before and after Implementation of the policy led to a decision to amend the policy further. The impacts of the new policy will be assessed with the subsequent yearly insurance data.

In 2018, the deployment of an action plan aimed at reducing the frequency and the severity of accidents continued on the global perimeter with an emphasis on the major office locations. Road safety communication is regularly done through employee representatives. The number of driving accidents has been reduced over the past three years. In 2019 the program will be extended to additional office locations across Ipsen.

Industrial Hygiene

The risks related to the use of hazardous materials have led Ipsen to create a policy and associated standards to prevent accidents and protect 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 Characterization, Labelling and Packaging (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 environment, health and safety, in order to implement recommendations for product handling and for the selection of associated protective equipment. The industrial hygiene issues concerning the Ipsen compounds and commercial products are integrated in the site master plans. Significant investment has been undertaken to decrease the level of exposure control through engineering controls and to reduce the dependence on personal protective 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 engineering controls for these types of processes are installed and correctly operated. The multi-year investment program with regard to the implementation of the industrial hygiene program continued at affected sites in 2018. All new processes are risk-assessed and the same balanced approach to health and safety protection are included in design and operational methods for 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 can impact employee health.

The French framework agreement regarding the prevention of the RPS released in December 2010 constituted a first step for the 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 RPS prevention globally. For example, in China, a major initiative was implemented 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 has been modeled for implementation at other Ipsen locations. Various programs implemented at Ipsen sites have included awareness days covering a variety of topics such as stress, diet and exercise.

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 implemented various programs to improve the quality of life and to ensure that Ipsen sites are great places to work. Several locations have achieved Great Place to Work status. A follow up S3 Culture Survey is planned for the first quarter of 2019.

In 2017, the results of a global staff engagement survey were released internaly and action plans drawn up for each site in 2018 for implementation.

Strenuous labor conditions

In France, under Law No. 2010-1330 of 9 November 2010 regarding pension reform and associated regulation, a prevention approach on strenuous work was initiated in 2011 and led to the realization of a preliminary diagnosis of strenuous labor conditions. There were prescribed risk factors to consider under these regulatory requirements. These risk factors have been addressed in the French sites with resulting good practices spread to our global sites.

4.3.3.3 Reduce the environmental footprint

Soil, Subsoil & Pollution Prevention

As stated in Ipsen's EHS policy, Ipsen is committed to limiting its EHS impact on people and on the environment. Therefore, in order to prevent any accidental pollution and to protect the environment Ipsen requires that each site prevent spills and releases of hazardous materials that could contaminate soil and/or ground water. Specific procedures are in place to prevent and 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 tools. The most significant incidents are systematically reported to the appropriate regulatory authorities, if applicable, and to Corporate EHS. In 2018, breaches of waste water discharge licenses or permits were reported by the sites located at Dublin, Ireland, Signes, France and Cork, Ireland. 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, health and safety audits of compliance are conducted. 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 continuing monitoring in progress. The authorities have been satisfied with the remedial investigations and activities aimed at removing the contamination from this site. Rounds of soil and ground water oxidation treatment were conducted and have met Ipsen's and the Authority's expectations. Monitoring post treatment to ensure the effectiveness of the treatment over the long term will continue for the next few years.

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. The plantation site in South Carolina continues to experiment with organic ways to control weed growth between the rows of gingko trees, improve the local biodiversity, and reduce water use with new, remote-controlled irrigation systems. The plantation sites in France and US communicate to share their best practice and learn from each other.

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 minor nuisances 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, have been conducted in 2014 and 2016. Future plans are shared with the neighbors and their issues are also captured and addressed. This has been and will continue to be a very effective program. Noise reduction opportunities emanating from the plant have been addressed and the noise levels meet the regulatory levels required.

Impact of Ipsen activities on climate change

Ipsen recognizes the impact of climate change on the planet and the need to reduce greenhouse gas emissions. Ipsen will investigate the possibility of setting Science Based Targets in 2019 to do its part in the fight against climate change. Ipsen's

approach to carbon reduction includes identifying sources of carbon emissions throughout the organization, quantify or 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 MTES – Ministry of the Ecological and Solidary Transition). Ipsen has implemented energy conservation programs at its manufacturing and R&D facilities to reduce these emissions even with significant growth at the company. The work done so far has been effective and Ipsen continues to pursue these opportunities.

Ipsen has also broadened its collection of internal data including from affiliate global commercial offices as well as determining scope 3 emissions. 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. The Group has also looked at additional scope 3 emission sources and confirmed that it has targeted the most appropriate sources to measure and manage. Scope 3 emission categories that are either not applicable or not significant to Ipsen are investments, franchises, upstream leased assets, processing of sold products, use of sold products, and down stream leased assets. These categories of scope 3 emissions are not considered in Ipsen's overall scope 3 emissions. In 2018, Upstream transportation and distribution was to be included in 2018 however Ipsen is still collecting site specific data and is unable to include this scope 3 emission source nor is it able to determine if this is significant or not. This category will be included in the 2019 document.

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 2018. This is necessary to be able to implement control actions based on reliable data.

In 2018, Ipsen identified Its 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 these risks can impact operations, costs and ability to compete in the biotech business sector.

Ipsen has started to define internal targets that will be submitted for evaluation in 2019 as Science-Based Targets (SBT) and these will be its set targets and goals through 2030. Ipsen has defined a path given that all projects are successful, and that green power and gas can be obtained through utility providers. Other factors include onsite solar and wind energy projects (two solar projects are underway in design and implementation at our Signes, France and Wrexham, UK sites, electric vehicle charging stations are in place at our Dublin, Ireland site and planned for our Signes, France site) as well as third-party offset projects whereby Ipsen invests in green energy and reforstation projects through carbon offsets which are being used for offsetting travel carbon emissions for the Milton Park, UK R&D site. We calculate that the SBT could allow Ipsen to become carbon neutral before 2030. Ipsen will propose these SBT through the UNGC process to determine their acceptability in 2019. These Ipsen targets will be implemented regardless of this outcome.

Ipsen has also set a price on carbon emissions based on the cost of the carbon related travel carbon emissions described above. The current price is €45 per tonne of carbon dioxide-equivalent emissions. This price falls within the price range proposed by most experts in this area of €35 per tonne of carbon dioxide-equivalent emissions to €80 per tonne of carbon-equivalent emissions. Ipsen will study this estimate and refine this number over the next couple of years as more companies develop a price for carbon emissions.

Other air emissions

Ipsen monitors other substances which could be discharged into the atmosphere through its activities. Volatile organic compounds (VOCs) and controlled substances identified as sources causing depletion of the ozone layer under the Montreal Protocol are monitored. Emissions of VOC to the atmosphere for 2018 were mainly related to the sites of Signes, France and Cork, Ireland (approximately 84% of the Ipsen global emissions). The VOC emission increase is due primarily to the Cork site which converted a lead-based precipitation process to a solvent extraction process. This has caused an increase in the VOC emissions generated. Emissions from the Dublin, Ireland site are routed through a newly installed cryogenic air emission control system. These emissions are converted back into fluid waste and sent offsite for incineration and waste heat recovery. Emissions from the research and development centers do not contribute significantly to these emissions.

Ipsen collects air emission data related to boiler emissions from fuel combustion. These fuels consist of natural gas and diesel oil. The emissions measured include sulfur oxides and nitrogen oxides.

Energy consumption

Energy consumption at Ipsen increased by more than 5% between 2018 and 2017 in absolute terms. Significant energy conservation projects at the majority of Ipsen's sites occurred in 2018 with more projects planned for future years. These projects are varied including awareness campaigns across

sites to equipment upgrades and efficiency improvements at existing facilities. Submonitoring and metering are greatly improving the ability to manage energy consumption. New design projects have energy efficiency included as part of the design criteria and these new facilities are starting up much more energy efficient than existing facilities. Ipsen also had an increase of approximately 20% in area at its facilities during this same period and that continues to grow as the business continues to expand.

The sites of Cork, Dreux, Signes and Wrexham represent 59% of Ipsen's energy consumption.

The split between energy sources (electricity, gas and fuel) has been maintained at the same level as previous years and remains close to 46% electricity and 54% gas and fuel. The fuel oil consumption remained relatively small when compared to natural gas consumption. In 2018, purchased steam source was used by the Cambridge, US R&D site. Purchased steam, hot water, chilled water, and cold water have been consumed by the Ipsen Cambridge Manufacturing US site and the Boulogne Headquarters as well.

The number of energy conservation projects implemented in 2018 exceeded 42, whereas the target for 2018 was a total of 18 energy conservation projects. These projects included upgrades of equipment such as boilers, chillers, HVAC systems, compressed air systems and lighting. Building and system control systems were installed and upgraded. Existing systems and facility areas were evaluated for opportunities for improving efficiency of the systems and facility areas. A great example was the analysis of a warehouse storage area that was also temperature controlled. It was determined that the majority of the materials did not require temperature control, such that a separate smaller facility was built to house the items requiring temperature control. The temperature control systems for the main warehouse storage not requiring temperature control were deactivated. New buildings and area upgrades are evaluated for energy efficiency opportunities while in design. These are evaluated post installation to ensure that energy efficiencies planned are achieved. Building management systems are also installed to control various energy-consuming systems. Use of remote sensing devices and real time monitoring of systems and subsystems were also installed with more opportunities planned. Solar power systems are planned for two sites over the next two years as part of the larger building projects.

Electrical energy providers were contracted to provide renewable energy to several Ipsen sites in 2018. The sites of Wrexham, UK, Dublin, Ireland, Cork, Ireland, L'Isle-sur-la-Sorgue, France, Milton Park, UK, and Slough, UK used 100% renewable electricity in 2018. Other sites are increasing their electricity supplied by renewable power such as Signes, France, Dreux, France, Les Ulis, France which are currently using 6% renewable energy at their sites with plans to increase this to 100% over the next two years. In addition, the Cambridge, USA site is sourcing steam supply from a district heating loop available to the site thus eliminating onsite steam producing systems. In Signes plans for Solar electricity generation were approved as part of a larger CAPEX expansion program at the site. Ipsen is looking at more opportunities to improve the use of renewable energy.

The sites of Dreux, France, Dublin, Ireland, and Cambridge, USA have installed ten charging stations for electric cars. This number will increase to 24 charging stations in 2019 at additional sites located at Signes, France, Milton Park, UK, and Slough, UK. The Signes site plans to power the eight charging stations with solar energy from parking structure solar energy system.

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.

The ratio of hazardous waste to total waste generated has increased in recent years. The increasing trend is driven by product demand, increased production capacity, and increases in building projects. At L'Isle-sur-la-Sorgue, the effort to reclassify waste to non-hazardous by product has led to the recycling of tonnes of material.

Ipsen's waste treatment mix has remained relatively constant over the period. The proportion of recycled waste remains dominant, at 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 at rates of 78%, 41%, 41% and 96%, 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 602,620 m^3 in 2018 compared to 529,281 m^3 in 2017, an increase of 13.9%. The water consumption increased by 28.3% in 2018 versus 2016, implying a failure to meet the water reduction goal in absolute terms. In normalized terms, the water consumption per area increased by 6.4% in 2018 versus 2016. Most of this increase came from L'Isle-sur-la-Sorgue, France and Wrexham, UK. Ipsen has not yet achieved the water reduction goal on a normalized basis but it expects to reach the water consumption normalized to area and revenue and absolute reduction goal by 2022.

The Isle-sur-la-Sorgue, France site consumed 68% of the Ipsen total 2018 water consumption. Of this, 99.74% was sourced from well water. This site's water consumption has increased by 18.15% in 2018 compared to 2017. This was primaily due to a change in Chinese regulation that led to an increase in water use during the production process at L'Isle-

sur-la-Sorgue, France. Water conservation and recycling projects have been implemented. The L'Isle-sur-la-Sorgue site will conduct further studies and pilot projects in 2019 with successful projects to be implemented from 2020 through 2022. The well water consumption is expected to reduce by 30% in absolute terms in 2022 once these projects are implemented.

The Wrexham, UK site's water use increased by 25%, most of which was from a leak in a water pipe. In 2019 Ipsen will assess how to prevent such water leaks on all sites, for implementation in 2020.

A new measure for 2018 is the quantity of water used by the joint-venture plantations that produce *gingko* leaves for extraction. There are three sites: two in France and one in USA and the total water used for gingko production is 1,457,539 which is more than double the quantity of water used at all manufacturing and R&D sites.

Water treatment

Ipsen has five sites with on-site wastewater treatment plants that treat all or part of liquid waste. Those are the sites of Cork, Ireland, L'Isle-sur-la-Sorgue, France, Signes, France, Dublin, Ireland, and Tianjin, China. The volume of wastewater treated represents a 3.16% increase in wastewater being treated in 2018 versus 2017. The Ipsen Cambridge Manufacturing US site will have a waste water treatement site operating in 2019.

Green Chemistry or Solvent Usage Optimization

Ipsen continued initiatives to develop and implement ideas that could lead to the use of more environmentally friendly products. Examples of solvent usage reduction or reuse projects include:

- At the Cork, Ireland site, manufacturing processed 95% of the solvent used through regeneration;
- At the Signes, France site, 62% of the solvents used are recycled. 100% of 91 tonnes of heptane are regenerated and reused as raw material on the Signes, France site.

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 implemented 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 2018. Several promising candidate solvent alternatives were tested with disappointing results. These efforts continue, new alternatives are being tested in various processes. Our peptide alternative solvent development organization, based in Dublin, is responsible for the development of these alternatives. The Group is also improving its processes by reducing the quantity of solvent required to produce the active ingredients required for product manufacturing. The 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 its processes.

Stakeholders Relations

Ipsen is concerned about the potential impact of its activities on the areas surrounding its sites. Also, as part of its Group certification, overall EHS policy and in the context of its implementation at the sites Interested Parties and their needs have been identified. 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 the ecological equilibrium, the conservation of natural habitats and the protection of protected species are monitored closely.

The measures taken to curb negative externalities 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, France and started in 2013 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. The results of sampling demonstrate the best biodiversity and preservation of the biodiversity of the natural environment of twenty French areas under APIVIGILANCE. 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 flower bedsand the regular planting of trees. At Dreux, the site collaborated on a fish counting operation in the river called "Les Châtelets".

Table 2. Ipsen Sustainability Performance

Sustainability Area	2015	2016	2017	2018
Safety and Health Management				
Ipsen Manufacturing and R&D Fatalities	0	0	0	0
Ipsen Manufacturing and R&D Severity Rate	0.022	0.034	0.025	0.000
Ipsen Manufacturing and R&D Medicalized Accidents with Lost Days (Frequency Rate 1 FR1)	2.12	2.03	0.97	0.00
Ipsen Manufacturing and R&D Medicalized Accidents with and without Lost Days (Frequency Rate 2 FR2)	4.59	2.03	0.97	0.88
Ipsen Medicalized Accidents with Lost Days (Frequency Rate 1 FR1)	1.71	2.56	1.43	0.83
Ipsen Medicalized Accidents with and without Lost Days (Frequency Rate 2 FR2)	2.90	2.69	1.91	1.45
Ipsen First Aids	83	68	88	74
Ipsen Near Misses	240	189	125	200
Ipsen Occupational Illness	1	2	1	0
Contractor Fatalities	0	0	0	0
Contractor Medicalized Accidents with Lost Days	5	4	4	0
Contractor Medicalized Accidents with and without Lost Days	5 (*)	5 (*)	29	1
Contractor First Aids	6	10	12	7
Waste Management				
Total Waste (tons)	9,756	13,161	11,133	11,798
Hazardous Waste (tons)	2,643	3,324	3,859	3,989
Non-Hazardous Waste (tons)	7,113	9,837	7,274	7,809
Recycled Materials (tons)	6,566	9,668	6,794	7,102
Recycling Rate (%)	67.3	73.47	61	60
Energy Management				
Electrical Energy (kWh)	62,681,362	62,850,159	64,506,903	65,728,880
Renewable including Green Power (% of total energy)	3.47	2.78	13.99	36
Other Energy (kWh)	2,025,267	2,047,287	1,139, 474	1,044,365
Fuel Derived Energy (kWh - HCV)	70,095,054	71,551,005	70,971,741	76,800,692
Total Energy (kWh) Ipsen	134,801,683	136,448,451	136,618,119	143,573,937
Manufacturing and R&D Energy (kWh)	126,222,078	129,806,050	133,279,393	135,108,978
Affiliate Commercial Office Energy (kWh)	8,579,605	5,290,950	3,338,726	8,464,959
Vehicle Fleet Efficiency (km/l)	Not Collected	12	15	12
Vehicle Fleet Energy (kWh)	Not Collected	15,154,999	16,115,684	25,858,230
Carbon Management				
Carbon Scope 1 Total Emissions (tCO_2E)	13,024	13,239	14,180	14,750
Carbon Scope 2 Total Emissions (tCO_2E) Location-based methodology	15,399	14,589	13,530	12,450
Carbon Scope 2 Total Emissions (tCO_2E) Market-based methodology	Not Collected	Not Collected	4,750	3,470
Carbon Scope 3 Total Emissions (tCO_2E)	Not Collected	67,795	75,612	94,200

Sustainability Area	2015	2016	2017	2018
Carbon Scope 3 Fuel and Energy-related Activities (tCO_2E)	Not Collected	4,230	3,853	5,288
Carbon Scope 3 Purchased Goods and Services (tCO_2E)	Not Collected	42,295	30,660	32,360
Carbon Scope 3 Capital Goods (tCO_2E)	Not Collected	539	2,193	3,001
Carbon Scope 3 Upstream Transportation and Distribution (tCO_2E)	Not Collected	Not Collected	Not Collected	Not Collected
Carbon Scope 3 Waste Generated in Operations (tCO_2E)	Not Collected	2,351	3,058	4,795
Carbon Scope 3 Upstream Leased Assets (tCO_2E)	Not Collected	10,646	3,478	7,180
Carbon Scope 3 Business Travel (tCO_2E)	Not Collected	3,371	12,000	17,914
Carbon Scope 3 Downstream Transportation and Distribution (tCO_2E)	Not Collected	Not Collected	6,956	10,515
Carbon Scope 3 Processing of sold products (tCO_2E)	Not Collected	Not Collected	Not Collected	Not Collected
Carbon Scope 3 End of life Treatment of sold products (tCO_2E)	Not Collected	605	10,311	10,088
Carbon Scope 3 Employee Commuting (tCO_2E)	Not Collected	3,755	3,103	3,023
Water Management				
Total Water Consumption (m^3)	485,554	469,579(**)	529,281	602,620
Supply from Well Water and Surface Water Origin (%)	66	66	66	69
Total Water Recycled (m^3)	Not Collected	Not Collected	14,600	22,400
Hazardous Materials Management				
Solvent Consumption (tons)	19,182	21,494	23,317	21,941
Reclaimed Solvents (tons)	17,852	20,042	21,819	20,425
Refrigerant Gas Losses (tons)	1.07	0.49	0.41	0.45
Compliance Management				
Notices of Violation Received	0	2	0	0
Fines and Penalties Paid (€)	0	0	0	0
Air Emissions Management				
VOC Emissions (tons)	10.2	9.55	4.18	11.65
NOx Emissions (tNO_2)	Not Collected	Not Collected	1.88	2.22
SOx Emissions (tSO_2)	Not Collected	Not Collected	0.68	0.19
Waste Water Management				
Waste Water Treated (m^3)	363,362	359,493	416,916	430,109
COD Loading (tons)	Not Collected	Not Collected	196	619
BOD Loading (tons)	Not Collected	Not Collected	80	151
Total Suspended Solids (tons)	Not Collected	Not Collected	160	295
Sales (€M)	1,444	1,585	1,909	2,224
Total Facility Area (m^2)	101,649	102,966	123,220	124,236
Headcount (number) with joint venture	4,635	4,907	5,401	5,774
Headcount (number) without joint venture			5,345	5,670
EHS Investments (€K)	4,926	7,521	11,631	7,740

4.3.3.4 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 Tianjin, a redesign of the warehousing arrangements led to a reduction of the area required to be temperature controlled, for the storage of temperature sensitive materials, which resulted in energy savings.

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® and Forlax® both 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, Ipsen launched an innovative syringe technology Somatuline® Depot Injection for the treatment of neuroendocrine tumors to reduce medical waste and prevent 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 2018. 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. In 2018, a People Based Safety course was added to the EHS learning platform. This interactive training module takes individuals through examples where risks can be identified, and the correct choices made.

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 regarding absenteeism, stress management and work life balance.

4.3.4 Internal resources

4.3.4.1 Internal management resources for EHS issues

Ipsen's 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, through 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 an EHS strategy for 2017 through 2020. 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. Every year since, these projects and their charters were updated and new tasks added to the multiyear projects. In 2018 a fresh strategy was developed by the Global EHS team, leading up to 2021, and including broad topics of PBS, Environment, Systems, Performance and People & Competencies. The activities within each topic will deliver end statements that support the ambition to be 'Best in Class'. 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 make 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 in other countries with production sites, meet regularly and are involved in monitoring activities and projects concerning the health and safety of employees.

4.3.4.2 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 2018, 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 projects and operations totaled just over €7.7 million.

Ipsen's key EHS investments are summarized below:

- Air emission and wastewater discharge control systems;
- Energy and water efficiency improvement projects;
- Projects to improve the segregation between manufacturing / laboratory/ offices areas;
- Projects to improve equipment in order to reduce the risk of falling form height and to enhance machine guarding;
- Improvements in ergonomics and manual handling workstations;
- Improvement of fire protection systems.

There have also been major expansions and additions of new buildings at Ipsen R&D and Manufacturing sites in 2018, all of which involve EHS investments in various systems.

4.3.4.3 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.

4.3.5 Ipsen UN Global Compact Communication

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, conducted supply chain partner assessments on a pilot group of eighteen core suppliers that include aspects such as Human Rights. Ipsen continues to work with EcoVadis to engage our supply chain in the CSR process. In 2018, we have now reached out to 64 companies. Ipsen has also participated with EcoVadis process as a supply chain partner at the request of Galderma one of our partners. We expect to establish targets for poor performing based on the EcoVadis evaluation model supply chain partners.

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.

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 is working with EcoVadis which allows Ipsen to manage the ethical sourcing and responsible procurement of goods and services. EcoVadis, on behalf of Ipsen, conducted supply chain partner assessments on a pilot group of eighteen core suppliers that include aspects such as Human Rights. Ipsen continues to work with EcoVadis to engage its supply chain in the CSR process. In 2018, Ipsen has now reached out to 64 companies. Ipsen has also participated with EcoVadis process as a supply chain partner at the request of Galderma one of our partners. Ipsen expects to establish targets for poor performing based on the EcoVadis evaluation model supply chain partners.

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.

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 is working with EcoVadis which allows Ipsen to manage the ethical sourcing and responsible procurement of goods and services. EcoVadis, on behalf of Ipsen, conducted supply chain partner assessments on a pilot group of eighteen core suppliers that include aspects such as freedom of association and collective bargaining. Ipsen continues to work with EcoVadis to engage our supply chain in the CSR process. In 2018, we have now reached out to 64 . Ipsen has also participated with EcoVadis process as a supply chain partner at the request of Galderma one of our partners. We expect to establish targets for poor performing based on the EcoVadis evaluation model supply chain partners.

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.

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 is working with EcoVadis which allows Ipsen to manage the ethical sourcing and responsible procurement of goods and services. EcoVadis, on behalf of Ipsen, conducted supply chain partner assessments on a pilot group of eighteen core suppliers that include aspects such as forced and compulsory labor. Ipsen continues to work with EcoVadis to engage our supply chain in the CSR process. In 2018, we have now reached out to 64 companies. Ipsen has also participated with EcoVadis process as a supply chain partner at the request of Galderma one of our partners. We expect to establish targets for poor performing based on the EcoVadis evaluation model supply chain partners.

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.

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 is working with EcoVadis which allows Ipsen to manage the ethical sourcing and responsible procurement of goods and services. EcoVadis, on behalf of Ipsen, conducted supply chain partner assessments on a pilot group of eighteen core suppliers that include aspects such as child labor. Ipsen continues to work with EcoVadis to engage our supply chain in the CSR process. In 2018, we have now reached out to 64 companies. Ipsen has also participated with EcoVadis process as a supply chain partner at the request of Galderma one of our partners. We expect to establish targets for poor performing based on the EcoVadis evaluation model supply chain partners.

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.

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 is working with EcoVadis which allows Ipsen to manage the ethical sourcing and responsible procurement of goods and services. EcoVadis, on behalf of Ipsen, conducted supply chain partner assessments on a pilot group of eighteen core suppliers that include aspects such as discrimination. Ipsen continues to work with EcoVadis to engage our supply chain in the CSR process. In 2018, we have now reached out to 64 companies. Ipsen has also participated with EcoVadis process as a supply chain partner at the request of Galderma one of our partners. We expect to establish targets for poor performing based on the EcoVadis evaluation model supply chain partners.

Principle 7: Precautionary Approach

Ipsen has adopted the Precautionary Approach in all its business dealings. 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. 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.

In 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 is working with EcoVadis which allows Ipsen to manage the ethical sourcing and responsible procurement of goods and services. EcoVadis, on behalf of Ipsen, conducted supply chain partner assessments on a pilot group of eighteen core suppliers that include aspects such as Human Rights. Ipsen continues to work with EcoVadis to engage our supply chain in the CSR process. In 2018, Ipsen reached out to 64 companies. Ipsen has also participated with EcoVadis process as a supply chain partner at the request of Galderma one of our partners. Ipsen expects to establish targets for poor performing based on the EcoVadis evaluation model supply chain partners.

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.

In 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 addition, in 2017, Ipsen is working with EcoVadis which allows Ipsen to manage the ethical sourcing and responsible procurement of goods and services. EcoVadis, on behalf of Ipsen, conducted supply chain partner assessments on a pilot group of eighteen core suppliers that include aspects such as environment, health and safety management systems and resource conservation. Ipsen continues to work with EcoVadis to engage our supply chain in the CSR process. In 2018, Ipsen reached out to 64 companies. Ipsen has also participated with EcoVadis process as a supply chain partner at the request of Galderma one of our partners. We expect to establish targets for poor performing based on the EcoVadis evaluation model supply chain partners.

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. In addition, in 2017, Ipsen is working with EcoVadis which allows Ipsen to manage the ethical sourcing and responsible procurement of goods and services. EcoVadis, on behalf of Ipsen, conduct supply chain partner assessments on a pilot group of eighteen core suppliers that include aspects Ipsen continues to work with EcoVadis to engage our supply chain in the CSR process. In 2018, we reached out to 64 companies. Ipsen has also participated with EcoVadis process as a supply chain partner at the request of Galderma one of our partners. We expect to establish targets for poor performing based on the EcoVadis evaluation model supply chain partners.

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.

4.4 SOCIAL & SOCIETAL INFORMATION

4.4.1 Social relations

4.4.1.1 Collective agreement contribution to performance and employee well-being

Ipsen has put in place a strong social dialogue with its employee representatives:

- Employees are represented in each 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 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, a European Works Council, composed of 10 members representing European countries, was launched in 2014. The members of the European Works Council work together, taking a concerted approach, and in compliance with the legal and regulatory practices as well as the cultural and social characteristics of the various countries. Ordinary meetings are held annually in order to present the progress in Ipsen Group's business and its strategic directions.

A European employee representation body for information and consultation on so-called "transnational" issues which is responsible for sharing information and exchanging viewpoints, fostering experience-sharing and building coordination between European countries.

In 2017, Ipsen signed a 4-year agreement aimed at fostering well being at work as well as gender equality. This agreement is structured around four pillars:

- Work-life balance,
- Support of accountability and empowerment,
- Promotion of health and well-being at work,
- Monitoring of risky situations and psychological support.

As this agreement was being rolled-out in 2018, all Ipsen French sites have reinforced their specific actions for well being at work, such as sports activities, concierge service, corporate co-financed day-nursery and prevention of psychosocial risks.

In 2018, Ipsen signed the charter of the Institut National contre le Cancer and thus committed itself to a set of 11 measures meant to improve the "patient/employee" life during and after medical leave.

4.4.1.2 Social initiatives

According to country specific environments, the Group's policy on social initiatives is based on four main priorities:

- Initiatives benefiting employees' children,
- Initiatives for retired employees,
- Initiatives for active employees,
- 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.

4.4.2 Societal information

4.4.2.1 Impact of its activity on nearby or local populations

Within the context of Ipsen's newly-launched Company Social Responsibility strategy (CSR), the Group's vision is to harness the power of employees to have a responsible and sustainable impact on patients, society and the environment.

Ipsen is committed to the importance of health, safety and respect to the environment. Approaches to environmental design, energy consumption, waste reduction, and its overall environmental footprint are integrated from the very outset when considering all activities, including new manufacturing facilities or industrial projects. Studies are also carried out into the design and optimization of the packaging of Ipsen medicines as well as into the movement and distribution of products, while also taking into account potential recycling solutions.

Ipsen's impact on the environment is one of the three key pillars of the company's new CSR strategy

4.4.2.2 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 (employees, healthcare professionals and patients, investors and the financial community, suppliers and partners, regulatory authorities and agencies, local communities, and the media) to provide reliable and factual information, to pursue a constructive dialogue, develop partnerships, support patient associations, with the ultimate goal of providing differentiated and 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 the following:

- Regional trade associations such as EFPIA (European Federation of Pharmaceutical Industry Association) and PhRMA (Pharmaceutical Research and Manufacturers of America). In 2018 Ipsen additionally became a member of the IFPMA (International Federation of Pharmaceutical Manufacturers & Associations), and BIO (Biotechnology Innovation Organization).
- Trade 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), and other national trade organisations.

The Group also has interactions with science and innovation ecosystems in order to foster stronger partnerships and external innovation (with universities, research centers, and biotechs); groups such as ARIIS in France; MassBio in the US, Polepharma in France, or the Oxford Biotechnology Network (OBN) in the UK.

In France, the Ipsen Group is a member of "G5 Health", a thinktank that brings together the CEOs of the main French-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 the 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, Ipsen has to comply with the standards laid out by the local regulatory authorities and by any other competent supranational regulatory authority. These authorities 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 to patients, Patients Organizations (PO), caregivers and civil society must comply with the standard policy of Ethic & Compliance and the local regulatory authorities where the Group operates.

Working **with** the patient **for** the patient is the main objective.

The aim is to first listen to the needs of the patient and to deliver information which better meets the patient's expectations.

This should be done through prevention and educational campaigns,public health initiatives, and inclusion into the preliminary state of the drug development.

The patient organizations are key voices for patients who can provide efficiently advise and dialogue from patient, focusing the patients' needs.

In France, Ipsen continues its efforts to support international and local patients associations and organizations aligned with our key therapeutic areas, including:

- Dystonia Europe
- *Europa Uomo* (European Prostate Cancer Coalition)
- *Europa Donna* (The European Breast Cancer Coalition)
- ELPA (European Liver Patient's Association)
- IKCC (International Kidney Cancer Coalition)
- WAPO (World Alliance for Pituitary Organisation)
- ECPC (European Cancer Patient Coalition)
- *Convives con Espasticidad*
- Eurodis (Rare Diseases)
- *Uronauten*
- *Das Lebenshaus Nierenkrebs*
- ICOSEP/Magic Foundation (International Coalition Organization supporting Endocrine Patients)
- EAU (European Association of Urology)

Moreover, some charity organizations have also received grants:

- VHL Greece - Family Alliance

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 HCPs and HCOs are conducted in accordance 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 are based on legitimate and genuine need and business purpose, and engagements with HCPs are 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 and HCOs. 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 of 2018, 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 2017, in the United States and in the European countries.

The Fondation Ipsen

The Fondation Ipsen was established in 1983 under the aegis of the *Fondation de France*. The mission of the Fondation Ipsen is to reflect upon major scientific issues that affect society. Over more than 30 years, the Fondation Ipsen has organized more than 250 meetings and produced several hundred publications; more than 250 scientists and biomedical researchers have been awarded prizes and research grants. Reimagined for public service in 2018, the Fondation Ipsen expanded its mandate and internationally recognized speakers, to present their work on promising biomedical innovations to a worldwide audience; the efforts of the Foundation Ipsen reached more than 50,000 people.

The foundations programs are divided into three themes: *Liberté* of Discovery, *Egalité* in Society and *Fraternité* in Society.

THEME 1: Liberté of Discovery

- Collaboration with the *Collège International de Philosophie*

  The Fondation Ipsen is supporting a series of actions aimed to facilitate the access to scientific knowledge (History of Science) across France.

- Webinar "Put talents first: Practical steps to eliminate gender bias in science" – Collaboration with the journal "Science"

  This live roundtable discussion addressed the continuing problem of gender-based discrimination in the sciences. The live roundtable discussion held at The National Press Club, Washington DC on 11 July 2018 includeda panel of experts. The panel addressed practical issues of gender-based discrimination in the sciences.

- SciBooks for young children – Collaboration with the Curie Institute (Paris)

  In collaboration with the Curie Institute, the Fondation Ipsen supported the development and publication of three illustrated science-based books that accurately relay biological and medical science for children. The project useds art and science to increase public interest in fundamental science and recent discoveries. The projected aimed to create a series of illustrated science-based books that accurately relay biological and medical science for children.

- Women in Science – Manga books – Collaboration with several scientists and students from a manga school (AAA, Paris)

  The Fondation Ipsen supported the development and publication of 3 manga books (to be released in January 2019). Three stories were written about women working in different scientific domains and the difficulties they encountered (discrimination, harrassement...). The project aimed to promote the place of women in the scientific community, and more generally, in the world.

- Health initiatives for war veterans; a collaboration with Wounded Warriors

THEME 2: *Égalité* in Society

- The Fondation Ipsen supported an information campaign promoting gender equality in Science. This project was organized in collaboration with *La Fabrique des Egalités*, a non-profit organization expert in gender equality issues. This project was conceived by the Fondation Ipsen to allow teenagers to better understand how to prevent gender discrimination.

- Engagement in the La Crosse Child Maltreatment annual conference – Collaboration with the Mayo Clinic for a conference which provides education and training to professionals and community members who respond to child abuse/neglect.

- Children in Science: Lectures in public Libraries; in collaboration with Arizona State University.

THEME 3: *Fraternité* in Society

The Fondation Ipsen supported the following scientific meetings:

- Biological Complexity: Biology of Time (January 2018),was held in collaboration with the Salk Institute of Biological Studies (La Jolla, USA) and the "Science" magazine.

- Bridging Biomedical World: Genome Editing: the next frontier (February 2018),held in collaboration with Science Translational Medicine magazine and A*STAR institute (Singapore).

- Days of Molecular Medicine: Emerging Asian Epidemic of Cancer and Heart Disease (March 2018),held in collaboration with the Karolinska institutet (Sweden) and DMMGF.

- Exciting Biologies: Biology of Time (October 2018),was held in collaboration with the journal "Cell".

- Fondation Ipsen Science Prizes.

2018 Endocrinology Prize - In collaboration with the International Conference in endocrinology – The Fondation Ipsen award for the best young investigtor in Endocrinology.

4.4.2.3 Subcontracts and suppliers

Ipsen works in close collaboration with a large range of suppliers whose services and goods are critical to the performance of the company and quality of its products. Purchasing activities involve suppliers in Corporate Social Responsibility (CSR) program to deliver a sustainable business.

Ipsen subcontracts significant services to CROs (Contract Research Organizations), for Research and Development 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).

In France, Ipsen signed the *Charte des Relations Inter-Entreprises* in 2013. 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.

Overview of major initiatives

EHS or more widely CSR are part of our specifications in various categories. Namely:

- For equipment purchases and capital expenses, EHS reviews the specifications in Les Ulis, Dreux, Dublin and Wrexham, and Signes.

- For contract manufacturing, a certain standard is required for Ipsen's subcontractors manipulating its drugs, for whom the Group not only collects detailed EHS information before selection, but may also perform EHS sites audit to assess the Health and Safety protection level of their staff before selection and once they have become a supplier.

- In Dreux, Ipsen's biggest volume manufacturing site, the Group has added a CSR section in its evaluation tool applied to the most strategic material suppliers in 2013. In 2014, Ipsen has systematized this evaluation to all of its suppliers of material and packaging; furthermore, it has also enlarged this assessment to its main providers of facility management (maintenance, security...).

- The Group has included a clause covering sustainability and labor in most of our Facility management contracts for Dreux, Signes and Les Ulis (maintenance, security…).

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 the 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 the sites of Dreux and L'Isle-sur-la-Sorgue, Ipsen buys some of our cleaning products and office supplies from protected and adapted companies in France; Ipsen also outsources to them the enveloping and the mail postage. Annually, Dreux buys visit cards from French protected and engaged companies. Signes works with ESAT to make communication media type billboard / regulatory display / EHS leaflet.

- At Signes, Ipsen purchased work equipment that have been analyzed by ergonomists in 2014 in order to optimize and maintain the posture 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.

Actions are conducted to reduce the impact of the product on the environment, such as decreasing from 9 µm to 7 µm the thickness of packaging used in Smecta® both in Dreux and in Tianjin, as well as Forlax® in Dreux. Since 2014, 95% of Smecta® and Forlax® production at Dreux is 7 µm.

Another advanced project on Ipsen's production sites is to reduce the weight of cartons used in the manufacture of cases. At Dreux, this project has already been completed.

Furthermore, in the packaging area, another project on the reduction of the packaging size for Forlax® in Dreux was finalized in 2014. Forlax® produced at Dreux for the French market has today smaller packaging. The Tianjin plant in 2015 began the reduction of packaging for Smecta® and finalized this project in 2017.

Finally, Ipsen 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 its use of solvents by 53 tons (US) and saved more than 3 tons (US) of packaging in both 2016 and 2017.

Ipsen implemented a Supplier Diversity Program in the United States for the first time in 2018. The Supplier Diversity Program is expected to direct a percentage of Ipsen spending in the US toward diversified suppliers such as small businesses, small disadvantaged businesses, female- owned businesses. During this first year, several processes have been developed and implemented to support the success of the Supplier Diversity Program, including the training of purchasing personnel, the attendance of the Purchasing team to several conferences and the development of an infrastructure to support ongoing program monitoring and reporting requirements.

Although Ipsen expects the full benefit of these processes to materialize only in the coming years, Ipsen's results actually exceeded its objective for the year.

Implementation of a thorough methodology to assess suppliers

Since 2017, Ipsen's EHS and Purchasing departments have been working with a Company Rating Agency to conduct assessments based upon four pillars (Ethics, Environment, Social, Supply Chain) and optimize the CSR and sustainability positioning of its main suppliers. The 2018 evaluation campaign involves more than 40 suppliers. Ipsen is also working with EcoVadis to include this approach in Purchasing processes and more generally at a Group-level CSR strategy.

4.4.2.4 Loyalty of practices

The new mechanisms to limit bribery and corruption do not dramatically impact the obligations applicable to the companies operating already in an international environment, such 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 recently revised Company's Code of Conduct and its Ethics & Compliance program. Ipsen's Code of Conduct has been updated in order to comply with laws, regulations, industry's codes, Ipsen's policies and procedures, to develop and strengthen a collaborative and open culture, to engage and inspire people on the Ipsen strategy, to promote the achievement of objectives in a fully compliant and ethical manner and to reinforce Ipsen commitment to groundbreaking principles: responsibility, accountability, trust and integrity.

It 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 Global Directive 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 undergoes a continuous assessment with the objective to strengthen the anti-corruption measures across all components of the Ethics & Compliance program and beyond.

Since the implementation of the Third-Party Compliance program, Ipsen assessed, around 1,200 partners and suppliers' engagements. 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.

In 2018, with the implementation of a new whistleblowing policy and a dedicated platform, Ipsen advocates an open culture which encourages employees to report any incidents or breaches related to, among other risks, potential acts of corruption.

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 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;
- 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 the insurance that the data is 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 is 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 to 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.

The Ipsen pharmacovigilance system is continuously being developed to increase performance and measurability of all compliance critical pharmacovigilance activities. Furthermore, the Ipsen pharmacovigilance system is regularly Inspected by regulatory agencies In the markets where Ipsen is present. In 2018 inspections were conducted by ANSM, MHRA, the Chinese regulatory agency and Health Canada. All Corrective and Preventative Actions in relation to these inspections are either completed or on track for completion.

In 2018 six safety signals were detected for Ipsen products, three signals were validated and resulted in updates to the product information. No changes to product benefit/risk for Ipsen products were identified which was confirmed by relevant competent authorities on submission of periodic safety update reports. No urgent safety measures were imposed, and no product recalls for safety reasons were conducted.

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 Group's will to include its fundamental principles in particular in the domain of Human Rights and standards of work in its sphere of influence.

4.5 METHODOLOGICAL NOTE ON THE SOCIAL AND ENVIRONMENTAL REPORTING

Human Resources

- **Headcount**

Headcount indicators reported in the registration document are based on Ipsen's global Human Resources Information Systems deployed in all countries. It is being kept up-to-date by the local HR and globally reported.

The headcount includes any employee with a current work contract with Ipsen. Notably, external resources (temporary workers, trainees…) are excluded from headcount.

Regarding Joint Ventures, it must be noted that the Group HR policy does not apply to these entities and that no HR reporting is being requested from them. Therefore, apart from the global headcount, all other HR indicators mentioned in the registration document are shown without the Joint Ventures.

- **Absenteeism**

Absenteeism data are collected separately:

- For France, they are retrieved from the French payroll system,
- For other countries, they are collected from the HR manager.

At the end of 2018, this scope accounts for 92% of Ipsen's headcount since data are requested only from the countries with a HR manager, namely: Algeria, Australia, Brazil, Canada, China, France, Germany, Ireland, Italy, Korea, Mexico, Russia, Spain, the United Kingdom, the United States and Vietnam.

- **Training**

Training activity is recorded in Ipsen Learning Platform by the owner of the training (Training Manager, HR…).

The evidence of the training duration is provided on this platform and/or by paper attendance signed sheets.

The training report is extracted at corporate level and all the collected data is consolidated into a common Excel file.

- **Environment, Health and Safety (EHS)**

Manufacturing and R&D sites include 8 manufacturing or production sites: Dreux (France), Dublin (Ireland), L'Isle sur-la-Sorgue (France), Signes (France), Tianjin (China), Cambridge (USA) and Wrexham (United Kingdom) 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 (United Kingdom). The joint venture of Cork is included in the perimeter of this reporting as this site follows the Ipsen EHS policy.

Global Ipsen encompasses tertiary sites with a Human Resource representative, namely: Algeria, Germany, Australia, Czech Republic, Greece, Hungary, Poland, Romania, Mexico, the United States (Basking Ridge and Cambridge), France (Boulogne-Billancourt), Brazil, China, Korea, Spain, Italy, Russia, Sweden, Ukraine, Lithuania, Netherlands, Belgium, and Canada, the United Kingdom (Slough) and Vietnam. Global Ipsen covers 95% of the headcount at the end of 2018. It must be noted that, for offices, health and safety indicators (number of medicalized accidents, number of occupational diseases, number of days lost), energy, occupied area, and fleet vehicle information are now regularly collected during the year.

Data consolidation is performed using an internal reporting file, which also defines EHS monitoring indicators. The data is controlled and compiled using this central file, which possesses means of control and alert (absurd data, problems of units…). 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 Greenhouse Gas emissions are those of the Base Carbone ADEME and those provided by the IEA emission factors related to international electricity consumption.

Health and safety indicators in particular for determining the accident frequency and severity rates include the following calculations:

- The frequency rate 1 is the number of disabling injuries due to the work needing an external medicalized treatment beyond first aid, with work lost time exceeding one day which have occurred over a period of 12 months per million hours worked (frequency rate 1 = number of disabling injuries due to the work with lost time x 1,000,000 / number of hours worked).
- The frequency rate 2 is the number of disabling injuries due to the work needing an external medicalized assistance, with work lost time exceeding one day and without work lost time which have occurred over a period of 12 months per million hours worked (frequency rate 2 = number of disabling injuries due to the work with and without lost time x 1,000,000 / number of hours worked).
- The severity rate is the number of worker-days lost as a result of disability injuries per thousand hours worked (severity rate = number of worker-days lost x 1,000 / number of hours worked).

The following table represents the approaches used to derive carbon emissions for scope 1, 2 and 3 included in the fight to prevent climate change section of the document.

Scope	Categories	Description	Data sources	Emissions Factor sources
1	Direct emissions from stationary combustion sources	Natural gas and fuel combustion (kWh)	R&D manufacturing and affiliates reporting	Base Carbone
1	Direct fugitive emissions	Refrigerant gas losses (tons)	R&D manufacturing reporting	Base Carbone
2	Indirect emission from electricity consumption	Electricity consumption (kWh)	R&D manufacturing and affiliates reporting	IAE Highlights CO_2 fossil fuels and Base Carbone for French sites
2	Indirect emission from steam, heat and cooling consumption	Steam and cooling consumption (kWh). Only one site is concerned	R&D manufacturing and affiliates reporting	Base Carbone
3	Emissions due to fuels and energy (not covered by scope 1 and 2)	Upstream emissions from energy extraction and transportation (kWh)	R&D manufacturing and affiliates reporting	Base Carbone
3	Purchased goods or services	Extraction and Manufacturing of raw materials such as paper, aluminum and excluding transportation	R&D manufacturing: Weight of every component of primary, secondary and tertiary packaging (tons)	Base Carbone and CarbonEM methodology
3	Capital goods	GHG Emissions due to the construction of buildings (industrial and offices) depreciation based on 50 years	R&D manufacturing and affiliates reporting Buildings (sqm)	Base Carbone
3	Upstream and downstream transportation and distribution	Road, Air, sea transportation of raw materials and final products from production site to first delivery local sites	Upstream: Tons km from each site reporting Downstream: Tons km from deliveries extraction	Base Carbone
3	End of life treatment of waste generated from site operations	GHG Emissions due to the treatment of production waste (incineration, landfill, recycling)	R&D manufacturing Reporting (tons)	Base Carbone
3	Business travels	GHG Emissions due to the car fleet consumption and plane travel; Train travel and travel by taxi is not included but a first estimation concluded an insignificant contribution to scope 3 emissions compared to other business travel modes covered in this report. Fugitive emissions (condensation trails) are not taken into account in the emissions factors of plane travel	Travel agency (km) and reporting on gasoline consumption (liters)	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 translation into English 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 non-financial performance reporting included in the management report

For the year ended 31 December 2018

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 non financial performance reporting information for the year ended 31 December 2018 included in the management report (hereinafter named "the Reporting"), pursuant to article L.225-102-1, R.225-105 and R.225-105-1 of the French Commercial Code *(Code de commerce)*.

We also report our reasonable insurance report on a selection of information included in the Reporting (Frequency Rate 1 (FR1) – Ipsen Manufacturing and R&D, Energy consumption, GHG emissions (Scope 1 and 2) and Water consumption) for which we have performed specific review according to your request and out of the scope of our certification.

Company's responsibility

The Board of Directors is responsible for preparing a company's management report including the Reporting legally required, including a presentation of the Company's business model, a description of the main non-financial risks, a presentation of policies implemented with respect to such risks and the results of these policies, including key performance indicators. The Reporting has been prepared while applying the Company's procedures (hereafter the *"Référentiel"*) which main items are presented in the Reporting and available on the Company's website and 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.822-11-3 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 as an independent third party

On the basis of our work, our responsibility is to express a limited insurance conclusion upon:

- the compliance of the Reporting with article R.225-105 of the French Commercial Code;
- the fairness of informations communicated according to article article R.225 105 of the French Commercial Code, that is to say, the results of the policies including key performance indicators and the actions related to the main risks (hereafter the "Informations").

It is also our responsibility to express, upon the request of the Company and out of the scope of our certification, a reasonable insurance report on the fact that the selected information included in the Reporting (Frequency Rate 1 (FR1) – Ipsen Manufacturing and R&D, Energy consumption, GHG emissions (Scope 1 and 2) and Water consumption) were determined based on the *Référentiel*.

It is not our responsibility to provide any conclusion on:

- the compliance with other applicable legal requirements, in particular those concerning fight against corruption and tax;
- on the compliance of goods and services to applicable regulations.

1. Report according to article L.225-102-1 of the French Commercial Code

Nature and scope of our work

We have performed our work to ensure the Reporting is compliant with legal and regulatory requirements:

- We have looked at the activity of the consolidated entities, the description of main social and environmental risks and their effects upon the respect of human rights and fight against corruption and tax evasion, as well as policies implemented and their results;
- We have analyzed the Référentiel according to its consistency, completeness, reliability and neutrality taking into consideration good practices in the industry, when available;
- We have checked that the Reporting covers each category of information required by article L.225-102-1 III on social and environmental and Human rights and fight against corruption and tax evasion;
- We have checked that the Reporting includes the business model and the main risks for all consolidated entities, including when relevant and proportionate, risks related to its business, products and services as well as policies, actions and results including key performance indicators;
- We have checked, when relevant, that informations required by article R.225-105 II are included in the Reporting;
- We have checked the selection and validation process for the main risks;
- We have verified the existence of internal control and risks mitigations processes implemented by the company;
- We have verified the consistency of the results and the key performance indicators selected for the main risks and policies;
- We have verified that the Reporting encompasses the consolidation perimeter, that is to say all companies included in the consolidation perimeter according to article L.233-16 with the limits specified in the Reporting;
- We have checked the information collection process setup by the Company to ensure its completeness and sincerity;
- We have implemented for the key performance indicators and other quantitative results(1) considered as the most important:
  - Analytical processes to check the correct consolidation of collected data and the consistency of their progress;
  - Detail tests on the basis of samplings to check the correct application of definitions and processes and compare the information with supporting documentation. Such tests were performed on a selection of entities(2) and cover between 22% and 100% of the consolidated data for the key performance indicators and results.
- We have looked at the supporting documentation and handled interview to confirm qualitative informations (actions and results) considered the most relevant(3);
- We have checked the consistency of the Reporting with our knowledge of the Company.

We consider that the work we performed based on our professional judgement, is sufficient to provide a basis for our limited insurance conclusion; a higher level of insurance would have required us to carry out more extensive procedures.

Means and resources

Our work involved 5 individuals and was conducted between December 2018 and February 2019. We were assisted in our work by our sustainability experts and performed about 10 interviews of people in charge of drafting the Reporting.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the Reporting is not compliant with legal and regulatory requirements.

(1) Headcount, Absenteeism rate, Employee turnover, Accidents FR1, Energy consumption, GHG (scope 1-2), GHG scope 3, Waste generated, Solvants usage, Solvants regenerated, COV emissions, Water consumption, Number of cyberattack cases reported, Number of supply shortages, Number of counterfeiting cases
(2) Dreux, Wrexham, Isle-sur-la-Sorgue, Tianjin, Dublin.
(3) Product liability: Pharmacovigilance report and Quality assessment, Ethics & Compliance: evolution of Ethics & Compliance culture within the Company.

2.Reasonable insurance report on a selection of information included in the Reporting

Nature and scope of our work

With respect to the Frequency Rate 1 (FR1) – Ipsen Manufacturing and R&D, Energy consumption, GHG emissions (Scope 1 and 2) and Water consumption, we have performed the same type of work than described above in 1, but more in-depth, notably regarding:

- Analytical processes aiming to ensure the right consolidation of collected information and their consistency;
- Sampling tests performed to ensure the right application of definitions and procedures and control with supporting documents.

Samples represent between 47% and 85% of the information.

Further to the work performed we are able to express a reasonable insurance.

Conclusion

The information selected by the Company, Frequency Rate 1 (FR1) – Ipsen Manufacturing and R&D, Energy consumption, GHG emissions (Scope 1 and 2) and Water consumption, are presented in conformity with the Référentiel.

Paris-La Défense, 15 February 2019

One of the Statutory Auditors,

Deloitte & Associés

5 CORPORATE GOVERNANCE AND LEGAL INFORMATION

This section presents Ipsen SA's Corporate governance and legal information and includes in particular the Board of Directors' Report on corporate governance. It will be presented to the Combined Shareholders' Meeting to be convened in 2019 to review and approve the financial statements for the financial year ended on 31 December 2018, 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 confirmed Mr. Marc de Garidel as Chairman of the Board of Directors.

This change in governance reflects the determination of the Group to accelerate its international development and to be prepared for the challenges that the pharmaceutical industry is currently facing. The separation of said duties is also good governance practice such as is more and more frequently applied in the pharmaceutical industry.

The separation of functions allows the Chief Executive Officer to focus on the Group's operations and the continuation of its transformation, while the Chairman of the Board of Directors can give his full attention to leading and managing the Board of Directors.

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 June 2018, 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 practices and reasons why
Article 16.1 The Nomination Committee should have a majority of independent directors	This provision is not applied as the Company is controlled by a majority shareholder. Moreover, there are structural elements related to the Company's governance (number of independent directors (4), all of foreign nationalities and living abroad, several recent recruitments, the number of specialized Committees (6), separation of the Compensation and Nomination Committees) to be taken into account. There is nevertheless ongoing high quality of work within each Committee (including the Nomination Committee) whilst maintaining a balanced composition of the Committees without having a majority of independent directors. Furthermore, the Board believes that both the quality and experience of independent members ensure open debate and that the current composition does not undermine the proper functioning of the Committee.
Article 17.1 The Compensation Committee should be chaired by an independent director	This provision is not applied as the Company is controlled by a majority shareholder. Moreover, two out of four members (50%) of the Compensation Committee are independent, which is sufficient to ensure the proper functioning of the Committee. Furthermore, it is specified that no executive officer is a member of this Committee. The Compensation Committee is chaired by Mr. Antoine Flochel, given his deep knowledge of the Group's operation, the pharmaceutical industry and his experience in matters of compensation.
Article 17.1 One of the members of the Compensation Committee should be an employee director	This provision is not applied for the moment. The Director representing the employees, Jean-Marc Parant, was designated by the Works Council on 27 November 2018. The Board agreed that Jean-Marc Parant would familiarize himself with the functioning and governance of the Board and its Committees during an integration period of a few months. Following this, a decision regarding his participation on a Committee will be taken after the forthcoming Shareholders' Meeting.

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

Composition of the Board of Directors

Evolution of the Board of Directors during the 2018 financial year

During 2018, the changes in the Board of Directors are as follows:

	Nature of the change	Comments
Shareholders' Meeting held on 30 May 2018	Renewal of the term of office of Anne Beaufour as Director	–
	Appointment of Philippe Bonhomme at the Board of Directors in replacement of Mayroy SA	Philippe Bonhomme has been appointed for the remaining term of office of Mayroy SA, of which he had been the permanent representative since 1 June 2012.
	Appointment of Paul Sekhri at the Board of Directors in replacement of Hervé Couffin	Paul Sekhri, of US citizenship, is a seasoned Life Sciences executive with more than 30 years of international experience in general management, drug development, technology identification and commercial strategy, in large pharma companies, biotech and private equity firms.
	Appoinment of Piet Wigerinck at the Board of Directors in replacement of Hélène Auriol-Potier	Piet Wigerinck, of Belgian citizenship, is a senior and renowned scientist with a strong experience and understanding of the drug discovery pipeline, from target identification and validation through to clinical Proof Of Concept, in large international pharmaceutical and biotechnology companies.
	Non-renewal and non-replacement of Pierre Martinet	–
	Resignation of Christophe Vérot, who has not been replaced	–
Decision of the Works Council's Meeting held on 27 November 2018	Designation of Jean-Marc Parant as Director representing the employees noted by the Board of Directors' Meeting held on 13 December 2018.	Designation by the Works Council in accordance with the provisions of Article L.225-27-1 of the French Commmercial Code and of the article 12 of the Articles of Association.

There are currently thirteen Board members, four of whom are independent, and one is a Director representing the employees.

Summary table of the members of the Board of Directors as at 31 December 2018

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	61	11/10/2010 with effect as at 22/11/2010	27/05/2015	ASM 2019	• Innovation and Development Committee – Specialty Care (Chairman) • Innovation and Development Committee – Consumer HealthCare (Chairman)
Antoine Flochel	Vice-Chairman and Director	French	M	54	30/08/2005	07/06/2017	ASM 2021	• Compensation Committee (Chairman) • Innovation and Development Committee – Specialty Care
Anne Beaufour	Director	French	F	55	30/08/2005	30/05/2018	ASM 2022	• Innovation and Development Committee – Specialty Care (Guest) • Innovation and Development Committee – Consumer HealthCare (Guest)
Henri Beaufour	Director	French	M	54	30/08/2005	27/05/2015	ASM 2019	• Innovation and Development Committee – Specialty Care (Guest) • Innovation and Development Committee – Consumer HealthCare (Guest)
Philippe Bonhomme	Director	French	M	49	30/05/2018	N/A	ASM 2020	• Audit Committee • Nomination Committee • Ethics and Governance Committee • Innovation and Development Committee – Consumer HealthCare
Margaret Liu	Independent Director	American	F	62	07/06/2017	N/A	ASM 2021	• Ethics and Governance Committee (Chairperson) • Innovation and Development Committee – Specialty Care
David Meek	Chief Executive Officer and Director	American	M	55	07/06/2017	N/A	ASM 2021	• Innovation and Development Committee – Specialty Care (Guest) • Innovation and Development Committee – Consumer HealthCare (Guest)
Michèle Ollier	Director	French-Swiss	F	60	27/05/2015	N/A	ASM 2019	• Innovation and Development Committee – Specialty Care
Jean-Marc Parant	Director representing the employees	French	M	59	27/11/2018	N/A	ASM 2022	(*)
Paul Sekhri	Independent Director	American	M	60	30/05/2018	N/A	ASM 2022	• Innovation and Development Committee – Specialty Care • Audit Committee • Nomination Committee
Carol Stuckley	Independent Director	American	F	63	07/06/2017	N/A	ASM 2021	• Audit Committee (Chairperson) • Compensation Committee
Piet Wigerinck	Independent Director	Belgian	M	54	30/05/2018	N/A	ASM 2022	• Innovation and Development Committee – Specialty Care • Compensation Committee
Carol Xueref	Director	British	F	63	01/06/2012	31/05/2016	ASM 2020	• Nomination Committee (Chairperson) • Compensation Committee • Innovation and Development Committee – Consumer HealthCare • Ethics and Governance Committee

(*) For further details, see table above, on the Afep-Medef Code recommendations which have not been applied, concerning article 17.1

Ms Anne Beaufour was renewed as Director by the Shareholders' Meeting of 30 May 2018 for a duration of four years, *i.e.*, until the Shareholders' Meeting to be held in 2022 to approve the financial statements for the past financial year.

Mr. Philippe Bonhomme was appointed as Director by the Shareholders' Meeting of 30 May 2018, in replacement of Mayroy SA and for the remaining term of office of Mayroy SA, i.e for a term of two years expiring at the Shareholders' Meeting to be held in 2020 to approve the financial statements for the past financial year.

Mr. Paul Sekhri and Mr. Piet Wigerinck were appointed, in replacement respectively of Mr. Hervé Couffin and Ms Hélène Auriol-Potier, as they do not wish to renew their term of office, as Independent Directors by the Shareholders' Meeting of 30 May 2018 for a term of four years expiring at the Shareholders' Meeting to be held in 2022 to approve the financial statements for the past financial year.

The term of office of Mr. Pierre Martinet expired at the end of the Shareholders' Meeting of 30 May 2018, he chose not to renew his mandate as Independent Director and has not been replaced.

Mr. Christophe Vérot resigned from his duties as Director as of 30 May 2018, he has not been replaced.

Mr. Jean-Marc Parant was designated by the Works Council on 27 November 2018, as Director representing the employees, for a term of four years expiring at the Shareholders' Meeting to be held in 2022 to approve the financial statements for the past financial year.

Presentation of the Board members as at 31 December 2018

Marc de Garidel Chairman of the Board of Directors	Nationality: French	Shares owned: 141,549 Voting rights: 262,829

BoD attendance rate 2018:
100% on 11 meetings

Committees:
- Innovation and Development Committee – Specialty Care (Chairman)
  (Attendance rate: 100% on 10 meetings)
- Innovation and Development Committee – Consumer HealthCare (Chairman)
  (Attendance rate: 100% on 4 meetings)

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 CEO of Corvidia Therapeutics, Inc. since March 29, 2018.

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) between 2011 and 2018. His mandate as Chairman of IMI governing board also expired in May 2017.

Marc de Garidel was Vice-president of the Board of Vifor Pharma (Switzerland) between May 2017 and 2018 (formerly Galenica) of which he was a board member since 2015.

Positions and functions currently held

Main functions:
- Ipsen SA**, Chairman of the Board of Directors
- Corvidia Therapeutics Inc. (United States of America), Chief Executive Officer*

Other positions:
- Mayroy SA (Luxembourg), advisor

Positions previously held that expired during the last five years

Past positions previously held:
- Vifor Pharma GmbH** (formerly Galenica) (Switzerland), Director and Vice-president of the Board of Directors*
- G5 Santé (France), Chairman and spokesperson*
- Filière des Industries et Technologies de Santé (France), Vice-President of the Strategic Committee*
- Vectorlab GmbH (Switzerland), Chairman*
- Ipsen SA** (France), Chairman and Chief Executive Officer until 18 July 2016
- Ipsen Pharma SAS (France), Chairman
- Suraypharm SAS (France), Chairman
- Pharnext (France), Director*
- 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** (France), Director*

* Outside Ipsen Group.
** Listed company.

Antoine Flochel Vice-Chairman of the Board of Directors	Nationality: French	Shares owned: 5,000** Voting rights: 10,000

BoD attendance rate 2018:
100% on 11 meetings

Committees:
- Compensation Committee (Chairman)
  (Attendance rate: 100% on 5 meetings)
- Innovation and Development Committee – Specialty Care
  (Attendance rate: 100% on 10 meetings)

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 became a partner in 1998.

Antoine Flochel is a graduate of the Paris Sciences Po (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 functions:
- 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

- ADH (France), Director*
- Alma Capital Europe SA (Luxembourg), Director*
- Alma Capital Investment Funds SICAV (Luxembourg), Director*
- Alma Capital Investment Managers (Luxembourg), Director*
- Lepe Capital (United Kingdom), Member of the Investment Advisory Committee*

* 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 2018. He is also Legal Manager of Financière de Catalogne, which held 3,000 shares of the Company and 6,000 voting rights at the same date.

Anne Beaufour Director	Nationality: French	Shares owned: 1 ** Voting rights: 2 **

BoD attendance rate 2018:
55% on 11 meetings

Committees:
- Innovation and Development Committee – Specialty Care (Guest)
- Innovation and Development Committee – Consumer HealthCare (Guest)

Date of birth:
8 August 1963

Date of 1st appointment:
30 August 2005

Last renewal date:
30 May 2018

Term of office:
2022 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, which directly and/or indirectly hold shares of the Company (see the section 5.2.3.1).

Positions and functions currently held

Main functions:
- 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.
** The indirect shareholding is described in section 5.2.3.1.

Henri Beaufour Director	Nationality: French	Shares owned: 1 ** Voting rights: 2 **

BoD attendance rate 2018:
45% on 11 meetings

Committees:
- Innovation and Development Committee – Specialty Care (Guest)
- Innovation and Development Committee – Consumer HealthCare (Guest)

Date of birth:
6 January 1965

Date of 1st appointment:
30 August 2005

Last renewal date:
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 which directly and/or indirectly hold shares of the Company (see the section 5.2.3.1).

Henri Beaufour is also involved in philanthropic activities, in particular children's support associations helping young persons to have access to appropriate education, such as the Alasol foundation.

Positions and functions currently held

Main functions:
- Mayroy SA (Luxembourg), Director

Other positions:
- Beech Tree SA (Luxembourg), Director
- Massa Management SARL (Luxembourg), Partner and Legal Manager*

Positions previously held that expired during the last five years

None

* Outside Ipsen Group.
** The indirect shareholding is described in section 5.2.3.1.

Philippe Bonhomme Director	Nationality: French	Shares owned: 500 Voting rights: 1,000

BoD attendance rate 2018:
100% on 6 meetings

Committees:
- Audit Committee *(Attendance rate: 100% on 5 meetings)*
- Nomination Committee *(Attendance rate: 100% on 2 meetings)*
- Ethics and Governance Committee *(Attendance rate: 100% on 4 meetings)*
- Innovation and Development Committee – Consumer HealthCare *(Attendance rate: 100% on 3 meetings)*

Date of birth:
5 November 1969

Date of 1st appointment:
30 May 2018

Term of office:
2020 Shareholders' Meeting

Biography and experience

Since 2005, Phillippe Bonhomme has been Partner, Director and a member of the management committee of Hottinguer Corporate Finance, which is the investment banking arm of Hottinguer bank. He has been advising in France and abroad on numerous transactions in the pharma and healthcare sectors as well as on private equity-backed transactions.

From 1993 to 2005, Philippe Bonhomme was first an auditor and then, a Corporate Finance consultant within Coopers & Lybrand (renamed into PricewaterhouseCoopers).

From 2012 to 2018, Philippe Bonhomme was the permanent representative of the Company Mayroy SA, a Director of Ipsen SA.

Philippe Bonhomme is a graduate of École des Hautes Études Commerciales (HEC, Paris) and a French Certified Public Accountant (CPA).

Positions and functions currently held

Main functions:
- 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

- Permanent representative of Mayroy at Ipsen's Board of Directors

* Outside Ipsen Group.

Margaret Liu Independent Director	Nationality: American	Shares owned: 689 Voting rights: 689

BoD attendance rate 2018:
100% on 11 meetings

Committees:
- Ethics and Governance Committee (Chairperson)
  (Attendance rate: 100% on 11 meetings)
- Innovation and Development Committee – Specialty Care
  (Attendance rate: 100% on 10 meetings)

Date of birth:
11 June 1956

Date of 1st appointment:
7 June 2017

Term of office:
2021 Shareholders' Meeting

Biography and experience

Margaret Liu is currently a Global Health, Vaccines and Immunotherapy Consultant for pharma/biotech and investment companies, universities, and governmental scientific research councils. She also serves as a Professor at the Karolinska Institute in Stockholm, Sweden since 2003, first as Visiting Professor and then as Foreign Adjunct Professor. She is also Adjunct Full Professor at the University of California in San Francisco, CA since 2013.

Before that, she occupied various functions in the private and public sector parallel to her academic career. From 1984 to 1988 she was Visiting Scientist at the Massachusetts Institute of Technology. From 1987 to 1989 she was Instructor of Medicine at Harvard University. From 1989 to 1995, she was Adjunct Assistant Professor of Medicine at the University of Pennsylvania in Philadelphia, PA. From 1990 to 1997, she served as Director, then Senior Director for Virus and Cell Biology at Merck Research Laboratories. From 1997 to 2000, she served as a Vice-President of Vaccines Research and then Vice-President of Vaccines and Gene Therapy at Chiron Corporation in Emeryville, CA. From 2000 to 2002, she was Senior Advisor in Vaccinology for the Bill & Melinda Gates Foundation. From 2000 to 2006, she was Vice-Chairman of Transgène in Strasbourg, France. From 2005 to 2009, she served as a Director of Sangamo Biosciences Inc. She was President of the International Society for Vaccines from 2016 until the end of 2017.

She is an accomplished leader in the research and development of vaccine and immunization programs for infectious diseases, particularly HIV and in the field of gene-based therapies.

She earned her B.A. in Chemistry, summa cum laude, from Colorado College and an M.D. from Harvard Medical School. She was awarded an honorary Doctorate of Science (D.Sc.) from Colorado College and received the Karolinska Institute's highest distinction in May 2017, Medicine Doctor honoris causa-MDhc.

Positions and functions currently held

Main functions:
- ProTherImmune (United States of America), Global Health, Vaccines and Immunotherapy Consultant*

Other positions:
- International Society for Vaccines, Past-President*
- Jenner Institute, University of Oxford (United Kingdom), Scientific Advisory Board*

Positions previously held that expired during the last five years

- International Society for Vaccines, President*

* Outside Ipsen Group.

David Meek Director and Chief Executive Officer	Nationality: American	Shares owned: 7,906 Voting rights: 7,906

BoD attendance rate 2018:
100% on 11 meetings

Committees:
- Innovation and Development Committee – Specialty Care (Guest)
- Innovation and Development Committee – Consumer HealthCare (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.

David Meek serves on the Boards of uniQure, PhRMA, EFPIA and Camping and Education Foundation.

Positions and functions currently held

Main functions:
- Ipsen SA** (France), Chief Executive Officer

Other positions:
- Ipsen SA** (France), Director
- Ipsen Pharma SAS (France), Chairman
- uniQure** (The Netherlands), Non-executive Board member*
- PhRMA, Pharmaceutical Research and Manufacturers of America (United States of America), Board member*
- EFPIA, European Federation of Pharmaceutical Industries and Associations, Board member*

Positions previously held that expired during the last five years

None

* Outside Ipsen Group.
** Listed company.

Michèle Ollier Director	Nationality: French-Swiss	Shares owned: 500 Voting rights: 500

BoD attendance rate 2018:
91% on 11 meetings

Committees:
- Innovation and Development Committee – Specialty Care
  (Attendance rate:
  90% on 10 meetings)

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 2006, she was the investment's manager at Edmond de Rothschild Investment Partner in Paris. From 2000 to 2002, she was the corporate's vice-manager at Serono International. From 1994 to 2000, she occupied various posts at Rhône-Poulenc Rorer in particular in oncology and in the division "gene therapy", RPR Gencell. Before, Michèle Ollier occupied various functions in strategy, development, and commercialization in the pharmaceutical companies Sanofi International and Bristol-Myers Squibb France.

Michèle Ollier is a graduate of the medicine faculty of Paris-Ouest.

Positions and functions currently held

Main functions:
- Medicxi (Switzerland and United Kingdom), Partner*

Other positions:
- Epsilon 3 Bio Limited (United Kingdom)*
- LinguaFlex Inc. (United States of America)*
- Human Antibody Factory (United Kingdom)*
- Palladio Biosciences Inc. (United States of America)*
- Kymo Therapeutics Limited (United Kingdom)*
- Kaerus France SAS (France)*
- Kaerus Bioscience Limited (United Kingdom)*
- Mavalon Therapeutics Limited (United Kingdom)*
- 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

- STX pharma Limited (United Kingdom)*
- Minerva Neuroscience, Inc.** (United States of America)*
- Purple Therapeutics Limited (United Kingdom)*
- Encare Biotech BV (The Netherlands)*
- AbTco BV (The Netherlands)*
- Cyrenaic Pharma Inc (United States of America)*
- Profibrix (The Netherlands)*

* Outside Ipsen Group.
** Listed company.

Jean-Marc Parant Director representing the employees	Nationality: French	Shares owned: 30* Voting rights: 60*

BoD attendance rate 2018:
100% on 2 meetings

Date of birth:
28 September 1959

Date of 1st appointment:
27 November 2018

Term of office:
2022 Shareholders' Meeting

Biography and experience

Jean-Marc Parant has been designated Director representing the employees by the Works Council on 27 November 2018.

Employee of the Ipsen Group since January 1989, he is currently Head of Digital Learning Solutions and was previously Training Director. He thus contributed to the implementation of the training management system within the Ipsen Group, notably through dedicated digital platforms.

Jean-Marc Parant is graduated from the Bordeaux School of Medicine, specialized in the field of medical informatics (artificial intelligence and data bases) and graduated in statistics. He is also an expert in Training and Digital learning.

Positions and functions currently held

Main functions:
- Ipsen Pharma SAS, Head of Digital Learning Solutions

Other positions:
None

Positions previously held that expired during the last five years

None

* Shares held under the free shares plan to all the employees of the Group, dated January 22, 2009, approved by the Board of Directors during its meeting held on the same day. In capacity as Director representing the employees, and according to the articles of association of the company, the Director representing the employees is not required to hold a minimum number of Ipsen shares.

Paul Sekhri Independent Director	Nationality: American	Shares owned: 100 Voting rights: 100

BoD attendance rate 2018:
83% on 6 meetings

Committees:
- Innovation and Development Committee – Specialty Care *(Attendance rate: 100% on 5 meetings)*
- Audit Committee *(Attendance rate: 80% on 5 meetings)*
- Nomination Committee *(Attendance rate: 100% on 2 meetings)*

Date of birth:
26 April 1958

Date of 1st appointment:
30 May 2018

Term of office:
2022 Shareholders' Meeting

Biography and experience

Paul Sekhri has been, President and Chief Executive Officer of e-Genesis, a company specialized in gene editing technology to deliver safe and effective human transplantable cells, tissues and organs, since 17 January 2019.

Prior to this, Paul Sekhri was President and Chief Executive Officer of Lycera Corp., a US biopharma company focused on treatments for cancer and autoimmune diseases from February 2015 until January 2019. He served as Senior Vice President, Integrated Care for Sanofi from April 2014 through January 2015. Previously, he served as Group Executive Vice President, Global Business Development and Chief Strategy Officer for Teva Pharmaceutical Industries, Ltd. Before joining Teva he spent five years as Operating Partner and Head of the Biotechnology Operating Group at TPG Biotech, the life sciences venture capital arm of TPG Capital. From 2004 to 2009, Paul Sekhri was Founder, President, and Chief Executive Officer of Cerimon Pharmaceuticals, Inc. Prior to founding Cerimon, he was President and Chief Business Officer of ARIAD Pharmaceuticals, Inc.

Between 1999 and 2003, Paul Sekhri spent four years as Senior Vice President, and Head of Global Search and Evaluation, Business Development and Licensing for Novartis Pharma AG and also developed the Disease Area Strategy. His first role was as Global Head, Early Commercial Development – a department he established to ensure the differential competitive advantage of Novartis' pipeline.

Paul Sekhri is currently a member of the Board of Directors of Compugen Ltd., Petra Pharma Corp., Topas Therapeutics GmbH, Alpine Immune Sciences, Inc., Pharming Group NV and Veeva Systems, Inc.

Additionally, he serves on non-profit boards such as the English Concert in America, the Knights and The Orchestra of St. Luke's.

Paul Sekhri received his BS in Zoology from the University of Maryland, College Park and completed graduate work in Neuroscience at the University of Maryland School of Medicine.

Positions and functions currently held

Main functions:
- e-Genesis (United States of America), President and Chief Executive Officer*

Other positions:
- Compugen, Ltd.** (Israel), Chairman of the Board*;
- Petra Pharma Corp. (United States of America), Chairman of the Board*;
- Topas Therapeutics GmbH (Germany), Chairman of the Board of Supervisory Directors*;
- Alpine Immune Sciences, Inc.** (United States of America), Independent Director*;
- Pharming Group NV** (The Netherlands), Chairman of the Board of Supervisory Directors*;
- Veeva Systems, Inc.** (United States of America), Independent Director*

Positions previously held that expired during the last five years

- Enumeral Biomedical, Inc. (United States of America), Director*
- Nivalis Therapeutics, Inc. (United States of America) Director*
- Lycera Corp. (United States of America), President and Chief Executive Officer*(1)

(1) Until 17 January 2019, Paul Sekhri was President and Chief Executive Officer of Lycera Corp.
* Outside Ipsen Group.
** Listed company.

Carol Stuckley Independent Director	Nationality: American	Shares owned: 500 Voting rights: 500

BoD attendance rate 2018:
100% on 11 meetings

Committees:
- Audit Committee (Chairperson)
  (Attendance rate:
  100% on 6 meetings)
- Compensation Committee
  (Attendance rate:
  100% on 2 meetings)

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 Stuckley had a 23-year career at Pfizer, Inc., New York, NY, where she held several multinational and global, senior financial leadership roles including Assistant Treasurer, Corporate Officer and Vice-President of Finance.

She holds an MBA in International Business & Finance and an MA in Economics from Temple University (Fox Business School) in Philadelphia, PA as well as a BA in Economics and French from the University of Delaware in Newark, DE.

Positions and functions currently held

Main functions:
- Healthcare Payment Specialists, LLC (United States), Chief Financial Officer and Senior Vice President*

Other positions:
- Financial Executives International (United States), Fort Worth Chapter, Board Member*

Positions previously held that expired during the last five years

- Harris & Dickey, LLC (United States) and Carol Stuckley, LLC, Consultant*
- Galderma Laboratories, L.P. (United States), Vice-President, Finance (Chief Financial Officer), North America*
- Financial Executives International (United States), Fort Worth Chapter, President*

* Outside Ipsen Group.

Piet Wigerinck Independent Director	Nationality: Belgian	Shares owned: 680 Voting rights: 680

BoD attendance rate 2018:
100% on 6 meetings

Committees:
- Innovation and Development Committee – Specialty Care
  (Attendance rate:
  100% on 7 meetings)
- Compensation Committee
  (Attendance rate:
  100% on 2 meetings)

Date of birth:
22 December 1964

Date of 1st appointment:
30 May 2018

Term of office:
2022 Shareholders' Meeting

Biography and experience

Piet Wigerinck, Ph.D., joined Galapagos NV in April 2008 as SVP Development and was appointed Chief Scientific Officer in 2010. Under his leadership, Galapagos has developed a large pipeline of novel mechanism of action drugs. He has supervised multiple successful proofs-of-concept patient studies, including filgotinib, GLPG1690, and MOR106.

Prior to his tenure at Galapagos, Piet Wigerinck was Vice President, Drug Discovery, Early Development and CM&C at Tibotec-Virco Comm. VA (a subsidiary of Johnson & Johnson Services, Inc.). Under his leadership at Tibotec, TMC114 (Prezista™) and TMC435 (Olysio™) were selected and moved forward into clinical trials. Piet Wigerinck played a key role in Tibotec's expansion into novel diseases such as Hepatitis C and advanced several compounds into Phase 1 and Phase 2 clinical trials.

Piet Wigerinck has over 30 years of R&D experience in the pharmaceutical industry and biotechnology. He holds a Ph.D. from the K.U. Leuven and is inventor on more than 25 patent applications.

Positions and functions currently held

Main functions:
- Galapagos NV (Belgium)**, Chief Scientific Officer*

Other positions:
None

Positions previously held that expired during the last five years

None

* Outside Ipsen Group.
** Listed company.

Carol Xueref Director	Nationality: British	Shares owned: 500 Voting rights: 1,000

BoD attendance rate 2018:
82% on 11 meetings

Committees:
- Nomination Committee (Chairperson) *(Attendance rate: 100% on 2 meetings)*
- Ethics and Governance Committee *(Attendance rate: 100% on 11 meetings)*
- Compensation Committee *(Attendance rate: 100% on 2 meetings)*
- Innovation and Development Committee – Consumer HealthCare *(Attendance rate: 100% on 4 meetings)*

Date of birth:
9 December 1955

Date of 1st appointment:
1 June 2012

Date of last renewal:
31 May 2016

Term of office:
2020 Shareholders' Meeting

Biography and experience

Carol Xueref is Chairperson of Floem SAS, a consultancy firm. She was Secretary General and a member of Essilor International's Executive Leadership Team until 30 June 2016.

From 1982 to 1986, Carol Xueref was Deputy to the Attachée for Commercial Affairs at the British Embassy in Paris. From 1986 to 1990, she was Head of Division at the International Chamber of Commerce (Paris). In 1990, she became Director for Legal and Tax Affairs at the Banque Populaire de la Région Ouest de Paris. From 1993 to 1996, she was Head of a legal department within Crédit Lyonnais and subsequently Director for Legal Affairs of OIG (Crédit Lyonnais' defeasance entity). From 1996 to 2014, Carol Xueref was Director for Legal Affairs and Group Development and from 2014 to 2016 Secretary General; she was a member of Essilor International's Executive Leadership Team. She has been a member of the *Autorité de la Concurrence* (French Competition Authority) since 2006, and chaired its "Compliance" working group.

Carol Xueref is a founder member and a past-President of the Cercle Montesquieu (Association of French Legal Directors (1998-2002)) and chaired its "Ethics of in-house lawyers" working group. She is member of the *"Association Française des Femmes Juristes"* and Director of the Franco-British Lawyers Society.

Carol Xueref holds a Master's Degree in Law and a Post Graduate Degree in International Commercial Law (DESS) from the University of Paris II (Assas).

Positions and functions currently held

Main functions:
- Floem SAS (France), Chairperson*

Other positions:
- Eiffage** (France), Director and member of the Compensation and Appointments Committee (chairperson as of 27/02/2019) and member of the Strategic Committee*

Positions previously held that expired during the last five years

- Essilor International** (France), Director of several subsidiaries of the Group (France and abroad), Secretary General and Member of the Executive Leadership Team*

* Outside Ipsen Group.
** Listed company.

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 Shareholders' Meetings.

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 being 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

Every Director shall dedicate the time and attention required to discharge the duties of his/her mandate and attend the meetings of the Board and the Committee(s) of which they are a member. The report on corporate governance lists the

mandates held by members of the Board of Directors and records their individual attendance at Board and Committee meetings.

An Executive officer of the Company should not hold more than two other directorships in listed companies, including foreign companies, not affiliated with his or her group. The prior opinion of the Board must be sought prior to accepting a new directorship.

A Director should not hold more than four other directorships in non-Group listed companies, including foreign companies. The Director must keep the Board informed of the offices and positions held in other companies. The non-executive Chairman must also obtain the opinion of the Board before accepting a new corporate office.

The Board shall be made up of Directors chosen because of their competence and their experience with respect to the Company and the Group's operations.

Board members may attend training sessions on specific areas of the Company, its business line(s) and industrial sector, and the consequence of its social and environmental risks are to be arranged on the Company's own initiative or at the request of the Board.

Before accepting office, each Director should ensure he is familiar with any general or specific obligations relating to his position. In particular, they ought to acquaint themselves thoroughly with the legal provisions governing the Company, its Articles of Association, and provisions of the Board's Internal rules which apply to them.

Directors are elected by all the Company's shareholders and must act in all circumstances in the Company's interest.

Directors must inform the Board of any conflict of interest situation, including a potential conflict of interest, between themselves and the Company or the Group and shall abstain from attending the debate and taking part in any discussions and vote by the Board on the corresponding deliberations.

Directors are required to contribute to the determination of the orientations of the business of the Company and the Group and to supervise their implementation. They must exercise an effective and vigilant oversight of the Company's and Group's management.

Directors have a general duty of discretion and confidentiality as regards the deliberations of the Board and its Committees. The same applies to all non-public information and documents provided to them at meetings or otherwise in connection with their functions as Board or Committee members or their participation in their deliberations. This duty of discretion and confidentiality shall continue to apply even after the end of the term of office.

Directors undertake to comply with all stock market regulations designed to prevent any market abuse detrimental to the interests or image of the Company or the Group.

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, except the Director representing the employees, 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, 500 Company shares.

Company officers must retain registered shares at least a number of shares equivalent to 20% of the net proceeds resulting from the selling of stock options or performance shares granted until the end of their term of office.

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.

Employee representation on the Board of Directors

The Board of Directors includes one or two Directors representing the employees.

Pursuant to Article 12 of the Articles of association of the Company, as amended by the Shareholders' Meeting of 30 May 2018:

- If the Ipsen SA Board of Directors is comprised of twelve (12) members or fewer, the designation of a single employee representative is required. The Director representing the employees will be appointed by the Works Council of the existing economic and social unit within the Ipsen Group.
- If the Board of Directors is comprised of more than twelve (12) members, the designation of a second employee representative is required. The second Director representing the employees will be appointed by the European Works Council.

The office of Director representing the employees shall be incompatible with any office of trade union representative or with any office in one of the employee representative institutions listed in Article L.225-30 of the French Commercial Code.

Subject to the specific legal provisions applicable to them, the Directors representing the employees have the same rights, shall be bound by the same rules, especially with respect to confidentiality, and shall incur the same liability as other Board members.

They are bound by all the provisions of the Internal Rules of the Board of Directors, with the exception of those relating to the obligation to own any share in the Company. The Directors representing the employees will not be paid as part of their mandate.

The Director representing the employees has a preparation time of fifteen (15) hours per Board meeting which is considered as effective working time and remunerated for accordingly to his salaried position.

The Director representing the employees receives, at his request, training suited to the exercise of his office of 35 hours of training for first year, and then 20 hours per each subsequent year.

Independence of the members of the Board of Directors

A Director is independent when he/she has no relationship of any kind whatsoever with the Company, its Group or the management that may interfere with his/her freedom of judgement. Accordingly, an Independent Director is understood to be any non-executive Director of the Company or the Group who has no particular bonds of interest (significant shareholder, employee, other) with them.

Independent Directors should account for at least a third of Board members. Directors representing the employee shareholders and Directors representing employees are not taken into account when determining the percentage of independent Directors within the Board and the Committees.

Qualification as an independent Director should be discussed in the light of the AFEP-MEDEF Code criteria as follows:

- not to be and not to have been during the course of the previous five years:
  - an employee or executive Officer of the Company;
  - an employee, executive Officer of a company or a director of a company consolidated within the Company;
  - an employee, executive Officer or a director of the Company's parent company or a company consolidated within this parent;
- not to be an executive Officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive Officer of the Company (currently in office or having held such office during the last five years) is a director;
- not to be a customer, supplier, commercial banker or investment banker or consultant (or be linked directly or indirectly to these persons):
  - that is material to the Company or its Group;
  - or for a significant part of whose business the Company or its Group accounts.

  The evaluation of the significant or non-significant relationship with the Company or its Group must be debated by the Board and the quantitative criteria that lead to the evaluation (continuity, economic dependence, exclusivity, etc.) must be explicitly stated in the corporate governance report;
- not to be related by close family ties to a company Officer;
- not to have been an auditor of the Company within the previous five years;
- not to have been a director of the Company for more than twelve years. Loss of the status of independent director occurs on the date at which this period of twelve years is reached.

A non-executive Officer cannot be considered independent if he/she receives variable compensation in cash or in the form of shares or any compensation linked to the performance of the Company or Group.

Directors representing major shareholders of the Company or its parent company may be considered as being independent, provided that these shareholders do not take part in control of the Company. Nevertheless, beyond a 10% holding of stock or 10% of the voting rights, the Board, upon a report from the Ethics and Governance Committee, should systematically review the qualification of a Director as independent in the light of the make-up of the Company's capital and the existence of a potential conflict of interest.

The Board shall examine, upon recommendation of the Ethics and Governance Committee, at least once a year which Directors meet these independence criteria and shall report the conclusions of this review to shareholders (i) every year during the Shareholders' Meeting convened to approve the financial statements for the previous financial year and (ii) during Shareholders' Meetings convened to elect new Directors or ratify Directors co-opted by the Board.

Furthermore, once a year, the Ethics 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, commercial banker, investment banker or consultant) do not exceed certain thresholds of the stakeholders' revenue, equity, assets or debt.

At its meeting of 13 February 2019, the Board of Directors, upon an Ethics and Governance Committee proposal, deemed that:

- Ms. Margaret Liu, Ms. Carol Stuckley, Mr. Paul Sekhri and Mr. Piet Wigerinck are Independent Directors as defined by the Afep-Medef Code and the Board's Internal Rules outlined above. The other Board members are related to an entity which controls the Company or are Corporate Officers or employees of said company. 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;
- there is no business relationship between the members of the Board of Directors and the Company.

The detail of the current independence criteria evaluation is as follows:

Independence criteria (*)	Not to be and not to have been during the course of the previous five years an employee or executive Officer of the Company; an employee, executive Officer of a company or a director of a company consolidated within the Company; an employee, executive Officer or a director of the Company's parent company or a company consolidated within this parent	Not to be an executive Officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive Officer of the Company (currently in office or having held such office during the last five years) is a director	Not to be a customer, supplier, commercial banker or investment banker or consultant (or be linked directly or indirectly to these persons)	Not to be related by close family ties to a company Officer	Not to have been an auditor of the Company within the previous five years	Not to have been a director of the Company for more than twelve years
Directors						
Marc de Garidel	Marc de Garidel has been Chairman and Chief Executive Officer until 18 July 2016. He is Chairman of the Board of Directors since this date.	–	–	–	–	–
Antoine Flochel	Antoine Flochel is Vice-Chairman of the Ipsen SA Board and Managing Director of Mayroy SA, the company controlling Ipsen SA.	–	–	–	–	–
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.		–
Philippe Bonhomme	Philippe Bonhomme is a Director of Mayroy SA, the company controlling Ipsen SA.	–	–	–	–	–
Margaret Liu	–	–	–	–	–	–
David Meek	David Meek is Chief Executive Officer of Ipsen SA.	–	–	–	–	–
Michèle Ollier	Michèle Ollier is closely linked to Mayroy SA, the company controlling Ipsen SA.	–	–	–	–	–
Jean-Marc Parant	Jean-Marc Parant is an Ipsen Pharma SAS' employee as Head of Digital Learning Solutions.	–	–	–	–	–
Paul Sekhri	–	–	–	–	–	–
Carol Stuckley	–	–	–	–	–	–
Piet Wigerinck	–	–	–	–	–	–
Carol Xueref	Carol Xueref is closely linked to Mayroy SA, the company controlling Ipsen SA.	–	–	–	–	–

(*) The criterion of non-executive Officer cannot receive a variable compensation and/or a compensation linked to the performance of the Company or Group is not presented in the table as only the executive Officers receive such compensation.
The significant shareholder criterion is also not presented in the table as the links with the major shareholder are mentioned aboved and as there is no representative of any other significant shareholder at the Board of Directors.

Diversity policy of the Board of Directors for its composition

The Nomination Committee and the Ethics and Governance Committee ensure the monitoring of a balanced composition of the Board of Directors and report on it. The objective of the Board of Directors is to ensure the presence of independent members, in accordance with the Afep-Medef Code recommendations. The contribution of international skills and experience (particularly in science, finance and legal affairs), a balanced representation of women and men in compliance with law n°2011-103 of 27 January 2011, and a diversity of nationalities figure amongst the criteria.

The Committees consider each of these criteria when searching for future candidates and for every mandate renewal. The Directors appointed at the Shareholders' Meeting of 30 May 2018 have been chosen pursuant to this policy.

The Board of Directors is currently comprised of thirteen members, including five women (Ms. Anne Beaufour, Ms. Margaret Liu, Ms. Michèle Ollier, Ms. Carol Stuckley and Ms. Carol Xueref)*, and seven non-French nationals (Ms. Carol Xueref, a UK national, Ms. Margaret Liu, Ms. Carol Stuckley and Mr. David Meek and Paul Sekhri, US nationals, Mr Piet Wigerinck a Belgian national and Ms. Michèle Ollier, of French and Swiss nationality).

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 Vice-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

In addition to the missions stated in the Articles of Association, the Chairman reports each year the work of the Board of Directors to the Shareholders' Meeting.

In addition, the Chairman also fulfills the following specific missions:

- 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 consulted by the Chief Executive Officer regarding any significant events related to the Company's strategy and major growth projects.

The Chairman may attend all of the meetings of the Committees of which he is not a member in an advisory capacity and may consult them on any issue within their area of competence.

In all of these specific missions, the Chairman acts in close coordination with the Chief Executive Officer and at the request of the latter who will solely be in charge of the leadership and operational management of the Group (subject to limitations of powers expressly decided by the Board of Directors, see section 5.1.2 relating to the Executive Management of the Registration Document).

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.

Operating rules of the Board of Directors

Internal Rules of the Board of Directors

The Board adopted Internal Rules, the main points of which are:

- 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 and *ad hoc* 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:

- endeavours to promote long-term value creation by the company by considering the social and environmental aspects of its activities. If applicable, it proposes any statutory change that it considers appropriate;

* Representing more than 40% (the Director representing the employees is not taken into account in this calculation), pursuant to article L.225-18-1 of French Commercial Code.

- in collaboration with the Chief Executive Officer, defines the strategic orientation, examines and decides on important operations, reviews the strategic orientations of the Company and the Group, which is made up of the Company and the business units it consolidates in its financial statements (hereafter "the Group"), its investment, disinvestment, or internal restructuring projects, the Group's overall policy with regard to human resources, in particular its policy on compensation, profit-sharing, and performance-based incentives. It appraises the performance of the Company's management on an annual basis and is consulted on new executive managers' recruitments;
- approves the annual budget presented by the Chief Executive Officer, and all its amendments when exceeding an amount of €10 million;
- approves, on a proposal of the relevant Innovation and Development Committee and before any decision is made, acquisitions or divestments of equity interests or assets, partnerships, alliances, or cooperation agreements relating to research, development, industry, and business as well as, generally speaking, any transaction or any commitment that might significantly affect the Group's financial or operating situation or its strategic guidelines;
- is regularly informed *via* the Audit Committee about the financial situation, the Company's cash position, and all the significant events affecting the Company; it is kept informed by its Chairman and by its Committees of all significant events related to the conduct of business for the Company and the Group;
- ensures that shareholders and the public are well informed of the strategy, development model, major non-financial matters of the Company, issues as well as its long-term outlook, in particular *via* the control it exercises on the information given by the Company; and in this respect, it defines the Company's communication policy, in particular regarding the frequency with which financial information relating to the Group is released;
- checks that the Company has reliable procedures in place to identify, assess, and monitor its commitments and risks, including off-balance sheet risks, as well as an appropriate internal control system;
- is informed about market developments, the competitive environment and the most important aspects facing the company, including in the area of social and environmental responsibility;
- regularly reviews, in relation to the strategy it has defined, the opportunities and risks, such as financial, legal, operational, social and environmental risks, as well as the measures taken accordingly. To this end, the Board of Directors receives all of the information needed to carry out its task, notably from the executive officers;
- if applicable, ensures the implementation of a mechanism to prevent and detect corruption and influence peddling;
- also ensures that the executive officers implement a policy of non-discrimination and diversity, notably with regard to the balanced representation of women and men on the governing bodies.

More generally, the Board exercises the functions assigned to it by the law to act at all times in the Company's corporate interest and takes particular care to prevent any conflicts of interest and to take all interests into account.

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. 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 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.

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, while informing the Chairman of the Board and the Chief Executive Officer and may meet these senior executives without the Chairman and the Chief Executive Officer being present.

Directors may likewise, collectively or individually, during or outside meetings, ask the Chairman and/or the Chief Executive Officer 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 no 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.

Work of the Board of Directors in 2018

The Board of Directors met 11 times during the 2018 financial year. The average attendance rate at meetings (excluding Committee meetings) was 85% in 2018 (percentage including the committee's outgoing members' attendance).

The Company's Statutory Auditors were called to Board meetings held to approve the annual and half-year financial statements.

The following matters were reviewed and discussed by the Board of Directors in 2018:

- Financial statements and financial position: review and approval of the 2017 annual and consolidated financial statements, the 2018 half-year financial statements, examination of the management forecast documents, and the 2019 budget;
- Strategy and development: review and follow-up of acquisition projects, partnership and development projects, and Group strategic review;
- Compensation policy: review and determination of the respective compensation of the Chairman of the Board and of the Chief Executive Officer, preparation of the report on corporate governance including the Corporate Officers' compensation policy and grant of performance shares;
- Organization and functioning of the Board of Directors: proposals to renew the appointments of Directors, report on the independence of the Directors, assessments of executive officers' performance without their presence, review of the Committees' missions, implementation of the *ad hoc* Committee known as the Scientific Advisory Board (appointing its members, defining its functioning, missions and areas of reflexion), an update of the Internal Rules of the Board of Directors subsequent to the revision of the Afep-Medef Code, review of the missions of the Chairman of the Board, digital switch to a document sharing platform, as well as formalizing a procedure for welcoming new Directors (welcome booklet, site visits, trainings, etc…);
- Corporate Officers: approval of a formalized succession plan framework for the Chairman and the Chief Executive Officer functions;
- Shareholders' Meeting: review and approval of the report on corporate governance, convening notice of the Shareholders' Meeting of 30 May 2018, approval of the resolutions;
- Share capital: capital increase linked to the exercise of subscription options;
- Human Resources: talent identification policy, non-discrimination and diversity policy implemented within the Group;
- Ethics and Compliance: review and approval of CSR strategy and policy, deployed within all Group entities.

Work of the Chairman of the Board of Directors in 2018

During the 2018 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 30 May 2018, including the work of the Board and its Committees, as well as the appointment and renewal of the term of office of directors proposed to the Shareholders' Meeting.

The Chairman of the Board of Directors is also Chairman of the Innovation and Development Committee – Specialty Care and of the Innovation and Development Committee – Consumer HealthCare. He has also been a member of the Nomination and Governance Committee until 30 May 2018 and has actively contributed to the recruitment of the new Directors appointed by the Shareholders' Meeting of 30 May 2018, as well as on the implementation of the Scientific Advisory Board.

On 29 March 2018, Mr. Marc de Garidel was appointed as Chief Executive Officer of Corvidia Therapeutics Inc., an American company specialized in the pharmaceutical industry. This nomination led particularly to the redefining of his missions as Chairman of the Ipsen Board of Directors and to amend the Internal Rules of the Board of Directors accordingly by the Board meeting of 28 March 2018.

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 an executive session without the Chairman of the Board, if appropriate, the Chief Executive Officer and management team members. This executive session is prepared by the Ethics and Governance Committee, in conjunction with the Vice-Chairman of the Board or a Director specially appointed for this purpose. The Board may call in an external consultant to conduct an evaluation. The Board also performs a formal evaluation at least once 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. The results of this evaluation are communicated by the Chairman of the Board of Directors to the Chief Executive Officer.

An evaluation of the Board of Directors' functioning and organization was included in the agenda of the Board meeting of 13 December 2018 upon the recommendation of the Ethics and Governance Committee. The activity of the Board (the broad outline is presented in section "Meetings and Work of the Board in 2018" hereinabove) was found to be full and active in terms of governance. It was noted the positive engagement of the new members of the Board and the quality of the scientific discussions which have made significant progress. It was also stressed that the digital shift to a document sharing platform was an important first step in securing the Board's communications. Finally, a self-evaluation of the Board's functioning will be formalized by an independent director or an external consultant during the 2019 financial year.

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. The Board of Directors appoints the Chairperson from among the members of a Committee.

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, as well as any other person. Only members of the Committee shall take part in its deliberations.

The minutes of each Committee meeting are drawn up by the Secretary of the Board under the authority of the Chairperson of the Committee. The minutes are then sent to all members of the Committee. The Chairpersons of Committees report to the Board on the work carried out by their committees under the conditions set by the Board.

Within its own area of competence, each Committee issues proposals, recommendations, or opinions. To this end, each Committee may carry out or have carried out, at the Company's expense, all external studies likely to enlighten the Board's deliberations. Each Committee reports to the Board on its work at each one of the Board's meetings. A summary of the activity of each Committee is included in the 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 six permanent committees:

- a Nomination Committee,
- an Ethics and Governance Committee,
- a Compensation Committee,
- an Audit Committee,
- an Innovation and Development Committee - Specialty Care, and

- an Innovation and Development Committee - Consumer HealthCare.

An *ad hoc* Committee, the Scientific Advisory Board, has also been created which is not a permanent Committee of the Board.

The Nomination Committee

Role

The role of the Nomination Committee is to:

- in conjunction with the Ethics and Governance Committee (for aspects relating to conflicts of interest) and the Chairman of the Board, make proposals to the Board of Directors concerning the re-election, replacement or appointment of new Directors;
- ensure the balance and complementarity of the skills of the directors and the diversity of their profiles;
- organize a procedure to select future independent directors;
- give its opinion, in conjunction with the Chairman of the Board, on the recruitment or the replacement of the Chief Executive Officer or Deputy Chief Executive Officers, if applicable, as well as on members of the Executive Leadership Team;
- design, if applicable, in conjunction with the Chairman of the Board, a plan for replacement of Company Officers, so as to be able to propose replacement solutions to the Board in the event of an unforeseen vacancy;
- regularly review directors training plans and the process for welcoming and integrating new directors.

Composition

The Nomination Committee comprises at least three and no more than six directors, one-third of whom are independent, according to the criteria set out above. The Board appoints the Chairperson of the Committee from among its members.

The Nomination Committee is currently comprised of three members, one of whom is independent.

Its members are:

- Carol Xueref (Chairperson),
- Philippe Bonhomme, and
- Paul Sekhri (Independent member).

The Chief Executive Officer may attend meetings of the Nomination Committee and give his opinion when the agenda is about the appointment of Executive Leadership Team members or managers of the Group.

Meetings and work of the Nomination Committee

The Nomination Committee meets at least twice a year when convened by its Chairperson or at the request of the Chairman of the Board.

The Nomination Committee met 4 times in 2018 with an attendance rate of 78% (percentage including the committee's outgoing member's attendance).

The Committee's work focused mainly on the:

- selection of new directors;
- support of new directors, including in particular the strengthening of the welcome policy (welcome booklet, meetings, site visits, trainings, etc…);
- discussion and reflection on the involvment of the Director representing the employees in the work of the Board (training, presence at Committees, etc.);
- review of the PACTE Law linked to the representation of employes on the Board; and
- setting up a succession plan framework for Corporate Officers (Chief Executive Officer and Chairman of the Board). This plan considers several scenarii, including most notably emergency succession (in case of legal incapacity, sudden resignation, illness or death) as well as the planned succession and accelerated succession. Each scenario provides a decision-making process adapted to each situation. The Chief Executive Officer participated actively in the establishment of the succession plan. In particular, he met the Committee to share his recommendations on potential succession assumptions within the Executive Leadership Team taking into account the nature of the operations and the strategy of the Group. The Nomination Committee reviews this plan at regular intervals and keeps the Board of Directors informed.

This work has been reported and, when appropriate, a recommendation made to the Board, after each Committee meeting.

The Ethics and Governance Committee

Role

The role of the Ethics and Governance Committee is to:

- review the definition of the Group's fundamental values and its ethics and compliance policy;
- submit recommendations on ethics and compliance to the Board of Directors; discuss all issues relating to ethics and compliance referred to it by the Board;
- ensure the dissemination throughout the Group of the Code of Ethics and general ethics policies defined by the Group and their updates;
- ensure the implementation, monitoring and efficiency of procedures for the communication and comprehension of the Code of Ethics and compliance with it and overall policies by employees of the Group;
- examine the Group's risks mapping from an ethics and compliance standpoint;
- review the Group's ethics and compliance activity report;
- examine the organisation of the ethics and compliance function and make recommendations, when relevant;
- receive any information concerning possible breaches of the ethics and compliance policy and review action plans implemented to address these;
- examine the evolution of corporate governance rules, particularly those of the AFEP-MEDEF Code, and report its conclusions and recommendations to the Board; monitor the application of the rules of corporate governance defined by the Board of Directors and ensure that the information is given to shareholders on this subject; specify, where appropriate, the recommendations of the AFEP-MEDEF

Code that are not applied and explain the reasons in an understandable, relevant and detailed manner;

- propose the referral of the High Committee monitoring the application of the AFEP-MEDEF Code on any question relating to a provision or the interpretation of said code;
- examine situations of potential conflicts of interest of members of the Company's Board of Directors and communicate the results of its findings in accordance with an internal procedure which protects confidentiality;
- give a technical opinion – with regard to the rules of ethics and governance applied by the Group – on the mandates and functions performed outside the Group by the members of the Board of Directors, the Chief Executive Officer and, as the case may be, the Deputy Chief Executive Officers, at the time of their appointment and annually as part of the review of the information mentioned in the Registration Document;
- prepare, under the direction of the Chairperson of the Committee, in liaison with the Vice-Chairman of the Board or a specially appointed director, the annual "restricted session" of the Board of Directors on its operation, without the presence of the Chairman of the Board, the Chief Executive Officer and the executive members;
- give an opinion, in liaison with the Chairman of the Board, on the list of independent directors of the Board of Directors when appointing a director and annually for all directors;
- make proposals to the Board for the establishment and structuring of Board committees;
- carry out, under the direction of the Chairperson of the Committee, a formal evaluation of the structure, size and composition of the Board, periodically and at least every three years, and make recommendations to the Board regarding any changes;
- propose to the Board the appointment of a Director in charge of the relations of the Board with the shareholders, in coordination with the Investor Relations Department of the Company and the Chief Executive Officer;
- if applicable, ensure the implementation of a mechanism to prevent and detect corruption and influence peddling. It receives all of the information needed for this purpose;
- also ensure that the executive officers implement a policy of non-discrimination and diversity, notably with regard to the balanced representation of women and men on the governing bodies.

The Ethics and Governance Committee may hear, when it deems necessary, the Executive Management or its members, Internal Audit, the Ethics & Compliance Department or any other member of the Management team. These hearings can be held, if applicable, without Executive Management being present.

Composition

The Ethics and Governance Committee comprises at least three and no more than six directors, including at least one independent director as defined by the criteria set out above, selected among members of the Board of Directors, who are not executive Company officers. The Board appoints the Chairperson of the Committee from among its independent members.

The Ethics and Governance Committee is currently comprised of three members, one of whom is independent.

Its members are:

- Margaret Liu (Chairperson and independent member),
- Carol Xueref, and
- Philippe Bonhomme.

Meetings and work of the Ethics and Governance Committee

The Ethics and Governance Committee meets at least twice a year when convened by its Chairperson.

The Committee met 11 times (physically or by call) in 2018 with an attendance rate of 95% (percentage including the committee's outgoing member's attendance).

The Committee's work focused mainly on:

- the work of Ethics & Compliance Department, in particular:
  - review of the objectives of the Ethics & Compliance Department,
  - review of the Education and Monitoring Plan,
  - review of programme, follow-up and risks controls,
  - anti-corruption risk approach globally and at country level (Sapin II Law),
  - review CSR policy within the Group,
  - revision of Code of conduct of the Group;

  Additional information on this work is referred to under Chapter 4 of this document.
- the assessment of the new mandate as Chief Executive Officer of Corvidia Therapeutics Inc. held by the Chairman of the Board;
- the review of the Internal Rules of the Board of Directors (missions of the Chairman, alignment with the revisions of Afep-Medef Code on June 2018, setting of the decisions submitted to the prior authorization of the Board);
- the digital switch to a Board's document sharing platform;
- the review of the conflicts of interests and mandates of current and new Directors.

These works have been reported and, when appropriate, a recommendation made to the Board, after each Committee meeting.

The Compensation Committee

Role

The role of the Compensation Committee is to:

- make proposals to the Board of Directors on all components of the compensation paid to the Group's Company officers, senior management and senior executives;
- be informed on all the matters pertaining to the recruitment of the Group's main senior managers, other than the Chief Executive Officer, as well as on any decisions related to all components of their compensation;
- issue recommendations on the amount and allocation of directors' fees among Board members;

- make recommendations to the Board of Directors on Group compensation policies and employee savings plans, employee share ownership schemes, stock options and bonus shares or any other similar forms of compensation.

If it deems this is useful, the Compensation Committee may ask the Chairman of the Board to help in its deliberations and work, except when it is discussing the Chairman's compensation.

Composition

The Compensation Committee comprises at least three and no more than six directors, including a half of independent directors as defined by the criteria set out above, selected among members of the Board of Directors who are not executive officers. The Board appoints the Chairman of the Committee from among its members.

The Compensation Committee is currently comprised of four members, two of whom are independent.

Its members are:

- Antoine Flochel (Chairman),
- Carol Stuckley (Independent member),
- Piet Wigerinck (Independent member), and
- Carol Xueref.

The Chief Executive Officer may attend meetings of the Compensation Committee and give his opinion mainly on the compensation of the senior managers of the Group, the incentives and the performance share plans.

Meetings and work of the Compensation Committee

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 5 times in 2018 with an attendance rate of 100% (percentage including the committee's outgoing member's attendance).

The Committee's work focused mainly on:

- the determination of elements of the compensation of the Chief Executive Officer and of the Chairman of the Board (in particular following his new duties as CEO of Corvidia Therapeutics Inc.),
- the report on elements of the compensation policy for Corporate officers,
- the information on compensation policy of the Group,
- the Group Employee Stock Purchase Plan (terms of the plan, eligible entities, contribution, etc.),
- the reflection and implementation of granting of performance shares to the Corporate officers and some employees of the Group and the free shares allocation plan to all Group employees,
- the reflection on the harmonization and evolution of the compensation and the retention policy within the Group.

The work of the Committe has been reported and, when appropriate, a recommendation made to the Board, after each Committee meeting.

The Audit Committee

Role

The role of the Audit Committee is to:

- ensure the relevance and permanence of the accounting policies used to prepare both the Company's and the consolidated financial statements, review and assess the consolidation scope as well as evaluate and verify the relevance of the accounting methods applied to the Group;
- examine, before they are presented to the Board, draft annual and interim financial statements, draft annual and half-yearly reports, draft forecasts and annual budgets as well as any financial and extra-financial accounting information relating to any significant project; to that end, the Audit Committee should be able to cooperate (by exchanging information and working jointly) with the Innovation and Development Committee and the Executive Management before a summary of their work is presented to the Board;
- examine, before they are presented to the Board, press releases on financial results and guidance, as well as the related presentations;
- examine draft resolutions relating to the financial statements in order to make comments or suggestions, before they are presented to the Board;
- control the quality of procedures relating to the preparation and processing of financial and extra-financial accounting information compliance with them, and assess the information received from management, internal committees and internal and external audits;
- monitor the effectiveness of internal control and risk management systems;
- examine the risk exposure including those of a social and environmental nature and significant off-balance sheet commitments as well as the accounting options chosen;
- manage the selection and reappointment of the Statutory Auditors (through tendering procedure and submitted to the Board), verify their independence, give an opinion on the amount of fees they request, and submit the results of its work to the Board;
- examine the details and appropriateness of the fees paid by the Company and the Group to the Statutory Auditors and ensure that said fees and corresponding services are unlikely to affect the auditors' independence;
- authorize services, other than statutory audit work, that the Statutory Auditors and members of their networks may be asked to perform in accordance with the applicable laws and regulations;
- conduct an annual review of the status of major disputes.

In the performance of its tasks, the Audit Committee:

- submits to the Board its proposals regarding the appointment, compensation or replacement of the Company's Statutory Auditors;
- reviews, with the management and the Company's Statutory Auditors, the quarterly, interim and annual financial statements, the accounting principles and policies implemented, the Group's audit and internal control

principles and methods, risk management procedures and the analyses and reports relating to financial reporting, accounting policy and communications between management and the Company's Statutory Auditors;

- examines and checks the rules and procedures applicable to conflicts of interest, expenses incurred by members of the management and the identification and measurement of the main financial risks, as well as their application and submits its assessment every year to the Board;
- examines, checks and assesses on an annual basis the independence, the control procedures and the problems encountered by the Company's Statutory Auditors, as well as the measures adopted to solve said problems, and monitors in the same manner the way in which internal audit operates;
- more generally, it examines, checks and assesses everything likely to affect the regularity and fairness of the financial statements.

The Audit Committee ensures it is provided, and in sufficient time, namely approximately one week in advance of each Committee meeting, all the necessary or useful information to be able to carry out the above task and calls on everybody whose testimony is deemed necessary or useful with regard to said task. It may in particular have recourse to outside experts.

During the annual and half-year accounts examination an Audit Committee's meeting is held in a sufficient time prior to the examination and the financial statements by the Board of Directors, namely two days before the Board meeting.

The Company refers to the AMF recommendation dated 22 July 2010 on the report of Audit Committees. Its functioning is yearly evaluated during the global evaluation of the Board of Directors. Moreover, its work is subject to a report.

Composition

The Audit Committee comprises a minimum of three Directors and a maximum of six Directors, including two-thirds of independent directors with regard to the independence criteria referred to above, chosen from among Directors who are not executive officers. All members of the Audit Committee must have financial or accounting expertise. The Board appoints the Chairperson of the Committee from among its members. The Chairperson of the Committee is also an independent director.

The Audit Committee is currently comprised of three members, two of whom are independent.

Its members are:

- Carol Stuckley (Chairperson and independent member),
- Paul Sekhri (Independent member), and
- Philippe Bonhomme.

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 and Mr. Paul Sekhri fulfill the independence and financial, accounting or statutory audit criteria given their professional experience as described above.

Meetings and work of the Audit Committee

The Audit Committee meets at least four times a year, when convened by its Chairman.

The Audit Committee met 6 times in 2018 with an attendance rate of 95% (percentage including the committee's outgoing member's attendance).

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 2017 annual and consolidated financial statements,
- the review of the 2018 guidance,
- the review of the 2018 half-year financial statements,
- the review of the 5-year strategic plan,
- the review of the 2018 internal audit report, the 2018 and 2019 internal audit plan, and the work of the Group's internal audit and of the internal control procedures,
- the presentation and review of the risk mapping,
- the implementation of an annual budget review policy,
- the 2018 closing options,
- the 2019 budget review.

These works have been reported and, when appropriate, a recommendation made to the Board, after each Committee meeting.

The Innovation and Development Committee – Specialty Care

Role

The role of the Innovation and Development Committee – Specialty Care is to:

- review the proposals presented by Management on internal Research & Development programs, Business Development and Merger & Acquisitions;
- follow the update of the Business Development portfolio by therapeutic areas;
- review divestiture programs if any to be endorsed later by the Board.

To carry out its work, the Innovation and Development Committee – Specialty Care may audition the Group's senior executives, whether corporate officers or not.

Composition

The Innovation and Development Committee – Specialty Care comprises the Chairman of the Board and five (5) other permanent members of the Board of Directors. The skill set required from the participating committee members are science, drug development, financial, legal.

The Board may also decide the existence of permanent guests to the Innovation and Development Committee – Specialty Care.

Its members are:

- Marc de Garidel (Chairman);
- Antoine Flochel;
- Margaret Liu (Independent member);
- Michèle Ollier;
- Paul Sekhri (Independent member); and
- Piet Wigerinck (Independent member).

Ms. Anne Beaufour, Mr. Henri Beaufour and Mr. David Meek are permanent guests of the Innovation and Development Committee – Specialty Care.

Meetings and work of the Innovation and Development Committee – Specialty Care

The Innovation and Development Committee – Specialty Care meets at least four times a year, when convened by its Chairman, or by a majority of its members.

The Innovation and Development Committee – Specialty Care met 10 times in 2018 with an attendance rate of 98% (percentage including the committee's outgoing member's attendance).

The Innovation and Development Committee – Specialty Care mainly worked during the year on:

- the review of proposed acquisitions, in particular Clementia Phamaceuticals,
- the review of partnerships and Group development,
- as well as the regular review of Group R&D pipeline.

These works have been reported and, when appropriate, a recommendation made to the Board, after each Committee meeting.

The Innovation and Development Committee – Consumer HealthCare

Role

The role of the Innovation and Development Committee – Consumer HealthCare is to:

- review the proposals presented by Management on Business Development and Merger & Acquisitions, relating to Consumer HealthCare;
- follow the update of the Consumer HealthCare portfolio;
- review Consumer HealthCare divestiture programs if any to be endorsed later by the Board.

To carry out its work, the Innovation and Development Committee – Consumer HealthCare may audition the Group's senior executives, whether corporate officers or not.

Composition

The Innovation and Development Committee – Consumer HealthCare comprises the Chairman of the Board and two (2) other permanent members of the Board of Directors.

The Board may also decide the existence of permanent guests to the Innovation and Development Committee – Consumer HealthCare.

Its members are:

- Marc de Garidel (Chairman);
- Philippe Bonhomme; and
- Carol Xueref.

Ms. Anne Beaufour, Mr. Henri Beaufour and Mr. David Meek are permanent guests of the Innovation and Development Committee – Consumer HealthCare.

Meetings and work of the Innovation and Development Committee – Consumer HealthCare

The Committee meets at least four (4) times a year, when convened by its Chairman, or by a majority of its members.

The Innovation and Development Committee – Consumer HealthCare met 4 times in 2018 with an attendance rate of 100%.

During the year, the Innovation and Development Committee – Consumer HealthCare mainly reviewed development projects and worked on the adaptation of the Consumer HealthCare organization.

Such work has been reported and, when appropriate, a recommendation made to the Board, after each Committee meeting.

Ad hoc Committee: Scientific Advisory Board

An *ad hoc* committee, the Scientific Advisory Board, has been established in 2018.

The Scientific Advisory Board is composed of a Chairman, who runs the Committee and four (4) additional external members at the most (in addition to the Chairman of the Fondation Ipsen), chosen by this Chairman among those who are the best placed and experienced to fulfill the missions of the Committee. These members are from outside Ipsen and the term of their office may be renewed every year by tacit reconduction.

The Chief Scientific Officer and Head of Ipsen Research and Development is a permanent guest to the Scientific Advisory Board. However, the Board may have closed sessions, without its presence.

Its members are:

- Pr. Richard Trembath (Chairman);
- Pr. Chas Bountra;
- Pr. Paul M. Matthews;
- Pr. Josep Tabernero;
- Pr. Simon Tavaré; and
- Mr. James Levine, Chairman of the Fondation Ipsen.

The Scientific Advisory Board meets formally between once and twice a year with the Board of Directors.

The Scientific Advisory Board met for the first time in 2018 with the Board of Directors to start a dialogue on Group's research areas.

5.1.2 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 changed the Company's form of governance by separating the duties of Chairman of the Board of Directors and 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
Director and Chief Executive Officer

Nationality:
American

Shares owned: 7,906
Voting rights: 7,906

BoD attendance rate 2018:
100% on 11 meetings

Committees:
- Innovation and Development Committee – Specialty Care (Guest)
- Innovation and Development Committee – Consumer HealthCare (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.

David Meek serves on the Boards of uniQure, PhRMA, EFPIA and Camping and Education Foundation.

Positions and functions currently held

Main function:
- Ipsen SA** (France), Chief Executive Officer

Other positions:
- Ipsen SA** (France), Director
- Ipsen Pharma SAS (France), Chairman
- uniQure** (The Netherlands), Non-executive Board member*
- PhRMA, Pharmaceutical Research and Manufacturers of America (United States of America), Board member*
- EFPIA, European Federation of Pharmaceutical Industries and Associations, Board member*

Positions previously held that expired during the last five years

None.

* Outside the Group.
** Listed company.

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 specific thresholds, others than that mentioned below, for which the approval of the Board, upon recommendation of the relevant 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.

Internal Rules of the Board of Directors

The Chief Executive Officer is responsible for:

- The general management of the Company;
- The chair of the Executive Leadership Team;
- Directing the Company and managing its operations;
- Acting with the broadest powers in the name of the Company in all circumstances, subject to powers attributed by law to the Board of Directors or to the General Shareholders' Meeting.

Notwithstanding the above and the specific thresholds for Business Development, the Chief Executive Officer is required to obtain Board of Directors prior approval for the following matters:

- Acquisition, licensing or sale of assets or equity investments within an approved strategy exceeding a unit amount of €20 million commitment;
- Transfers of assets and/or equity interests, partnerships or joint ventures, financial investments exceeding a unit amount of €20 million;
- Any transaction that is outside the Company's approved strategic framework with a financial impact exceeding €10 million;
- Capital expenditures (Capex) exceeding a unit amount of €20 million;
- Strategic internal restructuring operations (including significant reorganization and/or locations of major industrial and commercial sites) and having a financial impact exceeding €20 million;
- Financing transactions (including lease agreement) likely to modify the financial structure of the Company with a financial value exceeding €20 million;
- Creation, acquisition or transfer of legal entities when the total related investment exceeds €20 million;
- Litigations, penalties, fines, settlements, compromises, exceeding €10 million.

The Chief Executive Officer may attend all of the meetings of the Committees of which he is not a member in an advisory capacity and may consult them on any issue within their area of competence.

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.

Executive Leadership Team

To allow the Chief Executive Officer to conduct its missions, an Executive Leadership Team ("ELT") that is responsible for managing the Company's day-to-day operations and for coordinating the Group's various scientific, legal, financial, commercial, and strategic actions has been set up. The ELT is also responsible for establishing consistent management policies throughout the Group and for assisting the Chairman of the Board of Directors in implementing the Board's decisions.

Composition of the Executive Leadership Team

As at 15 March 2019, the members of the ELT 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, Specialty Care	2017

There are no family relationships between the members of the ELT, 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 this 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 ELT, 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 ELT.

Biographies of the ELT members

The biography of David Meek is given above and in section 5.1.1 of this Registration Document.

Dominique Bery
Executive Vice-President, Strategy & Transformation

Nationality:
French

Appointment date:
13 March 2018

Date of birth:
27 April 1971

Biography and experience

Dominique Bery joined Ipsen in April 2017. Dominique Bery spent the previous 18 years with McKinsey & Company, where she was elected Partner in 2010.

Dominique Bery 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 Bery 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 400 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 Bery is a graduate from ESSEC and holds a Master in Business Administration from Harvard Business School.

Current positions inside the Group

None

François Garnier
Executive Vice-President, General Counsel

Nationality:
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 Garnier 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 Garnier 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

Nationality:
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 Hennion 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 Hennion was appointed Vice President, Asia-Pacific, Specialty Care. Benoit Hennion 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
- Ipsen Consumer HealthCare SAS (France), Chairman
- Ipsen OOO (Russia), Chairman and Director

Dominique Laymand
Executive Vice-President Chief Ethics and Compliance Officer

Nationality:
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 Laymand 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 Laymand 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 Laymand 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 Laymand 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

Nationality:
American

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 Pharmsciences SAS (France), Chairman
- Ipsen Innovation SAS (France), Managing Director
- Ipsen Bioscience Inc. (United States of America), Chairman and Director
- Ipsen (Beijing) Pharmaceutical Science and Technology Development, Co. Ltd. (China), Director

Aymeric Le Chatelier
Executive Vice-President, Chief Financial Officer

Nationality:
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 Le Chatelier, 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 Le Chatelier 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

Nationality:
American

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.

Ivana Magovčević-Liebisch joins Ipsen from Axcella Health Inc., where she served as Executive Vice-President, Chief Strategy and Corporate Development Officer. Prior to joining Axcella, Ivana Magovčević-Liebisch 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 Magovčević-Liebisch began her biopharma career at Transkaryotic Therapies, Inc (1998-2001), where she was Director of Intellectual Property and Patent Counsel.

Ivana Magovčević-Liebisch serves as a member of the Board of Directors of Applied Genetic Technologies Corporation (AGTC), Alivio Therapeutics and Aeglea BioTherapeutics. Ivana Magovčević-Liebisch is a Trustee of Suffolk University, and an overseer of the Boston Ballet, Boston Museum of Science and Beth Israel Deaconess Medical Center.

Ivana Magovčević-Liebisch 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 Magovčević-Liebisch 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

Nationality:
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.

He joined 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), Régis 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 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

- Ipsen Pharma SAS (France), Managing Director

Aidan Murphy
Executive Vice-President, Technical Operations

Nationality:
Irish

Appointment date:
1 January 2018

Date of birth:
13 April 1966

Biography and experience

Dr Aidan Murphy was appointed Executive Vice-President, Technical Operations, effective 1 January 2018. He has over 25 years experience in the pharmaceutical and biotechnology industry. Since joining Ipsen in 2006, Dr Murphy has held manufacturing leadership roles in a number of countries.

During the period 2014 to 2017, Aidan Murphy was Senior Vice President Biologics Development and Manufacturing at Ipsen. Prior to this role, he led the manufacturing sites in Tianjin (China), Dublin (Ireland) and Wrexham (UK) and held global roles as SVP CMC (Chemistry, Manufacturing, and Controls) Development & Engineering and Head of Specialty Care Manufacturing.

Dr Murphy 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

Nationality:
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, Specialty Care

Nationality:
Canadian

Appointment date:
2 February 2017

Date of birth:
6 November 1970

Biography and experience

Harout Semerjian, Executive Vice-President, Chief Commercial Officer, Specialty Care, 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 (France), Managing Director

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 attending the debate and taking part in any vote by the Board on the related deliberations.

Moreover, as part of its missions, the Ethics and Governance Committee regularly reviews with the Board of Directors the issue of conflict of interest. Each Director must report its activities to the Ethics and Governance 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 Company Officers, of the minimum portion of shares that must be held until his term of office.

The Executive Officers have signed a non-compete commitment to prevent certain situations of conflicts of interest arising when they leave the Group.

Absence of condemnation of the members of the Board of Directors and the Executive Management

To the Company's best knowledge, and as at the date of this Registration Document, none of the members of the Board of Directors nor the Executive Management of the Company, have been over the last past five years:

- convicted of fraud, charged with any other offence or had any official public disciplinary action taken against them by statutory or regulatory authorities;
- implicated in a bankruptcy, receivership or liquidation;
- 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 service contracts has been signed, involving directors or any member of the Board or of the Management and the issuing company or its subsidiaries likely to provide such benefits.

Loans and guarantees granted to members of the Board

No loan or guarantee has been granted by the Company to any member of its Board of Directors or its Executive Management.

Specific terms for participating in Shareholders' Meetings

The specific terms for the participation of shareholders in the Annual Shareholders' Meeting are found in section 5.2.1.4 of this Registration Document.

Factors likely to have an impact in the event of a public offer

The factors likely to have an impact in the event of a public offer are found in section 5.2.3.6 of this Registration Document.

Delegations currently valid granted by the Shareholders' Meeting on capital increases

The delegations currently valid and having been granted by the Shareholders' Meeting regarding capital increases are found in section 5.2.2.4 of this Registration Document.

5.1.3 Compensation of Corporate Officers

5.1.3.1 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 Chairpersons of the Audit Committee and of the Compensation Committee receive an additional director's fee of €35,000 for a full year of service,
- the Chairpersons of the Nomination Committee, the Innovation and Development Committee – Specialty Care and Innovation and Development Committee – Consumer HealthCare and the Ethics and Governance Committee receive an additional director's fee of €20,000 for a full year of service,
- each Director who is a member of at least one Committee shall receive an additional amount of €5,000 for a full year of service.

The Board of Directors can decide to allow additional directors' fees amounting to €5,000 for intercontinental travel to attend a meeting of the Board.

The Board of Directors has decided on 13 December 2017 to implement a variability system related to effective attendance based upon the number of absences at the annual meetings of the Board and the Committees, breaking down as follows:

- payment of a fixed proportion (40%) at the end of 1st half-year;
- payment of the variable proportion (60%) at the end of 2nd half-year after taking into account the effective attendance at the Board and Committee meetings over the year.

The gross amount of directors' fees paid by the Company in 2018 was €1,015,477.

Individual amount of fees and other compensation paid to Directors (gross amounts – rounded) (Table 3 of AMF recommendations)

Directors	Amounts paid (*) in 2017	Amounts paid (*) in 2018
Marc de Garidel(1) – Director's fees – Other compensation	– see section 5.1.3.3.2	– see section 5.1.3.3.2
Anne Beaufour – Director's fees – Other compensation	€94,042 –	€62,532 –
Henri Beaufour – Director's fees – Other compensation	€65,897 –	€49,266 –
Philippe Bonhomme(2) – Director's fees – Other compensation	– –	€21,303 –
Hervé Couffin(3) – Director's fees – Other compensation	€75,000 –	€66,156 –

(*) Directors' fees are paid on a half-year basis in arrears (within the month following each half-year closing), based *prorata temporis* on the time spent in office during the semester, if applicable. The variability system of the directors' fees has been applicable since 1 January 2018.
(1) Mr. Marc de Garidel does not receive any directors' fees. It is stated that the compensation elements of Mr. Marc de Garidel paid as Chairman of the Board of Directors are presented at section 5.1.3.3.2 of the Registration Document and should be added.
(2) Director since 30 May 2018, the amount of director's fees is calculated *prorata temporis* on the time spent in office during the year.
(3) Director until 30 May 2018, the amount of director's fees is calculated *prorata temporis* on the time spent in office during the year.

Directors	Amounts paid (*) in 2017	Amounts paid (*) in 2018
Antoine Flochel – Director's fees – Other compensation	€160,000 –	€144,000 –
Margaret Liu – Director's fees – Other compensation	€10,000 –	€102,234 –
Pierre Martinet(3) – Director's fees – Other compensation	€110,000 –	€95,985 –
Mayroy SA(3) – Director's fees – Other compensation	€60,000 –	€53,072 –
David Meek (4) – Director's fees – Other compensation	– see section 5.1.3.3.1	– see section 5.1.3.3.1
Michèle Ollier – Director's fees – Other compensation	€75,000 –	€63,358 –
Jean-Marc Parant(5) – Director's fees – Other compensation	– –	– –
Hélène Auriol-Potier(3) – Director's fees – Other compensation	€95,000 –	€80,402 –
Paul Sekhri(2) – Director's fees – Other compensation	– –	€22,752 –
Carol Stuckley – Director's fees – Other compensation	€9,000 –	€95,427 –
Christophe Vérot(3) – Director's fees – Other compensation	€75,000 –	€66,156 –
Piet Wigerinck(2) – Director's fees – Other compensation	– –	€17,752 –
Carol Xueref – Director's fees – Other compensation	€75,000 –	€75,082 –
Total **– Director's fees** **– Other compensation**	**€903,939** **–**	**€1,015,477** **–**

(*) Directors' fees are paid on a half-year basis in arrears (within the month following each half-year closing), based *prorata temporis* on the time spent in office during the semester, if applicable. The variability system of the directors' fees has been applicable since 1 January 2018.
(1) Mr. Marc de Garidel does not receive any directors' fees. It is stated that the compensation elements of Mr. Marc de Garidel paid as Chairman of the Board of Directors are presented at section 5.1.3.3.2 of the Registration Document and should be added.
(2) Director since 30 May 2018, the amount of director's fees is calculated *prorata temporis* on the time spent in office during the year.
(3) Director until 30 May 2018, the amount of director's fees is calculated *prorata temporis* on the time spent in office during the year.
(4) Mr. David Meek has not received any directors' fees. It is stated that the compensation elements of Mr. David Meek as Chief Executive Officer are presented at section 5.1.3.3.1 of this Registration Document and should be added.
(5) Jean-Marc Parant has been designated Director representing the employees by the Works Council on 27 November 2018 and doesn't receive any directors' fees. It is stressed that he holds an employment contract within the Group and as such receives compensation that is unrelated to the exercise of his mandate. As a result, this compensation is not communicated.

5.1.3.2 Principles and criteria governing the compensation of Corporate Officers

The principles and criteria for determining, allocating and granting base, variable and exceptional elements making up the total compensation and the benefits of any kind attributable to the Corporate 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 next Shareholders' Meeting.

Principles and criteria governing the compensation of Corporate Officers

The compensation policy with regard to Corporate Officers and their individual compensation is decided by the Board of Directors upon recommendation of the Compensation Committee, outside the presence of the Corporate 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 base, 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 of the Corporate Officers is structured as follows:

- base compensation;
- annual variable compensation (only for Executive Corporate Officers);
- if applicable, multi-annual variable compensation (only for Executive Corporate Officers);
- if applicable, special financial indemnity (only for Executive Corporate 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 Corporate Officers);
- if applicable, other benefits;
- if applicable, payments, benefits and compensation granted to Corporate Officers upon termination of their functions.

For information, the individual elements of compensation for Corporate Officers are described in section 5.1.3.3 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 2018 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 2019 to approve the accounts for the financial year ended on 31 December 2018, 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 2019 to approve the accounts for the financial year ended on 31 December 2018, 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.

Base compensation

Base compensation takes into account the reference markets of Ipsen. 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 Corporate Officers' personal targets. Every year, the Board of Directors defines and precisely predetermines qualitative and quantifiable criteria for determining the variable compensation and the target objectives. Quantifiable criteria are preponderant to the determination of 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 base 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 functions 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 2019 financial year are presented at paragraph 5.1.3.3.1 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 base compensation.

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

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

Exceptional compensations and/or financial indemnity

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

It can decide to grant an exceptional compensation and/or an exceptional financial indemnity to the Corporate 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 Corporate Officers who are members of the Board of Directors may, where appropriate, upon recommendation of the Compensation Committee, and by decision of the Board of Directors, receive directors' fees due on the basis of their positions as Directors according to the rules applicable to all of the Directors.

Stock options and performance shares

Executive Corporate Officers as well as certain senior executives of the Group may benefit from stock options and/or performance shares under plans approved and set each year by the Board of Directors upon recommendation of the Compensation Committee. In accordance with the AFEP-MEDEF Code recommendations (§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 Corporate Officers must retain, until the end of their term of office, a number of shares equivalent to 20% of the net capital gain that would be realized upon the sale of the shares resulting from the exercise of stock options and/or from the performance shares.

These plans are subject to a presence condition (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 Executive Corporate Officers who are beneficiaries of these stock options and/or performance shares undertook a formal commitment not to engage in hedging transactions either on their options or on shares issued following the exercise of options or on performance shares granted until the end of the holding period that has been decided by the Board of Directors.

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

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

Other benefits

Corporate 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 contracts, reimbursement of travel expenses and expenses incurred with the exercise of their corporate duties, D&O liability insurance.

Payments, benefits and compensation granted to Corporate Officers upon termination of their functions

Severance payment

Corporate 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' base 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 Corporate Officers in case of departure from the Group for a reason other than a change of control. This agreement shall be valid for a certain period following the date of departure.

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

Additional pension plan

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

5.1.3.3 Compensation of Corporate Officers

5.1.3.3.1 Compensation elements of Mr. David Meek, Chief Executive Officer

For financial year 2018, the compensation elements of Mr. David Meek, Chief Executive Officer, were determined by the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 14 February 2018.

In accordance with 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 2018, in respect of his term of office, comply with the principles and criteria approved by the Shareholders' Meeting held on 30 May 2018 in its thirteen ordinary resolution.

It is nevertheless specified that the payment of the variable compensation elements granted to Mr. David Meek for the financial year ended on 31 December 2018 will depend on the approval by the next Shareholders' Meeting of the compensation elements paid or granted on the previous year.

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 base, 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, were determined by the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 13 February 2019 and will be subject to a resolution submitted to the approval of the next Shareholders' Meeting.

A. Summary tables of 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)	2017 Financial Year	2018 Financial Year
David Meek Chief Executive Officer		
Compensations due for the year (see details below)	2,666,155	1,886,049
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 (*)	1,248,291(1)	1,240,512(2)
Total	**3,914,446**	**3,126,561**

(*) For further details, see section 5.1.3.3.1 paragraphs B and C below.
(1) Book value for a target award of 13,365 performance shares, on the day of the grant.
(2) Book value for a target award of 9,230 performance shares, on the day of the grant.

Summary table of compensation (Table 2 of the AMF recommendations)

	2017		2018	
(gross rounded amount – in euros)	Amounts due	Amounts paid	Amounts due	Amounts paid
David Meek Chief Executive Officer				
Base compensation	900,000	900,000	900,000	900,000
Annual variable compensation – Annual performance	1,314,000(4)	438,840(1)	978,000(5)	1,314,000
Multi-annual variable compensation	–	–	–	–
Exceptional compensation – Integration within the Group	–	300,000(2)	–	–
Special financial indemnity	450,000(3)	450,000	–	–
Directors' fees	–	–	–	–
Benefits in kind(6)	2,155	2,155	8,049	8,049
Total	**2,666,155**	**2,090,995**	**1,886,049**	**2,222,049**

(1) 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. This amount was paid in 2017.
(2) 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 Company.
(3) 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 (50% on the date of his appointment 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 compensation at his previous employer. Mr. David Meek received this special financial indemnity of €450,000 in 2016 and €450,000 in 2017.
(4) 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 has been paid in 2018, following the approval by the Shareholders' Meeting of the compensation elements paid or granted to Mr. David Meek due to his mandate and for the previous financial year. The performance criteria and their achievement are presented in paragraph B below.
(5) The Board of Directors, at its meeting held on 13 February 2019, upon recommendation of the Compensation Committee, fixed, in view of the realization of the pre-established criteria, the amount of the annual variable compensation of the Chief Executive Officer for 2018 at €978,000. This amount will be paid in 2019, subject to the approval by the Shareholders' Meeting to be held in 2019 to approve the 2018 financial statements, of the compensation elements paid or granted to Mr. David Meek due to his mandate and for the previous financial year. The performance criteria and their achievement are presented in paragraph B below.
(6) Benefits in kind are defined in paragraph B hereunder "Other benefits".

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.

Base compensation

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

The Board of Directors, at its meeting held on 14 February 2018 and upon recommendation of the Compensation Committee, has set Mr. David Meek's base compensation at a gross annual amount of €900,000, unchanged since his appointment in 2016.

The Board of Directors, at its meeting held on 13 February 2019 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 base compensation amounts to €950,000.

The base compensation has been calculated taking into account the reference markets of Ipsen and the growth of the Group; its evolution is consistent with that of the other managers and employees of the Company.

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, earnings per share and cash-flow from operations; the balance is based on qualitative criteria concerning managerial and strategic objectives. The detail of qualitative criteria was precisely pre-established by the Board but is not made public for confidentiality reasons.

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.

For the 2018 financial year, the Board of Directors, during its meeting held on 14 February 2018, 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, earnings per share and cash-flow from operations; the balance is based on qualitative criteria concerning managerial and strategic objectives. The detail of qualitative criteria has been precisely pre-established by the Board but is not made public for confidentiality reasons.

At its meeting held on 13 February 2019, the Board of Directors, upon recommendation of the Compensation Committee, set the gross amount of the variable part of the compensation for financial year 2018 at €978,000.

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%*		
	Earnings per share	*1/6*	*0% to 200%*		
	Cash-flow from operations	*1/6*	*0% to 200%*	% of achievement	Amount (in €)
Quantifiable objectives		2/3	0% to 200%	128%	768,000
Qualitative objectives		1/3	0% to 200%	70%	210,000
Total		**100%**	**0% to 200%**	**109%(*)**	**978,000(*)**

* Amounts are rounded.

The payment of the variable compensation elements of Mr. David Meek is subject to the approval of the Annual Shareholders' Meeting to be held in 2019 to approve the financial statements for the year ended 31 December 2018, of the elements of compensation paid or granted in respect of the past year.

For the 2019 financial year, the Board of Directors, during its meeting held on 13 February 2019, has decided to grant Mr. David Meek a gross target bonus of €950,000, which may vary within a range between 0% and 200% (*i.e.* from 0 to €1,900,000) based on the following quantifiable and qualitative performance criteria: the two-thirds of this target bonus depend on quantifiable criteria of equal weighting based on the achievement of level of consolidated net sales, core operating income, earnings per share and cash-flow from operations; the balance is based on qualitative criteria concerning managerial, strategic and Social Responsabilities (CSR) objectives. The detail of qualitative criteria has been precisely pre-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. Mr. David Meek has not received any special financial indemnity during 2018.

The Board of Directors,at its meeting 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 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 this special financial indemnity in the amount of €450,000 in 2016 and €450,000 in 2017.

Performance shares

Executive Corporate Officers as well as certain senior executives of the Group may benefit from stock-options and/or performance shares under plans approved and set each year by the Board of Directors upon recommendation of the Compensation Committee.

The Chief Executive Officer can benefit from these plans whose features are described at paragraph 5.2.2.3.2 of this Registration Document.

The Board of Directors, at its meeting held on 30 May 2018, granted to Mr. David Meek under the performance shares plan and contingent on Company performance over the 2018-2020 period, 9,230 shares, representing 0.01% 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, an assistance with filing his personal income tax returns, the reimbursement of reasonable attorney fees and expenses incurred in connection with the finalization of the terms and conditions of his office a company car and driver, the business travel and accommodation expenses incurred whilst exercising his duties, an healthcare coverage under a global healthcare policy, and death and disability coverage under the Group's policy or a specific policy, D&O liability insurance.

Payments, benefits and compensation likely a 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 2018 financial year (table 4 of AMF recommendations)

No option was granted to the Chief Executive Officer, Mr. David Meek, during the 2018 financial year.

Synthesis of the subscription or purchase options granted (table 8 of AMF recommendations)

For more information about subscription or purchase options, see table 8, section 5.2.2.3.2.

The Chief Executive Officer, Mr. David Meek, does not hold any Ipsen option.

Subscription or purchase options exercised during the 2018 financial year (table 5 of AMF recommendations)

No option was exercised by the Chief Executive Officer, Mr. David Meek, during the 2018 financial year.

b. Performance shares granted to Mr. David Meek, Chief Executive Officer

Performance shares granted during the 2018 financial year (table 6 of AMF recommendations)

	Plan date	Number of performance 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	30/05/2018	9,230[2]	€134.40	€1,240,512	31/05/2020 (for 50% of the shares) 31/05/2021 (for 50% of the shares)	31/05/2020 (for 50% of the shares) 31/05/2021 (for 50% of the shares)	Yes

(1) Share value at the date of grant. The global amount of granted shares book value is listed on table 1 under paragraph 5.1.3.3.1.
(2) Allocation subject to performance conditions, representing 0.01% of the share capital as of 30 May 2018.

The Board of Directors decided, on 30 May 2018, upon recommendation of the Compensation Committee, the allocation of 9,230 shares to M. David Meek, Chief Executive Officer, in the form of performance shares in accordance with the article L.225-197-1 of the French Commercial Code.

The definitive acquisition of these performance shares is subject to presence and performance conditions which will be assessed at the end of an acquisition period of 2 years for 50% of the allocated shares, and of 3 years for 50% of the allocated shares, from the allocation date. The shares thus acquired will not be subject to a holding period.

Half of the performance conditions are based on an external criterion based on the evolution of the Ipsen's stock price within the STOXX TMI 600 Healthcare index, and half on an internal criterion based on the core operating income. The details of these internal and external performance conditions as well as the expected level of achievement have been precisely determined by the Board but are not disclosed for confidentiality reasons.

Each of the conditions is assessed on a scale of 0 to 200%. In case of over achievement of the expected performance (*i.e.* 100%), the number of performance shares granted will be adjusted accordingly.

According to the compensation policy of Corporate Officers approved by the sShareholders at the Shareholders' Meeting of 30 May 2018, the Board of Directors decided that the Chief Executive Officer must retain, until the end of his term of office, a number of shares equivalent to 20% of the net capital gain that would be realized upon the sale of the shares resulting from the performance shares.

Summary of performance shares granted

The table below describes, as of 31 December 2018, the total of performance shares granted to the Chief Executive Officer. For further details, see Table 10, section 5.2.2.3.2.

Corporate Officer	Date of grant	Quantity granted	Definitive Acquisition Date	Date of availability	Number of shares to be held
David Meek Chief Executive Officer	29/07/2016	10,021 (1)	30/07/2018	30/07/2020(2) (for 50% of shares)	20% capital gain net of acquisition value
	29/03/2017	13,365 (1)	30/03/2019	30/03/2021(3) (for 50% of shares)	
	30/05/2018	9,230(1)	31/05/2020 (for 50% of shares) 31/05/2021 (for 50% of shares)	31/05/2020 (for 50% of shares) 31/05/2021 (for 50% of shares)	
Total		**32,616 (*)**			

(1) Subject to performance conditions, see section above and below.
(2) 50% of the shares have been available on 30 July 2018.
(3) 50% of the shares will be available on 30 March 2019.
(*) Approximately 0.04% of the share capital, as of 31 December 2018.

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), that have been precisely determined by the Board are not disclosed for confidentiality reasons. Considering the expected performance (*i.e.* 100%), the number of performance shares granted has been adjusted accordingly. These performance shares have been subject to a 2-year acquisition period from the date of grant and 50% of the shares thus acquired are subject to a 2-year holding period.

The Board of Directors, at its meeting held on 29 July 2016, upon recommendation of the Compensation Committee, decided to grant to David Meek, Chief Executive Officer, 10,021 shares, in the form of performance shares in accordance with the article L.225-197-1 of the French Commercial Code. This number of shares was calculated on a *prorata temporis* basis.

The performance conditions are based, for the half of the granted shares, on an internal criterion based on the current operating income and, for the other half, on an external criterion based on the relative performance of Ipsen's stock price compared to that of the other companies which are part of the STOXX TMI 600 Health Care index. The details of these internal and external performance conditions as well as the degree of achievement (expected and achieved), that have been precisely determined by the Board but are not disclosed for confidentiality reasons. In case of over achievement of the expected performance (*i.e.* 100%), the number of performance shares granted will be adjusted accordingly. These performance shares are subject to a 2-year acquisition period from the date of grant and 50% of the shares thus acquired will be subject to a 2-year holding period.

In accordance with the provisions of article L.225-197-1 of the French Commercial Code, the Board of Directors, at its meetings held on 29 July 2016, 29 March 2017 and 30 May 2018 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 2018 financial year (Table 7 of AMF recommendations)

15,811 shares have been acquired considering the performance of the Group within the plan of 29 July 2016. During the 2018 financial year, 50% of the performance shares granted to the Chief Executive Officer became available. The balance will be available on 30 July 2020.

For further information, see table 10, section 5.2.2.3.2.

Corporate Officer	Date of grant	Number of shares becoming available
David Meek Chief Executive Officer	29/07/2016	7,906(1)

(1) Allocation subject to performance conditions.

D. Summary of commitments issued in favor of Mr. David Meek, Chief Executive Officer (Table 11 of AMF recommendations)

	Employment contract		Additional pension plan		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 plan

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 beneficiary during retirement, the potential right to widow or widower's pension is maintained.

In accordance with article L.225-42-1 of the French Commercial Code, the grant of this additional pension scheme shall be subject to a performance condition, the 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 the rate of 0.6% per year of seniority to the part of the reference compensation below 8 times the Annual Social Security Ceiling ("PASS") and at a rate of 1% for the part of the reference compensation in excess of 8 times the PASS.

The reference compensation is the average of the total gross amount of the compensation received for a full time position (bonus included) during the last 36 months preceding the end of the contract and/or office. Severance payments, expense reimbursement, profit-sharing and incentives are excluded.

Seniority is limited to 40 years.

Terms governing survivor's pension benefits are set forth in the plan.

The annual pension owed to the beneficiaries shall not exceed 45% of their base and variable compensation.

The potential rights are financed by non-individualized premiums paid to an insurance institution. These premiums are deductible from the corporate tax base and subject to the contribution set forth in L.137-11, I, 2° a) of the Social Security Code at the rate of 24%.

Given that entitlement to benefit from this plan requires a 5-year seniority, if Mr. David Meek had claimed any payment of his pension on 1 January 2019, 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 (base and variable) remuneration,
- the grant of which will be subject to the maintaining of the recurring operating margin of the Group during the three years preceding the departure at a minimum threshold of 15%, and
- including, for a portion equal to 50% of the amount hereof, the amount payable in consideration for the non-compete undertaking.

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.

5.1.3.3.2 Compensation elements of Mr. Marc de Garidel, Chairman of the Board of Directors

For financial year 2018, 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 28 March 2018. These elements take into account both duties of Marc de Garidel: his duties as Chairman of the Board of

Directors of Ipsen and his duties as Chief Executive Officer of Corvidia Therapeutics Inc., a company organized and existing under American law based in the United States of America.

In accordance with the articles L.225-37-2 and L.225-100 of the French Commercial Code, the compensation elements paid or granted to Mr. Marc de Garidel, Chairman of the Board, for the 2018 financial year, in respect of his term of office, comply with the principles and criteria approved by the Shareholders' Meeting held on 30 May 2018 in its twelfth ordinary resolution.

Furthermore, the principles and criteria for determining, allocating and granting base, 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, was determined by the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 13 February 2019 and will be the subject of a resolution submitted to the approval of the next Shareholders' Meeting. Mr. Marc de Garidel does not receive variable compensation nor multi-annual variable compensation, subscription or purchase options nor performance shares.

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 2018 (table 1 of the AMF recommendations)

(gross rounded amount – in euros)	2017 Financial Year	2018 Financial Year
Marc de Garidel Chairman of the Board of Directors		
Compensations due for the year (see details below)	2,796,981	654,270
Book value of multi-annual variable compensations granted during the year	–	–
Book value of the options granted during the year	–	–
Book value of the performance shares granted during the year	–	–
Total	**2,796,981**	**654,270**

b. Summary table of compensation (Table 2 of the AMF recommendations)

Total amount of the compensation for 2018 financial year

(gross rounded amount – in euros)	2017		2018	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Marc de Garidel Chairman of the Board of Directors				
Base compensation	800,000	800,000	650,000[1]	650,000[1]
Annual variable compensation	–	454,950[2]	–	–
Multi-annual variable compensation	1,990,906[3]	1,990,906[3]	–	–
Exceptional compensation	–	–	–	–
Directors' fees	–	–	–	–
Benefits in kind[4]	6,075	6,075	4,270	4,270
Total	**2,796,981**	**3,251,931**	**654,270**	**654,270**

(1) The Board of Directors at its meeting held on 28 March 2018 has redefined Mr. Marc de Garidel's missions as Chairman of the Board of Directors following his new duties as Chief Executive Officer of Corvidia Therapeutics Inc. The amount of his gross base compensation for 2018 has been amounted to €600,000, *prorata temporis* basis from 1 April 2018, and was previously fixed at €800.000 until this date. For further information, see section 5.1.1.

(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 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.

(3) 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. The payment was done in 2017.

(4) Benefits in kind are defined in section B hereunder "Other benefits".

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 2018 financial year, the Board of Directors, upon recommendation of the Compensation Committee, fixed, at its meeting held on 28 March 2018, the compensation elements of Mr. Marc de Garidel in respect of his duties as Chairman of the Board of Directors.

It is recalled that Mr. Marc de Garidel has been 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.

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 and 2018 financial years.

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.

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 base 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 had to 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, 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.

Marc de Garidel didn't receive multi-annual variable compensation during 2017 and 2018 financial years.

Summary table of multi-annual variable compensation

(gross rounded amounts – in euros)	2016		2017		2018	
	Due	Paid	Due	Paid	Due	Paid
Marc de Garidel Chairman of the Board of Directors (*)	1,588,396	1,588,396	1,990,906	1,990,906(**)	–	–

(*) Mr. Marc de Garidel has been Chairman and Chief Executive Officer until 18 July 2016 then became Chairman of the Board from this date.
(**) The Board of Directors at its meeting held on 29 March 2017, upon recommendation of the Compensation Committee, assessed the achievement of the performance conditions and decided to pay the amount of €1,990,906. This amount was paid in 2017.

b. As Chairman of the Board of Directors

Base compensation

Base compensation is subject to be reviewed by the Board of Directors according to the Company's market position and taking into account changing responsibilities.

The Company Board of Directors, at its meeting of 28 March 2018, approved an amendment of the specific missions of Mr. Marc de Garidel as Chairman of the Board of Directors, linked to his functions as Chief Executive Officer of Corvidia Therapeutic Inc., and reviewed consequently the amount of his base compensation (for more information, see section 5.1.1 of this Registration Document). Upon recommendation of the Compensation Committee, the Board of Directors fixed the base compensation of Mr. Marc de Garidel to an annual gross amout of €600,000 previously fixed at €800,000. For 2018, this amount has been paid in a *prorata temporis* basis as of 1 April 2018.

Annual variable compensation

The Board of Directors has decided that Mr. Marc de Garidel will not receive any variable compensation in respect of his duties as Chairman of the Board of Directors.

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. The Board of Directors, at its meeting held on 28 March 2018, upon recommendation of the Compensation Committee, redefined Mr. Marc de Garidel's benefits following both duties of Marc de Garidel at Ipsen and at Corvidia Therapeutics Inc. The detail of those benefits is as follows:

- Assistance for the preparation and filing of personal income tax returns, in relation to his Ipsen compensation in France;
- Access to a company car and driver pool, for travel in relation to his Ipsen functions;
- D&O liability insurance consistent with the D&O liability insurance of the Ipsen Group;
- Reimbursement of professional expenses incurred within the context of the exercise of his duties in relation to his Ipsen functions; and
- Administrative assistance provided by the Ipsen executive assistants of the Company in relation to his Ipsen functions.

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, since 18 July 2016.

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 2018 financial year (table 4 of AMF recommendations)

No options were granted to the Chairman, Mr. Marc de Garidel, during the 2018 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 2018 (Table 5 of the AMF recommendations)

No options were exercised by Mr. Marc de Garidel during the 2018 financial year.

Summary of performance shares granted

Mr. Marc de Garidel did not benefit from performance shares during the 2018 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.

Corporate Officer	Date of grant	Quantity granted	Definitive acquisition date	Date of availability	Number of shares to be held
Marc de Garidel Chairman and Chief Executive Officer until 18 July 2016[1]	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[5]	
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 0.1% of the share capital on 31 December 2018.
(5) 50% of shares became available on 1 June 2018.

In accordance with the provisions of article L.225-197-1 of the French Commercial Code, the Board of Directors, at its meetings held on 30 June 2011, 30 March 2012, 28 March 2013, 27 March 2014, 1 April 2015 and 31 May 2016 established rules requiring the Chairman and Chief Executive Officer to retain a number of shares resulting from performance shares, until the end of his term of office, equivalent to 20% of the net capital gain that would be realized upon the sale of the shares resulting from performance shares.

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 2018 financial year (Table 7 of AMF recommendations)

Company Officer	Date of grant	Number of shares became available
Marc de Garidel Chairman of the Board of Directors[1]	27/03/2014 and 31/05/2016[3]	22,552[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.
(3) 7,681 shares were acquired in consideration of the Group's performance. 50% of the shares becoming available during the 2018 financial year. The balance will be available on 1 June 2020.

D. Summary of commitments made to 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		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 of the Company pursuant to the decision of the Board of Directors held on 8 July 2016. This pension commitment more broadly benefits the company's executives.

The benefit of the pension commitment is subject to:

- a minimum 5-year service,
- claiming social security pension at a full rate,
- the termination of any professional activity with the Company at the date of the liquidation of basic and additional pensions.

However, the right is maintained in case of early retirement or dismissal after the age of 55 subject to non-resumption of professional activity or if classified as having a 2nd or 3rd category of disability.

Furthermore, in case of death of the beneficiary during retirement, the potential right to widow or widower's pension is maintained.

In accordance with the 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 a rate of 0.6% per year of seniority to the part of the reference compensation below 8 times the Annual Social Security Ceiling ("PASS") and at a rate of 1% for the part of the reference compensation in excess of 8 times the PASS.

The reference compensation is the average of the total gross compensation received for a full time position (bonus included) during the last 36 months preceding the end of the contract and/or corporate mandate. Severance payments, expense reimbursement, profit-sharing and incentives are excluded.

Seniority is limited to 40 years.

Terms governing survivor's pension benefits are set forth in the plan.

The annual pension owed to the beneficiaries shall not exceed 45% of their base and variable compensation.

The potential rights are financed by non-individualized premiums paid to an insurance institution. These premiums are deductible from the corporate tax base and subject to the contribution set forth in article L.137-11, I, 2° a) of the Social Security Code at the rate of 24%.

For Mr. Marc de Garidel, the amount of the annual pension, as of 31 December 2018, is estimated at €236,323. 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 base 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 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%.

5.1.4 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 2018

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 authorized and entered into 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

The 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 plan 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%).

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), 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

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 IMSHealth) as one of the top two products of the Group in terms of turnover on the date of his effective 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 top two 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 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

The 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 plan 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.

The Statutory Auditors

Paris La Défense, 15 February 2019

KPMG Audit
KPMG S.A. Department

Catherine Porta
Partner

Cédric Adens
Partner

Paris La Défense, 15 February 2019

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 is the following in France and any other country whether directly or indirectly:

- to invent, manufacture, process, and sell pharmaceutical products, para-pharmaceutical products, cosmetics or any other manufactured products in the fields of drugs and fine chemicals, and all products and materials used to manufacture, process and sell such products;
- to conduct all industrial and commercial activities directly or indirectly related to the foregoing purpose, including research and design, acquiring, owning, exploiting and selling patents, licenses, know-how and more generally all intellectual and industrial property rights; and
- more generally, to conduct all industrial, commercial, financial or property transactions which may directly or indirectly facilitate or further the achievement of the foregoing purposes and any similar purposes.

5.2.1.2 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 through the passing of its resolutions.

Executive Management

In accordance with the legal provisions, the executive management of the Company is the responsibility either of the Chairman of the Board of Directors, who then serves as Chairman and Chief Executive Officer, or of another person appointed by the Board of Directors who then serves as Chief Executive Officer.

The Board of Directors is responsible for electing one of these two options for a period which may not be less than one year.

At its meeting on 15 February 2016, the Board of Directors decided to change the Company's form of governance by separating the duties of Chairman of the Board of Directors and Chief Executive Officer. The Company also announced on 16 February 2016 that it had initiated the process to recruit its future Chief Executive Officer. The separation of said functions is effective since 18 July 2016 date of entry into office of David Meek as Chief Executive Officer. 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, or retained earnings or to distribute it as a dividend. After deduction of any prior year losses, at least 5% of each year's net profit is transferred to the statutory reserve as required by law. This provision ceases to apply once the statutory reserve has reached one tenth of the Company's share capital.

The Shareholders' Meeting may decide to distribute amounts from reserves to which the shareholders are entitled. In this case, the resolution must expressly indicate which reserve accounts are to be used. However, dividends must be drawn in priority from the year's distributable profit.

The Shareholders' Meeting may resolve to offer payment of all or part of the dividend or interim dividends in cash or in shares at the personal choice of each shareholder.

A shareholder's right to the profits and contribution to losses is proportional to the percentage of share capital owned.

Form of shares issued by the Company (Article 9 of the Articles of association)

The shares issued by the Company may be registered or bearer shares. Existence of the shares is evidenced by their registration on securities accounts held in the name of the holder under the terms and conditions set out by law either by the Company or its appointed custodian in the case of registered shares or by an authorized intermediary authorized of bearer shares.

Shareholders' voting rights (Articles 26.1 and 11.3 of the Articles of association)

In Ordinary and Extraordinary Shareholders' Meetings, each shareholder has a voting right equal to the number of shares he/she holds or represents without limit.

However, the Board of Directors held on 30 August 2005 decided that a double voting right is attached to any ordinary fully paid-up share which is owned under the registered form by the same shareholder for at least two years. The double voting rights shall automatically end with its conversion to the

form of bearer share, as well as its transfer, except in cases provided for by law.

According to the provisions of article 11.3 of the Articles of association, the voting right attached to shares belongs to the usufruct holder in Ordinary Shareholders' Meetings and to the bare owner in Extraordinary Shareholders' Meetings.

Actions necessary to modify shareholder's rights

There are no specific existing rules regarding the modification of shareholders' rights which are made in accordance with the legal provisions.

5.2.1.4 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 account registration of the shares being registered in an account in the name of the shareholder or of the financial intermediary acting on the shareholder's behalf, at midnight, Paris time, on the second business day preceding the date of the General Meeting, either in the registered share accounts kept by the Company or in the bearer share accounts kept by the authorized intermediary.

Ordinary Shareholders' 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 the legal provisions and the Articles of association. It appoints the Company's Statutory Auditors.

The Ordinary Shareholders' Meeting may delegate authority to the Board of Directors at the Board's request to deal with all matters not specifically reserved for Extraordinary Shareholders' Meetings.

More generally, the Ordinary Shareholders' Meeting resolves on all matters that do not entail a direct or indirect modification of the Articles of association.

The Ordinary Shareholders' Meeting is held every year no later than six months after the end of the previous financial year-end, unless this time period is extended by court order.

Extraordinary Shareholders' Meeting

The Extraordinary Shareholders' Meeting may amend any and all of the provisions of the Articles of association of the Company. However, it may not increase the shareholders' liability, or change the nationality of the Company except under the terms and conditions set forth by law and international treaties.

Notice and Meeting of Shareholders' Meetings

General Shareholders' Meetings are called by the Board of Directors or, if applicable, by the Statutory Auditors or any other person duly empowered by law. The meetings take place at the registered office or any other place indicated in the notice of meeting.

The agenda is set by the person who convenes the meeting. However, one or several shareholders may request, under the terms and conditions set forth by legal and regulatory provisions in force, the inclusion of items or draft resolutions in the agenda. The works council may also require the inclusion of proposed resolutions in the agenda in accordance with the regulation in force. The Shareholders' Meeting may not resolve on items which are not on the agenda, in accordance with the current regulation. However, it may in any event remove one or more Directors from office and appoints new directors in replacement. The agenda may not be revised for an adjourned meeting.

Quorum

The Ordinary Shareholders' Meeting validly deliberates, on first notice, if the shareholders present or represented, or voting by postal vote, represent at least one fifth of the shares with voting rights. No quorum is required for an adjourned meeting. It passes its resolution by a simple majority vote of the shareholders present or represented or voting by postal vote. The quorum is calculated on the basis of the shares comprising the share capital, less any shares deprived of voting rights in accordance with the law and provisions of the Company's Articles of association.

The Extraordinary Shareholders' Meeting validly deliberates if the shareholders present or represented, or voting by postal vote, represent, on first notice, one quarter of the shares with voting rights, and one fifth on second notice. In the event this quorum is not reached, the second Shareholders' Meeting may be postponed to a further date no later than two months from the original convening's date.

Shareholders attending the meeting by videoconferencing or other means of telecommunication allowing their identification and compliant with the legal and regulatory provisions are counted as present for the purpose of calculating the quorum.

5.2.1.5 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 mean a number of shares representing one percent (1%) of the share capital or voting rights, or any multiple thereof, must no later than five (5) business days after the occurrence, advise the Company by fax of the total number and percentage of shares and voting rights held, with written confirmation sent the same day by recorded delivery mail.

Such persons are also required to advise the Company if their holding falls back below those thresholds, under the same terms and conditions.

In case of failure to comply with these requirements, the shares exceeding the part that should have been disclosed are deprived of the voting right for any Shareholders' Meeting that would be held in a two-year period following the date of regularization of the disclosure. Except in the case of crossing one of the thresholds provided for by Article L.233-7 of the French Commercial Code, the deprival of the voting rights, which will be recorded in the minutes of the Shareholders'

Meeting, may only occur if requested by one or more of the shareholders representing at least one percent (1%) of the share capital and voting rights of the Company.

5.2.1.6 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 provide 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 is 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 the share capital

As of 31 December 2018, the share capital of the Company amounted to €83,808,761 divided into 83,808,761 shares fully subscribed and paid-up of same class, each with a par value of €1.

As of 28 February 2019, the share capital of the Company amounted to €83,808,761 divided into 83,808,761 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	Operation	Par value per share (in euros)	Number of shares	Nominal amount (in euros)	Share or contribution premium (in euros)	Cumulative share or contribution premiums (in euros)	Cumulated amount of share capital (in euros)	Cumulated number of outstanding shares
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
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

Date	Operation	Par value per share (in euros)	Number of shares	Nominal amount (in euros)	Share or contribution premium (in euros)	Cumulative share or contribution premiums (in euros)	Cumulated amount of share capital (in euros)	Cumulated number of outstanding shares
04/10/2017	Options exercises	1	32,289	32,289	1,150,780	737,661,757	83,692,823	83,692,823
13/12/2017	Options exercises	1	38,724	38,724	1,418,879	739,080,636	83,731,547	83,731,547
31/12/2017	Options exercises	1	510	510	18,176	739,098,812	83,732,057	83,732,057
14/02/2018	Options exercises	1	50,251	50,251	1,790,946	740,889,758	83,782,308	83,782,308
30/05/2018	Options exercises	1	11,820	11,820	421,265	741,311,022	83,794,128	83,794,128
31/12/2018	Options exercises	1	14,633	14,633	420,439	741,731,462	83,808,761	83,808,761

5.2.2.3 Potential share capital

As of 31 December 2018, the potential share capital represents a maximum potential dilution of less than 0.01% 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 entirely acquired 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 acquired and exercisable. Moreover, the underlying shares are negotiable, without any condition attached.

As of 31 December 2018, with respect to all Ipsen plans, there were 36,085 outstanding options (after deduction of the number of options exercised or cancelled to take into account the departure of certain beneficiaries), of which 30,070 purchase options and 6,015 subscription options, representing a potential increase of the share capital up to €6,015 and a maximum potential dilution of less than 0.01%.

The following table (Table 8 of AMF recommendations) presents, as of 31 December 2018, 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 31/12/2018	Cancelled or expired as at 31/12/2018	Outstanding as at 31/12/2018
			Of beneficiaries	Of options	To company officers	Of options							
02/06/2006	12/12/2006	12/12/2006	31	42,000	–	–	Subscription	12/12/2010	13/12/2018	29.88	10,500	31,500	0
02/06/2006	12/12/2006	12/12/2006	20	28,500	–	–	Subscription	12/12/2010	13/12/2018	33.21	13,000	15,500	0
02/06/2006	12/12/2006	12/12/2006	5	266,668	–	–	Purchase	12/12/2010	13/12/2018	38.73	206,668	60,000	0
02/06/2006	12/12/2006	12/12/2006	5	266,666	–	–	Purchase	12/12/2010	13/12/2018	35.86	206,666	60,000	0
02/06/2006	12/12/2006	12/12/2006	5	266,666	–	–	Subscription	12/12/2010	13/12/2018	33.21	206,666	60,000	0
02/06/2006	29/09/2008	29/09/2008	1	10,000	–	–	Subscription	29/09/2012	29/09/2018	34.68	0	10,000	0
02/06/2006	29/09/2008	29/09/2008	201	216,200	–	–	Purchase	29/09/2012	29/09/2018	34.68	125,450	90,750	0
02/06/2006	30/03/2009	30/03/2009	41	148,300	–	–	Purchase	30/03/2013	30/03/2019	26.39	42,550	75,680	30,070
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	24,560	16,150	0
04/06/2009	31/03/2010	31/03/2010	105	321,360(*)	–	–	Subscription	31/03/2014	01/04/2018	36.64	177,820	143,540	0
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	170,102	13,836	5,765(1)
Total				**1,824,778**							**1,208,962**	**579,731**	**36,085**

(*) Options granted under performance conditions.
(1) The Board of Directors, at its meeting held on 1 April 2015, noticed the achievement of performance conditions attached to these options based on the evolution of income and the achievement of strategic objectives.

Grant of stock options during 2018 financial year to ten employees of the Group receiving the highest number (Table 9 of AMF recommendations)

During the 2018 financial year, no options were granted.

Exercise of stock options during 2018 financial year by employees of the Group exercising the highest number (Table 9 of AMF recommendations)

During the 2018 financial year, the options exercised by the ten employees that have exercised the highest number reached a total of 44,932 options at a weighted average price of €37.04. These exercises resulted in the attribution of 44,932 Ipsen shares.

5.2.2.3.2 Bonus Shares and Performance shares grants

Description

The final acquisition of the shares granted as part of the 2014 and 2015 plans mentioned in the chart below, is effective at the end of an acquisition period:

- of a two-year duration starting from the date of grant for French tax resident beneficiaries. These shares must be retained by French tax resident beneficiaries for an additional two-year period following the final acquisition;
- of a four-year duration starting from the date of grant for non-French tax resident beneficiaries as of the date of grant.

The final acquisition of the shares granted as part of the 2016 and 2017 plans mentioned in the 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 of the shares granted as part of the 2018 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 all the beneficiaries with an effective delivery of 50% of the acquired shares at the term of the two-year acquisition period;
- of a three-year duration starting from the grant date for all the beneficiaries with an effective delivery of the remaining 50% of the acquired shared at the term of an acquisition period of three years;
- the shares granted are not subject to any holding periods.

The final acquisition 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.

During the 2018 financial year, 209,152 shares were transferred to beneficiaries at the end of the acquisition period for bonus shares granted under the 27 March 2014, 31 May 2016 and 29 July 2016 plans, under the form of existing shares.

As of 31 December 2018, with respect to all Ipsen plans, 482,748 rights to bonus shares that may be acquired by beneficiaries were still valid (after deduction of the number of shares acquired or of rights cancelled to take into account the departure of certain beneficiaries), under the form of existing shares, no increase of share capital is to be planned.

The following table (table 10 of AMF recommendations) presents, as of 31 December 2018, the description and terms of the Ipsen bonus shares and performance shares granted, subject to the completion of presence conditions and, for certain grants, of performance conditions set out by the Board of Directors:

Date of the Shareholders' Meeting	Date of the Board of Directors	Grant date	Number of Bonus shares granted				Nature of the Bonus shares granted	Date of final acquisition	Date of availability	Number of Bonus shares		
			Total number		Of which number granted					Cancelled as at 31/12/2018	Number of shares transferred or created	Outstanding as at 31/12/2018
			Of beneficiaries	Of Bonus shares	To company officers	Of Bonus shares						
31/05/2013	27/03/2014	27/03/2014	113	138,379[1]	2	32,933	Existing shares	28/03/2016	28/03/2018	27,629[2]	110,750	–
31/05/2013	27/03/2014	27/03/2014	10	30,781[1]	–	–	Existing shares	28/03/2016	28/03/2018	12,322[2]	18,459	–
31/05/2013	27/03/2014	27/03/2014	33	20,795[1]	–	–	Existing shares	28/03/2018	28/03/2018	7,481	13,314	–
31/05/2013	01/04/2015	01/04/2015	89	95,882[1]	2	22,658	Existing shares	02/04/2017	02/04/2019	15,056[3]	80,826	–
31/05/2013	01/04/2015	01/04/2015	17	39,970[1]	–	–	Existing shares	02/04/2017	02/04/2019	9,066[3]	–	30,904[1]
31/05/2013	01/04/2015	01/04/2015	31	26,195[1]	–	–	Existing shares	02/04/2019	02/04/2019	6,715	–	19,480
31/05/2016	31/05/2016	31/05/2016	115	60,008[1]	1	2,535	Existing shares	01/06/2018	01/06/2018	17,285[4]	64,556	–
31/05/2016	31/05/2016	31/05/2016	115	59,963[1]	1	2,535	Existing shares	01/06/2018	01/06/2020	17,276[4]	64,502	–

Date of the Shareholders' Meeting	Date of the Board of Directors	Grant date	Number of Bonus shares granted				Nature of the Bonus shares granted	Date of final acquisition	Date of availability	Number of Bonus shares		
			Total number		Of which number granted					Cancelled as at 31/12/2018	Number of shares transferred or created	Outstanding as at 31/12/2018
			Of beneficiaries	Of Bonus shares	To company officers	Of Bonus shares						
31/05/2016	29/07/2016	29/07/2016	1	5,011(1)	1	5,011	Existing shares	30/07/2018	30/07/2018	–	7,906	–
31/05/2016	29/07/2016	29/07/2016	1	5,010(1)	1	5,010	Existing shares	30/07/2018	30/07/2020	–	7,905	–
31/05/2016	31/05/2016	31/05/2016	58	47,571(1)	–	–	Existing shares	01/06/2020	01/06/2020	9,170	–	58,745
31/05/2016	31/05/2016	31/05/2016	19	32,367(1)	–	–	Existing shares	01/06/2018	01/06/2018	10,908(4)	32,510	–
31/05/2016	31/05/2016	31/05/2016	19	32,360(1)	–	–	Existing shares	01/06/2018	01/06/2020	10,906(4)	–	32,504(*)
31/05/2016	29/03/2017	29/03/2017	113	30,472(1)	–	–	Existing shares	30/03/2019	30/03/2019	3,926	–	26,546
31/05/2016	29/03/2017	29/03/2017	113	30,428(1)	–	–	Existing shares	30/03/2019	30/03/2021	5,599	–	24,829
31/05/2016	29/03/2017	29/03/2017	1	6,683(1)	1	6,683	Existing shares	30/03/2019	30/03/2019	–	–	6,683
31/05/2016	29/03/2017	29/03/2017	1	6,682(1)	1	6,682	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	2,070	–	33,720
31/05/2016	29/03/2017	29/03/2017	18	20,923(1)	–	–	Existing shares	30/03/2019	30/03/2019	5,162	–	15,761
31/05/2016	29/03/2017	29/03/2017	18	20,912(1)	–	–	Existing shares	30/03/2019	30/03/2021	5,158	–	15,754
30/05/2018	30/05/2018	30/05/2018	410	43,755	–	–	Existing shares	01/06/2020	01/06/2020	–	–	43,755
30/05/2018	30/05/2018	30/05/2018	410	43,755	–	–	Existing shares	31/05/2021	31/05/2021	–	–	43,755
30/05/2018	30/05/2018	30/05/2018	153	61,815(1)	1	4,615	Existing shares	01/06/2020	01/06/2020	–	–	61,815
30/05/2018	30/05/2018	30/05/2018	153	61,815(1)	1	4,615	Existing shares	31/05/2021	31/05/2021	–	–	61,815
Total				**957,322**						**165,729**	**400,728**	**482,748**

(1) Bonus shares granted under performance conditions, see 5.1.3.2.
(2) The Board of Directors, at its meeting held on 30 March 2016, noted the achievement of performance conditions attached to these shares.
(3) The Board of Directors, at its meeting held on 29 March 2017, noted the achievement of performance conditions attached to these shares.
(4) The Board of Directors, at its meeting held on 30 March 2018, 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 the employees during financial year 2018

During the 2018 financial year, the top ten Group employees (excluding corporate officers) to whom have been granted the highest number of performance shares, received a total number of 30,540 bonus shares.

■ 5.2.2.4 Authorized and non-issued share capital

The Combined Shareholders' Meetings held on 7 June 2017 and 30 May 2018 authorized the delegation of authority to the Board of Directors regarding shares capital increases as followed, being specified that below are mentioned only the ongoing delegations and authorizations as of 31 December 2018:

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 (20e)	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 (21e)	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 (22e)	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 (23e)	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 (25e)	26 months (6 August 2019)	10% of the share capital (a, e, i)

Issues reserved to employees (and, if applicable, to company officers)

	Ongoing authorizations		
	Date of the Shareholders' Meeting (resolution number)	Duration (expiry)	Maximum nominal amount of the share capital increase authorized
Share capital increase reserved for members of a company savings plan	7 June 2017 (26e)	26 months (6 August 2019)	5% of the share capital (a, e)
Stock subscription and purchase options granted to employees and company officers	7 June 2017 (27e)	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	30 May 2018 (15e)	26 months (29 July 2020)	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 2018 up to a target amount of 211,140 shares, both performance and free, *i.e.*, 0.25% of the share capital, for the shares granted under such performance conditions. It was also used in February 2019 as part of a grant of a total of 25,880 shares to Ipsen employees, under presence conditions, *i.e.* 0.03% of the share capital.
(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

	Ongoing authorizations		
	Date of the Shareholders' Meeting (resolution number)	Duration (expiry)	Characteristics
Share repurchase	30 May 2018 (14th resolution)	18 months (29 November 2019)	Maximum repurchase price per share: €250 Limit of 10% of the number of shares comprising the share capital(a)
Cancellation of shares	7 June 2017 (19th resolution)	24 months (06 June 2019)	10% of the share capital as of the date of decision of cancellation

(a) Supsended in period of public offer. This authorization has been used in 2018, mainly as part of a share buyback program in a total number of 250,000 shares of the Company, see 5.2.2.6 below.

Treasury shares (excluding liquidity agreement)

As of 31 December 2018, the Company held 721,974 of its own shares dedicated to the covering of its stock purchase options, bonus shares and performance shares plans.

As of 28 February 2019, the Company held 720,974 of its own shares dedicated to the covering of its stock purchase options, bonus shares and performance shares plans (see sections 5.2.2.3.1 and 5.2.2.3.2).

5.2.2.6 Share repurchase program

Since 26 February 2007, the Company had mandated Natexis Bleichroder, a subsidiary of Natixis, to implement a liquidity contract for a one-year period with tacit renewal. This contract is compliant with the market practice admitted by regulations. As per the liquidity contract, the following assets appeared on the liquidity account: 46,838 shares and €1,259,939.79.

The Combined Shareholders' Meeting held on 30 May 2018 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 7 June 2017.

Pursuant to this decision, the Board of Directors decided on 30 May 2018 to set up a new share repurchase program with a limit of 10%.

On 4 June 2018, the Company announced having appointed Natixis to purchase 250,000 Ipsen SA shares, or about 0.3% of the share capital, for a period of at least 3 months. The shares purchased under this agreement will be mainly allocated to cover its free share allocation plans and its new employee share ownership plan.

The liquidity contract originally implemented with Natixis has been transferred to the company ODDO BHF with effect 18 July 2018. The program ended on 10 October 2018 due to to the acquisition of the target number of shares.

342,249 treasury shares have been used in 2018 as part of the exercised purchase options' coverage (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 2018 financial year:

Number of shares purchased:	772,159
Average purchase price:	€131.39
Number of shares sold:	520,158
Average sale price:	€128.09
Total amount of dealing and brokerage expenses:	€255,411
Number of shares used in 2018:	551,401 allocated shares: – 342,249 shares for the coverage of options and – 209,152 shares for performance shares plans
Number of shares registered in the name of the Company at the end of the financial year:	743,622 (of which 21,648 shares within the liquidity contract and 250,000 within the repurchase program)
Estimated value at the average purchase price:	€95,235,669.54
Nominal value:	743,622 including: – 471,974 dedicated to the coverage of options and shares plans – 250,000 as part of the share buyback program – 21,648 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	0.026%
Coverage of stock purchase options or other employee share ownership system	0.86%
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 (negotiable debt securities) to satisfy the general needs for financing the Group.

The case of financial display about the emission plan of commercial papers and the outstanding discounted bills of emissions can be consulted on the banque of france website (www.banque-france.fr).

5.2.3 Shareholding

5.2.3.1 Share ownership and voting rights

As of 31 December 2018, the Company's share capital amounted to €83,808,761 divided into 83,808,761 shares, each with a par value of €1. The corresponding theoretical number of voting rights amounted to 131,856,403 and the number of net voting rights amounts to 131,112,781.

As of 28 February 2019, the Company's share capital amounts to €83,808,761 divided into 83,808,761 shares, each with a par value of €1. The corresponding theoretical number of voting rights as of 28 February 2019 amounts to 131,854,896 and the number of net voting rights amounts to 131,124,912.

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 2018, 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	56.40%	94,539,624	71.70%	94,539,624	72.11%
Free Float	34,627,518	41.32%	34,627,518	26.26%	34,627,518	26.41%
Other registered shareholders (including free shares to employees(*))	779,305	0.93%	1,286,034	0.98%	1,286,034	0.98%
Treasury shares(1)	743,622	0.89%	743,622	0.56%	0	0%
Employee FCP(2)	235,725	0.28%	384,545	0.29%	384,545	0.29%
Board of Directors (excluding Mayroy SA)(3)	152,778	0.18%	275,060	0.21%	275,060	0.21%
Total	**83,808,761**	**100%**	**131,856,403**	**100%**	**131,112,781**	**100%**

(1) Including the liquidity agreement.
(2) The FCP Ipsen Shares is the sole employee shareholding fund to the share capital of the company.
(3) A presumed concert exists between Mayroy SA and certain Directors of the Company: Anne Beaufour and Henri Beaufour, who each own 1 share and 2 voting rights, and 100% of the share capital of Beech Tree S.A. (major shareholder of the company Mayroy SA, see below), Marc de Garidel, who owns 141,549 shares and 262,829 voting rights, Carol Xueref and Philippe Bonhomme, who each own 500 shares and 1,000 voting rights, Michèle Ollier, who owns 500 shares and 500 voting rights 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 2018, 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 6,000 voting rights as at 31 December 2018. Subsequently the concert participation amounts to 56.58% of the share capital and 72.32% of the voting rights.
(*) The free shares granted mainly include the ones provided in accordance with article L.225-102 of the French Code of Commerce, *i.e.* 54,821 shares, representing 0.07% of the share capital on 31 December 2018.

In accordance with the provisions of the law and its bylaws providing the disclosing of any detention of more than 1% of the share capital or voting rights, the Company has been informed of the following thresholds during the last three financial years:

- the company AXA Investment Managers, acting on its own account and the account of its affiliates, declared to the Company that it crossed:
  - downwards, on 25 October 2018, the 1% of the share capital threshold;
  - upwards, on 8 November 2018, the 1% of the share capital threshold;
  - downwards, on 28 November 2018, the 1% of the share capital threshold;
- the company 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, 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.

As at the registration document's setting-up date, and to the Company's knowledge, there were no significant alterations of the share capital distribution, with regard to the one presented above on 31 December 2018.

Mayroy is a *société anonyme* organized and existing under the laws of the Luxembourg. As at the date of registration of the present 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 93.29%, including 58.15% directly, and 35.15% 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, 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 the recommendation n°2016-08 of the *Autorité des marchés financiers* of 26 October 2016, and the European Regulation (EU) No 596/2014 on market abuse. Accordingly, purchases and sales of Company securities or financial instruments are prohibited during the periods running from the date on which persons having managerial responsibilities, as well as any other person who has access to privileged information on a regular or occasional basis, have knowledge of information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more issuers ot to one or more financial instruments, and which, if it were made public, would be likelty to have a significant effect on the prices of those financial intruments or on the price of related derivative financial instruments. Furthermore, they are also prohibited during a period of:

- 30 calendar days prior to the publication of press release on the annual and half-year financial statements and the day of publication included, and
- 30 calendar days prior to the publication of quarterly information and the day of publication included.

At the beginning of every year, the Company draws up and releases, a timetable that defines the periods during which trading in Company securities is prohibited and stipulates that the indicated periods do not anticipate the existence of other blackout periods that result from knowledge of precise non public information that directly or indirectly concerns Ipsen, which, if it were disclosed, would be likely to have a significant affect on the price of the securities concerned.

In accordance with the recommendations of the AFEP-MEDEF Code (section 24.3.3), hedging of any kind on securities of the Company, with regard to options, to shares resulting from the exercise of options or to performance shares, is prohibited.

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 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 2018

Pursuant to Article 223-26 of the General Regulations of the *Autorité des marchés financiers*, the table below sets out transactions on Company's securities carried out in 2018, as such transactions were notified to the Company and the *Autorité des marchés financiers*:

	Purchases			Sales			Exercice of stock-options		
	Date	Number	Price per unite	Date	Number	Price per unite	Date	Number	Price per unite
Carol Stuckley Director	03/01/2018	1[1]	–	–	–	–	–	–	–
David Meek Chief Executive Officer and Director	03/01/2018	1[1]	–	–	–	–	–	–	–
Margaret Liu Director	03/01/2018	1[1]	–	–	–	–	–	–	–
Carol Stuckley Director	11/01/2018	352	€104.20	–	–	–	–	–	–
Carol Stuckley Director	–	–	–	11/01/2018	1[2]	–	–	–	–
Margaret Liu Director	15/01/2018	411	€105.55	–	–	–	–	–	–
Margaret Liu Director	–	–	–	15/01/2018	1[2]	–	–	–	–
Marc de Garidel Chairman of the Board of Directors	–	–	–	02/05/2018	9,000	€134.45	–	–	–
Marc de Garidel Chairman of the Board of Directors	–	–	–	03/05/2018	9,712	€133.78	–	–	–
Marc de Garidel Chairman of the Board of Directors	01/06/2018	7,681[3]	–	–	–	–	–	–	–
David Meek Chief Executive Officer and Director	30/07/2018	15,811[4]	–	–	–	–	–	–	–
Piet Wigerinck Director	24/08/2018	680	€147.05	–	–	–	–	–	–
David Meek Chief Executive Officer and Director	–	–	–	27/08/2018	7,906[5]	€147.37	–	–	–
Margaret Liu Director	10/09/2018	278	€148.70	–	–	–	–	–	–
Paul Sekhri Director	19/11/2018	100	$139.94	–	–	–	–	–	–

(1) This share was loaned by the Company.
(2) This share was returned to the Company.
(3) Acquisition of performance shares granted under the 30 May 2016 plan, when Marc de Garidel was Chairman of the Board of Directors and Chief Executive Officer of Ipsen SA.
(4) Acquisition of performance shares granted under the 29 July 2016 plan.
(5) Sell of performance shares that became available under the 29 July 2016 plan.

5.2.3.3 Evolution of share ownership and voting rights over the past three financial years

	2018					
	Number of shares	%	Number of gross voting rights	%	Number of net voting rights	%
Mayroy SA	47,269,813	56.40	94,539,624	71.70	94,539,624	72.11
Free Float	34,627,518	41.32	34,627,518	26.26	34,627,518	26.41
Treasury shares (*)	743,622	0.89	743,622	0.56	0	0
Other registered shareholders	779,305	0.93	1,286,034	0.98	1,286,034	0.98
Employee FCP(**)	235,725	0.28	384,545	0.29	384,545	0.29
Board of Directors (excluding Mayroy SA)	152,778	0.18	275,060	0.21	275,060	0.21
Total	**83,808,761**	**100**	**131,856,403**	**100**	**131,112,781**	**100**

	2017						2016					
	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	56.45	94,539,623	71.85	94,539,623	72.49	47,269,813	56.57	94,539,617	71.96	94,539,617	72.58
Free Float	34,223,963	40.87	34,223,963	26.01	34,223,963	26.24	34,019,228	40.71	34,019,228	25.89	34,019,228	26.12
Treasury shares (*)	1,159,476	1.39	1,159,476	0.88	0	0	1,128,340	1.35	1,128,340	0.86	0	0
Other registered shareholders	740,922	0.89	1,229,941	0.93	1,229,941	0.94	750,581	0.90	1,196,456	0.91	1,196,456	0.92
Employee FCP(**)	178,366	0.21	265,941	0.20	265,941	0.20	201,000	0.24	288,575	0.22	288,575	0.22
Board of Directors (excluding Mayroy SA)	159,517	0.19	166,051	0.13	166,051	0.13	188,902	0.23	214,659	0.16	214,659	0.16
Total	**83,732,057**	**100**	**131,584,995**	**100**	**130,425,519**	**100**	**83,557,864**	**100**	**131,386,875**	**100**	**130,258,535**	**100**

(*) Including the liquidity agreement.
(**)The FCP Ipsen Shares is the sole 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

A presumed concert exists between certain Directors of the Company (Anne Beaufour, Henri Beaufour, Antoine Flochel, Marc de Garidel, Philippe Bonhomme, Carol Xueref and Michèle Ollier) and the company Mayroy SA.

5.2.3.5 Nature of control

The Company is controlled as described above. Measures taken to avoid any abusive control are, in particular, the following:

- separation of the functions of Chairman of the Board and Chief Executive Officer;
- presence of four independent Directors of thirteen members in the Company's Board of Directors as described in chapters 5.1.1. of this registration document;
- presence of three independent Directors of six members in the Innovation and Development Committee – Specialty Care;
- presence of one independent Director of three members in the Nomination Committee;
- presence of two independent Directors of three members in the Audit Committee, including the Chairperson of the Committee;
- presence of two independent Directors of four members in the Compensation Committee;
- presence of one independent Director of three members in the Ethics and Governance Committee, including the Chairperson of the Committee;
- presence of a director representing the employees to the Board of Directors, designated on 27 November 2018, in accordance with the modification of the articles of association approved by the Shareholders' Meeting on 30 May 2018.

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 public offer

In accordance with provisions of Article L.225-37-5 of the French Commercial Code, the following information may have an impact in the event of a public offer:

- Ownership of the Company's share capital: see section 5.2.3 of the present document.
- Restrictions contained in the Articles of association on voting rights: none; except, in case of none-statement of crossing a statutory threshold, temporary suspension of voting rights which may be requested during a shareholders' meeting by one or more shareholders holding at least 1% of the share capital or voting rights (article 10.3 of the Articles of Association, see section 5.2.1.5).
- Restrictions contained in the Articles of association on transfer of shares or agreements whose the Company has knowledge in accordance with the provisions of Article L.233-11 of the French Commercial Code: not applicable.
- Direct and indirect interests in the share capital known by the Company in accordance with the provisions of Articles L.233-7 and L.233-12 of the French Commercial Code: see section 5.2.3 of this document.
- Shareholders holding any share conferring specific control rights and description: there are no shares conferring specific control rights. However, a double voting right exists for any fully paid-up registered under the name of a same shareholder for at least 2 years as described in section 5.2.1.3 (Article 26 of the Articles of association).
- Control mechanisms provided for in an employee shareholding system if controlling rights are not exercised by said system: voting rights attached to the Ipsen shares held by employees through the FCP Ipsen Shares, the only mutual fund for employees, are exercised by a person empowered by the supervisory board of the mutual fund in order to be represented in shareholders' meeting (see section 5.2.3 of the present registration document).
- Agreements between shareholders of which the Company is aware that may cause restrictions to transfers of shares and exercises of voting rights: see section 5.2.3.4 of the present 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 for compensations of members of the Board of Directors or employees in case of resignation or dismissal without cause or if their employment ends as a result of a public offer: see section 5.1.3 of the present document.

5.2.3.7 Dividends

Dividends paid in the past five financial years

	Dividends paid in				
	2018	2017	2016	2015	2014
Total number of shares giving rights to dividend	83,782,308	83,580,494	83,246,502	82,882,958	82,611,659
Distribution (in euros, excluding tax credit)	83,782,308(*)	71,043,419.90(*)	70,759,526.70(*)	70,450,514.30(*)	66,089,327.20(*)
Gross dividend amount per share (in euros, excluding tax credit)	1.00	0.85	0.85	0.85	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 after analysis, mainly, of the Company's financial results and position. The Company's objective for future years is to develop a payout policy consistent with its growth strategy.

Statute of limitations

Dividends which are not claimed within five years of their payment date shall lapse and become the property of the State.

5.2.3.8 Related-party transactions

The Company and the Schwabe group hold joint participations in certain companies, as joint operations, see section 3.2, note 25.

Subject to, (i) the agreements entered into with the Schwabe group described in section 1.2.2.2 of the present document, (ii) information regarding related-party transactions described in section 3.2, note 26, (iii) the agreements and commitments described in the Special Report of the Statutory Auditors on regulated agreements and commitments presented in section 5.1.4 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,
26 March 2019

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
6 place de la Pyramide
92908 Paris-La Défense Cedex – France

First appointed at the Annual Shareholders' Meeting held on 17 December 1998. Term of office renewed by the Annual Shareholders' Meeting held on 31 May 2016.

KPMG Audit

Department of KPMG S.A.
Represented by Catherine Porta and Cédric Adens
2, avenue Gambetta
CS 60055
92066 Paris-La Défense Cedex – France

First appointed at the Annual Shareholders' Meeting held on 18 June 2005. Term of office renewed by the Annual Shareholders' Meeting held on 7 June 2017.

6.1.3.2 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.

INFORMATION	Sections	Pages
1. PERSONS RESPONSIBLE		
1.1 Persons responsible for the registration document	6.1.1 – 6.1.2	242
1.2 Declaration of the person responsible for the registration document	6.1.1	242
2. STATUTORY AUDITORS		
2.1 Identities and addresses	6.1.3	242
2.2 Changes	NA	
3. SELECTED FINANCIAL INFORMATION		
3.1 Historical financial information	Introduction	3
3.2 Financial information for interim periods	NA	

INFORMATION	Sections	Pages
4. RISK FACTORS	2.1	30
5. INFORMATION ABOUT THE ISSUER		
5.1 History and development		
5.1.1 Legal and commercial name	1.1.1.1	6
5.1.2 Place of registration	1.1.1.1	6
5.1.3 Date of incorporation and duration	1.1.1.1	6
5.1.4 Headquarters – legal form – applicable law	1.1.1.1	6
5.1.5 Important events in the development of the company	3.1.1	42
5.2 Investments		
5.2.1 Investments achieved	3.1.3.1	49
5.2.2 In progress	3.1.3.1	49
5.2.3 Scheduled	NA	
6. BUSINESS OVERVIEW		
6.1 Principal activities		
6.1.1 Operations and principal activities	1.1.1.2 – 1.2.1	6 – 9
6.1.2 New products	1.2.1	9
6.2 Principal markets	1.2.1 – 1.2.5	9 – 26
6.3 Exceptions factors	3.1.1	42
6.4 Extent to which the issuer is dependent	2.1	30
6.5 Competitive position	1.2.5.2	26
7. ORGANIZATIONAL STRUCTURE		
7.1 Brief description of the Group	1.2.7.1	27
7.2 List of significant subsidiaries	3.2.5 note 29	111
8. PROPERTY, PLANTS AND EQUIPMENT		
8.1 Information regarding any existing or planned material tangible fixed assets	3.2.5 note 3.13	72
8.2 Any environmental issues that may affect the utilisation of the tangible fixed assets	4.3	148
9. OPERATING AND FINANCIAL REVIEW		
9.1 Financial condition	Introduction – 3	3 – 41
9.2 Operating results		
9.2.1 Significant factors	3	41
9.2.2 Material changes in net sales or revenues	3	41
9.2.3 Any factors that have materially affected, or could affect, directly or indirectly, the issuer's operations	1.2.6 – 3	26 – 41
10. CAPITAL RESOURCES		
10.1 Capital resources (short and long term)	3.1.3	49
10.2 Cash flows	3.1.3	49
10.3 Borrowing requirements and funding structure	3.1.3	49
10.4 Restrictions on the use of capital resources	3.1.3	49
10.5 Anticipated sources of funds needed	NA	
11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES	1.1.1 – 1.2.3	6 – 19
12. TREND INFORMATIONS		
12.1 Recent trends production	1.2.6 – 3.1.6	26 – 58
12.2 Events that are reasonably likely to have a material effect on prospects	1.2.6	26
13. PROFIT FORECAST OR ESTIMATES		
13.1 Principal assumptions	NA	
13.2 Report prepared by auditors	NA	
13.3 Forecast basis	NA	
13.4 Disclose of forecast approval	NA	

INFORMATION	Sections	Pages
14. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND SENIOR MANAGEMENT		
14.1 Name, business address, and functions of the corporate officers in the issuing company	5.1	180
14.2 Administrative, management and supervisory bodies and senior management conflicts of interest	5.1.2	210
15. COMPENSATION AND BENEFITS		
15.1 Remuneration paid	5.1.3	211
15.2 Amounts set aside to provide pension, retirement or similar benefits	5.1.3	211
16. BOARD PRACTICES		
16.1 Date of expiration of the current term of office	5.1.1 – 5.1.2	181 – 204
16.2 Service contracts	5.1	180
16.3 Committees	5.1.1	198
16.4 Compliance with principles of corporate governance	5.1	180
17. EMPLOYEES		
17.1 Breakdown of employees	4.2.1	143
17.2 Shareholding and stock options	5.2.2.3	231
17.3 Description of any arrangements for involving the employees in the capital	4.2.2	145
18. MAJOR SHAREHOLDERS		
18.1 Interests in capital	5.2.3.1	236
18.2 Different voting rights	5.2.1 – 5.2.3.1	228 – 236
18.3 Control of the issuer	5.2.3.1 – 5.2.3.4	236 – 238
18.4 Description of any arrangements	5.2.3.4 – 5.2.3.5	238
19. RELATED PARTY TRANSACTIONS	5.2.3.8	239
20. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES		
20.1 Historical financial information	Introduction – 3	3 – 41
20.2 Pro forma financial information	NA	
20.3 Financial statements	3.2 – 3.3	59 – 117
20.4 Auditing of historical annual financial information		
20.4.1 Statement that the historical financial information has been audited	3.2.6 – 3.3.3	114-131
20.4.2 Indication of other information audited	5.1.4	225
20.4.3 Indication of other information unaudited	NA	
20.5 Age of latest financial information	3.2.5 note 3	68
20.6 Interim and other financial information	NA	
20.7 Dividend policy	5.2.3.7	239
20.8 Legal and arbitration proceedings	2.1.1	30
20.9 Significant change in the issuer's financial or trading position	3.2.5 note 1 and note 2	67
21. ADDITIONAL INFORMATION		
21.1 Share capital		
21.1.1 Amount of issued and fully paid capital	5.2.2.1 – 5.2.2.4 – 5.2.2.5	230 – 233 – 234
21.1.2 Shares not representing the capital	NA	
21.1.3 Treasury shares or shares held by subsidiaries	5.2.2.5	234
21.1.4 Securities	5.2.2.3	231
21.1.5 Terms of any acquisition	NA	
21.1.6 Options or understanding	NA	
21.1.7 History of share capital	5.2.2.2	230

INFORMATION	Sections	Pages
21.2 Memorandum and articles of association		
21.2.1 Corporate purpose	5.2.1.1	228
21.2.2 Regulations of administrative, management and supervisory bodies	5.1.1.1	195
21.2.3 Rights and preferences attached to shares	5.2.1.3	228
21.2.4 Modification of the rights of shareholders	5.2.1.3	229
21.2.5 Shareholders' meetings	5.2.1.4	229
21.2.6 Change of control	5.2.3.5	238
21.2.7 Shareholding thresholds	5.2.1.5	229
21.2.8 Conditions governing modifications to articles of Association	5.2.1	229
22. MATERIAL CONTRACTS	1.2.2	16
23. THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST		
23.1 Expert Statement	6.2	243
23.2 Other statements	NA	
24. DOCUMENTS ON DISPLAY	6.3	243
25. INFORMATION ON HOLDINGS	1.2.7 – 3.2.5 note 29	27 – 111

6.4.2 Annual Financial Report cross-reference table

INFORMATION	Chapters	Pages
Attestation by the person responsible	6.1.1	242
Annual financial statements	3.3	117
Consolidated financial statements	3.2	59
Statutory Auditors' Report on the annual financial statements	3.3.3	131
Statutory Auditors' Report on the consolidated financial statements	3.2.6	114
Statutory Auditors' fees	3.2.5 note 30	113
Management Report:	6.4.3	247
Information contained in Article L.225-100-1 of the French Commercial Code:		
• Analysis of changes in the business, results and financial position of the Company and the Group	3.1.1, 3.1.2, 3.1.3, 3.2.5 notes 1 and 2	42 – 43 – 49 – 67
• Financial and non-financial key performance indicators of the Company and the Group	Introduction	3 – 4
• Principal risks and uncertainties facing the Company and the Group	2.1, 3.1, 3.2.5 notes 1 and 2	30 – 42 – 67
• Internal control and risk management procedures relating to the preparation and processing of accounting and financial information of the Company and the Group	2.2	34
• Objective and hedging policy for transactions of the Company and the Group for which hedge accounting is used • Exposure to price, credit, liquidity and cash flow risks of the Company and the Group • Use of financial instruments by the Company and the Group	2.1 – 2.2 – 3.2.5 notes 23 and 24	30 – 34 – 104 – 106
• Financial risks linked to the effects of climate change and low carbon strategy of the Company and the Group	2.1.2.2	32
Information regarding the buying back of shares (Article L.225-211 of the French Commercial Code)	5.2.2.6	235

6.4.3 Cross-reference table of the Management Report and of the Board of Directors' Report on Corporate Governance

Management Report

INFORMATION	Chapters	Pages
Information regarding the activities of the Company and the Group		
Position of the Company and the Group during the previous financial year, foreseeable changes and significant events after the reporting period (Articles L.232-1 and L.233-26 of the French Commercial Code)	1.2, 3.1.1, 3.1.6	9 – 42 – 58
Activities and results of the Company and the Group by business segment (Article L.233-6 of the French Commercial Code)	3.1.2.4	48
Objective and exhaustive analysis of developments in the business, results and financial position of the Company and the Group (Article L.225-100-1 of the French Commercial Code)	3.1.1, 3.1.2, 3.1.3, 3.2.5 notes 1 and 2	42 – 43 – 49 – 67
Financial and non-financial key performance indicators of the Company and the Group (Article L.225-100-1 of the French Commercial Code)	Introduction	3 – 4
Principal risks and uncertainties facing the Company and the Group (Article L.225-100-1 of the French Commercial Code)	2.1, 3.1, 3.2.5 notes 1 and 2	30 – 42 – 67
Internal control and risk management procedures relating to the preparation and processing of accounting and financial information of the Company and the Group (Article L.225-100-1 of the French Commercial Code)	2.2	34
Objective and hedging policy for transactions of the Company and the Group for which hedge accounting is used Exposure to price, credit, liquidity and cash flow risks of the Company and the Group Use of financial instruments by the Company and the Group (Article L.225-100-1 of the French Commercial Code)	2.1 – 2.2 – 3.2.5 notes 23 and 24	30 – 34 – 104 – 106
Financial risks linked to the effects of climate change and low carbon strategy of the Company and the Group (Article L.225-100-1 of the French Commercial Code)	2.1.2.2	32
Research and Development activities of the Company and the Group (Articles L.232-1 and L.233-26 of the French Commercial Code)	1.2.3	19
Existing branches within the Company (Article L.232-1 of the French Commercial Code)	NA	
Legal, financial and tax information of the Company		
Breakdown and changes in share ownership (Article L.233-13 of the French Commercial Code)	5.2.3.3	238
Names of controlled companies and portion of the Company's share capital they hold (Article L.233-13 of the French Commercial Code)	1.2.7	27
Significant holdings acquired during the financial year in companies whose headquarters are located in France (Article L.233-6 of the French Commercial Code)	NA	
Cross-shareholding (Article R.233-19 of the French Commercial Code)	NA	
Statement of employee profit-sharing (Article L.225-102 of the French Commercial Code)	5.2.3.1	236
Acquisition and disposal by the Company of its own shares (buyback of shares) (Article L.225-211 of the French Commercial Code)	5.2.2.5 and 5.2.2.6	234-235
Adjustments to securities giving access to the share capital in the event of financial transactions (Article R.228-91 of the French Commercial Code)	NA	
Adjustments to securities giving access to the share capital and the stock options in the event of the buyback of shares (Articles R.228-90 and R.225-138 of the French Commercial Code)	NA	
Dividends distributed for the three previous financial years (243 bis of the French General Tax Code)	5.2.3.7	239
Non-tax deductible expenses and charges (223 quater of the French General Tax Code)	3.3.4.14	136
Court orders or financial penalties imposed for anti-competitive practices (Article L.464-2 I paragraph 5 of the French Commercial Code)	NA	

INFORMATION	Chapters	Pages
Payment deadlines and breakdown of the accounts payable and accounts receivable balances (Article L.441-6-1; D.441-4; A.441-2 of the French Commercial Code)	3.3.4.13	135
Amount of the inter-company loans (Article L.511-6 3 bis of the French Monetary and Financial Code)	3.3.2 note 3	121
Information on the operation of a SEVESO site (Article L.515-8 of the French Environmental Code) (Article L.225-102-2 of the French Commercial Code)	NA	
Information regarding the corporate officers		
Summary of securities transactions performed by persons with managerial responsibilities and closely affiliated persons (Article L.621-18-2 of the French Monetary and Financial Code; 223-26 of the AMF Regulation)	5.2.3.2	237
CSR Information		
Awareness of the social and environmental consequences of the activities, including the impact on climate change and the impact resulting from the use of the goods and services produced, as well as the societal commitments promoting sustainable development, the circular economy, the fight against food waste, the fight against discrimination and the promotion of diversity (Articles L.225-102-1; R.225-105; R.225-105-1 of the French Commercial Code)	4.1 – 4.3	140 – 148
Monitoring plan	NA	

Appendices to the Management Report

INFORMATION	Chapters	Pages
Report on payments to governments (Article L.225-102-3 of the French Commercial Code)	NA	
Table on the Company's results during each of the last five financial years (Article R.225-102 of the French Commercial Code)	3.3.4.17	137

Corporate Governance Report

INFORMATION	Chapters	Pages
Compensation information		
Information on the compensation policy of Corporate Officers (Articles L.225-37-2 and L.225-82-2 of the French Commercial Code)	5.1.3.3	215
Total compensation and benefits in kind paid during the fiscal year to each corporate officer of the Company, the companies it controls or the company that controls it (Article L.225-37-3 of the French Commercial Code)	5.1.3	211
Commitments of any type undertaken by the Company for the benefit of its corporate officers (Article L.225-37-3 and D.225-104-1 of the French Commercial Code)	5.1.3.2 – 5.1.4	212 – 225
Option selected by the Board regarding the procedures for the retention of free shares and/or shares resulting from the exercise of stock options by the corporate officers (Articles L.225-197-1 and L.225-185 of the French Commercial Code)	5.1.3.2 – 5.1.3.3.1 – 5.1.3.3.2	212 – 218 – 223
Information regarding the composition, operation and powers of the Board		
List of all offices and positions held by each of the corporate officers in or outside the company during the financial year (Article L.225-37-4 1° of the French Commercial Code)	5.1.1	183
Agreements entered into directly or *via* an intermediary (i) between a corporate officer or shareholder holding a percentage of voting rights in excess of 10% and (ii) a company of which more than 50% of the share capital is held, directly or indirectly (with the exception of agreements involving ordinary transactions that are entered into under normal conditions) (Article L.225-37-4 2° of the French Commercial Code)	5.1.4	225
Summary of the delegations regarding capital increases (Article L.225-37-4 3° of the French Commercial Code)	5.2.2.4	233
Form of Executive Management (Article L.225-37-4 4° of the French Commercial Code)	5.1.2	204
Composition, conditions for the preparation and organization of the work of the Board (Article L.225-37-4 5° of the French Commercial Code)	5.1.1	181
Application of the principle of balanced gender representation on the Board (Article L.225-37-4 6° of the French Commercial Code)	5.1.1	195

INFORMATION	Chapters	Pages
Potential limitations that may be imposed on the powers of the Chief Executive Officer by the Board of Directors (Article L.225-37-4 of the French Commercial Code)	5.1.2	205
Reference to a corporate governance code and application of the "comply or explain" principle as well as the location where this code may be consulted (Article L.225-37-4 8° of the French Commercial Code)	5.1	180
Procedures for the participation of shareholders in the Annual General Meeting (Article L.225-377-4 9° of the French Commercial Code)	5.1.2	210
Information regarding items likely to have a material impact in the event of a public offer (Article L.225-37-5 of the French Commercial Code)	5.1.2	211

6.4.4 Cross-reference table for the filing of the financial statements

INFORMATION	Chapters	Pages
Annual financial statements	3.3	117
Consolidated financial statements	3.2	59
Management Report	3.1	42
Board of Directors' Report on Corporate Governance and conclusions of the statutory auditors	5 – 3.3.3	179 – 117
Activities of the Company and the Group/Other	1.2	9
Results of the last five financial years	3.3.4.17	137

Designed & published by DESIGN MEDIA +33 (0)1 40 55 16 66

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.

* Innover pour mieux soigner.

www.ipsen.com