REGISTRATION DOCUMENT
2013

IPSEN
Innovation for patient care

SYMMARY

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

IPSEN
Innovation for patient care

Société anonyme with a share capital of €82,611,659
Registered office: 65 quai Georges Gorse – 92650 Boulogne-Billancourt Cedex
419 838 529 R.C.S. Nanterre

2013 REGISTRATION DOCUMENT

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

Pursuant of 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 2014 under number D.14-0209. This document may not be used in support of any financial operation unless it is accompagnied 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 26 March 2013 under number D.13-0219 for the 2012 financial year and on 26 March 2014 under number D.14-0209 for the 2013 financial year, for the following financial information, prepared under IFRS (International Financial Reporting Standard), the management discussion and analysis, historical and consolidated financial statement (including the auditors' reports).

GENERAL INTRODUCTORY COMMENTS

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 1.5.2. 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 of the risk factors described in Chapter 1.1.2 – "Risk factors" of this registration document arise. In addition, attainment of the targets and forecasts implies the success of the strategy presented in section 1.1.1.3 – "Strategy" of this registration document.

The Company makes no undertaking and gives no guarantee as to 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 1.1.2.1, 1.1.2.2, 1.1.2.3, 1.1.2.4, 1.1.2.5 and 1.1.2.6 of this registration document before making their investment decision. One or more of these risks may have an adverse effect on the Group's activities, condition, results of operations or on its targets and forecasts. Furthermore, other risks not yet identified or considered as significant by the Group could have the same adverse effects, and investors may lose all or part of their investment.

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 and 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 1.1.2 – "Risk factors" of this registration document.

INDICATIVE FINANCIAL REPORTING TIMETABLE (1)

30 April 2014: First-quarter 2014 sales

4 June 2014: Annual General Meeting

29 August 2014: First Half 2014 sales and results

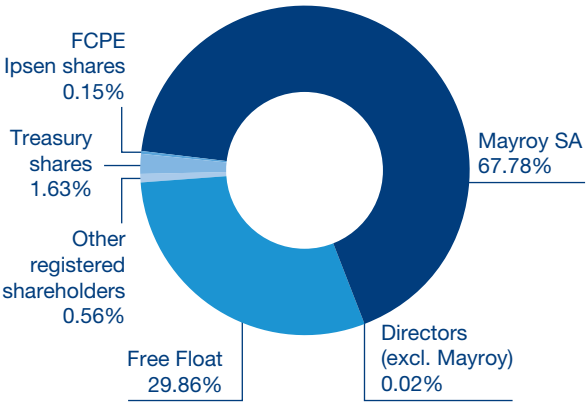
29 October 2014: Nine-month 2014 sales

(1) This financial calendar is for indicative purposes only and the Group could change its publication dates should it deem it necessary.

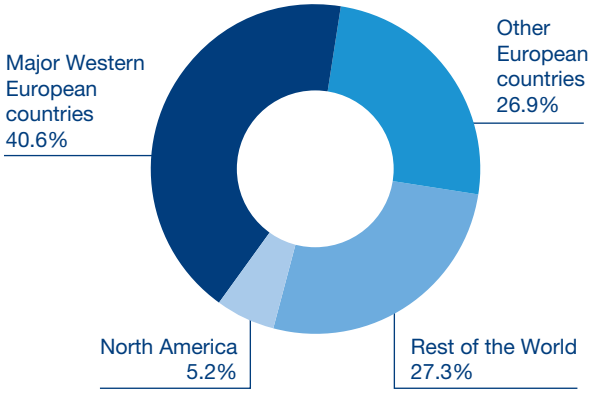
INTRODUCTION: GENERAL PRESENTATION

Ipsen is a global specialty-driven pharmaceutical company with total sales exceeding €1.2 billion in 2013. Ipsen's ambition is to become a leader in the treatment of targeted debilitating diseases. Its development strategy is supported by three franchises: neurology, endocrinology and uro-oncology. Moreover, the Group has an active policy of partnerships. Ipsen's R&D is focused on its innovative and differentiated technological platforms, peptides and toxins. In 2013, R&D expenditure totaled close to €259.1 million, representing more than 21.2% of Group sales. The Group has more than 4,600 employees worldwide. Ipsen's shares are traded on segment A of Euronext Paris (stock code: IPN, ISIN code: FR0010259150) and eligible to the *"Service de Règlement Différé"* ("SRD"). The Group is part of the SBF 120 index. Ipsen has implemented a Sponsored Level I American Depositary Receipt (ADR) program, which trades on the over-the-counter market in the United States under the symbol IPSEY. For more information on Ipsen, visit www.ipsen.com.

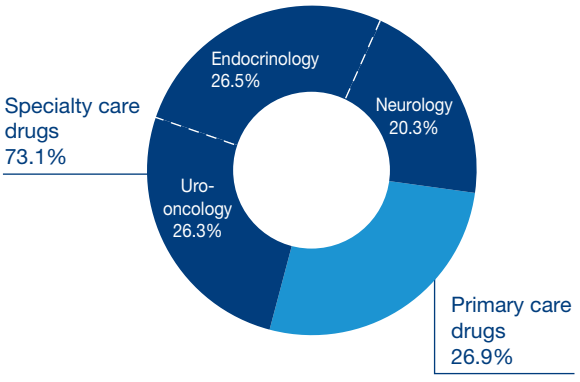
Ownership of the Company's share capital at 31 December 2013



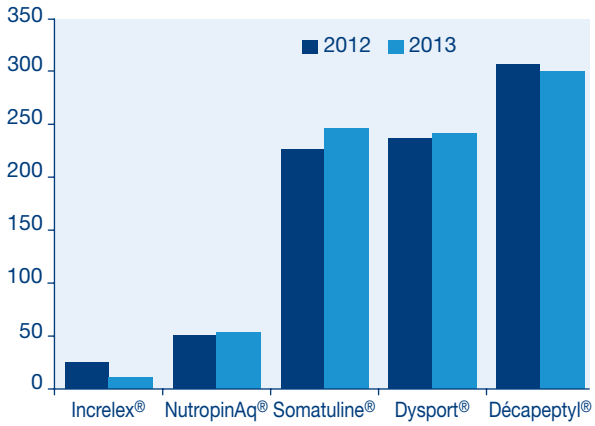
2013 Sales by regions



2013 drug sales by disease area



Major specialty care product sales (in m€)



1 PRESENTATION OF IPSEN AND ITS ACTIVITY

1.1 GROUP'S OVERVIEW AND ACTIVITY

1.1.1 History, Development and Strategy of the Group

1.1.1.1 Overview of the Legal Entity

Registered name

Registered name: Ipsen.

Registration details

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

Date of incorporation and term

The company's business sector N.A.F. code is 7010Z – Administration of companies.

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

Registered office, legal form and applicable law

Registered office: 65 Quai Georges Gorse – 92650 Boulogne-Billancourt cedex

Telephone: +33 (0) 1 58 33 50 00

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.

1.1.1.2 Group Overview

Ipsen is a global biotechnology specialty care group created in 1929 with a total worldwide staff of 4,602 people and over 20 products on the market which sales are in excess of €1.2 billion. Its portfolio comprises fast growing specialty care drugs in development or commercialized worldwide in uro-oncology, endocrinology and neurology. Moreover, the Group also markets drugs from other therapeutical areas in which it has a historical know-how (in particular gastroenterology and cognitive disorders), notably primary care drugs in France and in emerging countries for pharmaceuticals such as Eastern Europe and China, which contribute to research financing.

Ipsen's strategy is also supported by an active policy of partnerships. Ipsen's specific Research & Development (R&D) centers and peptide & toxins engineering platforms provide the Group with a competitive edge. 878 people are dedicated to the discovery and development of innovative drugs for patient care. In 2013, R&D spends reached €259.1 million, representing about 21.2% of total Group sales.

The Group's products

Specialty care

In 2013, specialty care drugs accounted for 71.1% of the Group's consolidated sales.

The Group offers the following drugs in its targeted areas:

Uro-Oncology (25.6% of consolidated sales in 2013)

- *Decapeptyl®,* a peptide formulation for injection mainly used in the treatment of advanced prostate cancer.
- *Hexvix®,* in-licensed on 27 September 2011, approved and marketed to improve the detection of bladder cancer.

Endocrinology (25.8% of consolidated sales in 2013)

- *Somatuline®* and *Somatuline® Autogel®* are sustained-release formulations for injection of a somatostatin analogue peptide, used primarily in the treatment of acromegaly and neuroendocrine tumours.
- *NutropinAq®,* a liquid formulation for daily use of recombinant human growth hormone used primarily in the treatment of growth failure in children and growth hormone deficiency in adults.
- *Increlex®,* a formulation for twice daily injection of human recombinant IGF-1 used for the long-term treatment of growth failure in children and adolescents with severe primary insulin-like growth factor 1 deficiency (primary IGFD).

During the first half of 2013, Ipsen announced that the supplier of Increlex®'s active ingredient, Lonza, was facing manufacturing issues with Increlex® at its Hopkinton site (MA, United States). Increlex® supply interruption was effective since mid-June 2013 in the US and since Q3 2013 in Europe and the rest of the world. On 18 December 2013, Ipsen announced that Lonza had successfully re-manufactured the active ingredient of Increlex®.

Consultations with EU Member States' national competent authorities have allowed for the resupply of Increlex® in the European Union at the beginning of 2014. However, resupply in the US is still pending. Ipsen is actively working with its third party manufacturer and the FDA to bring Increlex® back to the US market as soon as possible.

Neurology (19.8% of consolidated sales in 2013)

- *Dysport®,* a botulinum neurotoxin type A complex, used notably to treat spasticity of upper limbs following a stroke, as well as the spasticity of other muscles.

Primary care products

In 2013, primary care drugs generated 26.1% of the Group's consolidated sales (of which 30.1% were generated in France). The main marketed drugs are as follows:

Gastroenterology (18.0% of consolidated sales in 2013)

- *Smecta®,* a natural clay-based drug used in the treatment of both chronic and acute diarrhoea.
- *Forlax®,* a drug based on a linear polyethylene glycol polymer used in the treatment of constipation.

Cognitive disorders (5.5% of consolidated sales in 2013)

- *Tanakan®,* oral formulation of EGb 761®, extracted from the leaves of the *Ginkgo biloba* tree, used principally in the treatment of age-related cognitive disorders.

On 27 January 2012, the French government announced the delisting of Tanakan®, effective as of 1 March 2012.

Cardiovascular (1.7% of consolidated sales in 2013)

- *Nisis®* and *Nisisco®,* oral formulations containing valsartan used in the treatment of hypertension.

In November 2011, Nisis/Nisisco® was genericised. Moreover, sales of Nisis®/Nisisco® and Forlax® in France were negatively impacted by a step-up in July 2012 in the regulation known as *"tiers-payant"*, whereby the patient now pays upfront for a branded drug when there are genericics available.

Products co-promoted by the Group in France and recorded in the others revenues

- *Adenuric®,* treatment of gout. Adenuric® 80 mg and 120 mg (tablets) are indicated in the treatment of chronic hyperuricaemia for conditions in which urate deposition exists or has occured (including a history of presence of tophus and/or gouty arthritis).

A strong commitment to Research and Development

The Group's Research and Development ambition is to respond to unmet medical needs by providing patients with innovative care solutions, which can transform the prognosis of the disease.

Research and Development has two core missions:

- Discovery, development and commercialization of new drugs on the back of its two differentiated technological platforms: peptides and toxins;
- Lifecycle management of the products marketed by the Group:
  - Development of new formulations and delivery systems,
  - Extensions of indications,
  - Registration in new geographical areas.

The Group's vision and mission

"Vision, Mission and Action principles" constitute the cultural reference of our Group. In a context marked by growth ambitions, it helps to refocus the Group's projects, formalize organizational changes made over a certain period, better serve customers, strengthen the sense of belonging to the Group and enhance its ethical dimension.

- Our vision

  Improving the lives of patients is what drives us. The search for innovative solutions to disabling conditions is at the heart of everything we do.

  Increased life expectancy is making the pursuit of our inspiring vocation more vital than ever: finding effective therapeutic solutions to cure disease, relieve suffering and bring value to the community.

- Our ambition

  We aim to be among the top 10 pharmaceutical companies in the world, in terms of growth and profitability. We want to be respected above all for our strategic model, our success, and the commitment of our teams towards patients.

- Four action principles:

  Ipsen has established 4 action principles: accountability, team spirit, result-orientation and agility.

  – Accountability

    For Ipsen: This means empowering each employee with a clearly defined set of responsibilities and scope of action. It means encouraging people to take risks by recognizing the right to make mistakes. It means applying the highest ethical standards throughout the organization and complying with applicable laws and regulations.

    For each employee: This means increasing our efforts and spearheading initiatives to reach our objectives and come up with solutions that constantly strengthen our company's performance. It means fulfilling our commitments in a responsible and ethical manner.

  – Team spirit

    For Ipsen: This means facilitating and fostering cross-functional collaboration, encouraging people to share best practices and rewarding those who are genuine team players.

    For each employee: This means helping the team as a whole to work in the interest of the company's success rather than focusing on individual success and one's own interests.

  – Result orientation

    For Ipsen: This means recognizing that operational performance generates added value. It means using performance indicators to track progress and benchmarks to see how we measure up to our competitors.

    For each employee: This means fostering a culture in which results are fundamental. It requires pragmatism, being demanding with ourselves in every way as we strive to achieve high performance.

  – Agility

    For Ipsen: This means promoting awareness and openness to the outside world. It means bolstering the company's ability to respond by simplifying the way we operate and streamlining decision-making processes.

    For each employee: This means adapting to change, adjusting to the circumstances, keeping the thought process simple so as to make quick decisions and respond in a timely manner.

The Group's competitive edge

The Group believes that it has the following competitive advantages:

- *proven financial strength* thanks to its large recurring cash flows and robust balance sheet;

- *international presence* in over 100 countries, with core operations in Europe's five largest markets (France, Germany, Italy, Spain and the United Kingdom, hereinafter referred to as the "Major Western European Countries"). The Group also benefits from an important historical presence in emerging markets, such as China and Russia. Moreover, it entered the US market – the largest pharmaceutical market in the world – in 2008;
- *proven expertise in cutting-edge technologies,* such as peptide and toxin engineering and advanced drug delivery systems, which can be employed together at an early stage of development;
- *the geographic proximity of its integrated technological platforms* based in the United States (currently in Boston and to be transferred to Cambridge in 2014) and in Europe (Dreux, Dublin, Paris and London) with highly regarded university research centres, enabling the Group to tap into the wealth of scientific expertise available and to hire highly qualified personnel;
- *a recognized ability to seal and manage large-scale partnerships* with the world's leading pharmaceutical companies, such as Roche, Teijin and Menarini;
- *an effective management team* boasting considerable experience working with the world's leading pharmaceutical companies, as well as a new cross-divisional organization structure, built around the Research and Development department to propose new molecules and conduct chemical tests to proof of concept (phase IIa) and Franchises in each therapeutic area (Somatuline® / endocrinology, Dysport® / neurology, Decapeptyl® / uro-oncology) responsible for the definition of the target profile of the product and from the development of the phase IIb to marketing.

1.1.1.3 Group strategy

After his arrival on 22 November 2010, Marc de Garidel, Chairman and CEO of Ipsen, conducted a thorough strategic review of the company and its activities. The Group's new ambition is to become a world leader in the treatment of targeted debilitating diseases.

As a result, on 9 June 2011, the Group announced its new strategy based on increased focus and investments in technological platforms and targeted therapeutic areas which offer the best growth opportunities.

In this context, the Group's new strategy is articulated around three main pillars:

- *a strategy of increased focus* on two differentiated R&D technological platforms (peptides and toxins) in which the Group has a recognized expertise and on three targeted therapeutic areas (the franchises: Somatuline® / Endocrinology, Dysport® / Neurology and Decapeptyl® / Uro-oncology), where the Group intends to become a major player in providing innovative therapies for unmet medical needs;
- *a strategy of increased investment* in both technological platforms to remain at the forefront of innovation and in the three franchises to increase the Group's market share;
- *a strategy of leveraging the Group's global footprint:* after having led a geographical expansion policy in recent years, the Group now intends to maximize the potential of each franchise in the territories in which it operates.

The Group's strategy also relies on:

- *a new future for the Primary care in France* in the context of a toughening competitive and regulatory environment (austerity measures: price cuts, generics, delistings, step-up in the regulation known as *"tiers-payant"*). In 2013, the Group proceeded to an adjustment of the sales force organization by approximately 170 positions. Nevertheless, it decided to retain the Dreux (France)-based industrial facility within the scope of its activities as a result of the perspectives of primary care international activities and the higher than expected production volumes at this site since the beginning of 2012. Outside France, primary care is dynamic and the Group wishes to proceed, when necessary, to selective product acquisitions and partnership signatures;
- *a partnership policy* in all its franchises enabling the Group to, if relevant, (i) obtain resources for development programs it does not wish to finance alone or expand skills with partners owning complementary capabilities or technologies, (ii) leverage its distribution network by obtaining rights to third party products in certain countries (iii) out-license in house products that are not core to the Group's strategy and positionning;
- *a strategy of acquisition* within its R&D technological platforms and franchises enabling the Group to, if relevant, (i) repopulate its R&D pipeline with molecules in early development phase, (ii) leverage its distribution network as soon as possible by acquiring molecules in late-development stage or marketed drugs;
- *a constant market watch* on adjacent therapeutic areas where the Group may develop and market products according to its expertise (both in research and development and in marketing) and on opportunities available to it.

On 15 July 2013, Ipsen announced the closing of the acquisition of Syntaxin Ltd., a leader in recombinant botulinum toxin technology, in order to enhance its toxin technological platform and the Group's intellectual property portfolio. This acquisition is the culmination of a productive three-year collaboration. On the same day, Ipsen announced a sponsored research agreement with Harvard Medical School to discover novel engineered botulinum toxins for serious neurologic diseases. The collaboration will combine Harvard's discovery platform and botulinum toxins engineering expertise with Ipsen's know-how in drug discovery and pharmaceutical R&D.

The consequence of the new focus strategy is a defocus of some other activities. In the treatment of Parkinson's disease, the Group sold the North American [(1)] development and marketing rights for Apokyn® to Britannia Pharmaceuticals in November 2011 and renegotiated the licensing agreement on Fipamezole. Moreover, Ipsen announced its exit from hemophilia. Ipsen and its partner, Inspiration, jointly put their hemophilia assets up for sale following the announcement, on 31 October 2012, of Inspiration's decision to seek Chapter 11 protection of the United States Bankruptcy Code.

(1) Prior to purchase price accounting and non recurring elements.

On 24 January 2013, Ipsen and Inspiration announced that they had entered into an Asset Purchase Agreement for the sale of OBI-1 to Baxter. On 6 February 2013, Ipsen and Inspiration announced that they had entered into an Asset Purchase Agreement for the sale of IB1001 to Cangene. On 20 February 2013, Ipsen and Inspiration announced the closing of the sale of IB1001 to Cangene. On 21 March 2013, Ipsen and Inspiration announced the closing of the sale of OBI-1 to Baxter. On 23 December 2013, the Boston, Massachusetts (US) brankruptcy court announced the liquidation of Inspiration Biopharmaceuticals Inc.

In 2020, the new strategy's horizon, the Group's ambition is to more than double its 2010 revenues to €2.0 to €2.5bn and to more than triple its 2010 EBIT (1) to €500 to €600m. The execution of the new strategy requires an investment period over 2011-2015 followed by a period of expected solid growth over 2016-2020. The Group's 2020 ambition factors in the restructuring of French primary care. In addition, the Group confirms its 2020 ambition despite its exit from hemophilia; indeed, the Group has identified growth drivers to replace hemophilia contribution, such as strong franchises and geographical organic growth, potential from the turnaround of the US platform, sales potential of molecules from R&D pipeline and acquisition opportunities of molecules in development stage or marketed drugs.

1.1.1.4 Significant Milestones in the development of the Group's business

The Group's history started in 1929, when Doctor Henri Beaufour set up Laboratoires Beaufour in Dreux for the launch of Romarène®, a naturally occurring product derived from rosemary used in the treatment of digestive disorders. In 1954, the Group launched Citrate de Betaïne®, a product used in the symptomatic treatment of dyspepsia. Following the opening in 1969 of the Institut Henri Beaufour, the Group's research facility in France, the 1970s represented a period of expansion for the Group's activities in products of natural origin, this period being that of the launches of Tanakan® and Smecta®, which remain major products for the Group and draw on its specific expertise.

During the 1970s, the Group decided to focus its activities on peptide engineering products, which represented a visionary strategic advance. In pursuit of this goal, the Group forged close relationships with universities in the United States and set up Biomeasure, which is spearheaded by the Albert Beaufour Research Institute (ABRI), its peptide product research facility based close to the Boston universities. Through Biomeasure, relationships were established and built up with several universities in the United States.

During the 1980s, ties were forged with Debiopharm. These partnerships led to the marketing of Decapeptyl®, which was launched in 1986 and has driven the Group's international expansion.

In the late 1980s and early 1990s, the Group's international expansion continued with subsidiaries and offices being set up outside France and the acquisition of foreign companies. Outside Europe, the Company set up a commercial outpost in South-East Asia by opening up a regional office in Kuala Lumpur (Malaysia) in 1987. In that context, the Group initiated its expansion in China in 1992, initially by setting up representative offices and then in 1997 by setting up a subsidiary with a view to establishing an active presence there. In 2000, the Group opened a manufacturing facility at which it produces Smecta® for the Chinese market. Today in China, the Group employs approximatively 600 persons.

In order to strengthen its presence in the United Kingdom, Northern Europe and the United States and to build a sales platform for its biological products, the Group acquired the UK-based company Speywood (known at the time as Porton International) in 1994, which is responsible for developing Dysport®. During this period, the Group also launched in France Somatuline®, its second sustained-release peptide in March 1995, and Forlax®, in February 1996.

In 1998, the PAI LBO Fund, Paribas (now BNP Paribas), CDC Participations and the Schwabe family acquired a significant shareholding in the capital of Mayroy, the holding company that controls the Group.

In 2002, a new management team has defined and implemented a strategy for Ipsen. This was twofold and consisted, on the one hand, in the optimization of its primary care presence by making selective investments in product lifecycle management, in partnerships or in research and development and, on the other hand, in the growth and globalisation of its specialty care activities. In this context, the Group went public in December of 2005 on the Eurolist market of Euronext™ in order to accelerate and support its growth in specialty care, and to enter North America, the world's largest pharmaceutical market.

Within the framework of optimizing its presence in **Primary Care drugs,** the Group has:

- granted exclusive licensing rights in 41 countries for Adenuric® to Menarini on 20 October 2009 and maintained co-promotion rights in France. Adenuric® represents the first major breakthrough in the treatment of gout in over 40 years;
- announced in February 2011 that Roche had informed the Group of its decision to return taspoglutide.

Within the framework of the developpement and the globalization of the **Specialty care** footprint, the Group has:

- acquired a stake in Tercica Inc. in endocrinology in 2006 before buying out all of the remaining shares it did not hold in 2008. At the same time, the Group announced the acquisition of Vernalis Plc. and U.S. rights to Apokyn® in neurology and all assets related to OBI-1 in haematology from Octagen;
- obtained marketing authorization in the United States for Somatuline® Depot® (Lanreotide) Injection 60, 90 and 120 mg and Dysport® (abobotulinumtoxinA) from the the Food and Drug Administration (FDA) respectively in September 2007 and April 2009;
- received marketing authorization from the European Medicines Agency (EMA) for the 6-month formulation of Decapeptyl® (triptorelin embonate). The 6-month formulation of Decapeptyl® is currently marketed in 16 European countries. The 1 and 3 month formulations are already marketed worldwide by the Group for the treatment

of advanced prostate cancer, endometriosis, precocious puberty, in programs of in-vitro fertilization and uterine fibroids.

At the end of 2010, a new management team started working on a new strategy that was announced on 9 June 2011 to the market. This strategy is based both on increased focus and investment in both technological platforms and on the three franchises (as described in paragraph 1.1.1.3).

Ipsen also has an active policy of partnerships which allows the Group to obtain resources for programs it does not wish to finance independently or, to create value through the licensing of products arising from its research but which are deemed to not be a part of its core business. In that context, the Group:

- has granted exclusive rights for the development, promotion and distribution of its botulinum toxin type A in its aesthetic indications to Medicis (now Valeant) and Galderma. In that context, Dysport® was approved by the FDA in April 2009 for the temporary correction of moderate to severe glabellar lines in adults less than 65 years of age. Azzalure®, also indicated for the temporary correction of moderate to severe glabellar lines (vertical frowning wrinkles), has received marketing authorization in 22 European countries including the major countries in Western Europe;
- had signed in 2010 a partnership with Inspiration Biopharmaceuticals around two lead product candidates in Phase III clinical testing: recombinant porcine factor VIII, OBI-1 (for the treatment of patients with acquired hemophilia and hemophilia A who have developed an inhibitory immune reaction to human forms of factor VIII), and Inspiration's recombinant factor IX product, IB1001 (for the acute and preventative treatment of bleeding in patients with hemophilia B). In the hemophilia space, the Group has announced on 31 October 2012 that Inspiration Biopharmaceuticals Inc. had commenced a voluntary reorganization case pursuant to Chapter 11's provisions of the United States Bankruptcy Code. With this filing, Inspiration seeked to have the Bankruptcy Court's approval on detailed bidding and auction procedures for the sale of its assets, notably comprised of commercial rights [1] in certain countries to OBI-1, a recombinant porcine factor VIII (rpFVIII) for the treatment of hemophilia A with inhibitors and IB1001, a recombinant factor IX (rFIX) for the treatment of hemophilia B. In parallel, Ipsen has agreed to include its hemophilia assets in the sale process, comprised of commercial rights [2] for the rest of the world to OBI-1 and IB1001 as well as its OBI-1 industrial facility in Milford (Boston, MA). On 24 January 2013, Ipsen and Inspiration announced that they had entered into an Asset Purchase Agreement for the sale of OBI-1 to Baxter subject to closing conditions. On 6 February 2013, Ipsen and Inspiration announced that they had entered into an Asset Purchase Agreement for the sale of IB1001 to Cangene. On 23 December 2013, the Boston, Massachusetts (US) brankruptcy court announced the liquidation of Inspiration Biopharmaceuticals Inc.;
- has entered into a broad partnership in April 2011 to co-develop and commercialize Active Biotech's investigational compound Tasquinimod "TASQ" in the treatment of men with metastatic castrate-resistant prostate cancer (CRPC).

On 15 July 2013, Ipsen announced the closing of the acquisition of Syntaxin Ltd., a leader in recombinant botulinum toxin engineering, in order to strengthen its toxin technological platform and the Group's intellectual property. This acquisition represents the culmination of a productive three-year collaboration. On the same day, Ipsen also announced the signature of a sponsored research agreement with Harvard Medical School to discover novel engineered botulinum toxins for serious neurologic diseases. The collaboration will combine Harvard's discovery platform and botulinum toxins engineering expertise with Ipsen's know-how in drug discovery and pharmaceutical R&D.

(1) Mainly the Americas and Japan.
(2) Europe (EU, Switzerland, Monaco, Norway, Lichtenstein, Georgia, Bosnia, Albania and all EU candidates excluding Turkey), Russia and CIS (Community of Independent States), part of Asia-Pacific (main countries are Australia, New Zealand, China, Singapore, South Korea and Vietnam) and certain countries in North Africa (Morocco, Algeria, Tunisia, Libya).

1.1.2 Risk Factors

The Group operates in a rapidly evolving environment which poses many risks for 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 which it does not consider material may also have an unfavourable impact on its business, financial situation or results.

Within the Finance Division, the Group has a "Risk and Insurance" function which reports directly to the Chief Financial Officer. Within this registration document, this function is described in section 3.1.2.1.6.3 of the report relating to the organization of Board activities and section 3.1.2.1.6 on the Group's internal control procedures.

1.1.2.1 Risks specific to the Group and its structure

1.1.2.1.1 Dependence on products

The Group relies on certain products, in particular Decapeptyl®, Dysport®, Somatuline®, Smecta® and Tanakan® for a substantial proportion of its sales.

Decapeptyl®. In 2013, this product generated sales of €298.6 million, representing around 24.4% of consolidated Group sales. As a result of this high percentage of consolidated sales, the Group is exposed to significant risks which could arise from factors such as the development of competing or non-substitutable "look-alike" products, the adoption of unfavourable regulatory decisions or the filing of claims in relation to defects or side-effects associated with the product. Were the Group to be faced with any of these difficulties, this could potentially have a significant unfavourable impact on its business, financial situation or results. The formulations of Decapeptyl® marketed by the Group include a daily formulation as well as one-month, three-month and six-month formulations. Ipsen is the first pharmaceutical company to have launched the three-month formulation in China.

Somatuline®. In 2013, this product generated sales of €246.9 million, representing 20.2% of consolidated Group sales. 50.5% of sales related to Somatuline® and Somatuline® Autogel® were generated in the Major Western European Countries. The main rivals of Somatuline® Autogel® are (i) Sandostatin® LAR (a somatostatin analogue called octreotide) developed by Novartis for the treatment of acromegaly and neuroendocrine tumours and (ii) Somavert®, a growth hormone receptor antagonist developed by Pfizer and used only in acromegaly. Sandostatin® LAR Depot and Somavert® are already available in many countries, including the United States where Somatuline® Depot was launched at the end of 2007. A number of companies, including Ambrilia Biopharma, Endo Pharmaceuticals, Camurus are carrying out research and development on octreotide sustained-release formulations. In addition, Novartis is marketing a product called pasireotide for the treatment of Cushing's disease and is developing it for the treatment of acromegaly. A number of products developed in the field of oncology, such as Everolimus® (Novartis) and Sunitinib® (Pfizer), have seen their indication extended to include the anti-proliferative treatment of pancreatic neuroendocrine tumours (pNET) in 2011.

Dysport®. In 2013, this product generated sales of €242.2 million, representing 19.8% of consolidated Group sales. The botulinum toxin, which is the primary agent in Dysport®, is not protected by any patent. The Group holds an exclusive global license from the UK's Health Protection Agency (formerly known as the Centre for Applied Microbiology and Research) to use and sell type A botulinum neurotoxin, the primary agent in Dysport®. The Group owns the right to produce this toxin using the HPA's expertise. The Group now manufactures the toxin itself. The Group has also filed eight patent applications relating to new therapeutic uses of botulinum toxin, as well as four other applications. In July 2013, Ipsen acquired Syntaxin, a leader in recombinant botulinum toxin engineering.

Smecta®. In 2013, this product generated sales of €121.1 million, representing 9.9% of consolidated Group sales. Around 40% of Smecta® sales were made in China and a quarter in France, the product's two main markets. Products competing with Smecta® are Imodium® and Arestal® (Janssen Cilag), Ercéfuryl® (Sanofi-Aventis), Ultralevure® (Biocodex) and Tiorfan® (Bioproject Pharma). On 20 May 2009, the ANSM (French Healthcare Product Safety Agency) informed the Group that it had granted a marketing license for a Smecta® generic in France. One time suspended, this license is now active. The step-up in July 2012 in France in the regulation known as *"tiers-payant"* is favourable to a generic launch, however, to date, no generic has been commercialized.

Tanakan®. In 2013, this product generated sales of €67.2 million, of which 24.3% were generated in France (representing 5.5% of consolidated Group sales). On 27 January 2012, the French government decided to no longer reimburse Tanakan®. On 1 March 2012, Tanakan® was delisted in France. In 2013, sales of Tanakan® in France have declined by 37.2%.

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

The Group is dependent on prices which 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 in relation to the prices set for all its products, in so far as medication prices have come under severe pressure over the last few years as a result of various factors, including the following:

- a tendency for governments and suppliers of medical care to recommend the use of generic drugs in several

countries by way of laws on generic substitution, which authorize or require pharmacists dispensing drugs to substitute, as much as possible, less expensive generic drugs for those manufactured by the original pharmaceutical company;

- a tendency for governments and private medical insurance organizations to lower prices or reimbursement rates for certain drugs marketed by the Group in the countries in which it operates, or even to remove those drugs from lists of reimbursable drugs;
- other restrictive measures limiting increases in the cost of medical services;
- parallel imports which enable wholesalers to take advantage of price differentials by buying drugs at lower prices in certain markets and reselling them in other markets at higher prices.

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

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

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

In the context of the economic and financial crisis, many Europeans countries have implemented various measures to reduce the growth of healthcare spending. For instance, the French governement enforced a 5.5% price cut on NutropinAq® on 1 June 2013, a 12.5% price cut on Nisis®/ Nisisco® on 1 October 2013, and a 6.5% price cut on Fortrans® on 1 January 2014. The price of Smecta® was cut by 7.5% on 1 January 2014 and will experience a second cut of 7.5% on 1 July 2014. The price of Decapeptyl® will be cut by 4.0% on 1 April 2014 and by 3.0% on 1 February 2015. On 1 March 2012, Tanakan® was delisted in France. Moreover, since July 2012, sales of Nisis®/Nisisco® and Forlax® have been negatively impacted by the regulation known as "tiers-payant against generics", whereby the patient now pays part of the branded drug price when a generic is available.

In some European countries, governments also influence the prices of drugs indirectly, through the control of national health systems which fund a significant portion of costs related to these products.

1.1.2.1.3 Uncertainty as to the approval of products under development

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

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

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

1.1.2.1.4 Dependence of Research and Development activities on third parties

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

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

1.1.2.1.5 Dependence on third parties to develop and market certain products

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

The Group develops and markets some of its products in collaboration with other pharmaceutical companies. The Group has entered into significant collaboration agreements, in particular with Valeant, Galderma, and Menarini. The royalties received by the Group from some of these partners could or do make a substantial contribution to the Group's net operating income and cash flow. Where the Group markets its products under the terms of collaboration agreements, it exposes itself to the risk that certain decisions, such as the preparation of budgets and promotional strategies, may be controlled by its partners, and that decisions made by the Group's partners may have a negative impact on the Group's business carried-out under the terms of those agreements. The Group cannot be certain that its partners will fulfil their obligations, and may be unable to obtain any benefit from those agreements. In addition, the Group's partners could choose to develop their existing new products rather than products marketed in collaboration with the Group. Finally, although it has legal remedies against its partners in the event that they cause it damage, the Group is not in a position to ensure that its partners have sufficient insurance to fully cover their liability in respect of their business, as regards either third parties or the Group. Were they not to have sufficient cover, the Group could be forced to bear, either directly or indirectly, a substantial portion of any damage thus caused, potentially entailing an unfavourable impact on its business, financial situation or results.

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

1.1.2.1.6 Risks associated with the Group's capital requirements

The Group's business requires substantial funding in order to finance its operations and investments. If the Group were unable to provide additional funds when needed, it could find itself forced to delay, scale down or eliminate some of its development programs or grant rights to third parties to develop and market its products earlier than anticipated.

The Group requires substantial funds to operate. Its future capital requirements depend on various factors, in particular, the following:

- continued progress in its Research and Development programs, and the scale of those programs;
- the scope and results of pre-clinical and clinical trials conducted by the Group;
- the time taken and expense incurred in obtaining regulatory approvals;
- the Group's ability to maintain existing collaboration agreements and enter into new collaboration agreements;
- costs of increasing manufacturing capacity and carrying out effective marketing; plus its capacity to avoid cost inflation in its major investment projects;
- costs associated with the creation of new businesses;
- costs associated with the Group's international development, particularly in the United States;
- the amounts of sales and royalties arising from the Group's current and future products;
- expenses arising from preparing, filing, conducting and enforcing claims relating to patents and other intellectual property rights;
- expenses associated with obtaining and maintaining licenses required for the use of patented technologies.

Although the Group considers that it has sufficient cash to finance its current activities, it may need to raise additional funds in order to develop its business, whether through new equity issues, borrowing, collaboration agreements, participation in sponsored research programs or any other means. The Group cannot be certain that it will be able to raise funds it may require on satisfactory terms, or that it will be able to enter into the required partnership agreements to be able to continue its Research and Development programs. Were it to prove unable to do so, the Group could be forced to delay, scale down or cancel expenditures on some Research and Development programs, seek to obtain finance by way of agreements with partners collaborating with it or grant rights to develop and market new products that it would have preferred to develop and market on its own. Such practices are liable to reduce any profits the Group could generate *via*

the products in question. In addition, if the Group were to increase its capital by issuing new shares, the investments held by the Group's existing shareholders would be diluted.

1.1.2.1.7 Risks associated with the Group's international activities

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

- risks arising from unexpected regulatory changes, and in particular changes in tax regulations and regulations on trade and tariffs;
- risks arising from difficulties in interpreting or implementing certain specific regulations;
- risks associated with the inevitable complexity of decision-making processes at Group level in this environment;
- risks arising from limitations on the repatriation of earnings;
- risk of financial default on the part of certain public and private operators with which the Group conducts business;
- risks arising from exchange rate fluctuations;
- risks arising from the validity of various intellectual property rights being deferred;
- risks arising from various labour regulations;
- risks arising from political or economic changes affecting a given region or country;
- risks arising from increased difficulties in recruiting staff and managing operating entities abroad;
- risks arising from failure by the Group's employees to observe the ethical principles laid down by the Group (see section 3.1.2.1.6 of this registration document, "Internal control procedures");
- risks arising from the occurrence of natural disasters in the areas at risk in which the Group and/or its major partners do business;
- the absence of an international agreement on regulatory standards.

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

The Group's success depends in large part on certain essential managing executives and scientists. The departure of these senior employees could damage the Group's competitiveness and compromise its ability to achieve its objectives. In addition, the Group is convinced that its continued expansion in sectors and activities requiring 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 in all its operations sites. Maintaining positive social relations within its different 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 the quality of social relations in the Group, thereby jeopardising achievement of some Group targets in terms of Research, Production or Marketing activities, with a corresponding impact on the Group's results or financial position.

1.1.2.1.9 Risks associated with the Group's acquisitions

The Group's strategy includes acquiring companies which may enable or facilitate access to new drugs, research projects or geographical regions or enable it to realize synergies with its existing businesses. The Group could find itself unable to identify appropriate target companies, complete acquisitions under satisfactory terms (particularly regarding price), or integrate newly acquired companies or businesses efficiently by achieving operational objectives, expected cost reductions or synergies. Furthermore, the Group could find itself unable to obtain financing for such acquisitions on favourable terms, and could be forced to finance them using cash that could otherwise be allocated to other purposes connected with the Group's existing businesses. The Group could also encounter difficulties or delays in integrating acquired companies, particularly as a result of potential incompatibilities in systems and procedures (including in particular accounting systems and procedures) or corporate policy and culture, employees leaving the company or the absorption of liabilities and expenses, and in particular significant uninsured disputes. If the Group were to encounter difficulties in defining or implementing its external growth policy, this could affect its ability to achieve its financial targets and grow market share, which could in turn have a significant unfavourable impact on the Group's business, financial position, performance or outlook.

1.1.2.2 Risks associated with the pharmaceutical industry

1.1.2.2.1 Risks associated with market competition

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

- will be able to obtain the required regulatory approval or be brought to market more quickly than those of its competitors;
- will be able to sustainably compete with safer, more effective or less expensive products marketed by certain major competitor groups;
- will adapt sufficiently quickly to new technologies and scientific advances;

- will be preferred by medical centres, doctors or patients over treatments currently used for the same pathologies; or,
- will be able to effectively compete with other products used to treat the same pathologies.

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

Details of the competitive environment of the Group's main products are set out in section 1.2.1.1 of this registration document.

1.1.2.2.2 Risks associated with Research and Development failures

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

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

In order to remain competitive in the highly competitive pharmaceutical industry, the Group must allocate substantial resources to Research and Development every year in order to perfect new products. Even if the Group's Research and Development efforts bear fruit, its competitors could develop more effective products or successfully bring a larger number of new products to market. In 2013, the Group spent €259.1 million on Research and Development, representing around 21.2% of consolidated sales. The Group's current investments related to the launch of new products and researching and developing future products could entail higher costs without a proportionate increase in the Group's revenues.

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

The Research and Development process typically lasts between eight and twelve years from the date of a discovery to a product being brought to market. This process involves several stages; at each stage, there is a substantial risk that the Group could fail to achieve its objectives and be forced to abandon its efforts in respect of products in which it has invested significant amounts. Thus, in order to develop viable products from a commercial point of view, the Group must demonstrate, by means of pre-clinical and clinical trials, that the molecules in question are effective and are not harmful to humans. The Group cannot be certain that favourable results obtained during pre-clinical trials will subsequently be confirmed during clinical trials, or that the results of clinical trials will be sufficient to demonstrate the safety and efficacy of the product in question such that the required marketing licenses can be obtained. In the event of failure of certain Research and Development projects, the Group cannot be assured of finding new, equivalent projects to replace them, whether from its own research activities or from research carried out under partnerships. If this were to happen, the Group's Research and Development pipeline could dry up, and the Group would not have a sufficient number of drugs to market in the longer term, which could have an adverse impact on its results or financial position and also on the value of its shares.

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

Before a given product can be sold on the relevant market, the Group must obtain and retain the required regulatory approvals for its drugs from the European Union, the United States and other regulatory authorities. The submission of an application for approval to an authority does not guarantee that a marketing approval will be granted for the product in question. Each authority is free to impose its own requirements, including the requirement to carry out local clinical studies, and can delay or refuse to grant marketing approvals even where the product has already been authorized in other countries. The procedure for obtaining marketing approvals for new products in the Group's main markets is a complex and lengthy one. The time taken to obtain the required marketing approvals varies from country to country, although it is generally between six months and two years from the date of application. In addition, where a marketing approval is granted, it may include limitations as to the uses for which the product in question may be marketed, or a requirement to carry out further trials subsequent to the product's registration. Marketed products are also subject to ongoing monitoring once the initial approval has been granted. The subsequent discovery of problems which were unknown at the time of applying for a marketing approval, or any failure to comply with regulatory requirements, can result in restrictions being placed on the marketing of the product in question or its withdrawal from the market, together with legal penalties. In addition, the Group is subject to rigorous official inspections in relation to the manufacture, labelling, distribution and marketing of its products. All these factors can increase the costs associated with developing new products and the risk that those products may not be marketed successfully.

1.1.2.2.3 Risks associated with manufacture of certain products

Risk on third parties to manufacture certain products

Although the Group currently manufactures active substances for several of its products, it subcontracts the production of certain of these active ingredients to third parties or purchases finished products directly from its partners or their subcontractors. The Group is therefore exposed to the risk of

a supply shortage if its suppliers were to experience financial or operational difficulties such that they were no longer able to manufacture all or part of the required product quantities. Were a supply shortage to occur as a result of difficulties with these subcontractors, this could have a negative impact on the Group's ability to meet market demand for its products and, in particular, could damage the Group's reputation and its relations with its customers, which could in turn have a negative impact on the Group's business, financial situation, or results.

For instance, in their US Hopkinton facility, Lonza, the supplier of IGF-1 (Increlex® drug substance), has faced a regulatory challenge by the Food and Drug Administration that has resulted in a supply shortage since mid-June 2013 in the US and since Q3 2013 in Europe and the rest of the world. On 18 December 2013, Ipsen announced that Lonza had successfully re-manufactured the active ingredient of Increlex® and that the European Medicines Agency (EMA) had been informed that Ipsen was preparing for the resupply of Increlex® in the European Union. Resupply in the US is still pending. Ipsen is actively working with the Food and Drug Administration (FDA) to solve this issue.

1.1.2.2.4 Risks associated with supply shortages and other disruptions

The marketing of certain products by the Group has been and could be affected by supply shortages and other disruptions.

Such difficulties may be of both a regulatory nature (the need to correct certain technical problems in order to bring production sites into compliance with applicable regulations) and a technical nature (difficulties in obtaining supplies of satisfactory quality) or difficulties in manufacturing active ingredients or drugs complying wih their technical specifications on a sufficiently reliable and uniform basis). This situation may result in a significant reduction in the sales of one or more products.

Consequently, the Group cannot guarantee that it will manage to secure the required future supplies. If difficulties of this nature were to persist for a period of time in relation to one or more products, this could also have a negative impact on the Group's sales, and thus on its profitability and earnings.

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

The Group must or may have to face competition from (i) generic products, particularly in relation to Group products which are not protected by patents, for example, Forlax® or Smecta®, (ii) products which, although not strictly identical to the Group's products or which have not demonstrated their bioequivalence, may be granted marketing licenses for indications similar to those of the Group's products pursuant to the bibliographic reference regulatory procedure (well established medicinal use) before the patents protecting its products expire, and (iii) products sold for unauthorized uses once the protection afforded to the Group's products and those of its competitors by patent law expires. Such a situation could result in the Group losing market share, which could in turn affect the Group's ability to maintain its current level of sales growth or profitability. In order to avoid or reduce the impact of such situations, the Group could seek to protect its rights by bringing legal action against counterfeiters.

Because producers of generic products do not have to incur the costs associated with the various stages of the drug development process to prove that their products are not dangerous and are fit for their intended purpose, they can sell their products at prices lower than those at which the Group, which has incurred those costs, sells its products. The Group's products could lose market share in the face of competition from these alternative treatments and, consequently, the Group could be unable to maintain its current level of sales growth or profitability.

1.1.2.3 Legal risks

1.1.2.3.1 The Company's majority shareholder holds a significant percentage of the Company's equity and voting rights

As at 31 December 2013, the Company's main shareholder, Mayroy, held 67.78% of the Company's equity and 81.31% of actual voting rights. This means that it can control the passing of resolutions at Shareholders' Meetings, which could have a material unfavourable impact on the Company's share price. This concentration of capital and voting rights in the hands of a single shareholder, and that shareholder's ability to freely dispose of all or part of its shares in the Company, could have a material unfavourable impact on the Company's share price.

1.1.2.3.2 The Company's share price may fluctuate

The Company's share price may fluctuate significantly and could be affected by a wide variety of events affecting the Company, its competitors, the pharmaceutical sector or financial markets in general. The Company's share price could fluctuate significantly in response to the following types of events:

- changes in the Group's or its competitors' financial performance from one period to another;
- the announcement by the Company or one of its partners of the success or failure of one of the Company's Research and Development programs conducted either on its own or in conjunction with a third party;
- the announcement by the Company or one of its partners of the success or failure of the commercial launch of a new product;
- announcements by competitors or announcements concerning the pharmaceutical industry;
- announcements regarding changes in the Group's executive team or key personnel.

Despite being inherent to any listed company, the Group believes that, with its limited float, the stock price fluctuation

risk is higher for Ipsen than for companies with greater floats.

Furthermore, in the last few years, the financial markets have experienced significant volatility which, at times, has borne no relation to the financial performance of listed companies. Market fluctuations, as well as general economic conditions, may affect the Company's share price.

1.1.2.3.3 Legal and administrative proceedings

In the normal course of business, the Group is or may be involved in legal or administrative proceedings. Financial claims are or may be brought against the Group in connection with some of these proceedings. Provisions have been raised in respect of such claims in accordance with IFRS accounting standards (a description of these provisions is provided in section 2.1, note 22.1 of this registration document). These provisions amounted to a total of €31.3 million as at 31 December 2013. These provisions are estimated on the basis of the most likely assumptions on the reporting date.

These provisions include:

- €22.8 million, for the risk of tax reassessment in the Group's various subsidiaries and additional taxes which the Group may be required to pay;
- €5.5 million for costs that the Group may incur related to corporate litigation;
- €3.0 million for various other legal risks.

On 29 January 2009 the Group disclosed that Biomeasure (Milford, MA, USA), an affiliate within the Ipsen Group, had been sued in Louisiana by Tulane University of New Orleans (United States) and a Tulane faculty member (collectively "Tulane"), alleging breach of contract and/or inventorship of some of the GLP-1 analogue (Taspoglutide) patents that the Group out-licensed to Roche in July 2006. The Group denied Tulane's allegation and vigorously contested Tulane's claim before the competent courts. In May 2012, Tulane and the Group signed a settlement agreement in order to settle and compromise in full all of the claims asserted by Tulane.

Eventually, late February 2012, Allergan commenced legal proceedings against Ipsen in Italy and in the United Kingdom concerning an alleged patent infringement. The patents claim certain therapeutic uses of botulinum toxin products in the field of urology. On 29 August 2013, Ipsen and Allergan signed an agreement to settle their dispute on patents for the therapeutic use of botulinum toxin in urology indications. This agreement did not impact the Group's treasury.

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

There are no other government, legal or arbitration proceedings (apart from those indicated above), including any pending or threatened proceedings of which the Company is aware, which are likely to have, or which have had within the last 12 months, a material impact on the Company's and/or the Group's financial position or profitability. All identified risks which are unprovisionned are detailled in note 28 (Commitments and contingent liabilities) of the chapter 2.

1.1.2.3.4 Risks arising from specific regulations, legal, regulatory and administrative authorizations and their consequences

1.1.2.3.4.1 Uncertainty as to the approval of products under development

This aspect is covered under the same title in subsection 1.1.2.1.3.

1.1.2.3.4.2 Dependence on public authorities to obtain regulatory approval

Some Group products of biological origin consist of active ingredients whose stocks may only be renewed if regulatory approval is obtained. When the Group produces new batches of such active ingredients or alters their production processes, it has to obtain new regulatory approval for those batches before marketing any products containing those ingredients. The Group plans the studies it considers necessary to obtain such approval well in advance. However, it cannot guarantee that work carried out in this respect will necessarily yield the expected results or that the regulatory authorities will be satisfied with the results of such work and will issue the required approvals within the required timescales. Should the Group fail to obtain such approval or only obtain it significantly later than anticipated, it could be faced with depleted inventories of products containing the active ingredients in question.

Such inventory shortages could have a significant unfavourable impact on sales of the products in question, which in turn could have a negative impact on the Group's business, financial situation or results.

1.1.2.3.5 General business risks

1.1.2.3.5.1 Undesired disclosure of critical information

The Group is involved in Research activities leading to the filing of numerous patents and exchange of information with numerous third parties in the normal course of its Development or Marketing activities. The Group has set up procedures for controlling dissemination of this information, either to protect the confidentiality of sensitive information, notably as concerns effective protection of its intellectual property or its competitive positions, or to ensure that privileged information is disseminated to investors in a manner that complies with the legislation in force. However, the Group cannot be certain that it will not be faced with undesired or uncontrolled disclosure of critical or strategic information, which might have adverse effects on the financial position of the company, its competitive situation or the value of its shares.

1.1.2.3.5.2 Dependence on intellectual property rights held by third parties

The Group is dependent on intellectual property rights held by third parties in order to manufacture and market several of its products, including six of its main products.

Intellectual property rights (including in particular patents, expertise and trademarks) are covered by license agreements granted to the Group by third parties which are either the owners of those rights or are authorized to sub-license their use. Six of the Group's main products – Decapeptyl® (sales of which represented around 24.4% of consolidated 2013 sales), Tanakan® (around 5.5% of consolidated 2013 sales), NutropinAq® (around 4.6% of consolidated 2013 sales), Hexvix® (around 1.2% of consolidated 2013 sales), Increlex® (around 1.0% of consolidated 2013 sales) and Eziclen® (less than 1.0% of consolidated 2013 sales) – are manufactured and/or marketed under licenses from third parties. Although the Group currently maintains good relations with these third parties and has taken the necessary steps to protect its interests in the related agreements it cannot guarantee that it will be able to continue to benefit from these intellectual property rights or that the provisions of these contracts will be respected. For example, the Group could find itself unable to negotiate new license agreements or collaboration agreements in the future or to maintain the terms of agreements already entered into at levels at least as advantageous as those currently enjoyed. In addition, the future development and sale of certain products could depend on license terms. Finally, the Group's ability to grant exclusive patent licenses or patent sub-licenses to third parties could be limited by rights held by other third parties in respect of those same patents or other patents (for example, see section 1.2.2.2 of this registration document, "Intellectual property", with respect to NutropinAq®).

1.1.2.3.5.3 Risks associated with the Group's intellectual property

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

The Group works with numerous partners (universities and other public and private bodies), and exchanges information and data with them in various forms in connection with researching, developing, producing and bringing to market its products. In spite of precautions taken by the Group with regard to these bodies, including in particular contractual precautions, they (or some of their members) could claim ownership of intellectual property rights arising from trials carried out by their employees or any other intellectual property rights relating to the Group's products. In addition, where their own intellectual property rights are concerned, these bodies could refuse to grant licenses to the Group on terms acceptable to it. The Group is also dependent on unpatented technology, methods, expertise and data which it considers to be industrial secrets. This information is protected in particular by confidentiality agreements between the Group and its employees and consultants, as well as some of its subcontractors.

The Group cannot be certain that these agreements or any other type of protection in respect of its industrial secrets will be effective, or that satisfactory means of redress will be available in the event of any breach.

1.1.2.3.5.4 Dependence on the Group's intellectual property rights

If the Group does not manage to protect its intellectual property rights, it may find itself uncompetitive and unable to generate profits. The Group's success depends on its ability to obtain, retain and protect patents and other intellectual property rights. Patent law, in terms of the extent of claims in the pharmaceutical sector in which the Group operates, is an area of the law which is constantly evolving and in relation to which there are a number of uncertainties.

Consequently, the Group cannot be certain that:

- it will be able to develop other patentable inventions;
- patents it has applied for will be granted;
- any patents granted to it or which 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.

At 31 December 2013, the Group held 1,203 patents, 755 of which were issued in European countries and 132 in the United States. At the same time, the Group had 643 patent applications pending, including 71 in Europe and 12 international applications. The Group cannot guarantee the level of protection that will be afforded to its patents if it seeks to assert its rights and those rights are challenged in court or by way of other proceedings. In addition, legal costs incurred in asserting the validity of patents can be very substantial.

1.1.2.3.5.5 Risks associated with patent infringement

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

In addition, in view of the development of the pharmaceutical industry, an increasing number of patents are being issued, including some which apply to all therapeutic areas, and there is an increasing risk that the Group's activities and its use of certain technologies could entail the infringement of patents

belonging to third parties. This risk is inherent in the business of any pharmaceutical company and, where it materializes, is usually resolved by way of license agreements or cross-license agreements.

Given that patent applications are not generally published until 18 months after the date of the priority application (or even, in certain cases, until the patents in question are issued), the Group cannot guarantee that third parties have not been the first to invent certain products or to file patent applications for inventions which are the subject of pending patent applications filed by the Group. In addition, in the United States, patents can be issued based on the date of invention (*i.e.* the first inventor). This can enable parties to benefit from patents related to inventions for which they were not the first to file applications. Were the Group to find itself unable to patent its technology, it could be forced to obtain licenses from third parties to use their patents, terminate certain activities or gain access to alternative technologies.

1.1.2.3.5.6 Risks associated with the counterfeiting of Group products

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

As a manufacturer of medication, the Group is exposed to the risk that third parties might attempt to counterfeit its products and sell counterfeit products as if they were the Group's products. Counterfeit products are not approved by the competent regulatory authorities and could prove dangerous. To the extent that counterfeit products are sold as being those of the Group, its reputation could be affected and the patients' confidence in the Group's products could be undermined. In addition, some of the Group's products could be withdrawn from the market if counterfeit products were sold. If the confidence of patients or prescribers of the Group's products were damaged, or if the Group were forced to withdraw products from the market, the Group could see a decline in its sales and profitability.

1.1.2.3.5.7 Risks associated with product liability

The Group's businesses expose it to product liability risk, and its insurance coverage could be insufficient to protect it against such risks should the need arise. Product liability constitutes a substantial risk for the Group, and one which could increase if the Group's business expands into new markets and continues to grow in the United States (where the costs associated with product liability claims can be particularly onerous). Considerable damages have been awarded against pharmaceutical companies in certain countries as a result of physical harm allegedly caused by the use of certain products. Certain pharmaceutical companies have recently had to withdraw products from the market as a result of product liability claims. Although the Group is not currently involved in any substantial proceedings arising from product liability and including significant damages claims, it is possible that such proceedings could be initiated in the future. Although the Group has insurance policies covering, up to a certain amount, the risk of potential claims based on product liability, were a claimant to win a case against the Group on the basis of such liability, this could have a negative impact on the Group's business, financial situation or results.

Insurance cover in the pharmaceutical industry is becoming increasingly expensive, and it is impossible to predict the future cost of product liability insurance or to be certain that such insurance will always be available. The Group may be unable to obtain or retain insurance cover on acceptable terms, and the insurance cover held by the Group may not provide adequate protection against potential risks of the type in question. Should the Group be unable to take out insurance at reasonable prices or make adequate provision to protect itself against potential product liability claims, it could be exposed to substantial risks and find itself unable to market its products at the appropriate time or at competitive prices.

The Group could be faced with the risk of claims relating to the safety of its products, and in particular products relating to neurology (marketed under the brand names Dysport® and Azzalure®) which may cause, or appear to cause, serious side-effects or potentially dangerous interactions with other drugs if misused or not properly prescribed. The Group is subject to pharmacoviligance obligations that require it to report to the regulatory authorities any events in the course of which its products are associated with serious side-effects including patient death or serious harm. Such events could, in particular, result in additional regulatory constraints, such as additional requests from the regulatory authorities when reviewing marketing applications in various countries, leading to potential delays in launching products onto new markets; the need to conduct costly post-approval clinical studies; changes to marketing authorization; limits on prescribed uses or patient populations; or even the withdrawal of products from the market. Such events would harm product sales and have a negative impact on the Group's financial position. Furthermore, any adverse publicity associated with such events could cause consumers to seek alternatives to the Group's products, thus causing sales to decline, even if it were ultimately demonstrated that the Group product in question had not caused the side-effects reported to the regulatory authorities.

1.1.2.3.5.8 Risks associated with information systems

The Group's activities are largely dependent on information systems and, despite the procedures and security measures in place, the Group may have to deal with incidents connected to such systems and leading to activity disruptions, to the loss or alteration of critical data or the theft or corruption of data, in case of malicious acts.

1.1.2.4 Financial risks

1.1.2.4.1 Market risks

Financial risks are mainly managed by the Group through control procedures put in place by Group Finance, working with the relevant subsidiaries and the Group's specialist

departments responsible for arranging and managing such procedures. The Group mainly makes use of traditional, low-risk instruments to hedge its exposure to exchange rate and interest rate fluctuations. The financial impact of market risks is described in note 24.2.1 to the consolidated financial statements as at 31 December 2013, which can be found in section 2.1 of this registration document.

1.1.2.4.2 Exchange rate risks

In 2013 and 2012, approximately 54.8% and 56.0%, respectively, of the Group's consolidated sales were generated in the euro zone. A 10% increase or decrease of the US dollar and the pound sterling (the two main currencies in which the Group operates) against the euro would impact sales by only plus or minus 1.0% and the operating income by plus or minus 1.0% for those two periods. This impact was calculated for companies with the euro as their functional currency, but which generate sales in other currencies, and companies whose functional currency is not the euro and which generate sales in that same currency.

Potential exchange rate risk exposure is estimated by each subsidiary prior to being transferred to the Group's dedicated teams. Exchange rate hedging operations carried out on behalf of subsidiaries and the management of intragroup exchange rate risk are centralised at Group level and managed with traditional hedging instruments (spot transactions, futures, foreign exchange swaps).

Regarding customer billing flows, the Group mostly covers receivables from its subsidiaries. The hedging relationship between the hedging instruments contracted by the Group for its currency risk exposition and the instruments covered mainly concern invoices issued in currencies other than the euro and therefore does not meet the hedge accounting definition under IAS 39. As such, changes in value are recognized in the financial result.

On the other hand, in 2013, the Central Treasury has begun to take positions to limit the impact of fluctuations in exchange rates based on budget flows. Instruments taken to hedge exposure are primarily denominated in AUD, GBP, BRL, PLN and RUB. The Group hedging policy is to cover a period of up to 12 months of projected cash flows primarily from the revenues or costs. In the long run, this program will replace the receivables hedging detailed above. These hedging will be classified into cash flow hedges under IAS 39. At 31 December 2013, the hedging reserve recognized in equity was credited with €1.9 million in respect of the effective portion. The ineffective portion was recorded in interest expense in the amount of €0.4 million euro. No hedges were unwound in 2013.

1.1.2.4.3 Interest rate risks

Regarding the hedging of interest rate risks, the Group applies a prudent policy tailored to the profile of its business activities. As at 31 December 2013, the Group had no medium or long-term debt requiring interest rate hedging. The financial impact of interest rate risks is set out in note 24.1 to the consolidated financial statements as at 31 December 2013, which can be found in section 2.1 of this registration document.

1.1.2.4.4 Liquidity and counterparty risks

The Group's policy consists of diversifying its counterparties so as to avoid excessive concentration and selecting its counterparties based on qualitative factors. In addition, the Group controls credit risks arising from the financial instruments in which it invests by limiting its investments in line with the quality of its counterparties. As at 31 December 2013, the Group's net cash and cash equivalents stood at €125.4 million, mainly invested in money market UCITS. The Group invests its surplus cash in short-term money market instruments issued by counterparties rated at least A-1 by Standard & Poor's or P-1 by Moody's. Derivative contracts are only entered into where the counterparties are first class banks.

More detailed analysis of the Group's liquidity position is described in section 1.2.7 related to the Group's net cash position.

1.1.2.4.5 Risks associated with the economic and financial crisis

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

In a number of countries, the Group markets its drugs *via* distributors or agents: some of these partners' financial strength could be impacted by the crisis, potentially subjecting the Group to difficulties in recovering its receivables in full. Furthermore, in certain countries whose financial equilibrium is threatened by the crisis and where the Group sells its drugs directly to hospitals, the Group could be forced to lengthen its payment terms or could experience difficulties in recovering its receivables in full. In Greece notably, which represented approximately 1.1% of consolidated sales in 2013, and where payment terms from public hospitals are particularly long, the Group is closely monitoring the situation. Moreover, the Group may also be unable to purchase sufficient credit insurance to protect itself adequately against the risk of payment default from certain customers in those geographies. The Group could also find itself unable to take out sufficient insurance to protect itself against the risk of payment default by its customers in these geographical regions. In addition, patients in some geographical areas fund their own medication needs in the absence of any social security system. Such patients could find that their financial resources are impacted by the financial crisis. Finally, in those countries in which public or private health cover is provided, the impact of the financial crisis could cause medical insurance agencies to place added pressure on drug prices, increase financial contributions by patients or adopt a more selective approach to reimbursement criteria. All of the above risks could affect the Group's future ability to achieve its financial targets.

1.1.2.5 Industrial and environmental risks

1.1.2.5.1 Use of dangerous substances

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

The Group's Research and Development programs, pre-clinical and clinical trials and manufacturing and distribution activities involve the controlled storage, handling, use and processing of dangerous substances, toxins, chemical and biological agents and radioactive molecules. As a result, the Group is exposed not only to environmental risks related to environmental contamination but also to health risks (occupational diseases) linked to the fact that Ipsen's employees handle active or toxic substances in the course of their research or production activities. These risks also exist for third parties with which the Group works.

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

In the event of an accident, the Group could be held liable for any resulting damage and the liability incurred could exceed the maximum amount of any insurance coverage subscribed by the Group, or even not be covered at all. The Group could find itself unable to maintain insurance cover on satisfactory terms, or to even obtain any insurance. The Group could incur substantial costs to comply with current or future environmental or health and safety laws and regulations.

1.1.2.5.2 Environmental risks

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

Environmental laws in various countries impose real and potential obligations on the Group regarding the repair of environmental damage or the refurbishment of contaminated sites.

These obligations could relate to sites of which the Group is or was the owner, sites where it performs or has performed its business activities or sites where waste from its activities has been deposited. These environmental obligations could have a considerable adverse impact on the Group's operating performance. The Group could be involved in judicial or administrative proceedings arising from environmental disputes. Should any such proceedings have an outcome which was unfavourable to the Group, they could have a substantial negative impact on its profitability. Stricter laws relating to the environment, health and safety and more rigorous enforcement measures than those currently in force could generate considerable liabilities and costs for the Group and make the Group's handling, production, use, reuse or processing of substances or pollutants subject to more rigorous inspection measures than those currently observed. Consequently, compliance with such laws could involve considerable capital expenditures as well as other costs and responsibilities which would affect the Group's business and profitability. If any of the Group's production units were closed for reasons connected with the application of environmental laws, the Group could be subject to temporary interruptions in the production of some of its products and it could be some time before the Group obtained the required regulatory authorizations to reopen and recommence operation of its reserve production lines. Were such a situation to persist for an extended period, interruptions of this nature could have a negative impact on Group sales.

Significant investments to ensure the continued health and safety of employees handling dangerous substances at the Group's various sites could lead to the Group incurring significant expenditures or seeking to outsource certain activities to specialized partners. The Group's EHS (Environment, Health and Safety) policy is described in section 1.3.2.2.

1.1.2.5.3 Dependence on production facilities

The Group is dependent on its production facilities to maintain and develop its sales. Some production equipment at several of its sites are critical and unique. If a production site were to suffer a breakdown, this could result in an interruption to production of between three and 24 months pending the replacement of parts or entire equipment, followed by its requalification and validation, or could result in the use of subcontractors. Any such interruption in production could have a negative impact on the Group's business, financial position or performance.

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

Furthermore, at several of its production sites, the Group uses dangerous and inflammable substances and powders which could lead to an explosion, a fire or the potential exposure of its employees to such substances. Although the Group considers that the safety measures it takes in respect of the handling and processing of dangerous substances satisfy the standards required by applicable laws and regulations and enable its employees and subcontractors to perform their activities under favourable environmental, health and security conditions, the risks associated with handling, storing and using these dangerous substances cannot be completely eliminated and could lead to the partial or total destruction of one or more of its production sites, which could entail an interruption in production of potentially several years. Depending on the site and products concerned, the return of sales to their previous levels could prove difficult which could have a negative impact on the Group's ability to achieve its financial targets in the future.

1.1.2.6 Insurance and protection against risks

The Group has put in place worldwilde insurance coverage.

Product liability insurance covers all the products manufactured, marketed and sold by the Group, as well as all clinical trials conducted by the Group. The level of coverage for clinical trials exceeds that required under applicable local regulations. Furthermore, the Group's insurance includes specific coverage for expenses related to product recalls.

The Group also maintains insurance cover relative to its activities in general, including business interruption, as well as environmental liability insurance.

All the Group's policies carry certain restrictions, which are common practice for policies of this type, such as deductibles and exclusions relative to punitive damages.

In the case of product liability claims, the plaintiff may seek punitive damages; if such a judgement were issued, the Group's insurance policies may not cover the corresponding amounts. In such circumstances, the Group may not have sufficient financial resources to fulfil such legal penalties.

Insurance cover in the pharmaceutical industry is becoming increasingly expensive, and it is impossible to predict the future cost of product liability insurance or to be certain that such insurance will always be available.

In order to determine the level of coverage, the Group has attempted to assess the maximum foreseeable loss in terms of damage to property and operating losses arising from a business interruption. On the basis of this assessment, the Group increased its maximum coverage for property damage and operating losses to €750 million per event with effect from 1 January 2011.

The Group believes that the limitations of its insurance cover are reasonable and conservative given the Group's business activities and the risks with which it is faced.

Based on the Company's 2013 consolidated financial statements prepared according to IFRS principles, the total cost of insurance premiums paid by the Group represented approximately 0.6% of sales from ordinary activities.

Since 1 January 2006, the Group has financed a portion of its liability insurance program through a captive reinsurance company in order to cope with the high level of volatility seen in the insurance market for this type of risk. The Group's captive insurance company, which is domiciled in Luxembourg, provides the first €10 million of liability coverage per claim and per year.

1.1.3 Key figures

1.1.3.1 Selected Financial Information

In 2013, **Group drug sales** grew 2.1% year-on-year excluding foreign exchange impact or 0.4% at current exchange rate.

Consolidated Group sales reached €1,224.8 million in 2013, up 2.2% year-on-year excluding foreign exchange impact.

Other revenues reached €57.0 million in 2013, down 1.5% compared to €57.9 million in 2012. In 2013, the Group recorded revenues of €17.7 million, compared with €20.9 million the previous year, notably arising from the Group's co-promotion and co-marketing agreements in France. In 2013, except for residual compensation paid to Ipsen by Novartis, this line item no longer included revenues from Exforge®, following the April 2012 termination of the co-promotion agreement with Novartis in France. Royalties received amounted to €15.3 million in 2013, up €3.4 million year-on-year, driven by the increase in royalties paid by Group partners.

Total revenues amounted to €1,281.8 million in 2013, up 0.3% compared with 2012.

Cost of goods sold amounted to €253.4 million, representing 20.7% of sales, compared with 20.9% of sales in 2012. The improvement in cost of goods sold stemmed notably from a favourable product mix and increased productivity efforts, partially offset by higher custom duties, as a result of the Group's increased business activity in certain countries and the decline in primary care volumes.

Research and development expenses represented €259.1 million in 2013, up 4.4% year-on-year, mainly driven by the major programs conducted during the period on Dysport® (spasticity of the lower and upper limbs), tasquinimod and Somatuline®. Industrial and pharmaceutical development costs were stable between 2013 and 2012. These expenses notably included costs related to the validation of the tasquinimod manufacturing process, to the on-going rollout of a development platform for toxins, and to the work on a ready-to-use, liquid formulation for Dysport® (Dysport® Next Generation).

Selling, general and administrative expenses amounted to €555.1 million in 2013, representing 45.3% of sales, down 1.6% *versus* 2012. Royalties paid to third parties on sales of products marketed by the Group totalled €51.9 million in 2013, up 0.4% year-on-year, driven by improved in-market sales of in-licensed products. Other sales and marketing expenses amounted to €399.3 million, or 32.6% of sales, down 5.2% compared with 2012. The decline stemmed from the restructuring of both the French primary care sales force and the US sales force. General and selling expenses grew 4.8% in 2013, notably as a result of actions taken to

accelerate the execution of the Group's strategy and of a step-up in tax measures in France.

Reported operating income in 2013 amounted to €190.7 million, up 62.9% year-on-year, notably affected by:

- **Other operating income and expenses.** Other operating income, which primarily included revenue from the sublease of Ipsen's headquarters building, amounted to €5.7 million. Other operating expenses amounted to €12.0 million, down from €25.8 million the previous year. Other operating expenses primarily included non-recurring costs related to the acquisition of Syntaxin Ltd., the reorganization of the US subsidiary, the settlement of a trade dispute with a partner, an administrative proceeding brought against the Group, as well as headquarters rental costs.
- **Amortization of intangible assets (excluding software),** represented a €4.4 million charge, compared to €5.8 million the previous year. The decrease is mainly due to the discontinuation of the IGF-1 license amortization, following the new impairment loss recognized at 30 June 2013 (see impairment losses paragraph) and the complete amortization of Exforge® (termination of the co-promotion agreement with Novartis in France effective 30 April 2012).
- **Restructuring costs,** which amounted to €0.2 million in non-recurring costs, mainly arising from the reversal of an accrual related to the primary care restructuring plan in France, offset by restructuring costs in the US (non-recurring costs of €4.1 million, which primarily included compensation-related expenses for the early termination of employment contracts) and by costs incurred by the Group to accelerate the implementation of transformation initiated in 2011, that aims at adapting the Group's operating structures to future challenges. In 2013, these costs were mainly related to measures taken to adjust resources in certain geographies following the implementation of the new strategy, the transformation and reorganization of Research and Development activities and the adjustment of support functions.
- **Impairment losses,** which represented a non-recurring charge of €12.6 million. In view of the supply interruption and the uncertainty about the date of re-supply in the US, the Group recognized a non-recurring €11.6 million impairment loss on the Increlex® IGF-1 asset at 30 June 2013. With this impairment loss, the carrying value of the IGF-1 active ingredient became zero. Ipsen also recognized a €1.0 million impairment loss following a decision by the Group not to exercise its right to develop a neurology program.

Excluding purchase price allocation impacts, non-recurring restructuring costs and impairment charges, the Group's **recurring adjusted (1) operating income** amounted to €208.6 million, or 17.0% of consolidated sales, up 5.2% year-on-year.

Net financing costs represented a €5.8 million income, compared to a €1.3 million expense the previous year. The net income mainly resulted from a financial gain on the repayment of the Debtor-in-Possession (DIP) financing granted by Ipsen to Inspiration Biopharmaceuticals Inc. at the end of 2012, following the sale of its hemophilia assets to Baxter and Cangene.

Other financial income and expenses amounted to a €14.8 million charge at 31 December 2013. The expense primarily arose from a negative €11.2 million foreign exchange impact and a €2.0 million depreciation charge on convertible bonds subscribed by the Group to develop a neurology program. At 31 December 2012, the Group recognized other financial income of €6.8 million, resulting from an unfavourable exchange rate impact, additional payments received on its sale of PregLem Holdings SA shares in 2010, and a profit from the sale of shares in Spirogen Plc during the year.

The Group effective tax rate was 21.8% of profit before tax from continuing operations in 2013, compared with 20.6% in 2012. Excluding non-recurring operating, financial and fiscal items, the Group's effective tax rate amounted to 20.6% in 2013, compared with 23.3% in 2012.

Net profit from continuing operations amounted to €142.2 million at 31 December 2013, up 46.0% from the €97.4 million posted at 31 December 2012.

Net profit from discontinued operations amounted to €10.9 million at 31 December 2013, compared with a net loss of €124.8 million in 2012. It primarily comprises:

- the rebilling to Baxter of production costs for OBI-1 clinical samples prior to the effective transfer of the production site and staff,
- the negotiated repayment of advisory fees paid by Ipsen during the joint asset-sale process with Inspiration Biopharmaceuticals Inc.,
- the tax impact related to the compensation paid by the Group to the US subsidiary that sold the assets.

Consolidated net profit in 2013 was €153.1 million (€152.5 million attributable to Ipsen S.A. shareholders), compared to a €27.5 million consolidated net loss (€27.9 million loss attributable to Ipsen S.A. shareholders) in 2012.

At 31 December 2013, **recurring adjusted (1) profit from continuing operations** amounted to €154.0 million, up 4.7% from €147.1 million a year earlier.

Net cash generated by operating activities from continuing operations amounted to €181.4 million in 2013, up €16.4 million year-on-year. Total net cash generated by operating activities amounted to €188.1 million in 2013, up 30.4% year-on-year. At 31 December 2013, the Group had a positive net cash position of €125.4 million euros, compared with a positive **net cash position** of €113.3 million euros in 2012.

(1) "Recurring adjusted": Reconciliations between results and recurring adjusted results for 2013 and 2012 are detailed in appendix 1.

APPENDIX 1

Reconciliation between the income statement at 31 December 2013 and the recurring adjusted income statement at 31 December 2013

	31 December 2013 Recurring adjusted		Assets from discontinued operations (1)	Other non-recurring items (2)	31 December 2013	
	(in millions of euros)	% sales			(in millions of euros)	% sales
Revenue	**1,281.8**	**104.7%**	–	–	**1,281.8**	**104.7%**
Cost of goods sold	(253.4)	– 20.7%	–	–	(253.4)	– 20.7%
Research and development expenses	(259.1)	– 21.2%	–	–	(259.1)	– 21.2%
Selling expenses	(451.3)	– 36.8%	–	–	(451.3)	– 36.8%
General and administrative expenses	(103.8)	– 8.5%	–	–	(103.8)	– 8.5%
Other operating income	4.4	0.4%	–	1.4	5.7	0.5%
Other operating expenses	(5.9)	– 0.5%	–	(6.0)	(12.0)	–1.0%
Amortization of intangible assets (3)	(4.1)	– 0.3%	–	(0.3)	(4.4)	– 0.4%
Restructuring costs	–	–	–	(0.2)	(0.2)	0.0%
Impairment losses	–	–	–	(12.6)	(12.6)	– 1.0%
Operating income	**208.6**	**17.0%**		**(17.9)**	**190.7**	**15.6%**
Financial income/(expense)	**(14.7)**	**– 1.2%**	–	**5.7**	**(9.0)**	**– 0.7%**
Income taxes	(39.9)	– 3.3%	–	0.3	(39.6)	– 3.2%
Share of profit/loss from associated companies	–	–	–	–	–	–
Net profit from continuing operations	**154.0**	**12.6%**		**(11.8)**	**142.2**	**11.6%**
Profit from discontinued operations	–	–	10.9	–	10.9	0.9%
Consolidated net profit	**154.0**	**12.6%**	**10.9**	**(11.8)**	**153.1**	**12.5%**
– attributable to shareholders of Ipsen S.A.	153.5		10.9	(11.8)	152.5	
– attributable to minority interests	0.6				0.6	
Diluted earnings per share (in euros)	*1.85*				*1.84*	

(1) Impact on profit from discontinuing haematology operations (Inspiration Biopharmaceuticals Inc.) and from costs related to the supply of clinical samples to Baxter.

(2) Other non-recurring items included:
- Impairment losses recognized during the period, as described in the "Impairment losses" paragraph;
- Certain non-recurring fees incurred as part of the acquisition of Syntaxin Ltd.;
- Non-recurring costs to restructure the Group's North American commercial subsidiary and the provision release related to the restructuring of the primary care business in France;
- Settlement of a trade dispute with a partner;
- Settlement of an administrative proceeding brought against the Group;
- The repayment of Debtor-in-Possession (DIP)-type financing granted by Ipsen to Inspiration Biopharmaceuticals Inc. at the end of 2012, following the sale of its hemophilia assets to Baxter and Cangene, and €2.0 million in depreciation expense on convertible bonds subscribed by the Group to develop a neurology program.

(3) Excluding software.

Reconciliation between the income statement at 31 December 2012 and the recurring adjusted income statement at 31 December 2012

	31 December 2012 Restated, recurring adjusted*		Assets from discontinued operations (1)	Other non-recurring items (2)	31 December 2012 Restated*	
	(in millions of euros)	% sales			(in millions of euros)	% sales
Revenue	**1,277.4**	**104.7%**	–	–	**1,277.4**	**104.7%**
Cost of goods sold	(254.3)	– 20.9%	–	–	(254.3)	– 20.9%
Research and development expenses	(248.2)	– 20.3%	–	–	(248.2)	– 20.3%
Selling expenses	(473.0)	– 38.8%	–	–	(473.0)	– 38.8%
General and administrative expenses	(99.1)	– 8.1%	–	–	(99.1)	– 8.1%
Other operating income	5.6	0.5%	–	–	5.6	0.5%
Other operating expenses	(7.8)	– 0.6%	–	(18.0)	(25.8)	– 2.1%
Amortization of intangible assets (3)	(3.3)	– 0.3%	–	(2.5)	(5.8)	– 0.5%
Restructuring costs	1.0	0.1%	–	(63.1)	(62.1)	– 5.1%
Impairment losses	–	–	–	2.4	2.4	0.2%
Operating income	**198.3**	**16.3%**		**(81.2)**	**117.1**	**9.6%**
Financial income/(expense)	**(6.5)**	**– 0.5%**	–	**11.9**	**5.4**	**0.4%**
Income taxes	(44.8)	– 3.7%	–	19.6	(25.4)	– 2.1%
Share of profit/loss from associated companies	–	–	–	–	–	–
Net profit from continuing operations	**147.1**	**12.1%**	–	**(49.7)**	**97.4**	**8.0%**
Profit from discontinued operations	–	–	(124.8)	–	(124.8)	– 10.2%
Consolidated net profit	**147.1**	**12.1%**	**(124.8)**	**(49.7)**	**(27.5)**	**– 2.3%**
– attributable to shareholders of Ipsen S.A.	146.6		(124.8)	(49.7)	(27.9)	
– attributable to minority interests	0.5				0.5	
Diluted earnings per share (in euros)	*1.76*				*(0.34)*	

* For purposes of comparison between the two financial years, the 2012 income statement has been restated in accordance with IAS 19 revised.
(1) Impact on profit (loss) from discontinuing haematology operations (Inspiration Biopharmaceuticals Inc.).
(2) Other non-recurring items included:
- Non-recurring fees incurred as part of executing the strategy announced 9 June 2011;
- Non-recurring restructuring costs arising from the relocation of the Group's North American subsidiary to the East Coast and from the primary care business in France;
- The settlement of a trade dispute with a partner;
- An administrative proceeding brought against the Group;
- Additional payments from the sale of PregLem shares.

(3) Excluding software.

APPENDIX 2

Reconciliation of the published 2012 income statement and the 2012 income statement restated for IAS19 revised

(in millions of euros)	31 December 2012 Published	Restatements according to IAS 19 Revised	31 December 2012 Restated
Sales of goods	1,219.5	–	1,219.5
Other revenues	57.9	–	57.9
Revenue	**1,277.4**	**–**	**1,277.4**
Cost of goods sold	(254.8)	0.4	(254.3)
Research and development expenses	(248.6)	0.4	(248.2)
Selling expenses	(473.5)	0.5	(473.0)
General and administrative expenses	(99.1)	–	(99.1)
Other operating income	5.6	–	5.6
Other operating expenses	(25.8)	–	(25.8)
Amortization of intangible assets (1)	(5.8)	–	(5.8)
Restructuring costs	(63.1)	1.0	(62.1)
Impairment losses	2.4	–	2.4
Operating income	**114.8**	**2.3**	**117.1**
Investment income	1.0	–	1.0
Financing costs	(2.3)	–	(2.3)
Net financing costs	**(1.3)**	**–**	**(1.3)**
Other financial income and expense	6.8	–	6.8
Income taxes	(24.4)	(0.8)	(25.2)
Share of profit (loss) from associated companies	–	–	–
Net profit (loss) from continuing operations	**95.8**	**1.6**	**97.4**
Net profit (loss) from discontinued operations	(124.8)	–	(124.8)
Consolidated net profit	**(29.0)**	**1.6**	**(27.5)**
– Attributable to shareholders of Ipsen	(29.5)	1.6	(27.9)
– Attributable to minority interests	0.5	–	0.5

(1) Excluding software.

1.1.3.2 Market in Ipsen Share

Trading in Ipsen shares

Listing	Eurolist by Euronext™ market – Compartment A
Code ISIN	FR0010259150
Ticker symbol	IPN
FTSE classification	486 – Pharmaceuticals
ICB sector	4577 – Pharmaceuticals

Share price performance on the stock exchange

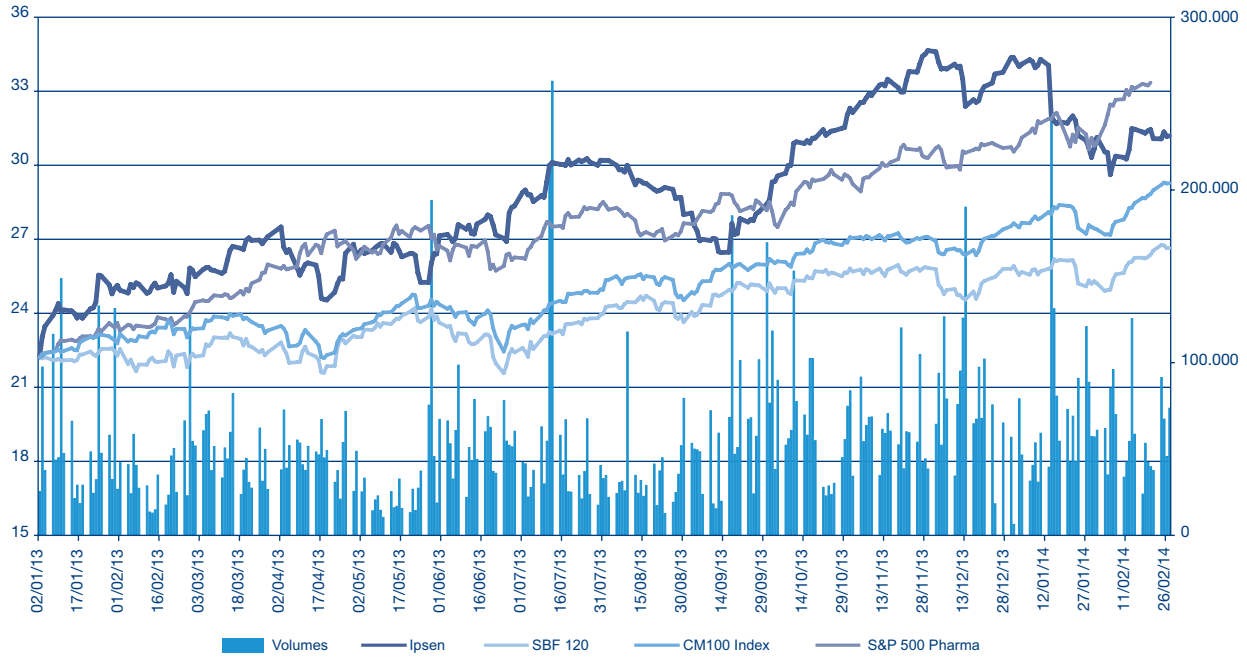
Shares in Ipsen S.A. have been traded on the Eurolist by Euronext™ market since 7 December 2005, when their IPO (Initial Public Offering) price was €22.20 per share.

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

- Ipsen shares joined the SBF120 index on 24 December 2007.
- Ipsen shares joined the Deferred Settlement System on 28 March 2007.
- Number of share issued: 25,155,512 as of 31 December 2013.

Average share price between 2 January 2013 and 27 February 2013	€28.77
High	€34.84
Low	€22.15
% change (between the high and 2 January 2013)	56.8%
Average daily trading volume between 2 January 2013 and 27 February 2014	55,180

Comparison between Ipsen S.A.'s share price performance and the principal stock market indicators between 2 January 2013 and 27 February 2014 (Source: Reuters)



1.2 GROUP'S ACTIVITY AND CORPORATE STRUCTURE

1.2.1 The Group's products

1.2.1.1 Detailed presentation of the Group's products

Marketing and distribution

The Group markets its products in the targeted therapeutic areas to specialists. The Group also markets numerous primary care products.

In 2013, the Group's consolidated sales amounted to €1,224.8 million, 40.6% of which were generated in the Major Western European Countries. The following table shows a geographic split of consolidated sales for each of the stated periods.

	31 December 2013		31 December 2012	
	in millions of euros	%	in millions of euros	%
Major Western European countries	497.3	40.6%	518.5	42.5%
Rest of Europe	329.4	26.9%	306.0	25.1%
North America	64.2	5.2%	72.8	6.0%
Rest of the world	333.9	27.3%	322.2	26.4%
Group sales	**1,224.8**	**100.0%**	**1,219.5**	**100.0%**

At 31 December 2013, 42% of the Group's 4,602 employees and notably 63% of the sales force, were employed outside the Major Western European countries. A geographical split of the Group's workforce by job category and by specialized therapeutic area is presented in Chapter 1.3.1 "Human Resources" of this registration document.

General data

Of all the products currently marketed by the Group, six generated sales of over €50 million in 2013. The following table presents consolidated sales by therapeutic area.

(in millions of euros)	31 December 2013	31 December 2012	% variation
Uro-oncology	313.0	318.7	– 1.8%
Endocrinology	315.9	307.6	2.7%
Neurology	242.2	236.2	2.5%
Specialty care	**871.1**	**862.5**	**1.0%**
Gastroenterology	219.9	199.9	10.0%
Cognitive disorders	67.2	79.0	– 15.0%
Cardiovascular	20.6	32.4	– 36.5%
Other pharmaceutical products	12.5	13.2	– 5.0%
Primary care	**320.2**	**324.6**	**– 1.4%**
Total drug sales	**1,191.3**	**1,187.0**	**0.4%**
Drug-related sales	**33.5**	**32.5**	**3.1%**
Group sales	**1,224.8**	**1,219.5**	**0.4%**

The Group's principal product Decapeptyl® generated 24.4% of consolidated sales in 2013. The Group's four best-selling products, namely Decapeptyl®, Dysport®, Somatuline® and Smecta®, together represented 74.2% of consolidated sales in 2013.

The following table describes the main therapeutic indications for the Group's top-selling products (Decapeptyl®, Somatuline®, Dysport®, Nutropin Aq®, Increlex®, Smecta®, Forlax®, Tanakan®, Nisis® and Nisisco®, Adrovance®, and Adenuric®).

Product name	Therapeutic area (1)	Principal therapeutic indications (2)
Specialty care		
Decapeptyl®	Oncology	Advanced metastatic prostate cancer; uterine fibroids; endometriosis; precocious puberty; female sterility *(in vitro fertilization)*.
Hexvix®	Oncology	Improvement of the detection and resection of non invasive bladder cancer.
Somatuline®	Endocrinology	Acromegaly; neuroendocrine tumours.
NutropinAq®	Endocrinology	Growth failure in children due to growth hormone (GH) deficiency, Turner syndrome or chronic renal failure and GH deficiency in adults.
Increlex®	Endocrinology	Long-term treatment of growth failure in children and adolescents with severe primary insulin-like growth factor-1 deficiency (severe primary IGFD-1).
Dysport®	Neurology	Motor disorders and muscular spasticity (cervical dystonia; cerebral palsy; blepharospasms and hemifacial spasms).
Primary care		
Smecta®	Gastroenterology	Chronic and acute diarrhoea; symptomatic treatment of pain linked to oesogastroduodenal conditions and colic.
Forlax®	Gastroenterology	Constipation.
Tanakan®	Cognitive disorders	Mild cognitive impairment related to age; pathophysiological deficiencies; vertigo; retinal deficits; acute or chronic hearing impairment; tinnitus.
Ginkor Fort®	Cardiovascular	Vascular conditions; venous insufficiency of the lower limbs; acute haemorrhoid episodes
Nisis® and Nisisco®	Cardiovascular	Hypertension.
Adrovance®	Rheumatology	Treatment of post-menopausal osteoporosis in patients at risk of low vitamin D levels.
Adenuric®	Rheumatology	Treatment of gout.

(1) Products are classified into therapeutic areas based on their primary indications.
(2) Therapeutic indications of products vary from country to country.

The following table shows an analysis for the years ended 31 December 2012 and 2013 of consolidated sales by therapeutic area and a breakdown of sales generated by the Group's top-selling products.

	31 December 2013		31 December 2012	
	in millions of euros	as a percentage	in millions of euros	as a percentage
Uro-oncology	313.0	25.6%	318.7	26.1%
Decapeptyl®	*298.6*	*24.4%*	*306.4*	*25.1%*
Hexvix®	*14.4*	*1.2%*	*12.3*	*1.0%*
Endocrinology	315.9	25.8%	307.6	25.2%
Somatuline®	*246.9*	*20.2%*	*225.7*	*18.5%*
NutropinAq®	*56.3*	*4.6%*	*53.6*	*4.4%*
Increlex®	*12.7*	*1.0%*	*28.3*	*2.3%*
Neurology	242.2	19.8%	236.2 (1)	19.4%
Dysport®	*242.2*	*19.8%*	*236.1*	*19.4%*
Specialty care	**871.1**	**71.1%**	**862.5**	**70.7%**
Gastroenterology	219.9	18.0%	199.9	16.4%
Smecta®	*121.1*	*9.9%*	*113.5*	*9.3%*
Forlax®	*38.7*	*3.2%*	*38.7*	*3.2%*
Cognitive disorders	67.2	5.5%	79.0	6.5%
Tanakan®	*67.2*	*5.5%*	*79.0*	*6.5%*
Cardiovascular	20.6	1.7%	32.4	2.7%
Nisis® and Nisisco®	*7.8*	*0.6%*	*18.2*	*1.5%*
Ginkor Fort®	*11.7*	*1.0%*	*11.9*	*1.0%*
Other pharmaceutical products	12.5	1.0%	13.2	1.1%
Adrovance®	*10.4*	*0.9%*	*11.5*	*0.9%*
Primary care	**320.2**	**26.1%**	**324.6**	**26.6%**
Total drug sales	**1,191.3**	**97.3%**	**1,187.0**	**97.3%**
Drug-related sales	**33.5**	**2.7%**	**32.5**	**2.7%**
Group sales	**1,224.8**	**100.0%**	**1,219.5**	**100.0%**

(1) The 0.1 million euros difference with Dysport® sales arose from a final payment received on Apokyn®, whose North American development and marketing rights were sold to Britannia Pharmaceuticals in November 2011.

Products in Specialty care

The products currently marketed by the Group in each of its targeted areas are described below:

Uro-oncology

Decapeptyl®

Active substance and indications

The active substance in Decapeptyl® is triptorelin, a decapeptide analogue of GnRH (Gonadotrophin Releasing Hormone), an hormone secreted by the hypothalamus, which initially stimulates the release of pituitary gonadotrophins (hormones produced by the pituitary gland), which in turn control hormonal secretions by the testicules and ovaries. Decapeptyl® contains a formulation that was initially developed and continues to be used mainly in the treatment of advanced metastatic prostate cancer. Additional indications have been subsequently developed.

The indications of Decapeptyl® are therefore as follows:

- *Treatment of locally advanced or metastatic prostate cancer.* In this indication, Decapeptyl® temporarily increases the concentration of testosterone and dihydro testosterone, 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 tumours of one of the main hormones promoting tumour development.
- *Uterine fibroids.* Decapeptyl® is used to reduce the risk of blood loss following ablative surgery to remove uterine fibroids and to relieve symptoms such as abdominal pain, dysmenorrhoea (painful menstruation) and menorrhagia (excessive menstrual bleeding) associated with uterine fibroids through the reduction in their hormonal stimulation.

- *Endometriosis.* Decapeptyl® is used as a treatment aiming to suppress oestrogen secretion, depriving the ectopic endometrial tissue of the critical stimulus it needs to grow.
- *In vitro fertilization.* Decapeptyl® is used in association with gonadotrophines, to induce ovulation in view of an *in vitro* fertilization followed by embryo transfer.
- *Precocious puberty.* Decapeptyl® is used to inhibit an over secretion of hormones by the pituitary gland, which improves the height age/bone age ratio.

Decapeptyl® is available in monthly or quarterly sustained-release formulations, as well as a daily formulation. In addition, Ipsen and its partner Debiopharm submitted a marketing authorization application for 6-month triptorelin 22.5 mg in Europe in September 2008. In October 2009, European regulatory authorities gave the green light for the treatment of locally advanced or metastatic prostate cancer through a decentralized procedure. In 2010, Ipsen and Debiopharm announced the completion of the European decentralized registration procedure for the 6-month sustained-release formulation of Decapeptyl® in Portugal, Spain, Germany, Belgium and The Netherlands. Other launches followed in 2011, 2012 and 2013.

Marketing

Decapeptyl® was initially launched in France in 1986. At 31 December 2013, Decapeptyl® had marketing authorizations in over 66 countries, including 29 in Europe. Decapeptyl® was launched in the United Kingdom in late 2003 and in Germany in 2004 (under the Pamorelin® brand) and in Sweden in 2010.

In 2013, 51.3% of Decapeptyl® sales were generated in the Major Western European Countries (G5). Emerging countries represent an increasingly large portion of Decapeptyl® sales. The prostate cancer market is growing significantly in these countries where Ipsen is in the process of launching its 3-month formulation. In China, Ipsen was the first pharmaceutical company to launch a 3-month formulation as early as 2010. Competitors' 3-month formulations were only launched in 2012. In 2013, China was the first contributor to Decapeptyl® sales.

Decapeptyl® is prescribed primarily by the following specialists: urologists, andrologists, oncologists, radiotherapists, paediatric endocrinologists, gynaecologists, obstetricians and *in vitro* fertilization specialists.

Rival products vary depending on their therapeutic indications, the main ones being Enantone® (Takeda/Wyeth/Abbott), Zoladex® (AstraZeneca), Eligard® (Astellas) and, for *in vitro* fertilization, Cetrotide® (Merck Serono) and Orgalutran® (MSD). This landscape is likely to change over the coming years, with new rival products extending their geographic reach on the one hand (the principal ones being Leuprone® and Leupro® by Sandoz and Hexal, marketed in Germany since August 2007 and Gosereline Acino®, marketed in Germany since September 2009 and in the UK since 2010) and, on the other hand, with the arrival of luteinizing hormone-releasing hormone antagonists, led by Firmagon® (Ferring), marketed in Germany and Great Britain since June 2009, and in France since January 2010 in the form of a monthly injection.

In the analogue market, competition depends on whether or not 6-month formulations are present in the product line. Three competitors offer a 6-month form, which provides prescribers with a certain amount of flexibility: Eligard®, Enantone® and Decapeptyl®, while Zoladex® has not developed this form. Six-month forms have been registered in several European countries since 2010. As such, Eligard® 6-month has now been launched in the following countries: France, Spain, Germany, Austria, Nordic countries, Ireland, Belgium, Portugal, The Netherlands, and Poland. Enantone® 6-month (30 mg) is marketed in Germany, Austria, France, and Nordic countries. Decapeptyl® 6-month has been launched in France, Germany, Portugal, Belgium, Spain, The Netherlands, Nordic countries, Ireland, the UK, and some Eastern European countries. Moreover, since 2011, Decapeptyl® has a new indication as adjuvant to radiotherapy in locally advanced prostate cancer. This indication was already registered in England, France and Latvia in 2012; and was approved by BfArM (Federal Institute for Drugs and Medical Devices in Germany), which opened the door to other registrations in Europe in 2013.

In 2012, new hormonal drugs were launched in the oncology-urology field for patients with castrate resistant prostate cancer (CRPC). Abiraterone was the first compound to be launched by Janssen-Cilag under the brand name Zytiga®, and for which the ESMO 2011 guidelines (Recommendation 17a) mention that patients with CRPC should continue with life-long androgen deprivation therapy such as Decapeptyl®. Xtandi® from Astellas was launched in 2013 in the post-chemotherapy setting for CRPC.

Intellectual property

Debiopharm, which held the patent (now expired) to the pamoate formulations of Decapeptyl®, granted the Group an exclusive license to market Decapeptyl® within the European Union and in certain other countries. Debiopharm also granted the Group a co-exclusive license to manufacture Decapeptyl® within the European Union and in certain other countries (with Debiopharm nonetheless retaining the right to manufacture and supply Decapeptyl® for its own purposes and those of its other licensees in territories not licensed to the Group).

The pamoate formulations of Decapeptyl® were protected by patents until 2010 and are composed of monthly and quarterly administration formulations. The acetate formulations of Decapeptyl® are no longer protected. The 6-month formulation of Decapeptyl® is covered by an international Patent Cooperation Treaty application validated in a certain number of countries including Europe and the United States (expiration 2028 if granted).

Hexvix®

Active substance and indications

Hexvix® (hexaminolevulinate, 85 mg) is the first licensed drug developed to enhance the detection and management of bladder cancer, a key step in the surgical resection and treatment of non-invasive bladder tumours. The drug was designed to generate selective fluorescence in malignant cells in the bladder during transurethral resection, thus improving

detection, resection and time to recurrence of non-muscle-invasive bladder cancer (NMIBC).

Diagnosis with Hexvix®-guided blue light cystoscopy relies on the selective accumulation of protoporphyrin IX (PpIX) in neoplastic cells. After Hexvix® instillation, PpIX accumulation in tumours is improved by up to 10 times compared to normal tissue. Intracellular porphyrins are photosensitizing compounds that emit red fluorescence under subsequent blue light excitation, enabling accurate visualization of the tumour.

This medicinal product is for diagnostic use only. Hexvix® blue light fluorescence cystoscopy is indicated as adjunct to standard white light cystoscopy to contribute to the diagnosis and management of bladder cancer in patients with known or high suspicion of bladder cancer.

Hexvix® improves the detection of NMIBC and the removal of tumours during resection, resulting in better staging and surgical outcome.

The European variation to the SmPC filed in June 2012 under a Mutual Recognition Procedure (MRP) with the objective to modify the indication in order to include "management of bladder cancer" was accepted in February 2013, leading to the change in the indication in the SmPC, taking into consideration the long term follow up data (4 years) recently published. These data show that Hexvix®-guided blue light cystoscopy significantly prolongs time to recurrence compared to white light cystoscopy alone and therefore has a positive impact on patient outcome.

Marketing

Hexvix® was developed by Photocure, which sells the drug in Scandinavia and the United States. Photocure is an Oslo (Norway)-based pharmaceutical company specializing in photodynamic technology applied to oncology and dermatology. Hexvix® was first granted marketing authorization in 2004 in Sweden. It was subsequently approved in several European countries in 2006, then in the United States in 2010. General Electric (GE) Healthcare began distributing the product in Europe in 2006.

Hexvix® was originally granted marketing authorization in Europe on the basis of robust clinical data demonstrating improvement in the detection and resection of bladder cancer. More recently, new clinical data have shown that this improved rate of detection using Hexvix® results in more complete local surgery and hence a significant reduction in the rate of recurrence of bladder cancer. Hexvix® therefore has the potential to change the diagnosis and initial management of bladder cancer and to significantly improve the patient's prognosis. The French health authorities have assessed that Hexvix® provides a significant medical service, stating that "fluorescence cystoscopy with Hexvix® 85 mg, used as an adjunct to white light cystoscopy, provides a high level (level II) of improved medical service ("ASMR") in the diagnosis and management of superficial bladder tumours".

On 27 September 2011, Ipsen bought the rights to Hexvix® from GE Healthcare. Under this strategic agreement, Ipsen is responsible for distributing Hexvix® everywhere in the world, except for the United States, Scandinavia, Argentina, Brazil, Canada, India, Mexico, Turkey, Russia, China, South Africa, South Korea and Taiwan.

In 2013, Ipsen promotional efforts have been focused on seven key markets (Austria, Belgium, France, Germany, Italy, The Netherlands and the United Kingdom), which contributed to 97% of total Hexvix® revenues for Ipsen at handover date. Significant market access improvements have been obtained by Ipsen in the last quarter of 2013 such as in Italy (pending publication in the Official Journal) as well as re-listing of Hexvix® on the list "en-sus" in France. Both achievements should be incremental to the performance of the brand in the respective markets in 2014.

Intellectual property

Photocure holds patents on the product Hexvix® and licensed patents on behalf of the Joint Federal Polytechnic School of Lausanne and Norbert Lange in one hand, and Dusa Pharmaceuticals on the other hand, has granted the Group a worldwide license (with the exception of the following countries: USA, Denmark, Finland, Iceland, Norway and Sweden and other countries where the Group decides to return the license to Photocure under the conditions laid down in the marketing and supply agreement signed between the Group and Photocure (see Contract chapter 1.4.1.1) for marketing the product Hexvix® in the diagnosis of urological diseases. The license is exclusive with the exception of patents of Dusa Pharmaceuticals.

Research and Development

Following the transfer of distribution rights to Hexvix®, Ipsen has become a partner in the independent clinical trials currently under way using Hexvix® in Europe.

Endocrinology

Somatuline®

Active substance and indications

The active substance in Somatuline® and Somatuline® Autogel® is lanreotide, a somatostatin analogue that inhibits the secretion of growth hormone and certain hormones secreted by the digestive system.

Somatuline® and Somatuline® Autogel® are sustained-release formulations for injection containing lanreotide. The Group believes that the Somatuline® Autogel® formulation, to which it holds the patent, represents a major technological advance. As far as the Group is aware, this is the first semi-solid formulation for injection without any excipient, since the active substance itself controls the sustained release. Somatuline® Autogel® releases the active substance over a period of at least 28 days, thus requiring just one injection per month compared with the two or three injections previously required. This product is presented in a pre-filled syringe for easier administration. A new pre-filled ready-to-use device has been launched since 2011, with a retractable needle enabling the safe delivery of the full dose at every injection.

Somatuline® was initially indicated for the treatment of acromegaly and subsequently for the treatment of symptoms related to carcinoid syndrome associated with neuroendocrine tumours.

The indications of Somatuline® and Somatuline® Autogel® are the following:

- *Acromegaly.* Treatment of acromegaly when circulating levels of growth hormone remain high despite surgery or radiotherapy. Somatuline® inhibits growth hormone release and thus improves control of this disorder by relieving the symptoms associated with elevated levels of this hormone.
- *Neuroendocrine tumours.* Treatment of symptoms related to neuroendocrine tumours, particularly when associated with a carcinoid syndrome, by inhibiting the over-production of certain hormones secreted by these tumours.

Marketing

Somatuline® was initially launched in France in 1995 and the Somatuline® Autogel® formulation in 2001.

At 31 December 2013, Somatuline® (lanreotide) was marketed in over 55 countries (including 27 in Europe) for the treatment of acromegaly and neuroendocrine tumours. As of 30 August 2007, the US Food and Drug Administration (FDA) approved the sale of Somatuline® Depot® (lanreotide) Injection 60, 90 and 120 mg in the United States for the treatment of acromegaly.

In 2013, Somatuline® sales amounted to 246.9 million euros, of which 50.5% were generated in the Major Western European countries. Somatuline® Autogel® accounts for the greater part of the product's global sales.

In 2012, Somatuline® Autogel® was approved by Japanese authorities in the treatment of acromegaly. The Group's Japanese partner, Teijin Pharma, commercialy launched the product in January 2013.

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

The main competitors of Somatuline® Autogel® are (i) Sandostatin® LAR (a somatostatin analogue called octreotide) developed by Novartis for the treatment of acromegaly and neuroendocrine tumours and (ii) Somavert®, a growth hormone receptor antagonist developed by Pfizer and indicated only in acromegaly. Sandostatin® LAR Depot and Somavert® are already available in many countries, including in the United States. A number of companies, including Ambrilia Biopharma, Endo Pharmaceuticals and Camurus, are carrying out research and development activities on octreotide sustained-release formulations. In addition, Novartis is developing a product called pasireotide for the treatment of acromegaly and Cushing's disease. Moreover, a number of products developed in the field of oncology, such as Afinitor® (Novartis) and Sutent® (Pfizer), have seen their indication extended to include the anti-proliferative treatment of pancreatic neuroendocrine tumours (pNET) in 2011.

Intellectual property

The Group holds an exclusive worldwide license granted by Tulane University (United States) to manufacture, use and market the active substance in Somatuline® (lanreotide) and is the direct holder of the patent covering the Somatuline® Autogel® formulation. The patent covering the active substance, lanreotide, has expired. The patents to the Somatuline® Autogel® formulation are set to expire in August 2015 in Europe and in March 2020 in the United States. The European Patent has been extended in some countries (Austria, Belgium, Spain, Greece, Luxembourg, Sweden, Denmark and Portugal) which extends the patent term until May 2016 in those countries.

Research and Development

A phase III clinical trial for the treatment of symptoms related to carcinoid syndrome associated with neuroendocrine tumours (ELECT®) began in 2009 in the United States and in 11 countries outside the United States. Results were presented at ASCO GI in January 2014.

In addition, the results of the international phase III clinical trial (CLARINET®) were announced at the ESMO Congress in September 2013 demonstrating the anti-proliferative effect of Somatuline® Autogel®/Somatuline® Depot® 120 mg in neuroendocrine tumours. These results will be submitted to the FDA for the registration of a new indication in the treatment of GEP-NET patients.

The Group is also pursuing the development of longer sustained-release formulations of lanreotide.

NutropinAq®

Active substance and indications

NutropinAq® is a liquid formulation of recombinant human growth hormone administered using the "NutropinAq® Pen". Growth hormone is involved in several physiological processes, such as growth in stature and bone development in children.

NutropinAq® is indicated:

- for the long-term treatment of growth failure in children due to inadequate endogenous growth hormone secretion,
- for the long-term treatment of growth failure associated with Turner syndrome,
- for the treatment of growth failure in prepubescent children associated with chronic renal failure ahead of kidney transplantation,
- for the treatment of adults with growth hormone deficiency of either childhood or adult onset.

Marketing

In September 2002, Genentech, a US company specialized in biotechnology, granted the Group exclusive marketing rights for NutropinAq® worldwide outside North America, Mexico, Canada and Japan. Genentech, acquired by Roche in 2009, has pioneered the development of growth hormone and is currently the leading player in the US market.

At 31 December 2013, 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 paediatric and adult endocrinologists.

Five 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. A substantial number of developments focus on sustained-release formulations (weekly injection), which could improve acceptance of the treatment by the children and their parents.

NutropinAq® is a ready-to-use liquid formulation, which presents a significant advantage in a competitive market where the leader ex-US, Genotropin®, is presented in the form of powder to be reconstituted.

Intellectual property

NutropinAq® is protected by a European patent owned by Genentech which expired on 29 July 2013.

Research and Development

NutropinAq® is currently available in a single cartridge containing 10 mg of growth hormone administered with the reusable NutropinAq® Pen.

Increlex®

Active substance and indications

The active substance in Increlex® is a recombinant insulin-like growth factor of human origin (IGF-1). IGF-1 is the direct hormonal mediator of stature and bone growth and must be present for normal growth of bones and cartilage in children. In severe primary IGF-1 deficiency, children's serum IGF-1 levels are low despite the presence of normal or elevated GH levels. If the IGF-1 is not present in sufficient quantities, the child will not reach a normal stature. In children with this disorder, low IGF-1 levels are generally due to growth hormone resistance associated with mutations affecting the GH receptors and the post-GH receptor signalling pathways or defects in IGF-1 gene expression. As such, these children cannot respond adequately to exogenous GH treatment. Some individuals may also have a range of metabolic disorders, including lipid metabolism abnormalities, decreased mineral bone density, obesity and insulin resistance leading to diabetes.

In October 2006, Tercica Inc. granted the Group the rights to develop and market Increlex® worldwide, with the exception of the United States, Japan, Canada, the Middle East and Taiwan. The Group's subsequent acquisition of Tercica in 2008 gave it full access to this molecule (IGF-1).

The only indication filed for Increlex® is the treatment of severe primary IGF-1 deficiency in children and adolescents. This disorder is characterised by a very low endogenous production of IGF-1 despite normal or increased growth hormone secretion and excluding other forms of IGF-1 deficiency such as malnutrition, hypothyroidism, etc. Severe primary IGF-1 deficiency (levels below the 2.5th percentile for age and gender) prevents children from achieving normal growth, which means that these children suffer from severe growth failure and short stature compared with children of the same age and the same gender (height standard deviation score of less than 3).

Marketing

Increlex® has been marketed in the United States since the beginning of 2006. It was granted orphan drug status by the EMEA on 5 April 2006 and marketing authorization in the European Union on 9 August 2007. Increlex® is currently marketed by the Group in most European countries. Lonza, the supplier of Increlex®'s active ingredient has been facing manufacturing issues with Increlex® at its Hopkinton (MA, USA) production site. Increlex® supply interruption began in the US in mid-June 2013, and affected Europe and the rest of the world in Q3 2013. On 18 December 2013, Ipsen announced that Lonza had successfully re-manufactured the active ingredient of Increlex® and that a resupply plan had been communicated to the European Medicines Agency. Consultations with the EU Member States' national competent authorities are now in process to allow immediate resupply. Resupply in the US is still pending. Ipsen is actively working with the Food and Drug Administration (FDA) to solve this issue.

Intellectual property

Pursuant to the agreements made between Tercica Inc. and Genentech, the Group holds a license under Genentech's United States patent to a method of microbial production of IGF-1 expiring in December 2018. The license confers a non-exclusive right to make IGF-1 and the exclusive rights to use, sell and import such IGF-1 for certain medical indications. In Europe, the Group holds an exclusive license under Genentech's patent to a method of using IGF-1 for the treatment of partial growth hormone insensitivity (excluding Laron syndrome), which expires in March 2015. Also, the Group owns a United States patent and a European patent to a method of using IGF-1 for the treatment of primary IGFD (excluding partial GHIS and Laron syndrome). The U.S. patent expires in August 2025 and the European patent expires in September 2024.

Neurology

Dysport®

Active substance and indications

The active substance in Dysport® is a botulinum neurotoxin type A complex which acts at the level of the neuromuscular junction in the targeted muscle to block acetylcholine secretion, thereby reducing muscular contractions. Dysport® is therefore used in the following therapeutic indications:

- Treatment of Cervical Dystonia, characterized by abnormal contraction of neck muscles leading to deviated neck associated to pain.
- Treatment of local spasticity of adult upper and/or lower limbs, notably after a stroke. Spasticity is characterized by uncontrollable muscle contractions, often accompanied by pain and reduced muscle function, *e.g.* difficulty walking and a reduced use of the hands or the entire upper limb.
- Treatment of cerebral palsy in children. Dysport® treats spasticity of the leg muscles in children with cerebral palsy aged 2 years or older. Cerebral palsy is a motor disorder resulting from damage to the brain that generally occurs before, during, or after birth.
- Treatment of blepharospasm & hemifacial spasm. Blepharospasm is the involuntary closing of the eyes

caused by a spasm of the muscles surrounding the eyes. Hemifacial spasm is a movement disorder characterised by the contraction of the muscles on one side of the face, which can lead to disfigurement. Hemifacial spasm is a benign and involuntary contraction of muscles located on one side of the face (hemifacial). It usually starts around the eyes by tremors and occasional spasms of the eyelids that make the eye close partially or completely. It spreads slowly to other facial muscles on the same side of the face and the superficial muscles of the neck.

Marketing

Dysport® was initially launched in the United Kingdom in 1991. At 31 December 2013, Dysport® had marketing authorizations in more than 75 countries.

In 2013, 19.6% of Dysport® sales were generated in the Major Western European Countries.

With regard to the marketing of Dysport® in the United States, on 30 April 2009, the FDA approved the Biologics Licence Application (BLA) for Dysport® (abobotulinumtoxinA). The authorization covers two different indications, namely the treatment of cervical dystonia aimed at reducing the severity of an abnormal position of the head and cervical pain, as well as the temporary improvement in the appearance of moderate to severe glabellar lines in adults aged 65 years and under. Ipsen markets Dysport® in the United States for its therapeutic indication (cervical dystonia), while Medicis / Valeant markets Dysport® in the United States for its aesthetic indication (glabellar lines). Moreover, the unique name "abobotulinumtoxinA" distinguishes Dysport® from other botulinum toxin products on the market. In March 2006, the Group signed an agreement with the Medicis Group (USA) granting the latter the exclusive right to develop, sell and market certain formulations of the botulinum toxin for use in aesthetic medicine indications in the United States and Canada. In 2012, Valeant acquired Medicis.

In addition, in February 2007 the Group granted Galderma (France) the exclusive right to develop, promote and distribute its botulinum toxin type A product for aesthetic indications under the brand name Azzalure® in Europe and certain other territories (these agreements are presented in detail in section 1.4.1.3 of this registration document). Galderma currently has the commercial rights for Azzalure® in 43 countries.

Botulinum toxin type A is prescribed primarily by experienced physicians: neurologists, physical rehabilitation specialists, neuro-paediatricians, ENT specialists, ophthalmologists, dermatologists, plastic surgeons and urologists.

Dysport®'s main competitor is Botox® (Allergan). Additional botulinum toxins type A are also competing with Dysport®. Xeomin® (Mertz) (launched in 2005 in Germany, 2006 in Mexico, 2009 in Canada and in 2010 in the US) is continuing its geographical expansion. Lanzhou Biologics Institute has also launched a botulium toxin A under the brand names Prosigne®, Lantox® or BTXA® in Asia, Russia and Latin America. Medy-tox, Inc. has launched Medytoxin® in South Korea in 2006 and continues its geographical expansion in Asia, Latin America and Eastern Europe under different brand names (Neuronox®, Botulift®, Siax®). Mentor, acquired by Johnson&Johnson, is continuing its on-going Phase III clinical trial with its botulinum toxin A, Puretox®, in glabellar lines and in Phase I/II in cervical dystonia.

Intellectual property

Botulinum toxin, the active substance in Dysport®, does not have any patent protection. The Group holds an exclusive worldwide license granted by the UK Health Protection Agency (HPA), formerly known as the Centre for Applied Microbiology and Research, enabling it to use and to sell the botulinum neurotoxin type A complex, which is the active substance in Dysport®. The Group holds the right to manufacture this toxin using the HPA's expertise. The Group currently manufactures the toxin itself. The Group also holds eight patent families concerning new therapeutic applications of the botulinum toxin, as well as a patent family on a new formulation of Dysport® that may be used by the Group.

Research and Development

The Group is conducting several clinical phase III studies to enhance the number of therapeutic indications, notably in the United States. Positive initial results from the Phase III clinical study of Dysport® in the treatment of Adults suffering from Upper Limb Spasticity were published in December 2013. Moreover, three additional Phase III studies are underway (see section 1.2.2.1).

In addition, the Group is working on a liquid ready-to-use formula of Dysport®. In January 2014, Ipsen published the results for the international Phase III clinical trial of Dysport® Next Generation in cervical dystonia and the results of the European Phase II clinical trial of Dysport® Next Generation in glabellar lines.

Gastroenterology

Smecta®

Active substance and indications

The active substance in Smecta® is diosmectite, a natural clay processed for therapeutic use. This oral formulation of pharmaceutical clay, designed and developed by Ipsen, is indicated in the treatment of diarrhoea and in the symptomatic treatment of digestive pain in both adults and children.

Marketing

At 31 December 2013, Smecta® had marketing authorizations in about 60 countries. In 2013, approximately two-thirds of Smecta® sales were generated in China and France, the product's main markets.

In 2013, Ipsen continued to geographically expand Smecta®'s presence, with launches in Myanmar and Mexico. Smecta® is Ipsen's leading Primary Care product, in terms of both sales and growth. Smecta® is prescribed by general practitioners, gastroenterologists and paediatricians. It can also be sold without prescription under pharmacist advice. Smecta® is increasingly becoming a self-medication brand.

Smecta®'s main competitors are Imodium® and Arestal® (Janssen Cilag), Ercéfuryl® (Sanofi-Aventis), Ultralevure® (Biocodex) and Tiorfan® (Bioproject Pharma). On 20 May 2009,

the French Health Authority (ANSM) informed the Group that it had granted a marketing authorization to a generic product of Smecta® in France. One time suspended, this same authorization is henceforth active. So far, no generic has been launched.

Intellectual property

Smecta®'s former flavour (vanilla) was protected by a patent which expired in 1995. The pharmaceutical composition of Smecta®'s new aroma (orange/vanilla) is protected by a patent in a certain number of countries particularly in Europe (expiration 2028).

Research and Development

In 2007, the Group obtained registration for a new flavour of Smecta® (orange/vanilla), which has progressively been approved in the countries where Smecta® held marketing authorizations.

In 2008, the positive results of three pivotal studies (two in children and one in adults) strengthened Smecta®'s dossier.

Forlax®

Active substance and indications

The active substance in Forlax® is Macrogol 4000, a linear polymer of polyethylene glycol (PEG) of high molecular weight. This oral osmotic laxative, designed and developed by Ipsen, is indicated in the treatment of constipation for both adults and children.

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.

At 31 December 2013, Forlax® had marketing authorizations in about 50 countries. In 2013, 48.2% of Forlax® sales were generated in France.

Forlax® is prescribed primarily by general practitioners, gastroenterologists, gynaecologists, gerontologists and paediatricians.

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

In France, two generics of Forlax® were marketed by Mylan and Qualimed in March 2009. To date, Ipsen produces a generic product marketed by Biogaran.

Intellectual property

Forlax® has never been protected by a patent.

Fortrans®

Active substance and indications

The active substance in Fortrans® is Macrogol 4000, a linear polymer of polyethylene glycol (PEG) of high molecular weight with added electrolytes.

Fortrans® is indicated in bowel preparation before coloscopy.

Marketing

Fortrans® is considered as the "gold standard" for bowel cleansing preparation before coloscopy. At 31 December 2013, Fortrans® held marketing authorizations in about 50 countries.

Fortrans® is available in more than 30 countries. Russia and Poland are the two largest markets, together representing nearly 60% of Fortrans® sales.

Intellectual property

Fortrans® has never been protected by a patent.

Eziclen®

Active substance and indications

The active substances in Eziclen® are sodium sulphate anhydrous, magnesium sulphate heptahydrate and potassium sulphate.

Eziclen® is an osmotic laxative indicated in adults for bowel cleansing prior to any procedure requiring a clean bowel (*e.g.* bowel endoscopy, bowel visualization or radiology and surgical procedure).

Marketing

In 2009, Ipsen acquired from Braintree the exclusive manufacturing, marketing and distribution rights of the proprietary formulation BLI-800 for the European Union, Commonwealth of Independent States, selected Asian countries (including China) and some North African and South American countries. Eziclen® was approved in 16 countries of the EU through a decentralized registration procedure completed in January 2013. Eziclen® has been available since the end of 2013 in Poland, Czech Republic and Baltics countries. Eziclen® was launched in Germany in February 2014.

Intellectual property

The product is patent protected in Europe until 2023. Requests for Supplementary Patent Certificates have been filed in a number of European countries (Belgium, Czech Republic, Germany, Spain, Estonia, France, Great Britain, Luxembourg, the Netherlands, Portugal and Romania), which will extend the patent life until 2028 in countries wherein the SPC will be granted.

Cognitive disorders

Tanakan®

Active substance and indications

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. Tanakan® contains natural substances with antioxidant, neuroprotective and vasoactive properties, which support the treatment of various neurological and neuro-sensorial disorders.

Tanakan® is also indicated in the treatment of the cognitive decline in elderly, such as impaired intellectual capacities, memory and/or attention.

Since 2004, Tanakan® has been indicated, and reimbursed, in Belgium in the symptomatic treatment of mild to moderate forms of Alzheimer's-type dementia.

Marketing

At 31 December 2013, Tanakan® was approved in approximately 50 countries, mainly in Europe, Russia and Asia.

In 2013, 37.2% of Tanakan® sales were generated in Russia, representing double-digit growth over the previous year.

On 27 January 2012, The French Health Autority (ANSM) decided to no longer reimburse Tanakan®, Tramisal® and Ginkogink®, presently manufactured at the industrial site of Dreux (France). This decision arose following the reassessment of the reimbursement of a certain number of drugs by the French Social Security. Although Tanakan®, Tramisal® and Ginkogink® have been delisted since 1 March 2012, they can still be prescribed and delivered by healthcare professionals to patients in France.

Tanakan® is prescribed primarily by general practitioners, neurologists, geriatricians, psychiatrists, and ENT-specialists.

The main competitor drugs to Tanakan® in this area are Fonzylane® (Lafon/Céphalon), VitaloGink® (Mylan), Praxilène® (Lipha Santé), Sermion® (Sanofi-Aventis), Torental® (Sanofi-Aventis) and Nootropyl® (UCB Pharma).

Intellectual property

EGb 761® was protected by two patents, one granted to Dr. Willmar Schwabe ("Schwabe", with which the Group has a longstanding relationship) and the other granted to the Italian company Indena. The Group holds licenses to use these patents, entitling it to manufacture, use and sell products containing *Ginkgo biloba* extracts, including EGb 761®. These two patents are now expired in Europe, and the American patent from Indena will expire this year.

Cardiovascular

Nisis® and Nisisco®

Active substance and indications

Nisis® is an oral formulation containing valsartan, while Nisisco® contains valsartan and hydrochlorothiazide. The active substance in Nisis® and Nisisco® is valsartan, a synthetic angiotensin II antagonist compound.

The products are indicated in the treatment of high blood pressure and are prescribed by cardiologists and general practitioners.

Marketing

In 2003, the Group added Nisis® and Nisisco®, two anti-hypertensive products, to its portfolio by signing an agreement with the Swiss company Novartis to market the products in France, Andorra and Monaco. In 2013, these two products generated €7.8 million in sales, down 57.2% year-on-year following the launch of generics on 14 November 2011.

The main drugs competing with Nisis® and Nisisco® in this area are other class C9C and C9D specialties, namely Aprovel® and Coaprovel® (BMS-Sanofi), Cozaar®, Hyzaar® and Fortzaar® (Merck), Tareg® and Cotareg® (Novartis), Atacand® and Hytacand® (Astra Zeneca) and Kenzen® and Cokenzen® (Takeda). Other competitors include Alteis® / Alteis duo® (Menarini) and Olmetec® and Colmetec® (Sankyo).

Intellectual property

Novartis held a European patent to the molecule carrying the INN valsartan (angiotensin II receptor antagonist). This patent has been supplemented in France by a supplementary patent certificate protecting valsartan until 12 May 2011 and by a pediatric extension until 10 November 2011, both expired today. A preparation process of galenic formulations of valsartan and valsartan/hydrochlorothiazide is protected by a European patent owed by Novartis until 18 June 2017.

Rheumatology

Adrovance®

Active substance and indications

Adrovance® is indicated in the treatment of post-menopausal osteoporosis in patients at risk of vitamin D deficiency. Osteoporosis is a diffuse disease of the skeleton whose main characteristic is low bone mass and deterioration of bone tissue. Resulting bone fragility increases susceptibility to fractures. On 30 January 2007, MSD granted the Adrovance® marketing rights for France to Ipsen.

Marketing

MSD currently markets this product under the brand name Fosavance®. The Group markets Adrovance® in France.

In 2013, Adrovance® generated €10.4 million in sales. Adrovance® is prescribed by rheumatologists, gynaecologists and general practitioners.

In France, the price of Adrovance® was reduced by 25% in May 2010. Another decrease of 33% occurred on 1 January 2012.

The drug's principal competitors are other bisphosphonates such as: Actonel® (Procter and Gamble Pharmaceuticals France), Fosavance® (MSD) and selective oestrogen receptor modulators such as: Evista® (Lilly France), Optruma® (Pierre Fabre Médicament), Protelos® (Servier) and Aclasta® (Novartis).

Adenuric®

Active substance and indications

Adenuric® (febuxostat) 80 mg and 120 mg (tablets) are indicated in the treatment of chronic hyperuricaemia for conditions in which urate deposition exists or has occurred (including a history or presence of tophus and/or gouty arthritis). High level of uric acid in the body (hyperuricaemia) can induce gout attacks.

Marketing

In July 2003, Ipsen began a Research and Development collaboration with Teijin Pharma Limited. This collaboration involves, on the one hand, the development of four of the Group's products and the marketing of the products resulting from this development program by Teijin Pharma in Japan and, on the other hand, the development and marketing of

febuxostat (Adenuric®) by Ipsen in Europe (European Union and Russia).

On 20 October 2009, the Group granted exclusive license rights to the Menarini Group for Adenuric® in 41 countries. Ipsen retains co-promotion rights to Adenuric® in France.

The product has been co-promoted in France by Ipsen since March 2010. Adenuric® has been the first major therapeutic alternative for chronic hyperuricaemia since 1964 available to patients suffering from gout.

The agreement will remain in effect for at least 10 years or upon expiration of the last valid patent application for all territories (until 2023). The only competitor of Adenuric® is Allopurinol®, which has long been available as a generic drug.

Intellectual property

Febuxostat is a product owned by Teijin Pharma and sold under the name TMX 67. Teijin Pharma holds a European patent to febuxostat. This patent expired in November 2011. A European patent application covering a polymorphic form of febuxostat was granted in November 2009 and an opposition was filed: the opposition division has decided to maintain the patent under an amended form relating to a therapeutical composition of a polymorphic form of febuxostat. The opponent did not appeal the decision. The patent will expire in June 2019. Based on this patent, an extension has been filed *via* the filing of SPC in a certain number of European countries (Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Poland, Portugal, Romania, Slovenia, Spain, Sweden and Great Britain) which will extend the patent term until 2023 in the countries in which SPC is granted. Another application for a galenic formulation of febuxostat is currently being reviewed.

Significant new products or services launched on the market since the end of 2011

On 27 September 2011, the Group bought back the rights to Hexvix® from GE Healthcare. As part of this strategic collaboration, Ipsen will commercialize Hexvix® worldwide – except in the USA and Nordic region or in India, Turkey and Russia (territories returned to Photocure on 27 January 2012 pursuant to the license agreement).

On 3 December 2012, Ipsen and Galderma announced that their collaboration for the promotion and distribution of Dysport®, Ipsen's botulinum toxin type A in aesthetic indications, had been extended. Both companies renewed their collaboration in Brazil and Argentina and extended their partnership to Australia where Galderma has the exclusive promotion and distribution rights for Ipsen's Dysport® in the glabellar lines indication. In those territories, Galderma has a unique and complete portfolio of products and services in the Aesthetic & Corrective field, with products such as Restylane®, Emervel® and Pliaglis®. In Brazil, the world's second largest aesthetic market, Dysport® sales within aesthetics doubled over the initial agreement period (2008-2012). Both companies also entered into a co-promotion agreement in South Korea where Galderma and Ipsen will co-promote Dysport® and Restylane®.

On 17 January 2013, Teijin Pharma Limited, the Group's partner, announced the launch of Somatuline® 60/90/120 mg for subcutaneous injection in Japan for the treatment of acromegaly and pituitary gigantism (when response to surgical therapies is not satisfactory or surgical therapies are difficult to perform). In Japan, Teijin Pharma holds the rights to develop and market the drug.

Manufacturing

The Group operates, either alone or with its partners, a total of eight production facilities in France, the United Kingdom, Ireland, Switzerland, China and the United States, as well as three plantations and leaf-drying facilities in France and the United States.

The Group's production process consists of three main stages: the primary production of the principal active substances, incorporation of these constituents into secondary formulations and the related conditioning. Each stage of the production process takes place under strictly controlled conditions and is subject to the applicable national and international legislation. All the Group's production facilities comply with Good Manufacturing Practices (GMP), in line with the relevant directives. Production facilities located outside the United States which import products into the country must be approved by the FDA on a product-by-product basis and are subject to periodic inspections by this administration.

The Group manufactures its own products when it deems this to be necessary for its business for strategic reasons, but also relies upon outsourcing as an alternative. Likewise, where appropriate, the Group enters into supply agreements with third parties, such as Expansia, a fine chemicals company that supplies certain active substances.

The Group currently produces the active substances of its principal products and some of its products that appear to harbour significant future growth prospects. The Group produces the *Gingko Biloba* extract (EGb 761®) in its Cork site (Ireland) through its partnership with Schwabe. In addition to the pharmaceutical production know-how required to produce its highly specialized products, the Group boasts a wealth of experience in the technology of biological production processes based on proteins. In addition, the Group believes that it is one of the few laboratories able to successfully produce sustained-release peptide formulations for injection.

Each of the Group's production facilities focuses on a particular technology to maximise its operational efficiency. For instance, the Dublin site (Ireland) is devoted to the purification and formulation of peptide, while the Dreux plant (France) specializes in the production and conditioning of high volumes of oral formulations. The continued implementation of this policy and the resulting efficiency are critical to the success of the Group's product procurement strategy.

To ensure access to the requisite quantities and quality of raw materials needed to produce the *Gingko Biloba* extract

(EGb 761®), the Group produces a large proportion of the *Ginkgo biloba* leaves in its own plantations (in France and the United States). In this way, it minimises its exposure to any significant risk related to the availability of raw materials and the volatility of their prices.

1.2.1.2 Significant events during the year (1)

On 17 January 2013 – Teijin Pharma Limited, the core company of the Teijin Group's healthcare business, and Ipsen announced the launch of Somatuline® 60/90/120 mg for subcutaneous injection in Japan for the treatment of acromegaly and pituitary gigantism (when response to surgical therapies is not satisfactory or surgical therapies are difficult to perform). In Japan, Teijin Pharma holds the rights to develop and market the drug.

On 24 January 2013 – Ipsen and Inspiration Biopharmaceuticals Inc. (Inspiration) announced that they entered into an Asset Purchase Agreement (APA) whereby Baxter International (Baxter) agree to acquire the worldwide rights to OBI-1, a recombinant porcine factor VIII (rpFVIII) in development for congenital hemophilia A with inhibitors and acquired hemophilia A, and Ipsen's industrial facility in Milford (Boston, MA). The APA was filed on 23 January 2013, with the US Federal Bankruptcy Court in Boston (MA). The sale is a result of joint marketing and sale process pursued by Ipsen and Inspiration shortly after Inspiration filed for protection under Chapter 11 of the U.S. Bankruptcy Code on 30 October 2012. The APA is subject to certain closing conditions, including Bankruptcy Court and regulatory approvals. Ipsen has agreed to extend the DIP to Inspiration for a period of 45 days *i.e.* for an additional amount of up to c. $5 million.

On 6 February 2013 – Ipsen and Inspiration Biopharmaceuticals Inc. (Inspiration) announced that they entered into an Asset Purchase Agreement (APA) whereby Cangene Corporation (Cangene) agrees to acquire the worldwide rights to IB1001, a recombinant factor IX (rFIX) for the treatment of hemophilia B. Under the terms of the APA, Cangene has agreed to pay $5.9 million upfront, up to $50 million in potential additional commercial milestones as well net sales payments equivalent to tiered double digit percentage of IB1001 annual net sales. The APA is subject to certain closing conditions including Bankruptcy Court approval.

On 7 February 2013 – Ipsen and Braintree Laboratories, Inc., a US-based company specializing in the development, manufacturing and marketing of specialty pharmaceuticals, announced that Eziclen® / Izinova® (BLI-800) successfully completed its European decentralized registration procedure involving sixteen countries. The product will be indicated in adults for bowel cleansing prior to any procedure requiring a clean bowel (*e.g.* bowel visualization including bowel endoscopy and radiology or surgical procedure).

On 20 February 2013 – Ipsen and Inspiration Biopharmaceuticals Inc. (Inspiration) announced the closing of the sale of the proprietary hemophilia B product, IB1001 (recombinant FIX), to Cangene Corporation (Cangene). Ipsen and Inspiration jointly agreed to sell their respective commercialization rights to IB1001 as part of the transaction. Cangene acquired worldwide rights to IB1001, a recombinant factor IX currently under regulatory review in the United States and Europe.

On 27 February 2013 – Ipsen's Board of Directors appointed Christel Bories as Deputy Chief Executive Officer. This appointment was effective as of 1 March 2013. Working alongside Marc de Garidel, Chairman and Chief Executive Officer, Christel Bories is responsible for accelerating the execution of the Group's strategy.

On 21 March 2013 – Ipsen and Inspiration Biopharmaceuticals Inc. (Inspiration) announced the closing of the sale of its lead hemophilia program, OBI-1 to Baxter International Inc. (Baxter), the global leader in hemophilia. Baxter acquired worldwide rights to OBI-1, a recombinant porcine factor VIII in development for the treatment of congenital hemophilia A with inhibitors and acquired hemophilia A, as well as Ipsen's manufacturing facility for OBI-1 in Milford, MA. The Ipsen employees working on the development and manufacturing of OBI-1 were offered employment by Baxter. Baxter has agreed to pay $50 million upfront, up to $135 million in potential additional development and sales milestones as well as tiered net sales payments ranging from 12.5% to 17.5% of OBI-1 global net sales. OBI-1 is currently in a pivotal trial for the treatment of individuals with acquired hemophilia A. As Inspiration's only senior secured creditor and as the owner of non-Inspiration assets that will be included in the sale of both OBI-1 and IB1001, Ipsen will receive at least 60% of the upfront payments. Over and above these upfront amounts, Ipsen will receive 80% of all payments up to a present value of $304 million and 50% of all proceeds thereafter.

On 9 April 2013 – Ipsen announced that Health Canada had granted a marketing authorization for Dysport® (Botulinum toxin type A for injection) for the temporary improvement in the appearance of moderate to severe frown lines (glabellar lines) in adult patients younger than 65 years of age. Medicis Aesthetics Canada, a division of Valeant Pharmaceuticals, will market Dysport® for use in aesthetic medicine in Canada.

On 10 April 2013 – PeptiDream Inc., a Tokyo-based pharmaceutical company (PeptiDream), and Ipsen, a global specialty driven pharmaceutical Group, announced that they have entered into a research collaboration and license option agreement to discover, evaluate, potentially develop and launch therapeutic peptides to treat serious medical conditions in areas of therapeutic focus for Ipsen.

On 24 April 2013 – Upon proposal of the Appointments and Governance Committee, the Board of Directors of Ipsen will propose to the Combined Shareholders' Meeting to be held on 31 May 2013 the renewal of the terms of office as Directors of Mr. Antoine Flochel and Mr. Gérard Hauser and the appointment as a Director of Mrs. Martha Crawford in replacement of Mr. Klaus-Peter Schwabe who did not request the renewal of his term of office.

On 25 April 2013 – Ipsen announced that the supplier of Increlex®'s (mecasermin [rDNA origin] Injection) active ingredient, Lonza, was facing manufacturing issues with Increlex® at its Hopkinton site (MA, USA). Ipsen is actively working with its third party manufacturer and the Food and

(1) All our press releases are available on our website at www.ipsen.com

Drug Administration (FDA) to bring Increlex® back to the US market as soon as possible. The supply interruption occurred in mid-June 2013 in the US and in Q3 2013 in Europe and the rest of the world. Resupply before year end 2013 was not expected than.

On 25 April 2013 – Active Biotech and Ipsen announced that the companies have updated the analysis plan for the 10TASQ10 trial, a global Phase III clinical trial evaluating tasquinimod in patients with metastatic castrate-resistant prostate cancer (mCRPC) who have not yet received chemotherapy. The companies now plan to conduct the primary PFS analysis for the 10TASQ10 trial in 2014, at the same time as the first interim overall survival (OS) analysis. The time point for the OS interim analysis will be driven by the number of OS events. The specified number of radiographic progression-free survival (PFS) events for the primary end-point will have been exceeded at the time of interim OS analysis.

On 14 June 2013 – Ipsen announced that, as part of the accelerated execution of its strategy in the USA, the Group adopted a new organizational model for the distribution of Dysport® in therapeutic indications. With the growing importance of market access and payer driven decisions in healthcare, Ipsen is shifting its business model toward account management in the USA. As such, the Dysport® sales force has been optimized and refocused on key accounts, which will allow the Group to better serve physicians and patients. Cost associated with the reorganization should not be material.

On 11 July 2013 – Ipsen announced results from the primary endpoint of the CLARINET® study, assessing the effect of Somatuline® Autogel® 120 mg on tumor progression-free survival in patients with gastroentero and pancreatic neuroendocrine tumors (GEP-NETs). Treatment with Somatuline® Autogel® 120 mg was found to be statistically significantly superior to placebo in extending time to either disease progression or death. The safety profile observed in the study is consistent with the known safety profile of Somatuline®. Comprehensive results from this study were disclosed at the 2013 European Cancer Congress (27 September – 1 October 2013). CLARINET® provides medically important results as it is the first large scale placebo-controlled randomized study to demonstrate the antitumoral activity of a somatostatin analog in non-functioning GEP-NETs.

On 15 July 2013 – Ipsen announced the closing of the acquisition of Syntaxin, a UK-based private life sciences company specialized in botulinum toxin engineering. Under the terms of the agreement, Ipsen will pay €27.9 million upfront, as well as further contingent payments that could reach €130 million or more depending on the achievement of development and commercial milestones. Furthermore, Syntaxin's shareholders will receive the greater part of additional downstream payments related to the company's most advanced asset, currently in Phase II clinical trials. The transaction fits into Ipsen's strategy to reinforce its core technological platforms, peptides and toxins. Syntaxin has a wealth of experience in botulinum toxin biology, supported by an extensive patent portfolio – with 75 granted patents and over 130 patents pending. Syntaxin and Ipsen started collaborating in 2010. In 2011, they signed a global strategic partnership to explore the discovery and development of new compounds in the field of recombinant botulinum toxins. Syntaxin's team has used its extensive expertise in the discovery of new therapeutic candidates while Ipsen applied its skills to pharmacological, preclinical and clinical assessment of the compounds. Prior to the transaction, Ipsen owned c.10% of Syntaxin's capital on a fully diluted basis.

On 15 July 2013 – Ipsen announced that it had initiated a research and development collaboration on novel engineered botulinum toxins with Harvard Medical School (Harvard). Under the terms of the agreement, Ipsen will fund Harvard research for at least three years with the aim to discover, evaluate and develop novel engineered recombinant botulinum toxins for the treatment of serious neurologic diseases. The collaboration will combine Harvard's discovery platform and botulinum toxins engineering expertise with Ipsen's know-how in drug discovery and pharmaceutical R&D. Ipsen will have exclusive worldwide rights on any candidate recombinant toxin stemming from the collaboration. Ipsen will be responsible for the development and marketing of the new toxins and will make associated upfront, milestones and royalty payments to Harvard.

On 29 August 2013 – Ipsen announced the departure of Eric Drapé, Executive Vice-President, Technical Operations. Christel Bories, Deputy CEO, takes over his responsibilities on an interim basis.

On 29 August 2013 – Ipsen and Allergan have signed an agreement to settle their dispute on patents for the therapeutic use of botulinum toxin in urology indications. This agreement has had no impact on the Group's treasury.

On 17 September 2013 – Ipsen announced positive top line results from the primary endpoint of the ELECT® study, assessing the effect of Somatuline® Autogel® / Somatuline® Depot® (lanreotide) Injection 120 mg on the control of symptoms in patients with neuroendocrine tumors (NETs) associated with carcinoid syndrome. Treatment with Somatuline® was found to be statistically significantly superior to placebo in decreasing the number of days patients needed to use rescue medication (subcutaneous somatostatin analogues *i.e.*, octreotide) to control symptoms associated with carcinoid syndrome.

On 26 September 2013 – Ipsen announced plans to relocate its U.S. R&D operations in 2014 from Milford to Cambridge, MA – a leading hub for biotechnology research. This site will be key for innovation in targeted therapies across Ipsen's specialty areas as well as a center of excellence for peptides.

On 28 September 2013 – Ipsen announced that results from CLARINET® Phase III clinical trial presented at the 2013 European Cancer Congress showed the antiproliferative effect of Somatuline® (lanreotide) 120 mg injection in the treatment of non-functioning gastroentero and pancreatic neuroendocrine tumors (GEP-NETs). CLARINET® met its primary endpoint by demonstrating that treatment with Somatuline® Autogel® / Somatuline® Depot® (lanreotide) Injection 120 mg was associated with a statistically significant

reduction of the risk of disease progression or death by 53% vs. placebo (hazard ratio 0.47, 95% CI: 0.30–0.73; p=0.0002). This result is based on the observation that 62% of GEP-NET patients treated with Somatuline® had not progressed or died *versus* 22% with placebo over the follow-up period (Kaplan-Meier estimates). The median progression free survival was not reached (beyond 2 years) in the Somatuline® group *versus* 18 months in the placebo group.

On 2 October 2013 – Ipsen announced its new organization project as well as the new composition of the Executive Committee to accelerate the implementation of the Group's strategy. The objective of the new organization is to continue to develop Specialty Care with the creation of two divisions represented at the Executive Committee level: Specialty Care Franchises and Specialty Care Commercial Operations. The project will also intensify the optimization of Primary Care activities with the creation of a dedicated Business Unit.

On 7 October 2013 – PeptiDream Inc., a Tokyo-based pharmaceutical company, and Ipsen announced that they had expanded the scope of their April 2013 research collaboration and license option agreement to discover, evaluate, potentially develop and launch therapeutic peptides to treat serious medical conditions in areas of therapeutic focus for Ipsen.

On 9 October 2013 – Active Biotech and Ipsen announced that Active Biotech, under the terms of the co-development and commercialization agreement on the novel candidate drug tasquinimod, had received a milestone payment of €12 million from Ipsen.

On 6 November 2013 – Ipsen announced it has granted Natixis a mandate to purchase 800,000 shares, or 0.95% of the capital. This mandate begins on 6 November 2013 and will end on 6 May 2014. The purchased shares will be cancelled. This program is part of the authorization granted by the Combined Shareholder's meeting held on 31 May 2013. The renewal of the authorization is subject to approval by the 2014 Shareholder's meeting of Ipsen S.A..

On 12 December 2013 – Ipsen announced the appointment of Dominique Brard as Executive Vice President in charge of Human Resources of the Ipsen group, in place of Etienne de Blois. Dominique will be a member of Ipsen's Executive Committee. She took up her new position on 6 January 2014, reporting directly to Christel Bories, Deputy CEO of Ipsen.

On 17 December 2013 – Ipsen announced positive initial results from the double-blind phase III study of Dysport® (abobotulinumtoxinA) in Adult Upper Limb spasticity. Regarding the primary endpoints, treatment with Dysport® showed statistically significant response *versus* placebo in the improvement of muscle tone, as measured by the Modified Ashworth Scale (MAS). In addition, a statistically significant clinical benefit for the patients treated with Dysport® was demonstrated *versus* placebo, as measured by the Physician Global Assessment (PGA). The safety profile observed in the study was consistent with the known safety profile of Dysport® in this indication. Comprehensive results from this double-blind study will be disclosed in the next few months at major international congresses.

On 18 December 2013 – Ipsen announced that Lonza had successfully re-manufactured the active ingredient of Increlex® (mecasermin [rDNA origin] Injection) and that the Group was preparing for the resupply of Increlex® in Europe. A resupply plan was communicated to the European Medicines Agency. Consultations with the EU Member States' national competent authorities have allowed immediate resupply.

On 18 December 2013 – Ipsen and Mayoly Spindler announced the signing of a cross-promotion agreement for their primary care activities in France. Through the creation of a co-managed commercial platform, the two companies will leverage their complementary competencies and product portfolios. Mayoly Spindler will benefit from Ipsen's experience in the promotion of medicines to general practitioners in France, in particular in the fields of gout and gastroenterology. In parallel, Ipsen will benefit from Mayoly Spindler's experience in pharmacies. This agreement leverages the complementarity of each company's product portfolio. In the field of gastroenterology, Meteospasmyl®, indicated to treat abdominal spasms, is complementary to Ipsen's product range which includes Smecta® and Forlax®. In the field of rheumatology, Colchicine® will complement Ipsen's Adenuric®. Under the terms of the agreement, each company will continue to book the sales of its own products.

1.2.2 Research and Development Activities

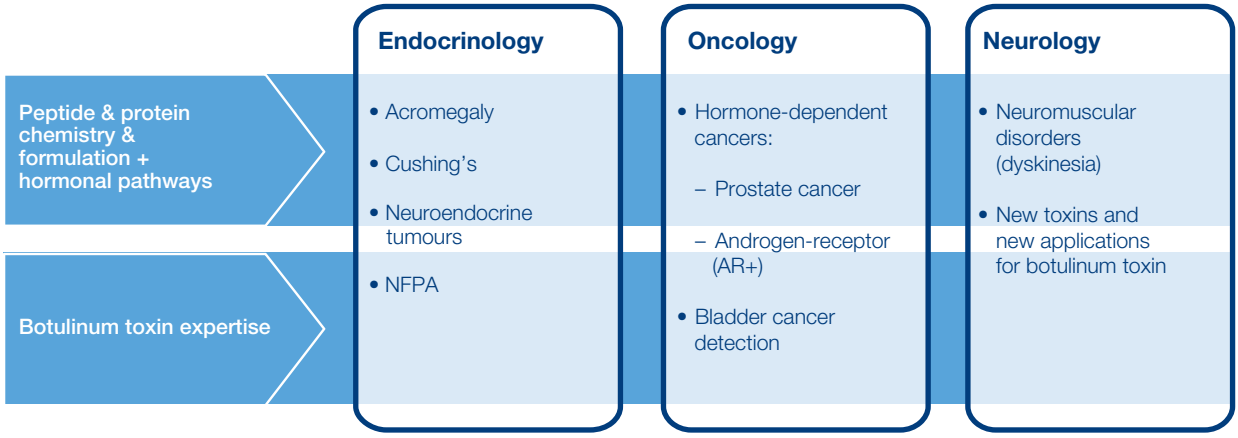
1.2.2.1 Research and Development

The Group's Research and Development ambition is to support Ipsen in becoming a world leader in the treatment of targeted debilitating diseases. It aims to respond to unmet medical needs by providing patients with innovative care solutions, and to transform the prognosis of the disease.

Research and Development has two core tasks:

- the management of the lifecycle of the products marketed by the Group, with:
  - the extension of labelled indications;
  - the development of new formulations and delivery systems and;
  - the registration in new geographical areas;
- the discovery, development and regulatory approval of new drugs with two differentiated core technological platforms, peptides and toxins.

Research and Development focus internally on Ipsen's differentiated core platforms.



- **The exploration and use of hormonal mechanisms** is central to the Group's research efforts: it is based on the in-depth exploration of the pathophysiological mechanisms involved in the genesis and development of the disease (biological processes that differentiate the healthy state *vs.* the diseased state). Based on this knowledge, the Group identifies the peptides that regulate important biological phenomena. These natural substances (endogenous to the organism), enzymes and receptors, are ideal targets for the design of innovative medicines.
- **The engineering of peptides** is mainly conducted by the Research and Development Centre in Massachusetts (USA), alone or in collaboration with academic research centres and biotechs, and is coupled with **pharmaceutical development,** located on the Dreux site, which aims to design and develop formulations and innovative delivery systems for new chemical entities or for marketed products. These converging technologies are able to optimise the efficacy of active ingredients while improving the quality of life of patients and facilitating the use of these products by health care professionals.

  The integration of these platforms fosters the discovery of products for the treatment of very severe and life-threatening diseases in the Group's targeted therapeutic areas. One of the best examples of this approach is the trademark and patented formulation Somatuline® Autogel®, a product that illustrates the Group's ability to combine the results of its research in the field of innovative peptide drugs with advanced drug delivery platforms.
- **The botulinum toxin platform.** Botulinum toxin has unique potential for very broad therapeutic applications in many areas: urology, oncology, endocrinology, regenerative medicine, etc. The Group is one of the few to master its manufacturing and testing 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 recently strengthened its toxin expertise with the acquisition of Syntaxin, a UK-based private life sciences company specialized in botulinum toxin engineering. Syntaxin has a wealth of experience in botulinum toxin biology supported by an extensive patent portfolio with 75 granted patents and over 130 patents pending.

Partnership policy

The internal Research and Development effort is also supported by an active partnership policy from the basic research stage through to clinical development. The Group's

philosophy in this regard stems from the observation that Ipsen's R&D staff members, even if they are highly expert in their fields, are a tiny fraction of the expertise available worldwide in our areas of expertise; it is essential therefore to look for synergies between internal projects and skills and those of other leading-edge players in medical and pharmaceutical R&D.

At the research stage, the Group has established numerous academic collaborations with Massachusetts General Hospital, Dana-Farber Cancer Institute and Harvard Medical School in Boston, Biostar in Singapore, Inserm in France. It has been involved since 2008 in a long-term partnership with the prestigious Salk Institute (La Jolla, California) on basic research in its areas of interest. It has also forged partnerships on specific projects with innovative biotechs, thereby accessing new compounds and promising technologies for the discovery of new candidate drugs. In the field of biomarkers and *in vitro* diagnostics, a framework agreement was concluded with bioMerieux in the first quarter of 2011. In July 2011, Ipsen and Institut Gustave Roussy (France) entered into a partnership agreement in the area of medical oncology to leverage the combined expertise of their respective Research and Development teams, particularly optimizing new therapeutic and biomarker programs in order to accelerate the transition between preclinical development and clinical proof of concept studies.

Among the development partnerships involved in the Group's R&D efforts, are in particular:

- Debiopharm (Switzerland): one of the Group's oldest development partnerships, on Decapeptyl®.
- Active Biotech (Sweden): Ipsen and Active Biotech are co-developing tasquinimod for the treatment of metastatic castrate resistant prostate cancer patients.
- Syntaxin (UK): prior to the acquisition of Syntaxin, Ipsen had entered into a collaboration agreement with this company to explore the discovery and development of new compounds in the field of botulinum toxins, to complement Ipsen's Neurology portfolio.
- Oncodesign (France): Through a research agreement, Ipsen and Oncodesign are developing new therapeutic agents against LRRK2, a Parkinson's disease target.
- Preglem (Switzerland): spin-off of a development project in the family of sulfatase inhibitors. In 2010, Gedeon Richter acquired the company Preglem. EMA granted a market authorization for ESMYA® in February 2012.
- Rhythm (USA): Ipsen licensed two endocrinology programs at the pre-clinical stage, a ghrelin agonist and an MC4 agonist to the company Rhythm (USA). The ghrelin agonist moved into clinical development and is in Phase I clinical development for the treatment of diabetic gastroparesis.
- Radius: spin-off of a project for the development of a PTH-releasing peptide in osteoporosis. Moved into Phase III development in 2011.
- Pharnext (France): Ipsen's investment in an innovative approach to Charcot-Marie Tooth disease moved from research to clinical development in 18 months and is currently in Phase II.
- PeptiDream (Japan): Through a research collaboration and two license option agreements Ipsen and Peptidream are aiming to discover, evaluate, potentially develop and launch therapeutic peptides to treat serious medical conditions in areas of therapeutic focus for Ipsen.

Investment in translational sciences

Research and Development strives to be at the forefront of major changes currently emerging in science and medical practice: progression of molecular medicine and biomarkers which are revolutionising the diagnosis and prognosis of diseases and the selection of the best treatment and the emergence of personalized medicine which will allow every patient to receive individualised therapy to suit their specific needs. This commitment to translational sciences is reflected in a willingness to invest in in-depth knowledge of pathophysiological/molecular mechanisms of diseases and to identify from the outset biomarkers which will accompany the development of candidate drugs, with the potential to become companion diagnostics.

Total investment in Research and Development

At 31 December 2013, 878 Group employees (compared with 967 in 2012 and 893 in 2011) were assigned to Research and Development activities.

In 2013, the Group spent €259.1 million on Research and Development (against €248.2 million in 2012 and €234.6[(1)] million in 2011), representing 21.2% of Group's net consolidated sales (against 20.9% in 2012 and 20.2% in 2011).

1.2.2.1.1 Research and Development Centres

The Group has established an international network of research and development centres located in geographical areas where it has access to considerable expertise in scientific and clinical research. The Group believes its Research and Development programs, and the geographical distribution of its Research and Development centres, allow it to recruit talented scientists, making the Group highly competitive in the field of pharmaceutical research compared with other groups of similar size.

The Research and Development Centre at Les Ulis (France)

The Research and Development Centre at Les Ulis (Institut Henri Beaufour) was opened in 1969 and a new facility was built in 1996. The scientists are focused on drug discovery of novel medicines in the fields of neurology and oncology. More recently, with the closure of the Barcelona site, the Pharmacodynamic and Metabolism group in Les Ulis has expanded in order to support Ipsen projects from discovery to market. The Group has also established a pre-clinical and clinical development organization which defines the worldwide development strategy and conducts the appropriate studies in order to progress compounds to market.

(1) Restated for the amounts related to hemophilia.

The Research and Development Centres in Milford (Massachusetts, United States) and Basking Ridge (New Jersey, United States)

The Research and Development Centre in Boston (Albert Beaufour Research Institute) specializes in research on peptides. The site has facilities for peptide synthesis for therapeutic purposes. The biological expertise of the Boston Centre focuses on knowledge of hormone-dependent pathophysiological mechanisms involving neuropeptides and the associated growth factors. The Group also has a clinical research and development team whose task is to coordinate and perform clinical research in North America. A dedicated regulatory group focuses on the Group's regulatory activities with the FDA in the United States. In September 2013, Ipsen announced that it would relocate its US R&D activities to Cambridge to reinforce its leadership in the field of peptides and open-innovation with academic centers and biotechs.

The London Development and Regulatory Centre (United Kingdom)

Located near London, close to the EMA (European Medicines Agency), are some of the Group's central departments responsible for clinical development, implementation of international clinical trials and pharmacovigilance. Part of the regulatory affairs team, responsible for registration dossiers and applications for submission to international regulatory authorities, is also located near London.

The Pharmaceutical Development Centre in Dublin (Ireland)

The development centre in Dublin is focused on the development of peptide active ingredients, especially in the development of manufacturing processes, industrialization, quality control and analytical development. The manufacture of pre-clinical and clinical batches is an important activity on a pilot site.

The Dublin site is also involved in chemical production for active peptide products.

The pharmaceutical development business is located in the Dreux facility and its activities incorporate formulation and administration technologies, analytical development and the production of drugs, placebos for clinical trials. This unit now reports to the Technical Operations (TechOps) department and maintains close links with the R&D organization.

1.2.2.1.2 The portfolio of research and development projects

1.2.2.1.2.1 The research and development process

At the end of the research stage resulting 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 separate stages: the pre-clinical stage and clinical trial phases I, II, III and IV.

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 results of these studies makes it possible to select the compound that meets the set treatment goals for a move into development.

The first, 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, subject to approval by the regulatory authorities and ethics committees.

The development continues with clinical trials, which are principally intended to provide evidence of the safety and efficacy of the future drug in humans. If the results of the various phase I, II and III clinical trials are positive, a registration dossier is then submitted to the regulatory authorities to decide on its marketing authorization.

The four clinical trial phases are:

- **Phase I.** The aim of Phase I is to carry out a short-term evaluation of the safety of an experimental drug based on the doses administered to healthy volunteers (or cancer patients) and establish a pharmacokinetic (absorption, distribution, metabolism, elimination) and pharmacodynamic profile (effective interaction between the experimental drug and its biological target). These results, together with those of the pre-clinical studies, make it possible to verify the safety of the product and to confirm the dose and the optimal treatment regimen for maximum efficacy and minimal side effects to be further used for the phase II clinical studies.
- **Phase II.** Phase II aims to further assess in patients the pharmacological properties of the drug and to establish the efficacy and safety of the investigational drug in a well-defined patient population at one or more doses identified in Phase I. At this stage, if the therapeutic activity and safety of the drug are confirmed, the decision may be taken to conduct phase III clinical trials. Depending upon the nature of the disease/patients, these studies can be either comparative (*vs.* an established treatment modality or a placebo) or non-comparative. The proof of concept (mechanism or clinical) or Phase IIa is the part of the early development phase that aims at establishing early evidence of efficacy and safety in a small population of patients to further decide upon drug development strategy.
- **Phase III.** Phase III trials are the final stage of the clinical studies undertaken before filing an application for marketing authorization. These tests are normally conducted on a much larger number of patients than in Phase II and their goal is to provide clinical data and statistics on tolerance and efficacy in well-defined and targeted diseases and to allow the establishment of the clinical benefit of the investigational drug against an established standard of care modality. Additional medico-economic evaluations are increasingly required to eventually support the reimbursement process.
- **Phase IV.** Phase IV trials are usually conducted after the marketing of a product in a given labelled indication and aim to monitor and further document the efficacy and safety of a drug.

1.2.2.1.2.2 The research programs

The Group currently has several innovative molecules at the research phase. The table below and the explanations that follow summarize the major programs currently undertaken by the Group.

Research programs	Indications
New neurological drugs (neuromuscular disorders)	
Novel botulinum toxin therapeutics	Neurology
LRRK2 (partnership with Oncodesign)	Parkinson's disease
New endocrinology drugs	
ACTH receptor antagonists	Treatment of Cushing's disease
"Chimeric" somatostatin and dopamine agonist molecule – Back-up	Treatment of acromegaly

Neurology research programs

The Group's neurology research programs focus mainly on the development of next-generation botulinum toxins. The work is being carried out within the Group's research entities and through targeted partnerships such as with Harvard Medical School, to explore the possibilities of toxins with differentiated characteristics.

Endocrinology research programs

The Group is conducting several research programs in the field of pituitary disease.

ACTH receptor antagonists. ACTH (adrenocorticotropic hormone) is secreted in abnormal quantities in patients with Cushing's disease, resulting in the excessive production of cortisol, which is responsible for many symptoms of disease (obesity, diabetes, etc.). Inhibition of the ACTH receptor by specific antagonists derived from the natural hormone has the potential to effectively suppress the symptoms of this extremely severe disease which is poorly controlled with current medical treatments.

"Chimeric" somatostatin analogue and dopamine agonist. Following the termination of the lead program, BIM23A760, the Group is pursuing to synthesize new chimeric molecules. The Group synthesized, new molecules combining a somatostatin analogue and a dopamine agonist to achieve synergistic therapeutic effects in diseases such as acromegaly and neuroendocrine tumours.

Oncology research programs

The Group's engineering technology platforms allow it to explore and develop new approaches to the treatment of hormonally controlled cancers. These research programs are conducted internally in collaboration with universities and industry. The Group is exploring a number of novel targets which can be addressed by different forms of peptide drugs.

1.2.2.1.2.3 The development programs

The table below lists the Group's clinical programs. This table is subject to change depending on a number of factors, many of which are extremely unpredictable. The Group might experience delayed completion of clinical trials, treatment failures, absence of marketing authorization, occurrence of a technical or administrative event beyond the Group's reasonable control. A summary of risks is described in chapter 1.1.2 "Risk Factors" of this document.

The portfolio of molecules under development is as follows:

Product under development	Indications	Development stage
New molecules under development		
BN82451B	Mitochondrial protectant for the treatment of Hungtington's disease	Phase IIa (Proof of concept)
Tasquinimod	Metastatic Castrate Resistant Prostate Cancer	Phase III (Conducted by Active Biotech)
	Metastatic Castrate Resistant Prostate Cancer	Phase III China (Conducted by Ipsen)
	Maintenance post-chemotherapy in Prostate Cancer	Phase IIa (Proof of concept)
	Gastric, ovarian, renal cell and hepato-cellular cancers	Phase IIa (Proof of concept)
Product lifecycle management programs		
Somatuline® Autogel®	Asymptomatic neuroendocrine tumours	Phase III completed
	Symptomatic neuroendocrine tumours	Phase III completed
	Acromegaly (Japan)	Somatuline® launched in January 2013
Dysport®	Adult upper limb spasticity	Phase III
	Adult lower limb spasticity	Phase III
	Peadiatric upper limb spasticity	Phase III
	Peadiatric lower limb spasticity	Phase III
	Neurogenic detrusor overactivity	Phase IIa completed
Dysport® Next Generation	Cervical Dystonia	Phase III completed
	Glabellar Lines	Phase II completed
Decapeptyl®	Combined hormone therapy for pre-menopausal breast cancer	Phase III

On 31 October 2012, Ipsen and Inspiration announced the joint sale of their hemophilia assets in a court-approved marketing and auction process. As a consequence both OBI-1, a recombinant porcine factor VIII (rpFVIII) for the treatment of hemophilia A with inhibitors was sold to Baxter and IB1001, a recombinant factor IX (rFIX) for the treatment of hemophilia B was sold to Cangene in January and February 2013.

Neurology development programs

Dysport® – Type A botulinum toxin

In April 2009, the U.S. regulatory authorities (FDA) approved the Biologics License Application (BLA) for Dysport® (abobotulinumtoxinA) in the treatment of cervical dystonia. Moreover, the unique name "abobotulinumtoxinA" differentiates Dysport® from other botulinum toxin-based products on the market. The Group launched Dysport® in the United States.

At the same time, the FDA also approved the application for authorization to market Dysport® (abobotulinumtoxinA) for aesthetic indications. It is designed to temporarily correct moderate to severe glabellar lines in adults aged under 65.

As part of the applications for FDA approval of Dysport®, the Group has started three worldwide phase III pivotal studies in 2011:

- Spasticity of upper limb muscles in adults. On 17 December 2013, the Group announced positive initial results. Treatment with Dysport® demonstrated statistically significant improved muscle tone and clinical benefit in adults with upper limb spasticity.
- Spasticity of lower limb muscles in children with cerebral palsy (CP).
- Spasticity of lower limb muscles in adults.

The Group is initiating an additional study in Spasticity of upper limb muscles in children with cerebral palsy.

In Europe, on 2 February 2009, Azzalure® was given the collective green light by health authorities in 15 European countries to issue national marketing authorizations for the treatment of glabellar lines. This evaluation was based on the results of clinical trials involving over 2,600 patients, which confirmed the product's tolerance profile and efficacy. Launches in all concerned countries have occurred since 2009.

The Group also develops a liquid, ready-to-use formulation of toxin A, Dysport® Next Generation (DNG), for which two clinical trials have just been completed:

- A European Phase II clinical study in glabellar lines, which showed that DNG was clinically and statistically superior to placebo and comparable to Dysport® at the dose of 50 units after single dose.

- An international Phase III clinical study in cervical dystonia which demonstrated that DNG was clinically and statistically superior to placebo at the dose of 500 units at week 4 after single dose. When compared to Dysport®, DNG did not demonstrate the statistical non-inferiority in efficacy at week 4.

BN82451B – Mitochondrial protectants. In the field of neurodegenerative diseases, the Group has synthesized several original families of chimeric molecules. These molecules are simultaneously able to exert multiple pharmacological activities and are designed to protect the mitochondria (the intracellular organelles responsible for energy function) against neurodegenerative diseases such as Huntington's or Parkinson's disease. One of these molecules, BN82451, has been selected as a candidate for clinical development in Huntington's disease and has completed phase I clinical pharmacology trial. A Phase IIa clinical proof of concept of BN 82451B in Huntington Disease patients is being initiated in Germany.

Endocrinology development programs

Somatuline® Autogel®. In the lifecycle management of Somatuline® Autogel®, the Group has completed the following developments:

- an international phase III clinical trial with Somatuline® Autogel® for the treatment of asymptomatic neuroendocrine tumours. On 28 September 2013, the Group published positive results for this clinical study. This trial demonstrated the antiproliferative effect of Somatuline® (lanreotide) 120 mg in the treatment of gastro entero and pancreatic neuroendocrine tumors (GEP-NET);

- another phase III clinical trials for the treatment of neuroendocrine tumour symptoms, is completed. On 17 January 2014, the Group published positive results for this clinical study. The trial demonstrated that Somatuline® (lanreotide) controlled symptoms in GEP-NET patients with carcinoid syndrome;

- in March 2011, the FDA approved an extended dosing interval of up to 8 weeks for patients suffering from acromegaly and well controlled by Somatuline® Depot®;

- in Japan, the Group's partner (Teijin) has launched Somatuline® Autogel® for the treatment of acromegaly in 2013. In January 2014, Ipsen initiated a GEP-NET study with Teijin.

Oncology development programs

Decapeptyl®. In the lifecycle management of Decapeptyl®, the Group is participating in three phase III studies performed under the auspices of the International Breast Cancer Study Group for the treatment of pre-menopausal breast cancer, comparing traditional treatment methods with hormone therapy by combining Decapeptyl® with oestrogen suppressants such as Aromasin®, marketed by Pfizer. These studies are scheduled to run until 2015. Their findings could lead to a review of treatment guidelines for pre-menopausal women with hormone receptor expressing breast cancer.

The Group has obtained an exclusive know-how license and new patent applications relating to worldwide marketing rights for Decapeptyl® (triptorelin pamoate), excluding North America and some other countries such as Sweden, Israel, Iran and Japan. The Group thus has access to sustained-release formulations of Decapeptyl® developed by Debiopharm, among which a 6-month sustained-release formulation launched in France in 2010.

Tasquinimod (TASQ). Tasquinimod is under co-development by Active Biotech and Ipsen. Tasquinimod is an oral quinoline-3-carboxamide derivative and a non-cytotoxic compound. The main molecular target identified for tasquinimod is the protein S100A9 (member of the calcium binding S100 protein family). Tasquinimod targets the tumor microenvironment and counteracts tumor growth by modulating the tumoral immune system, inhibiting angiogenesis and preventing the development of metastasis. The development of TASQ is currently focused on the treatment of metastatic prostate cancer, with a large pivotal phase III being conducted by Active Biotech in about 1,200 pateints in more than 200 centers. This study is fully recruited and is now in its completion stage. Two additional phase IIa proof of concept studies are ongoing: a first one in metastatic castrate resistant prostate cancer patients who did not progress post-chemotherapy and a second one in patients with advanced or metastatic hepatocellular, ovarian, renal cell and gastric carcinomas.

Other development programs

BLI-800

BLI-800 is a new generation of bowel cleansing prior to intestinal procedure such as colonoscopy. The patented product, licensed from the US Company Braintree, has been approved by the FDA in 2011. On 7 February, 2013, BLI-800 (brand names Eziclen® / Izinova®) successfully completed European decentralized registration procedure. The product has now been launched in several European markets.

1.2.2.1.2.4 Research and Development programs licensed to partners

To ensure the development of the wealth of molecules in its research program, the Group has granted worldwide licenses for the development and marketing of some of these innovative molecules in clinical practice:

Endocrinology – PTH-rP (BIM 44058). The Group has granted Radius the exclusive right to develop, manufacture and distribute a compound belonging to the Group known as BIM 44058 (as well as its analogues) using the sustained-release formulation technology designed by the Group for the development of a drug used in the treatment of osteoporosis. A detailed description of this partnership is given in paragraph 1.4.1.2 of this document.

Endocrinology – MC4 agonist, ghrelin. The Group has granted Rhythm Pharmaceuticals, a biotechnology company developing therapeutic peptides for metabolic diseases, an exclusive worldwide license for research, development and marketing of its candidate drugs, MC-4 and ghrelin agonists, therapeutic peptides targeting obesity, metabolic disorders and gastrointestinal problems.

Hemophilia – OBI-1. The Group also had longstanding expertise in the field of haemostasis (blood clotting). The Group's research has led to partnerships with Emory University (USA) and Octagen to develop OBI-1, a recombinant version of porcine factor VIII, using the engineering platform of the Group's proteins. OBI-1 was produced by the Group in its biotechnology unit in Boston. The product (OBI-1) was intended for the treatment of congenital and acquired haemophilia with human factor VIII inhibitors. The Group conducted phase I and II clinical trials of OBI-1 in the United States.

In January 2010, Ipsen and Inspiration Biopharmaceuticals entered into a partnership to create a leading franchise in the field of haemophilia. Ipsen and Inspiration collaborated on the development of two main candidate products, including Ipsen's recombinant porcine factor VIII, OBI-1, and Inspiration's recombinant factor IX product, IB1001, (for preventive and acute bleeding in hemophilia B patients).

In July 2012 Inspiration announced that IB1001 had been placed on clinical hold by the Food and Drug Administration (FDA). On 24 January 2013, Ipsen and Inspiration announced that they had entered into an Asset Purchase Agreement for the sale of OBI-1 to Baxter. On 6 February 2013, Ipsen and Inspiration announced that they had entered into an Asset Purchase Agreement for the sale of IB1001 to Cangene. The deal was closed in February 2013. Ipsen effectively exited hemophilia with the sale of its OBI-1 and IB1001 rights.

1.2.2.2 Intellectual property

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

1.2.2.2.1 Patents

The Group considers that protection of patented technologies and products is essential to the success of its businesses.

At 31 December 2013, the Group held 1,203 patents, 755 of which were issued in European countries and 132 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).

At the same time, the Group had 643 patent applications pending.

The European 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 and which are considered important by the Group. Consequently, the 71 applications in Europe and the 12 international patent applications ("PCT") are likely to lead to a significantly larger number than 83 national patents issued.

In countries where the Group seeks legal protection through patents, the duration of legal protection of 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 the 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
Targeted areas		
Oncology		
Decapeptyl® – Pamoate formulation – Acetate formulation	 Debiopharm Syntex	 patent now expired patent now expired
Decapeptyl® 6 month formulation	Debiopharm	2028 (if patent granted)
Tasquinimod – product – medical use (cancer) – preparation process	 Active Biotech	 2019 2020 2023
Hexvix®	Photocure École Polytechnique Lausanne	2016 + SPC (1) 2019

(1) 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 Rep., Germany, Spain, France, Great Britain, Hungary, Ireland, Italy, The Netherlands and Portugal).

Product	Patent holder	Patent expiration date
Endocrinology		
Somatuline® Autogel®	Ipsen	2015 (Europe [1]) and 2020 (USA [2])
Somatuline®	–	Tulane University patent expired
NutropinAq®	Genentech	2013 (Europe)
Increlex® – Medical use – Medical use – Formulation – Manufacturing process	 Genentech Genentech Genentech Genentech	 2015 (Europe) and 2014 (USA) 2024 (Europe) and 2025 (USA) 2017 (USA) 2018 (USA)
BIM 28131	Ipsen	2023 (Europe) and 2024 (USA)
BIM 22493	Ipsen	2026 (Europe) and 2027 (USA)
Neurology		
Dysport® [3]	–	No patent filed
BN 82451	Ipsen	2020 (Europe and USA)
Primary care		
Smecta® – process – new aroma formulation	 Ipsen Ipsen	 2025 (if patent request granted) 2028 (if patent granted)
Forlax®	–	No patent filed
Tanakan® [4]	Schwabe Indena	Expired (Europe) 2014 (USA)
Ginkor Fort® [4]	Schwabe Indena	Expired (Europe) 2014 (USA)
Nisis® and Nisisco® : – active substance – preparation process of oral formulation	 Ciba Geigy Novartis	 Expired 2017
Adenuric® (febuxostat) – active substance – polymorphic form – solid composition	 Teijin	 Expired 2019 [5] 2023 (if granted) [6]
BLI-800	Braintree	2023 (Europe) [7]

(1) An application for a supplementary protection certificate has been issued in Austria, Belgium, Spain, Greece, Luxembourg, Sweden, Denmark and Portugal (expiring in 2016). Similar requests have been made and rejected in France and the United Kingdom.
(2) In the United States, an extension (PTE) has been granted which extends the patent term until March 2020.
(3) There is no patent on the indications and formulation currently marketed but applications are currently pending in the field of botulinum toxin.
(4) Schwabe and Indena held patents in Europe relating to the standardized extract EGb 761®, the active ingredient of Tanakan® and one of the active ingredients of Ginkor Fort®.
(5) The EP patent has been granted in November 2009 and an opposition has been filed. The opposition division has decided to maintain the patent under an amended form relating to a therapeutical composition of a polymorphic form of febuxostat. The opponent did not appeal the decision. 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 (Austria, Belgium, Bulgaria, Cyprus, Czech Rep., Denmark, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, The Netherlands, Poland, Portugal, Romania, Slovenia, Spain, Sweden and Great Britain) which will extend the patent term until 2023 in countries wherein the SPC will be granted.
(6) Could be extended until 2023.
(7) Requests for Supplementary Patent Certificates have been filed in a number of European countries (Belgium, Czech Rep., Germany, Spain, Estonia, France, Great Britain, Luxembourg, The Netherlands, Portugal and Romania) which will extend the patent life until 2028 in countries wherein the SPC will be granted.

The Group deems appropriate to clarify the terms of review of 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 they 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 3 and 6 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.

The expiration of the patent for a product may result in significant competition due to the emergence of generic products, and a strong reduction of product sales which benefited from patent protection, particularly the United States. In certain cases, however, the Group may continue to reap commercial benefits from product manufacturing secrets, patents covering processes and intermediate compounds facilitating the cost-effective manufacture of the active substances, patents covering special product formulations, delivery systems and the conversion of active substances into over-the-counter drugs. In some countries, some of the Group's products may also benefit from a period of market exclusivity for five to ten years. This exclusivity period is independent of the protection accorded by patent law and can protect from competition from generic products, even when the original patent has expired. Some of the Group's products, especially certain formulations of Decapeptyl® (acetate form), Dysport®, Smecta® and Forlax® have never been or are no longer protected by patents. But composition and/or process and/or application patents are still in effect for some of these products.

1.2.2.2.2 Brandnames and trademarks

Brandname and trademark protection varies from country to country. In some countries, this protection is based primarily on the use of the brandname, while in others it results from its registration. Brandname 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 enjoy protection for pharmaceutical products included in Class 5 of the International Classification of Products and Services.

Registrations protect both the product names in Latin characters but also the names of products in local characters (Cyrillic, Chinese, etc.).

The Group's key products, namely Decapeptyl®, Somatuline® (and Somatuline® Autogel®), Dysport®, Tanakan®, Ginkor Fort®, Smecta®, Forlax®, Fortrans® and Eziclen® / Izinova® (BLI800), and the number of trademarks held by the Group at 31 December 2013 are shown in the table below.

Brands and trademarks	Number of registrations or applications
Decapeptyl®	72
Somatuline®	152
Autogel®	147
Dysport®	360
Tanakan®	245
Ginkor Fort®	85
Smecta®	354
Forlax®	145
Fortrans®	110
Eziclen® / Izinova®	29 / 29

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

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

1.2.2.2.3 Domain Names

At 31 December 2013, the Group had 1306 domain names (reserved or in the process of being reserved).

1.2.3 Main Markets

1.2.3.1 General data

The pharmaceutical industry is highly competitive. In recent years, the pharmaceutical industry has experienced an increasing level of horizontal and vertical concentration. In addition, significant changes in marketing conditions are currently occurring in the US and European pharmaceutical markets, including a decrease in the flexibility of pricing, a strengthening of cost control measures and the impact of health care cost management, particularly concerning the selection of products and the determination of selling prices.

In this context, the Group faces competition from other companies to develop and secure marketing authorizations for new pharmaceutical specialities in the therapeutic areas it has targeted, as well as for specific products which generate similar therapeutic results to those generated by medicines marketed by the Group. 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.

Numerous companies that compete with the Group to develop and secure marketing authorizations for new medicines are significantly larger than the Group and, accordingly, are 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. Some of these companies have a stronger presence in markets where the Group currently markets products within therapeutic areas it has targeted, particularly in the European Union and markets earmarked for expansion, such as the United States and Japan.

The Group's strategy as a specialty pharmaceutical company is to focus its Research and Development programs on the development of a complementary range of products for a deliberately low number of debilitating conditions in the therapeutic areas targeted by the Group. 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. However, the Group continues to face competition from larger companies that market products in the same therapeutic areas.

Once on the market, the Group's products must compete with those marketed by other pharmaceutical companies for the same indications. Some of these products may already have been on the market for some time when the Group introduces its rival product. For example, in the United States, in April 2009, the Group obtained the market authorization from the FDA for Dysport® in therapeutic medicine and aesthetics. Today, Dysport® faces competition from Botox® (Allergan), a well established botulinum toxin. In some cases, the Group hopes to profit from the interfaces between its technological platforms by using its research on new delivery systems that are practical for patients for already perfected active substances in order to give both existing and new products competitive advantages. As an example, Somatuline® faces competition from Sandostatin®, which is produced by Novartis, but the Group believes the development of Somatuline® Autogel®, a sustained-release formulation that is relatively painless and easy to use, gives it a competitive advantage in the somatostatin analogue market.

The Group may also have to compete with generic drugs or those marketed for unapproved indications following the expiry of patents protecting its own products or those of its competitors. The prices for these products may be much lower than those of the original products they replicate, because laboratories that produce them don't need to support the related Research and Development costs. The Group is also exposed to the risks resulting from the creation and sale of counterfeits of its products produced by third parties.

In addition to competition against its products, the Group is also in competition with other companies when recruiting scientists and other highly experienced employees. The Group believes that its human resource policy is highly competitive and contributes to the construction of a positive working environment which, when combined with its reputation for research and development, increases the interest of qualified candidates.

1.2.3.2 Competitive position

The Group's competitive position is essentially described in paragraphs 1.1.1.2 and 1.2.1.1 of this registration document, in which the Group mentions its main competitors. The company IMS, which specializes in the processing of sales data for the pharmaceutical industry worldwide, provides the data (notably IMS – MIDAS/ex-manufacturers), permitting the determination of market share. Further information can be obtained at: www.imshealth.com.

1.2.4 Regulations

The pharmaceutical industry is highly regulated. Regulations cover nearly all aspects of the Group's activities, from Research and Development to manufacturing facilities, processes and marketing. In each country where it markets its products or conducts research, the Group has to comply with the standards laid down by the local regulatory authorities and by any other competent supra-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.

1.2.4.1 Price-setting and control

Regulation may cover the setting and the 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, and particularly in Europe. Measures intended to curb direct costs come in various forms, including mandatory price cuts (or a refusal to accept price increases), a larger share of the cost being borne 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 which 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 scientific value. The price set for a drug depends notably on the improvement in medical performance that compares the new drug with existing treatments. In addition, when fixing the price of a product, the national agency takes into account and refers to the price of the same drug in other countries.

In a context of financial and economic crisis, the governments of many countries in which the Group operates continue to introduce new measures to reduce public health expenses, some of which are affecting the Group sales and profitability in 2013.

Price reductions / increases, reference pricing, and delistings in 2013

- In France, Tanakan® was delisted on 1 March 2012. Moreover, sales of Nisis®/Nisisco® and Forlax® were negatively impacted by a step-up in the regulation known as *"Tiers-payant contre générique"* in July 2012, whereby the patient must pay upfront for a branded drug at the pharmacy – when genericized – and is reimbursed only later on. In addition, health authorities imposed price cuts of 5.5% on NutropinAq® in June 2013 and 12.5% on Nisis®/Nisico® in October 2013;
- In Spain, Tanakan® was delisted on 1 September 2012;
- In Belgium, a modulated price decrease of 1.95% on reimbursed products has been applicable since 1 April 2013 on top of the Inami tax;
- In the Netherlands, in both April 2013 and October 2013, Ipsen products were affected by price revisions due to the application of international reference pricing. This led to price increases on Decapeptyl®, Dysport® and Somatuline® and to a price decrease on NutropinAq®;
- In Finland, a general price cut of 5% was applied on all drugs as of 1 February 2013;
- In Portugal, new countries were included in the basket for the international reference pricing system, such as Slovakia, Spain and France. For retail products, the rule is to take the average of the basket. For hospital products, the rule is to take the lowest price of the basket. There is no significant impact on Ipsen's products. New measures published in 2013 called for a 6.0% price cut on all drugs and for a contribution of the pharmaceutical industry to the decrease of healthcare spending through the setup, by every pharmaceutical company, of a provision fund equal to 2.0% of sales;
- In Greece, the new reimbursement list based on hybrid ATC4 classification and patient co-payment amounts was implemented, replacing the former reimbursement rule. A new price bulletin was published on 1 April 2013 impacting all LhRH analogues. The price of Increlex® was increased by 1.25% in September 2013 to account for its orphan drug status;
- In Latvia, a national tender for LhRH analogues was put in place by local authorities in order to avoid parallel trades. A new reference basket was set up in July 2013. Initially, the basket was composed of all members of the European Union but now comprises Lithuania, Estonia, Czech Republic, Slovakia, Romania, Hungary, and Denmark. The reference pricing rule remains unchanged and calls for taking the 3rd lowest price of the basket;
- In Czech Republic, the VAT on drugs was increased from 14% to 15% in January 2013. New prices were published on 1 January 2013. They stem from the international reference pricing system (average of the 3 lowest prices in 18 countries of the EU). Moreover, since January 2013, Growth Hormones are no longer considered a hospital product and are now subject to price revisions;
- In Slovakia, new prices were published on 1 June 2013. They were the result of the international reference pricing system based on the average of the 3 lowest prices prevailing in the 28 countries of the EU;
- In Poland, a new reimbursement limit was set after the launch of a competing product to Decapeptyl®. It led to the introduction of patient co-payments since 1 January 2013 and, thereafter, to a general price decrease by the industry as a way of compensating;
- In Romania, whereas prices are generally revised annually in March, the Ministry of Health has decided to freeze medicine prices until the end of 2013;
- In China earlier this year, Tanakan® was included on the Essential Drug List (EDL), a decision usually accompanied by a price decrease;
- In Algeria, the *"Ministère du Travail, de l'Emploi et de la Sécurité Sociale"* (Ministry of Labour, Employment and Social Security) has finalized its List of Reference Tariffs (LTR). Class referencing on GnRH (Gonadotropin-Releasing Hormone) analogs was confirmed in October 2013 and is expected to be implemented in the first months of 2014. Once effective, the price of Decapeptyl® will be aligned with that of the cheapest molecule;

- In Colombia, the "National Committee of Drug Prices" (*Comisión Nacional de Precios de Medicamentos*) announced its intention to regulate the price of 195 medicines, including that of Somatuline®. New prices have been effective since their publication in the official gazette on 23 August 2013.

Furthermore, and in the context of the financial and economic crisis, governments of many countries in which the Group operates continue to introduce new measures to reduce public health expenses, some of which will affect the Group sales and profitability beyond 2013.

- In France, Smecta® experienced a first price cut of 7.5% on 1 January 2014 and will experience a second 7.5% cut on 1 July 2014. Fortrans® price was cut 6.5% on 1 January 2014; Decapeptyl® will experience a price cut of 4% on 1 April 2014 and a price cut of 3% on 1 February 2015;
- In Germany, the government decided to partially revoke the AMNOG (The Pharmaceuticals Market Reorganization Act) legislation introduced in 2010. Among other things, the pricing act entailed a mandatory 16% sales rebate for all prescription drugs, which has been reduced to 7% effective 1 January 2014;
- In Italy, the cap for pharmaceutical hospital expense was increased from 2.4% to 3.5% of hospital expenditure. In addition, pharmaceutical companies will have to pay 50.0% of any extra expenditure beyond this cap level. Also, Hexvix® will now be reimbursed at national level instead of being included in hospital budgets, which led to an official 6.5% price decrease;
- In the UK, a new PPRS (Pharmaceutical Price Regulation Scheme) was voted. It will have no impact on NHS prices, but will require a contribution estimated at less than 4% of net NHS sales in 2014, with a further increase anticipated in the following years. Moreover, tendering negotiations in 2014 will no longer take place by account (hospital) but by region.
- In Portugal, the outcome of negotiations between the pharmaceutical industry and the Ministry of Health on the reimbursement threshold borne by the industry is expected soon. The final 2012 reimbursement amount is not yet confirmed, nor is the 2013 threshold. The final agreement will very much depend on the level of drug expenditure reached in 2013 as a percentage of GDP. Moreover, a new 3.0% tax, to become effective in 2014, has also been introduced on all hospital business. Finally Slovenia replaced Slovakia in the basket for the international reference pricing system;
- In Greece, claw-back will potentially be adjusted by year-end and the target set by the Ministry of Health for 2013 currently stands at €2.44 billion. The government is aiming at €2 billion for 2014;
- In Belgium, the international reference pricing system was updated with new rules and a reference basket of 6 countries (France, Germany, the Netherlands, Austria, Ireland and Finland). The system has not yet been implemented;
- In the Netherlands, the new price list stemming from international price referencing has been published in October 2013;
- In Sweden, TLV (The Dental and Pharmaceutical Benefits Agency) announced that all products made out of a substance that has been registered for more than 15 years will have to lower their prices. A 7.5% price reduction will apply to all formulations of NutropinAq® and Decapeptyl® as of 1 January 2014;
- In Croatia, Czech Republic replaced France in the basket of countries included in the international reference pricing system;
- In Serbia, as of 1 July 2013, the Ministry of Health decided to include Romania in the basket of countries used for the calculation of international reference pricing. The rule is to take the average of the prices prevailing in Croatia, Slovenia, Italy and Romania;
- In Poland, a new legal act has been published leading to price reductions on Decapeptyl® and Somatuline® as of 1 January 2014;
- In Slovakia, as of 1 March 2014, a price decrease based on the average of the 3 lowest prices in the EU 28 will apply to several Ipsen products;
- In Slovenia, therapeutic reference pricing was introduced in June 2013 but does not yet apply;
- In Latin America, twelve countries (Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Surinam, Uruguay, and Venezuela) agreed to create a regional drug-pricing database in order to harmonize drug prices in the region. At this stage, there has been no new announcement regarding this project;
- In Colombia, the application of international price referencing will affect the price of Dysport® 500U, after having impacted that of Somatuline® in August 2013;
- In Brazil, class referencing has been introduced for the public market. Hence, due to competition, the price of Dysport® 500U could be reduced every year over the next 4 years;
- In Tunisia, the Somatuline® Autogel® range was officially registered in Q4 2013, which will drive the *"Pharmacie Centrale Tunisienne"* import price of Somatuline® down in 2014;
- In Algeria, Ipsen had to renew the Marketing Authorization for all its Primary Care products before the end of 2013. This process could lead to price revisions in the first semester of 2014;
- In Morocco, due to class referencing, the price of Decapeptyl® 3M should be cut by 20% following the potential introduction of a Goserelin generic in the early months of 2014;
- In China, the price of Tanakan® could be cut in May 2014, following its inclusion on the Essential Drug List (EDL) in the *Ginkgo biloba* extract category. Ipsen is contemplating different scenarios going forward;

- In Korea, the volume-price control implemented since 2011 will end in 2014, with an ultimate 7% price cut on Decapeptyl® in January 2014.

1.2.4.2 Technical and regulatory situation in France

In France, the law on the financing of the social security system, which is voted annually by the Parliament, sets a target for national spending on pharmaceutical products. If this target is exceeded, the companies party to this agreement are subject to quantitative discounts calculated according to the trend in total spending by drug treatment category and to the sales posted by each company.

French law of 13 August 2004 instituted a *Haute Autorité de Santé* or HAS (French Supreme Health Authority) responsible for evaluating and classifying the health benefits expected or produced by medical procedures, services and products. This committee has from time to time rendered opinions on the Group's drugs whose health benefits were qualified as insufficient; Tanakan® is a notable example. In this context, Tanakan® was de-reimbursed in France, as of 1 March 2012.

Regarding the economic regulation of medicines, it is delegated to the Economic Committee for Health Products (*Comité Économique des Produits de Santé* or CEPS) with which Ipsen maintains a conventional relationship. It is this committee which fixes the prices of medicines following the recommendations of the *Haute Autorité de Santé* (French Supreme Health Authority) who assesses the improvements in medical service rendered (*Amélioration du Service Médical Rendu* or ASMR) brought by each new medical treatment. Regarding medicines already on the market, the Economic Committee for Health Products may be led to seek price reductions based on international comparisons to ensure consistency of prices within the same pharmacotherapeutic category, or at the arrival of generic drugs. As such, in 2013, the implementation of a "co-pay" regulation in 2012 (*"tiers-payant contre génériques"*) in France strongly reinforced the penetration of generics with a significant impact on Nisis®/ Nisisco® and Forlax® sales.

Lastly, the French law of 29 December 2011, concerning the reinforcement of the sanitary safety of medicines and healthcare products reinforced rules regarding the management of conflict of interests, and created the French Agency for the Safety of Medicines (*Agence Nationale de Sécurité du Médicament et des Produits de Santé* or ANSM) which replaced the former French Agency for the Safety of Health Products (Afssaps), with expanded powers and missions.

1.2.4.3 Other measures to reduce public health spending

Group sales continues to be impacted by the measures taken over the past years by the governments of countries where it operates, particularly in Europe, with the aim to control public health spending (see paragraphs 1.1.2.1.2 and 1.2.6 of this document). The Group foresees that this trend of reducing public health spending will continue in Europe notably in the foreseeable future.

1.2.5 Productivity drive

The Purchasing organization contributed to the general strategy of the company by setting up a plan of productivity in 2011.

The Purchasing team also developed value creation by spreading an international approach of purchases, implementing preferred vendors list on key categories, developing specific practices in sustainable purchasing and social responsibility.

Beyond the substantial savings achieved in 2011, the Group displayed tools allowing a better visibility of the expenses and a more effective monitoring of the purchase categories at global level.

A program of certification dedicated to the purchasers has also been set up with the partnership of the E.I.P.M. to develop and professionalise the teams around common purchasing skills.

The Operational Excellence program to improve the efficiency and effectiveness of people and teams has been successful. Competency development through a Lean Six Sigma approach has resulted in shortening cycle times, reducing waste, improving productivity, developing better problem solving skills and improved customer focus. Since 2008, there have been 14 newly certified Black Belts and 171 Green Belts who actively support improvements in the organization and achieved substantial savings. Operational Excellence has extended beyond production processes into other parts of the Ipsen organization, like Research & Development, Finance and Human Resources.

1.2.6 Analysis of results

1.2.6.1 Comparison of consolidated sales for the full year of 2013 and 2012

Note: Unless stated otherwise, all variations in sales are stated excluding foreign exchange impacts, by restating the 31 December 2012 sales with the 31 December 2013 exchange rates.

In 2013, Group drug sales grew 2.1% year-on-year.

Consolidated Group sales reached €1,224.8 million in 2013, up 2.2% year-on-year.

Sales by geographical region

Group sales by geographical region for the full year of 2013 and 2012 were as follows:

(in millions of euros)	Twelve months			
	2013	2012	% variation	% excluding foreign exchange impact
France	218.0	246.3	– 11.5%	– 11.5%
Spain	56.6	56.8	– 0.4%	– 0.4%
Italy	81.3	81.7	– 0.6%	– 0.6%
Germany	84.1	77.0	9.1%	9.1%
United Kingdom	57.3	56.6	1.3%	6.1%
Major Western European countries	**497.3**	**518.5**	**– 4.1%**	**– 3.6%**
Other European countries	**329.4**	**306.0**	**7.6%**	**9.5%**
North America	**64.2**	**72.8**	**– 11.7%**	**– 8.7%**
Asia	177.3	167.3	6.0%	7.4%
Other countries in the rest of the world	156.5	154.8	1.1%	6.8%
Rest of the World	**333.9**	**322.2**	**3.6%**	**7.1%**
Group Sales	**1,224.8**	**1,219.5**	**0.4%**	**2.2%**

In 2013, sales generated in the **Major Western European countries** amounted to €497.3 million euros, down 3.6% year-on-year. The growth of specialty care products was more than offset by the consequences of a tougher competitive environment in the French primary care market. Sales in the Major Western European countries represented 40.6% of total Group sales in 2013, compared to 42.5% the previous year.

France – In 2013, sales reached €218.0 million, down 11.5% year-on-year, affected by the continuous decline of primary care sales, despite the strong resilience of Smecta® sales, stable year-on-year. Moreover, sales of Tanakan® were impacted by the delisting of the product since March 2012 and by the launch of a competitive product in March 2013. Finally, since July 2012, sales of the Group's genericized drugs (Nisis®/Nisisco® and Forlax®) were negatively impacted by the step-up of the regulation known as "*Tiers-Payant* (1)". In specialty care, sales were slightly down in 2013, despite the strong volume growth of Somatuline® and NutropinAq®. Sales of specialty care products were mainly impacted by the decline in Decapeptyl® sales, notably arising from the collateral effects of the sales force restructuring. Consequently, the relative weight of France in the Group's consolidated sales has continued to decrease and now represents 17.8% of total Group sales, compared to 20.2% the previous year.

United Kingdom – In 2013, sales reached €57.3 million, up 6.1%, notably fuelled by the strong volume growth of Decapeptyl® and the sustained growth of Somatuline®. Over the period, the United Kingdom represented 4.7% of total Group sales, in line with the previous year.

Spain – In 2013, sales reached €56.6 million, slightly down 0.4% year-on-year in a significantly contracting Spanish pharmaceutical market. Moreover, the delisting of Tanakan® since September 2012 negatively impacted the product's sales. In a difficult context, Somatuline® nonetheless posted sustained volume growth. In 2013, sales in Spain represented 4.6% of total Group sales, a ratio in line with the previous year.

Germany – In 2013, sales reached €84.1 million, up 9.1% year-on-year, driven by strong volume growth of Somatuline®, NutropinAq® and Hexvix® of respectively 32.8%, 18.3% and 14.2%. Moreover, revenues benefited from the settlement of litigation relative to the marketing rights of a Decapeptyl® generic in the country. Restated for this item, sales were up 7.2%. In 2013, sales in Germany represented 6.9% of total Group sales, compared to 6.3% a year earlier.

Italy – In 2013, sales reached €81.3 million, slightly down 0.6% year-on-year. The deterioration of the economic environment affected the budget of regional health funds,

(1) With the *"Tiers-payant"* regulation, the patient now pays upfront for a branded drug and is reimbursed only later on.

which have consequently implemented austerity policies, mainly targeting hospital products. Italy represented 6.6% of 2013 consolidated Group sales, a stable ratio year-on-year.

In 2013, sales generated in the **Other European countries** amounted to €329.4 million, up 9.5%. Sales growth was mainly driven by the good performance of Russia where primary care (notably Fortrans®, Tanakan® and Smecta®) and specialty care (notably Dysport® and Decapeptyl®) posted strong growth rates. Over the period, the supply of Dysport® for aesthetic use to Galderma contributed to growth. The Netherlands, Ukraine, Kazakhstan and Turkey notably posted strong performance. In 2013, sales in this region represented 26.9% of consolidated Group sales, compared to 25.1% a year earlier.

In 2013, sales generated in **North America** reached €64.2 million, down 8.7%. Restated for the Increlex® supply interruption, sales were up 6.3% year-on-year, driven by the strong volume growth and continued penetration of Somatuline® in the acromegaly market, by the double-digit growth of Dysport® in therapeutics and by the continuous supply of Dysport® for aesthetic use to Valeant. In 2013, sales in North America represented 5.2% of consolidated Group sales, compared to 6.0% a year earlier.

In 2013, sales generated in the **Rest of the World** amounted to €333.9 million, up 7.1%. During the year, sales were affected by an exceptional political situation in certain Middle Eastern countries where Ipsen, in the absence of payment guarantees, had stopped supplying its products in the second quarter. Moreover, 2013 sales were affected by the performance of Decapeptyl® in China, where the product suffered from the disruption of hospital market promotion due to the investigation of certain pharmaceutical companies by local authorities. Sales growth was fuelled by the good performance of primary care in China (notably Smecta® and Etiasa®) and in Algeria (notably Smecta® and Forlax®), of Dysport® in Brazil, of Somatuline® in Australia, and the partnership with Sanofi in Mexico. Over the period, sales in the Rest of the World continued to grow to reach 27.3% of total consolidated Group sales, compared to 26.4% the previous year.

Sales by therapeutic area and by product

The following table shows sales by products, grouped together by therapeutic areas for the full year of 2013 and 2012:

(in millions of euros)	Twelve months			
	2013	2012	% variation	% excluding foreign exchange impact
Uro-Oncology	313.0	318.7	– 1.8%	– 1.2%
of which Decapeptyl®	*298.6*	*306.4*	*– 2.5%*	*– 1.9%*
Hexvix®	*14.4*	*12.3*	*16.7%*	*16.7%*
Endocrinology	315.9	307.6	2.7%	4.3%
of which Somatuline®	*246.9*	*225.7*	*9.4%*	*11.1%*
NutropinAq®	*56.3*	*53.6*	*5.0%*	*5.7%*
Increlex®	*12.7*	*28.3*	*– 55.1%*	*– 53.9%*
Neurology	242.2	236.2 (2)	2.5%	7.0%
of which Dysport®	*242.2*	*236.1*	*2.6%*	*7.0%*
Specialty care	**871.1**	**862.5**	**1.0%**	**3.0%**
Gastroenterology	219.9	199.9	10.0%	11.3%
of which Smecta®	*121.1*	*113.5*	*6.8%*	*8.1%*
Forlax®	*38.7*	*38.7*	*0.0%*	*0.3%*
Cognitive disorders	67.2	79.0	– 15.0%	– 13.3%
of which Tanakan®	*67.2*	*79.0*	*– 15.0%*	*– 13.3%*
Cardiovascular	20.6	32.4	– 36.5%	– 36.4%
of which Nisis® and Nisisco®	*7.8*	*18.2*	*– 57.2%*	*– 57.2%*
Ginkor Fort®	*11.7*	*11.9*	*– 1.4%*	*– 1.1%*
Other primary care products	12.5	13.2	– 5.0%	– 5.0%
of which Adrovance®	*10.4*	*11.5*	*– 9.6%*	*– 9.6%*
Primary care	**320.2**	**324.6**	**– 1.4%**	**– 0.1%**
Total drug sales	**1,191.3**	**1,187.0**	**0.4%**	**2.1%**
Drug-related sales (1)	**33.5**	**32.5**	**3.1%**	**4.2%**
Group sales	**1,224.8**	**1,219.5**	**0.4%**	**2.2%**

(1) Active ingredients and raw materials.
(2) The 0.1 million euros difference with Dysport® sales arose from a final payment received on Apokyn®, whose North American development and marketing rights were sold to Britannia Pharmaceuticals in November 2011.

In 2013, **Specialty care** sales reached 871.1 million, up 3.0% year-on-year or 1.0% at current exchange rate. Sales in Neurology and in Endocrinology grew by respectively 7.0% and 4.3%, while sales in Uro-oncology declined 1.2% year-on-year. In 2013, the relative weight of specialty care products continued to increase to reach 71.1% of total Group sales, compared to 70.7% the previous year.

In **Uro-oncology,** sales of ***Decapeptyl®*** reached €298.6 million, down 1.9%. Restated for the situation in the Middle East, which occured in the second quarter, sales were down 1.4% in 2013. This decrease took place in a strained environment in Europe, negatively impacted by a more frequent use of co-payment, a contracting pharmaceutical market in Southern Europe and a slowdown in the growth of Eastern European countries. In France, beyond the decline of the LhRH market, Decapeptyl® sales were affected by the consequences of the primary care sales force restructuring. Finally, sales were impacted by the toughening of the competitive environment in China with the launch of new local competitors and the disruption of hospital market promotion due to the investigation of certain pharmaceutical companies by local authorities. In 2013, sales of Hexvix® amounted to €14.4 million, mostly generated in Germany. Over the period, sales in Uro-oncology represented 25.6% of total Group sales, compared to 26.1% the previous year.

In **Endocrinology,** sales reached €315.9 million, up 4.3%, affected by the Increlex® shortage outstanding since mid-June in the United States and since August in Europe. Restated for Increlex® sales, revenues were up 10.1%. Endocrinology sales represented 25.8% of total Group sales in 2013, compared to 25.2% the previous year.

Somatuline® – In the fourth quarter 2013, sales reached €60.3 million, up 8.0% year-on-year. In 2013, Somatuline® sales reached €246.9 million, up 11.1% year-on-year, driven by strong growth in the United States, where Somatuline® now boasts around 50% market share (1) in acromegaly, in Germany, France, the UK, the Netherlands, Spain, Poland, Mexico and Australia.

NutropinAq® – In 2013, sales of NutropinAq® reached €56.3 million, up 5.7%, driven by solid performance in Germany, France, the Netherlands, and Kazakhstan.

Increlex® – In 2013, Increlex® sales reached €12.7 million, down 53.9% year-on-year. Sales were impacted by the shortage situation outstanding since mid-June in the United States and since August in Europe. On 18 December 2013, Ipsen announced that the Group was preparing for the resupply of Increlex® in the European Union.

In **Neurology, *Dysport®*** sales reached €242.2 million in 2013, up 7.0% year-on-year, impacted by the the Middle East situation that took place in the second quarter 2013. Restated for this item, Dysport® sales were up 7.6%, driven by strong sales growth in Russia and Brazil and the continuous provision of Dysport® for aesthetic use to Galderma and to Valeant. Neurology sales represented 19.8% of total Group sales in 2013, compared to 19.4% a year earlier.

In 2013, **Primary Care** sales amounted to €320.2 million, slightly down 0.1% year-on-year. The strong performance of China, Russia and Algeria, in particular, offset the consequences in France of the launch of a competitive product to Tanakan® in March 2013 and of the implementation of the regulation known as "*Tiers-Payant* (2)" in the summer 2012. Primary care sales represented 26.1% of Group consolidated sales in 2013, compared to 26.6% the previous year. Primary care sales in France accounted for 30.1% of the Group's total primary care sales, compared to 38.1% the previous year.

In **gastroenterology,** sales reached €219.9 million in 2013, up 11.3% year-on-year.

Smecta® – In 2013, sales amounted to €121.1 million, up 8.1% year-on-year, mainly driven by strong performance in China, Russia and Algeria. Smecta® sales represented 9.9% of total Group sales over the period, compared to 9.3% the previous year.

Forlax® – In 2013, sales reached 38.7 million euros, slightly up 0.3%, despite the reinforcement of the "*Tiers-Payant* (2)" regulation in France in July 2012. Over the period, France represented 48.2% of total product sales, compared to 57.1% the previous year.

In the **cognitive disorders area,** sales of ***Tanakan®*** amounted to €67.2 million in 2013, down 13.3%, affected by the delisting of the product in France in March 2012, in Romania in May 2012 and in Spain in September 2012. Sales were also impacted by the launch of a competitive product in France in March 2013. Over the period, 24.3% of Tanakan® sales were achieved in France, compared to 32.9% the previous year.

In the **cardiovascular area,** sales amounted to €3.9 million euros in the fourth quarter 2013, down 8.2% year-on-year. In 2013, sales amounted to €20.6 million, down 36.4% year-on-year, mainly impacted by the decline of Nisis® / Nisisco® sales, notably arising from the reinforcement of the "*Tiers-payant* (2)" regulation in July 2012.

Sales of **other primary care products** reached €12.5 million in 2013, down 5.0% year-on-year, mainly impacted by the 9.6% decrease in Adrovance® sales.

In 2013, **drug-related sales** (active ingredients and raw materials) amounted to €33.5 million, up 4.2% year-on-year.

(1) US market share of Somatuline® in the sales of somatostatin analogs for acromegaly.
(2) With the *"Tiers-Payant"* regulation, the patient now pays upfront for a branded drug and is reimbursed only later on.

1.2.6.2 Comparison of the consolidated income statement for 2013 and 2012

	31 December 2013		31 December 2012 Restated (1)		% change
	(in millions of euros)	% of sales	(in millions of euros)	% of sales	
Sales	**1,224.8**	**100.0%**	**1,219.5**	**100.0%**	**0.4%**
Other revenues	57.0	4.7%	57.9	4.7%	– 1.5%
Revenues	**1,281.8**	**104.7%**	**1,277.4**	**104.7%**	**0.3%**
Cost of goods sold	(253.4)	– 20.7%	(254.3)	– 20.9%	– 0.4%
Research and development expenses	(259.1)	– 21.2%	(248.2)	– 20.3%	4.4%
Selling expenses	(451.3)	– 36.8%	(473.0)	– 38.8%	– 4.6%
General and administrative expenses	(103.8)	– 8.5%	(99.1)	– 8.1%	4.8%
Other operating income	5.7	0.5%	5.6	0.5%	2.2%
Other operating expenses	(12.0)	–1.0%	(25.8)	– 2.1%	– 53.6%
Depreciation of intangible assets (2)	(4.4)	– 0.4%	(5.8)	– 0.5%	– 23.6%
Restructuring costs	(0.2)	0.0%	(62.1)	– 5.1%	– 99.6%
Impairment gain/(losses)	(12.6)	– 1.0%	2.4	0.2%	– 629.4%
Operating income	**190.7**	**15.6%**	**117.1**	**9.6%**	**62.9%**
Recurring Adjusted operating income (3)	**208.6**	**17.0%**	**198.3**	**16.3%**	**5.2%**
– Investment income	8.0	0.7%	1.0	0.1%	706.4%
– Costs of financing	(2.2)	– 0.2%	(2.3)	– 0.2%	– 3.0%
Net financing cost	**5.8**	**0.5%**	**(1.3)**	**– 0.1%**	**–**
Other financial income and expense	(14.8)	– 1.2%	6.8	0.6%	–
Income taxes	(39.6)	– 3.2%	(25.2)	– 2.1%	–
Share of profit/loss from associated companies	–	–	–	–	–
Net profit/loss from continuing operations	**142.2**	**11.6%**	**97.4**	**8.0%**	**46.0%**
Net profit/loss from discontinued operations	10.9	0.9%	(124.8)	– 10.2%	– 108.7%
Consolidated net profit	**153.1**	**12.5%**	**(27.5)**	**– 2.3%**	**–**
– Attributable to shareholders of Ipsen S.A.	152.5		(27.9)		–
– Minority interests	0.6		0.5		–

(1) For purposes of comparison between the two financial years, the 2012 income statement has been restated in accordance with IAS 19 revised.
(2) Excluding software.
(3) Reconciliations between Operating Income and Recurring Adjusted Operating Income for the years ended 31 December 2013 and 31 December 2012 are detailed in appendix 1.

Sales

Consolidated Group sales reached €1,224.8 million in 2013, up 0.4% year-on-year and up 2.2% excluding foreign exchange impact (1).

Other revenues

Other revenues amounted to €57.0 million in 2013, down 1.5% compared to €57.9 million in 2012.

Other revenues breakdown is as follows:

(in millions of euros)	31 December 2013	31 December 2012 Restated (3)	Change	
			in value	in %
Breakdown by type of revenue				
– Royalties received	15.3	11.9	3.4	28.8%
– Milestone payments – licensing agreements (2)	24.0	25.1	– 1.1	– 4.4%
– Other (co-promotion revenues, re-billings)	17.7	20.9	– 3.2	– 15.3%
Total	**57.0**	**57.9**	**– 0.9**	**– 1.5%**

(1) Variations excluding foreign exchange impact were calculated by restating the 31 December 2012 figures with the exchange rates at 31 December 2013.
(2) Milestone payments relating to licensing agreements are recognized primarily as milestone payments received on a pro rata basis over the life of partnership agreements.
(3) For purposes of comparison between the two financial years, the 2012 income statement has been restated in accordance with IAS 19 revised.

- **Royalties received** amounted to €15.3 million in 2013, up €3.4 million year-on-year, driven by the increase in royalties paid by Group partners.
- **Milestone payments relating to licensing agreements** amounted to €24.0 million in 2013, mainly generated by the partnerships with Medicis (acquired by Valeant in 2012), Menarini, and Galderma.
- **Other revenues,** which primarily included revenues from the Group's co-promotion and co-marketing agreements in France, amounted to €17.7 million in 2013, compared with €20.9 million the previous year. In 2013, except for residual compensation paid to Ipsen by Novartis, this line item no longer included revenues from Exforge®, following the April 2012 termination of the co-promotion agreement with Novartis in France.

Cost of goods sold

In 2013, the cost of goods sold amounted to €253.4 million, representing 20.7% of sales, compared with €254.3 million, or 20.9% of sales, for the same period in 2012.

The improvement in cost of goods sold in 2013 stemmed notably from a favourable product mix and increased productivity efforts, partially offset by higher custom duties, as a result of the Group's increased business activity in certain countries and the decline in primary care volumes.

Research and development expenses

At 31 December 2013, research and development expenses represented €259.1 million or 21.2% of sales, compared with 20.3% of sales the previous year.

The table below provides a comparison of research and development expenses for 2013 and 2012:

(in millions of euros)	31 December 2013	31 December 2012 Restated [4]	Change	
			in value	in %
Breakdown by expenses type				
– Drug-related research and development [1]	(210.9)	(198.9)	(12.0)	6.0%
– Industrial and pharmaceutical development [2]	(40.9)	(40.9)	(0.0)	0.1%
– Strategic development [3]	(7.2)	(8.3)	(1.1)	– 13.4%
Total	**(259.1)**	**(248.2)**	**(10.9)**	**4.4%**

(1) Drug-related research & development aims at identifying new agents, determining their biological characteristics and developing small-scale manufacturing processes. Patent-related expenses are included in this type of expense.
(2) Industrial development includes the chemical, biotechnical and development-process research costs to industrialise the small-scale production of agents developed by the research laboratories. The role of pharmaceutical development is to lead new product development projects, such as bibliographic research, formulation feasibility studies, method adaptation, method development and validation, and transpositions.
(3) Strategic development includes costs incurred for research into new product licenses and establishing partnership agreements.
(4) For purposes of comparison between the two financial years, the 2012 income statement has been restated in accordance with IAS 19 revised.

- **Drug-related research and development costs** increased 6.0% *versus* 2012. The main research and development projects for 2013 included Dysport® (spasticity of the lower and upper limbs), tasquinimod and Somatuline®.
- **Industrial and pharmaceutical development expenses** were stable year-on-year. These expenses notably included costs related to the validation of the tasquinimod manufacturing process, to the on-going rollout of a development platform for toxins, and to the work on a ready-to-use, liquid formulation for Dysport® (Dysport® Next Generation).

Selling, general and administrative expenses

Selling, general and administrative expenses amounted to €555.1 million in 2013, representing 45.3% of sales, down 1.6% *versus* 2012.

The table below provides a comparison of selling, general and administrative expenses between 2013 and 2012:

(in millions of euros)	31 December 2013	31 December 2012 Restated (1)	Change	
			in value	in %
Breakdown by expense type				
Royalties paid	(51.9)	(51.7)	(0.2)	0.4%
Other sales and marketing expenses	(399.3)	(421.3)	21.9	– 5.2%
Selling expenses	**(451.3)**	**(473.0)**	**21.7**	**– 4.6%**
General and administrative expenses	**(103.8)**	**(99.1)**	**(4.7)**	**4.8%**
Total	**(555.1)**	**(572.1)**	**17.0**	**– 3.0%**

(1) For purposes of comparison between the two financial years, the 2012 income statement has been restated in accordance with IAS 19 revised.

- **Selling expenses** amounted to €451.3 million in 2013, representing 36.8% of sales, compared to €473.0 million in 2012, or 38.8% of sales.
  - **Royalties** paid to third parties on sales of products marketed by the Group totalled €51.9 million in 2013, up 0.4% year-on-year. This increase was driven by improved in-market sales of in-licensed products;
  - **Other sales and marketing expenses** amounted to €399.3 million, or 32.6% of sales, down 5.2% from the €421.3 million, or 34.5% of sales, recorded the previous year. The decline stemmed from the restructuring of both the French primary care sales force and the US sales force.
- **General and administrative expenses** grew 4.8% in 2013. The increase resulted notably from actions taken to accelerate the execution of the Group's strategy, as well as from a step-up in tax measures in France.

Other operating income and expenses

Other operating income, which primarily included revenue from the sublease of Ipsen's headquarters building, amounted to €5.7 million in 2013, compared with €5.6 million the prior year.

Other operating expenses amounted to €12.0 million, down from €25.8 million in 2012. Besides headquarters rental costs, other operating expenses primarily included non-recurring costs related to the acquisition of Syntaxin Ltd., the reorganization of the US subsidiary, and the settlement of a trade dispute with a partner and of an administrative proceeding brought against the Group.

Amortization of intangible assets (excluding software)

At 31 December 2013, amortization charges of intangible assets reached €4.4 million, compared to €5.8 million the previous year. The decrease is mainly due to the discontinuation of the IGF-1 license amortization, following the new impairment loss recognized at 30 June 2013 (see impairment losses paragraph) and the complete amortization of Exforge® (termination of the co-promotion agreement with Novartis in France effective 30 April 2012).

Restructuring costs

The Group recorded €0.2 million in non-recurring restructuring costs at 31 December 2013, mainly arising from the reversal of an accrual related to the primary care restructuring plan in France, offset by restructuring costs in the US and by costs incurred by the Group to accelerate the implementation of transformation initiated in 2011, that aims at adapting the Group's operating structures to future challenges. In 2013, these costs were mainly related to measures taken to adjust resources in certain geographies following the implementation of the new strategy, the transformation and reorganization of Research and Development activities and the adjustment of support functions.

In June 2013, as part of its effort to accelerate the execution of its strategy in the United States, the Group adopted a new key account management organizational model for the distribution of Dysport® in therapeutic indications in the US market. The decision was based on the growing importance of payer driven decision-making and new market access conditions in healthcare. Accordingly, Dysport® sales forces were streamlined and refocused to better serve physicians and patients. At 31 December 2013, the Group recognized non-recurring costs of €4.1 million, which primarily included compensation-related expenses for the early termination of employment contracts.

Impairment losses

At 31 December 2013, the Group recorded a non-recurring impairment loss of €12.6 million.

In the first half of 2013, Ipsen announced that Lonza, the supplier of Increlex®'s active ingredient (mecasermin [rDNA origin]), was facing manufacturing issues with Increlex® at its Hopkinton (MA, USA) production site. Increlex® supply interruption began in the US in mid-June 2013, and affected Europe and the rest of the world in the third quarter of the year.

Furthermore, Lonza on 25 July 2013 announced that it would gradually wind down its Hopkinton site. Lonza however said that the closure would not affect its obligations to customers.

In view of the supply interruption and the uncertainty about the date of re-supply in the US, the Group recognized a non-recurring €11.6 million impairment loss on the Increlex® IGF-1 active ingredient at 30 June 2013. On 18 December 2013, Ipsen announced that Lonza had successfully re-manufactured the active ingredient of Increlex®. The European Medicines Agency (EMA) was informed that Ipsen was preparing for the resupply of Increlex® in the European

Union (EU). Consultations with the EU Member States' national competent authorities allowed for a re-supply early 2014.

However, resupply in the US is still under review. Ipsen is actively working with its third party manufacturer and the Food and Drug Administration (FDA) to bring Increlex® back to the US market as soon as possible. Given the uncertainty around the resupply of the US market, there was no accrual reversal related to Increlex®'s active ingredient in the consolidated financial statements for the year ended 31 December 2013.

With this impairment loss, the carrying value of the IGF-1 asset became zero.

Ipsen also recognized a €1.0 million impairment loss following a decision by the Group not to exercise its right to develop a neurology program.

Operating income

Based on the above items, the operating income reported at 31 December 2013 amounted to €190.7 million, or 15.6% of sales. In 2012, operating income represented 9.6% of Group sales and was notably impacted by restructuring costs associated with the primary care restructuring plan in France and costs related to the transfer to the East cost of the Group's North American commercial subsidiary that occurred between June 2011 and June 2012.

The Group's **recurring adjusted (1) operating income** amounted to €208.6 million at 31 December 2013, or 17.0% of consolidated sales, up 5.2% compared to 2012.

Operating segments: Operating income by geographical regions

On 2 October 2013, Ipsen announced its project of new organization and new composition of the Executive Committee to accelerate strategy implementation. The purpose of the new organization is to help optimize Primary care activities through the setting up of a new dedicated Business Unit and to continue to develop Specialty care.

Specialty care and Primary care will now be managed separately, because their activities have very different strategic and operational rationales, with specific organizations, resources and profiles adapted to the challenges facing each organization.

The implementation of this project was subject to the examination by the staff representative bodies competent in each country concerned, according to the specific processes and methods laid down in the regulations governing each country.

Because this organization was not in effect in 2013, the related operating segment information was left unchanged in the financial statements ended 31 December 2013. Indeed, the internal reporting provided throughout 2013 to the "chief operating decision-maker", *i.e.* the Executive Committee, thus corresponds to the Group's managerial organization based on the geographical regions in which the Group operates.

Accordingly, operating segments, as defined in IFRS 8, correspond to long-term groupings of countries.

Operating segments existing as of 31 December 2013 were as follows:

- "Major Western European countries": France, Italy, Spain, the United Kingdom and Germany;
- "Other European countries": other Western European countries and Eastern Europe;
- "North America": comprising for the most part the United States and Canada;
- "Rest of the World": all countries not included in the three preceding operating segments.

(1) Reconciliations between results and recurring adjusted results for 2013 and 2012 are detailed in appendix 1.

The table below provides an analysis of sales, revenues and operating income by operating segment for 2013 and 2012:

	31 December 2013		31 December 2012 Restated (1)		Change	
	(in millions of euros)	% of sales	(in millions of euros)	% of sales	in value	in %
Major Western European countries						
Sales of goods	497.3	100.0%	518.5	100.0%	(21.2)	– 4.1%
Revenue	525.2	105.6%	549.9	106.0%	(24.8)	– 4.5%
Operating income	196.5	39.5%	140.5	27.1%	56.1	39.9%
Other European countries						
Sales of goods	329.4	100.0%	306.0	100.0%	23.4	7.6%
Revenue	336.9	102.3%	312.2	102.0%	24.7	7.9%
Operating income	146.8	44.6%	135.9	44.4%	10.9	8.0%
North America						
Sales of goods	64.2	100.0%	72.8	100.0%	(8.5)	– 11.7%
Revenue	81.8	127.3%	90.5	124.4%	(8.7)	– 9.6%
Operating income	11.0	17.1%	(10.5)	– 14.5%	21.5	– 204.2%
Rest of the World						
Sales of goods	333.9	100.0%	322.2	100.0%	11.7	3.6%
Revenue	336.3	100.7%	323.5	100.4%	12.9	4.0%
Operating income	137.8	41.3%	123.2	38.2%	14.6	11.8%
Total allocated						
Sales of goods	1,224.8	100.0%	1,219.5	100.0%	5.3	0.4%
Revenue	1,280.2	104.5%	1,276.1	104.6%	4.1	0.3%
Operating income	492.1	40.2%	389.0	31.9%	103.0	26.5%
Total non-allocated						
Revenue	1.6	–	1.3	–	0.3	20.4%
Operating income	(301.3)	–	(271.9)	–	(29.4)	10.8%
Total Group						
Sales of goods	1,224.8	100.0%	1,219.5	100.0%	5.3	0.4%
Revenue	1,281.8	104.7%	1,277.4	104.7%	4.4	0.3%
Operating income	190.7	15.6%	117.1	9.6%	73.6	62.9%

(1) For purposes of comparison between the two financial years, the 2012 income statement has been restated in accordance with IAS 19 revised.

Sales generated in the **Major Western European countries** amounted to €497.3 million in 2013, down 4.1% year-on-year. The growth of specialty care products was more than offset by the consequences of a tougher competitive environment in the French primary care market. Sales in the Major Western European countries represented 40.6% of total Group sales in 2013, compared to 42.5% the previous year. In 2013, operating income amounted to €196.5 million, up 39.9% year-on-year, representing 39.5% of sales, compared to 27.1% in 2012, notably resulting from the primary care restructuring plan in France. In 2012, the Group had recorded €57.6 million non-recurring costs related to the primary care restructuring plan in France.

Sales generated in the **Other European countries** (other Western and Eastern European countries) reached €329.4 million, up 7.6%. Sales growth was mainly driven by the good performance of Russia where primary care (notably Fortrans®, Tanakan® and Smecta®) and specialty care (notably Dysport® and Decapeptyl®) posted strong growth rates. Over the period, the supply of Dysport® for aesthetic use to Galderma contributed to growth. The Netherlands, Ukraine, Kazakhstan and Turkey notably posted strong performance. In 2013, sales in this region represented 26.9% of consolidated Group sales, compared to 25.1% a year earlier. Operating income in 2013 amounted to €146.8 million, compared to €135.9 million the previous year, and represented 44.6% of the region's sales for the year, up from 44.4% the previous year.

(1) Variations excluding foreign exchange impact were calculated by restating the 31 December 2012 figures with the exchange rates at 31 December 2013.

In **North America,** 2013 sales amounted to €64.2 million, down 11.7%. Restated for the Increlex® supply interruption, sales were up 3.0% year-on-year, driven by the strong volume growth and continued penetration of Somatuline® in the acromegaly market, by the double-digit growth of Dysport® in therapeutics and by the continuous supply of Dysport® for aesthetic use to Valeant. In 2013, sales in North America represented 5.2% of consolidated Group sales, compared to 6.0% a year earlier. Operating income totalled €11.0 million, representing a €21.5 million improvement over 2012. The increase stemmed primarily from a steep reduction in selling and administrative costs, following the restructuring of the commercial subsidiary.

In the **Rest of the World,** where the Group markets most of its products through distributors or commercial agents, except in a few countries where Ipsen has a direct presence, sales amounted to €333.9 million, up 3.6%. During the year, sales were affected by an exceptional political situation in certain Middle Eastern countries where Ipsen, in the absence of payment guarantees, had stopped supplying its products in the second quarter. Moreover, 2013 sales were affected by the performance of Decapeptyl® in China, where the product suffered from the disruption of hospital market promotion due to the investigation of certain pharmaceutical companies by local authorities. Sales growth was fuelled by the good performance of primary care in China (notably Smecta® and Etiasa®) and in Algeria (notably Smecta® and Forlax®), of Dysport® in Brazil, of Somatuline® in Australia, and of the Sanofi partnership in Mexico. Over the period, sales in the Rest of the World continued to grow to reach 27.3% of total consolidated Group sales, compared to 26.4% the previous year. Operating income for the year totalled €137.8 million, up 11.8% over the €123.2 million posted in 2012, and represented respectively 41.3% and 38.2% of sales in 2013 and 2012.

Unallocated operating income (expenses) amounted to (€301.3) million, compared with (€271.9) million in 2012. The expenses consisted mainly of the Group's central research and developments costs for €281.1 million in 2013, compared with €263.7 million in 2012, and, to a lesser extent, unallocated general and administrative expenses. Unallocated revenue amounted to €1.6 million in 2013, compared with €1.3 million the previous year.

Net financing costs and other financial income and expenses

At 31 December 2013, the Group had net financial expense of €9.0 million, compared to a net financial income of €5.4 million the previous year.

- **The net financing costs** represented a €5.8 million income, compared to a €1.3 million expense in 2012. The net income mainly resulted from a financial gain on the repayment of the Debtor-in-Possession (DIP) financing granted by Ipsen to Inspiration Biopharmaceuticals Inc. at the end of 2012, following the sale of its hemophilia assets to Baxter and Cangene.
- **Other financial income and (expenses)** amounted to (€14.8) million at 31 December 2013. The expense primarily arose from a negative €11.2 million foreign exchange impact and a €2.0 million depreciation charge on convertible bonds subscribed by the Group to develop a neurology program. At 31 December 2012, the Group recognized other financial income of €6.8 million, resulting from an unfavourable exchange rate impact, additional payments received on its sale of PregLem Holdings SA shares in 2010, and a profit from the sale of shares in Spirogen Plc during the year.

Income taxes

At 31 December 2013, the effective tax rate was 21.8% of profit before tax from continuing operations, compared with an effective rate of 20.6% a year earlier.

The difference notably resulted from the implementation in France of a new 3.0% tax on dividend payouts, which negatively impacted the effective tax rate by 1.1 percentage points.

Excluding non-recurring operating, financial and fiscal items, the Group's effective tax rate amounted to 20.6% in 2013, compared with 23.3% in 2012.

Net profit (loss) from continuing operations

As a result of the above items, at 31 December 2013, profit from continuing operations amounted to €142.2 million, up 46.0% from the €97.4 million posted at 31 December 2012. This profit represented 11.6% of sales for the year, compared with 8.0% in 2012.

At 31 December 2013, **recurring adjusted (1) profit from continuing operations** amounted to €154.0 million, up 4.7% from €147.1 million a year earlier.

Net profit (loss) from discontinued operations

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

At 31 December 2012, the net loss from discontinued operations totalled €124.8 million. The net loss included €16.7 million in depreciation charge from discontinued operations comprised of non-recurring losses on Group-held receivables from the rebilling of OBI-1 industrial development costs in the second and third quarters of the year, rebilled expenses for setting up the European operations, and a €10.6 million gain from the accelerated recognition of deferred income recorded during the 2010 transaction with Inspiration Biopharmaceuticals Inc. following the OBI-1 sub-license agreement. The impairment losses recognized on assets held for sale stemmed from a €20.0 million provision for property, plant and equipment at the Milford site, an €18.0 million provision for intangible assets related to OBI-1 and IBI1001 rights, €85.0 million in losses on convertible bonds, and a €6.0 million loss related to the Inspiration

(1) Reconciliations between results and recurring adjusted results for 2013 and 2012 are detailed in appendix 1.

Biopharmaceuticals Inc. warrant, which the Group waived. The tax impact from these non-recurring losses, net of the accelerated deferred income, was a €36.0 million tax credit. The net loss also included the €21.7 million share of losses in Inspiration Biopharmaceuticals Inc., which was recognized until it was reclassified in assets held for sale.

Consolidated net profit

As a result of the items above, consolidated net profit was €153.1 million (€152.5 million attributable to Ipsen S.A. shareholders), compared to a €27.5 million consolidated net loss (€27.9 million loss attributable to Ipsen S.A shareholders) at 31 December 2012.

At 31 December 2013, **recurring adjusted [1] consolidated net profit** amounted to €154.0 million, up 4.7% over the €147.1 million recorded the previous year.

Earnings per share

At 31 December 2013, basic earnings attributable to the Group amounted to €1.84 per share, up from basic EPS of (€0.34) a year earlier.

Recurring adjusted [1] basic earnings per share attributable to the Group amounted to €1.85 at 31 December 2013, up 5.1% year-on-year.

Milestone payments received in cash but not yet recognized in the Group income statement

At 31 December 2013, the total of milestone payments received in cash by the Group but not yet recognized as other revenues in the income statement amounted to €125.7 million, compared with €152.4 million a year earlier.

The Group recorded no new deferred income from its partnerships in 2013.

These deferred revenues will be recognized in the Group's future income statements as follows:

(in millions of euros)	31 December 2013	31 December 2012 Restated [1]
Total [2]	**125.7**	**152.4**
Deferred revenues will be recognized over time as follows:		
In the year n+1	21.7	22.4
In the years n+2 and beyond	104.0	130.0

(1) Amounts converted at average exchange rates respectively at 31 December 2013 and 31 December 2012.
(2) For purposes of comparison between the two financial years, the 2012 income statement has been restated in accordance with IAS 19 revised.

(1) Reconciliations between results and recurring adjusted results for 2013 and 2012 are detailed in appendix 1.

APPENDIX 1

Reconciliation between the income statement at 31 December 2013 and the recurring adjusted income statement at 31 December 2013

	31 December 2013 Recurring adjusted		Assets from discontinued operations (1)	Other non-recurring items (2)	31 December 2013	
	(in millions of euros)	% sales			(in millions of euros)	% sales
Revenue	**1,281.8**	**104.7%**	–	–	**1,281.8**	**104.7%**
Cost of goods sold	(253.4)	– 20.7%	–	–	(253.4)	– 20.7%
Research and development expenses	(259.1)	– 21.2%	–	–	(259.1)	– 21.2%
Selling expenses	(451.3)	– 36.8%	–	–	(451.3)	– 36.8%
General and administrative expenses	(103.8)	– 8.5%	–	–	(103.8)	– 8.5%
Other operating income	4.4	0.4%	–	1.4	5.7	0.5%
Other operating expenses	(5.9)	– 0.5%	–	(6.0)	(12.0)	– 1.0%
Amortization of intangible assets (3)	(4.1)	– 0.3%	–	(0.3)	(4.4)	– 0.4%
Restructuring costs	–	–	–	(0.2)	(0.2)	–
Impairment losses	–	–	–	(12.6)	(12.6)	– 1.0%
Operating income	**208.6**	**17.0%**		**(17.9)**	**190.7**	**15.6%**
Financial income/(expense)	**(14.7)**	**– 1.2%**	–	**5.7**	**(9.0)**	**– 0.7%**
Income taxes	(39.9)	– 3.3%	–	0.3	(39.6)	– 3.2%
Share of profit/loss from associated companies	–	–	–	–	–	–
Net profit from continuing operations	**154.0**	**12.6%**		**(11.8)**	**142.2**	**11.6%**
Profit from discontinued operations	–	–	10.9	–	10.9	0.9%
Consolidated net profit	**154.0**	**12.6%**	**10.9**	**(11.8)**	**153.1**	**12.5%**
– attributable to shareholders of Ipsen S.A.	153.5		10.9	(11.8)	152.5	
– attributable to minority interests	0.6				0.6	
Diluted earnings per share (in euros)	*1.85*				*1.84*	

(1) Impact on profit from discontinuing haematology operations (Inspiration Biopharmaceuticals Inc.) and from costs related to the supply of clinical samples to Baxter.

(2) Other non-recurring items included:
- Impairment losses recognized during the period, as described in the "Impairment losses" paragraph;
- Certain non-recurring fees incurred as part of the acquisition of Syntaxin Ltd.;
- Non-recurring costs to restructure the Group's North American commercial subsidiary and the provision release related to the restructuring of the primary care business in France;
- Settlement of a trade dispute with a partner;
- Settlement of an administrative proceeding brought against the Group;
- The repayment of Debtor-in-Possession (DIP)-type financing granted by Ipsen to Inspiration Biopharmaceuticals Inc. at the end of 2012, following the sale of its hemophilia assets to Baxter and Cangene, and €2.0 million in depreciation expense on convertible bonds subscribed by the Group to develop a neurology program

(3) Excluding software.

Reconciliation between the income statement at 31 December 2012 and the recurring adjusted income statement at 31 December 2012

	31 December 2012 Restated, recurring adjusted [1]		Assets from discontinued operations [2]	Other non-recurring items [3]	31 December 2012 Restated [1]	
	(in millions of euros)	% sales			(in millions of euros)	% sales
Revenue	**1,277.4**	**104.7%**	–	–	**1,277.4**	**104.7%**
Cost of goods sold	(254.3)	– 20.9%	–	–	(254.3)	– 20.9%
Research and development expenses	(248.2)	– 20.3%	–	–	(248.2)	– 20.3%
Selling expenses	(473.0)	– 38.8%	–	–	(473.0)	– 38.8%
General and administrative expenses	(99.1)	– 8.1%	–	–	(99.1)	– 8.1%
Other operating income	5.6	0.5%	–		5.6	0.5%
Other operating expenses	(7.8)	– 0.6%	–	(18.0)	(25.8)	– 2.1%
Amortization of intangible assets [4]	(3.3)	– 0.3%	–	(2.5)	(5.8)	0.5%
Restructuring costs	1.0	0.1%	–	(63.1)	(62.1)	– 5.1%
Impairment losses	–	–	–	2.4	2.4	0.2%
Operating income	**198.3**	**16.3%**		**(81.2)**	**117.1**	**9.6%**
Financial income/(expense)	**(6.5)**	**– 0.5%**	–	**11.9**	**5.4**	**0.4%**
Income taxes	(44.8)	– 3.7%	–	19.6	(25.2)	– 2.1%
Share of profit/loss from associated companies	–	–	–	–	–	–
Net profit from continuing operations	**147.1**	**12.1%**		**(49.7)**	**97.4**	**8.0%**
Profit from discontinued operations	–	–	(124.8)	–	(124.8)	– 10.2%
Consolidated net profit	**147.1**	**12.1%**	**(124.8)**	**(49.7)**	**(27.5)**	**– 2.3%**
– attributable to shareholders of Ipsen S.A.	146.6		(124.8)	(49.7)	27.9	
– attributable to minority interests	0.5				0.5	
Diluted earnings per share (in euros)	*1.76*				*(0.34)*	

(1) For purposes of comparison between the two financial years, the 2012 income statement has been restated in accordance with IAS 19 revised.
(2) Impact on profit (loss) from discontinuing haematology operations (Inspiration Biopharmaceuticals Inc.).
(3) Other non-recurring items included:
- Non-recurring fees incurred as part of executing the strategy announced 9 June 2011;
- Non-recurring restructuring costs arising from the relocation of the Group's North American subsidiary to the East Coast and from the primary care business in France;
- The settlement of a trade dispute with a partner;
- An administrative proceeding brought against the Group;
- Additional payments from the sale of PregLem shares.

(4) Excluding software.

APPENDIX 2

Reconciliation of the income statement reported at 31 December 2012 and the restated income statement at 31 December 2012

(in millions of euros)	31 December 2012 reported	Restatements according to IAS 19 Revised	31 December 2012 Restated
Sales of goods	1,219.5	–	1,219.5
Other revenues	57.9	–	57.9
Revenue	**1,277.4**	**–**	**1,277.4**
Cost of goods sold	(254.8)	0.4	(254.3)
Research and development expenses	(248.6)	0.4	(248.2)
Selling expenses	(473.5)	0.5	(473.0)
General and administrative expenses	(99.1)	–	(99.1)
Other operating income	5.6	–	5.6
Other operating expenses	(25.8)	–	(25.8)
Amortization of intangible assets [1]	(5.8)	–	(5.8)
Restructuring costs	(63.1)	1.0	(62.1)
Impairment losses	2.4	–	2.4
Operating income	**114.8**	**2.3**	**117.1**
Investment income	1.0	–	1.0
Financing costs	(2.3)	–	(2.3)
Net financing costs	**(1.3)**	**–**	**(1.3)**
Other financial income and expense	6.8	–	6.8
Income taxes	(24.4)	(0.8)	(25.2)
Share of profit (loss) from associated companies	–	–	–
Net profit (loss) from continuing operations	**95.8**	**1.6**	**97.4**
Net profit (loss) from discontinued operations	(124.8)	–	(124.8)
Consolidated net profit	**(29.0)**	**1.6**	**(27.5)**
– Attributable to shareholders of Ipsen	(29.5)	1.6	(27.9)
– Attributable to minority interests	0.5	–	0.5

(1) Excluding software.

1.2.7 Cash flow and capital

The consolidated cash flow statement at 31 December 2013 shows that the Group's operating activities generated net cash flow from continuing operations of €181.4 million, up €16.4 million year-on-year.

Analysis of the Group's cash flow statement

(in millions of euros)	31 December 2013	31 December 2012 Restated (1)
– Cash flow from operating activities before changes in working capital requirement	201.6	175.3
– (Increase) / decrease in working capital requirement for operations	(20.1)	(10.3)
• Net cash flow from operating activities	**181.4**	**165.0**
– Net investments in tangible and intangible assets	(62.3)	(76.5)
– Convertible note subscriptions	–	(0.2)
– Other cash flow from investments	(41.4)	11.8
• Net cash provided (used) by investment activities	**(103.7)**	**(64.8)**
• Net cash provided (used) by financing activities	**(76.5)**	**(73.2)**
• Net cash provided (used) by discontinued operations	**(6.7)**	**(56.2)**
Changes in cash and cash equivalents	**7.9**	**(29.2)**
Opening cash and cash equivalents	**113.3**	**144.8**
Impact of exchange rate fluctuations	4.1	(2.3)
Closing cash and cash equivalents	**125.4**	**113.3**

(1) For purposes of comparison between the two financial years, the 2012 consolidated cash flow statement has been restated in accordance with IAS 19 revised.

Net cash flow from operating activities

In 2013, cash flow from operating activities before changes in working capital requirement amounted to €201.6 million, up from the €175.3 million generated in 2012.

Working capital requirement for operating activities amounted to €20.1 million in 2013, compared with €10.3 million the prior year. The 2013 increase stemmed from the following items:

- In 2013, inventories decreased by €2.9 million, *versus* an increase of €7.1 million in 2012. The decline resulted from the implementation of action plans aimed at improving productivity.
- In 2013, trade receivables grew by €1.8 million, *versus* a decrease of €10.1 million at 31 December 2012. The increase stemmed primarily from the increase in commercial activity of the Russian affiliate, which was offset by the collection of trade receivables in Southern Europe and the unblocking of the economic situation in some Middle Eastern countries;
- In 2013, trade payables decreased by €4.6 million, *versus* an increase of €15.0 million in 2012. The difference resulted from lower external costs during the year, mainly as a result of the primary care restructuring plan in France and the strategic reallocation of resources;
- In 2013, the net change in other operating assets and liabilities comprised the use of €30.8 million, *versus* a use of €10.9 million in 2012. The Group recorded no new deferred revenues from its partnerships in 2013 or 2012. Conversely, in 2013, the Group recognized €21.9 million in deferred revenues from its partnerships, compared with €24.5 million in 2012;
- The change in net tax liability in 2013 represented a source of funds totalling €14.2 million. The change resulted primarily from the reimbursement in 2013 of an excess amount of tax paid for the fiscal year 2012.

Net cash flow used by investment activities

In 2013, net cash used by investment activities amounted to €103.7 million, compared with a net use of €64.8 million in the prior year. It included:

- Investments in tangible and intangible assets, net of disposals, totalling €62.3 million, *versus* €76.5 million at 31 December 2012. This cash outflow mainly included:
  - €42.0 million in acquisitions of property, plant and equipment, compared with €49.0 million in 2012. These acquisitions consisted primarily of investments required to maintain the Group's production equipment, as well as investments in capacity, notably at the Signes, Dublin and Wrexham industrial sites;
  - €20.4 million in investments in intangible assets, *versus* €27.7 million in 2012, chiefly as part of the Group's partnership policy, in particular with Active Biotech for the rights of tasquinimod (€12,0 million), and Mayoly Spindler

for its cross-partnership with Ipsen in the primary care business in France.

- The use of €28.7 million for other investment activities, including €26.2 million to acquire Syntaxin Ltd. on 12 July 2013.
- A €12.7 million decrease in working capital requirement for investment activities, corresponding mainly to the recognition of a milestone payment to Active Biotech for tasquinimod in 2013 and which was recognized in 2012.

Net cash flow from investing activities

In 2013, net cash used in financing activities totalled €76.5 million, down from a net use of €73.2 million in 2012. The Group paid out €66.9 million in dividends in 2013, *versus* €67.5 million paid out in the previous year.

Net cash from discontinued operations

At 31 December 2013, net cash provided (used) by discontinued operations related to Inspiration Biopharmaceuticals Inc. amounted to a net source of funds totalling €6.7 million, *versus* a net use of funds totalling €56.2 million the previous year.

(in millions of euros)	31 December 2013	31 December 2012 Restated (1)
– Cash flow from operating activities before changes in working capital requirement	7.7	(3.5)
– (Increase) / decrease in working capital requirement for operations held for sale	(1.0)	(17.3)
• Net cash flow provided (used) by operations held for sale	**6.7**	**(20.8)**
– Net investments in tangible and intangible assets	–	(5.8)
– Convertible note subscriptions	–	(26.7)
– Other cash flow from investments	–	(2.9)
• Net cash provided (used) by investment activities	**–**	**(35.4)**
• Net cash provided (used) by financing activities	**–**	**–**
Change in cash and cash equivalents	**6.7**	**(56.2)**

(1) For purposes of comparison between the two financial years, the 2012 consolidated cash flow statement has been restated in accordance with IAS 19 revised.

Net cash provided (used) by operations held for sale breaks down as follows:

- In 2013, net cash provided (used) by operations amounted to a net source of funds totalling €6.7 million, compared with a net use of funds of €20.8 million a year earlier. The result stemmed mainly from the recovery of OBI-1 sales rights in the amount of USD 22.5 million, as part of the strategic partnership agreement renegotiated with Inspiration Biopharmaceuticals Inc. on 21 August 2012. It also resulted from cash generated by the supply of clinical samples to Baxter.
- At 31 December 2012, net cash provided (used) by investment activities amounted to a use of funds totalling €35.4 million, primarily owing to the subscription by Ipsen of €26.7 million in convertible bonds issued by Inspiration Biopharmaceuticals Inc. and the €6.1 million acquisition of commercial rights on IB1001-related intangible assets.

1.2.7.2 Analysis of the Group's treasury

(in millions of euros)	31 December 2013	31 December 2012 Restated [1]
Cash	63.1	58.6
Short-term investments	67.8	45.1
Interest-bearing deposits	0.1	10.0
Cash and cash equivalents	**131.0**	**113.6**
Bank overdrafts liabilities	(5.6)	(0.4)
Closing net cash and cash equivalents	**125.4**	**113.3**
Bank loans	0.0	0.0
Other financial liabilities	12.3	15.9
Non-current liabilities	12.3	15.9
Bank loans	4.0	4.0
Financial liabilities	3.5	4.5
Current liabilities	7.5	8.5
Debt	**19.9**	**24.4**
Derivative instruments	(0.2)	(1.1)
Net cash and cash equivalents [2]	**105.7**	**90.0**

(1) For purposes of comparison between the two financial years, the 2012 consolidated cash flow statement has been restated in accordance with IAS 19 revised.
(2) Net cash and cash equivalents: Cash and cash equivalents and securities held for sale, less bank overdrafts, bank loans and other financial liabilities, with derivative financial instruments added back.

In January 2012, Ipsen S.A. signed a five-year, €400.0 million loan with a bank syndicate. This single-currency credit line was established to meet the general financing needs of the company's operations. At the initiative of the borrower, the line may be drawn for short-term periods of one, two, three or six months or for any other duration subject to agreement between Ipsen S.A. and the facility agent, to better adapt the facility to the Group's cash flow profile.

As a result, the Group ended the line contracted in June 2008 without having to pay any penalties.

The total amount of the drawdowns at all times must be below the credit line ceiling, which remains constant over the duration of the contract.

Under the terms and conditions of the agreement, and in addition to the usual contractual clauses, the Group committed to staying within maximum levels of the Net-debt-to-equity and Net-debt-to-EBITDA ratios in its consolidated financial statements at the end of each financial half year. The covenant ratios are as follows, as per the credit agreement:

- Net debt to equity: 1
- Net debt to EBITDA [1]: 3

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

At 31 December 2013, the Group had a positive net cash position. As a result, the net-debt-to-equity and net-debt-to-EBITDA [1] covenant ratios had no significance.

(1) EBITDA: Earning Before Interests, Taxes, Depreciation and Amortization.

1.2.8 Mother-subsidiaries relationship

Ipsen S.A. is acting as an 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. €10.1 million have been invoiced by Ipsen S.A. in 2013 with regards to these senior managers. The Group comprises 45 affiliates which are consolidated as set forth in note 30 in Chapter 2.1.5.

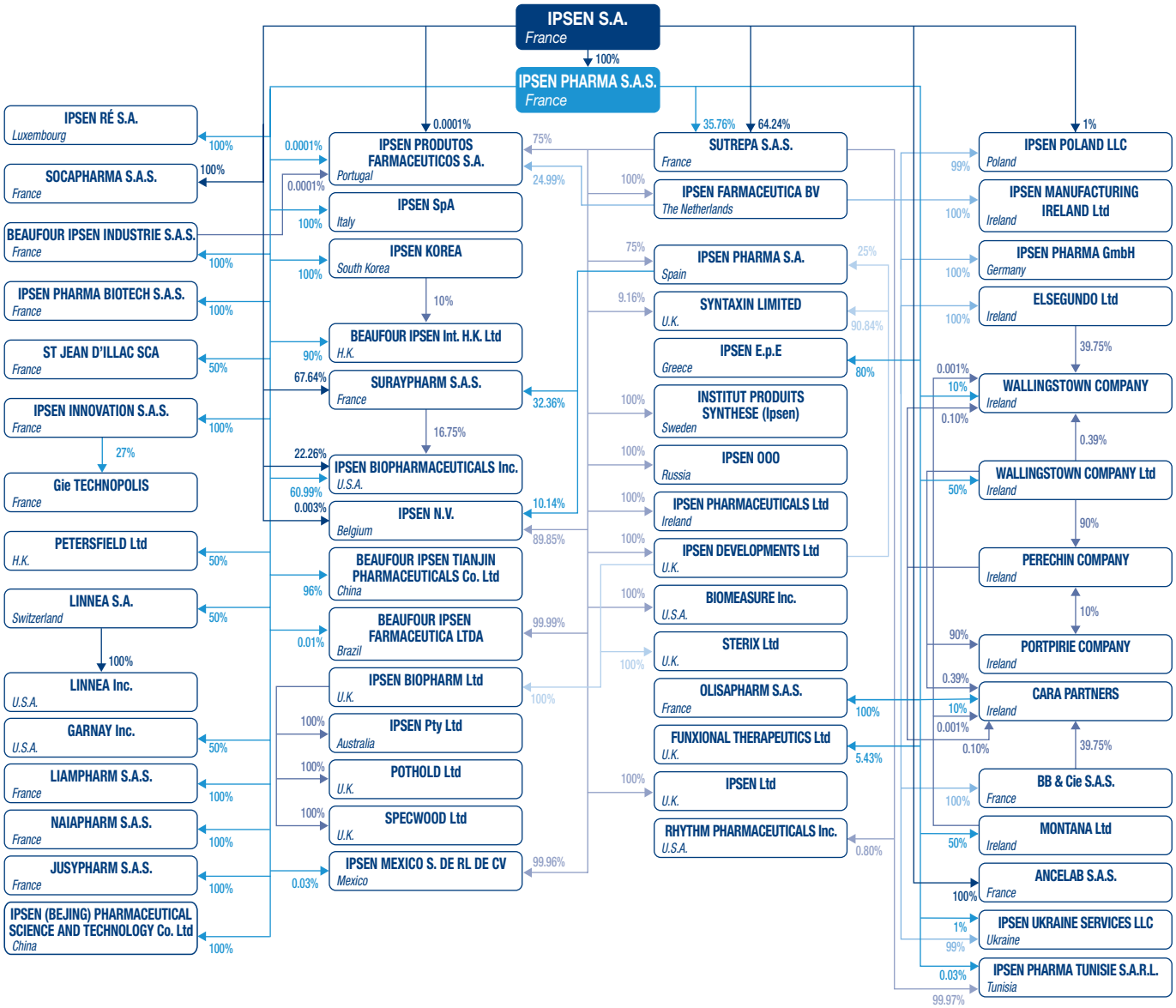
These companies are either research and development, manufacturing, management or commercialization entities. They own the assets they are exploiting in the frame of their activities and Chapter 2.1 note 4.3 presents such assets by geographical areas.

As indicated in Chapter 3.2.3, Ipsen S.A. is controlled by a company incorporated in Luxembourg, Mayroy SA. Description of this company and its shareholding is to be found in Chapter 3.2.3.

1.2.8.1 Organizational structure

The stated percentages indicate the proportion of share capital and voting rights held in each company.

Group Organization chart at 31 December 2013



1.2.8.2. Acquisitions and winding-ups

The evolution of the organization chart takes into account the acquisition of the company Syntaxin by the Group on 12 July 2013 and the liquidation of the company Inspiration Biopharmaceuticals Inc. on 23 December 2013.

Moreover, in order to facilitate and encourage the development of the Group's activity at a local scale, two companies have been created: the company Ipsen Ukraine Services LLC, on 22 January 2013 and the company Ipsen (Beijing) Pharmaceutical Science and Technology development Co Ltd, on 3 May 2013.

Finally, in the context of the Group's aim to streamline its legal, administrative and regulatory structure, the two Italian subsidiaries, Ipsen Spa and Beaufour Srl, merged, effective 1 January 2013 by decisions adopted by their shareholders' meetings held on 27 March 2013. This internal legal restructuring generated does not have a significant impact on the Group's consolidated income statement at 31 December 2013.

1.2.8.3 Information on the participations

The participations of the Company cover only the Group Companies. Their financial impacts are described in the Appendices to consolidated financial statements of the Company contained in Section 2 "Financial Information and Results of the Company" in this registration document.

1.3 GROUP'S EMPLOYEES AND ENVIRONMENTAL ISSUES

1.3.1 Human Resources

1.3.1.1 Group workforce

At 31 December 2013, 42% of the Group's 4,602 employees and notably 63% of the sales force were employed outside the major Western European countries.

The following table shows a geographical analysis of Group's employees by function.

Split

	Sales	Manufacturing and supply	Research and Development	Administration and other	Total
At 31 December 2013					
Major Western European countries (1)	751	758	650	515	**2,674**
Other European countries	278	128	72	64	**542**
North America	56	6	92	33	**187**
Rest of the world (2)	965	65	64	105	**1,199**
Total	**2,050**	**957**	**878**	**717**	**4,602**
At 31 December 2012					
Major Western European countries (1)	822	753	654	529	**2,758**
Other European countries	478	139	78	90	**785**
North America	115	6	178	47	**346**
Rest of the world (2)	745	64	57	80	**946**
Total	**2,160**	**962**	**967**	**746**	**4,835**

(1) *i.e.*: Germany, Spain, France, Italy and the United Kingdom.
(2) Including Asia.

Structure and trends

The following tables provide an insight into the structure and recent trends in the Group's workforce.

Overall workforce trends

	31 December 2013	31 December 2012
Major Western European countries (1)	2,674	2,758
Other European countries	542	786
North America	187	346
Rest of the world (2)	1,199	946
Total	**4,602**	**4,835**

(1) *i.e.*: Germany, Spain, France, Italy and the United Kingdom.
(2) Including Asia.

Analysis of the workforce by type of employment contract (joint ventures non included)

As illustrated by these tables, the Group maintains a high level of permanent jobs.

(As a percentage)	31 December 2013	31 December 2012
Permanent	97%	97%
Non-permanent	3%	3%

Part-time

(As a percentage)	31 December 2013	31 December 2012
Full-time	94%	95%
Part-time	6%	5%

Analysis of the workforce by employment category (joint ventures non included)

	Non Sales force		Sales force (1)	
	Exempt staff	Non-exempt staff	Exempt staff	Non-exempt staff
At 31 December 2013	1,355	1,712	1,078	363
At 31 December 2012	1,425	1,795	1,233	290

(1) "Field" sales force.

Recruitments (joint ventures non included)

	31 December 2013			31 December 2012		
	Total	Of which		Total	Of which	
		Perm	Fixed term		Perm	Fixed term
Major Western European countries (1)	**251**	155	96	**387**	276	111
Other European countries	**50**	28	22	**80**	57	23
North America	**16**	16	–	**139**	139	–
Rest of the world (2)	**284**	258	26	**382**	364	18
Total	**601**	**457**	**144**	**988**	**836**	**152**

(1) *i.e.*: Germany, Spain, France, Italy and the United Kingdom.
(2) Including Asia.

Termination of employees (joint ventures non included)

	Redundancies, dismissals	Mutual agreement	Resignations, end of fixed-term contracts, seasonal contracts	Retirements, deaths	Total
2013 financial year					
Major Western European countries (1)	117	24	174	15	330
Other European countries	7	–	63	–	70
North America	130	–	39	4	173
Rest of the world (2)	78	–	180	1	259
Total	**332**	**24**	**456**	**20**	**832**
2012 financial year					
Major Western European countries (1)	54	22	161	20	257
Other European countries	6	1	47	–	108
North America	113	–	55	4	172
Rest of the world (2)	92	–	151	2	245
Total	**265**	**23**	**414**	**26**	**782**

(1) *i.e.*: Germany, Spain, France, Italy and the United Kingdom.
(2) Including Asia.

The high number of redundancies and dismissals in North America is due to the transfer of the Milford site and the reorganization of the activity in Basking Ridge; in the Major Western European countries it is due to the redundancy plan in France.

Absenteeism

Absenteeism reasons taken into account: illness, work/journey accident, unjustified absence unpaid.

The following table shows the absenteeism rates by function during the 2012 and 2013 financial years:

	2013 financial year	2012 financial year
Manufacturing and supply chain	3.9%	3.4%
Sales	2.5%	2.3%
Administration and other	2.5%	1.7%
Research and Development	2.6%	2.5%
Total	**3.0%**	**2.7%**

1.3.1.2 The Group's Human Resources policy

Ipsen's Human Resources policy is dedicated to supporting the Group's dynamic and strategy. It aims at creating the right framework:

- to foster the growth and development of all employees through continuous dialogue about their needs and motivations, while offering access to training and mobility,
- to promote a culture of managerial excellence,
- to involve all employees, thanks to a receptive environment where colleagues listen to each other, a culture of continuous improvement and a fair and competitive compensation policy.

Individual performance appraisal

The Individual Performance Appraisal Process (IPAP) is an essential process in the management of people. It is an ongoing process with two formal appraisal meetings. The dialogue between the manager and the team member is an opportunity to recall and/or clarify the business strategy of the company and transform Group objectives into individual ones.

The IPAP provides managers with the means to motivate and encourage their team members to achieve challenging but realistic objectives. The outcome of the start-of-year interview should allow alignment and agreement on the performance to achieve – main duties, annual objectives and behavior – and the definition of the means to enable the employee to reach them. At year end, it is an opportunity for the employee to have a constructive dialogue with their Manager so that they may voice their view on their performance and the difficulties they may have encountered. 73% of Group employees (China not included) benefited from a full annual performance appraisal process.

Recruitment and mobility

In 2013, the Group pursued the recruitment policy which had been initiated last year to support the execution of the strategy and accelerate the transformation with a particular emphasis put on leadership and managerial competencies.

Expectations were higher concerning these two competencies both for internal and external candidates.

Recruitment

Ipsen's commitment to ensure diversity within its workforce starts with a call to recruit a wide panel of profiles and competencies (cf. "Equal opportunities and diversity within the Group"). In 2013, the Group recruited a total of 601 new employees, which split as follows: 18% in Manufacturing and supply, 12% in Research and Development 6% in Administration and other, and 63% in Operations. The staffing process was put under scrutiny through an Operational Excellence project to reduce lead time by 30%. Furthermore, with the support of the Purchasing department, the terms of collaboration of external recruitment providers, which had been referenced in 2010, were reevaluated and negotiated. This approach globally ensures continuous improvement of the service delivered to Ipsen. This year it also led to developing the middle management recruitment offer.

Once recruited, new employees are welcomed and integrated to Ipsen *via* local programs for all employees at site level and Global Management Induction seminars for Managers at Group level.

Internal mobility

In 2011 and 2012, with Ipsen's new strategy and organization, many new positions were created. This gave a new impetus to the Group's internal mobility policy which is actively promoted. Indeed, whether it be geographical or functional, mobility is essential to employees' development and to the company's dynamism. It enables to offer new career opportunities and contributes to the company's performance overall.

In 2010, an internal mobility Charter was circulated to all employees and job vacancies are systematically advertised on the Group's intranet portal. Mobility Committees are organized every six weeks; they bring together Human Resources teams who review job opportunities within the Group and identify potential candidates. Additionally, in 2013, the supporting measures for expatriates were reviewed to better take into account their needs and those of the company.

Development and training

The Group consistently aims at providing its employees with high-quality learning and development opportunities tailored to the overall Group requirements and the specific features of each business. Training can be broken down into two types: training programs organized to promote the development of managerial expertise and the cohesion of the Group, and technical training linked to business expertise.

Development

In 2013, the development policy continued to focus on individual and collective change management initiatives, with two new change programs developed for the middle management and senior management portfolios.

Launched in 2011, IDP offers a framework for employees who wish to review their professional experience and motivations in order to select areas for development. They meet with their manager during a dedicated meeting to discuss and formalize an action plan to be supported by Human Resources. Training on IDP is proposed to all managers and employees to help them prepare for the exercise.

Based on the belief that beyond technical skills and expertise, it is the way people act that will make the difference, a limited number of behavioral competencies have been identified as critical for the efficiency of the company and to boost its transformation. They guarantee a consistent approach to management and support the Group's transformation and the execution of its strategy. Finally, following on from the first module of the management development program for senior managers started in 2012 (then focused on the Interactive Skills in Leadership), a further module was launched in 2013. This second set of modules specifically aims to assist the senior population in driving Ipsen's transformational change. The modules are rolled out with a mix of face to face workshops and virtual sessions, and are set to continue to be offered to Ipsen's leaders in 2014. Furthermore, the mentoring, on-boarding and coaching launched in 2011 continues to be offered to support top executives taking on new roles.

Training and development investment

The investment of the Group in training and development in 2013 was in support of both the strategic needs of the company and of individual performance; employee's needs are identified through the IPAP (short-term needs) and the IDP (long-term needs).

Over the past two years, the total number of training hours provided to Group employees was as follows:

Number of hours of training	2013	2012
TOTAL	153,645	177,447

Equal opportunities and diversity within the Group

The Group endeavors to ensure that all employees benefit from non-discrimination rules which apply in the country they are employed in. At Group level, employment and compensation policies are based on objective criteria and individual merit. Employees are thus given equal opportunities without any discrimination on the basis of race, color, religion, gender, disability, family situation, sexuality, age, nationality or ethnic background.

Certain Group companies have defined equal opportunities policy (Ipsen Biopharm Ltd in Wales for example), while others have incorporated measures ensuring equal opportunities into their recruitment policy (Ipsen Poland LLC or Beaufour Ipsen Korea Ltd) or into more general codes of conduct (Ipsen SpA in Italy). In France, Beaufour Ipsen Industrie in Dreux set up a Diversity Chart in February 2007 and, in January 2010, Ipsen Pharma Biotech in Signes signed the French Diversity Charter, a written commitment to ban discrimination in the workplace and to work towards creating diversity.

The average age of employees in the Group is 40.

Split per age (joint ventures non included)

	Ratio Headcount
Under 30 years old	12%
30 – 50 years old	72%
Over 50 years old	16%

Equal opportunities for men and women

Of the measures implemented within the Group, the most significant one relates to equal opportunities for men and women. Gender equality at Ipsen is founded, for instance, on work-life balance – flexible working hours, part-time working – with no adverse effect on career prospects.

In 2012, in France, management and employee representatives renewed their initial agreement which asserts the right for equal opportunities, treatment and remuneration between men and women at all stages of their professional life within the company: not only when they are hired but all through their career. Indicators and reports allow to regularly follow up on the situation.

The following table provides an analysis of the number of male and female employees within the Group, per employment category:

(as a percentage)		31 December 2013		31 December 2012	
		Male	Female	Male	Female
Non-field sales force	Exempt staff	14%	16.1%	14.3%	15.7%
	Non-exempt staff	14%	23.9%	13.9%	23.9%
Field sales force	Exempt staff	10.6%	13.4%	10.9%	15.1%
	Non-exempt staff	2.5%	5.6%	2.3%	3.9%
Total		**41.1%**	**58.9%**	**41.4%**	**58.6%**

In 2013, Ipsen was ranked 19th out of 120 companies listed on SBF 120 (*Société des Bourses Françaises 120 Index*) for its increasing female representation in governing bodies (including Board, Steering or Executive Committee) and its related policy. The survey was organized by the French Ministry of Women's Rights and conducted by « Ethics and Boards » the first international observatory of the governance of listed companies.

Integration of disabled workers

Ipsen is committed to help disabled workers find their place within the company.

In France, an initial agreement was signed in 2008 and renewed for 2011-2013. Ipsen has now signed a partnership with an association created by the LEEM (French Pharmaceutical Companies Association) to implement an industry-wide agreement regarding disability. This association enables companies to pool and coordinate their efforts and costs in line with four priorities:

- Recruitment;
- Maintain disabled workers in their position: site Human Resources managers and labor doctors anticipate critical situations to enable employees to pursue their professional activity;
- Develop a formal purchasing policy to outsource contracts with centers employing disabled workers;
- Communicate, raise awareness and train: various initiatives are rolled-out on sites to engage employees on this topic and more broadly on Diversity.

Ipsen is also a founding member of the first French Club House, a non-profit organization specialized in helping people with psychical problems.

Employing young and senior workers and transferring knowledge

In 2013, Ipsen signed its first agreement regarding the employment of young and senior workers and the transfer of knowledge.

For young workers, it aims at: giving them access to long-term employment; improving their integration in the company; developing their competencies thanks to the experience of more senior colleagues.

For senior workers, it aims at: maintaining their employment; enabling them to transfer their knowledge; helping them prepare and make plans for retirement.

Group's compensation and benefits policy

Compensation and benefits

Ipsen's compensation and benefits policy is based on three main principles which are:

- Internal equity,
- External competitiveness,
- Performance recognition.

These principles are applied in the countries where the Group is established and fit to the local social-economic and legal context.

Since 2006, annual pay increases are implemented using identical frameworks, tools and schedules for the entire Group. Trends in compensation and benefits paid by Group companies depend on local circumstances. Based on their level of responsibility, employees are eligible to a bonus system. The proportion of variable compensation has been increased with efforts by the Group to foster a performance-based culture, and this policy will be reinforced over the coming years.

Based on the 2013 salary review, the Group's salary mass increased by 10% on 1 March 2013 due to merit increases (not including Brazil since their salary review occurs in September).

1.3.2 Environment, Health and Safety

The Environment, Health and Safety (EHS) data presented in this document and originating from the implementation of the Group's EHS policy stem from the consolidation of EHS data from all nine sites. They include the activities of the research and development (R&D) centers, those of the production of active substances, and the activities up to and including the final finished products (Perimeter 1). For the most representative indicators of EHS, the perimeter has been extended to integrate the data from commercial offices (Perimeter 2) which list is detailed in the methodological note.

1.3.2.1 Regulatory Issues

The Group's activities are regulated by the applicable health, safety and environmental legislation.

In Western Europe, the entire Group's manufacturing sites and research and development centres are located in countries belonging to the European Union. Within the European Union, environmental and labour legislations have significantly developed since the early 1980s.

Concerning workplace health and safety, Group companies are subject to regulatory requirements to protect the health and safety of employees, particularly through the assessment of occupational risk. Legislation and regulation in this area are regularly strengthened. These last years have seen the emergence of new requirements around environment, health and safety in Europe related to the management of chemical hazards, to psychological risks as well as to the environment through the energetic impact and waste management.

Regarding environmental legislation, sites are covered 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 (waste management, environmental discharges, use, handling and storage of toxic and/or hazardous substances, etc.). These directives have been and will be enacted progressively in national legislation until 2014 in every EU member state and their provisions must be observed at each of the Group's facilities located in these countries. Furthermore, the European Parliament adopted directive 2004/35 on 24 April 2004 on environmental liability related to the prevention and remediation of environmental damage. The Directive, now enacted in EU member states and in France since August 2008, established "the polluter pays principle" in the case of environmental damages caused by the user's activities.

In France, the requirements in terms of sustainable development have partly been enforced through the publication of decrees related to the laws of the Grenelle on the thematic of energy efficiency, reduction of energy consumption, risk management or preservation of health. As part of its commitment to compliance, the Group ensures the inclusion of these new requirements in its new project development.

The REACH regulation (Registration, Evaluation, Authorization and Restriction of Chemicals) was formally adopted on 1 June 2007. Its aim is to improve the protection of human health and the environment and has been the subject of a detailed analysis by the Group. This analysis has enabled the Group to control the impact on Group activities. In addition, the Group continues to watch over successive amendments to the regulations, in particular concerning the evolution of the substance classification that may impact its business or products in the medium or long term.

In 2008, the regulation implementing international recommendations from the Global Harmonisation System (GHS) on the labelling of chemical substances was disclosed. This regulation (CE) n° 1272/2008 of 16 December 2008, called "CLP" defines the new rules for classification, packaging and labelling of chemical products in Europe. This new system will progressively replace the pre-existing European system. It is applicable to substances since 1 December 2010. The measures of this regulation concern both chemicals having an effect on the environment and those having an impact on the health and safety of workers. The procedures for implementing this new regulation and its impact on the Group's activities have been analysed. Since 2010, the Group ensures that the required notifications of chemical products from the Group are realized.

The regulatory upgrades concerning chemicals management also appeared in the United States as the OSHA standard 1910.1200 "Hazard Communication Standard" of 26 March 2012 and in China with the decree n° 7 Chinese Ministry of Environment protection. These texts are intended to harmonize devices and chemicals management based on similar principles to those of REACH and GHS.

In the light of these important European regulatory issues, the Group proactively monitors new information concerning EU directives. The Group is currently analysing the impact of regulations with special attention on those regarding energy efficiency, greenhouse gases, substances that deplete the ozone layer, and more generally, on changes in EHS legislation applicable to its business activities.

Given its increasing integration with worldwide trade channels, China has for several years been developing a specific framework of EHS regulations. The manufacturing facility operated by the Group in China is thus subject to a set of regulations in this area. The highest Chinese authority for environmental issues is the Ministry of Environmental Protection (EPM) which is leading its local branch organized in Environmental Protection Bureau (EPB) in each province. Each EPB reports directly to the Ministry as well as to local authorities. The EPB supervises each company according to its relative size, as such; the site in Tianjin is controlled by the Tianjin Huayuan industrial zone EPB. In parallel, the highest authority for safety is the State Administration of Work Safety of the People's Republic of China who has the

same organizational system of various Branches. Thus, the Huanyuan Industrial Zone branch supervises the Tianjin site. For health, it is the Ministry of Health of the People's Republic of China which takes into account these questions.

The Milford research and development centre in the United States is subject to health, environmental and work safety regulations specific to the United States. That framework is, for the most part, similar to the framework in Western European countries. U.S. legislation is based on a regulatory system at both the state and federal levels. 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 working environment. The State of Massachusetts, in turn, is responsible for enforcing federal laws, which are interpreted to be the minimum level of requirements, and can make them more stringent. EPA, OSHA and the states conduct inspections to ensure regulatory compliance.

Finally, at the international level, the Group watches carefully for events that could have a direct or indirect impact on the various business activities of the Group regarding EHS, and monitors with particular attention the guidance given at post-Kyoto international meetings.

1.3.2.2 EHS Policy

1.3.2.2.1 The Group's EHS policy

Updated in 2012, the Group has updated its Environment, Health and Safety (EHS) policy. Thus, the new policy signed by the Chairman and Chief Executive Officer establishes that:

"Environment, Health and Safety (EHS) are integral to our business. Through this policy, we demonstrate EHS compliance, respect for individuals and the environment.

By empowering our people through Ipsen's "4 action principles", we commit to:

- Design and manage our activities and our products through the entire life cycle to limit the EHS impact on people and on the environment in an ethical and compliant manner.
- Strive to be accident and incident free.
- Drive continuous improvement of EHS performance and culture.

Ipsen is acting in a fast changing world. In this context, we are all accountable for our own safety, sustainability and for the impact of our activity on the environment.

The Group expects each individual to comply with this policy and I personally pledge my support."

This new policy focuses really on the commitment and accountability of employees and Senior Management in regards to EHS. It places the individual at the core of its actions.

An Environmental, Health and Safety Management Manual was created in 2008. It describes the organizational and management policies necessary to protect the environment, and to respect our health and safety. This dynamic prevention process has the goal of continuous improvement in EHS performance.

From an operational perspective, the Group's EHS policy is implemented through a 5-year strategic plan for EHS. This plan thus permits the definition of annual targets which are applicable to all of the Group's sites.

The focus since 2008 has been to put in place an EHS management system for the Group to ensure site compliance. In addition, integrating these various EHS elements into the business allows the Group to ensure a better product management (see paragraph 1.1.2.5.1) as well as a better control of its production equipment (see paragraph 1.1.2.5.3).

By making a daily commitment to the health and safety of employees and to the environment, and by focusing on the dissemination of best practices and the implementation of preventive action, EHS is an integral component of sustainable development and of the policy of Corporate Social Responsibility.

1.3.2.3 EHS 2013 Performance

1.3.2.3.1 Compliance and external reward

In this highly regulated environment, the Group's main concern is regulatory compliance. As such, the Corporate EHS (Environment, Health & Safety) is particularly focused on the establishment of global standards in Environment, Health and Safety (EHS). Thus, each site ensures the compliance of its activities and facilities in relation to applicable legal requirements in order to better control health and safety risks and environmental issues raised in paragraphs 1.1.2.5.1 and 1.1.2.5.2 of this document.

Since 2009, a set of requirements and good practices for the Group was established through global EHS standards. At the end of 2010, this internal set of requirements was made of 6 standards concerning the elements of the management system for the Group and 15 standards of operational control. It is important to notice that the standards defining the management system for the Group are totally aligned with the occupational health-safety standard OHSAS 18001 on one hand, and the environmental standard ISO 14001 on the other hand.

The sites of the Group have moved forward to the implementation of these global standards through action plans and have reached a satisfactory level of compliance with regard to internal requirements.

Legal and regulatory intelligence

Legal and regulatory intelligence in the areas of environment and health and safety has been put into place at each Group site. This allows them to keep track and update evolution of applicable regulatory developments.

Regulatory compliance assessment and other requirements

All sites operated by the Group in Europe have all the environmental permits and licenses required for their operations and comply with applicable EHS regulations.

As part of the Group's EHS policy, each site performs a compliance evaluation with regard to regulatory requirements and other requirements such as applicable global standards.

To assess compliance with applicable requirements and global standards, since 2010, the Corporate EHS performs internal audit on all the Group sites. In addition, the Corporate EHS expanded this program to critical sub-contractors in 2012. Since 2011, these audits are carried out by services not affiliated with the Group EHS organization.

Certifications

The Group follows a voluntary approach to certification in terms of environment with ISO 14001 and in terms of safety with OHSAS 18001.

In terms of ISO 14001, five manufacturing sites are certified: Dreux, Signes, Isle-sur-la-Sorgue, Cork and Tianjin. Two of them, Dreux and Signes, were certified in 2011, which reflects their commitment to environmental issues, whereas Isle-sur-la-Sorgue, Cork and Tianjin respectively received their certificate in 2004, 2008 and 2010. It is noted that these certifications are subject to annual surveillance audit and are renewed every 3 years following a continuous improvement approach.

In terms of OHSAS 18001, two sites are certified: the site of Dreux in 2011 and the site of Cork in 2010 demonstrating a developed culture for the management of the occupational health and safety.

Other sites such as Les Ulis, Milford and Wrexham are in the process of conforming to these standards, nevertheless without seeking external recognition of their management system. In terms of environment, the site of Wrexham has obtained the certification BS 8555 (Phase 3) from the authorities, which gives evidence to the implementation of an environmental management system. Furthermore, this site received a recognition from local authorities in regards to the promotion of occupational health: the Corporate Health Standard and in regards to occupational safety: the RoSPa gold award (Royal Society for the Prevention of Accidents).

1.3.2.3.2 Assuring the health and safety of employees

Reduce accidents

	2013	2012	2011	2010
Frequency rate [1]	3.39	6.29	3.85	5.31
Severity Rate [2]	0.04	0.04	0.07	0.13

(1) The frequency rate is the number of disabling injuries with work loss time exceeding one day which have occurred over a period of 12 months per million hours worked (frequency rate = number of disabling injuries with loss time x 1,000,000 / number of hours worked).
(2) 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).

Besides, this year and for these specific indicators, the perimeter was extended to additional offices (Perimeter 2). Hence, the frequency rate is 4.01 and severity rate is 0.12 compared to a frequency rate of 4.15 and a severity rate of 0.07 in 2012. If the number of injuries has decreased, their severity has increased mainly due to days lost especially at Boulogne and operations sites located in Germany and Italy.

On the Perimeter 1, the frequency rate has decreased by 46% and the severity rate remained stable between 2012 and 2013 hence a significant decrease of the number of hours worked of (2.5)%. This is explained by the absence of injuries with days lost on all R&D sites in 2013 and a progressive implementation of a ''People Based Safety'' approach resulting in managerial safety visits at Dreux and Tianjin sites in 2013. This approach will be deployed in 2014 on almost all sites belong to Perimeter 1. Hence, the number of accidents has decreased from 19 accidents in 2012 to 10 in 2013 on production and R&D sites. The number of days lost due to injury has substantially decreased from 130 days lost in 2012 to 118 in 2013 on production and R&D sites.

Since 2010, the senior management has put a particular emphasis on the improvement of these indicators and on the implementation of actions such as on site safety visits and the reporting of near misses, hence even if the number of accident has increased, the days lost has significantly decreased over the past 3 years.

Beyond the risk assessment performed on all work stations at the sites, each accident or identified hazardous situation is the subject of preventive and protective actions, included in the annual safety program at each site.

In addition, in 2013 the Group continued its project of profit-sharing launched in 2010 for its French employees based on various criteria of which 2 are EHS data. Indeed, one of the criteria corresponds to the frequency rate and a second criterion corresponds to the participation rate at EHS training.

On the Perimeter 2, there is no occupational disease in 2013.

Road Safety

A policy on road safety was implemented by the Group in 2011, in order to improve driving safety, to make drivers responsible for safe driving to reduce the risk of accidents.

In 2013, the action plan aiming at reducing frequency and severity of accidents is being deployed on the French perimeter. A communication is regularly done to employee representative.

Industrial Hygiene

The risks related to the use of hazardous materials such as those mentioned in paragraph 1.1.2.5.1 of this registration document, has led the Group to put into place a policy of prevention and protection of the health and safety of employees.

As part of this policy, in 2012, the Group continued its program for industrial hygiene for which the main objective is to improve the control of chemical risks in the short and long terms.

The follow-up to the industrial hygiene strategy of the Group results in the provision of updated safety data sheets for proprietary products in accordance with the requirements of the CLP regulation, incorporating any new information that has an impact on the classification. In addition, the Group has continued its work on the risk profiling of the Group's products

regarding health, safety and the environment, in order to implement recommendations for product handling and for the selection of associated equipment. In 2012, the strategy of industrial hygiene has been reinforced by the definition of safety data sheets for Research products for which the hazard characterization is not exhaustive and the realization of specific sampling campaigns on 3 Group sites.

The industrial hygiene issues concerning the Group compounds and commercial products are integrated in the site master plans of the facilities. This has led to the development of significant investments to comply with general precautionary principles through the elimination of personal protective respiratory equipment at the sites which use substances identified as hazardous to health and safety, by addressing the risks at their source and acting in priority on more effective and reliable collective protection.

The multi-year investment program in regards to the implementation of the industrial hygiene program will be continued at affected sites in 2014.

Psychological risks

Prevention of the psychosocial risks (RPS) is integrated in a global approach to preserving occupational health and quality of life, a major component of the Environment, Health and Safety policy of the Group. The RPS cover occupational hazards from various nature and origin and can impact employees' health affecting the good performance of the company.

The signature in France of the framework agreement on the prevention of the RPS in December 2010 has thus constituted a first step for the worldwide general project regarding health plan. This agreement defines a general framework of reference, which is stated since January 2011 within the French establishments and relies on three significant themes: identification of the psychosocial risks, prevention of the risk factors on the workplace and accompaniment of employees.

With this agreement, the Group wishes to continue the actions already engaged by the French sites while setting up a common approach to prevention and adapted protection, and involving all company stakeholders.

Strenuous labour conditions

In France, under Law No. 2010-1330 of 9 November 2010 on the pension reform and its implementing regulations, a prevention approach on strain at work was initiated in 2011 and led to the realization of a preliminary diagnosis of strenuous labour conditions. Even though the diagnosis showed a limited exposure of the personnel in each entity to the ten factors of strain defined by the Decree of 30 March 2011, the Group will stay vigilant and continue its preventive action to preserve the health of employees by implementing the associated action plans.

1.3.2.3.3 Reduce the environmental footprint

Soil, Subsoil & Pollution Prevention

As stated in the Group's EHS policy, the Group is committed to "limit the EHS impact on people and on the environment" and hence to prevent any accidental pollution to ensure the sustainable development of the Group and its surrounding environment.

As such, specific procedures are in place to treat incidents of accidental pollution on the Group's industrial sites.

Products that could be causes of accidental pollution are stored in appropriate retention areas. Their handling and disposal follow specific procedures and guidelines. The sites also follow the rules set by the different regulations concerning the transportation of hazardous materials (ADR, IATA, RID...).

All environmental incidents are recorded in the EHS management system framework in place at manufacturing and research and development sites. The most significant incidents are systematically reported to the appropriate administrative authorities, if applicable, and the Corporate EHS. In 2013, a total of 27 environmental incidents were reported to local authorities, that is to say 5 more than in 2012 notably at Cork, Dublin, Dreux, Isle-sur-la-Sorgue, Milford, Signes and Wrexham.

Besides, in accordance with the "Real Estate Compliance" global standard, environment, hygiene and safety audits of compliance were performed in 2010 on 2 French sites: the site of Dreux and the site of Isle-sur-la-Sorgue. These audits aimed at identifying potential high-risk areas in terms of soil and underground water pollution associated with the current and past activities handled at those sites. According to the conclusions, no obvious high-risk area of soil and underground water pollution associated with the current conditions of operation was identified during these audits. In 2012, 2 new audits took place at Signes and at Dreux before the purchase of a neighbouring piece of land. In addition, as part of the transfer of the Milford site in 2013, an audit (phase 1 and 2) was conducted and did not reveal any non-compliance. Besides, further investigation realized early 2012 in Barcelona after the closure of the site in 2011 have shown soil and subsoil pollution. Hence, in accordance with its obligations, and the local authorities, a remediation plan is currently being implemented.

In terms of land use, the Group has no particular direct influence. However through joint ventures, the Group is involved in agricultural activities (plantations of *Gingko Biloba*).

Noise pollution

No particular noise issues were reported on manufacturing facilities that caused nuisance to neighbours (nuisance was restricted to uninhabited environments) except at Isle-sur-la Sorgue where some areas were identified as non-compliant from the fact that the surrounding is very quiet. Actions lead in 2013 on the plant allowed to reduce the site noise issue by 33%.

Fight against climate change, reduction of CO_2 emissions

The Group believes that climate change and the depletion of fossil fuels will affect the entire world economy: rising costs, changing regulations and taxation. Since 2009, the Group is an active member of the LEEM to boost the process of

quantification of greenhouse gas emissions (GHG) emissions by a common and coherent sectorial approach through the CarbonEM tool.

To measure the impact of its activities and implement priority actions to reduce them the Group is committed to follow its emissions on a representative area of its activity:

- Direct and indirect emissions of energy required for its activity (scope 1 and 2, without fuel for vehicles);
- Other indirect emissions (Scope 3: movement of people, materials – solvents, chemicals... – inputs and services, freight, depreciation of equipment and waste treatment).

In 2013, the Group pursued its "carbon roadbook" by developing two main elements: CO_2 footprint monitoring is now more accurate, more comprehensive and most technical operation sites structured operational action plans on reducing emissions.

Two organizational perimeters are now identified to report GHG emissions: the "Technical Operations and R&D" scope and the "Global Ipsen" scope, including "offices" footprint. These two scopes provide figures to analyse carbon performance through the two main issues. The "Technical Operations and R&D" scope allows to identify our exposure in terms of risks and opportunities on our core business. The "Global Ipsen" scope represents the Group situation and gives an overview consistent with EHS KPI.

The Group committed to report GHG emissions on a representative operational scope of its activities *i.e.* extended scope 3, which represents about two thirds of the total emissions of the Group. IPSEN entities, involved on a process of energy performance, act on scopes 1 and 2 (direct and indirect emissions from energy), but it is also through the goods and services from its suppliers, logistics and travels that the Group appreciate the real reduction potentials. However emissions related to scope 3 (other categories of indirect emissions) are complex to assess, depending on many factors: data availability, the reliability of information systems, the disparity of data sources, changes in emission factors, etc. Taking into account an uncertainty factor, rules and carbon estimation methods used by the Group's entities enable the analysis of results in terms of order of magnitude and dynamically over several years.

For 2013, the estimation of CO_2 emissions to the atmosphere on the scope "Technical Operations and R&D" is, 26,771 tons equivalent CO_2. The decrease compared to the previous year is 12% and is justified by two distinct factors. A change in method accounts for half the variation observed. Emission factors have been updated and primarily those of electricity. The data source is that of the International Energy Agency (CO_2 from fuel combustion). The 2012 footprint referred to the 2006 data base to be consistent with the recommendations of the Grenelle II law (Article 75) and the 2013 footprint applies to the data base updated in 2011. The volume effect is related to energy efficiency actions taken by each of the sites and significant operational events, especially on American and Chinese sites.

GHG emissions t eqCO_2 "Technical Operations and R&D" scope	2013	2012
Scope 1: direct energy	13,371	12,971
Scope 2: indirect energy	13,400	17,454
Total Scope 1+2	**26,771**	**30,425**

GHG emissions t eqCO_2 "Global IPSEN" scope	2013	2012
Scope 1: direct energy	13,693	12,971*
Scope 2: indirect energy	15,119	17,454*
Total Scope 1+2	**28,812**	**30,425***

* 2012 data not available at "offices" level.

In 2013, most technical operation sites structured action plans to reduce greenhouse gas emissions, taking into account potential cost reduction and qualitative elements to deploy on a 2017 deadline. Our teams demonstrated their ability to reduce GHG emission impacts through their energy consumption with many projects: energy audits of buildings, improvement in the monitoring of energy consumption allowing for better settings, optimization of HVAC systems, building renovation, replacement of consumer equipment by more efficient equipment. The change in the terms of employee travel also provides reduction potentials through a suited travel policy, the renewal of the car fleet, and the carpooling system. Les Ulis is the pilot site for telework deployment. The feedback from actions implemented since 2012 will enable the Group to identify more ambitious areas of focus during 2014.

In addition, the 2012 emission factor for natural gas was retrospectively corrected, bringing 2012 emissions to 30,425 tonnes equivalent CO_2 or an overvaluation of 3% in the 2012 report.

Other air emissions

The Group monitors other substances which could be discharged into the atmosphere through its various activities. It particularly monitors volatile organic compounds (VOCs) and controlled substances identified as causes of the depletion of the ozone layer under the Montreal Protocol.

Emissions of VOC to the atmosphere for 2013 were quantified to a little more than 8 tonnes or 2 tonnes less than in 2012 and 3 tonnes less than in 2011, mainly related to the sites of Signes and Cork. Emissions from the research and development centres, given their activities, do not contribute much to these emissions.

Energy consumption

The Group's energy consumption on Perimeter 1 totalled 130,673,788 kWh in 2013 compared to 132,806,588 kWh in 2012, which corresponds to a decrease of 1.6%. On Perimeter 2, the global consumption in energy is 139,038,331 kWh in 2013 compared to 140,160,770 kWh in 2012, which corresponds to a diminution of 0.8%. The commercial offices represent around 6.0% of the global consumption.

This energy efficiency is the result of deliberate efforts to reduce consumption at most sites.

The sites of Cork, Dreux and Wrexham represent more than half (56%) of the energy consumption of the manufacturing and R&D activities.

The production site of Dreux, representing 22% of the Group energy consumption, has seen its global consumption increase by 12.7%. This increase is mainly due to the activities of a new facility on site and the work of building 1. In contrast, Milford and Tianjin have observed a decrease in overall energy consumption of respectively 24.3% and 34.6% due to a reduction in the local area as part of a relocation in progress (Milford) and a scheduled shutdown of production for the month of July associated with energy saving measures in Tianjin.

The consumption by energy source is as follows:

Group energy consumption (percentage of total) – Perimeter 1	2013	2012	2011	2010
Electricity	44.9% of wich 5.6% is renewable	45.7% of which 4.7% is renewable	47.4% of which 5.0% is renewable	48.3% of which 2.5% is renewable
Gas	53.8%	53.2%	51.6%	51.4%
Fuel oil	1.3%	1.1%	1.0%	0.3%

The split between energy sources, which had a tendency to be about equal percentages of electricity and gas since 2007, is gradually changing. In fact, the share of gas consumption increases every year as the result of the increased use of the dryer at Isle-sur-la-Sorgue and the development of air treatment at Dreux (Building 7, 10 and 11) which increased the needs of the site this year.

The share of renewable energy has significantly increased in 2013 compared to 2012. In 2013, fuel oil consumption remained relatively small with a share of 1.3% in the global energy consumption. The sites of Signes, Tianjin, Isle-sur-la-Sorgue, Milford and Les Ulis still consume fuel oil.

Waste Management

The Group produced 9,242 tonnes of waste in 2013 compared to 9,673 tonnes in 2012, corresponding to a decrease of 4.4%, allowing for a return to a figure slightly below that of 2011. This decrease is essentially related to the sites of Wrexham (-36.3%), Tianjin (-28.9%), Dublin (-6.7%) and Signes (-22.3%), which represent 16.7% of the Group waste volume. For Wrexham, this decrease is explained by reduced demolition activities compared to 2012. For Tianjin, improvement arises from better overall equipment effectiveness which generated less waste whereas in the site of Signes, the recovery by providers of construction waste related to building extension work helped to minimize the impact against this indicator.

The Group waste profile in terms of hazardous / non-hazardous category and in terms of treatment mix percentage has remained rather stable since 2010.

The split of waste into the hazardous and non-hazardous waste categories is as follows for the manufacturing sites and R&D:

Total waste by category	2013	2012	2011	2010
Total hazardous waste	21.2% of which 0.6% is biological waste	24.9% of which 0.6% is biological waste	21% of which 0.5% is biological waste	24.9% of which 0.6% is biological waste
Total non-hazardous waste	78.8%	75.1%	79.0%	75.1%

Group waste treatment mix was as follows:

Types of treatment	2013	2012	2011	2010
Recycling	73.7%	70.1%	73.7%	72.4%
Incineration	24.4% of which 13.4% is with heat recovery	27.4% of which 14.3% is with heat recovery	24.3% of which 12% is with heat recovery	25.8% of which 22.7% is with heat recovery
Landfills	1.8%	2.1%	1.9 %	1.8%
Other	0.1%	0.4%	0.1%	0.0%

The proportion of recycled waste remains a majority with a percentage of 73.7% compared to incineration and landfilling. It should be noted that the two largest producers of waste, the sites of Cork and Isle-sur-la-Sorgue, recycle their waste, respectively up to 82.1% and 98.4%.

Finally, sites are in the process of implementing waste optimization programs by searching for new technologies to ultimately increase the percentage of recycled waste.

Water Consumption

The Group's water consumption totalled 529,882 m^3 in 2013 compared to 532,470 m^3 in 2012, hence a decrease of 0.5%. The supply of water for 2013 is 68.9% of well water origin. Note that some sites are subject to specific local conditions in terms of water use (surface water consumption, volume limitation, etc.).

The Isle-sur-la-Sorgue site alone consumes 68.8% of total 2013 water consumption of which 99.8% is well water. Individually for all sites, consumption is relatively stable in 2013 compared to 2012.

Water treatment

The Group has five sites with on-site sewage treatment plants that treat all or part of liquid wastes. Those are the sites of Cork, L'Isle-sur-la-Sorgue and Signes, with

a neutralization station implemented in 2009, Tianjin for manufacturing activities and Milford for research and development activities.

The volume of treated water on sites is 416,817 m^3 compared to 410,702 m^3 in 2012, hence a 1.5% increase even though the volume of water consumed significantly decreased by 0.5%.

Green Chemistry or solvent usage optimization

The Group launched an initiative since 2009 to develop ideas that could lead to the use of more environmentally friendly products. Some projects around the solvent usage have been retained as for example:

- At the Cork site, manufacturing processes required the use of 14,687 tons of solvents in 2013, of which 96% is coming from the regeneration of this solvent;
- At the Signes site, 70.5% of solvents used are recycled.

In parallel, the Group has reduced its solvent usage by 6.7%, from 15,199 tons in 2013 to 16,292 tons in 2012.

Stakeholders Relations

The Group is concerned about the potential impact of its activities on the areas surroundings its sites. Also, as part of its overall EHS policy and in the context of its implementation at the sites, the Group integrated stakeholder requests and opinions.

For 2013, the Group can highlight the communication campaigns on the environment undertaken by the sites of Milford, Signes and Cork. In Cork, the site participated in communication activities and support for residents associations, sports clubs, scout and schools. Milford continued to discuss with the Commission on Conservation of wetlands in relation to the expansion of the site. In Signes, the site has followed its collaboration with the GEPS (*Groupement des Entreprises du Plateau de Signes*) on the draft "APIVIGILANCE". It is a system of environmental bio monitoring using bees as markers of environmental quality: the bees will carry out an ecotoxicological assessment of the immediate environment, thanks to several parameters such as the observation of their activity, behaviour and analysis of samples.

Biodiversity: biological equilibrium, natural habitats and protected species

The Group's policy is to provide a safe workplace that protects the environment and does not harm the health of its employees or that of neighbouring communities. The preservation of ecological equilibrium, conservation of natural habitats and protection of protected species are followed closely.

The measures taken to curb impacts on biological equilibrium, natural habitats and protected plant and animal species are integrated into the Group's general environmental protection program. Some initiatives were implemented at the Cork facility where planting of endangered native species of Irish apple trees were performed.

1.3.2.3.4 EHS Culture

Integrating EHS into Business

The integration of EHS into business activities gives rise to a detailed assessment of EHS impact and particularly in the definition of site master plans like in Dublin, Milford, Signes and Dreux.

Eco-design

The development of approaches to eco-design is part of the Group's EHS strategic plan. Also some sites of the Group carried out major eco-design projects.

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 modelling of packaging. In 2012, a complementary diagnostic for packaging optimization of raw materials has been achieved.

At the Wrexham site, 98% of the primary packaging of medicines is designed with recyclable materials and 51% of products are shipped in bulk packing, which reduces the amount of intermediate packaging on the one hand and reduces transport and optimizes logistics on the other. In Tianjin, the eco-design results in optimizing the conditions of products transportation (reducing the number of trucks) and the recycling of packaging pallets. In 2013, a project to reduce the weight of cases and reduction of bags for finished products was in progress.

In parallel, actions for reducing or recycling solvents (detailed in the green chemistry paragraph) are developed on the Cork site.

Training

As the cornerstones of the prevention program, awareness campaigns and training on environment, health and safety were continued in 2013. Each site has defined its training program as a function of its own risks and impacts. As such, all employees are trained for the inherent risks and associated environmental impact of their workstation. Employees, therefore, develop a professional and responsible attitude in going about their daily work.

General training on EHS awareness for newcomers, as well as training on fire prevention, evacuation tests and protective equipment or first aids training was performed on all industrial sites and R&D.

Some more specific training related to the proper activities of the Group and to the workplace such as training courses on prevention of chemical risks in laboratories or on the use and management of safety data sheets or finally on the transport of hazardous materials were deployed.

In terms of environmental protection, the training has been focused on the management of waste and its minimization, performed on the sites of Cork, Dreux, Dublin, Milford, Signes and Wrexham and on the resource conservation efforts realized in Cork, Dreux, Dublin, Signes and Tianjin.

To raise awareness among the Group employees to the last point of Group EHS policy: "As individuals, we are all responsible for our own safety and our environment as well as that of our colleagues, stakeholders and neighbours", training on civil and criminal liability are organized.

Finally, the thematic of well-being at work was raised especially on psychological risks.

1.3.2.4 Internal resources

1.3.2.4.1 Internal management resources for EHS issues

Group EHS policy is applied at each site by the site manager. Senior management as well as site employees are heavily involved in the daily management of EHS and the application of Corporate EHS guidelines. As such, everyone in his actions and behaviour contributes to the success of EHS policy.

In addition, to reinforce its policy of prevention, the Group EHS Committee which comprises one or more representatives from each manufacturing site, R&D centre and Corporate, meets regularly to share experiences and reflect on best practices for managing EHS.

EHS management at each site is coordinated by an EHS manager under the authority of the site director. A total of 21 people make up the Group's EHS organization. They report to the Corporate Department of Environment, Health and Safety (2 people). The latter reports to Technical Operations.

The Committees of Health, Safety and Work Conditions (CHSCT) in France, or their equivalent in other countries, meet regularly and are involved in monitoring activities and projects concerning the health and safety of employees.

1.3.2.4.2 Spending on the prevention of EHS impacts and on regulatory compliance

Since health and safety prevention and protection and environmental protection are constant priorities for the Group, the latter regularly makes investments in these areas. In 2013, with the implementation of master plans on the sites of Milford, Dublin, Dreux and Signes, which includes the setting of new concepts for EHS prevention, the amount of investment in secondary EHS totalled just over 13 million euros.

Of the investments, in particular we can highlight:

- the projects for improving the segregation between manufacturing / laboratory areas and offices areas in Dublin, Signes and Les Ulis;
- the project for improving equipment in order to reduce the risk of falling at height or on the floor in Isle-sur-la-Sorgue, les Ulis and including the implementation of ramp or platform in Dreux;
- the improvement of a chilled water network and the communication devices implemented for emergency response teams at Dublin;
- the removal of asbestos from buildings, the introduction of more energy efficient lightings, the rehabilitation of facilities and equipment for the prevention of noise in L'Isle-Sur-La-Sorgue;
- and the improvement of fire detection system in Dreux, Dublin and in Les Ulis.

1.3.2.4.3 Provisions and guarantees for EHS, compensation and remediation

Regular surveys on environmental risks, work-related health and safety risks and the implementation of proactive policies for mitigation of these risks, enable the Group to limit its exposure and liability or, more generally, to remediate the environmental damage caused by its operations. However, the Group does not have environmental provisions.

In addition, since 2004, no ruling or compensation payments related to environmental damage caused by one of the Group's manufacturing facilities were brought to the Group's attention.

1.3.3 Social & societal information

1.3.3.1 Social relations

1.3.3.1.1 Employee representation

Employees are represented in each Group company in accordance with the applicable local legislation, *i.e.* by the Joint Consultation Group in the United Kingdom, by the *Rappresentanza Sindicale Unitaria* in Italy, by the *Comité de Empresa* in Spain. In France, employee representation is ensured at the local level (6 companies) and also at the central level within the framework of an Economic and Social entity (*Unité Économique et Sociale*), with a single Central Works Council (*Comité Central d'Entreprise*) for all employees in France and a Central Negotiation Body (*Instance Centrale de Négociation*) which brings together trade unions representatives of the Economic and Social entity.

The frequency of meetings between management and employee representatives depends on the applicable local legislation.

The Group ensures that the rights and freedoms of employee representatives are strictly observed and that they enjoy the same promotion and training opportunities as other employees.

Lastly, a Special Negotiation Body was set up in 2010. It brought together employees and employee representatives from European countries; its objective was to negotiate an agreement with Ipsen's management to create a European Works Council. An agreement was signed on 28 August 2013. Ipsen's European Works Council will be composed of 10 members representing European employees; it will meet for the first time in 2014.

1.3.3.1.2 Collective agreements

See paragraph 1.3.2.3.2 "Assuring the health and safety of employees" and 1.3.1.2 "The Group's Human Resources policy" (paragraphs: Equal opportunities and diversity within the Group, Integration of disabled workers).

1.3.3.1.3 Social initiatives

According to country specific environments, the Group's policy on social initiatives is based on four main priorities:

- initiatives benefiting its employees' children,
- initiatives for retired employees,
- initiatives for active employees,
- and, lastly, all other initiatives, such as relationships with not-for-profit organizations, sponsorship, etc.

Aside from the normal benefits related to family events, the calendar and various subsidised leisure activities, the Group aims to provide genuine support to its employees.

1.3.3.2 Societal information

1.3.3.2.1 Social, economical and territory impact

Ipsen's ambition is to become a leader in specialty healthcare solutions for targeted debilitating diseases by:

- Rapidly translating understanding of disease biology into therapies for unmet patient needs.
- Creating differentiated solutions capitalizing on our own expertise in peptides and toxins.
- Swiftly growing and evolving in our targeted areas (neurology, endocrinology and uro-oncology) to allow global access to therapeutic solutions.
- Foster a culture of excellence, responsibility, agility and teamwork.

Ipsen's large and diversified geographic footprint is a paramount strength. Thanks to its presence in more than 100 countries, and besides its European footprint, Ipsen benefits from a solid presence in North America and fast growing markets such as China and Russia.

Ipsen pursues an active policy of partnerships, either for research or commercial purposes, in countries where the Group operates. Partnerships have the following objectives:

- Access to new technologies or competencies for research & development programs.
- Investigate new or complementary research areas.
- Enhance Ipsen's distribution network through the acquisition of commercial rights for products from third parties, in countries where Ipsen operates.
- Optimize the value of products issued from Ipsen's research that do not fit into its targeted therapeutic areas, by out-licensing them to partners that will develop and market them in specific territories.

Several strategic partnerships are ongoing for:

- Early stage development & technology: Rhythm, Dicerna Pharmaceuticals, Pharnext, bioMérieux, Oncodesign, CEA, Inserm, Johns Hopkins, Salk Institute, Institut Gustave Roussy, Harvard Medical School, Peptidream…
- Late stage development & marketing: Galderma, Valeant, Active Biotech, Debiopharm, Photocure, Teijin…

1.3.3.2.2 Impact of its activity on nearby or local populations

Ipsen is convinced of the paramount importance of health, safety and respect of the environment. Approaches to eco-design and wastage reduction are integrated from the very start when designing a new manufacturing project in Dreux (France) industrial site. Thus, for any new drug, the modelling of packaging, the optimization of the cases weight and the realization of studies for having a single blister and considering the solution for recycled cardboard packaging are taken into account. It has enabled the reduction of aluminium grammage and need for blisters.

The "Apivigilance" project in Signes (France) (see paragraph 1.3.2.3.3 "Stakeholders Relations") was pursued in 2013.

1.3.3.2.3 Relationships with stakeholders

Dialogue with stakeholders

A company's ability to respond to stakeholders' expectations is a measure of its credibility and sustainability. Ipsen, as a global specialty-driven pharmaceutical group, with drugs marketed in more than 100 countries, acts to provide concrete responses to the needs and expectations of a wide variety of stakeholders, particularly those in the healthcare field.

Ipsen has a transparent and regular dialogue with its main stakeholders (staff, investors and financial community, healthcare professionals and patients, suppliers / partners, regulatory authorities and agencies, local communities, media…) to provide reliable and factual information, pursue a constructive dialogue, develop partnerships, support patient associations, in order to find innovative solutions for patients.

Trade associations

Ipsen is a member of federations or interprofessional trade groups in which it can have a proactive role in favor of its sector and take part in sector-wide analyses, notably:

- Bodies acting for regions such as EFPIA (European Federation of Pharmaceutical Industry association), or EBE (European Biotechnology Entreprises).

- 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), PhRMA (Pharmaceutical Research and Manufacturers of America) in the United States.

The Group has also interactions and relationships with scientific groups or clusters in order to set up public / private partnerships (universities, research centers) such as ARIIS in France or industry/trade groups (*e.g.* Polepharma in France).

In France, the Group is member of "G5 Health", a think-tank that gathers CEOs of the main French healthcare companies acting in life sciences (bioMérieux, Guerbet, LFB, Pierre Fabre, Stallergenes, Théa, Sanofi) which maintain decision centers in France.

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 them. Meetings with media are also organized in the same context.

Supervisory authorities

The pharmaceutical industry is highly regulated by government bodies. Regulations cover nearly all aspects of the Group's activities, from Research and Development and marketing to its manufacturing facilities and processes.

In each country where it markets its products or conducts research, the Group has to comply with the standards laid down by the local regulatory authorities and by any other competent supranational regulatory authority. These authorities namely include the European Medicines Agency (EMA), the French Agency for the Safety of Medicines and Health Products (ANSM), 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.

Patients / civil society

Communication to patients and civil society must comply with the standards laid down by the local regulatory authorities where the Group operates. Its aim is to deliver information through prevention campaigns, educational or public health programs about certain pathologies, the proper use of products or clinical trials.

Projects carried out by patient associations supported by Ipsen in Europe are made public on Ipsen's internet website (section Commitment).

In France, Ipsen has been donating drugs for many years to Tulipe, an organization that federates donations made by health companies to provide an emergency response to the needs of populations in distress.

Healthcare professionals and scientists

Relationships with healthcare professionals must comply with the standards laid down by the local regulatory authorities where the Group operates. They can take the form of dedicated internet sites, scientific publications, communication materials regarding the safety and efficacy of drugs, or clinical trials. Collaborations are effective also during clinical trials or training programs.

In compliance with current regulations, Ipsen is committed to a total transparency of its links of interests with healthcare professionals and health organizations. For example, in France, a first report disclosing this links of interest was disclosed in October 2013 and in the USA, a similar report will be disclosed in March 2014.

Established in 1983 under the aegis of the *Fondation de France*, the mission of the *Fondation Ipsen* is to contribute to the development and dissemination of scientific knowledge. The long-standing action of the *Fondation Ipsen* is to foster the interaction between researchers and clinical practitioners, which is indispensable due to the extreme specialisation of these professions. The ambition of the *Fondation Ipsen* is to initiate a reflection about the major scientific issues of the forthcoming years.

Because improving understanding is key to tackling current challenges in biomedicine, the *Fondation Ipsen* has set for itself the goal of identifying emerging themes and acting as an intellectual catalyst to push forward the frontiers of knowledge.

In 2013, the *Fondation Ipsen* has endeavored to present aspects of biological and medical research illustrating a wide range of approaches from molecular biology to the social aspects of neuroscience and endocrinology. Issues such as adolescence, puberty, social behaviors or mental illness, are now being significantly developed as part of a broad connection with basic research. It is the duty of the *Fondation Ipsen* to accompany the knowledge emerging from these interactions. The productivity of the interdisciplinary dialogues has been increasingly obvious in medicine as exemplified by the coming together of oncology and immunology, a process which, after a somewhat difficult start, seems to be bearing fruit.

Cancer: immunology as a beacon of hope

After decades of hopes, disappointments and numerous questions, it seems that the immunotherapeutic approach to cancer is finally producing dramatic results in a certain number of cases. The best specialists in the field came to this conclusion during the cancer-focused *Colloque Médecine et Recherche* of the *Fondation Ipsen*. This event marked a major advancement in the treatment of types of cancer deemed until then incurable. It also stood as an excellent example of the beginnings of a young scientific adventure achieving real success after relentless effort.

The *Fondation Ipsen* continues to hold its scientific meetings in series known as *Colloques Médecine et Recherche* (CMR):

- 9th CMR in the cancer science series, held in Taormina (Sicily) from 9 to 13 March 2013, on the theme "Cancer Immunotherapy". Co-organized by Inder Verma (Salk Institute for Biological Studies, La Jolla, USA), this meeting was attended by two Nobel Prize laureates: Michael Bishop and David Baltimore, as well as Steven Rosenberg who pioneered the development of immunotherapy and most prominent specialists of the subject.
- 21st CMR in the neuroscience series, held in Paris on 22 April 2013, "New frontiers in social neuroscience". This meeting, co-organized by Jean Decety (University of Chicago, USA), reported on this emerging field of research between biology and social sciences. This multidisciplinary approach features studies on evolutionary biology, ethology, neurobiology, endocrinology and genetics.
- 13rd CMR in the endocrinology series, held in Paris on 2 December 2013, devoted to adolescence, puberty and brain changes accompanying this very unique aspect of human development. This meeting was co-organized with Jean-Pierre Bourguignon (Université de Liège, Liège, Belgium), Jean-Claude Carel (Université Paris 7 Denis Diderot – Hôpital Robert Debré, Paris, France) and Jacques Young (Université Paris Sud et Assistance Publique Hôpitaux de Paris, Hôpital Bicêtre, Paris, France).

Besides its core activities, the *Fondation Ipsen* pursued its prestigious partnerships. As part of its collaboration with Cell Press and the Days of Molecular Medicine Global Foundation, the *Fondation Ipsen* organized the 7th meeting in the Exciting Biologies series: "Biology of boundaries", which was held in Savudrija (Croatia) from 17 to 19 October 2013. In the Biological Complexity series, jointly developed with the Salk Institute for Biological Studies and Nature Publishing Group, the 7th edition took place in La Jolla (California), from 16 to 18 of January 2013. It tackled the "molecular biology of psychiatric diseases" and brought together some of the most eminent specialists on this topic.

Finally, the *Fondation Ipsen* awarded its annual prizes for outstanding research, within the framework of international conferences. The 24th Neuronal Plasticity Prize was awarded at the *Colloque de la Société des Neurosciences*, Lyon (France), to Tim V.P. Bliss (NIMR, Division of Neurophysiology, London, UK), Richard G. Morris (University of Edinburgh, Edinburgh, UK) and Yadin Dudai (Weizmann Institute of Science, Rehovot, Israel) for their work in the domain of mechanisms of memory. The 18th Longevity Prize awarded to Gary Ruvkun (Harvard Medical School – CCIB, Boston, USA) in recognition of his outstanding leadership in the domain of molecular genetics of longevity. This award was presented during one of the prestigious Gordon Research Conferences held in August 2013 in Tuscany (Italy). The 21st Jean-Louis Signoret Neuropsychology Prize was awarded to Jean Decety (University of Chicago, USA) for his work in the understanding of the neuropsychology of empathy. In 2013, the 12th Endocrine Regulation Prize recognized Bert W. O'Malley (Baylor College of Medicine, Houston, USA) for his work on molecular mechanisms of steroid receptor coactivators and their action on genes.

In 2013, the *Fondation Ipsen* published several works such as Proteopathic Seeds and Neurodegenerative Diseases in the series Research and perspectives in Alzheimer's disease; Cancer Immunotherapy in the series Cancer Science; Programmed Cells from Basic Neuroscience to Therapy in the series Research and Perspectives in Neurosciences, Intrauterine Health and Programming in the series Research and Perspectives in Endocrine Interactions.

Support, sponsorship or partnering activities

Ipsen has put in place a company policy to provide grants or donations in line with its mission, its values and according to local regulations:

- Research and scientific grants to support projects, programs, events from organizations or groups of healthcare professionals or patients.
- Awards and prizes distributed to researchers or students.
- Educational grants provided to healthcare professionals (HCP) associations.
- Charitable and cultural activities.

Some actions are to be highlighted:

- Ipsen's personnel participated in actions organized as part of special information days focusing on specific disorders, some of which included matching contributions from the company for the funds raised. For example, during World Cerebral Palsy Day in October 2013, Ipsen Spain supported the Cerebral Palsy Walk, which attracted more than 2,000 entrants of all ages. In France, Ipsen supported *La Course des Héros* to raise funds for Apted (the French neuroendocrine cancer patients association), with the participation of 43 employees. This year, Ipsen also decided to take part in "Movember" to demonstrate its support for the Foundation and highlight conditions affecting men. Organized by the Movember Foundation, the aim of the campaign is to raise awareness of men's health issues, especially prostate cancer. 241 personnel sported the Ipsen colors in 20 countries for this cause.
- In Poland, donations were made to two schools to support education and provide leisure activities for children placed in institutions. In China, Ipsen supports the Tianjin Education Assistance Foundation, which this year offered 50 teachers the opportunity to attend short courses and training days. In France, Ipsen also supports the arts and was involved in a visual arts initiative to improve conditions for children in hospital and use the arts as a tool to aid patients and their families to overcome the challenges of illness and hospitalization.
- "Master" grant from the French Society of Endocrinology (*Société Française d'Endocrinologie*): Ipsen contributes to the development of research in endocrinology, *via* the allocation of a research grant for a clinical or epidemiological research project or a project of fundamental research with a clinical interest. In 2013, the project was related to the field of the endocrine tumors.

- Germany provided funds to help equip a clinic in Madagascar.
- In the United States, Ipsen provided support for educational programs by the Dystonia Medical Research Foundation for physicians and researchers.
- Ipsen supports the French "2nd Chance Foundation" center. This Foundation aims at helping people who live in high misery to start up a professional life again. It offers human and financial support to carry out projects.
- Ipsen Mexico supports the "Candy Foundation" which offers a reduced treatment cost for Children's Cerebral Palsy to families with limited resources. After the opening in 2008 of a first center, several others opened in Mexico, Puebla, Cuernavaca and Toluca. In 2013, more than 120 children were taken care of by the "Candy Foundation". Since the Foundation is state-approved since 2012, sponsorships or donations from public institutions or private companies are made easier.
- Ipsen has long been committed to cultural sponsorship, that is aligned with the Group's humane approach and illustrates its ambition for knowledge sharing and dissemination. Loyal benefactor of the Louvre museum, Ipsen shares with this prestigious institution, universally renowned, its policy of openness to the external world and its value for innovation, creativity and knowledge dissemination. In 2007, Ipsen participated in the acquisition of an Egyptian medical papyrus from the New Empire (1550-1050 BC) and in 2010 sponsored the exhibition "Meroe, Empire on the Nile". In 2012, it sponsored the *"Belles Heures de Jean de France, Duc de Berry"* exhibition featuring individual leaves of what is considered to be a masterpiece of illuminated manuscripts. Ipsen sponsored the "Mediterranean Civilization" exhibition in China in 2013, organized jointly by the National Museum of China and the Louvre museum.

1.3.3.2.4 Subcontracts and suppliers

We subcontract a significant part of our Research and Development to CROs (Contract Research Organizations), including toxicology studies, phase I to IV clinical study monitoring and management, as well as part of drug development and manufacturing to CDMOs (Contract Development and Manufacturing Organizations).

More generally, purchasing value representing a high percentage of Ipsen sales, involving suppliers in Corporate Social Responsibility progress is essential to deliver a sustainable business.

This is well translated into the nine governing principles introducing the global purchasing policy, which are:

1. quality, efficiency and effectiveness;
2. probity and equity;
3. transparency;
4. effective competition, including fair dealing;
5. objective practices related to pricing and contracting;
6. respect and protection of intellectual property and information;
7. strong focus on building mutually beneficial relationships;
8. environment and sustainability considerations;
9. and other risk management considerations.

Moreover, a specific paragraph of this policy focuses on ethical standards, for which purchasing team members ought to be a model.

In France, Ipsen signed in 2013 the *"Charte des Relations Inter-Entreprises"*. The objective of this Charter is to build a balanced and sustainable relationship between large companies and their suppliers in knowledge and respect of the rights and duties of each party.

How does the purchasing community translate these principles into action?

Firstly, Corporate Social Responsibility (CSR) criteria are considered as part of the supplier selection and evaluation process.

The CSR section of our Request for Information and Request for Proposal templates, which now covers social, environmental and societal questions, has been reviewed with the input of Ipsen Ethics and Compliance, Legal, EHS and HR departments. This gave an opportunity to communicate to the worldwide purchasing community and remind them about the importance of CSR.

EHS or more widely CSR are part of our specifications in more and more categories.

- Namely, for equipment purchases and capital expenses, EHS reviews the specifications in Les Ulis, Dublin and Wrexham.
- For contract manufacturing, a certain standard is required for subcontractors manipulating our drugs, for whom we not only collect detailed EHS information before selection, but we may also perform EHS site audit to assess the Health and Safety protection level of their staff before selection and once they have become our supplier.
- In Dreux, our biggest volume manufacturing site, we have added CSR section in our evaluation tool applied to the most strategic material suppliers.
- We have 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 actor 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 adapted companies in France, some actions have been implemented on our sites in 2012 and 2013 and are subject to annual monitoring:

- Gardening in our three French manufacturing sites at Dreux, Isle-sur-la-Sorgue and Signes, as well as purchasing of palets at Isle-Sur-Sorgues (ISS).

- In our sites of Dreux and Isle-sur-la-Sorgue, we buy from protected and adapted companies in France some of our cleaning products and office supplies; we also outsource to them the enveloping and the mail postage.
- Some breakfasts at Signes, part of our meal trays servicing, the provision and maintenance of green plants in Boulogne, design of Ipsen greeting cards and mailing to all Ipsen French employees.
- Moreover, EA & ESAT (institutions that employ persons with disabilities) have been included in the selection process for industrial cleaning of our French sites.
- In 2013, our French sites communicated our approach on disability and subcontracting to targeted suppliers in order to raise their awareness and involve them in our initiatives.

Purchasing is also contributing to decreasing the overall impact of Ipsen business on its environment. In 2012 and 2013, our travel managers have communicated on our travel policy, with one objective being to decrease the carbon footprint by encouraging them to use the train instead of the plane, and more importantly webex and visio meetings instead of travelling. From October 2012 to October 2013, the number of airline tickets dropped by 14%.

In the same spirit, actions are conducted to reduce the direct impact of our products on the environment like decreasing from 9 µm to 7 µm the aluminium thickness of Smecta® sachets both in Dreux and Tianjin. Today, 70% of Smecta® production at Dreux is 7 µm.

Ipsen, as part of its anti-corruption program, Ipsen has implemented global policies governing its interactions with healthcare professionals. To ensure that these standards are met by our suppliers, we shared with our event agencies our policy on hospitality supported by Ipsen in the framework of an event or a well-defined activity.

Another well advanced project on our production sites is to reduce the weight of cartons used in the manufacture of our cases. At Dreux, this project has already been completed.

Still on the packaging side, another project on the reduction of the sachets size for Smecta® and Forlax® is underway in Dreux and Tianjin. Forlax® produced at Dreux for the French market has today smaller sachets and trials are in progress for Smecta®.

1.3.3.2.5 Loyalty of practices

Anti-bribery actions

Further to the publication of the UK Bribery Act, Ipsen has made a commitment to strengthen its Anti-Corruption program such as already defined in the Code of Ethical conduct. Moreover, since 2012, Ipsen has adhered to the Global Compact program of the United Nations and confirms the will of the group to fight against corruption by all means. In this context, Ipsen has identified a set of adequate measures, concerning its employees but also its partners that will continue to be implemented in 2014.

In 2013, the Global Policy on anti-corruption has been communicated to all Ipsen affiliates, representative offices and sites for an immediate implementation in order to help Ipsen employees and partners to identify and understand the risks of corruption and to remind the Ipsen rules to prevent it. In 2014, a specific training is going to be performed by all employees.

Moreover, as a pharmaceutical company, we work with Healthcare Professionals and Organizations that are providing us with their expertise. Our number one priority is to ensure their independence in their daily activities. In order to ensure that the interactions with these stakeholders occur in an appropriate setting and for appropriate purposes, we have developed a set of policies on interactions with Healthcare Professionals and Organizations that have been communicated for implementation across the Company.

Finally, our due diligence process will be reviewed in order to reinforce the Ipsen commitment to ban any form of corruption in its sphere of influence: an assessment program concerning all Ipsen partners has been initiated in 2013 to be fully operational in 2014.

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 patient's health and quality of life by providing effective therapeutic solutions to fulfill unmet medical needs.

As a pharmaceutical Company, pharmacovigilance is a key function within Ipsen with both ethical and legal aspects. As part of the Research and Development Division, the Pharmacovigilance department reports to the Senior Vice President, Chief Medical Officer. The mission of the Central Department of Pharmacovigilance (CDP) within Ipsen is to ensure:

- the safety of patients receiving Ipsen products (being developed and marketed),
- compliance with international regulatory requirements, and
- within all Ipsen territories.

To achieve this mission, CDP collates, assesses and maintains a database of all adverse events reported to the Company from its worldwide markets and development programs. This database provides a tool for ensuring ongoing assessment of the benefit risk assessment of the use of Ipsen products and those molecules which are in development for use in new indications. This ongoing assessment is performed by examining data for potential safety signals requiring further evaluation using state of the art software and statistical analyses, and the preparation of regular aggregate reports (*e.g.*, Periodic Safety Update Reports) for submission to regulatory authorities

Ipsen's safety culture is one of integrated safety sciences. Safety data are collected and reviewed in an integrated manner from research studies, throughout the development process and continues in life cycle management once a product reaches the market place.

Thus CDP works closely with their colleagues within other functions to develop clinical trial programs, clinical study reports, Marketing Authorization Applications, responses to questions from Regulatory Authorities, and maintenance of product labelling to assist the physicians and patients in the safe use of Ipsen products. Such collaborative working may also involve Ipsen partners when the product is the result of a licensing venture.

A collaborative teamwork

CDP recognizes that team work is vital to achieve its missions. This team work operates at four levels:

- The CDP team works effectively together to achieve its mission.
- The larger pharmacovigilance community: CDP works together with the pharmacovigilance responsible staff in each local affiliate which is interfacing with local customers and local regulatory agencies to ensure patient safety, regulatory compliance and company success.
- The Ipsen community: All employees of Ipsen have a responsibility to report to CDP any safety data reported to them. Thus, patient safety and the work of pharmacovigilance is a subject of importance to the whole Ipsen community.
- Other functions within the Group and Ipsen's partners collaborate with other functional experts through a culture of integrated safety sciences so as to ensure that the interpretation of new data concerning Ipsen products are considered to guarantee the proper use of Ipsen products.

Since 2013, a process has been implemented to ensure the continuous evaluation of the benefit/risk ratio of Ipsen's products. The Core Company Data Sheet Committee which gathers all relevant experts was created to take decisions regarding changes in the summary of product characteristics that could be deemed necessary after this assessment.

Respect of Human rights and Promotion and Respect of the fundamental principles of the International Labor Organization (ILO)

Through our Code of Ethical 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; and
- 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 has adhered to the Global Compact program of the United Nations and confirms the will of the group to include its fundamental principles in particular in the domain of human rights and standards of work in his sphere of influence.

Methodological note on the social and environmental reporting

Human Resources

The headcount indicators reported in the registration document come from two main sources of information:

1. HRConnect – HRIS of Ipsen – which covers all countries (31) except China. Data retrieved from HRConnect enable the Human Resources Social Control Department to provide all indicators except the absenteeism rate.
2. Standard Excel Templates:
   - China submits every month a report which includes the list of employees with the necessary data (active, inactive, start date/leave date, birth date, etc.) enabling the Human Resources Social Control Department to produce indicators.
   - An additional template covers the absenteeism rate. This template is sent, at the end of the year, to every site with a Human Resources manager; at end 2013, this perimeter represents over 90% of Ipsen's population. However, the absenteeism rate for the French sites is based on data retrieved from the French payroll system. All data are centralized and consolidated by the Human Resources Social Control Department.

Regarding data from joint-ventures: the Group HR policy does not apply to these entities and Ipsen's Human Resources Department does not have any report on HR data from them. The Finance Department communicates to the Human Resources Social Control Department the number of headcount on a monthly basis for reconciliation. This is the reason why the joint-ventures' headcount indicators are not taken into account in the HR indicators included in this registration document.

Headcount computation rule: "Is considered as present any employee with a current work contract with Ipsen who has a status Active or Inactive in HRConnect". "Active" means "any employee paid the last day of the month which is under consideration"; "inactive" means "any employee unpaid the last day of the month which is under consideration".

External resources: temporary workers, trainees, etc. are excluded from headcounts.

Training

Training data covers the same perimeter of reporting as the one described for absenteeism published in the Human Resources section (*i.e.* sites with a Human Resources Manager).

Training data is collected from Ipsen sites using an Excel template. Data covering training related to divisional initiatives is collected *via* a separate Excel table and completed by those who are in charge of these projects. All the collected data is consolidated into a common Excel file.

Environment, Health and Safety (EHS)

The Perimeter 1 of the reporting includes 7 manufacturing or production sites: Dreux (France), Dublin (Ireland), Isle-sur-la-Sorgue (France), Signes (France), Tianjin (China) and Wrexham (United Kingdom) and the joint venture in Cork (Ireland), as well as 2 research and development (R&D) sites: Les Ulis (France) and Milford (United States). The joint venture of Cork is included in the perimeter of this reporting as this site follows the Group EHS policy. The site Syntaxin, integrated to Ipsen in 2013 has not been included in the scope of reporting for the year 2013. Integration should be carried out in 2014.

In addition the Perimeter 2 encompasses tertiary sites of the Group with a Human Resource representative that is to say: Algeria, Germany, Australia, U.S. (Basking Ridge), France (Boulogne-Billancourt), Brazil, China, Korea, Spain, Italy, Russia, UK (Slough) and Vietnam. This perimeter covers 90% of headcount at end 2013.

The Perimeter 1 represents the Group's main environmental impacts related to the activities of production and research and development. The choice of extending to Perimeter 2 has been made to include the energy consumption of international offices as well as accident data, which have a non-negligible impact at Group level. The Perimeter 1 will be taken as a reference except where the Perimeter 2 is specifically mentioned.

Data consolidation is performed using an internal reporting file, which also defines EHS monitoring indicators. The data are controlled and compiled using this central file, which possesses means of control and alert (absurd data, problems of units…). This central reporting file has been introduced to persons in charge of EHS on site in order to minimise 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 the Group.

In addition, some precisions are to be taken into account for the following indicators:

- The total amount of wastes for Signes in 2012 was corrected with respect to the information published last year as well the amount of CO_2 emitted over the entire perimeter 1;
- Emission factors used to calculate CO_2 emissions are those of the Base Carbone ADEME and those provided by the IEA emission factors related to international electricity consumption. Note that the 2012 data took into account the 2006 emission factors provided by the IEA while, in 2013, the data took into account the emissions factors updated in 2011 by the IEA.

Attestation of completeness and limited assurance report of one of the Statutory Auditors on the social, environmental and other sustainable development information

This is a free translation into English of one 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 auditing standards applicable in France.

Ipsen

Société anonyme : 65, Quai Georges Gorse – 92650 Boulogne-Billancourt

Report of one of the Statutory Auditors, designated independent third-party entity, on the review of environmental, social and societal information published in the Group management report

(Year ended December 31, 2013)

For the attention of the Shareholders,

In our capacity as one of the Statutory Auditors of Ipsen, and designated as independent third-party entity, whose request for accreditation was deemed admissible by the French National Accreditation Body (COFRAC), we hereby present you with our report on the social, environmental and societal information presented in the management report prepared for the year ended December 31, 2013 (hereinafter the "CSR Information"), pursuant to Article L.225-102-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the company

The Board of Directors of Ipsen is responsible for preparing a management report including the CSR Information provided by Article R.225-105-1 of the French Commercial Code, prepared in accordance with the reporting criteria used by Ipsen (the "Reporting Criteria"), which are summarized under chapter 1.3 "Social and Environmental information of the activity" throughout the management report and which are available on request from the EHS and Human Resources division.

Independence and quality control

Our independence is defined by regulatory texts, the profession's Code of Ethics as well as by the provisions set forth in Article L.822-11 of the French Commercial Code. Furthermore, we have set up a quality control system that includes the documented policies and procedures designed to ensure compliance with rules of ethics, professional standards and the applicable legal texts and regulations.

Responsibility of the Statutory Auditors

Based on our work, our responsibility is:

- to attest that the required CSR Information is presented in the management report or, in the event of omission, is explained pursuant to the third paragraph of Article R. 225-105 of the French Commercial Code (Attestation of completeness of the CSR information);
- to express limited assurance on the fact that, taken as a whole, the CSR Information is presented fairly, in all material aspects, in accordance with the adopted Reporting Criteria (Conclusion on the fair presentation of the CSR Information).

Our work was carried out by a team of 7 people between October 2013 and February 2014, *i.e.* a period of around five weeks. To assist us in conducting our work, we referred to our corporate responsibility experts.

We conducted the following procedures in accordance with professional standards applicable in France, with the order of May 13, 2013 determining the methodology according to which the independent third party entity conducts its assignment and, with regard to the conclusion on the fair presentation of the Information, with the ISAE (International Standard on Assurance Engagements) 3000 (1).

1. Attestation of completeness of the CSR Information

Based on interviews with management, we familiarized ourselves with the Group's sustainable development strategy, with regard to the social and environmental impacts of the company's business and its societal commitments and, where appropriate, any resulting actions or programs.

We have compared the CSR Information presented in the management report with the list set forth in Article R.225-105-1 of the French Commercial Code.

In the event of omission of certain consolidated information, we have verified that explanations were provided in accordance with the third paragraph of the Article R.225-105 of the French Commercial Code.

We have verified that the CSR Information covered the consolidated scope, *i.e.*, the company and its subsidiaries within the meaning of Article L.233-1 of the French Commercial Code and the companies that it controls within the meaning of Article L.233-3 of the French Commercial Code, subject to the limits set forth in the methodological memo paragraph presented at paragraph 1.3.3 of the management report.

Based on our work and considering the aforementioned limits, we attest that the required CSR Information is presented in the management report.

2. Conclusion on the fair presentation of the CSR Information

Nature and scope of procedures

We held around 13 interviews with the people responsible for preparing the CSR Information in the departments in charge of the CSR Information collection process and, when appropriate, those responsible for internal control and risk management procedures, in order to:

- assess the appropriateness of the Reporting Criteria with respect to its relevance completeness, reliability, neutrality and clarity, taking into consideration, when relevant, the sector's best practices;
- verify the set-up of a process to collect, compile, process, and check the CSR Information with regard to its completeness and consistency;
- familiarize ourselves with the internal control and risk management procedures relating to the compilation of the CSR Information.

We determined the nature and scope of the tests and controls according to the nature and significance of the CSR Information with regard to the company's characteristics, the social and environmental challenges of its activities, its sustainable development strategies and the sector's best practices.

Concerning the CSR information that we have considered to be most important (2):

- for the consolidating entity, we consulted the documentary sources and held interviews to corroborate the qualitative information (organization, policies, actions), we implemented analytical procedures on the quantitative information and verified, using

(1) ISAE 3000 – *Assurance engagements* other than audits or reviews of historical information.
(2) Quantitative social information: "split of Group workforce by geographical zone, by type of employment contract, by employment category and by age", "part time", "recruitments (joint ventures not included)", "termination of employees (joint ventures not included)", "absenteeism", "numbers of hours of training".
Qualitative social information: "development and training", "equal opportunities for men and women", "integration of disabled workers", "employing young and senior workers and transferring knowledge".
Quantitative EHS information: "frequency rate", "severity rate", "number of new occupational diseases", "GHG emissions in tons eqCO_2 on global Ipsen scope", "emissions of VOC to the atmosphere", "Group energy consumption on perimeter 2 (kWh)", "Split of group energy consumption (%) by energy source on perimeter 1", "Total amount of waste produced by the group (tons)", "total waste by category (%)", "split of the different types of treatment (%)", "water consumption", "volume of treated water on site", "solvent usage".
Qualitative EHS information: "EHS policy", "fight against climate change, reduction of CO_2 emissions", Qualitative societal information: "employee representation", "subcontracts and suppliers", "anti-bribery actions", "measures taken in favour of the safety and health of customers", "Respect of Human rights and Promotion and Respect of the fundamental principles of the International Labour Organization".

sampling techniques, the calculations and the data consolidation, and we verified their consistency with the other information presented in the management report;

- for a representative sample of entities and sites that we have selected [1] according to their activity, their contribution to the consolidated indicators, their location and a risk analysis, we held interviews to verify the correct application of the procedures and implemented substantive tests on a sampling basis, consisting in verifying the calculations performed and reconciling the data with supporting evidence. The selected sample represented on average 32% of the Group headcount and between 27% and 99% of the environmental quantitative information.

Regarding the other consolidated CSR information, we have assessed its consistency in relation to our knowledge of the Group.

Finally, we have assessed the relevance of the explanations relating to, where necessary, the total or partial omission of certain information.

We believe that the sampling methods and sizes of the samples we have used in exercising our professional judgment enable us to express limited assurance; a higher level of assurance would have required more in-depth verifications. Due to the use of sampling techniques and the other limits inherent to the operations of any information and internal control system, the risk that a material anomaly be identified in the CSR Informations cannot be totally eliminated.

Conclusion

Based on our work, we did not identify any material anomaly likely to call into question the fact that the CSR Information has been presented fairly, in all material aspects, in accordance with the Reporting Criteria.

Neuilly-sur-Seine, February 27th, 2014

One of the Statutory Auditors

Deloitte & Associés
Fabien BROVEDANI

1.4 MAJORS CONTRACTS

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

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

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

1.4.1 Agreements in the targeted therapeutic areas

1.4.1.1 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 with Debiopharm to manufacture and market Decapeptyl® in the area of locally advanced cancer or metastatic prostate cancer. This licensing agreement was renewed in October 2002 and in 2007. It covers Debiopharm's expertise and patents relating to the active substance triptorelin and its various salts (particularly the pamoate formulation), which are sold essentially under the Decapeptyl® trademark and the Pamorelin® trademark, both of which have been assigned to Ipsen in 2009. The acetate formulations of Decapeptyl® are no longer protected by an invention patent.

The licensing agreement with Debiopharm grants the Group (i) the right to manufacture Decapeptyl® around the world (with

(1) Ipsen Pharma Boulogne, Beaufour Ipsen Industrie in Isle-sur-la-Sorgue, Ipsen Pharma Biotech in Signes, Wallingstown Company Limited in Cork and Beaufour Ipsen Tianjin Pharmaceutical Co in Tianjin.

the exclusion of North America and certain other countries, principally Israel, Japan and the English speaking countries in Africa) and (ii) the right to market Decapeptyl® worldwide (with the exclusion of North America and certain other countries, principally Israel, Japan and the English speaking countries in Africa), and where marketing right is exclusive except in Central America. 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. For the latter formulation, the Group obtained marketing authorizations in France, in the Netherlands and in Portugal under the European decentralized procedure in October 2009.

This licensing agreement is due to remain in place in the countries covered by this agreement or on a country by country basis until the following dates: (i) at the earliest on 31 December 2020 for each country of the agreement not covered by Debiopharm's patent protection or (ii) at the expiry date of the last of the patents in countries covered by Debiopharm's patent protection. Under this agreement, the Group pays different levels of royalties to Debiopharm which vary according to the sales volume, with an increase in royalty levels above a given sales threshold. The Group is also entitled to a reduction in the royalty rates in the event of competition from a generic product, and for which the reduction is increasing in nature if Decapeptyl®'s market share falls significantly below a certain threshold determined on a market-by-market basis. The agreement entered into by the Group does not provide for any minimum royalty clause. This agreement also contains an early termination clause which may be triggered if either of the parties undergoes a change of control causing substantial prejudice to the interests of the other party in relation to Decapeptyl®. At the registration date of this registration document, the Group was not aware of any change of control affecting Debiopharm.

On 30 April 2008, the Group and Debiopharm entered into a license agreement granting to the Group the exclusive right to commercialize the triptoreline under the tradenames Salvacyl®, Salvacyl LP®, Moapar® and Salvapar® for the treatment of paraphilia (sexual perversions) in the same territories as for Decapeptyl® with the exclusion of Sweden and Lichtenstein for which the commercialization right is granted to Debiopharm.

Active Biotech (Lund, Sweden)

On 18 April 2011, the Group signed a collaboration agreement with Active Biotech for the co-development of tasquinimod, a compound in phase III clinical trial in men with metastatic castrate-resistant prostate cancer. The agreement grants the Group a co-development license as well as an exclusive global license to manufacture and commercialize the product, except in North and South America, Japan and in certain other countries where Ipsen may decide to return the product to Active Biotech under certain conditions mentioned in the contract. Active Biotech, which is responsible for the conduct and funding of the pivotal phase III clinical study, will receive from Ipsen payments up to €200 million including an upfront payment already paid of €25 million and milestones payments upon realization of certain developments, regulatory and commercial milestones. In addition, Ipsen will pay Active Biotech progressive double-digit royalties based on net sales. In parallel, Ipsen will conduct and fund a supportive study. The agreement also provides for subsequent developments in other oncology indications to be jointly carried out between Ipsen and Active Biotech and with development costs to be shared. In May 2012, the recruitment for the global, pivotal, randomized, double-blind, placebo-controlled clinical phase III study in patients with metastatic castrate-resistant prostate cancer having reached an inclusion of 600 patients, in accordance with the collaboration agreement, the Group made a €10 million milestone payment to Active Biotech. At the end of December 2012, the recruitment of over 1,245 randomized patients in 37 countries throughout more than 200 centres has triggered an additional €10 million milestone payment as per the agreement.

On 25 April 2013, the analysis plan for the global phase III clinical trial has been updated by Ipsen and Active Biotech. The primary PFS analysis will be conducted in 2014, at the same time as the first interim overall survival (OS) analysis. Finally, on 9 October 2013, Active Biotech has received a new milestone payment of €12 million.

Photocure (Oslo, Norway)

On 26 September 2011, the Group signed a marketing and supply agreement with Photocure, a specialty pharmaceutical company specialized in photodynamic technologies applied to cancer and dermatology. Under the agreement, the Group is granted an exclusive license to commercialize the product for the diagnosis and resection of bladder cancer under the Hexvix® trademark, a brand that is owned by Photocure. The product is designed to induce specific fluorescence in malignant cells in the bladder during a cystoscopic procedure, by improving the detection and resection of non-invasive bladder cancer. The product has been approved since 2004 in Sweden and was then subsequently approved across many countries in Europe as well as in the United States. The product was commercialized by GE Healthcare since 2006 in Europe as well as in other countries except in the Nordics. Photocure and GE Healthcare have terminated their agreement to allow the granting of exclusive license rights to Ipsen for the promotion and commercialization worldwide except in the United States, the Nordics and certain other countries where Ipsen may decide to return to Photocure under certain conditions mentioned in the contract. In consideration of the exclusive license rights, the Group has paid an upfront payment of €19 million to Photocure and GE Healthcare as well as additional manufacturing milestones to Photocure of €5 million. In addition, the Group will pay royalties on annual net sales at a rate that is in line with industry standards for a marketed product as well as commercial milestones upon the achievement of specific sales thresholds. Photocure has committed to invest up to €3 million with Ipsen on marketing and sales programs in 2012 and 2013.

Spirogen (London, United Kingdom)

In May 2003, the Group signed a partnership agreement with Spirogen, a UK biotechnology company. This partnership comprises a development and licensing agreement covering

the development and marketing by the Group of a patented anti-cancer drug, namely BN 2629 (SJG-136) (now SG-2000) and a research agreement for other anti-cancer compounds through implementation of a gene targeting technology patented by Spirogen. The research agreement has expired and was not renewed by the parties.

Pursuant to the development and licensing agreement, the Group had obtained an exclusive worldwide license on Spirogen's patents and expertise related to the manufacture, use and sale of BN 2629 and its analogue or replacement compounds. Spirogen had also granted the Group a worldwide non-exclusive license under which the latter is allowed to use and operate the gene screening technique patented by Spirogen.

The Group has the right to terminate the development and licensing agreement during the development stages provided that it observes a notice period of six months. In the event of termination, all rights and all licenses granted to the Group pursuant to this agreement will be null and void and any information acquired about BN 2629 and the products containing it will be returned to Spirogen.

In August 2009, the Group and Spirogen terminated their development and license agreement and entered into new agreement in order to allow Spirogen to continue and lead the clinical development and commercialization of the first-in-class anticancer molecule SJG-136 (SG-2000). According to this agreement, Spirogen is granted an exclusive worldwide license to certain Ipsen's intellectual property rights covering pyrrolobenzodiazepines in combination with cytotoxic agents. In the case of commercialization of the SG-2000 Ipsen will receive royalties as well as commercial milestone payments.

In January 2011, Spirogen announced the signature of a multi-year research collaboration and license agreement with Genentech.

On 24 February 2012, the Group, which held 19.31% of Spirogen's equity further to its 2003 acquisition, sold back all of its shares to Spirogen for which Ipsen received an upfront cash payment and may receive additional differed payments depending on development stages. As a consequence of this sale, the Group is no longer represented on the board of Spirogen.

bioMérieux (Marcy l'Etoile, France)

In September 2007, bioMérieux and the Group entered into an agreement for the development by bioMérieux of a companion test for a molecule (BN 83495) currently being developed by the Group for the treatment of breast cancer. As part of the collaboration, bioMérieux shall devise a companion assay to determine the patients best suited to benefit from the new therapy targeting the steroid sulfatase enzyme. The assay is developed on bioMérieux's molecular diagnostic platform. The development of this test is co-financed by the parties. In case of successful development of the assay, the test will accompany the clinical development of BN 83495 and potentially future commercialization.

In February 2011, bioMérieux and the Group entered into a framework partnership agreement to establish a worldwide collaboration in theranostics, including hormone-dependent cancers. The purpose of such an agreement is to leverage the expertise and resources of both parties (*i.e.*, Ipsen's portfolio of innovative compounds and bioMérieux's diagnostic tests) to identify programs and jointly develop a therapeutic and companion diagnostic test for the prevention and treatment of prostate and breast cancers, neuro-endocrine tumors and pituitary tumors.

PeptiDream (Tokyo, Japan)

On 10 April 2013, PeptiDream Inc., a Tokyo-based pharmaceutical company, and the Group announced that they had entered into a research collaboration and license option agreement to discover, evaluate, potentially develop and launch therapeutic peptides to treat serious medical conditions in areas of therapeutic focus for Ipsen.

The research collaboration will combine PeptiDream's proprietary peptide library (Peptide Discovery Platform System – PDPS) with Ipsen's expertise in peptide drug discovery and pharmaceutical R&D. In exchange for worldwide rights to the therapeutic peptides resulting from the collaboration, Ipsen will make an upfront payment to PeptiDream and pay R&D and commercialization costs. PeptiDream will receive royalties on worldwide sales, or will have the right to opt-in at predefined stages to support Japan development costs for royalty free commercial rights in that territory. In the latter circumstance, PeptiDream would also forego royalty income for ex-Japan sales.

On 7 October 2013, the collaboration has been extended in scope to enable further therapeutic peptide candidates to enter R&D for additional serious endocrinologic disease.

1.4.1.2 Agreements in endocrinology

Tulane University (New Orleans, United States)

Pursuant to an agreement sealed in June 1990, Tulane University granted the Group an exclusive worldwide license to manufacture, use and sell lanreotide, the active substance in Somatuline® and Somatuline® Autogel®. This agreement remains in force until the corresponding patents have expired. Furthermore, the agreement covers any future formulation using this active substance until the corresponding patents have expired. The Group pays different levels of royalties to Tulane University, which vary from territory to territory. The agreement does not provide for any minimum royalty clause. The length of the agreement's exclusivity period varies from territory to territory: (i) in territories where Tulane University holds a patent, including the United States, the exclusivity period runs until expiry of the corresponding patent, and (ii) in territories where Tulane University does not hold a patent, the exclusivity period runs for ten years from the initial commercial sale of the relevant product.

Genentech (San Francisco, United States)

Distribution agreement covering NutropinAq®

The exclusive distribution agreement entered into in September 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 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 also has the right to use Genentech's existing brand names, namely NutropinAq®, NutropinAq® Pen and NutropinAq® Pen Cartridge®, as well as any new brand name that Genentech uses to market the products in territories not governed by the distribution agreement with the Group.

The Group agreed to pay Genentech milestone payments when certain net sales figures are reached. The Group has to agree with Genentech on sales milestone payments for each product before filing any application for regulatory approval for the marketing of any such product. 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.

Genentech has the right to terminate this agreement in certain cases, notably if the Group is unable to market products by the agreed deadlines or if it fails to reach certain objectives. If the annual sales of a product in a specific country fall below a predetermined threshold, the rights and licenses granted may become non-exclusive in the relevant country, if Genentech so decides.

Increlex® Agreements

The Group entered into two Increlex® (IGF-1) license agreements on 15 April 2002 and 25 July 2003 for North America and outside of North America, respectively. Pursuant to these agreements, the Group is granted the exclusive right to develop, manufacture and commercialize IGF-1 in the world in all indications except central nervous system diseases. For the indication of diabetes treatment outside the United Sates, the Group should obtain the prior approval of Roche. Under the terms of these contracts Genentech is also granted an option right for the product in all non-orphan indications and diabetes.

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

On 25 April 2013, Ipsen announced that Lonza, Increlex®'s active principle supplier, faced manufacturing issues at its Hopinkton site. The supply interruption occurred in mid-June 2013 in the US and in Q3 2013 in Europe and the rest of the world. After Lonza's announcement on 18 December 2013 stating that it had successfully re-manufactured the active ingredient of Increlex®, Ipsen informed the European Medicines Agency (EMA) of the preparation of the resupply of Increlex® in the EU. Resupply in the US is still pending. Ipsen continues to actively address the management of the shortage period in the US to reduce its impact on patients and their families. Consultations with the EU Member States' national competent authorities are now in process to allow immediate resupply.

IGF-1-Growth Hormone Combination Product Agreement

On 6 July 2007, the Group entered into a license agreement with Genentech for the development and commercialization of a product combining IGF-1 and growth hormone. Pursuant to this agreement, the Group develops the product in paediatric indications (short stature children) as well as in indications for adults, Genentech is keeping a say in the development of the product. On 19 October 2010, the parties decided to end the development of the growth hormone indication for adults but to keep the paediatric indications and other indications for adults. Genentech has an opt-in right to participate in the development and commercialization of the product in all indications; this opt-in right can be exercised at various stages of development of the product. In case of exercise of this opt-in right by Genentech, the parties will share the costs and revenues on the basis of the product indication and Genentech will reimburse the Group a percentage of the development costs borne by the Group. In the absence of opt-in by Genentech, the Group will pay royalties to Genentech on the basis of the sales of the relevant product made by the Group. Under certain terms, Genentech may also acquire the right for the deciding vote in the commercialization of the product.

Insmed Settlement Agreement

On 5 March 2007, Genentech, Insmed and the Group entered into a settlement agreement ending their dispute relating to the product developed and commercialized by Insmed, Iplex® (IGF-1 and BP3). Pursuant to this agreement, Insmed continue to have limited rights for the development and commercialization of Iplex® and Insmed grants to Genentech and the Group opt-in rights for the co-development of the product in authorized indications. In the event the Group or Genentech exercises this opt-in, the Group or Genentech will reimburse Insmed a fraction of development costs and will share with Insmed future costs and revenues generated by the sales of the product.

Roche (Basel, Switzerland)

In October 2003, the Group granted to Roche the exclusive license rights to develop and commercialize the GLP-1 analogue worldwide, with the exclusion of Japan where these rights are shared with Teijin (the Group's Japanese partner) and France where the Group may decide to exercise its co-marketing rights, in July 2006 Roche exercised its option for an exclusive license to develop and commercialize a class of anti-diabetic GLP-1 drugs discovered by the Group's research activities and notably including the BIM 51077 compound. Since the exercise of this option, Roche paid to the Group up to €71.6 million. As of the date of the option's exercise, Roche became wholly responsible for the product's development and manufacturing as well as being the holder of the regulatory approvals. Roche also became wholly responsible for the next stages in the development of BIM 51077, with the exception of Japan where the developments costs would be shared equally between Roche and Teijin. In June 2008 Roche decided to move the GLP-1 analogue into phase III clinical trials and in October and December 2009 Roche announced that the results of certain clinical trials had met their primary

endpoints. In June 2010, Roche disclosed that it would implement a risk mitigation plan in the phase III program due to a higher than expected incidence of hypersensitivity reactions reported as attributable to the administration of the product. Effective 3 August 2011, the Group and Roche terminated the agreement based on the analysis carried out on both nausea and hypersensitivity, and Roche returned all of its rights to Ipsen, including the full body of data generated by Roche on GLP-1. The Group is reviewing the available data to assess possible partnership opportunities in light of the agreement that Roche terminated, but is not envisaging the clinical development of the product on its own given the level of investment required.

On 19 January 2009, the Group disclosed that Biomeasure (Milford, MA, USA), an affiliate within the Ipsen Group, had been sued in Louisiana by Tulane University of New Orleans (United States) and a Tulane faculty member ("Tulane"), alleging breach of contract and/or inventorship of some of the GLP-1 analogue patents that the Group licensed out to Roche in July 2006. The Group denied Tulane's allegation and vigorously contested Tulane's claim before the relevant jurisdictions in the United States. In May 2012, Tulane entered into a settlement agreement with the Group in order to close all claims.

Teijin (Tokyo, Japan)

In July 2003, the Group entered into a Research and Development partnership with Teijin, a Japanese industrial conglomerate specializing in the production and sale of pharmaceutical, medical and homecare products, as well as fibres, chemicals and plastics. This partnership covers the development of four of the Group's products and the marketing of the products that complete the development program by Teijin in Japan. Secondly, this partnership covers the development and marketing by the Group in Europe of febuxostat (Adenuric), a product owned by Teijin and used in the treatment of the symptoms associated with hyperuricaemia and known as TMX-67.

The Group has granted Teijin rights to develop and market in Japan the following products:

- BIM 51077 (GLP-1 analogue in the treatment of type II diabetes) for which the Group has granted Teijin co-exclusive rights together with Roche (Chugai in Japan). After the joint decision by Roche and Ipsen to end their agreement on GLP-1, Teijin and Ipsen ended their collaboration in Japan.
- 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. The Group has granted Teijin exclusive rights to these products.

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 and announced the marketing launch of such products in January 2013.

Marketing rights will revert to the Group upon expiry of a ten-year period of commercial use.

As regards febuxostat, pursuant to the distribution and promotion agreement signed on 24 July 2006 by Teijin and the Group, the parties have determined the definitive terms of Ipsen's exclusive rights to the product in Europe. Febuxostat's development costs in Europe will be borne by the Group, except for the cost of conducting clinical trials that may be requested by the regulatory authorities prior to the registration of febuxostat in Europe, which will be shared between Teijin and the Group. Marketing rights will revert to Teijin upon expiry of a ten-year period of commercial use.

In October 2009, the Group granted the Menarini group exclusive licensing, development and commercialization rights in Europe for Adenuric® and kept co-promotion rights in France.

Febuxostat was registered in Europe in May 2008 under the tradermark Adenuric® and is being launched by Menarini since March 2010 (with a co-promotion right for the Group in France). The product was registered in the United States (TAP) in February 2009 under the trademark Uloric® and launched since March 2009 by Takeda, and launched in Japan by Teijin since May 2011.

Asterion Ltd (Sheffield, United Kingdom)

In December 2003, the Group and Asterion entered into a research and licensing agreement, pursuant to which Asterion is conducting a research program into the generation of growth hormone agonists and antagonists. This research program has been prolonged in 2010 to carry out new researches. The Group contributes to the financing of this program by paying fixed sums. The strategic priorities and progress of the research work are supervised by a steering committee composed of representatives from the Group and Asterion. The results of this research belong to the Group. This contract ended on 21 December 2012 without any compensation paid. All rights reverted to Asterion.

Radius (Cambridge, United States)

In September 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 (as well as its analogues) using the sustained-release formulation technology developed by the Group for the development of a drug used in the treatment of osteoporosis.

This license has been granted for the entire world, with the exception of Japan (except for the manufacture), where the Group has already granted an exclusive license concerning this compound to the Japanese group Teijin. Furthermore, the Group will have the option of promoting and selling the finished product on a co-marketing basis with Radius in France. Radius is responsible for the overall development of the compound and will incur all the relevant costs. Radius will also hold the marketing authorizations and be responsible vis-à-vis the national regulatory authorities for marketing the product. The Group will also manufacture the compound until completion of the Phase II trials. Subsequently, following the transfer of the technology, Radius will be responsible for manufacturing the compound and the end product marketed. Radius will then supply Teijin for the purposes of marketing

the product in Japan. In August 2009 Radius presented the results of Phase II studies and Phase III studies are in progress.

Radius shall pay the Group different fixed sums depending on the success of the various development phases and registration of the end product, as well as according to the level of sales generated by the finished product. Lastly, Radius will pay the Group royalties calculated on *a prorata* sales basis. The licensing agreement will end upon the latest of (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 the later. Upon expiry of the agreement, Radius is set to benefit from a free and perpetual license to the licensed rights.

Rhythm Pharmaceuticals, Inc. (Boston, United States)

In March 2010, the Group granted Rhythm, an exclusive worldwide license for the research, development and commercialization of Ipsen's compounds and intellectual property related to analogs of the peptide hormones – ghrelin and MSH – which regulate food intake, energy homeostasis and gastrointestinal function. Under the terms of the license agreement, Ipsen will receive progressive payments of up to $80 million upon the achievement of certain development and commercial milestones and royalties on future sales of the products. Rhythm will continue to use Ipsen's recognized formulation expertise to develop innovative delivery systems for the peptide programs. Ipsen owns 6.11% of equity shares in Rhythm Holdings LLC on a fully-diluted basis and holds one seat on Rhythm's board of directors.

Dicerna Pharmaceuticals, Inc. (Watertown, United States)

On 17 March 2010, the Group and Dicerna entered into an exclusive research and collaboration agreement to leverage their expertise in Dicer Substrate siRNA (DsiRNA) research and peptide engineering, the latter technology being brought into the partnership by the Group. The two companies will develop novel conjugates of Dicerna's DsiRNA molecules and Ipsen's peptide targeting vectors in the oncology and endocrinology therapeutic areas. Each party will bear its own development costs arising out of or in connection with this collaboration. At the end of this agreement, the Group and Dicerna will assess the terms and conditions for the development of the research and intellectual property resulting from their research collaboration going forward.

1.4.1.3 Agreements in the field of neurology and botulinum toxin

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

The licensing agreement entered into by the Group in 1994 with the PHE covers the botulinum toxin type A complex, which is the active substance in Dysport®. The Group holds, until December 2036, 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. Under an additional clause signed in September 2001, the Group has built the requisite installations for the production by the Group of botulinum toxin type A, with production having started during 2004. The Group is now free of the obligation to purchase botulinum toxin from the PHE. Pursuant to 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.

Medicis, part of Valeant Pharmaceuticals Group (Scottsdale, United States)

Since March 2006, the Group has entered into a development and distribution agreement with Medicis Pharmaceutical Corporation, which became a subsidiary of Valeant Pharmaceuticals International, Inc in December 2012, covering certain botulinum toxin formulations for aesthetic medicine in the United States and Canada. The expiry date of this agreement was extended until 31 December 2036. Under this agreement, Medicis finances and conducts the development program helping to secure the registrations and approvals required to sell the products in the United States and Canada, and the Group files and becomes the owner of the Biologics Licence Applications for products. However, pursuant to an amendment in November 2006, the Group has made Medicis responsible for filing New Drug Applications with the FDA in the United Sates and this marketing authorization will be owned by the Group once it has been approved.

Medicis agreed to make certain milestone payments to the Group: $90.1 million upon signature of the agreement, plus $26.5 million at certain key development milestones; and $75.0 million upon approval of the product by the FDA; *i.e.* a total of $191.6 million. The Group will manufacture and supply the product to Medicis throughout the agreement and will receive from Medicis royalties and a delivery price.

Ipsen commercializes Dysport® as unique trademark in the U.S. for the therapeutic indication (cervical dystonia) since November 2009, while Medicis markets Dysport® for the aesthetic indication (glabellar lines) since June 2009 with a communication and risk management plan elaborated by both entities. Dysport® is also marketed in Canada for the aesthetic indication since April 2013.

Galderma (Lausanne, Switzerland)

In February 2007, under the terms of a development and distribution agreement, Ipsen granted Galderma Pharma S.A. a Swiss company owned by Nestlé, exclusive rights to develop, promote and distribute a specific formulation for the aesthetic medicine indications of its botulinum toxin type A product in the European Union and certain territories in Eastern Europe and Central Asia. In addition, the Group also granted Galderma first rights of negotiation for aesthetic medicine indications in the rest of the world, excluding the United States, Canada and Japan, as well as rights for future formulations. This agreement was extended until December 2036.

The product is distributed, since 2009, under the Azzalure® trademark owned by Galderma. As of today, in Europe, Azzalure® is mainly commercialized in the United Kingdom, France, Germany, Portugal, Denmark, Poland, Finland and Sweden.

Ipsen and Galderma work together on the development and regulatory strategy of the product in aesthetic medicine indications. Galderma will carry out and fund any future development activity for new aesthetic indications. Ipsen owns all regulatory approvals and all data arising from development activities.

Galderma paid the Group an initial milestone of €10 million and shall pay up to an additional €20 million if certain conditions are satisfied, such as marketing authorization and product launches on certain territories. The Group provides Galderma with the finished product at a fixed price and Galderma will pay the Group royalties based on sales.

In December 2007, the Group also granted to Galderma exclusive rights, until 2017, to promote and distribute under the trademark Dysport® certain formulations of botulinum toxin in aesthetic and dermatological indications in Brazil, Argentina and Paraguay. The commercialization of Dysport® has started in these indications in Brazil and Argentina.

The exclusive promotion and distribution rights of Dysport® granted to Galderma in the aesthetic and dermatologic indications have been extended to Australia in December 2012 and Mexico in December 2013 for a 5-year period.

Pharnext (Paris, France)

In June 2009, the Group entered into an option agreement for an exclusive research, development and marketing of drug candidates intended for the treatment of Charcot Marie-Tooth disease and has subscribed to the issuing of convertible bonds. According to this agreement, Ipsen has been granted an option to purchase exclusive licensing rights on drug candidates after completion of the first Phase II clinical trials.

Under the terms of this agreement, Pharnext will carry out the development of innovative Pleotherapy™ based drug candidates for the treatment of Charcot Marie-Tooth disease until completion of Phase II clinical trials. Ipsen will further the development up to marketing approvals in Europe, the USA and China. In case the option is exercised, Ipsen will pay Pharnext milestone payments up to a cumulative amount of €91 million, as well as double-digit royalties on commercial net sales from 10 to 25% depending on the sales. The parties shall negotiate the payment of additional milestone payments in the event Ipsen develops the drug candidate in another indication than the Charcot Marie-Tooth disease.

Santhera Pharmaceuticals (Liestal, Switzerland)

On 2 September 2010, the Group entered into an exclusive license agreement for the development and commercialization of fipamezole, a first in class antagonist compound of adrenergic alpha-2 receptor currently under investigation in preparation for Phase III clinical studies in the treatment of levodopa induced dyskinesia in Parkinson's Disease. The Group was granted an exclusive license worldwide excluding Japan and North America, the latter territory having been granted exclusivity license from Santhera to Biovail (a Canadian pharmaceutical company) in 2009. The agreement provides for a sharing of clinical data between Santhera, Ipsen and Biovail to allow among others Ipsen to use the data for its own development. Pursuant to the agreement, the Group paid to Santhera an upfront payment of €13 million. On 25 October 2010, Santhera informed Ipsen that it regained all the development and commercialization rights for North America following Biovail's decision to terminate its license agreement with Santhera. Following the return to Santhera of all the North American development and commercialization rights of fipamezole, the Group and Santhera decided to enter into a new agreement on 24 January 2012 whereby Santhera regained the worldwide rights over the compound. Ipsen returned its exclusive development and commercialization license rights in exchange of development milestone payments and royalties based on future partnerings by Santhera with third parties as well as commercial milestone payments based on the future commercial success of fipamezole. In addition, the Group has an option right for a worldwide license to the development program under certain conditions provided in the agreement. In the event the Group exercises its option, Santhera will receive from the Group certain development milestone payments and royalties on sales made.

Syntaxin (Oxford, United Kingdom)

In October 2011, the Group entered into a collaboration agreement with Syntaxin, a biotechnology company specialized in innovative biopharmaceutical therapies targeting cell secretion pathways, in order to research and develop new compounds in the field of botulinum neurotoxins.

This collaboration followed Ipsen's strategic investment in Syntaxin during Syntaxin's financing round which was completed in November 2010 further to which Ipsen owned 0.9% ordinary shares of Syntaxin and 9.7% preferred shares on a fully-diluted basis.

On 15 July 2013, Ipsen acquired all of the Syntaxin shares it did not own yet for a €28 million upfront payment, as well as further contingent payments that could reach €130 million or more depending on the achievement of development and commercial milestones.

Oncodesign (Dijon, France)

On 5 January 2012, the Group and Oncodesign, a drug discovery company and oncology pharmacology service provider announced the execution of a collaboration agreement to discover and develop innovative LRRK2 kinase inhibitors as potential therapeutic agents against Parkinson's Disease and for potential uses in other therapeutic areas. Oncodesign's Nanocyclix® is a proprietary medicinal chemistry technology based on a macrocyclisation process of small chemical molecules that gives access to potent and highly selective small molecule kinase inhibitors with attractive physicochemical and ADME properties. Oncodesign has identified Nanocyclix® leads against a broad range of known and unexplored kinases (notably the LRRK2 program) with potential in multiple therapeutic areas. The Group has two exclusive options to license exclusively Oncodesign's LRRK2 inhibitor program, notably upon successfully reaching clinical proof of concept, with worldwide development, manufacturing and commercialization rights. Oncodesign is entitled to receive from the Group a technology access fee, funding of the program's research and early development activities, and upon exercise of the license options, opt-in

fees and additional development, regulatory and commercial milestone payments potentially totalling €115 million for the development of molecules in two or more indications, and tiered royalties on net sales.

On 18 December 2012, the Group, Oncodesign and the Laboratory for Neurobiology and Gene Therapy (LNGT) at the Department of Neurosciences at the KU Leuven entered into a research collaboration to evaluate the Nanocyclix® lead molecules in the framework of Oncodesign's LRRK2 program that was partnered with Ipsen in January 2012.

Harvard Medical School (Boston, Massachusetts)

On 15 July 2013, the Group signed a research and development collaboration with Harvard Medical School aimed at discovering new recombinant botulinum toxins for the treatment of serious neurologic diseases. Ipsen will fund Harvard research for at least three years, the objective being the discovery, evaluation and development of new recombinant botulinium toxins.

Ipsen will have exclusive worldwide rights on any candidate recombinant toxin stemming from the collaboration. Ipsen will be responsible for the development and marketing of the new toxins and will make associated upfront, milestones and royalty payments to Harvard.

GW Pharmaceuticals plc (Salisbury, United Kingdom)

On 14 January 2014, the Group and GW Pharmaceuticals (GW) entered into an agreement under which GW licensed the promotion and the distribution in Latin America of Sativex®, a companion drug to Dysport®, indicated as an add-on treatment for symptom improvement in patients with moderate to severe spasticity due to multiple sclerosis (MS). Sativex® is also in Phase III clinical development, conducted and financed by GW, as a potential treatment of pain in people with advanced cancer. Ipsen has an option on the promotion and distribution of Sativex® in the later indication.

The exclusive agreement hands Ipsen the reins of the promotion and the distribution of the finished product, furnished by GW, in Latin America except Mexico. GW Pharmaceuticals and Ipsen aim to start regulatory filings in selected countries in Latin America during 2014 for the MS spasticity indication.

1.4.2 Agreements in primary care

Schwabe (Karlsruhe, Germany)

The Group has longstanding links with Schwabe concerning in particular *Ginkgo biloba* extracts and EGb 761®, the active substance in Tanakan®. The relationship between the Group and Schwabe was summarized in the cooperation agreement dated 27 July 2005 concerning (i) the procurement and supply of *Ginkgo biloba* leaves, (ii) the manufacture of *Ginkgo biloba* extracts and notably EGb 761®, (iii) the patents, expertise and EGb 761® brand name and drugs containing EGb 761® extract, and (iv) research and development activities concerning the EGb 761® extract and drugs containing EGb 761®. This cooperation agreement records the fact that the Group and Schwabe hold joint shareholdings in the following companies, which form the manufacturing chain for either EGb 761® or of other plant extracts:

- **Agricultural companies:**
  - Schwabe and the Group each hold 50% of the share capital of two companies, Saint-Jean-d'Illac and Garnay located in France and the United States, respectively, which cultivate *Ginkgo biloba* trees and dry their leaves (from which EGb 761® is extracted);
  - Schwabe and the Group each hold an equal percentage (37.5% or 35.75%, depending on the case) of the share capital in two companies located in the provinces of Shangdon and Jiangsu in China, the activities of which consist in buying and drying the green *Ginkgo biloba* leaves sold to Cara Partners (described below) and to Schwabe;
- **Irish companies:**
  - Schwabe and the Group each hold 50% of the partnership shares in Wallingstown Company Limited based in Cork in the Republic of Ireland, which is involved in the manufacture of EGb 761®;
  - Schwabe and the Group each hold 50% of the joint rights in Cara Partners located in Cork in the Republic of Ireland, which manufactures and sells EGb 761®. Cara Partners' partnership deed was renewed with effect from February 2003. Thereafter, the partnership deed will be considered as being for an unlimited duration, with each of the partners having the right to terminate it after observing a notice period of six months; and
- **Linnea:**
  - Schwabe and the Group each hold 50% of the share capital of Linnea, a Swiss-registered company based in Locarno, in Switzerland, and whose activities are manufacturing and selling *Ginkgo biloba* extracts other than EGb 761® and other plant extracts.

This agreement provides for exclusive procurement of the Group's *Ginkgo biloba* leaves and EGb 761® extracts from the aforementioned companies. Under the terms of the cooperation agreement, the Group and Schwabe have agreed to form a steering committee defining procedures for: (i) purchases of *Ginkgo biloba* leaves by the Irish companies and Linnea from the agricultural companies, (ii) the manufacture and supply of EGb 761® extract by the Irish companies to

the Group and to Schwabe exclusively, and (iii) the storage of *Ginkgo biloba* leaves and extracts.

Concurrently, Schwabe, which owns the patents covering EGb 761® extract and its method of manufacture, has reserved the right to manufacture EGb 761® extract to meet its needs in the German market and granted: (i) to the Irish companies a free license to use its patents (without the right to sub-license them) to manufacture EGb 761® extract and to sell it exclusively to the Group and Schwabe, and (ii) to the Group a free license to use its patents (with the right to sub-license them to third parties) to manufacture and sell drugs based on EGb 761®. The Group's license covering France is exclusive, and Schwabe has reserved the exclusive right to market EGb 761® extract-based drugs in Germany.

Novartis (Basel, Switzerland), Sanofi-Aventis (Strasbourg, France)

In March 2003, the Group signed a distribution agreement with Novartis concerning Nisis® (valsartan – an antagonist for the angiotensin II) and Nisisco® (a fixed combination of valsartan and hydrochlorothiazide) after having acquired the Nisis® and Nisisco® trademarks from Sanofi-Aventis. In accordance with this agreement, the Group has a co-exclusive right (together with Novartis, which retains the right to exploit the indications under the Tareg® and Cotareg® trademarks) to promote and distribute Nisis®, Nisisco® and any other improvements made to these products in France, Andorra and Monaco. This contract was terminated and a new supply agreement was signed on 4 November 2013 for a three-year period, renewable for two years.

The second agreement entered into by the Group in January 2009 relating to the co-promotion of the antihypertensive drug Exforge® in France to strengthen the commitment of its French teams to the management of cardiovascular risk factor was mutually terminated at the end of April 2012. In consideration of such termination, the Group received from Novartis an exit payment of €4 million.

Braintree (Massachusetts, USA)

In September 2009, the Group signed a licensing agreement with Braintree Laboratories Inc., a US-company specialized in the development, manufacturing and marketing of specialty pharmaceuticals under which the Group purchased 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, Commonwealth of Independent States, selected Asian countries (including China) and some North African countries.

In the context of this agreement, Braintree will receive payment upon achievement of certain milestones such as product launches and commercial thresholds. Additionally Braintree will receive royalties on Ipsen's sales. The European decentralized registration procedure involving sixteen countries has been launched in Q1 2013. 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. The product has been launched in the Czech Republic, Lithuania, Latvia, Estonia and Poland.

In addition, on 17 December 2010, the Group entered into a license agreement with Braintree whereby Braintree was granted the exclusive right to develop and commercialize Diosmectite (the active ingredient of Smecta®) in the United States and Canada for the treatment of *Clostridium Difficile* infection and the associated symptoms and manifestations. The Group will receive payments from Braintree upon the occurrence of certain regulatory milestone events including the launch of the product. The Group will also receive royalties on sales made by Braintree.

Merck Sharp & Dohme Ltd (Hoddesdon, United Kingdom)

The Group signed an agreement with MSD in January 2007, for the use in France of Adrovance®, within the framework of a co-marketing agreement. This fixed association of alendronate sodium trihydrate and colecalciferol (vitamin D3) is used in the treatment of post-menopausal osteoporosis for patients at risk with low vitamin D levels. Pursuant to this 10-year agreement, the Group will market and sell this product under the name Adrovance in France which it will purchase exclusively from Merck Sharp & Dohme Ltd.

GTF (Boulogne-Billancourt, France)

In August 2007, the Group transferred to GTF Group the marketing authorizations of Ginkor Fort® for France, Monaco and Andorra as of 1 January 2008 and entered into a supply agreement for Ginkor Fort® with GTF. The Group also granted GTF the exclusive trademark license right on the Ginkor Fort® trademark with a possible assignment of those trademark rights upon final payment of the assignment price of Ginkor Fort®. In 2010, the Group and GTF entered into a new supply agreement of the finished product for an initial and renewable period of 5 years. The Group continues to market the product outside France, Monaco and Andorra.

Mayoly Spindler (Chatou, France)

On 18 December 2013, the Group and Mayoly Spindler, an independent French family-run laboratory recognized in gastroenterology, rheumatology, ENT and dermocosmetics, entered into a cross-promotion agreement for primary care activities in France effective in January 2014. The agreement foresees the implementation of a platform with complementary competencies and product portfolios. Ipsen will promote Météospasmyl® and Colchicine® to general practitioners; and Mayoly Spindler will promote Smecta®, Forlax® and Tanakan® in pharmacies. Under the terms of the agreement, each company will continue to book the sales of its own products.

1.4.3 Agreements in hemophilia

Octagen and Emory University (Atlanta, United States)

In May 1998, Octagen concluded a worldwide exclusive licensing agreement with Emory University. This agreement covered the latter's expertise and patents and authorized Octagen to use, sell and manufacture low antigenicity products (LAP) and low immunogenicity products (LIP), notably including genes corresponding to the LAP and LIP compounds in gene therapy and protein infusion.

In September 1998, the Group acquired a shareholding in Octagen, a US biotechnology company and Octagen in turn signed a worldwide exclusive sublicensing agreement with the Group authorising the latter to use, sell and manufacture products incorporating LAPs and LIPs. In accordance with this agreement, Octagen agreed to conduct pre-clinical and clinical trials financed by Octagen and the Group agreed to fund some research activities on LAPs and LIPs for a limited period of time.

The agreement stipulates that the Group will manage any project or dossier (including the payment of filing costs) and will be the owner of any registration or regulatory approval dossier. As part of these research activities, the Group has currently completed a clinical trial with a compound known as OBI-1, a recombinant porcine Factor VIII (for the treatment of patients with acquired hemophilia or hemophilia A who have developed an inhibitory immune reaction to human forms of Factor VIII).

In June 2008, the Group and Octagen entered into an asset purchase agreement to acquire all its OBI-1 related assets in order to fully control its future clinical development. In consideration for this purchase, the Group made an upfront payment of $10.5 million to Octagen and $6.298 million as a second milestone payment after having obtained the authorization to proceed with a Phase III study by Inspiration Biopharmaceuticals Inc., to which the Group granted the right to develop and commercialize OBI-1. Under the assets sale agreement, the Group owed future additional milestone payments contingent on the receipt of marketing approvals in the US and in Europe, potentially totalling up to $19.68 million. In addition, the Group were to pay a low to mid-range single digit royalty on its net sales in each country, on an upward sliding scale depending on certain sales thresholds. The Group has also redeemed its stake in Octagen.

Inspiration Biopharmaceuticals Inc. (USA)

On 20 January 2010, the Group and Inspiration Biopharmaceuticals Inc. entered into a partnership to create a world leading hemophilia franchise.

Under the terms of the agreement, the Group will exclusively sub-license OBI-1 to Inspiration Biopharmaceuticals Inc. in exchange for $50 million in convertible notes and a 27.5% royalty on future OBI-1 sales. The Group shall manufacture and supply the OBI-1 product.

Considering the exclusive in-licensing of the Group's OBI-1 product and Inspiration's recombinant Factor IX, IB1001 (for the acute and preventive treatment of bleeding in patients with hemophilia B), Inspiration Biopharmaceuticals Inc. owns two products containing recombinant which have entered Phase III clinical testing in 2010, as well as two earlier stage coagulation compounds for the treatment of coagulation disorders. In October 2010, the European Commission granted orphan drug status for OBI-1 for the treatment of hemophilia.

The Group made an upfront payment of $85 million in Inspiration in exchange for shares of a new class of preferred stocks constituting 20% of Inspiration fully-diluted equity and made a milestone payment of $50 million upon injection of OBI-1 to the first patient in Phase III in the form of a newly issued convertible note by Inspiration in November 2010. Additional milestone payments of $35 million in October 2011 upon IB1001 receiving MAA submission acceptance, a further $25 million in November 2011 upon the initiation of the treatment of the first patient in the second Phase III pivotal clinical study of OBI-1 product and an additional $35 million upon the submission and filing at the FDA of IB1001 product, all three milestones having been paid against additional new convertibles notes, bringing the Group's fully diluted share ownership position to about 43.5% in Inspiration Biopharmaceuticals. In addition, pursuant to the agreement, the Group were to make additional future milestone payments up to $29 million for the development and commercialization of Inspiration Biopharmaceuticals' products including OBI-1 product, will be paid to Inspiration based on the successful development of IB1001 and OBI-1. For each additional milestone payment, the Group would receive a note convertible into Inspiration equity. Assuming all obligations are converted, the Group would hold approximately 49% of Inspiration Biopharmaceuticals' fully diluted equity.

Upon certain triggering events, Ipsen would also have the ability to acquire full control of Inspiration.

In August 2012, the Group and Inspiration renegotiated their partnership agreement. Under the new agreement, Ipsen was granted commercial rights over OBI-1 and IB1001 products in key territories, outside North and South Americas. However, Inspiration remained responsible for the worldwide development of OBI-1 and IB1001. As part of the renegotiation, the Group paid Inspiration $30 million upfront as well as including this upfront payment, Ipsen has committed to pay to Inspiration milestones for a total amount of up to $200 million, of which $27.5 million are regulatory milestones and the remaining are commercial milestones.

Inspiration commenced a voluntary reorganization case pursuant to Chapter 11's provisions of the United States Bankruptcy Code on 30 October 2012 with the United States Bankruptcy Court in Boston, Massachusetts. On 5 November 2012, in connection with the Chapter 11 filing, Inspiration was granted the Bankruptcy Court's approval on detailed bidding and auction procedures for the sale of its assets to a third party purchaser. Inspiration's assets are notably comprised of commercial rights to OBI-1 and IB1001. The Group, which holds $200 million in Inspiration convertible bonds, is Inspiration's only senior secured creditor. Ipsen has agreed to include its hemophilia assets in the sale process under certain conditions. Ipsen's assets are comprised of commercial rights to OBI-1 and IB1001 following the August 2012 renegotiation of its partnership agreement, as well as its OBI-1 industrial facility in Milford (Boston, MA), owned by Biomeasure, Inc.,

the Group's affiliate in the United States where OBI-1 is manufactured. In connection with the Chapter 11 filing, the Group granted a debtor-in-possession (DIP) financing to Inspiration under certain conditions for an initial amount of up to $18.0 million in order to allow Inspiration to continue its operations during the sale process. Following a restructuring plan and the auction sale of Inspiration's assets to third parties (Baxter and Cangene, see below), Inspiration's was liquidated effective December 23, 2013.

Baxter International (United States)

On 21 March 2013, the Group and Inspiration announced the closing of an asset purchase agreement whereby Baxter acquired worldwide rights to OBI-1 (recombinant porcine FVIII) as well as the Group's manufacturing facility in Milford (Massachusetts, U.S.). Baxter has agreed to pay $50 million upfront, up to $135 million in potential additional milestones depending on the development and commercialization of OBI-1, as well as additional tiered net sales payments ranging from 12.5% to 17.5% of global net sales.

Cangene Corporation (Canada)

On 20 February 2013, the Group and Inspiration announced the closing of an asset purchase agreement whereby the Group and Inspiration jointly agreed to sell their respective worldwide rights to IB1001 to Cangene. Cangene also acquired Inspiration's rights on two candidate products in pre-clinical development: IB1007 (recombinant FVIIa) and IB1008 (recombinant FVIII). The sale is a result of the joint auction sale process pursued by the Group and Inspiration shortly after Inspiration filed for protection under Chapter 11 of the U.S. Bankruptcy Code and approved by the U.S. Federal Bankruptcy Court in Boston (MA). Under the terms of the agreement, Cangene has paid $5.9 million upfront, and will pay up to $50 million in potential additional commercial milestones as well net sales payments equivalent to tiered double digit percentage of IB1001 annual net sales.

1.5 RECENT DEVELOPMENTS AND OUTLOOK

1.5.1 Recent events

Significant events and transactions occurring between 31 December 2013 and the Board of Directors meeting on 27 February 2014:

- **On 10 January 2014** – Ipsen announced the appointment of Jonathan Barnsley as Executive Vice President in charge of Technical Operations. He will be a member of the Executive Committee of the Ipsen group. He will take up his new position on April 1st, 2014, reporting directly to Christel Bories, Deputy CEO of Ipsen.
- **On 14 January 2014** – Ipsen and GW Pharmaceuticals plc announced that they have entered into an exclusive agreement for Ipsen to promote and distribute Sativex®, a sublingual cannabis extract spray intended for the treatment of spasticity due to multiple sclerosis in Latin America (excluding Mexico and the Islands of the Caribbean). GW Pharmaceuticals will be responsible for commercial product supply to Ipsen. GW Pharmaceuticals and Ipsen aim to start regulatory filings in selected countries in Latin America during 2014 for the multiple sclerosis spasticity indication.
- **On 14 January 2014** – Ipsen announced its decision to set up its own oncology team to commercialize Somatuline® Depot® (lanreotide) 120 mg Injection in neuroendocrine tumors in the US. Over the past few months, the Group had been considering both a "go-it-alone" and a partnership strategy following the communication of the data from the investigational CLARINET® phase III clinical study evaluating the antiproliferative effect of Somatuline® in the treatment of non-functioning gastrointestinal & pancreatic NETs (GEP NETs). Ipsen expects that these encouraging results will support a key long-term opportunity for the Group to access an US addressable market in excess of 500 million dollars (1). Ipsen considers success in the US as a strategic priority. The "go-it-alone" option maximizes long term value creation and helps the US affiliate in reaching critical mass. Ipsen anticipates filing a Supplemental New Drug Application seeking an indication for Somatuline® in NETs in the first half of 2014. Maximum incremental annual cost associated with the launch of Somatuline® in the NET indication in the US is expected to range from 30 million euros to 40 million euros. As a result, US breakeven (2), initially expected in 2014, is postponed to 2017. Ipsen will continue to implement cost containment initiatives to minimize impact on overall Group profitability.
- **On 17 January 2014** – Ipsen announced at ASCO GI that ELECT® clinical trial of Somatuline® in the control of

(1) Ipsen 2013 estimates of US NET market.
(2) Commercial contribution excluding Increlex® (mecasermin [rDNA origin]) Injection sales and revenues from U.S. collaboration with Valeant Pharmaceuticals Intl Inc. in aesthetic medicine.

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

- **On 22 January 2014** – Ipsen announced the implementation of new governance in the United States, following its recently announced decision to launch Somatuline® for oncology indications. Marc de Garidel will personally oversee this projected launch. Cynthia Schwalm will join Ipsen's US Operations to head up the Endocrinology/Oncology Business Unit as of 3 February, 2014. As of mid-August 2014, she will take over as General Manager of the US commercial affiliate.
- **On 5 February 2014** – Ipsen announced the results of the international Phase III clinical trial of Dysport® Next Generation (DNG) in cervical dystonia and the results of the European Phase II clinical trial of DNG in glabellar lines. In the light of these results, Ipsen announces its intention to file the first ready-to-use liquid toxin A in Europe and in the Rest of the World (ROW). DNG was clinically and statistically superior to placebo in the cervical dystonia Phase III study at the dose of 500 units at week 4 after single dose (adjusted mean reduction of 12.5 with DNG *versus* 3.9 with placebo as assessed by the Toronto Western Spasmodic Torticollis Rating Scale, or TWSTRS, total score). When compared to Dysport®, DNG did not demonstrate the statistical non-inferiority in efficacy at week 4 (adjusted mean reduction of 12.5 with DNG *versus* 14.0 with Dysport® in TWSTRS total score). This efficacy difference is unlikely to be of clinical relevance. After repeated dose, DNG showed comparable efficacy to that of Dysport® as observed in former Phase III studies. DNG was clinically and statistically superior to placebo and comparable to Dysport® in the glabellar lines Phase II study at the dose of 50 units after single dose. Across the studies, DNG showed safety profiles consistent with the known safety profile of Dysport®. Regarding DNG stability, analysis is still ongoing. The stability data trends are positive, providing confidence of achieving a commercially viable product. Ipsen is continuing stability testing to establish maximum shelf life across full product range. On the basis of these results and feedback from the Principal Investigator of the Phase III study, Ipsen intends to initiate a dialog with key agencies on the regulatory approach to file the first ready-to-use liquid toxin A in Europe and ROW [1].
- **On 7 February 2014** – Ipsen announced positive top line results from phase III clinical study of Decapeptyl® (triptorelin pamoate) 11.25 mg administered subcutaneously in patients with prostate cancer. The full study results will be presented this year during a medical congress. Based on these results, Ipsen intends to apply for the addition of the subcutaneous route, alongside the intramuscular route, to the label of triptorelin pamoate 11.25 mg.

Significant events and transactions occurring between 26 February 2017 and before the registration of this registration document to the *Autorité des Marchés Financiers*:

- **On 18 March 2014** – Ipsen announced positive results from its phase IIa clinical trial assessing Dysport® in the treatment of Neurogenic Detrusor Overactivity (NDO) in patients with urinary incontinence not adequately managed by anticholinergics. Results show that treatment with Dysport® was associated with a mean reduction from baseline of urinary incontinence episodes greater than 75%, 12 weeks after the injection, regardless of how the drug is administered. These results were achieved with a single dose of Dysport® 750 Units injected in either 15 or 30 sites in the detrusor muscle. Efficacy was confirmed by improvement in urodynamic parameters and quality of life. The safety profile observed in the study is consistent with the safety profile expected in this indication.
- **On 20 March 2014** – Ipsen announced that Mayroy, its controlling shareholder, had completed an institutional private placement of 5 888 290 shares representing c.7% of Ipsen's share capital, at a price of €29.50 per share. As part of this transaction, Ipsen purchased 842 542 of its own shares (representing 1% of its share capital) to be cancelled.

  Ipsen has been informed that the proceeds of this sale will be used to partially finance the repurchase by Mayroy of the entire stake held in its share capital by its minority shareholder, Opera Finance Europe, a Luxembourg-registered company controlled by Mrs Véronique Beaufour. Opera Finance Europe and its stakeholders do not sit on the Board of Directors of Ipsen and play no active role in the management of the Group.

  The repurchase of the balance of the stake of Opera Finance Europe will be financed by the delivery by Mayroy of Ipsen shares representing c.4% of Ipsen share capital. These shares will be placed into an escrow account for a period of 12 months following completion of the transaction.

  As a result of this transaction, Ipsen's free-float increases to c.40% [2] from c.30%. Mayroy's stake in Ipsen's share capital and voting rights now amounts to c.57.6% [2] and c.73.3% [2], respectively. The indirect stake held by Beech Tree (controlling shareholder of Mayroy) in Ipsen has slightly increased.

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

1.5.2 Group's Objectives

Based on information currently available, the Group has set the following financial targets for 2014:

- **Specialty Care** drug sales growth year-on-year **between 4.0% and 6.0%**, driven by normalization of situation in the China, in a context of continued pricing pressure and uncertainty on Increlex® US resupply;
- **Primary Care** drug sales decline year-on-year **between -2.0% and 0.0%**, excluding the launch of a Smecta® generic in France;
- **Recurring adjusted (1) operating margin between 16.0% and 17.0%** of sales. In 2014, Ipsen will continue to implement operating efficiency measures. The Group notably strives to limit the profitability impact of launching Somatuline® NET in the US.

The above objectives are set at constant currency and exclude major negative unforeseeable events, for instance the deterioration in the economic environment in Ukraine.

(1) "Recurring adjusted": reconciliations between results and recurring adjusted results for 2013 and 2012 are detailed in appendix 1.

2 FINANCIAL INFORMATION CONCERNING THE COMPANY'S ASSETS AND LIABILITIES, FINANCIAL POSITION, AND PROFITS & LOSSES

2.1 2013 CONSOLIDATED FINANCIAL STATEMENTS

2.1.1 Consolidated income statement

(in thousands of euros)	Notes	31 December 2013	31 December 2012 Restated (1)
Sales	4.2.2	1,224,801	1,219,548
Other revenues	4.2.4	56,967	57,857
Revenue	**4.2.1**	**1,281,768**	**1,277,405**
Cost of goods sold		(253,393)	(254,332)
Research and development expenses		(259,053)	(248,154)
Selling expenses		(451,268)	(472,988)
General and administrative expenses		(103,819)	(99,086)
Other operating income	7	5,729	5,607
Other operating expenses	7	(11,989)	(25,819)
Amortization of intangible assets (*)	6.3.1	(4,393)	(5,751)
Restructuring costs	8	(244)	(62,131)
Impairment losses	6.4	(12,590)	2,378
Operating income	**4.1**	**190,748**	**117,129**
Investment income		8,032	996
Financing costs		(2,249)	(2,319)
Net financing costs	**9.1**	**5,783**	**(1,323)**
Other financial income and expenses	9.2	(14,766)	6,772
Income taxes	10.1	(39,562)	(25,199)
Share of profit (loss) from associated companies	15.4.2	–	–
Net profit (loss) from continuing operations		**142,202**	**97,379**
Net profit (loss) from discontinued operations	11	10,891	(124,831)
Consolidated net profit (loss)		**153,093**	**(27,452)**
– Attributable to shareholders of Ipsen		152,540	(27,932)
– Minority interests		553	480
Basic earnings per share, continuing operations (in € per share)	21.3.1	1.71	1.17
Diluted earnings per share, continuing operations (in € per share)	21.4.1	1.70	1.16
Basic earnings per share, discontinued operations (in € per share)	21.3.2	0.13	(1.50)
Diluted earnings per share, discontinued operations (in € per share)	21.4.2	0.13	(1.50)
Basic earnings per share (in € per share)	21.3.3	1.84	(0.34)
Diluted earnings per share (in € per share)	21.4.3	1.83	(0.33)

(*) Excluding software.
(1) For purposes of comparison between the two financial years, the 2012 consolidated financial statements were restated in accordance with IAS 19 revised.

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

Comprehensive income statement

(in thousands of euros)	31 December 2013	31 December 2012 Restated (1)
Consolidated net profit (loss)	**153,093**	**(27,452)**
Actuarial gains and (losses) on defined benefit plans, net of taxes	2,219	(11,495)
Gains and (losses) recognized directly in equity	**2,219**	**(11,495)**
Revaluation of financial derivatives for hedging, net of taxes	1,536	–
Share of gains and losses recorded directly to equity of associate companies, net of taxes	–	–
Foreign exchange differences, net of taxes	(11,155)	2,345
Other items, net of taxes	–	–
Total of other items of comprehensive income (loss) likely to be reclassified to the income statement	**(9,619)**	**2,345**
Comprehensive income: Consolidated net profit (loss) and gains and (losses) recognized directly in equity	**145,693**	**(36,602)**
– Attributable to shareholders of Ipsen S.A.	145,136	(37,077)
– Attributable to minority interests	557	475

(1) For purposes of comparison between the two financial years, the 2012 consolidated financial statements were restated in accordance with IAS 19 revised.

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

2.1.2 Consolidated balance sheet before allocation of net profit

(in thousands of euros)	Notes	31 December 2013	31 December 2012 Restated (1)	31 December 2011 Restated (1)
ASSETS				
Goodwill	12	310,710	298,196	299,545
Other intangible assets	13	144,797	129,176	135,588
Property, plant & equipment	14	287,483	281,781	271,728
Equity investments	15	6,747	12,027	12,314
Investments in associated companies	15.4	–	–	–
Non-current financial assets	17	1,535	–	–
Other non-current assets	17	9,683	18,707	93,979
Deferred tax assets	10.2	202,532	215,638	188,756
Total non-current assets		**963,487**	**955,525**	**1,001,910**
Inventories	18.2.1	121,463	127,857	117,834
Trade receivables	18.1	243,539	256,301	259,374
Current tax assets	18.1	42,811	54,401	39,126
Other current assets	18.2.2	60,344	53,633	71,400
Current financial assets	18.2.2	150	516	9
Cash and cash equivalents	19.2	130,958	113,641	145,007
Assets of disposal group classified as held for sale		2,580	–	–
Total current assets		**601,845**	**606,349**	**632,750**
TOTAL ASSETS		**1,565,332**	**1,561,874**	**1,634,660**
EQUITY AND LIABILITIES				
Share capital	21.1	84,243	84,255	84,227
Additional paid-in capital and consolidated reserves		743,373	844,604	917,841
Net profit for the period		152,540	(27,932)	424
Exchange differences		(8,657)	1,591	(1,401)
Equity – attributable to Ipsen shareholders	**21.2**	**971,499**	**902,518**	**1,001,091**
Attributable to minority interests		2,240	2,031	2,589
Total equity		**973,739**	**904,549**	**1,003,680**
Retirement benefit obligation	5.3.2.2	45,667	42,698	32,808
Provisions	22	45,000	25,555	25,683
Bank loans	23.1	–	–	–
Other financial liabilities	23.1	12,341	15,886	16,560
Deferred tax liabilities	10.2	6,758	2,451	2,244
Other non-current liabilities	18.2.3	105,586	133,772	183,275
Total non-current liabilities		**215,352**	**220,362**	**260,570**
Provisions	22	20,720	66,172	24,464
Bank loans	23.1	4,000	4,000	4,000
Financial liabilities	23.1	3,518	4,493	5,013
Trade payables	18.1	154,848	159,799	149,805
Current tax liabilities	18.1	5,840	3,325	5,607
Other current liabilities	18.2.3	181,712	198,320	181,345
Bank overdrafts		5,603	353	176
Liabilities of disposal group classified as held for sale	11	–	501	–
Total current liabilities		**376,241**	**436,963**	**370,410**
TOTAL EQUITY & LIABILITIES		**1,565,332**	**1,561,874**	**1,634,660**

(1) For purposes of comparison between the three financial years, the 2012 consolidated financial statements are restated in accordance with IAS 19 revised.

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

2.1.3 Consolidated statement of cash flows

(in thousands of euros)	Notes	31 December 2013	31 December 2012 Restated [1]
Consolidated net profit		**153,093**	**(27,452)**
Share of profit (loss) from associated companies before impairment losses	15.4.2	–	21,658
Impairment losses included in share of profit/(loss) from associated companies		–	
Net profit (loss) before share of profit (loss) from associated companies		**153,093**	**(5,794)**
Non-cash and non-operating items			
– Depreciation, amortization, provisions		25,745	70,237
– Impairment losses included in operating income and net financial income		12,591	123,053
– Change in fair value of financial derivatives	24.5	(105)	(2,474)
– Net gains or losses on disposals of non-current assets		718	1,882
– Share of government grants released to profit and loss		(67)	(84)
– Foreign exchange differences		3,436	4,629
– Change in deferred taxes	10.2	8,244	(24,130)
– Share-based payment expense	5.2	5,025	4,624
– Gain or (loss) on sales of treasury shares		173	51
– Other non-cash items		410	(182)
Cash flow from operating activities before changes in working capital requirement		***209,263***	***171,812***
– (Increase)/decrease in inventories		2,886	(7,091)
– (Increase)/decrease in trade receivables		(1,828)	10,083
– Increase/(decrease) in trade payables		(4,577)	14,980
– Net change in income tax liability		13,928	(17,368)
– Net change in other operating assets and liabilities		(31,525)	(28,198)
Change in working capital related to operating activities	18.1 & 11.2	***(21,116)***	***(27,594)***
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		**188,147**	**144,218**
Acquisition of property, plant & equipment	14.1	(42,033)	(48,982)
Acquisition of intangible assets	13.1	(20,393)	(33,824)
Proceeds from disposal of intangible assets and property, plant & equipment		165	565
Acquisition of shares in non-consolidated companies	15.1 (A)	1	(361)
Acquisitions of shares in associated companies	15.4	–	–
Convertible note subscriptions	17	–	(26,883)
Proceeds from sales of investment securities		–	13,860
Payments to post-employment benefit plans	5.3.2.6	(2,302)	(6,056)
Impact of changes in the consolidation scope		(26,207)	–
Change in cash securities held for sale		–	–
Advances on other investment securities	17	–	–
Other cash flow related to investment activities	17	(441)	(3,438)
Deposits paid	17 (A)	291	(420)
Change in working capital related to investing activities	18.1 (B)	(12,739)	5,325
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES		**(103,658)**	**(100,214)**

(in thousands of euros)	Notes	31 December 2013	31 December 2012 Restated (1)
Additional long-term borrowings	23.1 (A)	–	–
Repayment of long-term borrowings	23.1 (B)	(179)	(257)
Net change in short-term borrowings	23.1 (C)	138	–
Capital increase by Ipsen		773	–
Treasury shares		(16,400)	162
Dividends paid by Ipsen	21.6	(66,601)	(66,498)
Dividends paid by subsidiaries to minority interests		(347)	(1,032)
Deposits received		17	12
DIP financing		7,066	(7,177)
Change in working capital related to financing activities	18.1 (C)	(1,018)	1,570
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		**(76,551)**	**(73,220)**
CHANGE IN CASH AND CASH EQUIVALENTS		**7,938**	**(29,216)**
Opening cash and cash equivalents	19.1.1	**113,288**	**144,831**
Impact of exchange rate fluctuations		4,129	(2,327)
Closing cash and cash equivalents	19.1.2	**125,355**	**113,288**

(1) For purposes of comparison between the two financial years, the 2012 consolidated financial statements were restated in accordance with IAS 19 revised.

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

2.1.4 Consolidated statement of changes in equity

(in thousands of euros)	Share capital	Share premiums	Consolidated reserves	Reserves related to retirement benefit obligations	Cash flow hedge reserves	Treasury shares	Net profit (loss) for the period	Total Group equity	Minority interests	Total equity
Balance at 1 January 2013	**84,255**	**711,111**	**196,534**	**(23,236)**	**0**	**(38,216)**	**(27,932)**	**902,518**	**2,031**	**904,549**
Consolidated net profit (loss)	–	–	–	–	–	–	152,540	152,540	553	153,093
Gains and (losses) recognized directly in equity (1)	–	–	(11,155)	2,215	1,536	–	–	(7,404)	4	(7,400)
Consolidated net profit (loss) and gains and losses recognized directly in equity	**0**	**0**	**(11,155)**	**2,215**	**1,536**	**0**	**152,540**	**145,136**	**557**	**145,693**
Allocation of net profit (loss) from the prior period	–	–	(27,932)	–	–	–	27,932	0	–	0
Capital increases (decreases)	(13)	740	(4,967)	–	–	5,014	–	774	–	774
Share-based payments	–	–	3,681	–	–	1,344	–	5,025	–	5,025
Own share purchases and disposals	–	–	174	–	–	(16,573)	–	(16,399)	–	(16,399)
Exchange differences	–	–	–	80	(8)	–	–	72	(2)	70
Change in fair value of financial derivatives	–	–	–	–	407	–	–	407	–	407
Dividends	–	–	(66,601)	–	–	–	–	(66,601)	(347)	(66,948)
Other changes	–	–	568	–	–	–	–	568	–	568
Balance at 31 December 2013	**84,243**	**711,851**	**90,302**	**(20,941)**	**1,935**	**(48,431)**	**152,540**	**971,499**	**2,240**	**973,739**

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

(in thousands of euros)	Share capital	Share premiums	Consolidated reserves	Reserves related to retirement benefit obligations	Cash flow hedge reserves	Treasury shares	Net profit (loss) for the period	Total Group equity	Minority interests	Total equity
Balance at 1 January 2012	**84,227**	**711,111**	**255,675**	**0**	**0**	**(38,600)**	**424**	**1,012,837**	**2,589**	**1,015,426**
Impact of restatements related to IAS 19 Revised	–	–	–	(11,746)	–	–	–	(11,746)	–	(11,746)
Restated balance at 1 January 2012	**84,227**	**711,111**	**255,675**	**(11,746)**	**0**	**(38,600)**	**424**	**1,001,091**	**2,589**	**1,003,680**
Consolidated net profit (loss)	–	–	–	–	–	–	(29,491)	(29,491)	480	(29,011)
Gains and (losses) recognized directly in equity (1)	–	–	2,345	(11,490)	–	–	1,559	(7,586)	(5)	(7,591)
Consolidated net profit (loss) and gains and losses recognized directly in equity	**0**	**0**	**2,345**	**(11,490)**	**0**	**0**	**(27,932)**	**(37,077)**	**475**	**(36,602)**
Allocation of net profit (loss) from the prior period	–	–	424	–	–	–	(424)	0	–	0
Capital increases (decreases)	29	–	(29)	–	–	–	–	0	–	0
Share-based payments	–	–	4,405	–	–	219	–	4,624	–	4,624
Own share purchases and disposals	–	–	50	–	–	165	0	215	–	215
Exchange differences	–	–	(19)	–	–	–	–	(19)	–	(19)
Change in fair value of financial derivatives	–	–	–	–	–	–	–	0	–	0
Dividends	–	–	(66,458)	–	–	–	–	(66,458)	(1,031)	(67,489)
Other changes	–	–	141	–	–	–	–	141		141
Restated balance at 31 December 2012	**84,255**	**711,111**	**196,534**	**(23,236)**	**0**	**(38,216)**	**(27,932)**	**902,518**	**2,031**	**904,549**

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

2.1.5 Notes

Note 1 Significant events and transactions during the period having an impact on the consolidated financial statements at 31 December 2013

1.1 Partnerships

1.1.1 Braintree

On 7 February 2013, the Group and Braintree Laboratories, Inc., a US-based company specializing in the development, manufacturing and marketing of specialty pharmaceuticals announced that Eziclen® / Izinova® (BLI-800) successfully completed its European decentralized registration procedure involving sixteen countries. The product will be indicated in adults for bowel cleansing prior to any procedure requiring a clean bowel (*e.g.* bowel visualization including bowel endoscopy and radiology or surgical procedure).

In accordance with the Group's accounting principles and methods, amortization of the intangible asset, recognized in the financial statements when the partnership was signed in 2009, began at the first date of commercialization.

1.1.2 Medicis Aesthetics Canada

On 9 April 2013, the Group announced that Health Canada had granted a marketing authorization for Dysport® (Botulinum toxin type A for injection) for the temporary improvement in the appearance of moderate to severe frown lines (glabellar lines) in adult patients younger than 65 years of age. Medicis Aesthetics Canada, a division of Valeant Pharmaceuticals, will market Dysport® for use in aesthetic medicine in Canada.

1.1.3 Active Biotech

On 25 April 2013, Active Biotech and the Group announced that the companies have updated the analysis plan for the 10TASQ10 trial, a global Phase III clinical trial evaluating tasquinimod in patients with metastatic castrate-resistant prostate cancer (mCRPC) who have not yet received chemotherapy. The companies now plan to conduct the primary PFS analysis for the 10TASQ10 trial in 2014, at the same time as the first interim overall survival (OS) analysis. The time point for the OS interim analysis will be driven by the number of OS events. The specified number of radiographic progression-free survival (PFS) events for the primary end-point will have been exceeded at the time of interim OS analysis.

On 9 October 2013, Active Biotech and the Group announced that Active Biotech, under the terms of the co-development and commercialization agreement on the novel candidate drug tasquinimod, had received a milestone payment of €12.0 million from Ipsen.

In accordance with the Group's accounting principles and methods, the €12.0 million milestone payment was recognized as "Other intangible assets" under "Intellectual property". Furthermore, because the rights to a proprietary oncology drug in an advanced stage of development have not yet received a marketing authorization, they were not amortized in the consolidated financial statements at 31 December 2013.

1.1.4 Mayoly Spindler

On 18 December 2013, the Group and Mayoly Spindler announced the signing of a cross-promotion agreement for their primary care activities in France. Under the terms of the agreement, Mayoly Spindler would benefit from Ipsen's experience in the promotion of medicines to general practitioners in France, in particular in the fields of gout and gastroenterology. At the same time, Ipsen would benefit from Mayoly Spindler's experience in pharmacies. As part of the agreement, the two companies would continue to book the sales of their own products. The partnership would take effect in January 2014.

In accordance with the Group's accounting principles and methods, the €1.6 million payment related to the agreement was recognized in intangible assets and will be amortized beginning January 2014, when the partnership gets under way.

1.2 Other significant events

1.2.1 Acquisition of UK-based Syntaxin Ltd

On 15 July 2013, the Group announced the closing of its acquisition of Syntaxin Ltd (Syntaxin), a privately held, UK-based life sciences company specialized in botulinum toxin engineering.

Under the terms of the agreement, Ipsen paid €27.9 million upfront to acquire 90.84% of Syntaxin, thereby raising its stake in Syntaxin to 100%. In September 2013, an additional €1.2 million payment was made, with further payments contingent on the achievement of development and commercial milestones. Furthermore, under the agreement, Syntaxin's shareholders would receive the greater part of additional downstream payments related to the company's most advanced asset, currently in Phase II clinical trials.

The impact of the company's acquisition is detailed in note 12.1 of the consolidated financial statements for the year ended 31 December 2013. Given the acquisition's immaterial impact on the Group's 31 December 2013 consolidated income statement and balance sheet, no restatements were made.

Furthermore, because Syntaxin's financial year ended on 30 June, unlike the Ipsen Group, the information on its income statement was not restated to reconstruct a full calendar year in view of Syntaxin's immaterial contribution to aggregate Group totals.

1.2.2 Increlex® supply interruption

On 25 April 2013, the Group announced that Lonza, the supplier of Increlex®'s active ingredient (mecasermin [rDNA origin]), was facing manufacturing issues with Increlex® at its Hopkinton (MA, USA) production site. Increlex® supply interruption began in the US in mid-June 2013, and affected Europe and the rest of the world in the third quarter of the year.

Furthermore, Lonza on 25 July 2013 announced that it would gradually wind down its Hopkinton site. Lonza however said that the closure would not affect its obligations to customers.

In view of the supply interruption and the uncertainty about the date of re-supply in the US, the Group recognized a non-recurring €11.6 million impairment loss on the Increlex® IGF-1 active ingredient at 30 June 2013.

On 18 December 2013, the Group announced that Lonza had successfully re-manufactured the active ingredient of Increlex®. The European Medicines Agency (EMA) was informed that Ipsen was preparing for the resupply of Increlex® in the European Union (EU). Consultations with the EU Member States' national competent authorities allowed for a re-supply early 2014.

However, resupply in the US is still under review. Ipsen is actively working with its third party manufacturer and the Food and Drug Administration (FDA) to bring Increlex® back to the US market as soon as possible. Given the uncertainty around the resupply of the US market, there was no accrual reversal related to Increlex®'s active ingredient in the consolidated financial statements for the year ended 31 December 2013.

1.2.3 Inspiration Biopharmaceuticals Inc.

On 20 February 2013, Cangene Corporation (Cangene) acquired the world rights to IB1001 recombinant factor IX (rFIX). Under the terms of the agreement, Cangene agreed to make a $5.9 million payment upfront, up to $50.0 million in potential additional payments contingent on commercial milestones, and earnout payments equivalent to a double digit percentage of IB1001's annual net sales.

On 21 March 2013, the Group and Inspiration Biopharmaceuticals Inc. (Inspiration) announced the closing of the sale of its lead hemophilia program, OBI-1 to Baxter International Inc. (Baxter), the global leader in hemophilia.

Baxter acquired worldwide rights to OBI-1, a recombinant porcine factor VIII in development for the treatment of congenital hemophilia A with inhibitors and acquired hemophilia A, as well as Ipsen's manufacturing facility for OBI-1 in Milford, MA. The Ipsen employees working on the development and manufacturing of OBI-1 were offered employment by Baxter.

Baxter has agreed to pay $50.0 million upfront, up to $135.0 million in potential additional development and sales milestones as well as tiered net sales payments ranging from 12.5% to 17.5% of OBI-1 global net sales. OBI-1 is currently in a pivotal trial for the treatment of individuals with acquired hemophilia A.

The closing completed the joint-sale process pursued by Inspiration and Ipsen shortly after Inspiration filed for protection under Chapter 11 of the US Bankruptcy Code on 30 October 2012.

Ipsen provided Inspiration with $18.7 million in Debtor-in-Possession (DIP) financing to fund Inspiration's operations during the sale process. This line of credit was fully repaid to Ipsen through the initial payments made by Baxter and Cangene as part of the joint sale of the OBI-1 and IBI1001 assets.

On 23 December 2013, the US bankruptcy court ruled that Inspiration Biopharmaceuticals Inc. be liquidated.

As a result of events occurring since 31 October 2012, and in compliance with provisions of IFRS 5 "Non-current assets held for sale and discontinued operations", hemophilia assets and liabilities, with the exception of the "DIP" loan, were grouped into "Assets held for sale" and "Liabilities held for sale" line items on the consolidated balance sheet at 31 December 2012.

Hemophilia represented one of Ipsen's four therapeutic areas of focus for resources and investment. Furthermore, the flows from this business line were clearly distinctive, and the activity was part of a single and coordinated divestment plan. Accordingly, the business met the criteria for discontinued operations, and its result for the period was presented on a separate line in the income statement.

Details of this line item are presented in note 11 to the consolidated financial statements at 31 December 2013.

1.2.4 Restructuring of neurology activities in the United States

On 14 June 2013, Ipsen announced that it had adopted a new organizational model for the distribution of Dysport® in therapeutic indications, as part of its effort to accelerate the execution of the Group's strategy in the United States.

Ipsen decided to shift its model towards key account management in the United States, in view of the growing importance of payer driven decision-making and new market access conditions in the US healthcare sector.

Accordingly, Dysport® sales forces were streamlined and refocused to better serve physicians and patients. Following that announcement, on 31 December 2013, the Group recognized non-recurring restructuring costs of €4.1 million, which primarily included compensation-related expenses for the early termination of employment contracts.

1.2.5 Executive Committee

On 27 February 2013, Ipsen's Board of Directors appointed Christel Bories as Deputy Chief Executive Officer. This appointment will be effective as of 1 March 2013. Working alongside Marc de Garidel, Chairman and Chief Executive Officer, Christel Bories will be responsible for accelerating the execution of the Group's strategy.

On 29 August 2013, Ipsen announced the departure of Eric Drapé, Executive Vice-President, Technical Operations. Christel Bories, Deputy CEO, takes over his responsibilities on an interim basis.

On 2 October 2013, Ipsen announced its project of new organization and new composition of the Executive Committee to accelerate strategy implementation. The purpose of the new organization is to help optimize Primary care activities through the setting up of a new dedicated Business Unit and to continue to develop Specialty care.

Specialty care and Primary care will now be managed separately, because their activities have very different strategic and operational rationales, with specific organizations, resources and profiles adapted to the challenges facing each organization.

The implementation of this project was subject to the examination by the staff representative bodies competent in each country concerned, according to the specific processes and methods laid down in the regulations governing each country.

Because this organization was not in effect in 2013, the related operating segment information was left unchanged in the financial statements ended 31 December 2013. Indeed, the internal reporting provided throughout 2013 to the "chief operating decision-maker", *i.e.* the Executive Committee, thus corresponds to the Group's managerial organization based on the geographical regions in which the Group operates.

On 12 December 2013, the Group announced the appointment of Dominique Brard as Executive Vice President in charge of Human Resources and a member of Ipsen's Executive Committee. Ms. Brard took up her position on 6 January 2014, replacing Etienne de Blois. She reports directly to Christel Bories, Ipsen's Deputy Chief Executive Officer.

1.2.6 Other events

On 29 August 2013, the Group and Allergan have signed an agreement to settle their dispute on patents for the therapeutic use of botulinum toxin in urology indications. This agreement has had no impact on the Group's treasury.

On 6 November 2013, the Group announced it has granted Natixis a mandate to purchase 800,000 shares, or 0.95% of the capital. This mandate begins on 6 November 2013 and will end on 6 May 2014. The purchased shares will be cancelled.

This program is part of the authorization granted by the Combined Shareholder's meeting held on 31 May 2013. The renewal of the authorization is subject to approval by the 2014 Shareholder's meeting of Ipsen S.A..

At 31 December 2013, shares purchased under the program totalled €17.2 million, representing 514,040 shares.

1.3 Government measures

Against the current backdrop of financial and economic crises, the governments of many countries in which the Group operates continue to introduce new measures to reduce public health spending. Some of those measures affected Group sales and profitability in 2013. In addition, certain measures introduced in 2012 continued to affect the Group's accounts year-on-year.

In Major Western European Countries

- In France, Tanakan® was delisted on 1 March 2012. Moreover, sales of Nisis®/Nisisco® and Forlax® were negatively impacted by a step-up in the regulation known as *"Tiers-payant"* in July 2012, whereby the patient must pay upfront for a branded drug at the pharmacy – when genericized – and is reimbursed only later on. In addition, health authorities imposed price cuts of 5.5% on NutropinAq® in June 2013 and 12.5% on Nisis®/Nisico® in October 2013;
- In Spain, Tanakan® was delisted on 1 September 2012. The new draft of the Royal Decree that establishes the prices for products that have been marketed for more than 10 years was issued in March 2013 and affects all the LhRH (Luteinizing hormone-Releasing Hormone) analogues. The application of the final version was expected in Q3 2013, but was finally postponed to Q1 2014;
- In Italy, the price alignment of LhRH regional tenders is not yet applicable due to the political context.

In Other European Countries

- In Belgium, a modulated price decrease of 1.95% on reimbursed products has been applicable since 1 April 2013 on top of the Inami tax;
- In The Netherlands, the NZA (Dutch health authority) transferred the budget for Growth Hormones from retail to hospital and introduced a new reimbursement system on 1 January 2013. The publication of the list containing the next wave of drugs to move to hospital budget was officially delayed. In both April 2013 and October 2013, Ipsen products were affected by price revisions due to the application of international reference pricing. This led to price increases on Decapeptyl®, Dysport® and Somatuline® and to a price decrease on NutropinAq®;
- In Finland, a general price cut of 5% was applied on all drugs as of 1 February 2013;
- In Portugal, new countries were included in the basket for the international reference pricing system, such as Slovakia, Spain and France. For retail products, the rule is to take the average of the basket. For hospital products, the rule is to take the lowest price of the basket. There is no significant impact on Ipsen's products. New measures published in 2013 called for a 6.0% price cut on all drugs and for a contribution of the pharmaceutical industry to the decrease of healthcare spending through the setup, by every pharmaceutical company, of a provision fund equal to 2.0% of sales;
- In Greece, the new reimbursement list based on hybrid ATC4 classification and patient co-payment amounts was implemented, replacing the former reimbursement rule. A new price bulletin was published on 1 April 2013 impacting all LhRH analogues. Following negotiations with the Greek Ministry of Health, the price of Increlex® was increased by 1.25% in September 2013 to account for its orphan drug status;
- In Latvia, a national tender for LhRH analogues was put in place by local authorities in order to avoid parallel trades. A new reference basket was set up in July 2013. Initially, the basket was composed of all members of the European Union but now comprises Lithuania, Estonia, Czech Republic, Slovakia, Romania, Hungary, and Denmark. The reference pricing rule remains unchanged and calls for taking the 3rd lowest price of the basket;
- In Czech Republic, the VAT on drugs was increased from 14% to 15% in January 2013. New prices were published on 1 January 2013. They stem from the international reference pricing system (average of the 3 lowest prices in eighteen countries of the EU). Moreover, since January 2013, Growth Hormones are no longer considered a hospital product and are now subject to price revisions;
- In Slovakia, new prices were published on 1 June 2013. They were the result of the international reference pricing system based on the average of the 3 lowest prices prevailing in the twenty eight countries of the EU;
- In Poland, a new reimbursement limit was set after the launch of a competing product to Decapeptyl®. It led to the introduction of patient co-payments since 1 January 2013 and, thereafter, to a general price decrease by the industry as a way of compensating;

- In Romania, whereas prices are generally revised annually in March, the Ministry of Health has decided to freeze medicine prices until the end of 2013. In the meantime, the price setting methodology for new products will remain unchanged.

In the Rest of the World

- China is still working on its international reference pricing system, which would include ten countries such as the USA, France, Germany, South Korea and Japan. However, there was no sign of further implementation or control at this time. Earlier this year, Tanakan® was included on the Essential Drug List (EDL), a decision usually accompanied by a price decrease;

- In Algeria, the *"Ministère du Travail, de l'Emploi et de la Sécurité sociale"* (Ministry of Labour, Employment and Social Security) has finalized its List of Reference Tariffs (LTR). Class referencing on GnRH (Gonadotropin-Releasing Hormone) analogs was confirmed in October 2013 and is expected to be implemented in the first months of 2014. Once effective, the price of Decapeptyl® will be aligned with that of the cheapest molecule;

- In Colombia, the "National Committee of Drug Prices" (*Comisión Nacional de Precios de Medicamentos*) announced its intention to regulate the price of 195 medicines, including that of Somatuline®. New prices have been effective since their publication in the official gazette on 23 August 2013.

Furthermore, and in the context of the financial and economic crisis, governments of many countries in which the Group operates continue to introduce new measures to reduce public health expenses, some of which will affect the Group sales and profitability beyond 2013.

In Major Western European Countries

- In France, Smecta® experienced a first price cut of 7.5% on 1 January 2014 and will experience a second 7.5% cut on 1 July 2014. Fortrans® price was cut 6.5% on 1 January 2014;

- In Germany, the government decided to partially revoke the AMNOG (The Pharmaceuticals Market Reorganization Act) legislation introduced in 2010. Among other things, the pricing act entailed a mandatory 16% sales rebate for all prescription drugs, which has been reduced to 7% effective 1 January 2014;

- In Italy, the cap for pharmaceutical hospital expense was increased from 2.4% to 3.5% of hospital expenditure. In addition, pharmaceutical companies will have to pay 50.0% of any extra expenditure beyond this cap level. Also, Hexvix® will now be reimbursed at national level instead of being included in hospital budgets, which led to an official 6.5% price decrease;

- In the UK, a new PPRS (Pharmaceutical Price Regulation Scheme) was voted. It will have no impact on NHS prices, but will require a contribution estimated at less than 4% of net NHS sales in 2014, with a further increase anticipated in the following years. Moreover, tendering negotiations in 2014 will no longer take place by account (hospital) but by region.

In Other European Countries

- In Portugal, the outcome of negotiations between the pharmaceutical industry and the Ministry of Health on the reimbursement threshold borne by the industry is expected soon. The final 2012 reimbursement amount is not yet confirmed, nor is the 2013 threshold. The final agreement will very much depend on the level of drug expenditure reached in 2013 as a percentage of GDP. Moreover, a new 3.0% tax, to become effective in 2014, has also been introduced on all hospital business. Finally Slovenia replaced Slovakia in the basket for the international reference pricing system;

- In Greece, claw-back will potentially be adjusted by year-end and the target set by the Ministry of Health for 2013 currently stands at €2.4 billion. The government is aiming at €2.0 billion for 2014;

- In Belgium, the international reference pricing system was updated with new rules and a reference basket of 6 countries (France, Germany, The Netherlands, Austria, Ireland and Finland). The system has not yet been implemented;

- In The Netherlands, the new price list stemming from international price referencing has been published in October 2013;

- In Sweden, TLV (The Dental and Pharmaceutical Benefits Agency) announced that all products made out of a substance that has been registered for more than 15 years will have to lower their prices. A 7.5% price reduction will apply to all formulations of NutropinAq® and Decapeptyl® as of 1 January 2014;

- In Croatia, Czech Republic replaced France in the basket of countries included in the international reference pricing system;

- In Serbia, as of 1 July 2013, the Ministry of Health decided to include Romania in the basket of countries used for the calculation of international reference pricing. The rule is to take the average of the prices prevailing in Croatia, Slovenia, Italy and Romania;

- In Poland, a new legal act has been published leading to price reductions on Decapeptyl® and Somatuline® as of 1 January 2014;

- In Slovakia, as of 1 March 2014, a price decrease based on the average of the three lowest prices in the EU twenty-eight members will apply to several Ipsen products;

- In Slovenia, therapeutic reference pricing was introduced in June 2013 but does not yet apply.

In the Rest of the World

- In Latin America, twelve countries (Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Surinam, Uruguay, and Venezuela) agreed to create a regional drug-pricing database in order to harmonize drug prices in the region. At this stage, there has been no new announcement regarding this project;

- In Colombia, the application of international price referencing will affect the price of Dysport® 500U, after having impacted that of Somatuline® in August 2013;

- In Brazil, class referencing has been introduced for the public market. Hence, due to competition, the price of Dysport® 500U could be reduced every year over the next 4 years;
- In Tunisia, the Somatuline® Autogel® range was officially registered in Q4 2013, which will drive the *"Pharmacie Centrale Tunisienne"* import price of Somatuline® down in 2014;
- In Algeria, Ipsen had to renew the Marketing Authorization for all its Primary Care products before the end of 2013. This process could lead to price revisions in the first semester of 2014;
- In Morocco, due to class referencing, the price of Decapeptyl® 3M should be cut by 20% following the potential introduction of a Goserelin generic in the early months of 2014;
- In China, the price of Tanakan® could be cut in May 2014, following its inclusion on the Essential Drug List (EDL) in the ginkgo biloba extract category. Ipsen is contemplating different scenarios going forward;
- In Korea, the volume-price control implemented since 2011 will end in 2014, with an ultimate 7% price cut on Decapeptyl® in January 2014.

Note 2 Changes in the scope of consolidation

2.1 2013 financial year

2.1.1 Ipsen Ukraine Services LLC

Ipsen Ukraine Services LLC, a service company, was established on 30 January 2013. It was included in the scope of consolidation at 31 December 2013, and is 100% owned and controlled by the Group.

2.1.2 Ipsen (Beijing) Pharmaceutical Science and Technology Development Co. Ltd

The Chinese research and development company, Ipsen Pharmaceutical Science and Technology Development Co. Ltd, was established on 3 May 2013. It was included in the scope of consolidation at 31 December 2013, and is 100% owned and controlled by the Group.

2.1.3 Syntaxin Ltd

On 12 July 2013, the Group announced the closing of its acquisition of Syntaxin Ltd (Syntaxin), a privately held, UK-based life sciences company specialized in botulinum toxin engineering.

Under the terms of the agreement, Ipsen paid €27.9 million upfront to acquire 90.84% of Syntaxin, thereby raising its stake to 100% in Syntaxin. Further payments may be made contingent on the achievement of development and commercial milestones. Furthermore, under the agreement, Syntaxin's shareholders will receive the greater part of additional downstream payments related to the company's most advanced asset, currently in Phase II clinical trials.

This company has been included in the scope of consolidation since 12 June 2013.

2.1.4 Inspiration Biopharmaceuticals Inc.

On 23 December 2013, the US bankruptcy court ruled that Inspiration Biopharmaceuticals Inc. be liquidated. The company is no longer included in the Group's scope of consolidation at 31 December 2013.

2.1.5 Merger of Beaufour Srl and Ipsen SpA

The General Shareholders Meetings of 5 August 2013 approved the merger of Italian companies Beaufour Srl and Ipsen SpA as of 1 January 2013.

This restructuring operation had no impact on Ipsen's consolidated financial statements at 31 December 2013.

2.2 2012 financial year

2.2.1 Merger of Ipsen Pharma GmbH and Intersan GmbH

The General Shareholders Meetings of 26 January 2012 approved the merger of Ipsen Pharma GmbH and Intersan GmbH as of 1 January 2012.

This restructuring operation had no impact on Ipsen's consolidated financial statements at 31 December 2012.

Note 3 Accounting principles and methods and compliance statement

Preliminary remarks:

- All amounts are expressed in thousands of euros, unless otherwise stated;
- The closing date of 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 27 February 2014 and will be submitted for approval at the Shareholders' Meeting scheduled for 4 June 2014.

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 2002 July 19 by the European Parliament and the European Council, the Group's consolidated financial statements for the year ending 31 December 2013 were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union on the date of preparation. The IFRS as adopted by the European Union differ in certain aspects with the IFRS published by the IASB. Nevertheless, the Group ensured that the financial information for the periods presented would not have been substantially different if it had applied IFRS as 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:
http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.

3.2 Changes in accounting methods and presentation

The Group applied IAS 19 revised (Employee Benefits) for the first time, in the 2013 financial year. The revised standard (IAS 19R hereafter) was applied retrospectively to the 2012 financial year. The major changes are descripted in the following chapter. For purposes of comparison between the two financial years, the 2012 financial statements were restated.

3.3 Standards, amendments and interpretations that became applicable as of 1 January 2013

The mandatory standards, amendments and interpretations published by the IASB and applicable as of the 2013 financial year are listed below.

- *IAS 1 amendments "Presentation of other comprehensive income (OCI)"*

  These amendments partially modify IAS 1 "Presentation of Financial Statements by requiring":

  – separate subtotals for items listed in "Other Comprehensive Income" that may subsequently be reclassified to profit or loss on the income statement, such as cash flow hedges and differences from foreign exchange translations, and those items that cannot be subsequently reclassified to profit or loss;

  – that taxes on items presented before tax be presented separately for both component groups of Other Comprehensive Income, but without changing the current option of presenting these items before tax or net of tax.

- *IAS 12 – "Income Taxes" amendment titled "Deferred Tax: Recovery of Underlying Assets":*

  This amendment provides a practical solution for measuring deferred tax assets and liabilities on investment property using the fair value model under IAS 40 "Investment Property". As the Group has no investment property measured according to IAS 40, the amendment was not applied to the consolidated financial statements.

- *IAS 19 – "Employee benefits":*

  This standard was revised in June 2011, with mandatory application as of the reporting period opening 1 January 2013 and retrospective application as of 1 January 2012. It constitutes a change in accounting method. The effect on the Group is as follows:

  – following the removal of the corridor method, recognition of the amortization of actuarial gains and losses of defined employee benefit plans in profit or loss for the year was ceased. Thus, actuarial gains and losses not accounted for as at 31 December 2011 were recognized against consolidated equity as at 1 January 2012;

  – furthermore, actuarial gains and losses generated after 1 January 2012 are now immediately recognized in other items of the comprehensive income and will never be reclassified to profit or loss on the income statement. Thus, the consolidated financial statements for financial year 2012 were adjusted for the cancellation of amortization of actuarial gains and losses in sales and administrative costs, and the recognition of actuarial losses or gains generated in 2012 in other non-reclassifiable items of comprehensive income;

  – the cost of services rendered resulting from the change or reduction of a plan with effect from 1 January 2012 is entirely recognized in profit or loss, in sales and administrative costs. The portion of commitments not yet paid is no longer amortized over the duration of the vesting period. Consequently, the costs of services rendered not accounted for at 31 December 2011 were

recognized against consolidated equity at 1 January 2012, and the consolidated financial statements for 2012 financial year were adjusted for the cancellation of the amortization of costs of services rendered in sales and administrative costs;

– the expected return on plan assets for retirement schemes is measured by applying the discount rate used for the valuation of commitments.

The effects of restating key 2012 indicators are as follows:

– a €21.7 million decline in equity at 31 December 2012, and;

– a €1.6 million increase in net profit for FY 2012, with a €2.3 million increase in operating income and pre-tax profit.

Reconciliation of the published 2012 income statement and the 2012 income statement restated for IAS19 revised:

(in thousands of euros)	31 December 2012 Published	Restatements according to IAS 19 Revised	31 December 2012 Restated
Sales	1,219,548	–	1,219,548
Other revenues	57,857	–	57,857
Revenue	**1,277,405**	**–**	**1,277,405**
Cost of goods sold	(254,771)	439	(254,332)
Research and development expenses	(248,553)	399	(248,154)
Selling expenses	(473,476)	488	(472,988)
General and administrative expenses	(99,091)	5	(99,086)
Other operating income	5,607	–	5,607
Other operating expenses	(25,819)	–	(25,819)
Amortization of intangible assets (*)	(5,751)	–	(5,751)
Restructuring costs	(63,125)	994	(62,131)
Impairment losses	2,378	–	2,378
Operating income	**114,804**	**2,325**	**117,129**
Investment income	996	–	996
Financing costs	(2,319)	–	(2,319)
Net financing costs	**(1,323)**	**–**	**(1,323)**
Other financial income and expense	6,779	(7)	6,772
Income taxes	(24,440)	(759)	(25,199)
Share of profit (loss) from associated companies	–	–	–
Net profit (loss) from continuing operations	**95,820**	**1,559**	**97,379**
Net profit (loss) from discontinued operations	(124,831)	–	(124,831)
Consolidated net profit	**(29,011)**	**1,559**	**(27,452)**
– Attributable to shareholders of Ipsen	(29,491)	1,559	(27,932)
– Attributable to minority interests	480	–	480

(*) Excluding software.

Reconciliation of the published 2012 consolidated balance sheet and the 2012 consolidated balance sheet restated for IAS 19 revised:

(in thousands of euros)	31 December 2012 Published	Restatements according to IAS 19 Revised	31 December 2012 Restated
ASSETS			
Goodwill	298,196	–	298,196
Other intangible assets	129,176	–	129,176
Property, plant & equipment	281,781	–	281,781
Equity investments	12,027	–	12,027
Investments in associated companies	–	–	–
Non-current financial assets	6,690	(6,690)	–
Other non-current assets	18,707	–	18,707
Deferred tax assets	208,162	7,476	215,638
Total non-current assets	**954,739**	**786**	**955,525**
Inventories	127,857	–	127,857
Trade receivables	256,301	–	256,301
Current tax assets	54,401	–	54,401
Other current assets	53,633	–	53,633
Current financial assets	516	–	516
Cash and cash equivalents	113,641	–	113,641
Assets of disposal group classified as held for sale	–	–	–
Total current assets	**606,349**	**–**	**606,349**
TOTAL ASSETS	**1,561,088**	**786**	**1,561,874**
EQUITY AND LIABILITIES			
Share capital	84,255	–	84,255
Additional paid-in capital and consolidated reserves	867,840	(23,236)	844,604
Net profit (loss) for the period	(29,491)	1,559	(27,932)
Exchange differences	1,610	(19)	1,591
Equity – attributable to Ipsen shareholders	**924,214**	**(21,696)**	**902,518**
Attributable to minority interests	2,037	(6)	2,031
Total equity	**926,251**	**(21,702)**	**904,549**
Retirement benefit obligation	19,894	22,804	42,698
Provisions	25,555	–	25,555
Bank loans	–	–	–
Other financial liabilities	15,886	–	15,886
Deferred tax liabilities	2,767	(316)	2,451
Other non-current liabilities	133,772	–	133,772
Total non-current liabilities	**197,874**	**22,488**	**220,362**
Provisions	66,172	–	66,172
Bank loans	4,000	–	4,000
Financial liabilities	4,493	–	4,493
Trade payables	159,799	–	159,799
Current tax liabilities	3,325	–	3,325
Other current liabilities	198,320	–	198,320
Bank overdrafts	353	–	353
Liabilities related to assets of disposal group classified as held for sale	501	–	501
Total current liabilities	**436,963**	**–**	**436,963**
TOTAL EQUITY & LIABILITIES	**1,561,088**	**786**	**1,561,874**

Reconciliation of the published 2011 consolidated balance sheet and the 2011 consolidated balance sheet restated for IAS 19 revised:

(in thousands of euros)	31 December 2011 Published	Restatements according to IAS 19 Revised	31 December 2011 Restated
ASSETS			
Goodwill	299,545	–	299,545
Other intangible assets	135,588	–	135,588
Property, plant & equipment	271,728	–	271,728
Equity investments	12,314	–	12,314
Investments in associated companies	–	–	–
Non-current financial assets	2,925	(2,925)	–
Other non-current assets	93,979	–	93,979
Deferred tax assets	184,562	4,194	188,756
Total non-current assets	**1,000,641**	**1,269**	**1,001,910**
Inventories	117,834	–	117,834
Trade receivables	259,374	–	259,374
Current tax assets	39,126	–	39,126
Other current assets	71,400	–	71,400
Current financial assets	9	–	9
Cash and cash equivalents	145,007	–	145,007
Assets of disposal group classified as held for sale	–	–	–
Total current assets	**632,750**	**–**	**632,750**
TOTAL ASSETS	**1,633,391**	**1,269**	**1,634,660**
EQUITY AND LIABILITIES			
Share capital	84,227	–	84,227
Additional paid-in capital and consolidated reserves	929,587	(11,746)	917,841
Net profit (loss) for the period	424	–	424
Exchange differences	(1,401)	–	(1,401)
Equity – attributable to Ipsen shareholders	**1,012,837**	**(11,746)**	**1,001,091**
Attributable to minority interests	2,588	1	2,589
Total equity	**1,015,425**	**(11,745)**	**1,003,680**
Retirement benefit obligation	19,469	13,339	32,808
Provisions	25,683	–	25,683
Bank loans	–	–	–
Other financial liabilities	16,560	–	16,560
Deferred tax liabilities	2,569	(325)	2,244
Other non-current liabilities	183,275	–	183,275
Total non-current liabilities	**247,556**	**13,014**	**260,570**
Provisions	24,464	–	24,464
Bank loans	4,000	–	4,000
Financial liabilities	5,013	–	5,013
Trade payables	149,805	–	149,805
Current tax liabilities	5,607	–	5,607
Other current liabilities	181,345	–	181,345
Bank overdrafts	176	–	176
Liabilities related to assets of disposal group classified as held for sale	–	–	–
Total current liabilities	**370,410**	**–**	**370,410**
TOTAL EQUITY & LIABILITIES	**1,633,391**	**1,269**	**1,634,660**

Reconciliation of the published 2012 comprehensive income statement and the 2012 comprehensive income statement restated for IAS 19 revised

(in thousands of euros)	31 December 2012 Published	Restatements according to IAS 19 Revised	31 December 2012 Restated
Consolidated net profit (loss)	**(29,011)**	**1,559**	**(27,452)**
Actuarial gains and (losses) on defined benefit plans, net of taxes		(23,241)	(23,241)
Gains and (losses) recognized directly in equity	**–**	**(23,241)**	**(23,241)**
Revaluation of financial derivatives for hedging, net of taxes	–	–	–
Share of gains and losses recorded directly to equity of associate companies, net of taxes	–	–	–
Foreign exchange differences, net of taxes	2,346	(1)	2,345
Other items, net of taxes	–	–	–
Total of other items of comprehensive income (loss) likely to be reclassified to the income statement	**2,346**	**(1)**	**2,345**
Comprehensive income: Consolidated net profit (loss) and gains and (losses) recognized directly in equity	**(26,665)**	**(21,683)**	**(48,348)**
– Attributable to shareholders of Ipsen S.A.	(27,145)	(21,678)	(48,823)
– Attributable to minority interests	480	(5)	475

- *IFRS 13 "Fair Value Measurement"*

  This standard changes the exception relating to portfolios in IFRS 13 (*i.e.* the exception allowing an entity to measure the fair value of a group of financial assets and liabilities on the basis of a net amount when the entity manages the group of financial assets and liabilities based on its net exposure to market risk or credit risk). It specifies that the exception applies to all contracts within the scope of IAS 39 "Financial Instruments": Recognition and Measurement, or IFRS 9, "Financial Instruments", whether or not the contracts meet the definition of a financial asset or financial liability under IAS 32 "Financial Instruments: Presentation".

  This standard had very little material impact on the Group's consolidated financial statements.

- *Amendments to IFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities"*

  Other standards and amendments became applicable as of 1 January 2013. However, they had no impact on the Group's financial statements for the year.

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

The Group did not opt for early adoption of the standards and interpretations for which the application was not mandatory on 1 January 2013, namely:

- *IFRS 10* "Consolidated Financial Statements", which superseded IAS 27 "Consolidated and Separate Financial Statements" for the section related to consolidated financial statements and the interpretation SIC-12 "Consolidation – Special Purpose Entities". This standard redefines the notion of control.
- *IFRS 11* "Joint Arrangements", which supersedes IAS 31 "Interests in Joint Ventures" and the interpretation SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". This standard outlines the accounting principles for partnerships over which two or several parties exercise joint control. Depending on the rights and obligations of the parties in the operation, a partnership is classified as either a joint venture, in which the Group recognizes its assets and liabilities in proportion to its related rights and obligations, or a joint operation, recognized according to the equity method.
- *IFRS 12* "Disclosure of Interests in Other Entities".
- *IAS 27* "Consolidated and Separate Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures", which were revised to comply with changes made following the publication of IFRS 10, IFRS 11 and IFRS 12.
- *IAS 32* "Offsetting Financial Assets and Financial Liabilities".

A review of these standards was in progress by the Group at the close of the 2013 consolidated financial statements.

3.5 Reminder of first-time application of IFRS applied by the Group

In line with the first-time application of IFRS in 2005, the IFRS standards as adopted by the European Union and in force as of 31 December 2005 were applied with retroactive effect as of 1 January 2004, in accordance with the provisions of

IFRS 1, with the exception of the following exemptions permitted by the standard:

- **Business combinations:** The Group elected to use the exception provided for in IFRS 1 to not retrospectively restate business combinations prior to 1 January 2004;
- **Property, plant & equipment:** The Group chose not to revalue property, plant & equipment at fair value in the balance sheet prepared at 1 January 2004;
- **Accumulated translation reserves:** The Group elected not to use the option offered by IFRS 1 to reintegrate translation reserves accumulated prior to 1 January 2004 in the consolidated reserves;
- **Share-based payments:** In accordance with the option provided under IFRS 2 for plans paid in shares, the Group elected to apply this standard only to plans granted after 7 November 2002 and not vested at 1 January 2005;
- **Financial instruments:** Although the regulator allowed companies to apply IAS 32 and IAS 39 as of 1 January 2005, the Group adopted both standards as of 1 January 2004.

3.6 Measurement bases used in preparing the consolidated financial statements

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

3.7 Use of estimates

To prepare its financial statements, the Group is required to make certain estimates and assumptions with respect to the carrying value of assets and liabilities, income and expense items, and information given in the notes to the financial statements.

Management has regularly made these estimates and assumptions on the basis of its past experience and other factors deemed reasonable. Amounts appearing in subsequent financial statements may differ materially from these estimates, should the assumptions change, or if actual conditions are different, particularly given the current economic and financial environment, which could weaken some of the Group's partners and make it difficult to estimate future outlook.

The financial and economic crisis has made measuring and estimating the value of certain assets and liabilities more difficult and increased the uncertainty of business trends. The estimates were made based on information available at the closing date, after taking into account post closing events, in accordance with IAS 10.

The main material estimates made by management concern employee benefits, goodwill, other intangible assets, deferred tax assets, derivatives, and provisions.

3.8 Consolidation methods

Subsidiaries over which the Group exercises exclusive control are fully consolidated.

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

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

If the accounting methods used by subsidiaries, associated companies and joint venture companies 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, as described in note 3.1.

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

The following principles are applied in deciding whether a subsidiary should be excluded from the consolidation scope:

- companies that might have been accounted for using the equity method: the thresholds are determined by reference to the company's relative contribution to consolidated equity, results and goodwill;
- companies that might have been wholly or proportionately consolidated: the thresholds are determined by reference to the company's relative contribution to consolidated revenue, operating income, consolidated equity and total assets.

Given the particularly exhaustive nature of the Group's consolidation scope, it has not yet been deemed necessary to define materiality thresholds.

If all these companies were consolidated, it would have no material impact on the consolidated financial statements, as the exclusion of a company from the consolidation scope has, to date, never exceeded 1.5% of any of the consolidated aggregates referred to above.

The Group did not opt for early adoption of IFRS 10, 11 or 12, for which the application was not mandatory on 1 January 2013.

3.9 Business combinations

3.9.1 Business combinations before 1 January 2010

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 issued equity, and liabilities incurred or assumed at the date of the combination, to which are added the costs directly attributable to the combination.

On first-time consolidation of an exclusively controlled company, identifiable assets, liabilities and contingent liabilities are valued at their fair value in accordance with IFRS 3.

Fair value adjustments are included in the assets and liabilities concerned, along with any minority interests and not solely the Group's share of the acquired interest. The difference between the purchase price and the Group's share in the fair value of the underlying assets, liabilities, and contingent liabilities is treated as goodwill (see also the note on impairment

of assets). In the case of companies accounted for using the equity method, goodwill is included in the amount invested in associated companies.

When the cost of the acquisition is below the fair value of the Group's share in the assets, liabilities and contingent liabilities of the acquired subsidiary, the difference is recognized directly in the income statement.

If the initial accounting for a business combination can only be determined provisionally, provisional values of the assets and liabilities should be adjusted within one year from the acquisition date, in accordance with IFRS .

3.9.2 Business combinations from 1 January 2010

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 issued equity, and liabilities incurred or assumed at the date of the combination. The costs directly attributable to the combination are accounted for as other operating expenses in the period during which they are incurred.

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

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 minority interests in the acquired company determined either at fair value at the acquisition date (full goodwill method), or on the basis of their share in the fair value of the identifiable net assets acquired and liabilities assumed (partial goodwill method). This option is open on a transaction-by-transaction basis;
  - and for business combinations achieved in stages, of the fair value at the acquisition date of the share held by the Group before the acquisition date;
  - and the estimated impact of any adjustments in the acquisition costs, such as earnout payments. These contingent considerations are measured by applying the criteria set out in the purchase agreement, such as sales and earnings targets, to forecasts deemed to be highly probable. The contingent considerations are then re-measured at each closing date, with any changes recognized on the income statement after the acquisition date, including the one-year period following the acquisition date. They are discounted if the impact is material. Any discounting adjustments to the carrying amount of the liability are recognized in "Cost of net financial debt";
- and the net amount of identifiable assets acquired and identifiable liabilities assumed, measured at their fair value at the acquisition date.

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 also "Impairment of assets").

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

When the cost of the acquisition is below the fair value of the Group's share in the assets, liabilities and contingent liabilities of the acquired subsidiary, the difference is recognized directly in the income statement.

If the initial accounting for a business combination can only be determined provisionally, provisional values of the assets and liabilities should be adjusted within one year from the acquisition date, in accordance with the revised version of IFRS 3.

The impact of capital gains or losses and depreciation charges and reversals recognized after 12 months of the acquisition date in relation to the values assigned to assets acquired and liabilities assumed at the time of the first consolidation is recognized prospectively as the income for the period of change and future periods, if any, without adjusting goodwill.

If changes to the initial recognition of the combination are due to the correction of an error, the values attributed to the acquired assets and liabilities assumed and to minority interests or elements of the cost of acquisition, are modified retrospectively, as if their corrected fair value had been accounted for from the acquisition date. Goodwill must also be modified as a result, and the impact of correcting the error is recognized in the opening equity for the period of the error correction, in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

3.10 Operating segments

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

An operating segment is a distinct component of the Group involved in the supply of distinct products and services and exposed to risks and rewards that differ from the risks and the rewards of other operating segments.

On 2 October 2013, Ipsen unveiled a new organizational project and announced a new composition for Executive Committee membership to accelerate the execution of the Group's strategy. The new organization is aimed at enabling the optimisation of primary care activities through the establishment of a dedicated business unit, while continuing to develop the specialty care business.

The specialty care and primary care businesses will now be managed separately, with specific organizations, resources and profiles adapted to the particular challenges of each activity, reflecting their widely differing strategies and operating rationales.

The project's execution plan was submitted for review to the competent labour representatives where relevant, in accordance with the specific regulations governing such processes and methods in each country.

Because this organization was not in effect in 2013, the related operating segment information was left unchanged in the financial statements ended 31 December 2013. The internal reporting provided throughout 2013 to the "main operational decision-maker", *i.e.* the Executive Committee, thus corresponds to the Group's managerial organization based on the geographical regions in which the Group operates.

Operating segments existing as on 31 December 2013 were as follows:

- "Major Western European countries", including France, Italy, Spain, the United Kingdom, and Germany;
- "Rest of Europe", including all other Western and Eastern European countries;
- "North America", mainly including the United States;
- "Rest of the World", encompassing all countries not included in any of the above three operating segments.

3.11 Translation of financial statements in foreign currencies

The balance sheets of subsidiaries whose functional currency is not the euro, none of which operate in hyper-inflationary economies, are translated at the exchange rates prevailing on the closing date. Their income statements, working capital needs and statements of cash flows are translated 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 related to balance sheet and incorme statement currency translation are transferred to the cumulative translation reserve, which forms an integral part of shareholders' equity, and to minority interests for the non-Group share. These differences arise from:

- the impact on shareholders' equity of any difference between the rates used for the opening and closing balance sheets;
- the impact on net profit for the year of any difference between the year's average rate and closing rate.

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

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

3.12 Translation of foreign currency transactions

Receivables and payables denominated in foreign currencies are initially translated at the exchange rates prevailing on the transaction date and then revalued at the closing rates prevailing on the reporting date. Any resulting gains or losses are recognized in the income statement. Concerning foreign currency transactions, they are converted at prevailing rates at the date of the transaction. The same method is applied to cash flow items.

The exchange losses and profits on foreign currency transactions for receivables, debt, transactions and cash in foreign currency are also treated as profit or loss if they are considered as eligible for fair value hedge accounting. However, if they are eligible for hedging of cash flow or net investment in a foreign-based business, they are recognized in equity.

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

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

3.14 Other intangible assets (excluding goodwill)

"Other intangible assets" are accounted for at cost, less cumulative amortization and any impairment loss.

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 tested annually for impairment (see note "Impairment of assets").

Patents are recognized as intangible assets at acquisition cost and amortized over their period of economic use, which does not exceed the period of protection.

In accordance with IAS 38 "Intangible Assets", internal research costs are expensed in the "Research and development expenses" line item as they are incurred.

Development expenses as defined by IAS 38 are identified as intangible assets based on the following: technical feasibility necessary for project completion, the Group's intention to complete the project, ability to use the asset, probability of future economic benefits, availability of resources and reliable evaluation of development expenses. Given the high level of uncertainty attached to development projects carried out by the Group, these recognition conditions are not met until the regulatory procedures required for the sale of the products concerned have been finalized. As most costs are incurred before that stage, internal development expenses, primarily consisting of clinical study costs arising before approval of the

Marketing Authorization Application (MAA), are recognized in "Research and development expenses" in the period during which they are incurred.

Payments made to separately acquire research and development work are expensed 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 accordance when paragraph 25 of IAS 38, when a milestone is achieved and payment has been made, the first recognition criterion related to the probability of future economic advantages from the intangible assets is considered to be satisfied 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 that have not yet received market authorization are recognized on the asset side of the balance sheet. As soon as market authorization has been granted, these rights are amortized on a straight-line basis for the duration of their useful lives.

The development costs of software developed internally are identified as intangible assets as soon as they comply with the criteria defined in IAS 38. 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.

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.

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

Identified rights regarding intellectual property are amortized on a straight-line basis over the estimated duration of their useful lives, which for practical purposes is often between 8 and 20 years.

Amortization expense for intangible assets excluding software is presented on a separate line in the income statement. Amortization expense for software is allocated to the relevant functional department.

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

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

3.15 Property, plant & equipment

Property, plant and equipment items are accounted for at acquisition cost or production cost as applicable, less cumulative depreciation and any impairment loss.

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

Depreciation is calculated on a straight-line basis over the assets' estimated useful lives.

Estimated useful lives are as follows:

- Building, fixtures and fittings ..... 10 to 50 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 "Impairment of assets").

Net depreciation and amortization expense for software and property, plant and equipment is allocated to the relevant function in the income statement. Impairment losses on property, plant and equipment are reported together with losses on intangible assets and losses on goodwill on a specific line item in 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.

3.16 Leases

3.16.1 Finance leases

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

- the term of the lease compared with the useful life of the asset,
- total 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,
- existence of a purchase option favourable to the lessee,
- the specific nature of the asset leased.

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

3.16.2 Operating leases

Operating leases are lease contracts that are not classified as finance leases. Rental payments are recorded as expenses when incurred.

3.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualified asset are capitalized as the cost of the asset when incurred as from 1 January 2009.

Prior to 1 January 2009, borrowing costs are recorded as finance expenses in the period during which they are incurred.

3.18 Impairment of assets

3.18.1 Type of asset tested

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

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

Goodwill

For the purposes of impairment tests, starting from the acquisition date, goodwill acquired under a business combination is allocated to each of the Group's cash generating units or to each group of cash generating units likely to benefit from the synergies arising out of the business combination.

Goodwill relating to an associate is included in the carrying amount of the investment and is not separately recognized, in accordance with IAS 28 "Investments in Associates". 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", appropriate adjustments to the Group's share of the associate's profits or losses after acquisition are made for impairment losses related to goodwill and intangible assets.

Other non-current assets

Other non-current assets including tangible and financial assets, are also tested for impairment when events or changed circumstances indicate that carrying amounts may not be recoverable.

3.18.2 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.

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. Cash flows are based on short-term and medium-term estimates (such as forecasts, annual budget, and four-year strategic plans) as well as forecasts of longer term by geographic area established by the Group's operating entities.

For other intangible assets, the period taken into account for estimating cash flows is based on the economic life intrinsic to each intangible asset. When the economic life exceeds Group forecasts, the terminal value is used.

Cash flows are discounted to present value using the Group's weighted average cost of capital.

When it is not possible to estimate the recoverable amount of a particular asset, the Group determines the recoverable amount of the cash-generating unit that holds it.

When the recoverable amount of an asset (or group of assets) or a cash-generating unit (or group of units) 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 (or group of units), 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 2013 are presented for intangible assets of unlimited useful life and goodwill in notes 13 and 12 respectively.

3.19 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.

3.20 Financial assets

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

- financial assets held for trading,
- loans and receivables,
- held-to-maturity investments,
- financial assets available for sale.

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

3.20.1 Financial assets held for trading

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

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

Assets in this category are designated as current assets.

3.20.2 Loans and receivables

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

Loans and receivables are measured at amortized cost using the effective interest method.

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

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

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

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

3.20.3 Held-to-maturity investments

These are financial assets that the Group has the intention and ability to hold to maturity. They are measured at amortized cost using the effective interest method.

The recoverable amount of held-to-maturity investments is estimated whenever there is an indication that the asset may be impaired. If the recoverable amount is lower than the carrying value, an impairment loss is recognized.

3.20.4 Available-for-sale financial assets

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

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

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

Exchange differences on monetary assets denominated in foreign currencies are recorded to the income statement. Exchange differences on non-monetary assets denominated in foreign currencies are recorded to equity.

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

3.20.5 Presentation of financial assets and financial liabilities measured at fair value

In accordance with the amendments to IFRS 7, 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.

3.20.6 Determination of fair value

For investments in listed equity instruments, fair value is the quoted market price. For investments in unlisted equity instruments, fair value is determined by reference to recent market transactions or using a valuation technique that provides reliable estimates of prices obtained in actual market transactions.

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

If it is not possible to reasonably estimate the fair value of an asset, it is measured at cost. These assets are tested for impairment to determine their recoverable amount.

3.21 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 must be available for immediate sale and its 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 business line or a principal and distinct geographic region,
- is part of a specific and coordinated plan for disposal of a business line or principal and distinct geographic region,
- or is a subsidiary acquired exclusively for resale.

3.22 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average cost method.

Net realisable value is the estimated selling price less the estimated costs necessary to make the sale.

3.23 Securities held for sale

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

3.24 Cash and cash equivalents

Cash includes cash on hand and demand deposits with banks.

Cash equivalents include short-term, highly liquid investments (with a maturity of less than three months) and which are subject to an insignificant risk of changes in value in the event of interest rate variations. Mutual funds and term deposits therefore meet the definition of Cash equivalents. Cash equivalents are classified as financial assets at fair value held for transactions. They are measured at fair value and any changes are recognized in the income statement. Given the nature of these assets, their fair value is generally close to their net carrying value.

3.25 Stock option plans

Stock options are awarded to executive officers and some employees of the Group. As required by IFRS 2 "Share-based Payments", these options 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 ("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. If applicable, the impact of the review of the estimates is recognized in the income statement with a corresponding adjustment in equity.

As permitted by IFRS 2, this policy only applies to plans that were granted after 7 November 2002 and that had not vested at 1 January 2005.

3.26 Retirement benefit obligations

3.26.1 Post-employment benefits

Depending on the laws and practices of the countries in which 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;
- 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.

The Group's liability is estimated annually for all plans.

IAS 19 was revised in June 2011, with mandatory application as of the reporting period opening 1 January 2013 and retrospective application as of 1 January 2012. It constitutes a change in accounting method. The effect on the Group is as follows:

- following the removal of the corridor method, recognition of the amortization of actuarial gains and losses of defined employee benefit plans in profit or loss for the year was ceased. Thus, actuarial gains and losses not accounted for as at 31 December 2011 were recognized against consolidated equity as at 1 January 2012;
- furthermore, actuarial gains and losses generated after 1 January 2012 are now immediately recognized in other items of comprehensive income and will never be reclassified to profit or loss on the income statement. Thus, the consolidated financial statements for financial year 2012 were adjusted for the cancellation of amortization of actuarial gains and losses in sales and administrative costs, and the recognition of actuarial losses or gains generated in 2012 in other non-reclassifiable items of comprehensive income;
- the cost of services rendered resulting from the change or reduction of a plan with effect from 1 January 2012 is entirely recognized in profit or loss, in sales and administrative costs. The portion of commitments not yet paid is no longer amortized over the duration of the vesting period. Consequently, the costs of services rendered not accounted for at 31 December 2011 were recognized against consolidated equity at 1 January 2012, and the consolidated financial statements for 2012 financial year were adjusted for the cancellation of the amortization of costs of services rendered in sales and administrative costs;
- the expected return on plan assets for retirement schemes is measured by applying the discount rate used for the valuation of commitments.

3.26.2 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.

3.27 Provisions

Provisions are recognized in accordance with IAS 37 to cover all liabilities to third parties likely or certain to give rise to an outflow of resources embodying economic benefits, provided

the amount of the provision can be reliably estimated. These provisions are estimated on the basis of the most likely assumptions at the closing date.

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

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

3.28 Financial liabilities

Loans are recorded initially at their fair value. Subsequently they are measured at amortized cost using the effective interest method. In compliance with this principle, any issue or redemption premiums are recorded as loans in the balance sheet and are amortized in net financial income/expenses over the term of the loans.

3.29 Derivative financial instruments

The Group buys and sells derivative financial instruments with a view to managing and reducing its exposure to the risk of interest rate and exchange rate fluctuations. The Group deals only with first-class financial institutions. Under IAS 39, financial instruments may only be classified as hedges when the Group can demonstrate and document the effectiveness of the hedging relationship at inception and throughout the life of the hedge.

The effectiveness of the hedge is determined by reference to changes in the value of the derivative instrument and the hedged item. The ratio must remain within 80.0% to 125.0%.

Derivative financial instruments are recognized in the balance sheet at their market value on the reporting date. Changes in fair value are recorded in accordance with the principles listed in note 3.3.

Market value is the price quoted by independent financial institutions.

3.30 Revenue recognition

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

Sales are recognized when all the following conditions are met:

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

Sales are recognized when the risks and rewards of ownership have passed to the buyer. Sales are valued at the fair value of the counterparty amount received or to be received. Future payments are discounted when deferred payments have a significant impact on the calculation of fair value.

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

3.31 Other revenues

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

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

Upfront payments are spread over the service period of the binding agreement. Milestone revenues are generally spread over the term of the contracts.

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

3.32 Cost of sales

Cost of sales primarily includes the industrial cost of goods sold. 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 utility, 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.

3.33 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 capitalisation criteria are not deemed to be met.

3.34 Deferred taxes

Deferred taxes are recorded on all temporary differences between the carrying value and tax base of assets and liabilities, and on tax losses, using the liability method.

Differences are temporary when they are expected to reverse within the foreseeable future.

Deferred tax assets arising from tax losses are recorded only if there is convincing evidence that sufficient taxable income will be available in the future.

In accordance with IAS 12 "Income Taxes", tax assets and liabilities are not discounted.

Amounts recognized in the consolidated financial statements are calculated at the level of each tax entity included in the consolidation scope.

In accordance with provisions of IAS 12, the total amount of current and deferred expenses related to the C.V.A.E. is presented on the line "Income Tax".

3.35 Earnings per share

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

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

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

3.36 Treatment of changes in the consolidation scope in the cash flow statement

The net impact of the following items is identified on a separate line item in the cash flow statement:

- the amount paid or received by the Group on acquisition or disposal of consolidated companies;
- the cash held by those companies, which is added to or deducted from consolidated cash.

Note 4 Operating segments

Internal reporting provided to the "main operational decision-maker", *i.e.* the Executive Committee, corresponds to the Group's managerial organization based on the geographical regions in which the Group operates. Accordingly, operating segments, as defined in IFRS 8, correspond to long-term groupings of countries (see note 1.2.5).

Operating segments existing as on 31 December 2013 were as follows:

- Major Western European countries, including France, Italy, Spain, the United Kingdom, and Germany;
- Rest of Europe, including all other Western and Eastern European countries;
- North America, mainly including the United States;
- Rest of the World, encompassing all countries not included in any of the above three operating segments.

4.1 Operating income by operating segment

(in thousands of euros)	31 December 2013		31 December 2012 Restated	
	Amounts	% share	Amounts	% share
Major Western European countries	196,549	40%	140,492	36%
Rest of Europe	146,757	30%	135,856	35%
North America	10,961	2%	(10,517)	(3)%
Rest of the World	137,798	28%	123,203	32%
Total allocated	**492,065**	**100%**	**389,034**	**100%**
Unallocated	(301,317)		(271,905)	
Operating income on consolidated income statement	**190,748**		**117,129**	

Unallocated operating income (expenses) came to (€301.3) million, compared with (€271.9) million in 2012. The expenses consisted mainly of the Group's central research and developments costs for €281.1 million in 2013, compared with €263.7 million in 2012, and, to a lesser extent, unallocated general and administrative expenses.

4.2 Revenue

4.2.1 Revenue by operating segment

(in thousands of euros)	31 December 2013		31 December 2012 Restated	
	Amounts	% share	Amounts	% share
Major Western European countries	525,159	41%	549,910	43%
Rest of Europe	336,913	26%	312,205	24%
North America	81,781	6%	90,512	7%
Rest of the World	336,329	26%	323,462	25%
Total allocated	**1,280,182**	**100%**	**1,276,089**	**100%**
Unallocated	1,586		1,316	
Revenue on the consolidated income statement	**1,281,768**		**1,277,405**	

Sales, co-promotion income and a portion of "other revenues" have been allocated within "Revenue". However, certain "other revenues" have not been allocated, since such revenues do not allow this kind of segmentation.

In 2013, unallocated revenue amounted to €1.6 million, compared with €1.3 million in the previous year.

4.2.2 Sales of goods by operating segment

(in thousands of euros)	31 December 2013		31 December 2012 Restated	
	Amounts	% share	Amounts	% share
Major Western European countries	497,307	41%	518,545	43%
Rest of Europe	329,395	27%	306,043	25%
North America	64,247	5%	72,773	6%
Rest of the World	333,852	27%	322,187	26%
Sales on the consolidated income statement	**1,224,801**	**100%**	**1,219,548**	**100%**

4.2.3 Sales by therapeutic areas and products

(in thousands of euros)	31 December 2013	31 December 2012 Restated
Oncology	313,004	318,672
of which Décapeptyl®	*298,629*	*306,353*
Hexvix®	*14,375*	*12,319*
Endocrinology	315,919	307,569
of which Somatuline®	*246,934*	*225,695*
Nutropin®	*56,304*	*53,621*
Increlex®	*12,682*	*28,254*
Neurology	242,216	236,249
of which Dysport®	*242,216*	*236,132*
Speciality Care	**871,139**	**862,490**
Gastroenterology	219,865	199,927
of which Smecta®	*121,114*	*113,452*
Forlax®	*38,713*	*38,707*
Cognitive disorders	67,156	78,997
of which Tanakan®	*67,156*	*78,997*
Cardiovascular	20,604	32,438
of which Nisis® and Nisisco®	*7,782*	*18,164*
Ginkor®	*11,702*	*11,869*
Other pharmaceutical products	12,526	13,191
of which Adrovance®	*10,370*	*11,471*
Primary care	**320,151**	**324,554**
Total drug sales	**1,191,290**	**1,187,044**
Drug-related sales	**33,511**	**32,504**
Sales on the consolidated income statement	**1,224,801**	**1,219,548**

4.2.4 Other revenues

(in thousands of euros)	31 December 2013	31 December 2012 Restated
Royalties received (1)	15,270	11,856
Milestone payments – Licensing agreements (2)	23,991	25,087
Rebilled research and development expenses (3)	891	1,037
Co-promotion income (3)	16,815	19,877
Other revenues on the consolidated income statement	**56,967**	**57,857**

(1) At 31 December 2013, royalties received amounted to €15.3 million, up €3.4 million year-on-year, driven by the increase in royalties paid by Group partners.
(2) Milestone payments relating to licensing agreements came to €24.0 million and resulted mainly from the partnerships with Medicis (acquired by Valeant in 2012), Menarini, and Galderma.
(3) Other revenues, which primarily included revenues from the Group's co-promotion and co-marketing agreements in France, amounted to €17.7 million in 2013, compared with €20.9 million in the prior year. In 2013, except for residual compensation paid to Ipsen by Novartis, this line item no longer included revenues from Exforge®, following the April 2012 termination of the co-promotion agreement with Novartis in France.

4.3 Balance sheet items by operating segment (based on location of assets)

(in thousands of euros)	31 December 2013					
	Major Western European countries	Rest of Europe	North America	Rest of the World	Eliminations	Total
Goodwill (*)	160,159	18,708	105,397	26,446	–	310,710
Property, plant & equipment	217,785	53,189	7,030	9,479	–	287,483
Inventories	40,419	33,191	4,323	43,530	–	121,463
Trade receivables	238,623	79,409	23,614	36,113	(134,220)	243,539
Total segment assets	**656,986**	**184,497**	**140,364**	**115,568**	**(134,220)**	**963,195**
Trade payables	184,235	54,703	9,044	41,086	(134,220)	154,848
Total segment liabilities	**184,235**	**54,703**	**9,044**	**41,086**	**(134,220)**	**154,848**

(*) See note 12 – The residual goodwill related to the acquisition of Syntaxin Ltd was allocated to the "Main Western European countries" segment.

(in thousands of euros)	31 December 2012 Restated					
	Major Western European countries	Rest of Europe	North America	Rest of the World	Eliminations	Total
Goodwill (*)	143,819	18,708	109,198	26,471	–	298,196
Property, plant & equipment	214,063	51,673	5,994	10,051	–	281,781
Inventories	36,399	44,959	4,845	41,654	–	127,857
Trade receivables	258,748	39,637	22,340	33,614	(98,038)	256,301
Total segment assets	**653,029**	**154,977**	**142,853**	**111,791**	**(98,038)**	**964,135**
Trade payables	169,569	32,175	8,108	47,985	(98,038)	159,799
Total segment liabilities	**169,569**	**32,175**	**8,108**	**47,985**	**(98,038)**	**159,799**

(*) See note 12.

4.4 Other information

(in thousands of euros)	31 December 2013					
	Major Western European countries	Rest of Europe	North America	Rest of the World	Unallocated	Total
Capital expenditures	(28,268)	(7,994)	(2,649)	(1,639)	(21,876)	(62,426)
Net depreciation, amortization and provisions (excluding financial and current assets)	23,508	(6,384)	(896)	(6,217)	(27,009)	(16,998)
Share-based payment expenses with no impact on cash flow	–	–	–	–	(5,025)	(5,025)

(in thousands of euros)	31 December 2012 Restated					
	Major Western European countries	Rest of Europe	North America	Rest of the World	Unallocated	Total
Capital expenditures	(38,297)	(6,763)	(2,503)	(1,420)	(27,739)	(76,722)
Net depreciation, amortization and provisions (excluding financial and current assets)	(63,797)	(5,483)	9,227	(1,738)	(15,230)	(77,021)
Share-based payment expenses with no impact on cash flow	–	–	–	–	(4,624)	(4,624)

Note 5 Employees

5.1 Headcount

At end 2013, Group headcount totalled 4,602 employees, compared with 4,835 at end 2012.

The average headcount in 2013 was 4,785, compared with 4,641 in 2012.

Since 1 January 2012, total headcount has included long-standing absences.

Changes in Group headcount by function over the period were as follows:

Function	31 December 2013	31 December 2012 Restated
Sales	2,050	2,160
Production	957	962
Research and Development	878	967
Administration	717	746
Total headcount	**4,602**	**4,835**

A geographical breakdown of employee headcount is as follows:

Geographical region	31 December 2013	31 December 2012 Restated
Major Western European countries	2,674	2,758
Rest of Europe	542	786
North America	187	345
Rest of the World	1,199	946
Total headcount	**4,602**	**4,835**

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, encompass the following items:

(in thousands of euros)	31 December 2013	31 December 2012 Restated
Wages and salaries	(285,348)	(293,359)
Employer's social security contributions and payroll taxes	(110,045)	(105,978)
Sub-total	**(395,393)**	**(399,337)**
Employee benefit expenses (note 5.3.2.3)	**(7,659)**	**503**
Annual accounting expenses associated with share-based payments (note 5.4)	(4,811)	(4,456)
Social security contributions on share-based payments	(214)	(168)
Share-based payment expenses sub-total	**(5,025)**	**(4,624)**
Employee profit-sharing	(9,644)	(7,891)
Total	**(417,721)**	**(411,349)**

In 2013, the average rate of employer's social security contributions and payroll taxes amounted to 38.6% of gross payroll, *versus* 36.1% in 2012.

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 with the company or a collective investment fund managed by a financial institution.

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

On 22 June 2010, a profit-sharing agreement was set up in addition to the previous agreement. This profit-sharing agreement complements the first in the event that it does not reach 12.5% of gross payroll, and its amount must be comprised between 0.0% and 4.5% of gross payroll. The total of both agreements is capped at 12.5% of gross payroll. Based on an assessment of the expected fulfilment of the objectives of this profit-sharing agreement, the impact recorded in the consolidated financial statements at

31 December 2013 came to 3.5% of gross payroll. That percentage compares with 3.1% at 31 December 2012.

5.3 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, Ireland, Spain, and Italy. In France, a limited number of employees also benefit from a supplementary pension plan.

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

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

5.3.1.2 Other long-term benefits

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

At 31 December 2013, other long-term benefits also included the valuation of medium-term bonus plans approved by the Board of Directors on 30 March 2012.

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 rates of return on plan assets are based on the market rate of bonds issued by first class issuers.

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 2013 are as follows:

	Europe (excluding UK)	United Kingdom	Asia-Oceania
Discount rate	3.00%	4.15%	5.04%
Inflation rate	2.00%	3.25%	3.19%
Rate of increase in salaries, net of inflation	Varies by SSC	2.00%	2.36%
Rate of increase in pensions	1.75%	2.25%	N/A

A 1.0% increase in the discount rate would lead to decreases in employee benefit obligations of 11.0% in France, 23.0% in Ireland and 22.0% in the UK.

5.3.2.2 Reconciliation of balance sheet assets and liabilities

	31 December 2013			31 December 2012 Restated
(in thousands of euros)	Post-employment benefits	Other long-term benefits	Total	Total
Breakdown of net balance sheet amount				
Present value of liabilities	80,506	8,736	89,242	85,827
Fair value of plan assets	43,575	–	43,575	43,129
Net liabilities (a)	**36,931**	**8,736**	**45,667**	**42,698**
Effect of asset ceiling (b)	–	–	–	–
Net liability (a – b)	**36,931**	**8,736**	**45,667**	**42,698**

5.3.2.3 Reconciliation of income statement expenses

(in thousands of euros)	31 December 2013			31 December 2012 Restated
	Post-employment benefits	Other long-term benefits	Total	Total
Current service costs	5,240	2,998	8,238	6,582
Contributions by plan participants	(183)	–	(183)	(205)
Interest expense on obligations	2,576	120	2,696	3,150
Interest income on plan assets	(1,332)	–	(1,332)	(1,662)
Past service costs (plan amendments and curtailments)	(261)	(58)	(319)	(6,933)
Actuarial (gains) and losses recognized as expense	–	(326)	(326)	56
Plan settlements	249	–	249	–
Total	**6,289**	**2,734**	**9,023**	**988**
– of which – Operating expenses	5,045	2,614	7,659	(500)
– of which – Interest expense	1,244	120	1,364	1,488

5.3.2.4 Movements in net liability recognized in the balance sheet

(in thousands of euros)	31 December 2013			31 December 2012 Restated
	Post-employment benefits	Other long-term benefits	Total	Total
Opening net liability	**36,330**	**6,368**	**42,698**	**32,814**
Changes in consolidation scope	–	–	–	–
Charge for the year (note 5.3.2.3)	6,289	2,734	9,023	988
Actuarial gains and (losses) recognized in other comprehensive income	(3,026)	–	(3,026)	15,481
Employer's contributions to plan assets	(2,302)	–	(2,302)	(6,056)
Benefits paid from internal reserve	(244)	(314)	(558)	(616)
Other	–	–	–	–
Exchange differences	(117)	(52)	(169)	87
Closing net liability	**36,931**	**8,736**	**45,667**	**42,698**

5.3.2.5 Movements in defined benefit plan obligations

(in thousands of euros)	31 December 2013			31 December 2012 Restated
	Post-employment benefits	Other long-term benefits	Total	Total
Opening balance	**79,459**	**6,368**	**85,827**	**67,528**
Changes in consolidation scope	–	–	–	–
Current service costs	5,240	2,998	8,238	6,582
Interest expense on obligations	2,576	120	2,696	3,150
Past service costs (plan amendments and curtailments)	(261)	(58)	(319)	(6,933)
Plan settlements	(1,102)	–	(1,102)	–
Benefits paid from plan assets	(4,028)	–	(4,028)	(1,720)
Benefits paid from internal reserve	(244)	(314)	(558)	(616)
Actuarial (Gains) and losses – experience adjustments	(752)	(295)	(1,047)	1,039
Actuarial (Gains) and losses – changes to discount rate	(510)	(10)	(520)	18,161
Actuarial (Gains) and losses – changes to other assumptions	482	(21)	461	(1,610)
Other	2	–	2	(5)
Exchange differences	(356)	(52)	(408)	251
Closing balance	**80,506**	**8,736**	**89,242**	**85,827**

At 31 December 2013, defined benefit plan obligations broke down primarily among the following countries, including France, 61.0%, Ireland 18.0%, and the UK, 18.0%.

5.3.2.6 Movements in plan assets

(in thousands of euros)	31 December 2013			31 December 2012 Restated
	Net liabilities of post-employment benefit plans	Other long-term benefits	Total	Total
Opening balance	**43,129**	**–**	**43,129**	**34,712**
Changes in consolidation scope	–	–	–	–
Interest income on plan assets	1,332	–	1,332	1,662
Plan settlements	(1,351)	–	(1,351)	–
Benefits paid from plan assets	(4,028)	–	(4,028)	(1,720)
Employee contributions to plan assets	183	–	183	205
Employer's contributions to plan assets	2,302	–	2,302	6,056
Actuarial gains and (losses)	2,247	–	2,247	2,050
Other	–	–	–	–
Exchange differences	(239)	–	(239)	164
Closing balance	**43,575**	**–**	**43,575**	**43,129**

At 31 December 2013, plan assets broke down primarily among the following countries, including France, 53.0%, Ireland 23.0%, and the UK, 24.0%.

5.3.2.7 Allocation of plan assets

(in thousands of euros)	31 December 2013			
	Equities	Bonds	Other [1]	Total
Europe (excluding UK)	9,614	20,758	2,521	32,893
United Kingdom	6,998	3,489	57	10,544
Asia-Oceania	110	28	–	138
Total (in thousands of euros)	**16,722**	**24,275**	**2,578**	**43,575**
Total (as a percentage)	**38%**	**56%**	**6%**	**100%**

(1) Property, cash and other.

(in thousands of euros)	31 December 2012 Restated			
	Equities	Bonds	Other [1]	Total
Europe (excluding UK)	8,155	22,117	2,834	33,106
United Kingdom	5,625	3,882	345	9,852
Asia-Oceania	137	34	–	171
Total (in thousands of euros)	**13,917**	**26,033**	**3,179**	**43,129**
Total (as a percentage)	**32%**	**60%**	**8%**	**100%**

(1) Property, cash and other.

5.3.2.8 Future probable plan benefits

(in thousands of euros)	Net liabilities of post-employment benefit plans	Other long-term benefits	Total
2014	1,970	382	2,352
2015	1,042	384	1,426
2016	2,190	409	2,599
2017	2,084	551	2,635
2018	1,792	561	2,353
2019-2023	36,445	2,682	39,127

5.4 Share-based payments

• Mayroy S.A.

Since 1999, the Board of Directors of Mayroy S.A. (Ipsen S.A.'s parent company) has granted share options to some employees, senior executives and corporate officers of the Group at an agreed exercise price (see note 5.4.1).

Holders of Mayroy S.A. share options will be given a put option over the Mayroy shares they obtain when they exercise their options. Mayroy shares issued and sold back to Mayroy S.A. will be exchanged for shares in Ipsen S.A. plus a cash balance.

• Ipsen

On 14 November 2005, the Board of Directors of Ipsen established a new share option plan for the same category of beneficiaries (see note 5.4.2) and a bonus share plan for senior executives (see note 5.4.3).

On 12 December 2006, the Board of Directors of Ipsen also granted the members of the Executive Committee and executives of French and foreign subsidiaries a share option plan (see note 5.4.2). The Board of Directors also granted bonus shares to senior executives (see note 5.4.3).

On 30 May 2007, the Ipsen Board of Directors established a share option plan for new members of the Executive Committee and one employee (see note 5.4.2), and granted bonus shares to new members of the Executive Committee (see note 5.4.3).

On 12 December 2007, the Board of Directors of Ipsen decided to include new members of the Executive Committee in the existing share option plan (see note 5.4.2). On the same date, the Board of Directors granted bonus shares to some members of the Executive Committee (see note 5.4.3).

On 29 September 2008, the Board of Directors granted share options (see note 5.4.2) and bonus shares (see note 5.4.3) free of any performance conditions to some executives of French and foreign subsidiaries and a new member of the Executive Committee.

On 22 January 2009, the Board of Directors of Ipsen granted bonus shares to employees meeting both of the following conditions: Group employees on permanent or fixed-term employment contracts or executives and corporate officers fulfilling the duties set out in Article L.225-197-1, II of the French Commercial Code within one of the Group's companies, and who had been with the Group for at least three months (see note 5.4.3).

On 27 February 2009, the Board of Directors of Ipsen granted bonus shares to the Company's Chairman and Chief Executive and the members of the Executive Committee (see note 5.4.3).

On 30 March 2009, the Board of Directors of Ipsen granted share options (see note 5.4.2) and bonus shares (see note 5.4.3) to some employees of its American subsidiaries Biomeasure Inc. and Tercica Inc.

On 10 November 2009, the Board of Directors of Ipsen granted share options (see note 5.4.2) to a new member of the Executive Committee and bonus shares (see note 5.4.3) to that new member of the Executive Committee and the Company's Chairman and Chief Executive.

On 31 March 2010, the Board of Directors granted share options and bonus shares to the Company's Chairman and Chief Executive, members of the Executive Committee and certain beneficiaries of the Group subsidiaries. The conditions of this plan are described in note 5.4.3.

On 30 June 2011, the Board of Directors granted share options and bonus shares to the Company's Chairman and Chief Executive, members of the Executive Committee and certain beneficiaries of the Group subsidiaries. The conditions of this plan are described in note 5.4.3.

On 30 March 2012, the Board of Directors granted share options and stock appreciation rights (SARs) to the Company's Chairman and Chief Executive, members of the Executive Committee and beneficiaries of the Group subsidiaries. The conditions of this plan are described in note 5.4.3.

On 28 March 2013, the Board of Directors granted share options and stock appreciation rights (SARs) to the Company's Chairman and Chief Executive, the Deputy Chief Executive Officer, members of the Executive Committee and beneficiaries of the Group subsidiaries. The conditions of this plan are described in note 5.4.3.

The annual charge for all share-based payments can be broken down as follows:

(in thousands of euros)	31 December 2013	31 December 2012 Restated
Share option plans granted by Mayroy S.A. (note 5.4.1.3)	–	–
Share option plans granted by Ipsen (note 5.4.2.2)	667	1,006
Bonus shares (note 5.4.3.2)	4,144	3,450
Total	**4,811**	**4,456**

5.4.1 Share option plans granted by the Mayroy S.A. parent company

5.4.1.1 Details of share option plans

	PLANS										
	Before 7 November 2002			After 7 November 2002							
	1a	1b	1c	1d	3a	2a	2b	2c (Tr. 1)	2c (Tr. 2)	2c (Tr. 3)	3b
Date granted by Board of Directors	10/11/1999	31/05/2000	03/10/2001	18/12/2003	13/02/2004	05/12/2002	18/12/2003	25/03/2004	25/03/2004	25/03/2004	22/07/2004
Vesting date	10/11/2004	31/05/2005	03/10/2005	18/12/2007	13/02/2008	05/12/2006	31/12/2007	31/12/2009	31/12/2008	31/12/2009	22/07/2008
Plan expiration date	10/11/2009	31/05/2010	03/10/2011	18/12/2013	13/02/2014	05/12/2012	31/12/2013	25/03/2014	25/03/2014	25/03/2014	22/07/2014
Number of options granted	20,000	6,150	24,025	3,500	15,750	2,760	2,760	7,360	2,760	2,760	250
Share entitlement per option	27	27	27	25	25	27	27	27	27	27	25
Exercise price	€11.28	€11.28	€12.03	€27.20	€27.20	€24.44	€24.44	€24.44	€24.44	€24.44	€27.20
Performance condition	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

5.4.1.2 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 2013	31 December 2012 Restated
Opening balance	**21,740**	**25,180**
Options granted	–	–
Options exercised	(6,780)	–
Options cancelled	–	(680)
Options expired	–	(2,760)
Closing balance	**14,960**	**21,740**

Breakdown of closing balance:

(in thousands of euros)	31 December 2013	31 December 2012 Restated
Plans before 7 November 2002		
1a	–	–
1b	–	–
1c	–	–
Plans before 7 November 2002		
1d	–	–
3a	1,830	5,850
2a	–	–
2b	–	2,760
2c (Tr. 1)	7,360	7,360
2c (Tr. 2)	2,760	2,760
2c (Tr. 3)	2,760	2,760
3b	250	250
TOTAL	**14,960**	**21,740**

5.4.1.3 Valuation of plans

In accordance with the principles set out in note 3.25, plans granted after 7 November 2002 are valued as follows:

	After 7 November 2002								
(in thousands of euros)	1d	3a	2a	2b	2c (Tr. 1)	2c (Tr. 2)	2c (Tr. 3)	3b	TOTAL
Opening valuation	1,020	4,532	783	772	2,112	777	792	73	**10,861**
2013 non-cash expense	–	–	–	–	–	–	–	–	**–**
2012 non-cash expense	–	–	–	–	–	–	–	–	**–**

Main assumptions	Plans after 7 November 2002							
	1d	3a	2a	2b	2c (Tr. 1)	2c (Tr. 2)	2c (Tr. 3)	3b
Valuation method used	"Black and Scholes" revised							
Value of shares at grant date	€27.20	€27.20	€24.44	€24.44	€24.44	€24.44	€24.44	€27.20
Exercise price	€27.20	€27.20	€24.44	€24.44	€24.44	€24.44	€24.44	€27.20
Expected volatility	40%	40%	40%	40%	40%	40%	40%	40%
Average life of option	7.0 years	7.0 years	7.0 years	7.0 years	7.9 years	7.4 years	7.9 years	7.0 years
Turnover	0%	0%	0%	0%	0%	0%	0%	0%
Discount rate	4.1%	3.8%	4.3%	4.1%	3.6%	3.6%	3.6%	4.0%
Fair value per option	**€11.66**	**€11.51**	**€10.51**	**€10.36**	**€10.63**	**€10.43**	**€10.63**	**€11.61**

5.4.2 Share option plans granted by Ipsen

5.4.2.1 Details of share option plans

	PLANS													
	Plan dated 14 Nov. 2005	Plan no. 1 dated 12 December 2006			Plan no. 2 dated 12 December 2006				Plan dated 30 May 2007	Plan dated 12 December 2007				Plan dated 29 Sept. 2008
		Tr.A	Tr.B	Tr.C	2.1	2.2	2.3	2.4	1 A.	Tr.A	Tr.B	Tr.C	Tr.D	1 A.
Date granted by Board of Directors	06/12/2005	12/12/2006	12/12/2006	12/12/2006	12/12/2006	12/12/2006	12/12/2006	12/12/2006	30/05/2007	12/12/2007	12/12/2007	12/12/2007	12/12/2007	29/09/2008
Vesting date	06/12/2009	12/12/2010	12/12/2011	12/12/2012	12/12/2010	12/12/2010	12/12/2010	12/12/2010	31/05/2011	12/12/2011	12/12/2011	12/12/2012	12/12/2012	29/09/2012
Plan expiration date	06/12/2015	12/12/2018	12/12/2018	12/12/2018	12/12/2018	12/12/2018	12/12/2013	12/12/2016	31/05/2017	12/12/2017	12/12/2017	12/12/2017	12/12/2017	29/09/2018
Number of options granted	327,000	266,666	266,666	266,668	42,000	28,500	7,500	21,500	55,000	26,666	53,334	26,666	53,334	226,200
Share entitlement per option	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Exercise price	€22.20	€33.21	€35.86	€38.73	€29.88	€33.21	€29.88	€29.88	€39.06	€38.27	€38.27	€41.33	€41.33	€34.68
Valuation method used	"Black and Scholes" revised													
Value of shares at grant date	€22.20	€36.14	€36.14	€36.14	€36.14	€36.14	€36.14	€36.14	€39.13	€41.35	€41.35	€41.35	€41.35	€31.45
Expected volatility (*)	35%	35%	35%	35%	35%	35%	35%	35%	31%	29%	29%	29%	29%	30%
Average life of option	7	8	8.5	9	8	8	5.5	7	7	7	7	7.5	7.5	7
Discount rate (**)	3.14%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	4.39%	4.25%	4.25%	4.25%	4.25%	4.03%
Dividends (***)	Variable	Variable	Variable	Variable	Variable	Variable	Variable	Variable	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Performance condition	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fair value per option	**€8.34**	**€16.39**	**€16.00**	**€16.78**	**€17.42**	**€16.39**	**€15.07**	**€16.59**	**€13.75**	**€14.80**	**€14.80**	**€14.14**	**€14.14**	**€9.54**

(*) Expected volatility was determined in light of historic volatility calculated using Ipsen share prices from the date at which the shares were first quoted, *i.e.* 6 December 2005.
(**) The discount rate corresponds to the interest rate on a risk-free zero-coupon bond (*i.e.* a government bond) with a maturity equal to the life of the option and the exercise price in-the-money.
(***) The payout rate was determined on the basis of dividend distributions from the date at which Ipsen shares were first quoted, *i.e.* 6 December 2005.

	PLANS								
	Plan dated 30 March 2009	Plan dated 10 Nov. 2009	Plan dated 31 March 2010					Plan dated 30 June 2011	
			1.1	1.2	1.3	1.4	1.5	1.1	1.2
Date granted by Board of Directors	30/03/2009	10/11/2009	31/03/2010	31/03/2010	31/03/2010	31/03/2010	31/03/2010	30/06/2011	30/06/2011
Vesting date	30/03/2013	10/11/2013	31/03/2014	31/03/2014	31/03/2014	31/03/2014	31/03/2012	30/06/2015	30/06/2013
Plan expiration date	30/03/2019	10/11/2019	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	148,300	12,000	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	1	1
Exercise price	€26.40	€34.74	€36.64	€36.64	€36.64	€36.64	€36.64	€25.01	€25.01
Valuation method used	"Black and Scholes" revised		Monte Carlo		"Black and Scholes" revised			"Black and Scholes" revised	
Value of shares at grant date	€28.00	€35.37	€36.16	€36.16	€36.16	€36.16	€36.16	€24.46	€24.46
Expected volatility (*)	33%	33%	32%	32%	32%	32%	32%	31%	31%
Average life of option	7	7	6	6	6	6	5	6	5
Discount rate (**)	3.13%	3.03%	2.62%	2.62%	2.62%	2.62%	2.35%	2.90%	2.72%
Dividends (***)	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Performance condition	N/A	N/A	yes	yes	no	no	no	yes	no
Fair value per option	**€10.00**	**€12.11**	**€10.69**	**€10.69**	**€10.71**	**€10.71**	**€9.74**	**€7.12**	**€6.48**

(*) Expected volatility was determined in light of historic volatility calculated using Ipsen share prices from the date at which the shares were first quoted, *i.e.* 6 December 2005.
(**) The discount rate corresponds to the interest rate on a risk-free zero-coupon bond (*i.e.* a government bond) with a maturity equal to the life of the option and the exercise price in-the-money.
(***) The payout rate was determined on the basis of dividend distributions from the date at which Ipsen shares were first quoted, *i.e.* 6 December 2005.

5.4.2.2 Valuation of plans

	PLANS													
	Plan dated 14 Nov. 2005	Plan no. 1 dated 12 December 2006			Plan no. 2 dated 12 December 2006				Plan dated 30 May 2007	Plan dated 12 December 2007				Plan dated 29 Sept. 2008
		Tr.A	Tr.B	Tr.C	2.1	2.2	2.3	2.4	1 A.	Tr.A	Tr.B	Tr.C	Tr.D	1 A.
Opening valuation	2,727	4,371	4,267	4,475	732	467	90	379	756	592	592	566	565	2,158
2013 non-cash expense	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2012 non-cash expense	–	–	–	–	–	–	–	–	–	–	–	–	–	196

	PLANS									
	Plan dated 30 March 2009	Plan dated 10 Nov. 2009	Plan dated 31 March 2010					Plan dated 30 June 2011		TOTAL
			1.1	1.2	1.3	1.4	1.5	1.1	1.2	
Opening valuation	1,482	145	1,295	1,317	582	242	397	1,351	104	**31,324**
2013 non-cash expense	45	32	–	155	97	41	–	276	21	**667**
2012 non-cash expense	62	36	–	160	126	41	11	398	(24)	**1,006**

5.4.2.3 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 2013	31 December 2012 Restated
Opening balance	**2,010,883**	**2,050,948**
Options granted	–	–
Options exercised	(41,100)	–
Options cancelled	(37,186)	(40,065)
Options expired	(6,000)	–
Closing balance	**1,926,597**	**2,010,883**

5.4.3 Bonus share plans

On **14 November 2005** and **12 December 2006**, the Board of Directors granted a total of 23,000 and 18,000 bonus shares respectively to the Company's Chairman and Chief Executive and some senior executives, contingent upon the Group's achievement of certain performance conditions (sales, consolidated margin, net operating income, etc.).

The performance conditions associated with the bonus share plan dated 14 November 2005 were met for 2007 for beneficiaries who were French tax residents (*i.e.* 18,500 bonus shares). Accordingly, on 12 December 2007, the Board of Directors allotted these bonus shares, resulting in an increase in the Company's share capital of the same amount through incorporation of reserves.

Similarly, on 14 December 2009, the Board of Directors allotted shares under the bonus share plan dated 14 November 2005 for beneficiaries who were foreign tax residents (*i.e.* 4,500 shares), resulting in an increase in the Company's share capital of the same amount through incorporation of reserves.

The performance conditions linked to the bonus share plan dated 12 December 2006 were met for 2008. Accordingly, on 12 December 2008, the Board of Directors allotted 16,500 bonus shares, resulting in an increase in the Company's share capital of the same amount through incorporation of reserves.

On **30 May 2007,** the Board of Directors granted a total of 8,000 bonus shares to new members of the Executive Committee. No performance conditions were attached to these shares, to be allotted at the end of a vesting period of two years.

On 4 June 2009, the Board of Directors noted that the vesting period had expired on 30 May 2009, and recorded the allotment of the 8,000 bonus shares, resulting in an increase in the Company's share capital of the same amount through incorporation of reserves.

On **12 December 2007,** the Board of Directors granted a total of 27,000 bonus shares to some members of the Executive Committee. These shares were allotted at the end of a vesting period of two years, subject to performance conditions (sales, consolidated margin, net operating income, etc.), with the exception of 1,000 shares, which were not subject to any performance conditions specific to either the Group or the stock market.

On 14 December 2009, the Board of Directors noted the expiry of the vesting period and / or the fulfilment of the performance conditions and allotted the 24,000 bonus shares. The share capital was consequently increased by €8,000 through incorporation of reserves, with the 16,000 outstanding shares delivered to beneficiaries the same day.

On 15 December 2011, the Board of Directors noted the expiry of the vesting period and / or the fulfilment of the performance conditions and allotted 3,600 bonus shares. The share capital was consequently increased by the creation of 1,000 new shares and the delivery of 2,000 shares to beneficiaries.

On **29 September 2008,** the Board of Directors granted 33,100 bonus shares to beneficiaries who were either French of foreign tax residents. No performance conditions specific to either the Group or the stock market were attached to these shares, which were to be allotted at the end of a vesting period of two years for French tax residents and four years for foreign tax residents.

On 10 November 2010, the Board of Directors noted that the vesting period had expired on 29 September 2010 for beneficiaries who were French tax residents, and recorded the allotment of the 18,600 bonus shares, resulting in an increase in the Company's share capital of the same amount through incorporation of reserves.

On 1 October 2012, the Board of Directors noted that the vesting period had expired on 29 September 2012 for beneficiaries who were foreign tax residents, and recorded the allotment of the 9,300 bonus shares, resulting in a €2,800 increase in the Company's share capital through incorporation of reserves, with the remaining 6,500 bonus shares delivered to beneficiaries the same day.

On **22 January 2009,** the Board of Directors granted 99,540 bonus shares to employees meeting both of the following conditions: Group employees on permanent or fixed-term employment contracts or executives and corporate officers fulfilling the duties set out in Article L.225-197.1, II of the French Commercial Code within one of the Group's companies, and who had been with the Group for at least three months. These shares were to be allotted at the end of a vesting period of no less than two years for French tax residents and four years for foreign tax residents, and were not subject to any performance conditions specific to either the Group or the stock market.

On 10 November 2010, the Board of Directors granted 30 bonus shares following the death of beneficiary who was a French tax resident. On 24 January 2011, the Board of Directors noted that the vesting period had expired on 22 January 2011 for beneficiaries who were French tax

residents, and recorded the allotment of the 22,860 bonus shares, resulting in an increase in the Company's share capital of the same amount through incorporation of reserves.

On 22 January 2013, the Board of Directors noted that the vesting period had expired on 22 January 2013 for beneficiaries who were not French tax residents, and recorded the cancellation of 13,380 options stemming from the loss of employee status of some beneficiaries, as well as the allotment of 31,290 bonus shares deducted from the number of treasury shares held by Ipsen SA.

On **27 February 2009,** the Board of Directors granted 29,000 bonus shares to the Company's Chairman and Chief Executive, and the members of the Executive Committee, contingent upon the Group's achievement of certain performance conditions (sales, consolidated margin, net operating income, etc.).

On 1 March 2011, the Board of Directors noted that the performance conditions had not been met and consequently reversed the earlier-recognized charges for 2011.

On **30 March 2009,** the Board of Directors granted 148,300 share options and 24,730 bonus shares to some employees of its American subsidiaries, Biomeasure Inc. and Tercica Inc., subject to minimum length of service criteria (four years) but no performance conditions specific to either the Group or the market.

On 2 April 2013, the Board of Directors noted that the vesting period had expired on 30 March 2013 for beneficiaries who were foreign tax residents, and recorded the cancellation of 12,610 bonus share rights stemming from the loss of employee status of some beneficiaries, as well as the allotment of 12,120 bonus shares, including 3,250 existing shares and 8,870 new shares, issued through incorporation of reserves.

On **10 November 2009,** the Board of Directors granted 13,500 bonus shares to a new member of the Executive Committee and the Company's Chairman and Chief Executive. With the exception of 2,500 of the bonus shares, the bonus shares were subject to minimum length of service criteria of two years and – for the Chairman and Chief Executive – market performance conditions (*i.e.* stock market performance of groups comparable to Ipsen).

On 15 December 2011, the Board of Directors noted the expiry of the vesting period and allotted 2,500 bonus shares. The share capital was consequently increased by the creation of 2,500 new shares.

On **31 March 2010,** the Board of Directors granted:

- 4,490 bonus shares to the Chairman and Chief Executive Officer,
- 13,750 bonus shares to members of the Executive Committee,
- 29,110 bonus shares to beneficiaries of its American subsidiaries, and
- 46,920 bonus shares to certain beneficiaries of other Group subsidiaries.

These attributions were subject to length of service criteria and – for the Chairman and Chief Executive Officer and members of the Executive Committee – to market performance conditions. For beneficiaries who are French tax residents, the vesting period for the bonus shares was set two years with a two-year lockup period. For beneficiaries who are foreign tax residents in France, the vesting period was set at four years.

With the change of Chairman and Chief Executive Officer in 2010, the Group recorded an expense of €1.3 million for share options and bonus shares, corresponding to the accelerated recognition of the residual fair value of these share-based payments, spread linearly over the vesting period.

On 2 April 2012, the Board of Directors noted the fulfilment of the performance conditions and/or that the vesting period had expired for beneficiaries who were French tax residents, and recorded the allotment of the 26,000 bonus shares, resulting in an increase in the Company's share capital of the same amount through incorporation of reserves.

On **30 June 2011,** the Board of Directors granted:

- 121,180 share options and 4,490 bonus shares to the Chairman and Chief Executive Officer,
- 68,523 share options and 22,841 bonus shares to members of the Executive Committee,
- 16,005 share options and 15,755 bonus shares to beneficiaries of its American subsidiaries, and
- 112,820 bonus shares to certain beneficiaries of other Group subsidiaries.

These attributions were subject to length of service criteria. Furthermore, attributions to the Chairman and Chief Executive Officer and members of the Executive Committee were subject to quantitative and qualitative performance conditions based on sales growth and the achievement of strategic objectives set by the Board of Directors.

The share options attributed to beneficiaries of American subsidiaries become exercisable at the conclusion of a two-year period from the attribution date. For bonus shares attributed to beneficiaries of American subsidiaries, the vesting period was set at two years, with the shares delivered to the beneficiaries at the conclusion of a further two-year period.

For beneficiaries who are French tax residents, the vesting period for the bonus shares was set at two years with a two-year lockup period. For beneficiaries who are foreign tax residents in France, except the United States, the vesting period was set at four years.

On 1 July 2013, the Board of Directors noted the expiry of the vesting period at 30 June 2013 for French tax residents and recorded:

- the cancellation of 4,620 rights stemming from the loss of employee status of some beneficiaries,
- the cancellation of 2,733 rights stemming from partially met performance conditions, and
- the allotment of 98,968 bonus shares. The Company's share capital was increased by the same amount through incorporation of reserves.

On **30 March 2012,** the Board of Directors granted:

- 23,940 bonus shares with a two-year vesting period and a two-year lockup period and 166,000 stock appreciation rights (SARs) to the Chairman and Chief Executive, subject to length of service conditions as well as performance conditions specific to the Group, such as sales, adjusted recurring EBIT and EPS, or specific to a Group entity,
- 60,745 bonus shares with a two-year vesting period and a two-year lockup period and 421,000 stock appreciation

rights (SARs) to Executive Committee members, subject to length of service conditions as well as performance conditions specific to the Group, such as sales, adjusted recurring EBIT and EPS, or specific to a Group entity,

- 35,645 bonus shares with a two-year vesting period and a two-year lockup period to beneficiaries of the Group's American subsidiaries, subject to length of service conditions as well as performance conditions, such as sales and adjusted recurring EBIT,
- 74,515 bonus shares to grade-qualifying beneficiaries of other Group subsidiaries. For beneficiaries who are French tax residents, the vesting period was set at two years with a two-year lockup period. For beneficiaries who are foreign tax residents in France, the vesting period was set at four years with no lockup period. The attributions are subject to length of service conditions as well as performance conditions, such as sales and adjusted recurring EBIT,
- 29,750 bonus shares to other grade-qualifying beneficiaries of other Group subsidiaries. For beneficiaries who are French tax residents, the vesting period was set at two years with a two-year lockup period. For beneficiaries who are foreign tax residents in France, the vesting period was set at four years with no lockup period. The attributions are subject to length of service conditions but not performance conditions.

On **28 March 2013,** the Board of Directors granted:

- 22,590 bonus shares with a two-year vesting period and a two-year lockup period to the Chairman and Chief Executive, subject to length of service conditions as well as performance conditions specific to the Group, such as sales, adjusted recurring EBIT and EPS, or specific to a Group entity;
- 17,169 bonus shares with a two-year vesting period and a two-year lockup period to the Deputy Chairman and Chief Executive, subject to length of service conditions as well as performance conditions specific to the Group, such as sales, adjusted recurring EBIT and EPS, or specific to a Group entity;
- 40,100 bonus shares with a two-year vesting period and a two-year lockup period to Executive Committee members, subject to length of service conditions as well as performance conditions specific to the Group, such as sales, adjusted recurring EBIT and EPS, or specific to a Group entity;
- 34,329 bonus shares with a two-year vesting period and a two-year lockup period to beneficiaries of the Group's American subsidiaries, subject to length of service conditions as well as performance conditions, such as sales and adjusted recurring EBIT;
- 109,816 bonus shares with a two-year vesting period and a two-year lockup period to beneficiaries of the Group's other subsidiaries, subject to length of service conditions as well as performance conditions specific to the Group, such as sales, adjusted recurring EBIT and EPS, or specific to a Group entity.

5.4.3.1 Details of Ipsen bonus share plans

	Plan dated 14 Nov. 2005	Plan dated 12 Dec. 2006	Plan dated 30 May 2007	Plan dated 12 Dec. 2007		Plan dated 29 Sept. 2008		Plan dated 22 Jan. 09		Plan dated 27 Feb. 09		Plan dated 30 Mar. 2009	Plan dated 10 Nov. 2009	
Number of bonus shares	23,000	18,000	8,000 (*)	26,000	1,000 (*)	19,800 (*)	13,300 (*)	54,870 (*)	44,670 (*)	26,000 (*)	3,000 (*)	24,730 (*)	11,000	2,500 (*)
Vesting period (in years)	2 (**)	2 (**)	2 (**)	2 (**)	2 (**)	2 (**)	4 (***)	2 (**)	4 (***)	2 (**)	4 (***)	4 (***)	2 (**)	2 (**)
Dividend payout rate	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Employee 2-year interest rate	4.00%	4.75%	4.80%	5.30%	5.30%	5.52%	–	5.85%	–	5.85%	–	–	2.04%	2.04%
2-year interest rate	2.80%	3.73%	4.39%	4.07%	4.07%	3.56%	–	1.79%	–	1.54%	–	–	1.35%	1.35%
2-year forward rate	2.80%	3.68%	4.39%	4.27%	4.27%	4.07%	–	3.24%	–	3.32%	–	–	3.24%	3.24%
4-year interest rate	–	–	–	–	–	–	3.81%	–	2.51%	–	2.43%	2.46%	–	–
Cost of non-transferability of shares	2.50%	2.01%	0.77%	1.93%	1.93%	2.71%	–	4.83%	–	4.69%	–	–	3.38%	3.38%
Cost of dividends lost	2.80%	2.87%	2.85%	2.86%	2.86%	2.88%	5.66%	2.93%	5.73%	2.93%	5.73%	5.73%	2.94%	2.94%
Reduction rate	5.00%	4.82%	3.60%	4.74%	4.74%	5.51%	5.66%	7.62%	5.73%	7.48%	5.73%	5.73%	6.21%	6.21%
Value of shares of date granted, before reduction	€22.20	€33.21	€39.13	€41.35	€41.35	€31.45	€31.45	€32.28	€32.28	€30.19	€30.19	€28.00	€35.37	€35.37
Fair value of bonus shares	**€21.09**	**€31.61**	**€37.72**	**€39.39**	**€39.39**	**€29.72**	**€29.67**	**€29.82**	**€30.43**	**€27.93**	**€28.46**	**€26.40**	**€33.17**	**€33.17**

	Plan dated 31 March 2010					Plan dated 30 June 2011				Plan dated 30 March 2012				
	1.1	1.2	1.3	1.4	1.5	1.1	1.2	1.3	1.4	1.1	1.2	1.3	1.4	1.5
Number of bonus shares	4,490 (*)	13,750 (*)	29,340 (*)	17,580 (*)	29,110 (*)	27,331	68,030 (*)	44,790 (*)	15,755 (*)	84,685	73,649	19,416	11,200 (*)	35,645
Vesting period (in years)	2	2	2 (**)	4 (***)	4 (***)	2 (**)	2 (**)	4 (***)	2 (***)	2 (**)	2 (**)	2 (**)	4 (***)	2 (***)
Dividend payout rate	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Employee 2-year interest rate	4.72%	4.72%	4.72%	1.96%	1.96%	4.48%	4.48%	–	4.48%	8.19%	8.19%	8.19%	8.19%	8.19%
2-year interest rate	0.98%	0.98%	0.98%	0.98%	0.98%	1.71%	1.71%	–	1.71%	0.61%	0.61%	0.61%	0.61%	0.61%
2-year forward rate	2.95%	2.95%	2.95%	–	–	3.14%	3.14%	–	3.14%	2.14%	2.14%	2.14%	–	2.14%
4-year interest rate	–	–	–	1.96%	1.96%	–	–	2.42%	–	–	–	–	1.37%	–
Cost of non-transferability of shares	3.32%	3.32%	3.32%	–	–	2.53%	2.53%	–	2.53%	10.80%	10.80%	10.80%	–	10.80%
Cost of dividends lost	2.95%	2.95%	2.95%	5.76%	5.76%	2.93%	2.93%	5.73%	2.93%	2.96%	2.96%	2.96%	5.79%	2.96%
Reduction rate	6.17%	6.17%	6.17%	5.76%	5.76%	5.38%	5.38%	5.73%	5.38%	13.44%	13.44%	13.44%	5.79%	13.44%
Value of shares on date granted, before reduction	€36.16	€36.16	€36.16	€36.16	€36.16	€24.46	€24.46	€24.46	€24.46	€20.50	€20.50	€20.50	€20.50	€20.50
Fair value of bonus shares	**€31.18**	**€31.18**	**€33.92**	**€34.07**	**€34.07**	**€23.14**	**€23.14**	**€23.06**	**€23.14**	**€17.75**	**€17.75**	**€17.75**	**€19.31**	**€17.75**

(*) Bonus shares free of any performance conditions specific to the Group or the stock market.
(**) Beneficiaries who are French tax residents.
(***) Beneficiaries who are not French tax residents.

	Plan dated 28 March 2013				
	1.1	1.2	1.3	1.4	1.5
Number of bonus shares	79,859	78,485	21,791	9,540	34,329
Vesting period (in years)	2	2	4	4	2
Dividend payout rate	1.50%	1.50%	1.50%	1.50%	1.50%
Employee 2-year interest rate	8.61%	8.61%	8.61%	8.61%	8.61%
2-year interest rate	0.16%	0.16%	0.16%	0.16%	0.16%
2-year forward rate	1.07%	1.07%			1.07%
4-year interest rate			0.61%	0.61%	
Cost of non-transferability of shares	(15.89)%	(15.89)%	(5.83)%	(5.83)%	(15.89)%
Cost of dividends lost					
Reduction rate	(15.89)%	(15.89)%	(5.83)%	(5.83)%	(15.89)%
Value of shares on date granted, before reduction	€27.91	€27.91	€27.91	€27.91	€27.91
Fair value of bonus shares	**€23.47**	**€23.47**	**€26.28**	**€26.28**	**€23.47**

5.4.3.2 Valuation of Ipsen bonus share plans

(in thousands of euros)	Plan dated 14 Nov. 2005	Plan dated 12 Dec. 2006	Plan dated 30 May 2007	Plan dated 12 Dec. 2007	Plan dated 29 Sept. 2008		Plan dated 22 Jan. 2009		Plan dated 27 Feb. 2009	Plan dated 30 Mar. 2009	Plan dated 10 Nov. 2009
Opening valuation	485 (*)	569 (*)	302 (*)	1,064 (*)	588 (*)	395 (**)	1,643 (*)	1,359 (**)	811 (*)	653 (**)	448 (*)
2013 non-cash expense	–	–	–	–	–	–	–	10	–	21	–
2012 non-cash expense	–	–	–	–	–	25	–	147	–	13	–

(*) Beneficiaries who are French tax residents.
(**) Beneficiaries who are not French tax residents.

(in thousands of euros)	Plan dated 31 March 2010					Plan dated 30 June 2011				Plan dated 30 March 2012				
	1.1	1.2	1.3	1.4	1.5	1.1	1.2	1.3	1.4	1.1	1.2	1.3	1.4	1.5
Opening valuation	140	429	995	599	992	633	1,574	1,033	365	1,503	1,307	345	216	633
2013 non-cash expense	–	–	–	102	188	94	397	124	75	440	510	133	48	168
2012 non-cash expense	–	(27)	67	113	160	318	1,193	(174)	180	568	492	127	41	207

(in thousands of euros)	Plan dated 28 March 2013					Total
	1.1	1.2	1.3	1.4	1.5	
Opening valuation	1,874	1,842	573	251	806	**24,427**
2013 non-cash expense	713	682	106	45	288	**4,144**
2012 non-cash expense	–	–	–	–	–	**3,450**

Note 6 Depreciation, amortization, provisions and impairment losses

6.1 Net depreciation, amortization, provisions and impairment losses recorded as operating expenses

(in thousands of euros)	31 December 2013	31 December 2012 Restated
Intangible assets	(12,349)	(13,219)
Property, plant & equipment	(29,253)	(26,783)
Total fixed assets	**(41,602)**	**(40,003)**
Other non-current assets	–	–
Total non-current assets (A)	**(41,602)**	**(40,003)**
Retirement benefit obligations	(7,116)	1,099
Provisions [1]	31,720	(38,117)
Total provisions (B)	**24,604**	**(37,018)**
Total net charge excluding current assets C = [A+B]	**(16,998)**	**(77,021)**
Inventories	8,457	(4,931)
Trade receivables and other current assets [2]	2,187	(1,156)
Total current assets	**10,644**	**(6,087)**
Total	**(6,354)**	**(83,108)**
Impairment losses on goodwill, intangible assets and property, plant and equipment [3]	(12,591)	2,378
TOTAL	**(18,945)**	**(80,730)**

(1) See note 22.
(2) See note 18.1.
(3) See notes 6.4 and 12.

Depreciation, reversals and any losses in trade receivables related to sales of drugs recognized in the Group's accounts amounted to a gain of €1.5 million in 2013.

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

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

(in thousands of euros)	31 December 2013	31 December 2012 Restated
Operating – excluding current assets (note 6.1 – C)	(16,998)	(77,021)
Financial	(3,973)	10,057
Taxes	(4,774)	(3,273)
Depreciation and amortization before impairment and excluding current assets	**(25,745)**	**(70,237)**
Impairment losses included in operating income (note 6.4)	(12,591)	2,378
Impairment losses	**(12,591)**	**2,378**

6.3 Net depreciation and amortization expense

(in thousands of euros)	31 December 2013	31 December 2012 Restated
Net amortization expense – other intangible assets	(4,393)	(5,751)
Net depreciation and amortization expense – property, plant and equipment & software	(37,210)	(34,252)
Total (note 6.1 – A)	**(41,602)**	**(40,003)**

6.3.1 Net amortization expense – other intangible assets (excluding software)

This item concerns the amortization of intangible assets, excluding software-related intangible assets.

At 31 December 2013, amortization expense for intangible assets came to €4.4 million, compared with amortization expense of €5.8 million the previous year. The decline stemmed from the amortization of the IGF-1 license following the impairment loss recognized in the first half of 2013, as well as the fully completed amortization of Exforge.

This item primarily includes the amortization of the license for the six-month formulation of Decapeptyl®, commercialized since February 2010, and the license for Hexvix®, marketed since October 2011.

6.3.2 Breakdown of net depreciation and amortization expense – property, plant and equipment and software

(in thousands of euros)	31 December 2013	31 December 2012 Restated
Cost of goods sold	(13,055)	(11,674)
Research and development expenses	(5,086)	(3,907)
Selling expenses	(508)	(555)
General expenses	(18,561)	(18,116)
Total	**(37,210)**	**(34,252)**

6.4 Impairment losses

6.4.1 2013 financial year

At 31 December 2013, the Group recorded non-recurring impairment losses totalling €12.6 million.

In the first half of 2013, Ipsen announced that Lonza, the supplier of Increlex®'s active ingredient (mecasermin [rDNA origin]), was facing manufacturing issues with Increlex® at its Hopkinton (MA, USA) production site. Increlex® supply interruption began in the US in mid-June 2013, and affected Europe and the rest of the world in the third quarter of the year.

Furthermore, Lonza on 25 July 2013 announced that it would gradually wind down its Hopkinton site. Lonza however said that the closure would not affect its obligations to customers.

In view of the supply interruption and the uncertainty about the date of re-supply in the US, the Group recognized a non-recurring €11.6 million impairment loss on the Increlex® IGF-1 active ingredient at 30 June 2013.

On 18 December 2013, the Groupe announced that Lonza had successfully re-manufactured the active ingredient of Increlex®. The European Medicines Agency (EMA) was informed that Ipsen was preparing for the resupply of Increlex® in the European Union (EU). Consultations with the EU Member States' national competent authorities allowed for a re-supply early 2014.

However, resupply in the US is still under review. Ipsen is actively working with its third party manufacturer and the Food and Drug Administration (FDA) to bring Increlex® back to the US market as soon as possible. Given the uncertainty

around the resupply of the US market, there was no accrual reversal related to Increlex®'s active ingredient in the consolidated financial statements for the year ended 31 December 2013.

With this impairment loss, the carrying value of the IGF-1 active ingredient became zero.

Ipsen also recognized a €1.0 million impairment loss following a decision by the Group not to exercise its right to develop a neurology program.

6.4.2 2012 financial year

At 31 December 2012, the Group recorded a non-recurring reversal of an impairment loss totalling €2.4 million.

6.4.2.1 Dreux industrial site tangible assets

On 11 July 2012, the Group announced its decision to keep Dreux industrial site within its scope of operations. The decision was based on the growth outlook for primary care in international markets, and higher-than-anticipated production volumes at the site since the beginning of the year.

The new forecasts made it possible to maintain the site's industrial activities and employment.

Following the announcement, the Group reassessed the industrial site's asset value based on new information, and reversed a €12.5 million impairment loss in the consolidated financial statements at 31 December 2012.

6.4.2.2 Nisis®-Nisisco®

The Group recognized a €10.1 million impairment loss on its Nisis®-Nisisco® primary care brand, following a move by the French government to implement a stricter "third-party payment" rule in July 2012. The measure, which now requires patients to advance part of the price of originator drugs when a generic drug is available on the market, has resulted in the unprecedented penetration of generics in France.

6.4.2.3 IGF-1 License

The Group was able to maintain the supply of Increlex® (IGF-1), a treatment for Severe Primary IGF-1 Deficiency, on the American market, despite regulatory delays in approving the production site. The Group is working closely with the U.S. Food and Drug Administration (FDA) to keep supplying the product.

Furthermore, Ipsen and Lonza continue to work with the FDA to ensure that American patients have access to this important drug. The Group continues to closely monitor the product's supply trend situation. At 31 December 2012, no additional impairment losses were recorded in the consolidated financial statements.

Note 7 Other operating income and expenses

Other operating income, which primarily included revenue from subleasing Ipsen's headquarters, amounted to €5.7 million in 2013, compared with €5.6 million in the prior year.

Other operating expenses came to €12.0 million, down from €25.8 million in 2012. Other operating expenses primarily included non-recurring costs related to the acquisition of Syntaxin Ltd., the reorganization of the US subsidiary and the settlement of a trade dispute with a partner, as well as headquarters rental costs.

Note 8 Restructuring costs

The Group recorded €0.2 million in non-recurring restructuring costs, mainly arising from the reversal of an accrual related to the primary care restructuring plan in France, offset by restructuring costs in the US (non-recurring costs of €4.1 million, which primarily included compensation-related expenses for the early termination of employment contracts) and by costs incurred by the Group to accelerate the implementation of transformation initiated in 2011, that aims at adapting the Group's operating structures to future challenges. In 2013, these costs were mainly related to measures taken to adjust resources in certain geographies following the implementation of the new strategy, the transformation and reorganization of Research and Development activities and the adjustment of support functions.

In June 2013, as part of its effort to accelerate the execution of its strategy in the United States, the Group adopted a new account management organizational model for the distribution of Dysport® in therapeutic indications in the US market. The decision was based on the growing importance of payer driven decision-making and new market access conditions in healthcare. Accordingly, Dysport® sales forces were streamlined and refocused to better serve physicians and patients.

At 31 December 2013, the Group recognized non-recurring costs of €4.1 million, which primarily included compensation-related expenses for the early termination of employment contracts.

Note 9 Financial income/(expense)

9.1 Net financing costs

(in thousands of euros)	31 December 2013	31 December 2012 Restated
Proceeds from sales of short-term investments	103	888
Total income from financial assets held for trading	**103**	**888**
Other financial income	7,929	107
Total income from loans and receivables	**7,929**	**107**
Investment income	**8,032**	**996**
Interest on debt	(1,711)	(1,652)
Interest on employee profit-sharing fund	(399)	(571)
Total expenses on financial liabilities measured at amortized cost	**(2,110)**	**(2,223)**
Financial expenses on rate option	(139)	(96)
Total expenses on financial assets held for trading	**(139)**	**(96)**
Financing costs	**(2,249)**	**(2,319)**
Net financing costs	**5,783**	**(1,323)**

The "net financing costs" item showed income of €5.8 million, compared to a €1.3 million expense at 31 December 2012. The net income stemmed mainly from a financial gain on the repayment of Debtor-in-Possession (DIP)-type financing granted by Ipsen to Inspiration Biopharmaceuticals Inc. at the end of 2012, following the sale of its hemophilia assets to Baxter and Cangene.

9.2 Other financial income and expense

(in thousands of euros)	31 December 2013	31 December 2012 Restated
Other exchange differences	(11,179)	(5,296)
Income and expenses on financial assets and liabilities at fair value	**(11,179)**	**(5,296)**
Impairment of investments in non-consolidated companies	(488)	11,592
Impairment of other financial assets	(2,001)	–
Gain (loss) from disposal of available-for-sale financial assets	–	–
Income and expenses on available-for-sale financial assets	**(2,489)**	**11,592**
Financial income on employee benefits (note 5.3.2)	1,345	1,662
Interest on employee benefits (note 5.3.2)	(2,709)	(3,150)
Other financial income and expenses	266	1,964
Total other financial income and expense	**(14,766)**	**6,772**

Other financial income and (expenses) amounted to expenses of €14.8 million at 31 December 2013. The expenses arose primarily from a negative €11.2 million foreign exchange impact and a €2.0 million write down on convertible bonds subscribed by the Group to develop a neurology program.

At 31 December 2012, the Group recognized other financial income of €6.8 million, resulting from an unfavourable exchange rate impact, non-recurring, earnout income from the sale of PregLem Holdings SA shares in 2010, and a financial gain from the sale of shares in Spirogen Plc. during the year.

Note 10 Income taxes

10.1 Tax expense

10.1.1 Breakdown of tax expense

(in thousands of euros)	31 December 2013	31 December 2012 Restated
Current tax	(27,922)	(19,126)
Deferred tax	(11,640)	(6,073)
Tax expense	**(39,562)**	**(25,199)**

10.1.2 Effective tax rate

(in thousands of euros)	31 December 2013	31 December 2012 Restated
Net profit (loss) from continuing operations	142,202	97,379
Share of profit (loss) from associated companies	–	–
Profit from continuing operations before share of results from associated companies	**142,202**	**97,379**
Income taxes	(39,562)	(25,199)
Pre-tax profit from continuing operations before share of results from associated companies	**181,764**	**122,578**
Effective tax rate	**21.8%**	**20.6%**

At 31 December 2013, the effective tax rate came to 21.8% of pre-tax profit from continuing operations, compared with an effective rate of 20.6% a year earlier.

The difference resulted from the implementation in France of a new 3.0% tax on dividend payouts, which negatively impacted the 2013 effective tax rate by 1.1 percentage points.

Excluding non-recurring operating, financial and fiscal items, the Group's effective tax rate came to 20.6% in 2013, compared with 23.3% in 2012.

10.1.3 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 three years presented:

(in thousands of euros)	31 December 2013	31 December 2012 Restated
Pre-tax profit from continuing operations before share of results from associated companies	181,764	122,578
Group tax rate	34.43%	34.43%
Nominal tax expense	**(62,587)**	**(42,208)**
(Increase)/decrease in tax expense arising from:		
– Tax credits	26,295	24,986
– Non-recognition of tax impact on certain losses during the year	(2,931)	(8,664)
– Utilization of tax losses not recognized as deferred tax assets	327	221
– Recognition of deferred tax assets	(325)	(4,753)
– Other permanent differences [1]	(341)	5,218
Effective tax expense	**(39,562)**	**(25,200)**

(1) The other permanent differences in 2013 included:
- €17.9 million related to differences in tax rates applied to foreign subsidiaries,
- €2.6 million related to the reduced tax rate on royalties in France,
- A €20.2 million loss related to other permanent differences, notably the non-tax deductibility of promotion-tax and sales-based contributions for €1.7 million, the recognition of the CVAE business tax (*Cotisation sur la Valeur Ajoutée des Entreprises*) as income tax for €3.7 million, the increase in France's tax on dividend payouts for €4.2 million, and the €2.5 million cost of the non-recurring increase in the corporate tax rate in France.

10.2 Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities in 2013 can be broken down as follows:

(in thousands of euros)	31 December 2012 Restated	Movements during the year						31 December 2013
		Foreign exchange differences	Deferred taxes recorded directly to equity	SoRie	Income statement income / expense from discontinued operations	Income statement income / expense	Changes in consolidation scope	
Deferred tax assets	215,638	(5,087)	–	406	3,397	(11,822)	–	202,532
Deferred tax liabilities	(2,451)	(101)	–	(588)	–	182	(3,800)	(6,758)
Net assets / (liabilities)	**213,187**	**(5,188)**	**–**	**(182)**	**3,397**	**(11,640)**	**(3,800)**	**195,774**

A significant portion of the Group's deferred tax assets and liabilities were related to US-based Ipsen Biopharmaceuticals Inc. (formerly Tercica Inc.), based on the subsidiary's tax loss carryforwards and temporary differences.

Deferred tax assets and liabilities also resulted from French tax loss carryforwards related to losses recognized in 2012 on activities that were sold.

The €11.6 million decrease recognized in "Income statement income / expense" includes the allocation of €6.7 million in French tax losses and the reversal of a previously non-deductible provision totalling €7.2 million related to the establishment of the new sales organization in France.

At 31 December 2013, unrecognized deferred tax assets amounted to €55.0 million. That amount corresponds primarily to the Group's unused R&D tax credits and tax losses not carried forward at 31 December 2013. They were not recognized because the companies were unable to determine whether the tax assets could be used, based on their earnings forecasts.

Changes in deferred tax assets and liabilities in 2012 can be broken down as follows:

(in thousands of euros)	31 December 2011 Restated	Movements during the year						31 December 2012 Restated
		Foreign exchange differences	Deferred taxes recorded directly to equity	SoRie	Income statement income / expense from discontinued operations	Income statement income / expense	Other movements	
Deferred tax assets	188,755	(1,465)	–	4,024	31,822	(7,498)	–	215,638
Deferred tax liabilities	(2,244)	(9)	–	–	–	(198)	–	(2,451)
Net assets / (liabilities)	**186,511**	**(1,474)**	**–**	**4,024**	**31,822**	**(7,696)**	**–**	**213,187**

A significant portion of the Group's deferred tax assets and liabilities were related to US-based Ipsen Biopharmaceuticals Inc. (formerly Tercica Inc.), based on the subsidiary's tax loss carryforwards and temporary differences, as well as the deferred tax assets and liabilities related to the IGF-1 license, an intangible asset recognized in the allocation of Ipsen Biopharmaceuticals Inc.'s goodwill.

The income (expense) from discontinued operations recognized by the Group on 31 December 2012, led to the recognition of deferred tax assets totalling €31.8 million, notably as result of carrying forward €28.3 million in French tax losses.

At 31 December 2012, unrecognized deferred tax assets amounted to €73.3 million. That amount corresponds primarily to the Group's unused R&D tax credits, used temporary differences and losses, and temporary differences and tax losses not carried forward at 31 December 2012. They were not recognized because the companies were unable to determine whether the tax assets could be used, based on their earnings forecasts.

Note 11 Assets and liabilities of discontinued operations, and assets and liabilities held for sale

At 31 December 2013, the gain from discontinued operations totalled €10.9 million, versus a loss of €124.8 million a year earlier.

On 20 February 2013, Cangene Corporation (Cangene) acquired the world rights to IB1001 recombinant factor IX (rFIX). Under the terms of the agreement, Cangene agreed to make a $5.9 million payment upfront, up to $50.0 million in potential additional payments contingent on commercial milestones, and earnout payments equivalent to a double digit percentage of IB1001's annual net sales.

On 21 March 2013, the Group and Inspiration Biopharmaceuticals Inc. (Inspiration) announced the closing of the sale of its lead hemophilia program, OBI-1 to Baxter International Inc. (Baxter), the global leader in hemophilia. As part of the deal, first announced on 24 January 2013, the Group and Inspiration jointly agreed to sell their respective OBI-1 rights.

Baxter acquired the world rights to OBI-1, a recombinant porcine factor VIII in development for the treatment of congenital hemophilia A with inhibitors and acquired hemophilia A, as well as Ipsen's manufacturing facility for OBI-1 in Milford, Massachusetts, USA. The Ipsen employees working on the development and production of OBI-1 were offered employment at Baxter.

Under the terms of the deal, Baxter agreed to pay $50 million upfront, as well as potential additional payments contingent on OBI-1 development and commercial milestones. The closing completed the joint-sale process pursued by Inspiration and Ipsen shortly after Inspiration filed for protection under Chapter 11 of the U.S. Bankruptcy Code on 30 October 2012.

Ipsen provided Inspiration with $18.7 million in Debtor-in-Possession (DIP) financing to fund Inspiration's operations during the sale process. The upfront payments made by Baxter and Cangene mainly went to repay the Ipsen loan.

Hemophilia represented one of Ipsen's four therapeutic areas of focus for resources and investment. Because the business meets the criteria for discontinued operations, its result was presented on a separate line in the income statement as of 31 December 2012.

11.1 Breakdown of net profit (loss) from discontinued operations in the income statement

(in thousands of euros)	31 December 2013	31 December 2012 Restated
Revenue	**9,165**	**28,148**
Cost of goods sold	–	–
Research and development expenses	(9,484)	(27,819)
Selling expenses	(306)	(1,691)
General and administrative expenses	(1,359)	(2,054)
Other operating income	4,666	10,613
Other operating expenses	(545)	(8,166)
Other financial income and expense	(47)	(3,138)
Write-downs related to discontinued operations	–	(16,652)
Pre-tax profit (loss) from discontinued operations	**2,090**	**(20,759)**
Income taxes	**8,801**	**5,085**
Share of profit (loss) from associated companies	**–**	**(21,658)**
Impairment losses related to assets held for sale	–	(129,712)
Associated income taxes	–	42,213
Net Profit (loss) from discontinued operations	**10,891**	**(124,831)**

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

At 31 December 2012, discontinued operations generated a net loss of €124.8 million. The net loss included €16.7 million in depreciation expense from discontinued operations comprised of non-recurring losses on Group-held receivables from the rebilling of OBI-1 industrial development costs in the second and third quarters of the year, as well as rebilled expenses for setting up European operations, and a non-recurring €10.6 million gain from the accelerated recognition of deferred income recorded during the 2010 transaction with Inspiration Biopharmaceuticals Inc. following the OBI-1 sub-license agreement. The impairment losses recognized on assets held for sale stemmed from a €20.0 million provision for property, plant and equipment at the Milford site, an €18.0 million provision for intangible assets related to OBI-1 and IBI1001 rights, €85.0 million in losses on convertible bonds, and a €6.0 million loss related to the Inspiration Biopharmaceuticals Inc. warrant, which the Group waived. The tax impact from these non-recurring losses, net of the accelerated deferred income, was a €36.0 million tax credit. The net loss also included the €21.7 million share of losses in Inspiration Biopharmaceuticals Inc., which was recognized until it was reclassified in assets held for sale.

11.2 Consolidated statement of cash flow by continuing or discontinued operations

(in thousands of euros)	Notes	31 December 2013			31 December 2012 Restated		
		Continuing operations	Operations held for sale / discontinued operations	Total	Continuing operations	Operations held for sale / discontinued operations	Total
Consolidated net profit (loss)		**142,202**	**10,891**	**153,093**	**97,379**	**(124,831)**	**(27,452)**
Share of profit (loss) from associated companies before impairment losses	15.4.2		–	–	–	21,658	21,658
Impairment losses included in share of profit/loss from associated companies			–	–	–	–	–
Net profit (loss) before share from associated companies		**142,202**	**10,891**	**153,093**	**97,379**	**(103,173)**	**(5,794)**
Non-cash and non-operating items							
– Depreciation, amortization, provisions	6.1	25,624	121	25,745	70,237	–	70,237
– Impairment losses included in operating income and net financial income	6.1	12,591	–	12,591	(2,378)	125,431	123,053
– Change in fair value of financial derivatives	24.5	(105)	–	(105)	(2,474)	–	(2,474)
– Net gains or losses on disposals of non-current assets	16	623	95	718	1,882	–	1,882
– Share of government grants released to profit and loss		(67)	–	(67)	(84)	–	(84)
– Foreign exchange differences		3,436	–	3,436	(1,437)	6,066	4,629
– Change in deferred taxes	10.2	11,641	(3,397)	8,244	7,692	(31,822)	(24,130)
– Share-based payment expense	5.2	5,025	–	5,025	4,624	–	4,624
– Gain or (loss) on sales of treasury shares		173	–	173	51	–	51
– Other non-cash items		410	–	410	(182)	–	(182)
Cash flow from operating activities before changes in working capital		**201,553**	**7,710**	**209,263**	**175,310**	**(3,498)**	**171,812**
– (Increase)/decrease in inventories		2,886	–	2,886	(7,091)	–	(7,091)
– (Increase)/decrease in trade receivables		(1,828)	–	(1,828)	10,083	–	10,083
– Increase/(decrease) in trade payables		(4,577)	–	(4,577)	14,980	–	14,980
– Net change in income tax liability		14,177	(249)	13,928	(17,368)	–	(17,368)
– Net change in other operating assets and liabilities		(30,807)	(718)	(31,525)	(10,895)	(17,303)	(28,198)
Change in working capital related to operating activities	**18.1**	**(20,149)**	**(967)**	**(21,116)**	**(10,291)**	**(17,303)**	**(27,594)**
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		**181,404**	**6,743**	**188,147**	**165,019**	**(20,801)**	**144,218**

(in thousands of euros)	Notes	31 December 2013			31 December 2012 Restated		
		Continuing operations	Operations held for sale / discontinued operations	Total	Continuing operations	Operations held for sale / discontinued operations	Total
Acquisition of property, plant & equipment	14.1	(42,033)	–	(42,033)	(48,982)	–	(48,982)
Acquisition of intangible assets	13.1	(20,393)	–	(20,393)	(27,740)	(6,084)	(33,824)
Proceeds from disposal of intangible assets and property, plant & equipment		165	–	165	252	313	565
Acquisition of shares in non-consolidated companies	15.1 (A)	1	–	1	(361)	–	(361)
Acquisitions of shares in associated companies	15.4	–	–	–	–	–	–
Convertible note subscriptions	17	–	–	–	(200)	(26,683)	(26,883)
Proceeds from sales of investment securities		–	–	–	13,860	–	13,860
Payments to post-employment benefit plans	5.3.2.6	(2,302)	–	(2,302)	(6,056)	–	(6,056)
Impact of changes in the consolidation scope		(26,207)	–	(26,207)	–	–	–
Change in cash securities held for sale		–	–	–	–	–	–
Advances on other investment securities	17	–	–	–	–	–	–
Other cash flow related to investment activities	17	(441)	–	(441)	(510)	(2,928)	(3,438)
Deposits paid	17 (A)	291	–	291	(420)	–	(420)
Change in working capital related to investing activities	18.1 (B)	(12,739)	–	(12,739)	5,325	–	5,325
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES		**(103,658)**	**–**	**(103,658)**	**(64,832)**	**(35,382)**	**(100,214)**
Additional long-term borrowings	23.1 (A)	–	–	–	–	–	–
Repayment of long-term borrowings	23.1 (B)	(179)	–	(179)	(257)	–	(257)
Net change in short-term borrowings	23.1 (C)	138	–	138	–	–	–
Capital increase by Ipsen		773	–	773	–	–	–
Treasury shares		(16,400)	–	(16,400)	162	–	162
Dividends paid by Ipsen	21.6	(66,601)	–	(66,601)	(66,498)	–	(66,498)
Dividends paid by subsidiaries to minority interests		(347)	–	(347)	(1,032)	–	(1,032)
Deposits received		17	–	17	12	–	12
DIP financing		7,066	–	7,066	(7,177)	–	(7,177)
Change in working capital related to financing activities	18.1 (C)	(1,018)	–	(1,018)	1,570	–	1,570
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		**(76,551)**	**–**	**(76,551)**	**(73,220)**	**–**	**(73,220)**
CHANGE IN CASH AND CASH EQUIVALENTS		**1,195**	**6,743**	**7,938**	**26,967**	**(56,183)**	**(29,216)**
Opening cash and cash equivalents	**19.1.1**	**113,288**	**–**	**113,288**	**144,831**	**–**	**144,831**
Impact of exchange rate fluctuations		4,129	–	4,129	(2,327)	–	(2,327)
Closing cash and cash equivalents	**19.1.2**	**118,612**	**6,743**	**125,355**	**169,471**	**(56,183)**	**113,288**

Note 12 Goodwill

12.1 Net goodwill carried in the balance sheet

Changes in goodwill in 2013 can be broken down as follows:

(in thousands of euros)	31 December 2012 Restated	Movements during the period			31 December 2013
		Increases	Decreases	Exchange differences	
Gross goodwill	307,134	17,584	–	(5,286)	319,432
Impairment losses	(8,938)	–	–	216	(8,722)
Net goodwill	**298,196**	**17,584**	**–**	**(5,070)**	**310,710**

Gross goodwill shown on the balance sheet at 31 December 2013 resulted from:

- €135.3 million arising on the Group's structuring operations from 1998 to 2004, as a result of acquiring SCRAS and its subsidiaries, and €53.5 million arising on the acquisition of BB et Cie;
- €8.8 million arising on the 2004 acquisition of Sterix Ltd, which was fully amortized at the time of the business combination;
- €0.2 million arising on the acquisition of Beaufour Ipsen Farmaceutica LTA in 2007;
- €3.5 million arising on the acquisition of Vernalis Inc. on 1 July 2008, and €159.2 million arising on the acquisition of Tercica Inc. on 16 October 2008. These transactions generated residual goodwill in the amount of €105.5 million;
- €31.3 million arising on the acquisition of Syntaxin Ltd on 12 July 2013 (see note 12.2).

Changes in goodwill in 2012 can be broken down as follows:

(in thousands of euros)	31 December 2011 Restated	Movements during the period			31 December 2012 Restated
		Increases	Decreases	Exchange differences	
Gross goodwill	308,316	–	–	(1,182)	307,134
Impairment losses	(8,771)	–	–	(167)	(8,938)
Net goodwill	**299,545**	**–**	**–**	**(1,349)**	**298,196**

Gross goodwill shown on the balance sheet at 31 December 2012 resulted from:

- €135.3 million arising on the Group's structuring operations from 1998 to 2004, as a result of acquiring SCRAS and its subsidiaries, and €53.5 million arising on the acquisition of BB et Cie;
- €8.9 million arising on the 2004 acquisition of Sterix Ltd, which was fully amortized at the time of the business combination;
- €0.2 million arising on the acquisition of Beaufour Ipsen Farmaceutica LTA in 2007;
- €3.5 million arising on the acquisition of Vernalis Inc. on 1 July 2008, and €159.2 million arising on the acquisition of Tercica Inc. on 16 October 2008. These transactions generated residual goodwill in the amount of €109.2 million.

12.2 Detail of Syntaxin Ltd purchase price

On 15 July 2013, the Group announced the closing of its acquisition of Syntaxin Ltd (Syntaxin), a privately held, UK-based life sciences company specialized in botulinum toxin engineering.

Under the terms of the agreement, Ipsen paid €27.9 million upfront to acquire 90.84% of Syntaxin, thereby raising its stake to 100% in Syntaxin. In September 2013, an additional €1.2 million payment was made, with further payments contingent on the achievement of development and commercial milestones. Furthermore, under the terms of the agreement, Syntaxin's shareholders will receive the greater part of additional downstream payments related to the company's most advanced asset, currently in Phase II clinical trials.

The impact of the company's purchase is detailed in the following table:

(in thousands of euros)	Syntaxin Ltd
Cash paid for the acquisition	29,121
Fair value of deferred payments	2,200
Fair value of previously acquired Syntaxin shares	4,790
Total purchase price of the acquired company	**36,111**
Carrying value of acquired net assets and liabilities prior to fair value measurement	3,327
Goodwill arising	**32,784**
Fair value measurement of the share of acquired net assets and liabilities	
– Licenses	19,600
– Contingent liabilities	(600)
– Deferred tax liabilities	(3,800)
Total	**15,200**
Goodwill arising after allocation period	**17,584**

Completing the recognition of the business combination related to the Syntaxin purchase prompted the Group:

- to measure the fair value of previously acquired Syntaxin shares, which had been recognized as investments in non-consolidated companies in the amount of €4.8 million. The valuation corresponded to the ordinary and type C shares acquired by the Group in 2010. An upfront price was allocated to each share category during the purchase process for the remaining shares. Because type C shares were not subject to earnout payments, the upfront price was used to determine their fair value;
- to measure the fair value of additional payments that could arise from achieving development milestones (advance of certain compounds to the development phase) and commercial milestones (meeting certain sales targets). The fair value of these probability measured and discounted future payments, which came to €2.2 million, was added to the value of the purchased shares;
- to recognize a €13.9 million intangible asset corresponding to 33% of the fair value of a royalty interest Syntaxin owns on a product in phase II clinical trials that was not recognized in the company's assets at the transaction date;
- to recognize a €5.7 million intangible asset corresponding to a royalty interest Syntaxin owns on a research program in the field of recombinant botulinum toxin currently in the pre-clinical phase that was not recognized in the company's assets at the transaction date;
- to recognize a contingent liability corresponding to development milestones to be paid by Syntaxin as part of a patent sale agreement with a third party completed just before the transaction;
- the Group did not recognize deferred tax assets on losses generated previously by Syntaxin owing to a change in activity between the period when the losses were generated and the Group's acquisition of the company, with the only deferred taxes recognized being those related to the items described below.

12.3 Breakdown of acquired, Syntaxin Ltd-related assets and liabilities

(in thousands of euros)	Fair value	Carrying value	Change
Assets			
Goodwill	17,584	–	17,584
Intangible assets	19,822	222	19,600
Property, plant & equipment	771	771	–
Receivables	253	253	–
Other current assets	2,029	2,029	–
Cash and cash equivalents	3,367	3,367	–
Total assets	**43,826**	**6,642**	**37,184**
Liabilities			
Deferred tax liabilities	3,800	–	3,800
Payables and other related liabilities	890	890	–
Other liabilities	2,425	2,425	–
Bank overdrafts	–	–	–
Total liabilities	**7,115**	**3,315**	**3,800**
Contingent liabilities	600	–	600
Net assets / (liabilities)	**36,111**	**3,327**	**32,784**

12.4 Impairment of goodwill

For the purposes of impairment tests, 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.

Thus, goodwill related to the Group's structuring operations from 1998 to 2004 was allocated to the "Major Western European countries", "Rest of Europe" and "Rest of the World" operating segments in proportion to the revenue generated as of the effective historical date of the business combination (1999), and goodwill related to the acquisition of Vernalis Inc. and Tercica Inc. in the second half of 2008 was allocated to the "North America" operating segment.

The acquisition of Syntaxin Ltd, a leader in recombinant toxin engineering, enabled the Group to strengthen its platforms in toxin technology in the UK and targeted secretion inhibitors (TSI) in Ipsen's therapeutic fields of activity, namely in neurology, endocrinology and uro-oncology. The goodwill arising from the acquisition was allocated to the "Major Western European countries" operating segment.

The recoverable value of the respective cash-generating units corresponds to the value in use based on discounting of the related estimated future cash flows. These cash flows are based on short-term and medium-term estimates (such as forecasts, annual budgets, and four-year strategic plans) for the historical operating segments (Major Western European countries, Rest of Europe, and Rest of the World), as well as longer-term forecasts (specific 12-year long-term plans) for the North America operating segment, on which the Group is particularly focused.

At 31 December 2013 and 31 December 2012, no impairment losses related to goodwill were recorded.

The previously recorded impairment loss concerned solely the goodwill arising on the acquisition of Sterix Ltd.

Impairment tests are prepared by the Group as of 30 September.

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

	Major Western European countries		Rest of Europe		Rest of the World		North America		Total	
(in millions of euros)	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Net book value at 30 September										
Goodwill	160	144	19	19	27	26	105	109	311	298
Net underlying assets	231	293	159	166	168	168	26	22	584	674
Total	**391**	**437**	**178**	**185**	**195**	**194**	**131**	**131**	**895**	**972**
Perpetuity growth rate	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**2%**	**2%**	**–**	**–**
Discount rate	**9%**	**9%**	**9%**	**9%**	**9%**	**9%**	**11%**	**10%**	**–**	**–**

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

A change in the discount rate for the "Major Western European countries" cash-generating unit, representing a key assumption in these estimates, to 1.4 times its present value (1.4 times at 31 December 2012), would result in a book value equal to the value in use.

A decrease in sales for the "Major Western European countries" cash-generating unit, representing a key assumption in these estimates, of more than 6% of its present value (5% at 31 December 2012), would result in a book value equal to the value in use.

A change in the discount rate for the "Rest of Europe" cash-generating unit, representing a key assumption in these estimates, to 3.0 times its present value (2.8 times at 31 December 2012), would result in a book value equal to the value in use.

A decrease in sales for the "Rest of Europe" cash-generating unit, representing a key assumption in these estimates, of more than 19% of its present value (17% at 31 December 2012), would result in a book value equal to the value in use.

A change in the discount rate for the "Rest of the World" cash-generating unit, representing a key assumption in these estimates, to 1.9 times its present value (1.6 times at 31 December 2012), would result in a book value equal to the value in use.

A decrease in sales for the "Rest of the World" cash-generating unit, representing a key assumption in these estimates, of more than 7% of its present value (5% at 31 December 2012), would result in a book value equal to the value in use.

A change in the discount rate for the "North America" cash-generating unit, representing a key assumption in these estimates, to 1.4 times its present value (1.1 times at 31 December 2012), would result in a book value equal to the value in use.

A decrease in sales for the "North America" cash-generating unit, representing a key assumption in these estimates, of more than 26% of its present value (37% at 31 December 2012), would result in a book value equal to the value in use.

At 31 December 2013 and 2012, no impairment loss related to goodwill were recorded. The impairment loss previously recorded concerned only the goodwill arising on the acquisition of Sterix Ltd.

Note 13 Other intangible assets

13.1 Movements

Movements in 2013 can be broken down as follows:

(in thousands of euros)	31 December 2012 Restated	Movements during the year					31 December 2013
		Increases	Decreases	Changes in consolidation scope	Exchange differences	Other movements	
Intellectual property	412,125	15,000	(2,228)	19,834	(6,481)	5,070	443,320
Intangible assets in progress	2,001	5,393	–	–	9	(664)	6,739
Advance payments	4,080	–	–	–	–	(4,080)	–
Gross assets	**418,206**	**20,393**	**(2,228)**	**19,834**	**(6,472)**	**326**	**450,059**
Amortization	(103,105)	(12,547)	1,808	(12)	1,484	(134)	(112,506)
Impairment losses	(185,925)	(12,590)	294	–	5,466	(1)	(192,756)
Net assets	**129,176**	**(4,744)**	**(126)**	**19,822**	**479**	**191**	**144,797**

Movements in "Intellectual property" are mainly due to the recognition of the upfront payment of €12 million to Active Biotech as part of the partnership to co-develop and commercialize Tasquinimod "TASQ", and the €1.6 million milestone payment to Mayoly Spindler for its cross-partnership with Ipsen in primary care in France. Changes in the consolidation scope relate primarily to the allocation of the purchase price of Syntaxin Ltd, described in note 12.2.

Movements in "Impairment losses" are detailed in notes 13.1 and 14.1.

Movements in 2012 can be broken down as follows:

(in thousands of euros)	31 December 2011 Restated	Movements during the year					31 December 2012 Restated
		Increases	Decreases	Changes in consolidation scope	Exchange differences	Other movements	
Intellectual property	399,125	24,901	(1,690)	–	(975)	(9,236)	412,125
Intangible assets in progress	2,448	1,397	–	–	1	(1,845)	2,001
Advance payments	4,202	1,443	–	–	–	(1,565)	4,080
Gross assets	**405,775**	**27,740**	**(1,690)**	**–**	**(972)**	**(12,646)**	**418,206**
Amortization	(92,049)	(13,220)	1,395	–	331	436	(103,105)
Impairment losses	(178,138)	(10,135)	1,465	–	883	–	(185,925)
Net assets	**135,588**	**4,385**	**1,171**	**–**	**242**	**(12,210)**	**129,176**

Movements in "Intellectual property" were mainly due to the recognition of the upfront payment of €20.0 million to Active Biotech as part of the partnership to co-develop and commercialize Tasquinimod "TASQ" (see note 1.1.3).

Movements in "Advance payments" and "Intangible assets in progress" include primarily capital expenditures related to the renewal of the Group's information systems.

The "Other Movements" rubric corresponds to the transfer of €12.2 million in OBI-1 rights acquired from Octagen in June 2008 to "Assets held for sale", as well as €6.1 million in rFix rights acquired as part of the partnership with Inspiration Biopharmaceuticals Inc. in August 2012. A non-recurring provision for those assets was subsequently recognized following the two purchase agreements signed with Baxter and Cangene.

The "Impairment losses" item corresponds primarily to the €10.1 million impairment loss arising on the Nisis®-Nisisco® primary-care brand (see note 6.4).

13.2 Impairment tests on intangible assets with an indefinite useful life

13.2.1 2013 financial year

At 31 December 2013, the Group had one intangible asset with a total book value of €57 million, before taking into account recognized impairment losses. The asset corresponds to a right acquired for proprietary oncology drugs that are in an advanced phase of development but have not yet obtained market approval. As a result, it was not amortized, in accordance with the Group's accounting principles (see note 3.14). For this intangible asset, the recoverable amount corresponds to the value in use based on estimated expected future cash flows, taking into account:

- short-term and medium-term estimates (such as forecasts, annual budgets, and four-year strategic plans) as well as longer-term forecasts made by the Group's operating entities,
- the duration of the economic life intrinsic to the proprietary drug. When it exceeds the time horizon of the Group's forecasts, a terminal value is used,
- the probability of winning market approval for the proprietary drug when it is still in the development phase,
- the discount rate (weighted average cost of capital determined by the Group).

Ipsen also recognized a €1 million impairment loss in its financial statements for the year ended 31 December 2013, following a decision by the Group not to exercise its right to develop a neurology program. That program was previously classified in Intangible assets with an indefinite useful life.

13.2.2 2012 financial year

At 31 December 2012, the Group had two intangible assets with a total book value of €46 million before taking into account recognized impairment losses. These assets were rights acquired for proprietary oncology and neurology drugs that were in an advanced phase of development but had not yet obtained market approval. As a result, they were not amortized, in accordance with the Group's accounting principles (see note 3.14). For those two intangible assets, the recoverable amount corresponds to the value in use based on estimated expected future cash flows, taking into account:

- short-term and medium-term estimates (such as forecasts, annual budgets, and four-year strategic plans) as well as longer-term forecasts made by the Group's operating entities,
- the duration of the economic life intrinsic to the proprietary drug. When it exceeds the time horizon of the Group's forecasts, a terminal value is used,
- the probability of winning market approval for the proprietary drug when it is still in the development phase,
- the discount rate (weighted average cost of capital determined by the Group).

At 31 December 2012, no additional impairment losses relating to those assets were recognized in the consolidated financial statements.

13.3 Impairment tests on intangible assets with a definite useful life

13.3.1 2013 financial year

In the first half of 2013, Ipsen announced that Lonza, the supplier of Increlex®'s active ingredient, was facing manufacturing issues with Increlex® at its Hopkinton production site (MA, USA). Increlex® supply interruptions began in the US in mid-June of 2013, and affected Europe and the rest of the world in the third quarter of the year.

Furthermore, Lonza on 25 July 2013 announced that it would gradually close its Hopkinton site, where Increlex® is produced. Lonza said, however, that the closure would not affect its obligations to customers.

Given the supply interruptions in the market and the uncertainty about the date of resupply in the US, the Group recognized a non-recurring, €11.6 million impairment loss on the Increlex® IGF-1 active ingredient at 30 June 2013. Ipsen announced on 18 December 2013 that Lonza had successfully re-manufactured Increlex®'s active ingredient and that the European Medicines Agency (EMA) had been informed of Ipsen's preparations for resupplying Increlex® in the European Union (EU).

Consultations with the national competent authorities in EU-member states led to the resupply of Increlex® at the start of 2014.

However, resupply in the US is still under review. Ipsen continues to actively manage the US supply interruption, to reduce its impact on patients and their families.

Given the supply uncertainty in the US market, no provisions related to the Increlex® active ingredient were reversed in the consolidated financial statements for the year ended 31 December 2013.

The €11.6 million impairment loss was allocated to the Group's "Major Western European countries" operating segment.

With this impairment loss, the book value of the IGF-1 active ingredient became zero.

13.3.2 2012 financial year

In the second half of 2012, the French government strengthened the "third-party payment" rule, which requires patients to advance part of the price of originator drugs when a generic drug is available on the market, resulting in the unprecedented penetration of generics in France. Sales of Nisis®-Nisisco® were severely penalised by the measure. As a consequence, the Group recognized a €10.0 million impairment loss on the Nisis®-Nisisco® brand at 31 December 2012, bringing its value down to zero. The impairment loss was allocated to the Group's "Major Western European countries" operating segment.

13.4 Breakdown of intangible assets by asset type

(in thousands of euros)	31 December 2013			31 December 2012 Restated		
	Gross value	Amortization & Impairment	Net value	Gross value	Amortization & Impairment	Net value
Brands and trademarks	21,100	(20,871)	229	21,394	(21,166)	228
Licenses	324,985	(217,406)	107,579	298,079	(207,383)	90,696
Patents	9,248	(8,975)	273	9,363	(8,942)	420
Know-how	10,096	(8,496)	1,600	8,505	(8,505)	–
Software	77,434	(49,264)	28,170	74,059	(42,497)	31,562
Purchased goodwill	193	(183)	10	185	(183)	2
Other intangible assets	264	(67)	197	544	(357)	187
Intangible assets in progress	6,739	–	6,739	2,001	–	2,001
Advance payments	–	–	–	4,080	–	4,080
Total	**450,059**	**(305,262)**	**144,797**	**418,209**	**(289,033)**	**129,176**
Of which impairment losses		*(192,756)*			*(185,925)*	

At 31 December 2013, impairment losses were recognized in the amounts of €20.9 million for brands and trademarks, €162.1 million for licenses, €1.5 million for patents, €8.2 million for know-how, and €0.2 million for purchased goodwill.

At 31 December 2012, impairment losses were recognized in the amounts of €21.2 million for brands and trademarks, €155.0 million for licenses, €1.5 million for patents, €8.2 million for know-how, and €0.2 million for purchased goodwill.

In 2013, the net amount of intangible assets with an indefinite useful life came to €57 million, versus €46 million in 2012. The assets were related to rights acquired for proprietary drugs in an advanced stage of development that had not yet obtained market approval, and were classified as "Licenses". Because the assets are still in progress, they have not yet been allocated to an operating segment.

Note 14 Property, plant & equipment

14.1 Breakdown by asset type

Movements in 2013 can be broken down as follows:

(in thousands of euros)	31 December 2012 Restated	Movements during the year					31 December 2013
		Increases	Decreases	Changes in consolidation scope	Exchange differences	Other movements	
Land	16,880	–	–	–	(81)	352	17,151
Buildings	175,816	1,492	(1,121)	–	(491)	6,871	182,567
Plant & equipment	234,121	2,227	(6,851)	–	(2,143)	5,749	233,103
Other assets	103,508	3,670	(2,794)	3,203	(539)	756	107,804
Assets in progress	116,861	34,285	(41)	–	(1,587)	(25,953)	123,565
Advance payments	117	359	–	–	–	(473)	3
Gross property, plant and equipment	**647,303**	**42,033**	**(10,807)**	**3,203**	**(4,841)**	**(12,698)**	**664,193**
Depreciation	(353,022)	(29,253)	10,544	(2,432)	2,115	7,838	(364,210)
Impairment losses	(12,500)	–	–	–	–	–	(12,500)
Depreciation & impairment losses	**(365,522)**	**(29,253)**	**10,544**	**(2,432)**	**2,115**	**7,838**	**(376,710)**
Net property, plant and equipment	**281,781**	**12,780**	**(263)**	**771**	**(2,726)**	**(4,860)**	**287,483**

Investments in property, plant and equipment totalled €42.0 million and consisted mainly of investments needed to maintain the Group's production equipment, as well as investments in capacity at the Wrexham, Dublin and Signes sites, and investments for equipment at the Group's research and development sites.

Movements in 2012 can be broken down as follows:

(in thousands of euros)	31 December 2011 Restated	Movements during the year					31 December 2010 Restated
		Increases	Decreases	Changes in consolidation scope	Exchange differences	Other movements	
Land	18,049	2	–	–	36	(1,207)	16,880
Buildings	190,119	690	(612)	–	640	(15,021)	175,816
Plant & equipment	234,978	3,385	(5,444)	–	1,223	(21)	234,121
Other assets	100,742	9,476	(8,940)	–	117	2,113	103,508
Assets in progress	102,374	34,971	(1,730)	–	1,164	(19,918)	116,861
Advance payments	321	458	–	–	–	(662)	117
Gross property, plant and equipment	**646,583**	**48,982**	**(16,726)**	**–**	**3,184**	**(34,716)**	**647,303**
Depreciation	(351,202)	(26,783)	13,267	–	(1,111)	12,807	(353,022)
Impairment losses	(23,653)	–	11,048	–		105	(12,500)
Depreciation & impairment losses	**(374,855)**	**(26,783)**	**24,315**	**–**	**(1,111)**	**12,912**	**(365,522)**
Net property, plant and equipment	**271,728**	**22,199**	**7,589**	**–**	**2,069**	**(21,804)**	**281,781**

Investments in property, plant and equipment totalled €49.0 million and consisted mainly of investments needed to maintain the Group's production equipment, as well as investments in capacity at the Wrexham and Signes sites, and investments for equipment at the Group's research and development sites.

"Other Movements" corresponds to the transfer of the Milford OBI-1 production assets to "Assets held for sale", as part of the partnership with Inspiration Biopharmaceuticals Inc. following the announcement of 31 October 2012 described in note 1.2.

On 11 July 2012, the Group announced its decision to keep the Dreux industrial site within its scope of operations.

Following the announcement, the Group reassessed the industrial site's asset value based on new information and reversed a €12.5 million impairment loss in the consolidated financial statements at 31 December 2012. Of that amount, property, plant and equipment accounted for €11.0 million.

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

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

(in thousands of euros)	31 December 2013	31 December 2012 Restated
Euro	173,214	170,295
U.S. dollar	7,029	5,993
Pound sterling	95,426	93,300
Swiss franc	2,147	2,266
Chinese Yuan renminbi	8,048	8,932
Other currencies	1,619	995
Total	**287,483**	**281,781**

Note 15 Equity investments

15.1 Movements

Movements in 2013 can be broken down as follows:

(in thousands of euros)	31 December 2012 Restated	Movements during the year					31 December 2013
		Acquisitions and increases	Disposals	Changes in consolidation scope	Exchange differences	Other movements	
		(A)	(B)	(C)	(D)	(E)	
Investments in non-consolidated companies	24,940	(1)	–	(4,790)	(282)	(1)	19,866
Amortization & impairment losses	(12,913)	(488)	–	–	282	–	(13,119)
Net book amount (Available-for-sale financial assets)	**12,027**	**(489)**	**–**	**(4,790)**	**–**	**(1)**	**6,747**

The movements recorded in "Equity investments" mainly correspond to Syntaxin Ltd.'s entry into the scope of consolidation, following the acquisition of a controlling interest in that company on 12 July 2013. The 9.16% interest held prior to the acquisition was previously recorded in "Investments in non-consolidated companies".

Movements in 2012 can be broken down as follows:

(in thousands of euros)	31 December 2011 Restated	Movements during the year					31 December 2012 Restated
		Acquisitions and increases	Disposals	Changes in consolidation scope	Exchange differences	Other movements	
		(A)	(B)	(C)	(D)	(E)	
Investments in non-consolidated companies	36,600	361	(12,240)	–	219	–	24,940
Amortization & impairment losses	(24,286)	(260)	11,853	–	(219)	–	(12,913)
Net book amount (Available-for-sale financial assets)	**12,314**	**101**	**(387)**	**–**	**–**	**–**	**12,027**

The movements recorded in "Equity investments" mainly reflect the disposal of Spirogen Ltd shares, which were already fully amortized, the disposal of Vernalis Plc. shares, almost fully amortized, and to a lesser degree, the increase in the Group's interest in some companies within the framework of its partnerships.

15.2 Breakdown of equity investments

Equity investments are investments in companies in which the Group owns either:

- under 20% of the share capital, or
- more than 20% of the share capital, but which is not consolidated as it is not material.

(in thousands of currency units)	Registered office	% of voting rights held	NBV of investments (euros)		Company financial data 2013 [1] (in local currency)			Interest in equity (euros)
			31 Dec. 2013	31 Dec. 2012 Restated	Local currency	Equity	Net profit (loss) for the year	
Technopolis Gie	Paris	27%	238	306	EUR	–	–	–
Montana Ltd.	Cork (Irl)	50%	–	–	EUR	–	–	–
Linnea Inc.	PA (USA)	50%	–	–	USD	30	2	11
Funxional Therapeutics Ltd [1]	Cambridge (UK)	5%	–	–	GBP	545	25,564	35
Specwood Ltd.	London (UK)	100%	(11)	(11)	GBP	–	–	–
Pothold Ltd.	London (UK)	100%	–	–	GBP	–	–	–
Petersfield Ltd	Hong Kong (HK)	50%	32	32	HKD	5,266	250	248
Socapharma SAS	Paris	100%	30	30	EUR	15	(3)	15
Ancelab SAS	Paris	100%	30	30	EUR	15	(3)	15
Bio discovery 3	CA (USA)	–	1,802	1,903	USD	N/A	N/A	N/A
Inno Bio	Paris	–	4,486	4,777	EUR	N/A	N/A	N/A
Olisapharm SAS	Paris	100%	40	40	EUR	24	(3)	24
Naiapharm SAS	Paris	100%	10	10	EUR	(2)	(5)	(2)
Liampharm SAS	Paris	100%	10	10	EUR	(1)	(5)	(1)
Jusypharm SAS	Paris	100%	10	10	EUR	(2)	(6)	(2)
Rhythm Pharmaceuticals Inc. [1]	Boston (USA)	0.80%	70	99	USD	16,420	(18,123)	96
Syntaxin [2]	Abingdon (UK)	–	–	4,790	GBP	–	–	–
Net book amount (Available-for-sale financial assets)			**6,747**	**12,027**				

(1) Latest data available.
(2) Company entered consolidation scope on 12 July 2013.

15.3 Information on non-consolidated companies

The following table shows key data for non-consolidated companies (at 100%):

At 31 December 2013:

(in thousands of euros)	Sales	Operating income	Net profit (loss)	Equity	Total assets
Companies over 50% owned	–	(25)	(25)	49	67
Companies 50% owned	2,712	29	25	518	648
Companies less than 50% owned	36,502	19,105	16,438	12,634	18,274
Total	**39,214**	**19,109**	**16,438**	**13,201**	**18,989**

At 31 December 2012 Restated:

(in thousands of euros)	Sales	Operating income	Net profit (loss)	Equity	Total assets
Companies over 50% owned	–	(16)	(16)	72	69
Companies 50% owned	2,276	27	27	511	577
Companies less than 50% owned	4,586	(19,122)	(16,874)	12,641	24,083
Total	**6,862**	**(19,111)**	**(16,863)**	**13,197**	**24,729**

15.4 Investments in associated companies

On 23 December 2013, the US bankruptcy court ruled that Inspiration Biopharmaceuticals Inc. be liquidated.

At 31 December 2013, the Group no longer held any investments in associated companies.

At 31 December 2012, the Group's 22% interest in Inspiration Biopharmaceuticals Inc. was reclassified on the balance sheet as assets held for sale, as part of the Group's move to dispose of its hemophilia assets.

15.4.1 Book value of investments in associated companies on the balance sheet

The book value of investments in associated companies at 31 December 2013 and 2012 is as follows:

(in thousands of euros)	31 December 2013	31 December 2012 Restated
Share of fair value of acquired assets and liabilities assumed for Inspiration Biopharmaceuticals Inc.	–	41,728
Goodwill	–	22,736
Share value at transaction date	**–**	**64,464**
Share in previous year's income, restatements and exchange differences	–	(64,464)
Book value of investments in associated companies on the balance sheet at 31 December	**–**	**–**

15.4.2 Share of profit (loss) from associated companies

No share of profit (loss) from associated companies was recognized in the consolidated financial statements at 31 December 2013.

At 31 December 2012, the share of profit (loss) from associated companies was reclassified as net profit (loss) from discontinued operations.

Note 16 Profit on disposals of non-current assets

(in thousands of euros)	31 December 2013	31 December 2012 Restated
Capital (gains) or losses on disposals of intangible assets	(197)	(154)
Capital (gains) or losses on disposals of tangible assets	(226)	(3,346)
Capital (gains) or losses on disposals of equity investments	(200)	1,618
Total	**(623)**	**(1,882)**

In 2012, capital gains and losses on asset disposals mainly included the disposal of the Group's interests in Spirogen Ltd and Vernalis PLC. Those were offset by earnout income received from Gedeon Richter PLC on the sale of PregLem Holding S.A. shares, in accordance with the 11 October 2010 sales agreement.

Note 17 Other non-current assets

Other non-current assets for the 2013 financial year can be broken down as follows:

(in thousands of euros)	31 December 2012 Restated	Cash flow related to investing activities	Cash flows related to financing activities	
		(A)	(B)	
Net assets of post-employment benefit plans	–	–	–	
Non-current financial assets (financial assets at fair value)	**–**	**–**	**–**	
Convertible bonds (1)	3,200	–	–	
Liquidity agreement (2)	2,315	887	–	
Loans – non-consolidated companies	344	(147)	–	
Other financial assets (3)	7,669	(298)	(7,066)	
Deposits paid	5,179	(291)	–	
Other non-current assets (Loans, receivables and other) (4)	**18,707**	**151**	**(7,066)**	

(1) Movements in this item stem primarily from the impairment of convertible bonds subscribed by Ipsen and related to a neurology program.

(2) Changes are due to the liquidity agreement with Natixis Bleichroder, a subsidiary of Natixis, signed in February 2007 and automatically renewed thereafter.

Other non-current assets for the restated 2012 financial year can be broken down as follows:

(in thousands of euros)	31 December 2011 Restated	Cash flow related to investing activities	Cash flows related to financing activities	
		(A)	(B)	
Net assets of post-employment benefit plans (1)	–	–	–	
Non-current financial assets (financial assets at fair value)	**–**	**–**	**–**	
Convertible bonds (2)	83,575	199	–	
Liquidity agreement (3)	2,072	243	–	
Loans – non-consolidated companies	77	269	–	
Other financial assets (4)	3,951	7,177	–	
Deposits paid	4,304	420	–	
Other non-current assets (Loans, receivables and other) (5)	**93,979**	**8,308**	**–**	

(1) Employee benefits were restated as if the Company had applied the IAS 19 Revised as of 1 January 2012, for purposes of comparison between the two periods (see note 3.3).

(2) Changes in this item stemmed from the transfer of convertible bonds issued by Inspiration Biopharmaceuticals Inc. to Ipsen to assets held for sale (see note 11).

(3) Changes resulted from the liquidity agreement with Natixis Bleichroder, a subsidiary of Natixis, signed in February 2007 and automatically renewed thereafter.

(4) Changes in other financial assets are due mainly to:
– The inclusion of Ipsen's loan to Inspiration Biopharmaceuticals Inc. (see note 1.2) in cash flows related to investing activities,

Movements during the period							31 December 2013
	Change in plan assets	Reclassification of derivatives	Fair value changes in profit and loss	Discounting	Foreign exchange differences	Other movements	
	(C)	(D)	(E)	(F)	(G)	(H)	
	–	–	–	–	–	–	–
	–	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	–	–	(2,199)	1,001
	–	–	–	–	–	–	3,202
	–	–	–	–	(8)	(1)	188
	–	–	–	–	(1)	89	393
	–	–	–	36	(27)	2	4,899
	–	**–**	**–**	**36**	**(36)**	**(2,109)**	**9,683**

(3) Movements in this item are chiefly related to the repayment of Debtor-in-Possession (DIP)-type financing granted by Ipsen to Inspiration Biopharmaceuticals Inc. at the end of 2012, following the sale of its hemophilia assets to Baxter and Cangene.

(4) Impairments in "Loans and receivables", except convertibles bonds (see note 9.2), were immaterial and therefore not reported. The fair value of "loans and receivables" corresponds to the value reported in the balance sheet (value at the transaction date and then tested for impairment on each reporting date).

Movements during the period							31 December 2012 Restated
	Change in plan assets	Reclassification of derivatives	Fair value changes in profit and loss	Discounting	Foreign exchange differences	Other movements	
	(C)	(D)	(E)	(F)	(G)	(H)	
	–	–	–	–	–	–	–
	–	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	–	–	(80,574)	3,200
	–	–	–	–	–	–	2,315
	–	–	–	–	(2)	–	344
	–	–	–	–	7	(3,466)	7,669
	–	–	–	261	(5)	200	5,179
	–	**–**	**–**	**261**	**–**	**(83,840)**	**18,707**

– The transfer of accrued interest on the convertible bonds issued by Inspiration Biopharmaceuticals Inc. to Ipsen to discontinued operations (see note 11).

(5) Impairments in "Loans and receivables", except convertibles bonds (see note 9.2), were immaterial and therefore not reported. The fair value of "loans and receivables" corresponds to the value reported in the balance sheet (value at the transaction date and then tested for impairment on each reporting date).

Note 18 Detail of working capital related to operating activities

18.1 Movements

Movements in 2013 can be broken down as follows:

(in thousands of euros)	31 December 2012 Restated	Change in w/cap related to operating activities	Change in w/cap related to investing activities	
		(A)	(B)	
Inventories	127,857	(2,886)	–	
Trade receivables	256,301	1,828	–	
Current tax assets	54,401	(11,597)	–	
Other current assets (see note 18.2.2)	53,633	5,507	9	
Loans and receivables [1]	**492,192**	**(7,148)**	**9**	
Current financial assets (see note 18.2.2)	516	–	–	
Financial assets held for trading [2]	**516**	**–**	**–**	
Trade payables	(159,799)	4,577	–	
Current tax liabilities	(3,325)	(2,580)		
Other current liabilities (see note 18.2.3)	(198,320)	26,027	12,730	
Other non-current liabilities (see note 18.2.3)	(133,772)	(727)	–	
Interest on other financial liabilities (see note 23.1 (D)) [3]	(677)	–	–	
Financial liabilities measured at amortized cost [4]	**(495,897)**	**27,297**	**12,730**	
Total	**(3,184)**	**20,149**	**12,739**	

(1) Impairments of "Loans and receivables" were not reported due to their immaterial nature. The fair value of "loans and receivables" corresponds to the value reported in the balance sheet (value at the transaction date and then tested for impairment on each reporting date).
(2) The fair value of financial assets held for trading corresponds to the market value of the assets.
(3) Interest on other financial liabilities was included in the balance sheet under financial liabilities.
(4) The book amount of financial liabilities measured at amortized cost was deemed to be a reasonable estimation of fair value.

The changes in other non-current liabilities were due to the recording of "deferred income" on the payments received. Within the framework of the partnership agreements with Medicis, Galderma, and Menarini, the milestone payments received by the Group for these contracts were recognized on a straight-line basis over the life of the contracts. The portion unrecognized as income was recorded as "other non-current liabilities", if due after 12 months, and as "other current liabilities" if due within one year.

Movements in 2012 can be broken down as follows:

(in thousands of euros)	31 December 2011 Restated	Change in w/cap related to operating activities	Change in w/cap related to investing activities	
		(A)	(B)	
Inventories	117,834	7,091	–	
Trade receivables	259,374	(10,083)	–	
Current tax assets	39,126	15,095	–	
Other current assets (see note 18.2.2)	71,400	(3,595)	(16)	
Loans and receivables [1]	**487,734**	**8,508**	**(16)**	
Current financial assets (see note 18.2.2)	9	–	–	
Financial assets held for trading [2]	**9**	**–**	**–**	
Trade payables	(149,805)	(14,980)	–	
Current tax liabilities	(5,607)	2,273	–	
Other current liabilities (see note 18.2.3)	(181,345)	15,362	(5,309)	
Other non-current liabilities (see note 18.2.3)	(183,275)	–	–	
Interest on other financial liabilities (see note 23.1 (D)) [3]	(598)	–	–	
Financial liabilities measured at amortized cost [4]	**(520,630)**	**2,655**	**(5,309)**	
Total	**(32,887)**	**11,163**	**(5,325)**	

(1) Impairments of "Loans and receivables" were not reported due to their immaterial nature. The fair value of "loans and receivables" corresponds to the value reported in the balance sheet (value at the transaction date and then tested for impairment on each reporting date).
(2) The fair value of financial assets held for trading corresponds to the market value of the assets.

Movements during the year					31 December 2013
Change in w/cap related to financing activities	Changes in consolidation scope	Foreign exchange differences	Fair value changes in profit and loss	Other movements	
(C)	(D)	(E)	(F)	(G)	
–	–	(3,508)	–	–	121,463
–	253	(5,535)	–	(9,308)	243,539
–	121	(114)	–	–	42,811
–	1,908	(703)	–	(10)	60,344
–	**2,282**	**(9,860)**	**–**	**(9,318)**	**468,157**
–	–	–	(366)	–	150
–	**–**	**–**	**(366)**	**–**	**150**
–	(890)	723	–	541	(154,848)
–	–	65	–	–	(5,840)
1,242	(2,425)	(89)	–	(20,877)	(181,712)
–	–	2,537	–	26,376	(105,586)
(224)	–	–	–	422	(479)
1,018	**(3,315)**	**3,236**	**–**	**6,462**	**(448,465)**
1,018	**(1,033)**	**(6,624)**	**(366)**	**(2,856)**	**19,842**

At 31 December 2013, gross trade receivables past due totalled €61.3 million.

(in thousands of euros)	Total	Trade receivables < 3 months	Trade receivables from 3 to 6 months	Trade receivables from 6 to 12 months	Trade receivables > 12 months
Trade receivables – gross value	**61,313**	29,626	9,396	12,991	9,300
Trade receivables – net value	**52,087**	29,611	8,634	12,239	1,603

Movements during the year					31 December 2012 Restated
Change in w/cap related to financing activities	Changes in consolidation scope	Foreign exchange differences	Fair value changes in profit and loss	Other movements	
(C)	(D)	(E)	(F)	(G)	
–	–	3,079	–	(147)	127,857
–	–	(424)	–	7,434	256,301
–	–	180	–	–	54,401
(117)	–	337	–	(14,376)	53,633
(117)	**–**	**3,172**	**–**	**(7,089)**	**492,192**
–	–	(1)	508	–	516
–	**–**	**(1)**	**508**	**–**	**516**
–	4,185	(606)	–	1,407	(159,799)
–	–	10	–	–	(3,325)
(948)	–	1,434	–	(27,514)	(198,320)
–	–	(2,215)	–	51,718	(133,772)
(505)	–	–	–	426	(677)
(1,453)	**4,185**	**(1,377)**	**–**	**26,037**	**(495,897)**
(1,570)	**4,185**	**1,794**	**508**	**18,948**	**(3,184)**

(3) Interest on other financial liabilities was included in the balance sheet under financial liabilities.
(4) The book amount of financial liabilities measured at amortized cost was deemed to be a reasonable estimation of fair value.

The changes in other non-current liabilities were due to the recording of "deferred income" on the payments received. Within the framework of the partnership agreements with Medicis, Galderma, and Menarini, 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.

In renegotiating its partnership with Inspiration Biopharmaceuticals Inc., and following the announcement of 31 October 2012, the Group recognized €30.6 million in accelerated deferred income corresponding to that contract.

The Group also recognized additional impairment losses after one of its commercial partners in the Middle East encountered financial difficulties. Changes in impairment losses stemming from payment delays by public hospitals in Greece, Spain, Italy and Portugal were not material owing to the relative stability in the payment of receivables in those countries.

At 31 December 2012, trade receivables past due totalled €67.2 million.

(in thousands of euros)	Trade receivables – gross value	Trade receivables > 3 months	Trade receivables from 3 to 6 months	Trade receivables from 6 to 12 months	Trade receivables > 12 months
2012	67,162	36,247	12,503	7,677	10,735

18.2 Breakdown

18.2.1 Inventories

(in thousands of euros)	31 December 2013	31 December 2012 Restated
Raw materials and supplies	38,672	40,460
Work in progress	30,905	35,255
Finished goods	51,886	52,142
Stocks nets	**121,463**	**127,857**

18.2.2 Other current assets and current financial assets

(in thousands of euros)	31 December 2013	31 December 2012 Restated
Advance payments to suppliers	11,588	7,417
Receivables related to the sale of non-current assets	11	2
Recoverable VAT	19,933	21,448
Other assets	13,253	9,608
Prepayments	15,559	15,158
Total current assets (loans and receivables) (1)	**60,344**	**53,633**
Derivative financial instruments	150	516
Total current financial assets (financial assets held for trading) (2)	**150**	**516**

(1) Impairments of "Loans and receivables" were not reported due to their immaterial nature. The fair value of "loans and receivables" corresponds to the value reported in the balance sheet (value at the transaction date and then tested for impairment on each reporting date).
(2) The fair value of financial assets held for trading corresponds to the market value of the assets.

18.2.3 Other current and non-current liabilities

(in thousands of euros)	31 December 2013	31 December 2012 Restated
VAT payable	9,611	10,961
Other current tax liabilities	7,385	4,111
Employment-related liabilities	99,412	91,868
Amounts due to non-current asset suppliers	11,435	24,177
Other liabilities	26,568	41,967
Deferred income	27,301	25,237
Total other current liabilities (financial liabilities measured at amortized cost)	**181,712**	**198,320**
Non-current deferred income	105,586	133,772
Total other non-current liabilities (financial liabilities measured at amortized cost) (1)	**105,586**	**133,772**

(1) The book amount of financial liabilities measured at amortized cost was deemed to be a reasonable estimation of fair value.

Changes in "Other current liabilities" and "Other non-current liabilities" are broken down in note 18.1.

Note 19 Cash and cash equivalents

19.1 Net cash and cash equivalents

19.1.1 Opening net cash and cash equivalents

(in thousands of euros)	Consolidated balance sheet at 1 January 2013	Consolidated balance sheet at 1 January 2012
Cash and cash equivalents – assets	113,641	145,007
Bank overdrafts – liabilities	(353)	(176)
Opening net cash and cash equivalents	**113,288**	**144,831**

19.1.2 Closing net cash and cash equivalents

(in thousands of euros)	Consolidated balance sheet at 31 December 2013	Consolidated balance sheet at 31 December 2012, Restated
Cash and cash equivalents – assets	130,958	113,641
Bank overdrafts – liabilities	(5,603)	(353)
Closing net cash and cash equivalents	**125,355**	**113,288**

19.2 Cash and cash equivalents

(in thousands of euros)	31 December 2013	31 December 2012 Restated
Financial assets held for trading: – French SICAV / Euro money market UCITS – Certificates of deposit (with a maturity date of less than 3 months)	67,780 –	45,086 –
Loans and receivables: – Interest-bearing deposits	94	10,000
Cash	63,084	58,555
Cash and cash equivalents – assets	**130,958**	**113,641**

The short-term investments included investments in monetary mutual funds (mostly euro-denominated money market UCITS or similar funds), which were carried at fair value (market value).

Short-term investments held at 31 December 2013 met IAS 7 criteria and were saleable immediately, subject to a maximum 24-hours' notice. No interest-bearing deposits held at 31 December 2013 matured later than the end of January 2014.

Note 20 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. Furthermore, 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 money market UCITS. 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).

Note 21 Consolidated equity

21.1 Share capital

At 31 December 2013, Ipsen's share capital was comprised of 84,242,701 ordinary shares each with a nominal value of €1, including 57,379,526 shares with double voting rights, compared with 84,255,373 ordinary shares each with a nominal value of €1, including 57,367,173 shares with double voting rights at 31 December 2012.

The changes arose from the following: In 2013, share capital was decreased by 155,120 treasury shares, 8,870 bonus shares were allocated under the 30 September 2009 stock option plan, 98,968 new shares were issued as part of the 30 June 2011 stock option plan, and 34,610 warrants were exercised as part of those plans.

21.2 Equity attributable to Ipsen shareholders

The following is a breakdown of the various components of consolidated equity including retained earnings per period:

(in thousands of euros)	31 December 2013	31 December 2012 Restated
Ipsen share capital	84,243	84,255
Share premium	29,809	29,809
Issue premium	682,042	681,303
Ipsen statutory reserve	44,686	44,686
Other Ipsen reserves	148,192	153,159
Other consolidated reserves and retained earnings	(17,473)	(90,694)
Total	**971,499**	**902,518**

21.3 Basic earnings per share

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

Movements in the weighted average number of shares outstanding for the two periods reported are shown in note 21.5.

21.3.1 Basic earnings per share, continuing operations

		31 December 2013	31 December 2012 Restated
Basic earnings per share continuing operations – attributable to Ipsen shareholders (in thousands of euros) (see note 2.1.1)	(a)	141,649	96,899
Weighted average number of shares outstanding during the year	(b)	83,029,957	83,155,604
Basic earnings per share, continuing operations (in € per share)	**(a) / (b)**	**1.71**	**1.17**

21.3.2 Basic earnings per share, discontinued operations

		31 December 2013	31 December 2012 Restated
Basic earnings per share, discontinued operations – attributable to Ipsen shareholders (in thousands of euros) (see note 2.1.1)	(a)	10,891	(124,831)
Weighted average number of shares outstanding during the year	(b)	83,029,957	83,155,604
Basic earnings per share, discontinued operations (in € per share)	**(a) / (b)**	**0.13**	**(1.50)**

21.3.3 Basic earnings per share

		31 December 2013	31 December 2012 Restated
Basic earnings per share - attributable to Ipsen shareholders (in thousands of euros) (see note 2.1.1)	(a)	152,540	(27,931)
Weighted average number of shares outstanding during the year	(b)	83,029,957	83,155,604
Basic earnings per share (in € per share)	**(a) / (b)**	**1.84**	**(0.34)**

21.4 Diluted earnings per share

Stock option plans

The Mayroy stock option plans granted by the Mayroy company are not dilutive.

The stock option plans granted by Ipsen on 14 November 2005, 30 March 2009 and 30 June 2011 (tranche 1.2) were dilutive at 31 December 2013.

At 31 December 2013, all the stock option plans were antidilutive, with the exception of the 14 November 2005, the 30 March 2009 and the 30 June 2011 (tranche 1.2) plans, but the plans could be potentially dilutive in the event of a future increase in Ipsen's share price.

No share transactions occurred after 31 December 2013 that would have significantly modified the number of shares used in calculating earnings per share or diluted earnings per share.

Bonus shares

At 31 December 2013, bonus shares for the plans of 22 January 2009 plans (foreign tax-resident beneficiaries) and 30 March 2009 (foreign tax-resident beneficiaries) – which were free of any performance conditions – were included in the calculation of the average weighted number of shares for basic earnings per share and, as a consequence, in the diluted earnings.

Bonus shares for the plans of 31 March 2010 (French and foreign tax-resident beneficiaries excluding Executive Committee members), 30 June 2011 (foreign tax-resident beneficiaries), 30 March 2012 (French and foreign tax-resident beneficiaries) and 30 March 2013 (French and foreign tax-resident beneficiaries) – which are free of performance conditions – were not included in the calculation of the average weighted number of shares for basic earnings per share, but were included in diluted earnings.

Bonus shares for the plans of 30 June 2011 (French tax-resident beneficiaries), for which the allocation became definitive for the business year owing to the achievement of corresponding performance conditions and/or the end of the vesting period, were included in the calculation of the average weighted number of shares for basic earnings per share and were, accordingly, included in diluted earnings.

At 31 December 2012, bonus shares for the 29 September 2008 plans (foreign tax-resident beneficiaries), which are free of any performance conditions, were included in the calculation of the average weighted number of shares for basic earnings per share as of the definitive allocation date, and were included in totality in the calculation of the average weighted number of shares for diluted earnings per share.

Bonus shares for the plans of 22 January 2009 (foreign tax-resident beneficiaries), 30 March 2009 (foreign tax-resident beneficiaries), 10 November 2009 (French tax-resident beneficiaries), 31 March 2010 (French and foreign tax-resident beneficiaries excluding Executive Committee members) and 30 June 2011 (French and foreign tax-resident beneficiaries) – which are free of performance conditions – were not included in the calculation of the average weighted number of shares for basic earnings per share, but were included in diluted earnings.

Bonus shares for the plans of 10 November 2009 and 31 March 2010, for which the allocation became definitive for the business year owing to the achievement of corresponding performance conditions and/or the end of the vesting period, were included in the calculation of the average weighted number of shares for basic earnings per share and were, accordingly, included in diluted earnings.

The allocation of bonus shares for the plans of 31 March 2011, 30 June 2011 and 30 March 2012, were not included in basic earnings per share. Conversely, the shares from those plans that were free of performance conditions, or for which the performance conditions had been met, were included in basic earnings per share.

21.4.1 Diluted earnings on continuing operations

		31 December 2013	31 December 2012 Restated
Diluted earnings on continuing operations – attributable to Ipsen shareholders (in thousands of euros) (see note 2.1.1)	(a)	141,649	96,899
Weighted average number of shares outstanding during the year	(b)	83,163,230	83,460,232
Diluted earnings on continuing operations – attributable to Ipsen shareholders (in € per share)	**(a) / (b)**	**1.70**	**1.16**

21.4.2 Diluted earnings per share, discontinued operations

		31 December 2013	31 December 2012 Restated
Diluted earnings on discontinued operations – attributable to Ipsen shareholders (in thousands of euros) (see note 2.1.1)	(a)	10,891	(124,831)
Weighted average number of shares outstanding during the year	(b)	83,163,230	83,460,232
Diluted earnings on discontinued operations – attributable to Ipsen shareholders (in € per share)	**(a) / (b)**	**0.13**	**(1.50)**

21.4.3 Diluted earnings per share

		31 December 2013	31 December 2012 Restated
Diluted earnings – attributable to Ipsen shareholders (in thousands of euros) (see note 2.1.1)	(a)	152,540	(27,931)
Weighted average number of shares outstanding during the year	(b)	83,163,230	83,460,232
Diluted earnings – attributable to Ipsen shareholders (in € per share)	**(a) / (b)**	**1.83**	**(0.33)**

21.5 Weighted average number of shares outstanding

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

21.5.1.1 Weighted average number of shares at 31 December 2013

	31 December 2013
Number of ordinary shares at 31 December 2012	**84,255,373**
Treasury shares (weighted average number)	(1,194,732)
Impact of options exercised in the 2013 financial year – Stock option plan of 14 November 2005	11,706
Impact of options exercised in the 2013 financial year – Stock option plan of 30 March 2009	467
Impact of options exercised in the 2013 financial year – Stock option plan of 30 June 2011	85
Impact of bonus shares – 22 January 2009 plan – Foreign tax-resident beneficiaries	29,404
Impact of bonus shares – 30 March 2009 plan – Foreign tax-resident beneficiaries	9,065
Impact of bonus shares – 30 June 2011 plan – French tax-resident beneficiaries	49,484
Capital decrease by Ipsen	(130,896)
Weighted average number of shares outstanding at 31 December 2013	**83,029,957**

21.5.1.2 Weighted average number of shares at 31 December 2012

	31 December 2012 (Adjusted)	31 December 2012 Restated
Number of ordinary shares at 31 December 2011	**84,226,573**	**84,226,573**
Treasury shares (weighted average number)	(1,092,794)	(1,092,794)
Impact of bonus shares – 29 September 2008 plan – foreign tax-resident beneficiaries – without performance conditions	2,325	2,325
Impact of bonus shares – 22 January 2009 plan – French tax-resident beneficiaries – without performance conditions	29,404	
Impact of bonus shares – 30 March 2009 plan – foreign tax-resident beneficiaries – without performance conditions	9,065	
Impact of bonus shares – 31 March 2010 plan – French and foreign tax-resident beneficiaries	19,500	19,500
Impact of bonus shares – 30 June 2011 plan – French tax-resident beneficiaries – without performance conditions	49,484	
Weighted average number of shares outstanding at 31 December 2012	**83,243,557**	**83,155,604**

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

21.5.2.1 Weighted average number of shares at 31 December 2013

	31 December 2013
Weighted average number of shares outstanding at 31 December 2013 used to determine basic earnings per share	83,029,957
Dilutive effect of stock options	38,523
Dilutive effect of bonus shares	94,750
Weighted average number of shares outstanding at 31 December 2013 used to determine diluted earnings per share	**83,163,230**

21.5.2.2 Weighted average number of shares at 31 December 2012

	31 December 2012 (Adjusted)	31 December 2012 Restated
Weighted average number of shares outstanding at 31 December 2012 used to determine basic earnings per share	83,243,557	83,155,604
Dilutive effect of stock options	38,523	(14,492)
Dilutive effect of bonus shares	321,588	319,120
Weighted average number of shares outstanding at 31 December 2012 used to determine diluted earnings per share	**83,603,668**	**83,460,232**

21.6 Dividends paid

Dividends paid by Ipsen SA were as follows:

		31 December 2013	31 December 2012 Restated
Dividend payout (in euros)	(a)	66,600,754	66,458,143
Number of shares on the payment date	(b)	83,250,943	83,072,679
Dividend per share (in euros)	**(a) / (b)**	**0.80**	**0.80**

Note 22 Provisions

22.1 Movements

Movements in 2013 can be broken down as follows:

(in thousands of euros)	31 December 2012 Restated	Movements during the period						31 December 2013
		Changes in consolidation scope	Charges	Reversals		Exchange differences	Other movements	
				Applied	Released			
Business and operating risks	2,162	600	2,498	(609)	(766)	41	–	3,926
Legal risks	21,887	–	16,550	(1,045)	(6,042)	(9)	–	31,341
Restructuring	64,208	–	5,685	(27,695)	(14,835)	–	(1,880)	25,483
Other	3,470	–	2,535	(1,021)	–	(14)	–	4,970
Total provisions	**91,727**	**600**	**27,268**	**(30,370)**	**(21,643)**	**18**	**(1,880)**	**65,720**
– of which current	66,172	–	10,236	(28,012)	(15,748)	(17)	(11,911)	20,720
– of which non-current	25,555	600	17,032	(2,358)	(5,895)	35	10,031	45,000

At 31 December 2013, provisions break down as follows:

Business and operating risks

These provisions include certain risks of an economic nature reflecting costs that the Group could be brought to bear to resolve various disagreements of a commercial origin whose individual impact is limited.

The change in the scope of consolidation reflects the recognition of a contingent liability as part of allocating the purchase price of Syntaxin Ltd (see note 12.2).

Legal risks

These provisions include:

- €22.8 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;
- €5.5 million for costs related to corporate litigation that the Group may incur;
- €3.0 million for various other legal risks.

Restructuring costs

These provisions correspond to restructuring costs for the primary care sales force in France, as part of the restructuring plan announced in December 2012, as well as the remaining provisions related to the strategic review implemented by the Group in 2011 to close the Barcelona Research and Development site, part of which was reclassified as operating activities held for sale, impacting other movements.

Other

After relocating all the Paris sites to the new headquarters in Boulogne-Billancourt in 2008, a €2.4 million provision was recorded to cover the difference in rents between the estimated market price for floor space not used by the Group, based on the sublease actually signed, and the amounts owed by the Group under its lease contract.

The maturity dates of the above-mentioned provisions cannot be determined at this time. If a maturity date may be reasonably ascertained for material cases, investors are informed through the Group's financial disclosures.

Movements in 2012 can be broken down as follows:

(in thousands of euros)	31 December 2011 Restated	Movements during the period						31 December 2012 Restated
		Changes in consolidation scope	Charges	Reversals		Exchange differences	Other movements	
				Applied	Released			
Business and operating risks	1,032	–	1,429	(13)	(248)	(38)	–	2,162
Legal risks	22,459	–	10,030	(1,813)	(8,789)	–	–	21,887
Restructuring	22,581	–	61,671	(20,178)	(40)	174	–	64,208
Other	4,075	–	70	(676)	–	1	–	3,470
Total provisions	**50,147**	**–**	**73,200**	**(22,680)**	**(9,077)**	**137**	**–**	**91,727**
– of which current	24,464	–	62,758	(20,684)	(538)	172	–	66,172
– of which non-current	25,683	–	10,442	(1,996)	(8,539)	(35)	–	25,555

At 31 December 2012, provisions break down as follows:

Business and operating risks

These provisions include certain risks of an economic nature reflecting costs that the Group could be brought to bear to resolve various disagreements of a commercial origin whose individual impact is limited.

Legal risks

These provisions include:

- €17.0 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;
- €2.1 million for costs related to corporate litigation that the Group may incur;
- €2.8 million for various other legal risks. In 2012, €2.6 million were reversed as a result of legal settlements favourable to the Group.

Restructuring costs

These provisions correspond to restructuring costs for the primary care sales force in France, as well as the remaining restructuring provisions related to the strategic review implemented by the Group in 2011 to close the Barcelona Research and Development site and to move the American site from the West Coast to the East Coast.

Other

After relocating all the Paris sites to the new headquarters in Boulogne-Billancourt in 2008, a €3.1 million provision was recorded to cover the difference in rents between the estimated market price for floor space not used by the Group, based on the sublease actually signed, and the amounts owed by the Group under its lease contract.

Unused provisions for legal risks are reversed primarily as a result of the lapse or extinction of the risks.

The maturity dates of the above-mentioned provisions cannot be determined at this time. If a maturity date may be reasonably ascertained for material cases, investors are informed through the Group's financial disclosures.

22.2 Impact on consolidated income in 2013

(in thousands of euros)	Charges	Released	Net impact
Operating income	21,496	(20,645)	851
Other financial income and expense	–	–	–
Taxes	5,772	(998)	4,774
Net income (Expense [+] / Income [–])	**27,268**	**(21,643)**	**5,625**

22.3 Impact on consolidated income in 2012

(in thousands of euros)	Charges	Released	Net impact
Operating income	71,240	(9,077)	62,163
Other financial income and expense	55	–	55
Taxes	1,905	–	1,905
Net income (Expense [+] / Income [–])	**73,200**	**(9,077)**	**64,123**

Note 23 Bank loans and financial liabilities

23.1 Movements

Movements in bank loans and other financial liabilities between 31 December 2012 and 31 December 2013 are as follows:

(in thousands of euros)	31 December 2012 Restated	Additions	Repayments	
		(A)	(B)	
Other financial liabilities	15,886	17	–	
Non-current financial liabilities (measured at amortized cost) (1)	**15,886**	**17**	**–**	
Credit lines and bank loans	4,000	–	–	
Other financial liabilities	3,428	138	(179)	
Current financial liabilities (measured at amortized cost) (1)	**7,428**	**138**	**(179)**	
Derivative financial instruments	1,066	–	–	
Current financial liabilities (financial liabilities measured at fair value) (2)	**1,066**	**–**	**–**	
Current financial liabilities	**8,493**	**138**	**(179)**	
Total financial liabilities	**24,379**	**155**	**(179)**	

(1) The book amount of financial liabilities measured at amortized cost was deemed to be a reasonable estimation of fair value.
(2) Fair value corresponds to the market value.

On 31 January 2012, the Group subscribed to a renewable, euro-denominated credit line with a banking pool for a maximum amount of €400.0 million over a period of five years. The credit line was established for the Group's general financing needs. As a result, the Group ended a line contracted in June 2008 without having to pay any penalties.

Movements in bank loans and other financial liabilities between 31 December 2011 and 31 December 2012 were as follows:

(in thousands of euros)	31 December 2011 Restated	Additions	Repayments	
		(A)	(B)	
Credit lines and bank loans	–	–	–	
Other financial liabilities	16,560	12	(179)	
Non-current financial liabilities (measured at amortized cost) (1)	**16,560**	**12**	**(179)**	
Credit lines and bank loans	4,000	–	–	
Other financial liabilities	1,982	–	(78)	
Current financial liabilities (measured at amortized cost) (1)	**5,982**	**–**	**(78)**	
Derivative financial instruments	3,031	–	–	
Current financial liabilities (financial liabilities measured at fair value) (2)	**3,031**	**–**	**–**	
Current financial liabilities	**9,013**	**–**	**(78)**	
Total financial liabilities	**25,573**	**12**	**(257)**	

(1) The book amount of financial liabilities measured at amortized cost was deemed to be a reasonable estimation of fair value.
(2) Fair value corresponds to the market value.

On 31 January 2012, the Group subscribed to a renewable, euro-denominated credit line with a banking pool for a maximum amount of €400.0 million over a period of five years. The credit line was established for the Group's general financing needs. As a result, the Group ended a line contracted in June 2008 without having to pay any penalties.

	Net change in short-term borrowings	Net change in interest	Change in fair value	Movements	Changes in consolidation scope	Foreign exchange differences	31 December 2013
	(C)	(D)	(E)	(F)	(G)	(H)	
	–	21	–	(3,583)	–	–	12,341
	–	**21**	**–**	**(3,583)**	**–**	**–**	**12,341**
	–	–	–	–	–	–	4,000
	–	202	–	(262)	–	3	3,330
	–	**202**	**–**	**(262)**	**–**	**3**	**7,330**
	–	–	(878)	–	–	–	188
	–	**–**	**(878)**	**–**	**–**	**–**	**188**
	–	**202**	**(878)**	**(262)**	**–**	**3**	**7,518**
	–	**223**	**(878)**	**(3,845)**	**–**	**3**	**19,859**

Under the terms and conditions of the agreement, and in addition to the usual contractual clauses, the Group committed to staying within maximum levels of the Net-debt-to-equity and Net-debt-to-EBITDA ratios in its consolidated financial statements at the end of each financial year. The covenant ratios are as follows, as per the credit agreement:

- Net debt to equity: less than 1
- Net debt to EBITDA: less than 3

	Net change in short-term borrowings	Net change in interest	Change in fair value	Movements	Changes in consolidation scope	Foreign exchange differences	31 December 2012 Restated
	(C)	(D)	(E)	(F)	(G)	(H)	
	–	–	–	–	–	–	–
	–	174	–	(681)	–	–	15,886
	–	**174**	**–**	**(681)**	**–**	**–**	**15,886**
	–	–	–	–	–	–	4,000
	–	331	–	1,192	–	–	3,428
	–	**331**	**–**	**1,192**	**–**	**–**	**7,428**
	–	–	(1,966)	–	–	–	1,066
	–	**–**	**(1,966)**	**–**	**–**	**–**	**1,066**
	–	**331**	**(1,966)**	**1,192**	**–**	**–**	**8,493**
	–	**505**	**(1,966)**	**512**	**–**	**–**	**24,379**

Under the terms and conditions of the agreement, and in addition to the usual contractual clauses, the Group committed to staying within maximum levels of the Net-debt-to-equity and Net-debt-to-EBITDA ratios in its consolidated financial statements at the end of each financial year. The covenant ratios are as follows, as per the credit agreement:

- Net debt to equity: less than 1
- Net debt to EBITDA: less than 3

The loan agreement provided for covenant ratios to be met by the Group. These ratios were met in both periods, as shown below:

(in thousands of euros)		31 December 2013	31 December 2012 Restated
Net debt	(I)	(105,685)	(89,974)
Equity – attributable to Group shareholders	(II)	971,499	902,518
EBITDA	(III)	209,690	201,650
Net debt to equity	**(I)/(II)**	**(0.11)**	**(0.10)**
Net debt to EBITDA	**(I)/(III)**	**(0.50)**	**(0.45)**

23.2 Breakdown by maturity

At 31 December 2013 and 2012, the Group held only lines of credit (see note 23.1).

23.3 Breakdown by currency

The Group's financial liabilities by currency can be broken down as follows:

(in thousands of euros)	31 December 2013		31 December 2012 Restated	
	Amounts	%	Amounts	%
Euro	19,671	100%	23,313	100%
Total	**19,671**		**23,313**	
Derivative financial instruments	**188**		**1,066**	
Total financial liabilities (note 24.1)	**19,859**		**24,379**	

23.4 Collateralised debt

At 31 December 2013 and 2012, the Group had not provided any collateral.

Note 24 Derivative financial instruments

24.1 Interest rate risk

At 31 December 2013 and 2012, there were no derivative financial instruments for hedging interest rate risk.

24.2 Exchange rate risk

24.2.1 Operational exchange rate risk

The Group uses derivative instruments to manage its operational exchange rate risk. The two hedging types implemented within the Group include client invoice hedging and hedging of exchange rate fluctuations based on budget flows.

Invoices issued by its subsidiaries in foreign currencies are hedged against exchange rate risk. This hedging mainly includes currency futures purchases matching the invoice amounts.

Exchange rate fluctuations are hedged based on budget flows primarily through forward currency contracts corresponding to a percentage of exchange rate exposure and in accordance with hedging policy.

The Group's policy and practices preclude book out derivative financial instrument transactions for speculative gain.

	Fair value of items recognized in the balance sheet (in thousands of currency units)									Change in market value at 31 Dec. 2013
	USD	CHF	RON	PLN	EUR	BRL	RUB	GBP	AUD	
Forward currency contracts matching invoice amounts	41,755	2,476	8,420	33,904	–	–	2,181,139	56,249	–	459
Cash flow hedging contracts	–	–	–	366	–	1,105	6,244	511	1,637	(407)
Other forward contracts	2,200	–	–	–	2,700	–		–	–	53
Total	**43,955**	**2,476**	**8,420**	**34,270**	**2,700**	**1,105**	**2,187,383**	**56,760**	**1,637**	**105**

24.2.2 Exposure to exchange rate risk

Approximately 54.8% and 56.0% of the Group's consolidated sales were generated in the euro zone in 2013 and 2012 respectively. A 10% increase or decrease in the US dollar or the pound sterling against the euro (the two main currencies in which the Group operates) would only impact sales by plus or minus 1.0%, and operating income by plus or minus 1.0% for each of those two years. This impact was calculated for companies that use the euro as their functional currency, while generating sales in other currencies, and companies whose functional currency is not the euro that generate sales in that same currency.

Potential exchange-rate risk exposure is estimated by each subsidiary and, where necessary, transferred to the Group's specialized teams for appraisal. Exchange rate hedging transactions carried out on behalf of subsidiaries and the management of intragroup exchange-rate risk are centralised within the Group's treasury department, which mainly uses traditional hedging instruments, such as OTC transactions, futures and foreign exchange swaps.

For fluctuations on invoices, the Group hedges the majority of its subsidiaries' trade receivables. The hedging relationship between the hedging instruments contracted by the Group for its exposure to exchange rate risk and the hedging instruments related to invoicing in currencies other than the euro does not qualify as hedge accounting in the spirit of IAS 39. As a result, changes in value are recorded as financial income/expense.

In 2013, the Group's treasury department began taking positions to limit the impact of exchange rate fluctuations based on budget flows. The financial instruments used to hedge that exposure were primarily denominated in AUD, GPP, BRL, PLN and RUB. Under the Group's hedging policy, projected cash flows based primarily on sales and expenses will be hedged for a maximum of 12 months. In the future, this program will replace trade receivables hedging. These hedges are classified in cash flow hedging, in accordance with IAS 39. At 31 December 2013, the cash flow hedge reserve in equity was credited in the amount of €1.9 million for the effective hedge portion. The ineffective portion totalling €0.4 million was recognized in interest expense. No hedges were unwound in 2013.

24.3 Other derivative instruments

At 31 December 2013 and 2012, derivative instruments were forward instruments used to hedge against exchange rate risks on trade receivables and exchange rate risks based on budget flows (see notes 24.2.1 and 24.2.2).

24.4 Derivative financial instruments reported in the balance sheet

Derivative financial instruments reported in the balance sheet at 31 December 2013 and 2012:

(in thousands of euros)	31 December 2013		31 December 2012 Restated	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Market value of currency instruments	1,686	188	516	1,066
Total	**1,686**	**188**	**516**	**1,066**

24.5 Derivative financial instruments reported in the statement of cash flows

At 31 December 2013 and 2012, changes in fair value of derivative financial instruments in profit and loss were as follows:

(in thousands of euros)	31 December 2013	31 December 2012 Restated
Changes in the fair value of exchange derivative financial instruments (Assets)	(773)	(508)
Changes in the fair value of exchange derivative financial instruments (Liabilities)	878	(1,966)
Net changes in fair value in profit and loss of derivative financial instruments	**105**	**(2,474)**
Change in value of forward currency purchases to hedge future raw materials purchases documented in a cash flow hedging relationship as per IAS 39	–	–
Total	**105**	**(2,474)**

Note 25 Information on joint ventures

25.1 Balance sheet items

25.1.1 Balance sheet at 31 December 2013

(in thousands of euros)	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Companies				
Cara Partners	8,522	7,487	5,399	4,794
Garnay Inc.	1,419	355	93	52
Linnea S.A.	2,154	16,040	1,035	3,927
Perechin Unlimited Company	(7)	5	1	1
Portpirie Unlimited Company	–	1	–	–
Saint-Jean d'Illac S.C.A.	2,063	107	101	197
Wallingstown Company	1,228	6,170	–	47
Wallingstown Company Ltd	(29)	42	2	3
Total	**15,350**	**30,207**	**6,631**	**9,021**

25.1.2 Balance sheet at 31 December 2012 Restated

(in thousands of euros)	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Companies				
Cara Partners	9,781	8,324	317	4,884
Garnay Inc.	1,391	367	69	47
Linnea S.A.	2,289	15,329	1,140	2,996
Portpirie Unlimited Company	–	1	–	–
Perechin Unlimited Company	(15)	4	–	1
Saint-Jean d'Illac S.C.A.	1,991	123	88	155
Wallingstown Company	1,254	6,924	–	107
Wallingstown Company Ltd	(59)	39	2	6
Total	**16,633**	**31,112**	**1,616**	**8,196**

25.2 Income statement items

25.2.1 Income statement at 31 December 2013

(in thousands of euros)	Sales	Operating expenses	Share of net profit (loss)
Companies			
Cara Partners	2,364	285	2,341
Garnay Inc.	101	18	85
Linnea S.A.	15,628	(13,618)	1,536
Perechin Unlimited Company	–	–	(1)
Portpirie Unlimited Company	–	–	–
Saint-Jean d'Illac S.C.A.	2	(297)	(293)
Wallingstown Company	7,490	(5,261)	2,389
Wallingstown Company Ltd	–	(23)	4
Total	**25,585**	**(18,896)**	**6,061**

25.2.2 Income statement at 31 December 2012 Restated

(in thousands of euros)	Sales	Operating expenses	Share of net profit (loss)
Companies			
Cara Partners	2,058	753	2,584
Garnay Inc.	101	(87)	14
Linnea S.A.	15,625	(14,101)	1,123
Portpirie Unlimited Company	–	–	–
Perechin Unlimited Company	–	(1)	(2)
Saint-Jean d'Illac S.C.A.	138	(75)	70
Wallingstown Company	8,750	(5,868)	2,975
Wallingstown Company Ltd	–	(26)	5
Total	**26,672**	**(19,405)**	**6,769**

Note 26 Information on associated companies

On 23 December 2013, the US bankruptcy court ruled that Inspiration Biopharmaceuticals Inc. be liquidated.

At 31 December 2012, the Group's interest in Inspiration Biopharmaceuticals Inc. was classified in assets held for sale, in accordance with provisions under IFRS 5, after Inspiration Biopharmaceuticals Inc. initiated a voluntary petition for reorganization on 31 October 2012, pursuant to Chapter 11 of the United States Bankruptcy Code.

The information presented below corresponds to the financial statements of Inspiration Biopharmaceuticals Inc., prepared in accordance with U.S. GAAP (for amounts taken at 100%).

In reviewing the accounts prepared under U.S. GAAP, the Group identified no significant differences with IFRS rules.

	At 31 December 2012 Restated			
(in thousands of euros)	Assets	Liabilities	Sales	Net income (loss)
Inspiration Biopharmaceuticals Inc.	29,656	283,917	–	(128,780)
Total	**29,656**	**283,917**	**–**	**(128,780)**

Note 27 Information on related parties

27.1 Director and Executive compensation

- In 2013, the total compensation paid to Board and Executive Committee members amounted to €7.7 million, of which €2.3 million were paid to members of the Board of Directors and €5.4 million were paid to members of the Executive Committee.
- Pension and similar benefits for Board and Executive Committee members came to €7.9 million at 31 December 2013, with a total of €0.9 million paid to members of the Board of Directors and €7.0 million paid to Executive Committee members.
- On 26 February 2013, the Board of Directors set the compensation terms and conditions for the corporate mandates of the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer, with a targeted bonus subject to performance conditions.

The Chairman and Chief Executive Officer and the Deputy Chief Executive Officer benefit from the Company's current complementary retirement plan.

In addition, the Board is obligated – under certain conditions – to pay a departure package equal to 24 four months of the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer's fixed compensation under their corporate mandates.

27.2 Transactions with related parties

27.2.1 Income statement at 31 December 2013

(in thousands of euros)	Revenues	Operating expenses	Charges to provisions and losses on uncollectable loans
Parent company	–	–	–
Non-consolidated subsidiaries	–	–	–
Joint ventures (1)	3,974	(9,523)	–
Associated companies	–	–	–
Companies over which the Group's executive officers exercise significant influence (2)	–	(65)	–
Total	**3,974**	**(9,588)**	**–**

(1) The Group's relationship with Schwabe was formalised 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:
- 50.0% of the share capital in Saint-Jean d'Illac, Garnay Inc. and Linnea;
- 50.0% of the partnership shares in Wallingstown Company Ltd;
- 50.0% of the joint rights in Cara Partners;
- 37.5% and 35.75% of the share capital in two Chinese companies, which are responsible for buying and drying the green Ginkgo Biloba leaves.

(2) Rent owed by a number of the Group's companies to real estate holdings owned by certain Group Directors.

27.2.2 Income statement at 31 December 2012 Restated

(in thousands of euros)	Revenues	Operating expenses	Charges to provisions and losses on uncollectable loans
Parent company	–	–	–
Non-consolidated subsidiaries	–	–	–
Joint ventures (1)	4,212	(10,518)	–
Associated companies (3)	26,158	–	(16,574)
Companies over which the Group's executive officers exercise significant influence (2)	–	(64)	–
Total	**30,370**	**(10,582)**	**(16,574)**

(1) (2) See note 27.2.1.
(3) Transactions with Inspiration Biopharmaceuticals Inc..

27.2.3 Balance sheet at 31 December 2013

(in thousands of euros)	Loans and receivables	Trade receivables	Bank loans/ Debt	Trade payables
Parent company	–	–	–	–
Non-consolidated subsidiaries	–	–	–	–
Joint ventures (1)	7,196	1,150	59	2,273
Associated companies	–	–	–	–
Companies over which the Group's executive officers exercise significant influence (2)	–	–	–	19
Total gross	**7,196**	**1,150**	**59**	**2,292**
Provisions for doubtful accounts receivables	–	–	–	–
Total (net of write-offs)	**7,196**	**1,150**	**59**	**2,292**

(1) (2) See note 27.2.1.

27.2.4 Balance sheet at 31 December 2012 Restated

(in thousands of euros)	Loans and receivables	Trade receivables	Bank loans/ Debt	Trade payables
Parent company	–	–	–	–
Non-consolidated subsidiaries	–	–	–	–
Joint ventures [1]	7,140	1,120	102	2,573
Associated companies [3]	7,177	17,755	–	–
Companies over which the Group's executive officers exercise significant influence [2]	–	–	–	19
Total gross	**14,317**	**18,875**	**102**	**2,592**
Provisions for doubtful accounts receivables (3)		(16,574)		
Total (net of write-offs)	**14,317**	**2,301**	**102**	**2,592**

(1) (2) See note 27.2.1.
(3) Transactions with Inspiration Biopharmaceuticals Inc.

27.2.5 Off-balance sheet commitments

This item includes rent commitments to companies over which executive officers of the Group exercise significant influence. The total amount of future rent payments due in respect of these rented premises amounted to €0.1 million at 31 December 2013.

Note 28 Commitments and contingent liabilities

28.1 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.

28.1.1 Operating commitments given

As part of its key agreements in oncology, the Group could make milestone payments for a cumulative amount of €167.2 million, related to the success of development and marketing phases, and royalties on sales.

As part of its key agreements in endocrinology, the Group could make milestone payments for a cumulative amount of $20.0 million, related to the success of development and marketing phases, and royalties on sales.

As part of its key agreements in neurology, the Group could make milestone payments for a cumulative amount of €137.3 million, related to the success of development and marketing phases, and royalties on sales. Under a license agreement; the Group has issued a comfort letter to one of the Group's subsidiaries.

As part of its key agreements in primary care, the Group could make milestone payments for a cumulative amount of €4.8 million, related to the success of development and marketing phases, and royalties on sales.

28.1.2 Operating commitments received

As part of its key agreements in oncology, the Group could receive milestone payments for a cumulative amount of €15.0 million, related to the success of development and marketing phases, and royalties on sales.

As part of its key agreements in endocrinology, the Group could receive milestone payments for a cumulative amount of €35.0 million, related to the success of development and marketing phases, and royalties on sales.

As part of its key agreements in haematology, the Group could receive a lump sum of $135.0 million, related to the success of development and marketing phases, and royalties on sales.

As part of its other key agreements, the Group could receive milestone payments for a cumulative amount of $80.0 million, €80.0 million and CHF5.1 million, related to the success of development and marketing phases, and royalties on sales.

28.1.3 Contingent operating commitments

In February 2012, Allergan initiated legal proceedings against Ipsen in Italy and the U.K. concerning alleged patent infringement.

On 29 August 2013, the Group and Allergan signed an agreement to end litigation over patents related to the therapeutic use of botulinum toxin in the urology field. The agreement had no impact on the Group's cash flow.

28.2 Financial commitments

To insure itself against the risks to which it is exposed, Ipsen S.A. has subscribed to a worldwide third-party liability insurance policy since 2006. The insurance company was itself reinsured up to the first €10.0 million for any potential claim made to the captive reinsurance company Ipsen Ré, a wholly owned subsidiary of the Group. In June 2012, that amount was revised down to €5.0 million.

To cover that financial commitment, the Group on 28 March 2012 issued a letter of parent company guarantee payable upon first demand in favour of Ipsen Ré for a total amount of €10.0 million, renewable annually on tacit understanding.

Furthermore, the Swiss subsidiary subscribed to two credit lines totalling CHF10.0 million, backed by a general assignment of receivables. The credit lines were not drawn on during the year.

Finally, on 19 September 2013, Ipsen S.A. provided a guarantee to Biomeasure Inc.'s lessor.

28.3 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, labour 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 3.27.

Most of the questions raised by these claims are complex and are subject to significant uncertainties. As a consequence, it is often 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 unfavourable material impact on its results.

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

Discounted bills outstanding were not material at year-end.

Counterparty risk: the Group's policy is to diversify its business counterparties so as to avoid the risks associated with excessive concentration. In addition, the Group manages credit risks related to financial instruments through the use of leading counterparties.

28.4 Other commitments

28.4.1 Capital expenditure commitments

Future Group expenditures resulting from investment commitments amounted to €12.1 million at 31 December 2013, and were broken down as follows:

(in thousands of euros)	Maturity			Total
	2014	2015	Beyond	
Industrial assets	3.1	–	–	**3.1**
Research and development assets	8.7	–	–	**8.7**
Other assets	0.3	–	–	**0.3**
Total	**12.1**	**–**	**–**	**12.1**

28.4.2 Commitments related to rental agreements

The total amount of future rent payments due in respect of agreements for rented premises amounted to €112.2 million at 31 December 2013, compared with €89.5 million at 31 December 2012.

Due dates are as follows:

(in thousands of euros)	31 December 2013	31 December 2012 Restated
Less than one year	25.5	22.6
From one to five years	66.0	63.8
Over five years	21.4	3.1
Total	**112.9**	**89.5**

Commitments related to rental agreements mainly include the head offices in Boulogne where the Paris sites were grouped together (€44.9 million at 31 December 2013).

The total amount of future rent payments due in respect of sub-leased rental premises (mainly the head offices in Boulogne) amounted to €9.9 million at 31 December 2013, compared with €12.5 million at 31 December 2012.

(in thousands of euros)	31 December 2013	31 December 2012 Restated
Less than one year	2.7	2.6
From one to five years	7.2	9.9
Over five years	–	–
Total	**9.9**	**12.5**

28.4.3 Risk of acceleration of borrowings

The Group's exposure to this risk is described in note 23.1.

At 31 December 2013, no commitment or contingent liability had been contracted that could significantly affect the assessment of the consolidated financial statements.

Note 29 Post closing events with no impact on the consolidated financial statements at 31 December 2013

Other than those presented in note 1, no other 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.

29.1 Organization of oncology activities in the United States

On 14 January 2014, Ipsen announced its decision to set up its own oncology team to commercialize Somatuline® Depot® (lanreotide) 120 mg Injection (Somatuline®) in neuroendocrine tumours (NETs) in the US.

Over the past few months, the Group had been considering both a "go-it-alone" and a partnership strategy following the communication of data from the investigational CLARINET® phase III clinical study evaluating the antiproliferative effect of Somatuline® in the treatment of non-functioning gastrointestinal & pancreatic NETs (GEP NETs). Ipsen believes that these encouraging results will support a key long-term opportunity for the Group to access US market potential in excess of USD500 million.

Ipsen considers success in the US a strategic priority. The "go-it-alone" option maximizes long-term value creation and helps the US affiliate in reaching critical mass.

Ipsen anticipates filing a Supplemental New Drug Application seeking an indication for Somatuline® in NETs in the first half of 2014. Maximum incremental annual cost associated with the launch of Somatuline® in the NET indication in the US is expected to range from €30 million to €40 million. As a result, initial expectations to achieve breakeven in the US in 2014, have been postponed to 2017. Ipsen will continue to implement cost containment initiatives to minimize impact on overall Group profitability.

29.2 Executive Committee

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

Note 30 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 US companies);
- At each year-end, the percentage of voting rights and share capital held (those percentages differ where the Group's holding is indirect and held through companies over which it does not have 100% control).

List of companies included in the consolidation scope at 31 December 2013 and 31 December 2012 Restated.

30.1 Fully consolidated companies

Name and legal form	Country	Registered office	31 December 2013		31 December 2012 Restated	
			% voting rights	% interest	% voting rights	% interest
Ipsen S.A. (Parent company)	France	Boulogne (92)	100	100	100	100
Beaufour S.r.l. (1)	Italy	Milan	–	–	100	100
BB et Cie S.A.S.	France	Boulogne (92)	100	100	100	100
Beaufour-Ipsen Industrie S.A.S.	France	Dreux (28)	100	100	100	100
Beaufour Ipsen Farmaceutica LTDA	Brazil	São Paulo	100	100	100	100
Ipsen Korea Ltd	Korea	Seoul	100	100	100	100
Ipsen Mexico S. DE R.L. de C.V.	Mexico	Mexico City	100	100	100	100
Beaufour-Ipsen (Tianjin) Pharmaceutical Co. Ltd	China	Tianjin	96	96	96	96
Biomeasure Inc.	USA	Massachusetts	100	100	100	100
Elsegundo Ltd	Ireland	Cork	100	100	100	100
Institut de produits de synthèse et d'extraction naturelle (Ipsen) AB	Sweden	Kista	100	100	100	100
Ipsen (Beijing) pharmaceutical science and technology developpement co ltd	China	Beijing	100	100	–	–
Ipsen E.P.E.	Greece	Athens	80	80	80	80
Ipsen Ltd	UK	London	100	100	100	100
Ipsen N.V.	Belgium	Gand	100	100	100	100
Ipsen S.p.A.	Italy	Milan	100	100	100	100
Ipsen OOO	Russia	Moscow	100	100	100	100
Ipsen Pty Ltd	Australia	Glen Waverley	100	100	100	100
Ipsen Biopharm Ltd	UK	Wrexham	100	100	100	100
Ipsen Developments Ltd	UK	Berkshire	100	100	100	100
Ipsen Farmaceutica B.V.	Netherlands	Hoofddorp	100	100	100	100
Ipsen Innovation S.A.S.	France	Les Ulis (91)	100	100	100	100
Ipsen Pharma S.A.S.	France	Boulogne (92)	100	100	100	100
Ipsen Pharma Biotech S.A.S.	France	Signes (83)	100	100	100	100
Ipsen Pharma GmbH	Germany	Ettlingen	100	100	100	100
Ipsen Pharma S.A.	Spain	Barcelona	100	100	100	100
Ipsen Pharmaceuticals Ltd	Ireland	Dublin	100	100	100	100
Ipsen Pharmaceuticals Inc.	USA	New Jersey	100	100	100	100
Ipsen Poland LLC	Poland	Warsaw	100	100	100	100
Ipsen Pharma Tunisie S.A.R.L.	Tunisia	Tunis	100	100	100	100
Ipsen Produtos Farmaceuticos S.A.	Portugal	Lisbon	100	100	100	100
Ipsen Ré S.A.	Luxembourg	Luxembourg	100	100	100	100
Ipsen Ukraine services LLC	Ukraine	Kiev	100	100	–	–
Ipsen Manufacturing Ireland Ltd	Ireland	Dublin	100	100	100	100
Suraypharm S.A.S.	France	Boulogne (92)	100	100	100	100
Sterix Ltd	UK	Londres	100	100	100	100
Sutrepa S.A.S	France	Boulogne (92)	100	100	100	100
Syntaxin Ltd	UK	Oxford	100	100	–	–

(1) Merger of Beaufour S.r.l. and Ipsen S.p.A. on 5 August 2013 (see note 2).

30.2 Proportionally consolidated companies

Name and legal form	Country	Registered office	31 December 2013		31 December 2012 Restated	
			% voting rights	% interest	% voting rights	% interestt
Cara Partners	Ireland	Cork	50	50	50	50
Garnay Inc.	USA	South Carolina	50	50	50	50
Linnea S.A.	Switzerland	Riazzino	50	50	50	50
Perechin Unlimited Company	Ireland	Cork	50	50	50	50
Portpirie Unlimited Company	Ireland	Cork	50	50	50	50
Saint-Jean d'Illac S.C.A.	France	Boulogne (92)	50	50	50	50
Wallingstown Company	Ireland	Cork	50	50	50	50
Wallingstown Company Ltd	Ireland	Cork	50	50	50	50

2.1.6 Statutory Auditor's Report

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.
The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.
This report also includes information relating to the specific verification of information given in the Group's management report.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Ipsen S.A.

Registered office: 65, Quai Georges Gorse 92650 Boulogne-Billancourt Cedex

Statutory auditors' report on the consolidated financial statements

Year ended 31 December 2013

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2013, on:

- the audit of the accompanying consolidated financial statements of Ipsen S.A.;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2013 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to note 3.3 to the consolidated financial statements which outlines the effects of the change in accounting method relating to the application of the amendments to IAS 19 "Employee Benefits", from 1 January 2013.

2. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matters:

- **Asset impairment**

Goodwill and assets with indefinite useful life are tested for impairment on each reporting date and non-current assets are also tested for impairment when there is an indication that the asset may be impaired, using the methods described in note 3.18 to the consolidated financial statements. We reviewed the method of testing for impairment, together with the cash flow forecasts and assumptions used and verified that the disclosure provided in notes 6.4, 12.4, 13.2, 13.3 and 14.1 to the consolidated financial statements is appropriate.

- **Provisions**

Notes 3.27 and 22 to the consolidated financial statements describe the provisions recorded by your Company. Our procedures consisted in assessing the data and assumptions on which these estimates are based, reviewing by sampling techniques calculations made by the Company, understanding the approval procedures by the Management Board of these estimates. In the context of our assessments, we obtained sufficient audit evidences to conclude that these estimates are reasonable.

- **Retirement benefit obligation**

The methods of measuring post-employment advantages and other long term benefits are set out in notes 3.3 and 3.26 to the consolidated financial statements. These liabilities have been measured by independent actuaries. We reviewed the data used, assessed the assumptions made and verified that the information disclosed in note 5.3 to the consolidated financial statements is appropriate.

- **Deferred tax**

Note 3.34 to the consolidated financial statements describes the method of measuring and accounting deferred tax assets. We reviewed the data used, assessed the assumptions made and verified that the information disclosed in note 10.2 to the consolidated financial statements is appropriate.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information relative to the group in the parent company's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris La Défense and Neuilly-sur-Seine, on the 27 February 2014

The Statutory Auditors
French original signed by

KPMG Audit
A division of KPMG S.A.

Philippe Grandclerc
Partner

Deloitte & Associés

Fabien Brovedani
Partner

3 CORPORATE GOVERNANCE AND LEGAL INFORMATION

3.1 CORPORATE GOVERNANCE

3.1.1 Presentation of the Board of Directors and Executive Committee

The Company is governed by a Board of Directors. The Board of Directors determines the Company's business strategic and oversees its implementation. Subject to the powers expressly conferred to Shareholders' Meetings and within the limits of the Company's corporate purpose, the Board of Directors is competent to consider any issues concerning the Company's effective performance and, through its deliberations, guides the Company's affairs.

3.1.1.1 Rules of functioning

Members of the Board of Directors

Subject to the derogations provided for by law, the Board of Directors is comprised of a minimum of three and a maximum of eighteen members, appointed by Ordinary Meetings of Shareholders.

Directors must each own at least one share in the Company. If, on the day of appointment, a director does not own the minimum number of shares required, or if, during his or her 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 legal limit of six months.

In the event of a vacancy due to death or resignation of one or several directors, the Board of Directors may decide, subject to legal provisions, provisional appointments between two General Meetings. However, if the number of directors in office falls below the legal minimum, the remaining directors in office or, failing them, the Statutory Auditors, shall immediately convene an Ordinary Shareholders' Meeting to appoint a sufficient number of Board members. Temporary appointments decided by the Board of Directors are subject to ratification by the upcoming Shareholders' Meeting. If the temporary appointments are not ratified by the Shareholders' Meeting, the decisions adopted and acts performed by the directors appointed temporarily, or to which they have contributed, shall nonetheless remain valid. A director appointed to replace another director shall hold his or her position for the remaining term of his or predecessor.

Directors are appointed for a four-year term. In order exclusively and solely, to enable the staggered renewal of Directors' terms of office to be implemented and maintained, Ordinary Shareholders' Meetings shall be able to elect one or several directors for terms of office of one year, two years or three years.

The number of Directors who have reached the age of 70 years old shall not be more than one-third of the total number of directors in office. When this age limit is exceeded, the oldest Director shall be deemed to have resigned at the end of the first upcoming Ordinary Shareholders' Meeting.

A director's appointment ends after the Ordinary Shareholders' Meeting ruling on the financial statements for the previous financial year and held in the year in which the term of that director expires. Outgoing Directors remain eligible for re-election.

Chairman of the Board of Directors

The Board of Directors shall elect a Chairman from among its members but exclusively from individuals. The term of appointment cannot exceed the term as director. The Chairman may be re-elected and may be dismissed by the Board of Directors at any time.

In the event of temporary incapacity or death of the Chairman, the Board of Directors may delegate the duties of Chairman to another director, for a limited but renewable period in the event of temporary incapacity, or until the election of a new Chairman in the event of death.

The Chairman chairs the Board's meetings and organizes and manages its works, on which he or she reports to the Shareholders' Meeting and implements its decisions. The Chairman also oversees the operations of the Company's internal bodies to ensure that they function properly and that the Directors are able to fulfil their duties.

The Board of Directors may also, from among its individuals, appoint a Vice-Chairman, who chairs Board meetings in the absence of the Chairman's exceptional absence. In the absence of a Chairman, Board meetings are chaired by the oldest of the directors present.

Meetings of the Board of Directors

The Board of Directors meets at least once per quarter at the Company's head office or in any other place indicated in the notice of meeting. Directors may take part in meetings by any means allowed by law, the Articles of association and the internal regulations of the Board of Directors.

The Board of Directors meets as often as required in the interests of the Company, at the request of the Chairman.

In addition, if the Board has not met for two months, a group of directors representing at least one third of the Board's members, and the Chief Executive Officer, if such position is separated from the Chairman, may, by setting the agenda of such meeting, request the Chairman to convene a meeting. The Chairman is bound to accede such requests.

If the Chairman fails to convene such a meeting, and only in this event, the Chief Executive Officer, or a Deputy Chief Executive Officer, or at least two directors, may convene a meeting of the Board of Directors and set the agenda.

Notices of meetings may be issued by any written means (letter, fax, telex or electronic mail), and must be issued at least fifteen days in advance, except in the event of an emergency, in which case the notice may be issued by any means and must be sent at least by the day before the meeting. However, notices may be issued verbally and without notice if all Directors agree.

An attendance register, signed by all directors participating in the meetings, is kept.

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 split, the Chairman has a casting vote.

Directors attending meetings *via* 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 business orientations.

Subject to the powers expressly conferred to Shareholders' Meetings and within the limits of the Company's corporate purpose, the Board of Directors is competent to consider any issues concerning the proper running and operation of the Company, and may take any deliberations.

With respect to third parties, the Company is bound by the Board of Directors' acts even where these are *ultra vires* the Company's corporate object, unless the Company proves that the third party knew or should have known that the act was *ultra vires* given the circumstances. It being specified that the sole publication of the Company's Articles of association is not sufficient to constitute such proof.

The Board of Directors shall carry out such controls and verifications.

All Directors shall receive proper information to fulfil their duties, and may obtain any documents they consider necessary from the Company's Executive Management.

Internal Regulations

By decision dated 26 February 2013, the Board of Directors has decided to amend its Internal Regulations adopted on 12 December 2007, the purpose of which is to define the role and rules of functioning of the Board, in accordance with legal provisions, the Articles of association and rules of corporate governance applicable to listed companies. The main provisions of these Internal Regulations are described below.

Role of the Board of Directors

Responsible for governing the Company, in accordance with legal provisions and the Articles of association, the Board of Directors:

- regularly reviews the strategic objectives and guidelines of the Company and Group, its investments, asset sales or internal restructuring projects and the Group's general human resources policy, and in particular its policy concerning employees compensation, profit-sharing and incentive schemes. It conducts an annual performance appraisal of the Company's senior executives and is consulted on new senior executive recruitments;
- approves acquisitions or transfers of equity interests or assets, as well as research, development, industrial or commercial partnerships, alliances or co-operation agreements, and more generally all transactions or commitments likely to have a material impact on the Group's financial position, business operations or strategic objectives;
- is informed by its Chairman and its committees of any material event concerning the Company's and its Group's business, financial structure and cash position;
- is responsible for the good information of the shareholders and the public, in particular through its supervision and control of the information issued by the Company. In this respect, it defines the Company's communications policy, in particular concerning the frequency of publication of financial information concerning the Group;
- ensures that the Company has reliable procedures for identifying, assessing and monitoring its liabilities and risks, including off-balance sheet liabilities, together with an appropriate internal control system.

Members of the Board of Directors

Each Director shall devote the appropriate time and attention to his or her duties and is required to attend meetings of the Board and any committees of which he or she is a member. The annual report indicates directorships, managerial and supervisory positions held by Directors as well as the level of attendance of each member at committees and Board meetings.

The Board is comprised of members appointed for their skills and experience regarding the activity of the Company and the Group.

A Director is deemed to be independent if he or she satisfies the following criteria on the date of the assessment:

- be neither employee, executive officer, nor closely related to an executive officer of a Group entity or an entity controlling the Company within the meaning of Article L.233-3 of the French Commercial Code;
- be neither executive officer, nor closely related to an executive officer of a company in which a Group entity holds an executive office, either directly or indirectly;
- be neither a client, supplier or significant service provider of the Group, nor a member of a company that is a client, supplier or significant service provider of the Group;
- (i) do not represent a shareholder that owns, (ii) are not members of an entity that directly or indirectly owns, and (iii) do not directly or indirectly own, more than five percent of the Company's share capital or voting rights.

The meaning of executive officer and close relationship with an executive officer is defined in Article L.621-18-2 of the French Monetary and Financial Code.

The Board shall examine, at least once a year, which Directors satisfy these independence criteria, and presents its conclusions to the shareholders (i) at each General Meeting called to approve the financial statements, and (ii) at General Meetings called to elect new Directors or ratify Directors appointed by the Board.

Directors may attend training sessions on specific areas of the Company, its business activities and industrial sector, arranged on the Company's own initiative or at the request of the Board of Directors.

Before accepting office, Directors should familiarize themselves with any general or specific obligations or duties. In particular, they should acquaint with legal provisions governing the Company, its Articles of association and provisions of the Board Internal Regulations which apply to them.

Directors have a duty to report to the Board any existing or potential conflicts of interest between them and the Company or the Group and must abstain, where the transaction involved is not a normal business agreement concluded at normal conditions, from the deliberation of the Board.

Directors are required to contribute to the determination of the Company's and Group's strategic objectives, and to exercise control over their implementation. They should exercise careful and effective 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 committees members, or their participation in their deliberations. This duty of discretion and confidentiality shall survive to the end of terms of office.

Directors undertake to comply with all stock market regulations designed to prevent any market abuse prejudicial to the interests or image of the Company or the Group.

Directors shall not engage in transactions in the shares of companies in respect of which they have insider information which is likely to influence the price of such shares.

The Company informs the Directors of any new obligation and duty on a regular basis.

Functioning of the Board of Directors

The Board of Directors meets at least once a quarter at the Company's registered office or at any other place stipulated in the notice of meeting.

Directors may take part in meetings by any means permitted by law, the Company's Articles of association or the internal regulations of the Board of Directors.

The Vice-Chairman of the Board, when such a position has been appointed, assists the Chairman in his or her mission of organization and management of the works of the Board. He or she participates in the preparation of the meetings in coordination with the Chairman and, as such, is consulted by the latter in the preparation of the agenda. With the Chairman, they review the documents and information to be made available to the other Directors before sending of the notices of meetings.

Once a year, the Board discusses its functioning in an executive session without the presence of the Chairman of the Board, the Chief Executive Officer and the members of the Executive management.

This executive session is prepared by the Appointments and Governance Committee in coordination with the Vice-Chairman of the Board of Directors or a Director specially appointed for such purpose.

The Board may call in an outside consultant to conduct an appraisal.

Means of the Board

The Board of Directors may establish temporary or permanent specialized committees which are comprised of at least three members and of a maximum of six Directors and appoints the Chairman of such committees. These committees report on their works and submit their recommendations and proposals to the Board.

In order to maintain effective and prudent control over the Company's and Group's operations, the Board may call upon the Group's senior executives for assistance. It may request any reports, documents and research prepared by the Group and may commission any external technical reports at the Company's expenses, subject to the confidentiality. To this respect, and together with the individual directors' information right provided for by legal provisions and the Articles of association, the Vice-Chairman of the Board, acting on behalf of all Directors, may request from the Chairman of the Board, where this person also acts as Chief Executive Officer, any information, document which communication would be necessary in order for the other Directors to fulfil their duties in accordance with the laws and regulations.

The Directors may, together or individually, consult the Group's senior executives for advice on any matters, after advising the Chairman of the Board, and may meet senior executives without the presence of the Chairman.

In the same conditions, Directors may, together or individually, ask the Chairman for any information deemed to be necessary, provided this does not breach any confidentiality rules.

The Directors receive any relevant information, and in particular a monthly report, press reviews and financial research reports.

They also receive regular information regarding any change in corporate governance regulations.

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.

The Chief Executive Officer

Appointment and removal

Where the Board of Directors decides to split the roles of Chairman of the Board and Chief Executive Officer, it shall appoint the Chief Executive Officer, fix his or her term of office and determine 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 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 terms of office as Chief Executive Officer, member of Management Board, sole managing Director, Director or member of the Supervisory Board of *sociétés anonymes* having 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.

Powers

The Chief Executive Officer has the broadest powers to act at any times and in any 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 conferred by law to Shareholders' Meetings and to the Board of Directors.

The Chief Executive Officer represents the Company with respect to third parties. The Company is bound by the Chief Executive Officer's acts even if the acts are *ultra vires* 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.

Deputy Chief Executive Officers

Upon proposal of the Chief Executive Officer, the Board of Directors may appoint one or more persons to assist him, who shall have 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 proposal of the Chief Executive Officer.

If the Chief Executive Officer ceases to exercise or is prevented from exercising his 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.

Board Committees

Common rules to all committees

In accordance with the provisions of its internal regulations, the Board of Directors may establish temporary or permanent specialized committees which are comprised of at least three members and of a maximum of six Directors and appoints the Chairman of such committees. These committees report on their works and submit their recommendations and proposals to the Board.

Committee members are personally appointed from among Directors for the duration of their term of office as Director. They shall not appoint a proxy to attend meetings on their behalf. They may be replaced or dismissed at any time by the Board of Directors. Their term of office is renewable. A Director may be a member of several committees. The Chairman of each committee is appointed by the Board of Directors among members of the committee.

Subject to any specific rules applicable to them, each committee determines the frequency of its meetings. Meetings are held at the Company's registered office or at any other place indicated by its Chairman, who also convenes meetings and sets the agenda.

Meetings can only take place if at least half of the members of a committee are present. Members may take part in meetings by any means allowed by law or by the Articles of association.

The Chairman of a committee may invite all the members of the Board of Directors or any other person to attend one or more of its meetings. The sole committee members may vote on items on the agenda.

Minutes of each committee meeting are prepared by the secretary of the Board of Directors, under the responsibility of the committee's Chairman. The minutes are circulated to all committee members. The Chairman reports to the Board of Directors on the committee's work under the terms and conditions determined by the Board.

Committees make proposals and recommendations and give opinions in their fields of expertise. For this purpose, they may conduct or commission any external reports or research to assist them in their work, at the Company's expense. Committees report on their work to each meeting of the Board of Directors.

When necessary, committees determine their other rules and procedures. They periodically ensure that their rules and procedures enable them to assist the Board to make valid decisions on subjects within their remit, and they can propose changes to the Board internal regulations.

The Board of Directors has set up five permanent committees: a Strategic Committee, an Audit Committee, a Compensation Committee, an Appointments and Governance Committee and, since 1 June 2012, an Ethics Committee.

The Strategic Committee

The Strategic Committee is comprised of at least three and no more than six Directors, including the Chairman of the Board. It is chaired by a Director other than the Chief Executive Officer.

The role of the Strategic Committee is to:

- review all strategic issues affecting the Company and the Group with regard to research and development, industrial, commercial and financial matters, and alliances and partnerships of all types;
- review any major investment, asset sale, restructuring, alliance or partnership projects;
- submit reports, proposals and recommendations on all issues falling within its scope of responsibility.

The Strategic Committee meets at least four times a year. Meetings are convened by the Committee's Chairman.

The Strategic Committee may call upon the Group's senior executives for assistance. It may request sight of any internal reports, documents and research drawn up by the Group and commission any external technical reports at the Company's expense, subject to the usual confidentiality undertakings.

The Audit Committee

The Audit Committee is comprised of at least three members, two of whom are independent according to the abovementioned criteria set forth by the internal regulations. They are appointed among the Directors other than the Chairman of the Board. At least one of the two independent Directors must have financial or accounting expertise. The

Board appoints the Chairman of the Committee from among its members. The Committee's Chairman is also independent according to the Company's independence criteria.

The role of the Audit Committee is to:

- evaluate the accounting policies used to prepare the parent company and consolidated financial statements, and to review and evaluate the basis for consolidation and the relevance of accounting methods applied to the Group;
- monitor the financial information follow-up process;
- examine the annual and interim financial statements, together with budgets and forecasts, prior to their presentation to the Board of Directors;
- monitor the control of annual financial statements and, if necessary, of consolidated financial statements by the Statutory Auditors;
- control the quality of and compliance with procedures, and to evaluate information received from management, internal committees and internal and external auditors;
- monitor the efficacy of internal control and risk management systems;
- supervise the appointment and reappointment of the Statutory Auditors, to satisfy itself of their independence, to form an opinion on the amount of their fees and to submit the results of its work to the Board of Directors;
- examine the scope and approach of audit selected by the Statutory Auditors on the consolidated financial statements, including the material risks and the main identified uncertainties;
- review the details and appropriateness of the fees paid by the Company and the Group to the Statutory Auditors and to ensure that those fees and the services referable thereto are not such as to affect their independence;
- examine the annual statement of significant litigation.

The Audit Committee meets at least four times a year. Meetings are convened by the Committee's Chairman.

In connection with its duties, the Audit Committee is responsible for:

- submitting proposals to the Board of Directors concerning the appointment, fees and replacement of the Company's Statutory Auditors;
- reviewing with management and the Statutory Auditors the quarterly, half-yearly and annual financial statements, the Group's accounting principles and methods, its auditing principles and methods and internal control systems, its risk management systems, the analyses and reports relating to financial reporting, the accounting policies and communications between management and the Company's Statutory Auditors;
- examining and controlling rules and procedures concerning conflicts of interest, management expenses and the identification and measurement of key financial risks, together with the application thereof, and submitting its assessment to the Board of Directors on an annual basis;
- on an annual basis, examining, controlling and assessing the independence of the Statutory Auditors, audit procedures, any difficulties encountered and the measures taken to resolve them, and supervising the internal audit function;
- more generally, examining, controlling and assessing any matters likely to affect the accuracy and fairness of the financial statements.

The Audit Committee may request any information it deems necessary or useful, and may call upon anyone it deems necessary or useful for assistance.

The Appointments and Governance Committee

The Appointments and Governance Committee is comprised of three Directors other than the Chairman of the Board. The Chairman of the Appointments Committee is appointed by the Board of Directors from among the members of the Committee.

The role of the Appointments and Governance Committee is to:

- make any proposals to the Board concerning the re-election, replacement or appointment of new Directors;
- give an opinion on the appointment or replacement of the Chief Executive Officer and Deputy Chief Executive Officers if required;
- prepare, with the Vice-Chairman of the Board or a Director specially appointed for this purpose, the annual executive session of the Board of Directors regarding its functioning in the absence of the Chairman of the Board, the Chief Executive Officer and the executive team;
- to give an opinion on the independent members of the Board of Directors.

The Appointments and Governance Committee meets at least twice a year. Meetings are convened by the Committee's Chairman or at the request of the Chairman of the Board of Directors.

The Compensation Committee

The Compensation Committee is comprised of three members two of whom are independent according to the abovementioned criteria set forth by the internal regulations. They are appointed from among the Directors other than the Chairman of the Board. The Chairman of the Committee is appointed by the Board of Directors from among the members of the Committee.

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, members of executive management and senior executives;
- be informed of the appointment of key members of executive management other than the Chief Executive Officer, and on the determination of, and any changes to, all components of their compensation;
- give an opinion on the amount and distribution of Directors' fees;
- make recommendations to the Board of Directors on the Group's compensation policies and employee savings

plans, employee share ownership, stock options and bonus shares or any other similar compensation.

The Chairman of the Board may be asked to take part in the Committee's work, except where it concerns his own compensation.

The Compensation Committee meets at least twice a year. Meetings are convened by the Committee's Chairman, or at the request of the Chairman of the Board.

The Ethics Committee

The Board of Directors, at its meeting held on 1 June 2012, decided to create an Ethics Committee.

This Committee is comprised of three members, one of whom is independent according to the abovementioned criteria set forth by the internal regulations. They are appointed among the Directors other than the Chairman of the Board. The Chairman of the Committee is appointed by the Board of Directors from among the independent members of the Committee.

The Board of Directors, at its meeting held on 26 February 2013, has decided to redefine the missions of its Ethics Committee which are the following:

- Review the definition of the Group's fundamental values and politics in ethics and compliance;
- Make any proposal or recommendation to the Board in ethics and compliance; discuss any item or question in this matter sent by the Board;
- Ensure of the dissemination within the Group of the Code of Ethics and global policies defined by the Group and their updates;
- Ensure the implementation, follow-up and efficiency of procedures allowing the dissemination, understanding and respect of the Code of Ethics and the global policies by the Group's employees;
- Examine the Group's risks mapping from ethics and compliance standpoint;
- Examine the ethics and compliance activity report;
- Examine the organization of the ethics and compliance function and issue, if applicable, any recommendation;
- Receive any information in connection with potential breaches to the respect of the ethics and compliance policy and examine the necessary action plans.

The Ethics Committee may have access to the Executive Management, the senior executives, the Internal Audit and Ethics & Compliance departments or to any other person it deems necessary. This meetings or hearings may take place without the presence of the members of the executive management. The Ethics Committee meets at least once a year. Meetings are convened by its Chairman.

3.1.1.2 Composition of the Board of Directors

The Board of Directors is currently comprised of eleven members, four of whom are independent.

Individual information concerning the Directors is presented in the section 3.1.1.3 "Main activities of the Board members".

In 2013, the Board of Directors met nine times. The attendance rate amounted to 92%.

During 2013 financial year, the changes that occurred within the Board of Directors are as follows:

	Nature of the change	Consequences in term of diversification
The Shareholders' Meeting held on 31 May 2013	Renewal of Mr. Antoine Flochel and Mr. Gérard Hauser	n/a
	Appointment of Mrs. Martha Crawford	As a result of Mrs. Martha Crawford nomination, the Company complies with the 20% proportion of women within the Board. Moreover, as Martha Crawford has dual French and American nationality, the international character of the Board is strengthened.
	Non-renewal of Mr. Klaus-Peter Schwabe	n/a
The Board of Directors held on 31 May 2013	Renewal of Mr. Antoine Flochel as Vice-Chairman of the Board	n/a

List of the Directors in function as at 31 December 2013

Name	Function	Age	Date of first appointment and last renewal	End of term of office (*)	Member of a Committee
Marc de Garidel	Chairman and Chief Executive Officer	56	11/10/2010 with effect as at 22/11/2010 27/05/2011	ASM 2015	Strategic Committee
Antoine Flochel	Vice-Chairman and Director	49	30/08/2005 31/05/2013	ASM 2017	Compensation Committee (Chairman) Strategic Committee
Anne Beaufour	Director	50	30/08/2005 27/05/2011	ASM 2014	Appointments and Governance Committee (Chairperson) Strategic Committee
Henri Beaufour	Director	49	30/08/2005 27/05/2011	ASM 2015	Strategic Committee (Chairman)
Hervé Couffin (a)	Director	62	30/08/2005 27/05/2011	ASM 2014	Appointments and Governance Committee Audit Committee
Martha Crawford (a) (b)	Director	46	31/05/2013	ASM 2017	Strategic Committee
Gérard Hauser (a)	Director	72	14/12/2005 31/05/2013	ASM 2017	Ethics Committee (Chairman) Compensation Committee
Mayroy SA (represented by Philippe Bonhomme)	Director	– 44	01/06/2012	ASM 2016	Ethics Committee
Pierre Martinet (a)	Director	64	19/09/2005 27/05/2011	ASM 2014	Audit Committee (Chairman) Compensation Committee
Christophe Vérot	Director	53	27/05/2011	ASM 2015	Audit Committee Appointments and Governance Committee
Carol Xueref (b)	Director	58	01/06/2012	ASM 2016	Strategic Committee Ethics Committee

(*) The Company has implemented staggered terms of office in 2011, which explains the different maturity dates.
(a) Independent Director.
(b) Director of non-French nationality.

The Board of Directors, at its meeting held on 27 May 2011, decided to renew **Marc de Garidel** as Chairman and Chief Executive Officer for the duration of his term as a Director, *i.e.*, until the Shareholders' Meeting to be held in 2015 to approve the 2014 financial statements.

Antoine Flochel has been renewed as Vice-Chairman of the Board at its Meeting held on 31 May 2013 for the duration of his term as a Director, *i.e.*, until the Shareholders' Meeting to be held in 2017 to approve the past financial statements.

Anne Beaufour and **Henri Beaufour** are brother and sister. There are no other family relationships among the other members of the Board of Directors.

Upon proposal of the Appointments and Governance Committee, the Board of Directors, at its meeting held on 27 February 2014, considered that Messrs. **Hervé Couffin, Gérard Hauser, Pierre Martinet** and Mrs. **Martha Crawford** are independent Directors within the meaning of the Board Internal Regulations described in section 3.1.1.1 of the present registration document. The other Directors are related to an entity which controls the Company.

For the purposes of their office, Directors are domiciled at the Company's registered office.

To Company's best knowledge and as at the date of the present registration document, during the past five years, none of the Directors of the Company has 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.

3.1.1.3 Main activities of the Board members

Marc de Garidel

Chairman and Chief Executive Officer

Member of the Strategic Committee

Born on 16 March 1958, French nationality

Marc de Garidel is a graduate of École Spéciale des Travaux Publics (a leading French civil engineering school), and holds a Master's degree from the Thunderbird School of Global

Management (Arizona, US) and an Executive MBA from Harvard Business School (Massachusetts, US).

Marc de Garidel began his career with pharmaceutical company Eli Lilly in 1983, where he held various roles, mainly finance-related, in France, the US and Germany.

In 1995, Marc de Garidel joined Amgen, an American biotech company, where he held positions of increasing responsibility in finance. In 1998, he was appointed Corporate Controller of Amgen, based in the US. In 2000, he was appointed General Manager of Amgen's French affiliate and progressively oversaw an increasing number of countries before heading the Southern region of Amgen International, the group's most important region in terms of sales.

Between 2010 and 2012, Marc de Garidel was Chairman of the European Biopharmaceutical Enterprises association.

Marc de Garidel has been Chairman and spokesperson of the G5, an association of eight leading French healthcare companies, since January 2011. He has been Vice-President of France's Healthcare Industries and Technologies Strategic Committee since July 2011. Marc de Garidel is a board member of the EFPIA (European Federation of Pharmaceutical Industries and Associations) and of Inserm-Transfert. He is non-executive chairman of Promethera Biosciences' board of directors in Belgium.

Marc de Garidel is a knight of France's National Order of the Legion of Honor and a board member of the Society of Members of the Legion of Honor.

He is a teacher in the Master's Programs at ESSEC and ESCP Europe business schools.

Positions currently held:

Ipsen Group:
- Ipsen Pharma SAS, Chairman
- Suraypharm SAS, Chairman

Others:
- Promethera, Non-Executive Chairman
- EFPIA, Director
- Inserm-Transfer, Vice-President
- G5 Santé, Chairman

Positions previously held that expired during the last five years:
- Comité Biotech du Leem (Les Entreprises de Médicament)
- European Biopharmaceutical Enterprises, Chairman

Antoine Flochel

Director and Vice-Chairman of the Board of Directors

Chairman of the Compensation Committee and member of the Strategic Committee

Born on 23 January 1965, French nationality

Antoine Flochel is currently legal manager of Financière de Catalogne (Luxembourg) and Vice-Chairman of the Company's Board of Directors. He is a managing director and chairman of the board of Mayroy and director of Beech Tree. He worked for Coopers & Lybrand Corporate Finance (now PricewaterhouseCoopers Corporate Finance) from 1995 to 2005 and was a partner in 1998. Antoine Flochel is a graduate of the Paris Institut des Études Politiques (institute of political studies), holds a law degree and a postgraduate degree in economics of the Paris Dauphine University, as well as an MSc in finance from the London School of Economics.

As at 31 December 2013, Antoine Flochel directly owned 3,000 shares and 6,000 voting rights of the Company. Mr Flochel is the legal manager of VicJen Finance SARL which held 2,000 shares and 4,000 voting rights as at the same date.

Positions currently held:
- Mayroy SA (Luxembourg), Director
- Mayroy SA (Luxembourg), Managing Director and Chairman of the Board
- Beech Tree SA (Luxembourg), Director
- Blue Hill Participations SARL (Luxembourg), Legal Manager
- Financière CLED SPRL (Belgium) (ex-VicJen Investissements), Legal Manager
- VicJen Finance SARL (France), Legal Manager
- Financière de Catalogne SPRL (Luxembourg), Legal Manager

Positions previously held that expired during the last five years:
- Baigo Capital GmbH (Germany), Member of the Advisory Board
- Financière Althea IV SAS (France), Advisor
- Beavan Somua Fund (Guernsey), Director
- SCI Financière CLED (France), Legal Manager
- New Challenger SAS (France), Member of the Supervisory Board
- ADH (France), Director

Anne Beaufour

Director

Chairperson of the Appointments and Governance Committee and member of the Strategic Committee

Born on 8 August 1963, French nationality

Anne Beaufour holds a bachelor's degree in geology (University of Paris Orsay). As at 31 December 2013, Mrs. Anne Beaufour held directly 1 share and 2 voting rights of the Company. Mrs Anne Beaufour is the shareholder of several companies, as described in section 3.2.3.1, which directly and/or indirectly hold shares of the Company.

Positions currently held:
- Mayroy SA (Luxembourg), Vice Chairperson of the Board of Directors and Managing Director
- Beech Tree SA (Luxembourg), Director and Chairperson of the Board of Directors
- Highrock S.à.r.l. (Luxembourg), Legal Manager
- Bluehill Participations S.à.r.l. (Luxembourg), Legal Manager

Positions previously held that expired during the last five years:
- FinHestia S.à.r.l. (Luxembourg), Legal Manager

Henri Beaufour

Director

Chairman of the Strategic Committee

Born on 6 January 1965, French nationality

Henri Beaufour holds a bachelor of arts degree (Georgetown, University Washington DC, United States). As at 31 December 2013, Mr. Henri Beaufour held directly 1 share and 2 voting rights of the Company. Mr. Beaufour is the shareholder of several companies, as described in section 3.2.3.1, which directly and/or indirectly hold shares of the Company.

Positions currently held:
- Mayroy SA (Luxembourg), Director
- Beech Tree SA (Luxembourg), Director

Positions previously held that expired during the last five years:
- Camilia Holding BV (Luxembourg), Legal Manager
- FinHestia S.à.r.l. (Luxembourg), Legal Manager
- Bluehill Participations & Cie S.C.A (Luxembourg), Member of the Advisory Board

Hervé Couffin

Director

Member of the Appointments and Governance Committee and the Audit Committee

Born on 26 October 1951, French nationality

Hervé Couffin is Chairman of Callisto, a consultancy advising management teams on LBOs, and he is Chairman of the Supervisory Board of Mersen and sits on the board of directors of Antargaz. From 1998 to 2004, he was a member of the executive committee and senior partner at PAI Partners. Previously, he worked for Paribas for a period of 15 years. Hervé Couffin is a graduate of the École Polytechnique and a member of the prestigious Corps des Mines of elite French engineers.

As at 31 December 2013, Hervé Couffin directly held 1,201 shares and 2,402 voting rights of the Company.

Positions currently held:
- Callisto SAS (France), Chairman
- HC Conseil SARL (France), Managing partner
- HC Conseil (on Antargaz Board of Directors), Permanent representative
- Compagnie Franco-Tunisienne des Pétroles (Tunisia), Director
- Mersen (ex-Carbone Lorraine) (listed on Euronext) (France), Chairman of the Supervisory Board

Positions previously held that expired during the last five years:
- Carbone Lorraine (France), Director
- Bouygues Telecom (France), Advisor
- Gerflor (France), Director
- PAI Partners (France), Member of the Executive Committee
- Neuf Cegetel (France), Director
- Neuf Cegetel (France), Censor

Martha Crawford

Director and member of the Strategic Committee

Born on 30 September 1967, American and French nationalities

Martha Crawford holds a doctorate degree in Environmental and Chemical Engineering from Harvard and an MBA from the Collège des Ingénieurs. In 1990, she began her career as Advisor to the General Manager of the Republic of the Marshall Islands' Environmental Protection Authority. From 1993 to 1999, she holds various positions within the World Bank and the Asian Development Bank related to environmental infrastructure and technology. From 1999 to 2007, she was Principal Administrator, Performance and Environmental Information Division at the Organization for Economic Cooperation and Development (OECD). From 2007 to 2011, she was Vice-President, Research and Development for the Air Liquide Group. Since March 2011, Martha Crawford is Senior Executive Vice-President for Research, Development and Innovation for Areva and member of its Scientific and Ethic Committee. Martha Crawford is *"Chevalier de l'Ordre National du Mérite"*.

As at 31 December 2013, Martha Crawford directly held 100 shares and 100 voting rights of the Company.

Positions currently held:
- Agence Nationale de la Recherche (France), Director
- Commissariat à l'Energie Atomique et aux Energies Alternatives (CEA) (France), Director
- CNRS (France), Director
- Fondation Areva (France), Director

Positions previously held that expired during the last five years:
- Air Liquide Santé International (France), Director
- Air Liquide Santé France (France), Director
- Seppic Chemicals (France), Director
- Fondation Air Liquide (France), Director

Gérard Hauser

Director

Chairman of the Ethics Committee and member of the Compensation Committee

Born on 29 October 1941, French nationality

Gérard Hauser has been Chairman and CEO of Nexans from 2000 to 2009. Before becoming a member of the executive committee of Alcatel and taking up the responsibility for its Cables and Components sector in 1996, he held various offices in the Pechiney group. From 1975 to 1996 he was Director of primary metal sales, Chairman and CEO of Pechiney World Trade and then of Pechiney Rhénalu and finally Senior Executive Vice-President of American National Can and member of the executive committee of the group. Gérard Hauser is a graduate of the IEP (institute of political studies) in Paris. He was lecturer at the IEP. Gérard Hauser is also director of Alstom and Technip.

As at 31 December 2013, Gérard Hauser directly held 3,180 shares and 5,861 voting rights of the Company.

Positions currently held:
- Alstom (listed on Euronext) (France), Director
- Technip (listed on Euronext) (France), Director
- Stromboli (France), Chairman of the Supervisory Board
- Delachaux (France), Director
- Mecaplast (Monaco), Director

Positions previously held that expired during the last five years:
- Nexans (France), Director
- Faurecia (France), Director
- Aplix (France), Director
- Electro Banque (France), Director

Mayroy SA (represented by Mr. Philippe Bonhomme)

Director

Member of the Ethics Committee

Registered office: 11 boulevard Royal, L-2449 Luxembourg

Number B48865 RCS Luxembourg

The company Mayroy SA is a *société anonyme* incorporated under the laws of Luxembourg in 1994. The company Mayroy SA is a shareholder of Ipsen SA. As of 31 December 2013, Mayroy SA held 57,099,528 shares, *i.e.*, 67.78% of the share capital and 114,033,559 voting rights, *i.e.*, 81.31% of net voting rights.

Philippe Bonhomme (permanent representative of Mayroy SA)

Permanent representative of Mayroy SA in the Board of Directors

Born on 5 November 1969, French nationality

From 1993 to 2005, Mr. Philippe Bonhomme had been acting as auditor and, subsequently, as Corporate Finance consultant with Coopers & Lybrand renamed into PricewaterhouseCoopers. Since 2005, he is a Managing Director and a member of the management committee of Hottinguer Corporate Finance, the investment banking arm of Hottinguer bank. Mr. Bonhomme has been advising, in France and abroad, on numerous transactions in the pharma and healthcare sectors as well as on private equity-backed transactions.

Mr. Bonhomme is a graduate of École des Hautes Études Commerciales (HEC, Paris) and a French Certified Public Accountant (CPA).

As at 31 December 2013, Mr. Bonhomme held no shares in the Company.

Positions currently held:
- Hottinguer Corporate Finance SA (France), Director
- Mayroy SA (Luxembourg), Director

Positions previously held that expired during the last five years:
None

Pierre Martinet

Director

Chairman of the Audit Committee and member of the Compensation Committee

Born on 2 December 1949, French nationality

Pierre Martinet joined the Group in September 2005 as a Director. In 1993, he joined Old Town SA (previously Exor group) where he has held several managing positions, in particular in Sequana (ex Worms & Cie) until 2007. He is still managing Director of Old Town. From 1990 to 1992, he was a member of Perrier's executive team. From 1986 to 1990, he participated in the management of investment funds at Paribas Technology, then at Pallas Venture, of which he was a co-founder. Previously, he worked at Cartier as general secretary from 1977 to 1985. In 1974, Pierre Martinet started his career in Rothschild Bank. Pierre Martinet is a graduate of the Paris ESC business school and of the Columbia Graduate School of Business.

As at 31 December 2013, Pierre Martinet directly held 2,132 shares and 4,264 voting rights of the Company.

Positions currently held:
- Old Town SA (Luxembourg), Managing Director
- Almacantar (Luxembourg), Chairman
- Sequana (France), Director

Positions previously held that expired during the last five years:
- Banijay Entertainment (France), Member of the Supervisory Board
- Cushman & Wakefield (USA), Director
- Cartier SA (France), Member of the Supervisory Board
- Greysac SAS (France), Director
- IFIL France SAS (France), Chairman
- Arjo Wiggins Appleton (Great Britain), Chairman and Director
- Arjo Wiggins (Great Britain), Member of the Supervisory Board
- Exor (United States of America), Director and Vice-Chairman
- Exor Finance Ltd, Director
- Antalis International, Member of the Supervisory Board
- Sequana Capital, Director – Deputy Chief Executive Officer
- Financière de Construction de Logement SAS (France), Chairman
- Adriatique B.V. (Hollande), Director

Christophe Vérot

Director

Member of the Audit Committee and the Appointments and Governance Committee

Born on 23 July 1960, French nationality

From 1985 to 1988, Mr. Christophe Vérot was an auditor at Price Waterhouse. From 1988 to 1991, he was a consultant at SIAR, a Scandinavian consultancy firm on strategy. Since 1991, Mr. Vérot has a consultancy activity in Corporate Finance then Valuation & Economics within PwC where he is a partner since 1995. Mr. Christophe Vérot is the author of several articles and publications on merger and acquisitions and valuation methods. Mr. Vérot is a graduate of the ESSEC.

As at 31 December 2013, Christophe Vérot directly held 1,500 shares and 3,000 voting rights of the Company.

Positions currently held:
- PwC Investissements SAS, Chairman
- PwC Corporate Finance SAS, Member of the Board of Directors

Positions previously held that expired during the last five years:
- PwC Actuariat Conseil, Chairman

Carol Xueref

Director

Member of the Strategic Committee and the Ethics Committee

Born on 9 December 1955, British nationality

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).

From 1982 to 1986, Carol Xueref was Deputy to the *Attachée* for Commercial Affairs of the British Embassy in Paris. From 1986 to 1990, she was appointed Head of Division of the International Chamber of Commerce of Paris.

In 1990, she became Director for Legal and Tax Affairs of Banque Populaire de la Région Ouest de Paris. From 1993 to 1996, she was Head of a legal department of Crédit Lyonnais and subsequently, Director for Legal Affairs of OIG (Crédit Lyonnais defeasance entity).

Since 1996, Carol Xueref is Director for Legal Affairs and Group Development, member of the Executive Committee of Essilor International. She is also member of the *Autorité de la Concurrence* (French Competition Authority) since 2006, and chaired its "Compliance" working group.

Carol Xueref is a founder member and a past-President of the Cercle Montesquieu (Association of French in-house lawyers (1998-2002)) and chaired its "Ethics of in-house lawyers" working group. She is General Secretary and a Director of the Association Française des Femmes Juristes and Director of the Franco-British Lawyers Society.

Carol Xueref is the author of numerous articles and a speaker in conferences on international commerce and competition law.

As at 31 December 2013, Carol Xueref directly held 200 shares and 200 voting rights of the Company.

Positions currently held:
- Essilor International (listed on Euronext), Director of several non-French subsidiaries of the Group.

Positions previously held that expired during the last five years:
- Essilor International, Director of several subsidiaries of the Group (France and abroad).

3.1.1.4 Conflicts of interests and service contracts

Conflicts of interest involving Directors and Executive Officers

To the Company's best knowledge and as at the date of publication of the present registration document:

- there is no conflict of interest between the duties of the members of the Board of Directors vis-à-vis the Company and their personal interests and other duties;
- there is no further undertaking or agreement with shareholders, clients, suppliers or other parties pursuant to which one of the members of the Board of Directors 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.

Service contracts with members of the Company's governing bodies

The Company made a payment of €275,000 on 1 September 2012, within a contract concluded on 29 May 2012 between the Company and the company JPh Hottinguer Corporate Finance SA concerning the review of Dreux industrial site strategic project. This contract has been approved by the Shareholders' Meeting held on 31 May 2013.

At its meetings held on 27 August 2012 and 13 December 2012, the Board of Directors authorized the conclusion of a service agreement between the Company and the Banque JPh Hottinguer Corporate Finance S.A., of which Mr. Philippe Bonhomme, permanent representative of Mayroy SA within the Board of Directors since 1 June 2012, is a managing director, in order to assist the Company with the reflection and the evolution of Inspiration Biopharmaceuticals Inc. strategic project. This agreement has been concluded for a 6-months period, from its signature and with the possibility of renewing it by written and express agreement. €619,000 fees have been paid including €150,000 paid in March 2013 in order to cover the remaining fees within this contract (please refer to the Special Report of the Statutory Auditors on regulated-related agreements and commitments under section 3.1.4. of the registration document).

At its meeting held on 28 March 2013, the Board of Directors decided to allocate to JPh Hottinguer Corporate Finance S.A. a remuneration of €600,000 within this contract for its key role in the Inspiration Biopharmaceuticals Inc. case (please refer to the Special Report of the Statutory Auditors on regulated-related agreements and commitments under section 3.1.4. of the registration document).

Moreover, in connection with the special mandate given by the Board of Directors, at its meeting held on 27 August 2012, to Mr. Antoine Flochel, Vice-Chairman of Ipsen SA Board of Directors, in order to assist the Company with the reflection and the evolution of Inspiration Biopharmaceuticals Inc. strategic project, the Company paid an amount of €177,000 fees in 2013 to Mr. Antoine Flochel (Legal Manager of VicJen Finance) (please refer to the Special Report of the Statutory Auditors on regulated-related agreements and commitments under section 3.1.4. of the registration document).

To the Company's best knowledge no other services contracts involving Directors or any member of the Executive Board and the issuing company or its subsidiaries likely to provide such benefits, has been signed.

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.

3.1.1.5 Assessment of the functioning of the Board

The Internal Regulations of the Board of Directors provides for an annual debate, through a session without the presence of the Chairman of the Board, the Chief Executive Officer and senior executives. This meeting is prepared by the Appointments and Governance Committee, in cooperation with the Vice-Chairman of the Board or a Director specifically appointed for this purpose. The Committee may, on this occasion, request that an assessment be carried out by an external consultant.

A formal assessment of the Board of Directors' functioning was carried out, by Mr. Hervé Couffin, independent Director, under the aegis of the Appointments and Governance Committee. This assessment was conducted *via* a questionnaire sent to every member of the Board prior to individual interviews. The conclusions of this formal assessment were presented and debated during the Board of Directors meeting held on 26 February 2013. All the Directors valued the quality and transparency of the debates and the

open-mindedness of the Chairman and Chief Executive Officer during the meetings of the Board. They also noted improvements made in terms of information quality. They emphasized the importance of the works and contribution of the Committees to the Board's works, in particular the Audit Committee and Compensation Committee. Proposals were suggested in terms of rationalization of number or scheduling of meetings, presentation of information and organization of executive session without the presence of the Management.

A new formal assessment of the Board of Director's functioning was carried out by Mr. Hervé Couffin, independent Director, under the aegis of the Appointments and Governance Committee. This assessment was conducted *via* a questionnaire sent to every member of the Board prior to individual interviews. The conclusions of this formal assessment were presented and debated at the Board of Directors' meeting held on 27 February 2014. The Directors emphasized the effectiveness of the Board of Directors (composition, number of meetings, committees' work, transparency…). They also noted improvements made during the last two years, especially in the following areas: quality of the information provided, restricted sessions, meeting of the Board in a Group' subsidiary once a year. Proposals were suggested with regard to the nature and content of some documents presented during the Boards meetings.

3.1.1.6 Executive Committee

The Group has an Executive Committee which 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.

The Executive Committee 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.

3.1.1.6.1 Composition

The Board of Directors, upon proposal of the Chairman and Chief Executive Officer, at its meeting held on 26 February 2013, has appointed Mrs. Christel Bories as Deputy Chief Executive Officer, as of 1 March 2013, for an unlimited term. Working alongside with the Chairman and Chief Executive Officer, the Deputy Chief Executive Officer is responsible for accelerating the execution of the Group's strategy.

Since 1 March 2013, the Executive Committee is chaired by Mrs. Christel Bories, Deputy Chief Executive Officer. Previously, it was chaired by Mr. Marc de Garidel, Chairman and Chief Executive Officer.

At the date of this registration document, the current members of the Executive Committee are:

Name	Function	Date of entry in the Group
Christel Bories	Deputy Chief Executive Officer	2013
Jonathan Barnsley (From 1 April 2014)	Executive Vice-President, Technical Operations	2014
Claude Bertrand	Executive Vice-President, Research and Development, Chief Scientific Officer	2009
Pierre Boulud	Executive Vice-President, Specialty Care Commercial Operations	2002
Dominique Brard	Executive Vice-President, Human Resources	2014
Jean Fabre	Executive Vice-President, Primary Care Global Business Unit	2008
Christophe Jean	Executive Vice-President, Strategy and Business Development	2002
Nathalie Joannes	Executive Vice-President, General Counsel	2011
Philippe Robert-Gorsse	Executive Vice-President, Specialty Care Franchises	2005
Susheel Surpal	Executive Vice-President, Finance	2011

Messrs. Jean Fabre and Philippe Robert-Gorsse joined the Executive Committee on 12 November 2013 respectively as Executive Vice-President, Primary Care Global Business Unit and as Executive Vice-President, Specialty Care Franchises.

On 6 January 2014, Mrs. Dominique Brard joined the Executive Committee as Executive Vice-President, Human Resources, replacing Mr. Etienne de Blois, who has been appointed Vice-President Specialty Care Operation Latin America, Spain and Portugal.

Moreover, Mr. Jonathan Barnsley will join the Executive Committee on 1 April 2014 as Executive Vice-President, Technical Operations.

There are no family relationships between the members of the Executive Committee, nor with the members of the Board.

To the Company's best knowledge and as at the date of publication of the present registration document, over the last five years, none of the members of the Executive Committee have been:

- convicted of fraud, charged with any other offence or had any official public disciplinary action taken against them by statutory or regulatory authorities;
- implicated in a bankruptcy, receivership or liquidation as an executive officer or director;
- disqualified from acting as a board member, senior executive or supervisory board member or from participating in the management of a listed company.

The members of the Executive Committee, except for Mrs. Christel Bories, hold employment contracts with the Company. 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 Executive Committee.

3.1.1.6.2 Presentation of members of the Executive Committee

Christel Bories

Deputy Chief Executive Officer

Born on 20 May 1964, French nationality

A graduate of the French business school HEC, Christel Bories spent most of her career in the industrial sector, where she gained solid experience in global renowned groups. From 1995 to 2003 at Pechiney, she was Director of Strategy and Management Control, prior to becoming Director of Pechiney Packaging. In 2004, at the time of the merged with Alcan, Christel Bories took over as Chairwoman of Alcan Packaging, and then, in 2007, of Alcan Engineered Products. Finally, in 2008, she was appointed to the helm of Rio Tinto Engineered Products after the acquisition of Alcan. In 2011, Christel Bories was Chief Executive Officer of Constellium (formerly Alcan). Since 2011, Christel Bories has been a member of the Board of Directors of Natixis and Cercle de l'Industrie, a forum for large industrial companies. She is also Vice-President of French think tank La Fabrique de l'Industrie. Since 2012, Christel Bories has been Chairperson of the Strategy Committee of Legrand and a member of the Board of Directors of Smurfit Kappa.

Mrs. Christel Bories does not hold shares of the Company.

Positions currently held:
- Natixis (listed on Euronext) (France), independent Director, Chairperson of the Compensation Committee and member of the Strategic Committee
- Legrand (listed on Euronext) (France), independent Director, Chairperson of the Strategic Committee and member of the Audit Committee
- Smurfit Kappa (listed on the London Stock Exchange) (Ireland), independent Director and member of the Audit and Compensation Committees
- Fabrique de l'Industrie, Vice-President

Positions previously held that expired during the last five years:
- Cercle de l'industrie, member of the Board
- Rio Tinto, Senior Vice-President
- Constellium (France), Managing Director
- Atlas COPCO AB (Sweden), Director
- Rio Tinto Alcan, Member of the Executive Committee
- European Aluminium Association, member of the Executive Committee
- European Aluminium Association, Chairperson

Jonathan Barnsley

Executive Vice-President, Technical Operations (from 1 April 2014)

From 1 April 2014, Jonathan Barnsley will be in charge of the Specialty Care production facilities and CMC (Chemistry, Manufacturing and Controls) and will have a functional link to Primary Care production facilities. Support functions to technical operations (purchasing, quality, EHS…) will also report to him.

Jonathan Barnsley is graduated from Sheffield University in chemical engineering. He has acquired a broad range of experience in the biotech and pharmaceutical industry on an international level and has held senior positions in manufacturing, development and engineering (notably within Beecham Pharmaceuticals Ltd, GD Searle Company Ltd, Celltech Ltd, Biocompatibles Ltd, GSK). He spent the last 18 years within Merck Serono, where he held various positions of leadership in corporate engineering and manufacturing. In 2000, he became site Director of Serono Biotech Center (Vevey, CH). In 2007, he was appointed Senior Vice-President of biotech manufacturing with the responsibility of 6 manufacturing sites and since 2013 Senior Vice-President of biotech development covering the development of processes for transfer to manufacturing.

Claude Bertrand

Executive Vice-President, Research and Development, Chief Scientific Officer

Claude Bertrand joined the Company in November 2009. Claude Bertrand started his career in Novartis (previously Ciba-Ceigy) in Basel (Switzerland). Then, he moved to the Inflammatory Disease Unit at Roche (Palo Alto, California, USA) where he developed, in particular, the pharmacology platform for breathing diseases. In 1999, he was recruited as Director of Biology R&D of Pfizer in France and member of the management team of Pfizer Global R&D. Since 2004, Claude Bertrand was R&D Vice-President, then R&D Senior Vice-President of AstraZeneca where he was responsible of Respiratory and Inflammation diseases area.

Claude Bertrand has a PhD in pharmacy, a Master in Pharmacology, a PhD from the University of Strasbourg and a post doc from the University of San Francisco, USA, under the supervision of Pr. Jay A. Nadel.

Positions currently held:

Ipsen Group:
- Ipsen Pharma SAS (France), Managing Director
- Ipsen Innovation SAS (France), Managing Director

Other:
- Splicos, Director
- ARIIS (Alliance pour la Recherche et l'Innovation des Industries de Santé), Chairman
- INSERM, Director

Pierre Boulud

Executive Vice-President, Specialty Care Commercial Operations

Pierre Boulud is Executive Vice-President, Specialty Care Commercial Operations since November 2013. He was Executive Vice-President Corporate Strategy in charge of Business Development, Alliance Management, Market Access, Competitive Intelligence and Scientific Information and Strategic Planning between 2011 and 2013.

Pierre Boulud joined Ipsen in 2002 and has held several senior positions within the Ipsen Group, in particular the management of the Spanish subsidiary and the management of the Strategic Marketing.

Pierre Boulud started his career in Bossard Consultants during two years, then in the Boston Consulting Group during five years.

Pierre Boulud is graduated from the École Supérieure des Sciences Économiques et Commerciales (ESSEC).

Positions currently held:

Ipsen Group:
- Ipsen Pharma SAS (France), Managing Director

Dominique Brard

Executive Vice-President, Human Resources

Dominique Brard joined Ipsen in January 2014.

Graduated from the European Business School, Paris (1986), Dominique Brard began her career at Coopers & Lybrand as external auditor (1986-1989).

In 1990, she joined the Promodès Group as Group Internal Audit Director, and in 1995, she took over as Financial and Administrative Director of Prodis, affiliate of the Promodès Group.

In 1999, she became Finance Director France of the Promodès Group.

Following the merge of Promodès and Carrefour groups in 2000, she became Director of Human Resources of Carrefour France (1999-2003), before being appointed Managing Director of Prodirest, affiliate of the Carrefour Group.

In 2006, she joined Altedia as Deputy Chief Executive Officer. In 2009, she moved to Nestlé as Managing Director, Human Resources France.

As of 2011, Dominique Brard was Director of Human Resources of the FNAC Group.

Positions currently held:

Ipsen Group:

- Ipsen Pharma SAS (France), Managing Director

Others:

- Economat des armées françaises, Civil director

Jean Fabre

Executive Vice-President, Primary Care Global Business Unit

Jean Fabre is Executive Vice-President, Primary Care Global Business Unit since November 2013.

Jean Fabre joined Ipsen in 2008 as Senior Vice-President Intercontinental Operations (Latin America, Eastern Europe, Africa, Middle East, Asia). In 2011, in addition to his responsibilities as SVP Intercontinental Operations, Jean Fabre was also given responsibility for Ipsen's Primary Care Operations.

Jean Fabre began his career in the pharmaceutical industry in 1985 at Rhône-Poulenc where he held various positions spanning sales and marketing. In 1997, he was appointed General Manager of Rhône-Poulenc's Swiss affiliate.

In 2000, Jean Fabre was appointed Vice-President of Aventis International Eastern European and Turkish operations. In 2003, he became Senior Vice-President of Sanofi-Aventis' Latin American operations.

In 2005, Jean Fabre joined the Pierre Fabre group in Castres (France) where he headed the company's global pharma operations.

Jean Fabre holds a PhD in Pharmacy, a Master in Pharmacology and a Master in Pharmaceutical Marketing from leading French business school ESCP.

Positions currently held:

Ipsen Group :

- Ipsen Pharma SAS (France), Managing Director
- Beaufour Ipsen Farmaceutica Ltda (Brazil), Chairman of the Advisory Board
- Beaufour Ipsen International (Hong Kong) Ltd (Hong Kong), Director
- Beaufour Ipsen (Tianjin) Pharmaceutical Co Ltd (China), Director
- Ipsen Korea (Korea), Director
- Ipsen OOO (Russia), Chairman
- Ipsen (Beijing) Pharmaceutical Science and Technology Development Co Ltd (China), Director

Christophe Jean

Executive Vice-President, Strategy and Business Development

Christophe Jean is Executive Vice-President, Strategy and Business Development since November 2013. He is member of the Executive Committee.

Christophe Jean joined the Group in September 2002 as Executive Vice-President, Operations, in charge of Group's medical and commercial activities across the world and of franchises.

Christophe Jean graduated from the Harvard Business School. He started his career in the pharmaceutical industry in Ciba-Geigy where he held several positions in marketing and international management in Europe and Latin America. He was then appointed Vice-President, International Finance and Information Technology and a member of the International Pharmaceutical Executive Committee in Basel, position he held after the merge of Ciba-Geigy and Sandoz (to create Novartis) until his appointment as Head of the Pharmaceutical division for Europe, Middle East and Africa in 1997. In 2000, he joined the Pierre Fabre group as Chairman and Chief Executive Officer of pharmaceutical activities.

Positions currently held:

Ipsen Group:

- Ipsen Pharma SAS (France), Managing Director

Others:

- Exonhit Therapeutics (France), Member of the Supervisory Board
- EBE (European Biopharmaceutical Enterprises) (Belgium), Director

Nathalie Joannes

Executive Vice-President, General Counsel

Nathalie Joannes joined the Company in October 2011 as Executive Vice-President, General Counsel.

From 1989 to 2001, Nathalie Joannes worked at Monsanto Company (St Louis, USA and Brussels, Belgium), notably as Assistant General Counsel in the United States. In 2001, she joined Serono International as Group General Counsel, then Cardinal Health International (Switzerland) in 2007 where she served as General Counsel, International. Since 2008, she served as Senior Vice-President and Chief European Counsel at Genzyme B.V. (Amsterdam).

Nathalie Joannes is a graduate from the University of Pennsylvania Law School (Philadelphia – 1985) and the University of Liege (Belgium – 1984). She is also a member of the New York Bar.

Positions currently held:

Ipsen Group:

- Ipsen Pharma SAS (France), Managing Director
- Ipsen Spa (Italy), Director

Philippe Robert-Gorsse

Executive Vice-President, Specialty Care Franchises

Philippe Robert-Gorsse was appointed Executive Vice-President, Specialty Care Franchises in November 2013.

Philippe Robert-Gorsse joined Ipsen in 2005 as Vice-President Eurasia Operations (Europe excluding G5, Russia, Ukraine, Central Asia, China and South Korea). In 2008, he took responsibility for leading Ipsen's European Operations (G5, Eastern and Western European countries).

In 2011, in addition to his responsibilities as Senior Vice-President of European Operations, Philippe Robert-Gorsse was given responsibility for Ipsen's Pediatric Endocrinology business.

Philippe Robert-Gorsse began his career at Roussel-Uclaf where he held various positions in both controlling and marketing. Between 1989 and 2003, he was successively Finance Manager and General Manager of the company's South African affiliate, Director of Roussel's Operations in France, and Infectiology Business Unit Head of Aventis France. In 2003, Philippe Robert-Gorsse was appointed Vice-President of Eastern Europe and other markets at Aventis.

Philippe Robert-Gorsse is a graduate of leading French engineering school École Centrale Paris.

Positions currently held:

Ipsen Group:
- Ipsen Pharma SAS (France), Managing Director
- Ipsen Innovation SAS (France), Managing Director
- Ipsen Pharma SA (Spain), Director

Susheel Surpal

Executive Vice-President, Finance

Susheel Surpal joined the Company in December 2011. Throughout his career, Susheel Surpal served mainly as Financial Director, from 1985 to 1994 at EDS, then at Sodexo as European Financial Director, before his appointment as Corporate Controller (1998-2000), then Corporate Controller and Senior Vice-President at the BIC group. In 2003, Susheel Surpal joined the BEL group as Corporate Financial Director. Since 2009, Susheel Surpal was member of the Executive Committee and Financial Director of LABCO (European leader of medical diagnostics). He is graduate from the Queen's University of Belfast (United Kingdom) and fellow of the Institute of Chartered Management Accountants (FCMA – CGMA).

Positions currently held:

Ipsen Group:
- Ipsen Pharma SAS (France), Managing Director
- Ipsen Farmaceutica BV (Netherlands), Director
- Ipsen Ré (Luxembourg), Chairman of the Board of Directors

3.1.1.7 Transactions on Company's shares

Definition of blackout periods

The Company complies with the recommendations of the *Autorité des marchés financiers* and the AFEP-MEDEF Code. Accordingly, purchases and sales of Company securities, or financial instruments, are prohibited during the periods running from the date on which executive officers and other persons with a similar status as well as any other person who has access to privileged information on a regular or occasional basis have knowledge of precise information about business conditions or prospects, which, if it were disclosed, could have a material impact on the share price to the date on which this information is disclosed. Moreover, such trades are also banned during a period of:

- 30 calendar days prior to the publication of the annual and half-year financial statements and the day of publication included, and
- 15 calendar days prior to the publication of quarterly information and the day of publication included.

The Company draws up and releases, at the beginning of every year, a timetable that defines the periods during which trading in Company securities is prohibited and stipulating that the indicated periods do not anticipate the existence of other blackout periods resulting from knowledge of precise information that directly or indirectly concerns Ipsen, which, if it were disclosed, could have a material impact on Ipsen's share price.

In accordance with the recommendations of the AFEP-MEDEF Code (section 23.2.4) and the recommendation n°2010-07 dated 3 November 2010 of the *Autorité des marchés financiers*, hedging of any kind on securities of the Company, in case of exercises of stock options, is prohibited.

Marc de Garidel, Chairman and Chief Executive Officer, and Christel Bories, Deputy Chief Executive Officer, undertook a formal commitment not to engage in hedging transactions either on their options or on shares issued following the exercise of options or on performance bonus shares granted until the end of the holding period that has been decided by the Board of Directors.

Transactions on Company's securities carried out in 2013

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 2013 and as at the date of this registration document by directors and senior executives, and any person related to them, as such transactions were notified to the Company and the *Autorité des marchés financiers*:

	Purchases			Sales		
	Date	Number	Average weighted price	Date	Number	Average weighted price
Martha Crawford Director	28 June 2013	100	€27.595	–	–	–

3.1.2 Reports of the Chairman of the Board and the Statutory Auditors

3.1.2.1 Report of the Chairman of the Board of Directors on the composition and preparation and organization of the work of the Board and on internal control and risk management procedures

The present report will be presented to the Ordinary Shareholders' Meeting to be held on 4 June 2014, in accordance with the provisions of Article L.225-37 of the French Commercial Code. It has been prepared with the assistance of the Executive management, the office of the Company Secretary, the Internal Audit and the Risks Management departments and has been presented to the Audit Committee prior to its approval by the Board of Directors held on 27 February 2014 and sent to the Statutory Auditors.

Information described in the present Report relating to the preparation and organization of the work of the Board of Directors, and the internal control and risk management procedures implemented by the Company and the Ipsen Group during financial year ended 31 December 2013.

3.1.2.1.1 Preparation and organization of the work of the Board of Directors – Corporate governance

Governance structure

Ipsen is a *société anonyme* with a Board of Directors, where the functions of Chairman of the Board and Chief Executive Officer are not separated. This governance structure allows, in a constantly changing and particularly competitive environment, cohesion between strategy and operational activities and favors decision-making processes.

Corporate governance Code

The Company refers to the AFEP-MEDEF corporate governance Code of April 2010, revised on June 2013, available on the website www.medef.com. In accordance with the provisions of Article L.225-37 of the French Commercial Code, the Report of the Chairman sets out the provisions of the AFEP-MEDEF Code which have not been applied, as well as the reasons.

AFEP-MEDEF recommendations not applied	Practice of Ipsen and justifications
Article 9 Independence criteria	The independence criteria of the Board members are defined in the paragraph 3.1.1.1 of this registration document. Although inspired by the independence criteria drafted by the AFEP-MEDEF Code, the Board of Directors took the decision, at the time of its stock exchange listing in 2005, to establish its own independence criteria. In particular, the criterion which states that a director should not have been a director for more than twelve years has not been selected by the Board of Directors. The Board of Directors considers that being a director for a long period does not automatically result in the loss of independent director status. The Board of Directors considers that the experience gained within the Board combined with a good knowledge of the Company is an advantage in a Group characterized by long-term investment cycles. At the end of the term of office during which this 12-year seniority is reached, the Board examines the maintenance or loss of this quality by taking into consideration the personal situation of the director.
Article 17.1 The Appointments Committee should have a majority of independent directors	This provision is not applied because the Company is controlled by a majority shareholder. Furthermore, the Board has considered that the current proportion of independent members within the Appointments and Governance Committee does not affect its normal functioning. Moreover, it is stated that the Chairman and Chief Executive Officer is not a member of this Committee.
Article 18.1 The Compensation Committee should be chaired by an independent director	This provision is not applied because the Company is controlled by a majority shareholder. Moreover, two out of three members of the Compensation Committee are independent which is enough to ensure the proper functioning of the Committee.
Article 19 An executive Director should not hold more than two other directorships in listed corporations including foreign corporations, not affiliated with the Group	Christel Bories undertakes not to renew at least one of her other directorships in listed companies, not affiliated with the Ipsen Group, in order to comply with this provision.
Article 21.1 Directors' compensation should take into account the directors' attendance at meetings of the Board and committees, and therefore include a major variable portion	Due to the strong involvement of Directors, the high attendance rate and number of meetings of the Board and its Committees (28 meetings in 2013 including 9 Boards meetings and 19 Committees meetings), the Board of Directors has decided not to establish a variable part based on attendance in the Directors' fees. However, the allocation of the attendance fees takes into account the time dedicated to their functions, especially as a result of their belonging to Committees.

The Board of Directors

Composition

The Board of Directors is currently comprised of eleven members, including three women, Mrs. Anne Beaufour, Mrs. Martha Crawford and Mrs. Carol Xueref. Two of its members are non-French nationals: Mrs. Carol Xueref of British nationality and Mrs. Martha Crawford of Franco-American nationality. Among the members of the Board, four Directors, Mrs. Martha Crawford, Messrs. Pierre Martinet, Gérard Hauser and Hervé Couffin are independent Directors as such quality is defined by the Board's internal regulations and in accordance with the independence criteria described in the latter. These criteria are:

- be neither employees, executive officers, nor closely related to an executive officer of a Group entity or an entity controlling the Company within the meaning of Article L.233-3 of the French Commercial Code;
- be neither executive officer, nor closely related to an executive officer of a company in which a Group entity holds an executive office, either directly or indirectly;
- be neither a client, supplier or significant service provider of the Group, nor a member of a company that is a client, supplier or significant service provider of the Group;
- (i) do not represent a shareholder that owns, (ii) are not members of an entity that directly or indirectly owns, and (iii) do not directly or indirectly own, more than five percent of the Company's share capital or voting rights.

Individual information concerning Directors and in particular the list of their terms of office are presented in section 3.1.1.3 of the registration document.

The table listing the changes that have occurred in the composition of the Board of Directors during 2013 financial year appears in section 3.1.1.2 of the registration document.

Meetings of the Board of Directors

During financial year 2013, the Board of Directors met 9 times. The average attendance rate at the meetings amounted 92% for 2013.

The Statutory Auditors of the Company were convened to the Board meetings held to approve the annual and half-year financial statements.

Works of the Board in 2013

In 2013, the Board of Directors discussed, among other things, the following matters:

- concerning financial statements and financial situation: review and approval of the 2012 annual and consolidated financial statements, the 2013 half-year financial statements, examination of the management forecast documents, and 2013 and 2014 budget;
- concerning strategy and development: examination and follow-up of the Group partnership and development projects;
- concerning compensation: examination of the compensation of the Chairman and Chief Executive Officer and of the Deputy Chief Executive Officer, grant of performance shares, mid-term bonus to the Chairman and Chief Executive Officer, the Deputy Chief Executive Officer and certain Group employees;
- concerning organization and functioning of the Board of Directors: discussion on the functioning of the Board of Directors (self-assessment), proposal of the appointment of a new director, report on the independence of the Directors;
- concerning the Shareholders' Meeting: examination and approval of the report of the Chairman of the Board of Directors on preparation and organization of the work of the Board and on internal control and risk management procedures, convening of the Shareholders' Meeting held on 31 May 2013;
- Share capital: reduction of the share capital by the cancellation of treasury shares.

Conditions of preparation of the works of the Board – Confidentiality

Members of the Board of Directors receive all appropriate information and necessary documents required for them to perform their duties and responsibilities and prepare their deliberations. 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.

To this respect, and together with the individual directors' information right provided for by legal provisions and the Articles of association, the Vice-Chairman of the Board, acting on behalf of all Directors, may request from the Chairman of the Board, where this person also acts as Chief Executive Officer, any information, document which communication would be necessary in order for the other Directors to accomplish their duties in accordance with the laws and regulations.

The Board of Directors is informed of any significant event or transaction concerning the company by its Chairman on an ongoing basis and by the use of any necessary means.

The Board of Directors may have access to the Group's main senior executives, whether directors or not. The Directors may, together or individually, consult the Group's senior executives for advice on any matters, after advising the Chairman of the Board, and may meet senior executives without the Chairman being present.

The Board of Directors is a collective body; its deliberations bind all of its members. Members of the Board of Directors, as well as any other person participating to its meetings, are bound by strict obligations of confidentiality and discretion with respect to any information disclosed to them by the Company in connection with the Board and Committee deliberations which are of a confidential nature or which are presented as such by the Chairman of the Board of Directors.

Organization and functioning of the Committees of the Board of Directors

In accordance with the provisions of its internal regulations, the Board of Directors may establish temporary or permanent specialized committees which are comprised of at least three members and of a maximum of six Directors and appoints the Chairman of such committees. These committees report on their works and submit their recommendations and proposals to the Board.

Committee members are personally appointed from among Directors for the duration of their term of office as Director. They shall not appoint a proxy to attend meetings on their

behalf. They may be replaced or dismissed at any time by the Board of Directors. Their term of office is renewable. A Director may be a member of several committees. The Chairman of each committee is appointed by the Board of Directors among members of the committee.

Subject to any specific rules applicable to them, each committee determines the frequency of its meetings. Meetings are held at the Company's registered office or at any other place indicated by its Chairman, who also convenes meetings and sets the agenda.

Meetings can only take place if at least half of the members of a committee are present. Members may take part in meetings by any means allowed by law or by the Articles of association.

The Chairman of a committee may invite all the members of the Board of Directors or any other person to attend one or more of its meetings. The sole committee members may vote on items on the agenda.

Minutes of each committees' meeting are prepared by the secretary of the Board of Directors, under the responsibility of the committee's Chairman. The minutes are circulated to all committee members. The Chairman reports to the Board of Directors on the committee's work under the terms and conditions determined by the Board.

Committees make proposals and recommendations and give opinions in their fields of expertise. For this purpose, they may conduct or commission any external reports or research to assist them in their work, at the Company's expense. Committees report on their work to each meeting of the Board of Directors.

When necessary, committees determine their other rules and procedures. They periodically ensure that their rules and procedures enable them to assist the Board to make valid decisions on subjects within their remit, and they can propose changes to the Board internal regulations.

The Board of Directors has set up five permanent committees: a Strategic Committee, an Audit Committee, a Compensation Committee, an Appointments and Governance Committee and an Ethics Committee.

At every meeting of the Board of Directors, Chairpeople of Committees makes an oral report on the meetings that have been held.

The Strategic Committee

The Strategic Committee is comprised of at least three and no more than six Directors, including the Chairman of the Board. It is chaired by a Director other than the Chief Executive Officer.

The Strategic Committee is currently comprised of six members, one of whom is independent having regards to the independence criteria referred to above. Its members are: Henri Beaufour (Chairman), Anne Beaufour, Carol Xueref, Martha Crawford (independent member), Antoine Flochel and Marc de Garidel.

The role of the Strategic Committee is:

- to review all strategic issues affecting the Company and the Group with regard to research and development, industrial, commercial and financial matters, and alliances and partnerships of all types;
- to review any major investment, asset sale, restructuring, alliance or partnership projects;
- to submit reports, proposals and recommendations on all issues falling within its scope of responsibility.

The Strategic Committee meets at least four times a year. Meetings are convened by the Committee's Chairman.

The Strategic Committee may call upon the Group's senior executives for assistance. It may request sight of any internal reports, documents and research drawn up by the Group and commission any external technical reports at the Company's expense, subject to the usual confidentiality undertakings.

In the course of 2013, the Strategic Committee met four times. Its activities particularly involved the examination and review of the Group's partnership and development strategy.

The Audit Committee

The Audit Committee is comprised of at least three members, two of whom are independent according to the abovementioned criteria set forth by the internal regulations. They are appointed among the Directors other than the Chairman of the Board. At least one of the two independent Directors selected must have particular expertise in financial or accounting matters. The Board appoints the Chairman of the Committee from among its members. The Committee's Chairman is also independent according to the Company's independence criteria.

The Audit Committee is currently comprised of three members two of whom are independent. Its members are: Pierre Martinet (Chairman and independent member), Hervé Couffin (independent member) and Christophe Vérot.

In accordance with the terms of Article L.823-19 of the French Commercial Code at least one member of the Audit Committee must be independent and have finance or accounting expertise. Messrs. Pierre Martinet and Hervé Couffin fulfill the independence and financial and accounting criteria given their professional experience as described in 3.1.1.3 of the registration document.

The role of the Audit Committee is to:

- evaluate the accounting policies used to prepare the parent company and consolidated financial statements, and to review and evaluate the basis for consolidation and the relevance of accounting methods applied to the Group;
- monitor the financial information follow-up process;
- examine the annual and interim financial statements, together with budgets and forecasts, prior to their presentation to the Board of Directors;
- monitor the legal control of annual financial statements and, if necessary, of consolidated financial statements by the Statutory Auditors;
- control the quality of and compliance with procedures, and to evaluate information received from management, internal committees and internal and external auditors;
- monitor the efficacy of internal control and risk management systems;
- supervise the appointment and reappointment of the Statutory Auditors, to satisfy itself of their independence, to form an opinion on the amount of their fees and to submit the results of its work to the Board of Directors;

- examine the scope and approach of audit selected by the Statutory Auditors on the consolidated financial statements, including the material risks and the main identified uncertainties;
- review the details and appropriateness of the fees paid by the Company and the Group to the Statutory Auditors and to ensure that those fees and the services referable thereto are not such as to affect their independence;
- examine the annual statement of significant litigation.

The Audit Committee meets at least four times a year. Meetings are convened by the Committee's Chairman.

In connection with its duties, the Audit Committee is responsible for:

- submitting proposals to the Board of Directors concerning the appointment, fees and replacement of the Company's Statutory Auditors;
- reviewing with management and the Statutory Auditors the quarterly, half-yearly and annual financial statements, the Group's accounting principles and methods, its auditing principles and methods and internal control systems, its risk management systems, the analyses and reports relating to financial reporting, the accounting policies and communications between management and the Company's Statutory Auditors;
- examining and controlling rules and procedures concerning conflicts of interest, management expenses and the identification and measurement of key financial risks, together with the application thereof, and submitting its assessment to the Board of Directors on an annual basis;
- on an annual basis, examining, controlling and assessing the independence of the Statutory Auditors, audit procedures, any difficulties encountered and the measures taken to resolve them, and supervising the internal audit function;
- more generally, examining, controlling and assessing any matters likely to affect the accuracy and fairness of the financial statements.

The Audit Committee may request, at least two days before its meeting, any information it deems necessary or usefuland may call upon anyone it deems necessary or useful for assistance.

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.

During the course of 2013, the Audit Committee met five times. The Statutory Auditors were present at meetings regarding the review of annual and interim 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 Chief Financial Officer, the Deputy Chief Financial Officer, the Group Controller, the Head of Internal Audit and the Head of Risk Management. Its activities primarily involved the review of the 2012 annual and consolidated financial statements, the 2013 half-year financial statements and the 2014 budget, the review of the report of the Chairman of the Board of Directors on preparation and organization of the work of the Board and on internal control and risk management procedures, the review of the 2012 internal audit report, the 2013 internal audit plan and the Group's internal control procedures.

The Appointments and Governance Committee

The Appointments and Governance Committee is comprised of three Directors other than the Chairman of the Board. The Chairman of the Appointments and Governance Committee is appointed by the Board of Directors from among the members of the Committee.

The Appointments and Governance Committee is currently comprised of three members one of whom is independent having regards to the independence criteria referred to above. Its members are: Anne Beaufour (Chairperson), Hervé Couffin (independent member) and Christophe Vérot.

The role of the Appointments and Governance Committee is to:

- make any proposals to the Board concerning the re-election, replacement or appointment of new Directors;
- give an opinion on the appointment or replacement of the Chief Executive Officer and Deputy Chief Executive Officers if required;
- prepare, with the Vice-Chairman of the Board of Directors or a Director specially appointed for this purpose, the annual executive session of the Board of Directors regarding its method of operation, in the absence of the Chairman of the Board, the Chief Executive Officer and the executive team;
- give an opinion on the independent members of the Board of Directors.

The Appointments and Governance Committee meets at least twice a year. Meetings are convened by the Committee's Chairman or at the request of the Chairman of the Board of Directors.

During the course 2013, the Appointments and Governance Committee met three times. Its activities primarily involved the assessment of the organization and functioning of the Board of Directors, the determination of independent members and the selection of a new Director.

The Compensation Committee

The Compensation Committee is comprised of three members including two who are independent according to the abovementioned criteria set forth by the internal regulations. They are appointed from among the Directors other than the Chairman of the Board. The Chairman of the Committee is appointed by the Board of Directors from among the members of the Committee.

The Compensation Committee is currently comprised of three members two of whom are independent having regards to the independence criteria referred to above. Its members are: Antoine Flochel (Chairman), Gérard Hauser and Pierre Martinet (independent members).

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, members of executive management and senior executives;

- to be informed of the appointment of key members of executive management other than the Chief Executive Officer, and on the determination of, and any changes to, all components of their compensation;
- to give an opinion on the amount and distribution of Directors' fees;
- to make recommendations to the Board of Directors on the Group's compensation policies and employee savings plans, employee share ownership, stock options and bonus shares or any other similar compensation.

The Chairman of the Board may be asked to take part in the Committee's work, except where it concerns his own compensation.

The Compensation Committee meets at least twice a year. Meetings are convened by the Committee's Chairman, or at the request of the Chairman of the Board.

During the course of 2013, the Compensation Committee met four times. Its activities primarily involved the examination of the compensation of the Chairman and Chief Executive Officer, the Deputy Chief Executive Officer and members of the Executive Committee, the performance shares grants policy, performance shares, mid-term bonus and Stock Appreciation Rights granted to the Chairman and Chief Executive Officer, the Deputy Chief Executive Officer and certain Group's employees.

The Ethics Committee

The Ethics Committee is comprised of three members, one of whom is independent according to the abovementioned criteria set forth by the internal regulations. They are appointed among the Directors other than the Chairman of the Board. The Chairman of the Committee is appointed by the Board of Directors from among the independent members of the Committee.

The role of the Ethics Committee is to:

- Review the definition of the Group's fundamental values and the ethic and compliance policy;
- Make any proposal or recommendation to the Board regarding ethics and compliance matter; debate any item or question in this matter asked by the Board;
- Ensure the dissemination within the Group of the Code of Ethics and global policies defined by the Group and their updates;
- Ensure the implementation, follow-up and efficiency of procedures allowing the dissemination, understanding and respect of the Code of Ethics and the global policies by the Group's employees;
- Examine the Group's risks mapping from ethics and compliance standpoint;
- Examine the ethics and compliance activity report;
- Examine the organization of the ethics and compliance function and issue, if applicable, any recommendation;
- Receive any information in connection with potential breaches to the respect of the ethics and compliance policy and examine the necessaries actions plans.

The Ethics Committee may hear the Group's senior executives, the Internal Audit, the Ethic & Compliance departments or any person it deems necessary. It may request sight of any internal reports, documents and research drawn up by the Group and commission any external technical reports at the Company's expense, subject to the usual confidentiality undertakings The Ethics Committee meets at least once a year. Meetings are convened by the Chairman of the Committee.

The Ethics Committee is currently comprised of three members one of whom is independent having regards to the independence criteria referred to above. Its members are: Gérard Hauser (Chairman and independent member), Carol Xueref and Mayroy SA (represented by Mr. Philippe Bonhomme).

During the course 2013, the Committee met three times. Its activities primarily involved the review and/or examination of the procedures and regulations concerning ethics, transparency and governance, the Code of Ethics applicable within the Group and the renewal of the Ethic Charter of 2005.

Assessment of the works of the Board of Directors

The Internal Regulations of the Board of Directors provides for an annual debate, through a session without the presence of the Chairman of the Board, the Chief Executive Officer and senior executives. This meeting is prepared by the Appointments and Governance Committee, in cooperation with the Vice-Chairman of the Board or a director specifically appointed for this purpose. The Committee may, on this occasion, request that an assessment be carried out by an external consultant.

A formal assessment of the Board of Directors' functioning was carried out, under the aegis of the Appointments and Governance Committee, by Mr. Hervé Couffin, an independent director. This assessment was conducted *via* a questionnaire sent to every member of the Board prior to individual interviews. The conclusions of this assessment were presented and debated during the Board of Directors meeting held on 26 February 2013. All directors valued the quality and transparency of the debates and the open-mindedness of the Chairman and Chief Executive Officer during the Board's meetings. They also noted improvements made in terms of information quality. They emphasized the importance of the works and contribution of the Committees to the Board's works, in particular the Audit and Compensation Committees. Proposals were suggested in terms of rationalization of number or scheduling of meetings, presentation of information and organization of executive sessions without the presence of the Management.

A new formal assessment of the Board of Directors' functioning was carried out, under the aegis of the Appointments and Governance Committee, by Mr. Hervé Couffin, an independent director. This assessment was conducted *via* a questionnaire sent to every member of the Board prior to individual interviews. The conclusions of this assessment were presented and debated at the Board of Directors meeting held on 27 February 2014.

Internal Regulations of the Board of Directors

The Board of Directors adopted its Internal Regulations, which mainly provides for the following:

- role, functioning and means of the Board of Directors,
- independence criteria of the Directors,

- duties of the Directors, in particular in terms of conflicts of interest including non-participation to the vote in case of conflict of interests and in terms of confidentiality including a general obligation of discretion concerning all informations and documents which Directors have access to,
- permanent Committees of the Board of Directors.

The Internal Regulations of the Board of Directors are presented in section 3.1.1.1 of the registration document for 2013.

3.1.2.1.2 Company's executive management

The Board of Directors decided not to separate the functions of Chairman of the Board and Chief Executive Officer. This governance structure allows, in a constantly changing and particularly competitive environment, to reinforce cohesion between strategy and operational activities and to promote and make more effective decision-making processes.

Moreover, no restrictions were placed on the powers of the Chairman and Chief Executive Officer. The Chairman and Chief Executive Officer has the widest powers to act in the name of the Company in any circumstances. He exercises these powers within the limits of its corporate object and subject to those powers expressly reserved by law to General Meetings of Shareholders and to the Board of Directors. He represents the Company in its dealings with third parties.

However, despite this confusion of functions of Chairman and Chief Executive Officer, the balance of powers within the Board of Directors is safeguarded by the presence of a Vice-Chairman who assists the Chairman in his mission of organization and management of the Board's works and participates to the preparation of Board's meetings.

Moreover, a Deputy Chief Executive Officer has been appointed with effect on 1 March 2013 in order to assist the Chairman of the Board and Chief Executive Officer in the exercise of his duties. In particular, this Deputy Chief Executive Officer is responsible for accelerating the execution of the Group's strategy. No restrictions were placed on the powers of the Deputy Chief Executive Officer by the Board. She exercises said powers within the limits of the corporate purpose and subject to those powers expressly reserved by law to Shareholders' meetings and to the Board of Directors.

3.1.2.1.3 Principles and rules governing the compensation of Directors and Company officers

Directors' fees

In accordance with the terms and provisions of the Articles of association and the internal regulations, the Board of Directors distributes this compensation between its members in its discretion taking into account, in particular, the membership of the Board, the Committees and any mission that may be entrusted to the Directors.

Within the global limit of €990,000 approved by the Combined Shareholders' Meeting held on 1 June 2012 (until new decision), the directors' fees are allocated as follows: each member of the Board of Directors receives a director's fee of €35,000 for a full year of service. The Vice-Chairman of the Board of Directors receives an additional fee of €50,000 for a full year of service. The members of Committees of the Board receive a director's fee of €15,000 for a full year of service. The Chairmen of the Appointments and Governance Committee, the Strategic Committee and the Ethics Committee receive an additional director's fee of €20,000 for a full year of service. The Chairmen of the Audit Committee and Compensation Committee receive, for a full year of service, an additional director's fee of €35,000. The Board of Directors at its meeting held on 10 November 2009 decided, as of 2010, an increase of €5,000 of the director's fee of Board member and of €5,000 per director member of a committee. Directors' fees are paid on a half-year basis.

The amounts of directors' fees paid for 2013 to each Director are presented in section 3.1.3 of the registration document.

Compensation of executive directors

The compensation policy with regard to company officers and their individual compensation are decided by the Board of Directors upon proposal of the Compensation Committee, in the absence of the company officers concerned. The Board of Directors also refers to the AFEP-MEDEF recommendations on the compensation paid to executive officers of listed companies.

This policy covers all aspects of the fixed, variable and exceptional compensation, and of the benefits of any nature, 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 having regard to the practices of comparable companies and the compensation of the Company's other senior executives.

The compensation paid to Company officers is structured as follows:

- fixed compensation, subject to re-evaluation by the Board of Directors according to the Company's market position;
- variable compensation, linked to the Group's overall performance and to the achievement of Company officers' personal targets. This variable part is adjusted so as to represent about half of total compensation;
- the benefit of the additional pension plan existing within the Group;
- benefits in kind (Only for the Chairman and Chief Executive Officer).

The individual elements of Marc de Garidel's compensation, Chairman and Chief Executive Officer, and Christel Bories' compensation, Deputy Chief Executive Officer, as well as the criteria decided for the variable compensation are described in section 3.1.3.2 of the registration document.

In accordance with the Code AFEP-MEDEF (§24.3), the compensation elements due or allocated to Marc de Garidel, Chairman and Chief Executive Officer, and Christel Bories, Deputy Chief Executive Officer, for the 2013 financial year, shall be submitted to the advisory vote of the Shareholders at the Annual General Meeting to be held on 4 June 2014, following a specific resolution for each of them.

Stock options and performance shares/Mid-Term Bonus

Grant policy

Company officers benefit from stock option plans and bonus shares under plans approved by the Board of Directors upon proposal of the Compensation Committee,

the characteristics of which are described in 3.1.3.3 of the registration document.

At its meeting held on 10 November 2009, the Board of Directors set the maximum number of options and performance shares that may be granted to the Chairman and Chief Executive Officer at 20% of the global grant volume.

At its meeting held on 28 March 2013, the Board of Directors approved the implementation of a bonus shares plan granted to 193 beneficiaries for 224,004 shares, representing 0.26% of the share capital, of which 207,044 performance shares.

The Board of Directors, at its meeting held on 28 March 2013, upon recommendation of the Compensation Committee, decided to allocate, subject to performance conditions, 22,590 performance shares to the Chairman and Chief Executive Officer (see section 3.1.3.3.2.), representing 0.03% of the share capital, and a mid-term bonus (also decided in favour of certain Group executives) for a gross amount of €375,000 (see below).

The Board of Directors, at its meeting held on 28 March 2013, upon recommendation of the Compensation Committee, decided to allocate, subject to performance conditions, 17,169 performance shares to the Deputy Chief Executive Officer (see section 3.1.3.3.2.), representing 0.02% of the share capital, and a mid-term bonus for a gross amount of €285,000.

The performance conditions are based on the achievement of a certain level of income (1/3), of adjusted operating EBIT (1/3) and cash flow from operations (1/3). The levels of completion expected are not disclosed for confidentiality reasons.

Marc de Garidel, Chairman and Chief Executive Officer, and Christel Bories, Deputy Chief Executive Officer, undertook a formal commitment not to engage in hedging transactions either on their options or on shares issued following the exercise of options or on performance bonus shares granted until the end of the holding period that has been decided by the Board of Directors.

The implementation of the mid-term bonus has been decided, subject to performance conditions, for the benefit of 161 beneficiaries, including a gross amount of €375,000 to the Chairman and Chief Executive Officer and €285,000 to the Deputy Chief Executive Officer. This bonus will be paid in 2015, subject to the assessment by the Board of Directors of the achievement of performance conditions, which are based, for the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer, on the achievement of certain level of income (1/3), of adjusted operating EBIT (1/3) and cash flow from operations (1/3).This bonus also depends on the achievement of qualitative criteria. The levels of completion of the expected quantitative and qualitative criteria are not disclosed for confidentiality reasons.

These allocations of bonus shares and mid-term bonus 2013 are subject to a presence condition.

The stock options and bonus shares plans are described in sections 3.1.3.3 and 3.2.2.3 of the registration document.

Retention policy

In accordance with the provisions of Article L.225-185 and L.225-197-1 of the French Commercial Code, the Board of Directors, at its meeting held on 12 December 2007, set the retention policy for the Chairman and Chief Executive Officer for stock options and bonus shares granted since 2007. This policy has been confirmed by the Board of Directors held on 28 March 2013 and broadened to the Deputy Chief Executive Officer. The Board decided that the Executive 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 his stock options or from the bonus shares.

Particular terms governing the exercise of options

The Board has set the periods preceding the publication of interim and annual financial statements and sales figures during which it is not permitted to exercise options, and has established the following procedure:

- the dates of the closed periods for each financial year are communicated at the beginning of each year;
- outside closed periods, the Group appoints an officer who must be consulted to ensure that no insider information is held.

Payments, benefits and compensation granted to Company officers upon termination or change of their functions

Marc de Garidel, Chairman and Chief Executive Officer, benefits from a severance payment clause, due in the event of the termination of his term of office or change of his functions on terms identical to those adopted by the Board on 27 February 2009 and compliant with the recommendations of the AFEP-MEDEF Code:

- a payment due only in the event of a forced departure associated with a change of control or strategy,
- in an amount equal to 24 months' fixed and variable remuneration in respect of his term of office,
- which includes the amount due in respect of any non-compete obligation, if applicable, and
- payment of which is subject to a performance condition (maintenance of the Group's recurring operational profit margin) over the 3 years preceding the departure, with a minimum threshold (12.5% for 2011).

Christel Bories, Deputy Chief Executive Officer, benefits from a severance payment clause, due in the event of the termination of her term of office or change of her functions on terms identical to those adopted by the Board on 26 February 2013 and compliant with the recommendations of the AFEP-MEDEF Code:

- a payment due only in the event of a forced departure associated with a change of control or strategy decided by the Board,
- in an amount equal to 24 months' fixed and variable remuneration in respect of her term of office,
- which includes the amount due in respect of any non-compete obligation, if applicable, and
- payment of which is subject to a performance condition (maintenance of the Group's recurring operational profit margin) over the 3 years preceding the departure, with a minimum threshold (12.5% for 2013)

Pension commitment

The Chairman and Chief Executive Officer and the Deputy Chief Executive Officer benefit from the additional pension commitment existing within the Company Ipsen SA for the benefit of the executives, which involves the payment on retirement, subject to a minimum 5-year service, of a pension calculated by reference to the number of years of service within the Group, applied at a rate of 0.6% per year to the part of the total gross compensation (including bonuses) below 8 times the Annual Social Security Ceiling (the "PASS" for 2013 being €37,032) and at a rate of 1% to the part of compensation in excess of 8 times the PASS, applied to the compensation for the last 36 months in office, in accordance with the decision of the Board of Directors dated 11 October 2010.

Non-competition payment

In case of departure of the Group (for a reason other than a change of control), Marc de Garidel and Christel Bories undertook, for a 24-month duration after their effective departure, not to exercise or participate, from an operational point of view (including as a consultant), in the territories of the European Economic Union and/or in Northern America, to an activity of development and/or commercialization of products of the same therapeutic class (source IMS-Health) than the two first products of the Group in terms of revenues. The compensation due by the Company in consideration of this commitment is comprised in the severance payment described above.

3.1.2.1.4 Participation in Shareholders' Meetings

Each shareholder has the right to attend Shareholders' Meetings and to participate in the deliberations personally or by proxy, regardless of the number of shares owned, upon proof of shareholder status being provided.

The right to participate in Shareholders' Meetings is subject to the shares being registered in an account in the name of the shareholder or of the financial intermediary acting on the shareholder's behalf, at midnight, Paris time, on the third 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. Registration of bearer shares must be established by a certificate of investment issued by the authorized intermediary.

In accordance with the terms of Article 26.1 of the Articles of association, each shareholder has a voting right equal to the number of shares he/she holds or represents in all Shareholders' Meetings.

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 of ownership unless in cases provided for by law.

Pursuant to the terms 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 the Extraordinary Shareholders' Meetings.

3.1.2.1.5 Information likely to have an impact in the event of a take-over bid

Information likely to have an impact in the event of a take-over bid is described in section 3.2.3.5 of the registration document for 2013.

3.1.2.1.6 Internal control and Risk management

The following report describes the framework put in place by Ipsen in terms of Internal Control and Risk Management. The Group aims at improving continuously its internal control and risk management environment and at complying with the *"Cadre de Référence"* issued by *"l'Autorité des Marchés Financiers"* (AMF).

This report has been prepared by the Global Internal Audit Department with the assistance of the departments that play a central role in the internal control framework, in particular, Global Quality, Risk and Insurance and Ethics and Compliance.

Introduction:

Risk management objectives are to:

- Improve the objective of 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 Company;
- Secure decisions and processes to reach the Company's objectives by taking into account risk factors;
- Ensure consistency between actions and Company's values to limit risk exposure;
- Mobilise employees around a shared vision of the Company's main risks and around the specific risks in their own area of activity;
- Protect the Company's employees and the environment.

Internal control is defined and implemented by operational management and Group 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 Committee,
- Effectiveness of the Company's internal processes, notably those aiming at protecting the Company's assets,
- Reliability of financial data and, more generally of all data included in published statements.

The Group's internal control rules apply to all subsidiaries of the Company under exclusive control within the meaning of the standards IFRS.

The main internal control components that are further developed 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** enabling every employee, whatever his/her level to fulfil his/her responsibilities,
- A **risk management framework,**
- **Control activities** aiming at monitoring risks and securing objectives,
- A **regular review and assessment** of the internal control framework.

3.1.2.1.6.1 Organization

General framework

In 2011, Ipsen initiated a strategic project called "IPSEN UP" during which Group strategies and functions, organizations, governances and processes were redesigned, to adapt to the evolution of the operational stakes and to the external environment. In 2012, Ipsen has pursued the process of transformation with a global approach combining both business transformation priorities as well as change management levers.

As part of the IPSEN UP transformation project, governance rules and principles of the main operational committees have been reviewed, communicated and implemented.

The implementation of state-of-the-art **information systems** and strong informatics governance, contribute to physical and logical data security and to the quality of available data for improvement of business management. Since 2011, major achievements have been reached in this respect with most of the subsidiaries being rolled out in the common ERP and the implementation of a common HR information system.

At the same time, the Group is pursuing the effort to set up **operational methods and procedures in order to master its activities and associated risks.** Local management is in charge of applying, adapting and supplementing, if necessary, Group procedures. In 2008, an operational excellence function was created to focus on the analysis and improvement of the Group's operational processes. This function was able to generate significant productivity benefits through a manufacturing and process optimisation method called "Lean Six Sigma". In 2012, Operational excellence was extended to all divisions and functions..

The constant collaboration between 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

President Committee

Launched in 2013, the President Committee is chaired by the Chief Executive Officer.The members meet once a month. It consists of permanent members. For the General sessions, the permanent members are the Deputy Chief Executive Officer, the Executive Vice-President Finance, the Executive Vice-President General Counsel, the Executive Vice-President Corporate Strategy, the Vice-President Global Internal Audit, the Senior Vice-President Chief Ethics & Compliance Officer and the Senior Vice-President Public Affairs and Communication.

For the Strategy sessions, the permanent members are the Deputy Chief Executive Officer, the Executive Vice- President Finance, the Executive Vice-President General Counsel and the Executive Vice-President Corporate Strategy.

During general sessions, the scope of responsibility of the President Committee is:

- Ensuring consistency in implementation of decisions made by the Board of Directors;
- Promoting good corporate governance;
- Monitoring deployment of wide robust and effective internal control, quality and risk management systems and audits;
- Monitoring implementation of Ethics & Compliance policies;
- Approving financial and external Group communication;
- Approving Group financing solutions;
- Ensuring efficient and transparent investor and shareholder relations.

During Strategy sessions, the scope of responsibility of the President Committee is:

- Validating long-term and mid-term strategy;
- Serving as a decision body for M&A and Corporate Business Development activities;
- Preparing recommendations for the Strategic Committee;
- Validating the 4 year strategic plan and target settings for budget.

Executive Committee

The Executive Committee, in order to fulfil its mission as stated in section 3.1.1.6, has the following range of responsibilities:

- Set the Group **Strategy,**
- **Create the conditions for sustainable results,**
- **Monitor Group performance,**
- Manage and coordinate key scientific, commercial, industrial, legal and financial actions of the Group,
- **Arbitrate/decide** on high level resource allocation in line with Group decision-making framework,
- **Decide/arbitrate in case of escalation** from other Boards on key projects or major deviations,
- **Set targets** for divisions and functions,
- **Provide information and recommendations** on subjects concerning the Group Strategy and business activities to the Board of Directors,
- Assess key talents of the Group and ensure succession planning,
- **Ensure consistency in Group management** and implementation of decisions made by the Board of Directors.

The Executive Committee's functioning has also been defined. An annual self-assessment session is held to ensure continuous improvement. Each Executive Committee member has set up his/her own leadership team.

Product Management Committees

During 2013, the following committees have been in charge of leading a product through the various stages of development, registration and marketing.

The R&D Board, headed by the Executive Vice-President R&D, decides on key stage gates until Proof of Concept.

The Franchise Board, chaired by Franchise heads, decides on key Post-Proof of Concept stage gates.

The Operations Leadership Board, headed by the Executive Vice-President Chief Operations Officer, coordinates Franchises, Regions and Countries and drives business performance and key operations projects.

These three committees have worked in strong coordination in order to ensure that the value chain is optimised at each stage of the product life cycle. They are supported by technical committees.

Intellectual Property Supervision Committee (IPSC) is in charge of Ipsen patent management. Chaired by the Senior Vice-President Intellectual Property, it takes decisions related to Group's patent families and makes sure relevant stakeholders are updated on relevant information regarding patents.

Ethics & Compliance

In 2005, the Group has implemented a Code of Ethical Conduct in business governing all Group employees. This code has been updated in 2013 and renamed "the Ipsen Way: Code of Ethical Conduct", in order to reinforce the commitment of the Group to include the highest ethical standards in all of its activities. The Code of Ethical Conduct is the key element of the Ethics and Compliance program which is more precisely defined through the global policies.

The Ethics and Compliance department, reports directly to the Chief Executive Officer. Its missions are to:

- Promote a culture of ethics through the implementation of reference documents (code of ethical conduct, global policies…) that reinforce and/or define Ipsen Standards in compliance with the laws, regulations and industry codes;
- Communicate and train the collaborators to these standards;
- Ensure the respect of these standards within the Group entities;
- Develop a continuous improvement approach with the update of these standards;
- Act as the point of contact for any collaborators who would like to address Ethics and Compliance issues, and to investigate in a confidential manner.

Concomitantly, the Executive Committee has put in place a Global Ethics and Compliance Committee, chaired by the Chief Ethics and Compliance Officer, comprised of members from different departments and entities of the Group. This committee is consulted by the Ethics and Compliance Department to advice on the programme effectiveness in particular to:

- Advise and support the Ethics and Compliance Department in the definition and the execution of the Ethics and Compliance programme;
- Advise the Ethics and Compliance Department on the deployment of the programme to ensure its effectiveness;
- Ensure the consistency and clarity of the different standards, but also their ability to prevent the risk associated with their breach.
- Advise and ensure implementation of preventive or corrective measures.

Since 2012, the Chief Ethics and Compliance Officer presents periodically the state of progress of the Ethics and Compliance program to the Board of Directors – Ethics Committee, which was established the same year.

Risk Management organization

The following organization supports the framework described in section 3.1.2.1.6.3.

Risk Management and Insurance department

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

- The distribution of a culture of risk ensuring within the Group an homogeneous approach to risk management, in compliance with the policies of the Group;
- The contribution of methodological and technical support in the divisions (identification, analysis, processing, engineering prevention and protection, risk exposure);
- The definition of the transfer policy to the market of the insurance of residual risks, the conception and the management of the programs of insurance of the Group such as described in the paragraph 1.1.2.6;
- The piloting of crisis management process.

Risk and Insurance Management network

Risk and Insurance management also relies on a network of correspondents in charge of the roll-out and consistency of risk management whether at an operating entity level or at a transversal process level.

Risk Committee

The Group has implemented a Risk Committee including employees all connected to a member of the Executive Committee representing various Group functions.The Committee's mission is to facilitate the implementation of the approach and to control its efficiency. The Risk Committee members meet at least once a quarter.

Quality and Safety

Global Quality function

The Group has one Global Quality function reporting to the Executive Vice-President Technical Operations, supporting the research, development, manufacturing and distribution activities across the product life cycle.

Its role is to establish and enforce a global quality management system that complies with good laboratory practices ("GLP"), good clinical practices ("GCP"), good manufacturing practice ("GMP") and good distribution practices ("GDP"), for products in clinical development and those that are already registered.

In addition, each manufacturing plant and development unit has a Quality department responsible for controlling the conformity of operations, systems and products. These plants have their own auditing and performance measurement protocols, adapted according to the Group's reference systems, and report functionally to the Senior Vice-President Global Quality.

Quality Management system

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

- Gives an overview of Ipsen Quality System.
- Defines the policies and procedures used at Ipsen to ensure that our products and services meet both the regulatory requirements and our business objectives in a consistent, economical and reliable manner.
- Is supported by corporate and division Quality Standards and Procedures which are intended to establish and communicate the minimum requirements that all pharmaceutical divisions of Ipsen must meet to ensure that all regulations and related procedures established by the Group and required by external authorities are properly applied.
- Is intended for use by all Ipsen employees as well as distributors and other external bodies such as third party contractors.

This Quality Manual is updated to comply with the evolutions in internal customers' needs and respective regulations and standards and to ensure continual improvement of the quality system.

Pharmacovigilance

As a pharmaceutical Company, pharmacovigilance is a key function. As part of the Research and Development Division, the Pharmacovigilance department reports to the Senior Vice-President Chief Medical Officer. Its objective is to monitor and assess undesirable side effects resulting from the use of products being developed and marketed by the Group.

The Pharmacovigilance department also ensures that the Group meets its regulatory obligations in respect of the following three activities in all territories where it operates by:

- gathering information on undesirable side effects and any other related information reported to the Company;
- registering, assessing and using that information for preventive purposes and signal detection;
- conducting any research and other work concerning safety in drug use.

Quality & Safety Evaluation Board (QSEB)

The QSEB is co-chaired by the Senior Vice-President Chief Medical Officer and the Senior Vice-President Global Quality. Its role is central in ensuring a systematic achievement of level of Product Quality and Safety in accordance with regulations and dossier commitments, and patient needs as it:

- Overviews the quality and safety of Ipsen products and the compliance of the relevant Ipsen functions with legal and regulatory requirements related to the quality and safety of Ipsen products.
- Decides or proposes corrective and preventive actions.
- Ensures, through Emergency Response QSEB Meetings, the resolution of issues identified by Quality functions, Site Quality Councils and Global Pharmacovigilance, and the reporting of such, as appropriate, to the Executive Committee, including the Deputy Chief Executive Officer.
- Ensures that issues and resulting recommendations are presented to the Executive Committee, such that its members are fully aware of quality and safety issues, the risks involved and the plans established to correct them.
- Provides Executive Committee with periodic evaluations of the quality and safety status of the company's products.
- Promotes a culture of Quality and Safety for the Company's products.

Expenditures and Cash control financial framework

Financial authorization

The financial authorization procedure lays down the commitment levels authorized for operational managers and the list of managers authorized to enter into commitments. A specific procedure covering capital expenditure is implemented on all manufacturing and R&D sites in the Group.

Financing and Treasury

The Group has a centralised cash management system to ensure optimum protection of its financial assets and adequate liquidity. Exchange rate and interest rate risk exposures are managed by the Group's Treasury department, which structures the financial positions to the Group's operational and financial activities. The cash position and performances are evaluated and reported to the Executive Committee on a monthly basis

A Treasury charter is regularly updated to adapt the Group's investment policy, in particular the products and counter-parties authorized, to the financial markets evolution.

3.1.2.1.6.2 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 mapping of the major risks for the Group validated by the Executive Committee is reported once a year for approval by the PresidentsCommittee and the 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 3.1.2.1.6.4.

Information on products Quality and Safety

Information on product Quality and Safety is ensured by the Quality and Safety functions as presented in paragraph 3.1.2.1.6.1.

Financial information

The Group Finance Division is responsible for internal control over financial reporting by:

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

Since 2012, a Group Dashboard has been rolled-out to provide the Executive Committee with all relevant indicators to monitor the activity.

Preparation of consolidated financial statements

The Group Accounting Department centralises information reported by the Finance department of each subsidiary and produces consolidated financial statements for the Group.

The financial statements reported by each subsidiary are analysed before consolidation.

The financial statements are reconciled with the management indicators monitored by the financial control department

As part of its responsibility for producing consolidated financial statements, the Group's Accounting Department draws up accounting manuals, management reporting packages (together with the Group's financial control department) and the chart of accounts to be used for preparing the Group's financial statements, to ensure that all Group subsidiaries produce consistent information that complies with the Group's accounting policies. Since 2012, a Finance Handbook, was made available through the Ipsen intranet, to all Ipsen employees' to provide them with the reference information they need.

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

Since 2006, the Group has progressively implemented an ERP system in its main administrative, research and commercial entities. The new system is contributing to the optimisation of financial processes and activity management. Since 2011, this system has been deployed in almost all the sites and the Group is planning to continue extending its geographical coverage in the years to come.

Periodic letter of representation

Every six months, the finance department and general manager of each Group company are required to confirm in writing, at the request and in the terms set out by the Group's executive management that the financial statements and the operational processes comply with all applicable laws and regulations and with the Group Code of Ethical Conduct.

External Communications committees

The Financial Communications Planning Committee (FCPC) prepares the information released in regular financial communications and formulates and updates drafts submitted for the Executive Committee's approval. It is required by the finance department to participate in drafting and validating the main documents and publications used by the Group in its relations with the markets.

The permanent members of this committee, which is overseen by the Executive Vice-President, Finance, represent the Group's principal functions.

The Corporate Disclosure Committee meets as required to prepare communications and statements for the Executive Committee related to unforeseen events, which could potentially have a significant impact on the value of Ipsen shares.

Financial controlling

Financial Controlling is organized on the basis of the Group's business activities. The Financial Controlling department issues instructions for preparing budgets and forecasts and controls the quality of information received in both the monthly reporting and closing and as part of the Group's budget, forecasts and plan preparation.

The Financial Controlling 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. It also advises the operational Group managers on financial matters.

3.1.2.1.6.3 Risk Management framework

The Risk Management framework described hereafter has been defined in line with elements described in the COSO II standard (Committee of Sponsoring Organizations of the Treadway Commission) and leans on the *"Cadre de Référence de l'AMF"*.

Risk Management Components

The Group Risk Management Policy Statement and Framework sets up common objectives and terminology, defines roles & responsibilities, and documents approaches to risk identification, assessment, prioritisation, treatment and monitoring.

The Risk Management organization is described in section 3.1.2.1.6.1.

Risk identification and analysis

Risks are identified and analysed through a risk mapping process using, for each of the entities concerned, assessments of the risk impact and likelihood and the existing control effectiveness.

Risk mapping is planned to cover all Group critical entities and processes. It was initiated in 2006 in most of the Group's industrial sites as a first step and has been regularly extended since to now cover most entities.

A Group major risks mapping validated by the Executive Committee is reported once a year for approval by the President Committee and the Audit Committee.

Risk factors

The Group's main risk factors are described in chapter 1.1.2 of this registration document.

Risk action plans

For every major risk identified, an owner has been designated to follow up on risk and, corrective action plan. The process and all related information are coordinated by the Group's Risk and department.

Financial Risk Management

Financial Risk Management hedges the following risks:

- Foreign exchange risk:

  The potential exposure to foreign exchange risk is first estimated by entities then transmitted to the Group Treasury department. The hedging operations are realised on behalf of subsidiaries and the intragroup foreign exchange risk management is operated centrally with standard hedging tools, according to the Group hedging policy.

  In the light of receivable flows, the Group policy is to essentially hedge its subsidiary customers' significant receivables to eliminate the effect of currency rate changes. In the light of purchasing flows, the Group might hedge some of the annual purchases on the basis of budgets with the same kind of tools.

  In accordance with its treasury charter, investment of the Group's excess cash is mainly limited to Euro products with the exception of specific operations that might require to have other currencies.

  In 2013, the Group Treasury department started to take financial position to protect 2014 budget rates. The instruments purchased to hedge exposure are primarily denominated in AUD, BRL, GBP, PLN and RUB. The Group Hedging policy is to hedge for a period of maximum 12 months. The hedged exposure is a percentage of forecast cash flows from sales or costs provided that no natural hedges exist. Detailed information can be found in section 1.1.2.4.2 of this report.

- Rate risk:

  Due to its positive treasury position and its current non exposure to net debt the Group has not set up a hedging operation on rate risks in 2013.

- Counterpart and liquidity risk:

  Within the scope of its activities, the Finance Department makes forecasts regarding the Group's 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. As at 31 December 2013 the Group had a net positive cash position. This cash position is mainly centralised and the selection of investment options is carried out by the Treasury Department in pursuance of a formalised charter which defines:

  – treasury management objectives;

  – the criteria of this management in terms of asset allocation and risk diversification;

  – and the methods of monitoring the performance and position of the Group's cash flow.

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

  Within the scope of its commercial operations, the Group Credit Management 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 Development Department, the Group's Finance Department approves contractual provisions which aim to protect the Group from the potential negative consequences of the possible failure of its partners.

- Identification of and accounting for risk:

  Jointly within the overall risk management process and as part of the continual improvement of financial risk management, the Finance department has set up an accounting closing process based on three major elements. These elements are:

  – Pre-closing meetings to identify beforehand potential risks being supported by the subsidiaries'financial managers and the Group controlling department;

  – The control of information provided by affiliates for consolidation by the Group accounting department to ensure compliance of financial translations with Group standards;

  – Permanent files maintained to follow up the evolution of risk for the next accounting period.

The Group Audit Committee attends the pre-closing end of year end accounts meeting with the external auditors and analysis meetings for half-yearly and year end accounts.

3.1.2.1.6.4 Control activities

Internal Audits

Global Quality and EHS audits

The pharmaceutical industry is regulated at both national and international level. A strict framework of laws and regulations governs all the Group's business activities, from clinical research and development through the manufacture of active substances and drugs to their promotion in the market. Furthermore, the Group's manufacturing plants and information systems are regularly inspected by regulatory agencies.

In order to ensure that all regulations and related policies, standards and procedures established by the Group and required by external authorities are properly applied, regular assessment is performed according to the Global Quality and EHS audit program and the maturity level evaluation. Conclusions are reported to the Executive Committee, together with recommendations on any actions required.

Global Internal Audit

During 2013, the Global Internal Audit Department moved to reporting directly into the Chief Executive Officer while maintaining a functional link to the Executive Vice-President, Finance.

The annual Global Internal Audit plan is designed to cover the main strategic risks, budget objectives and business-related projects. The audit plan is developed by the Global Internal Audit department under the Chief Executive Officer's authority, and is approved by the Board's Audit Committee. In 2013, twelve audits, either assessing or advising on business areas or the Group's functional processes, have been carried out. Following the audits, reports summarising all key audit points identified were issued and remediation plans were systematically implemented to increase the efficiency of processes and to strengthen internal controls. Audit Reports were submitted to Executive Committee members involved and forwarded to Audit Committee members and Statutory Auditors. As part of the Internal Audit Governance, an Internal Audit Charter and Audit Code of Ethics are in place.

External Audit

In accordance with the law, the Group's 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 summarising all key audit points identified and their resolution, as well as recommendations on the Group's internal control system. These recommendations are discussed with each subsidiary's management and their implementation is monitored. The Statutory Auditors' Report is also presented to the Board's Audit Committee.

3.1.2.1.6.5 Review and assessment of internal control

Each year, the Vice President, Global Internal Audit presents a summary of previous year's assignments both to the Executive Committee and to the Board's Audit Committee and provides an assessment as to the overall level of internal control.

Since 2011, a coordination project has been in effect involving Global Internal Audit, Ethics & Compliance and Risk and Insurance departments focused on identifying and proposing potential improvements in terms of governance and audit procedures to the Executive Committee.

The Chairman of the Board of Directors
27 February 2014

3.1.2.2 Report of the Statutory Auditors

This is a free translation into English of the statutory auditors' report issued in the language and is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Ipsen

Registered office: 65, quai Georges Gorse – 92650 Boulogne-Billancourt Cedex

Statutory Auditors' report, prepared in accordance with Article L.225-235 of French commercial code (*Code de Commerce*) on the report prepared by the Chairman of the Board of Directors of the company

Year ended 31 December 2013

To the Shareholders,

In our capacity as statutory auditors of Ipsen S.A. and in accordance with Article L.225-235 of French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L.225-37 of French Commercial Code (*Code de commerce*) for the year ended 31 December 2013.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by Article L.225-37 of French Commercial Code (*Code de commerce*), particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information, and
- to attest that this report contains the other disclosures required by Article L.225-37 of French Commercial Code (*Code de commerce*), it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and the existing documentation;

- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the Company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L.225-37 of French Commercial Code (*Code de commerce*).

Other disclosures

We hereby attest that the Chairman's report includes the other disclosures required by Article L.225-37 of French Commercial Code (*Code de commerce*).

Paris la Défense and Neuilly-sur-Seine, 27 February 2014

The Statutory Auditors

KPMG Audit
Division of KPMG S.A.

Philippe Grandclerc
Partner

Deloitte & Associés

Fabien Brovedani
Partner

3.1.3 Global amount of compensation of directors and officers

3.1.3.1 Compensation of the members of the Board of Directors

3.1.3.1.1 Directors' fees

Terms of allocation of directors' fees

Within the global limit of €990,000 approved by the Combined Shareholders' Meeting held on 1 June 2012 (until further decision), the directors' fees are allocated as follows: each member of the Board of Directors receives a director's fee of €35,000 for a full year of service. The Vice-Chairman of the Board of Directors receives an additional fee of €50,000 for a full year of service. The members of Committees of the Board receive a director's fee of €15,000 for a full-year of service. The Chairmen of the Appointments and Governance Committee, the Strategic Committee and the Ethics Committee receive an additional director's fee of €20,000 for a full year of service. The Chairmen of the Audit Committee and Compensation Committee receive, for a full year of service, an additional director's fee of €35,000. Directors' fees are paid on a half-year basis.

The Board of Directors at its meeting held on 10 November 2009 decided, as of 2010, an increase of €5,000 of the director's fee of Board member and of €5,000 per director member of a committee.

The gross amount of directors' fees paid for 2013 was €925,000.

Individual amounts of fees and other compensation paid to directors (gross amounts – rounded) (Table 3 of AMF recommendations)

Directors	Amounts paid in 2012	Amounts paid in 2013
Marc de Garidel (**) – Director's fees – Other compensation	€60,000 see section 3.1.3.2	€60,000 see section 3.1.3.2
Anne Beaufour – Director's fees – Other compensation	€95,000 –	€95,000 –
Henri Beaufour – Director's fees – Other compensation	€80,000 –	€80,000 –
Hervé Couffin – Director's fees – Other compensation	€75,000 –	€75,000 –

Directors	Amounts paid in 2012	Amounts paid in 2013
Martha Crawford (1) – Director's fees – Other compensation	 – –	 €3,333 –
Antoine Flochel – Director's fees – Other compensation	 €160,000 €75,000 (*)	 €160,000 €177,000 (*)
Gérard Hauser – Director's fees – Other compensation	 €62,917 –	 €95,000 –
Pierre Martinet – Director's fees – Other compensation	 €64,167 –	 €110,000 –
Mayroy SA (2) – Director's fees – Other compensation	 €5,000 –	 €60,000 –
René Merkt (3) – Director's fees – Other compensation	 €36,667 –	 – –
Yves Rambaud (4) – Director's fees – Other compensation	 €100,833 –	 – –
Klaus-Peter Schwabe (5) – Director's fees – Other compensation	 €40,000 –	 €36,667 –
Christophe Vérot – Director's fees – Other compensation	 €75,000 –	 €75,000 –
Carol Xueref (6) – Director's fees – Other compensation	 €6,250 –	 €75,000 –
Total **– Director's fees** **– Other compensation (**)**	 **€860,834** **€75,000 (*)**	 **€925,000** **€177,000 (*)**

(1) Director since 31 May 2013.
(2) Director since 1 June 2012.
(3) Director until 1 June 2012.
(4) Director until 1 June 2012.
(5) Director until 31 May 2013.
(6) Director since 1 June 2012.
(*) At its meetings held on 2 October 2012 and 13 December 2012, the Board of Directors decided to grant to Mr. Antoine Flochel (Legal Manager of VicJen Finance) a compensation of €75,000 (excluding taxes) (paid in 2012) and €126,000 (excluding taxes) in connection with two special mandates conferred to him (see the Special Report of the Statutory Auditors on regulated-related agreements and commitments – section 3.1.4.). The amount of €126,000 (excluding taxes) was paid in January 2013. The Board of directors, at its meeting held on 28 March 2013, decided to grant a compensation of €51,000 to Mr. Antoine Flochel in order to clear the remaining fees relating to his second special mandate. This amount was paid in March 2013.
(**) The elements of compensation of Marc de Garidel, Chairman and Chief Executive Officer, described in section 3.1.3.2 are to be added.

3.1.3.2 Compensation of executive directors

3.1.3.2.1 Summary of compensation, options and shares granted to executive directors

For financial year 2013, the basis of compensation of Mr. Marc de Garidel, Chairman and Chief Executive Officer was determined by the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 26 February 2013. The basis of compensation for financial year 2014 was determined by the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 27 February 2014.

The compensation for Mrs. Christel Bories, Deputy Chief Executive Officer, was determined, for financial year 2013, by the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 26 February 2013.

The basis of compensation for financial year 2014 was determined by the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 27 February 2014.

Summary table of the compensation, options and performance shares accruing to the Chairman and Chief Executive Officer (Table 1 of AMF recommendations)

(in euros)	2012 Financial Year	2013 Financial Year
Marc de Garidel Chairman and Chief Executive Officer		
Compensation due for the year (see details below)	1,185,450.76	1,490,072.28
Book value of multi-yearly variable compensations granted during the year (*)	274,564	375,000
Book value of the options granted during the year	–	–
Book value of the performance bonus shares granted during the year	424,935	530,187.30
Total	**1,884,949.76**	**2,395,259.58**
Christel Bories Deputy Chief Executive Officer (**)		
Compensation due for the year (see details below)	NA	1,083,500
Book value of multi-yearly variable compensations granted during the year (***)	NA	285,000
Book value of the options granted during the year	NA	–
Book value of the performance bonus shares granted during the year	NA	402,956.43
Total	**NA**	**1,771,456.43**

(*) According to the AMF recommendations, updated on 17 December 2013, information concerning the multi-yearly variable compensation has been added. See 3.1.3.2.1.Paragraph A.
(**) Appointment by the Board of Directors held on 26 February 2013, with effect on 1 March 2013.
(***) See 3.1.3.2.1. Paragraph B.

Summary table of the compensation (Table 2 of the AMF recommendations)

	2012		2013	
(in euros)	Amounts due	Amounts paid	Amounts due	Amounts paid
Marc de Garidel Chairman and Chief Executive Officer				
Fixed compensation	700,000	700,000	750,000	750,000
Annual Variable compensation	420,000 (1)	514,000 (2)	675,000 (3)	420,000 (1)
Multi-yearly variable compensation (*)	– (4)	–	– (5)	–
Exceptional compensation	–	–	–	–
Directors' fees	60,000	60,000	60,000	60,000
Benefits in kinds (6)	5,450.76	5,450.76	5,072.28	5,072.28
Total	**1,185,450.76**	**1,279,450.76**	**1,490,072.28**	**1,235,072.28**
Christel Bories Deputy Chief Executive Officer (**)				
Fixed compensation : – Under the corporate mandate – Car allowance			483,500	483,500 475,000 8,500
Annual Variable compensation			600,000 (7)	–
Multi-yearly variable compensation			(5)	–
Exceptional compensation			–	–
Directors' fees			–	–
Benefits in kinds			–	–
Total			**1,083,500**	**483,500**

(*) According to the AMF recommendations, updated on 17 December 2013, information concerning the multi-yearly variable compensation has been added.
(**) Appointment by the Board of Directors held on 26 February 2013, with effect on 1 March 2013.
(1) The Board of Directors, at its meeting held on 26 February 2013, upon proposal of the Compensation Committee, fixed the amount of the variable compensation for 2012 for the Chairman and Chief Executive Officer at €420,000. This amount was paid in 2013.
(2) The Board of Directors, at its meeting held on 28 February 2012, upon proposal of the Compensation Committee, fixed the amount of the variable compensation for 2011 for the Chairman and Chief Executive Officer at €514,000. This amount was paid in 2012.
(3) The Board of Directors, at its meeting held on 27 February 2014, upon proposal of the Compensation Committee, fixed the amount of the variable compensation for 2013 for the Chairman and Chief Executive Officer at €675,000. This amount will be paid in 2014.
(4) See 3.1.3.2.1. Paragraph A.
(5) See 3.1.3.2.1. Paragraphs A and B.
(6) Benefits in kinds are comprised of a company car and a chauffeur.
(7) The Board of Directors, at its meeting held on 27 February 2014, upon proposal of the Compensation Committee, fixed the variable compensation for 2013 for the Deputy Chief Executive Officer at €600,000. This amount will be paid in 2014.

A. Compensation and severance payment of the Chairman and Chief Executive Officer

The compensation of the Chairman and Chief Executive Officer is determined by the Board of Directors upon proposal of the Compensation Committee.

For the financial year 2013, the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 26 February 2013, set the following elements relating to the compensation and benefits in kind of the Chairman and Chief Executive Officer:

- gross fixed compensation for 2013: €750,000;
- target bonus at €750,000 within a range between 0 and €1,125,000, based on quantitative and qualitative criteria decided by the Board of Directors. The Board of Directors set the following performance criteria for the determination of the variable compensation: two-thirds of this bonus is based on quantitative criteria of an equal weighting based on the achievement of levels of revenues, operating profit, diluted earnings per share and cash flow from operations. The balance is based on qualitative criteria in terms of, in particular, strategic orientations. For confidentiality reasons, the detail and the level of completion expected are not made public;
- a severance payment described in section 3.1.3.2.2 below;
- eligibility to directors' fees paid to Directors of Ipsen SA;
- eligibility to grant of stock options and performance bonus shares subject to the completion of performance conditions;
- benefit of a company car and a chauffeur;
- benefit of an agreement for the drafting of his personal tax statements;
- eligibility to the additional pension scheme existing within the Company and described in section 3.1.3.2.2 below;
- eligibility to Company's insurance policy (mutual and life-illness schemes);
- payment by the Company of his expenses incurred with the exercise of his corporate duties;
- eligibility to directors and officers insurance policy.

The Board of Directors, at its meeting held on 30 March 2012, decided the implementation of a Stock Appreciation Rights (SAR) plan, instrument that settles in cash after a two-year period and do not themselves represent shares and therefore do not result in a share capital increase, for the benefit of 8 beneficiaries. 166,000 SARs have been granted, subject to performance conditions based on qualitative and quantitative criteria assessed regarding the evolution of the company Inspiration Biopharmaceuticals Inc., to the Chairman and Chief Executive Officer. The acquisition of these SARs is also subject to a presence condition. The outcome in cash is to be settled in 2014, subject to the assessment by the Board of Directors of the achievement of performance conditions upon recommendation of the Compensation Committee in 2014.

The implementation of the mid-term bonus has been decided, subject to performance conditions, for the benefit of 155 beneficiaries, including the gross amount of €274,564 to the Chairman and Chief Executive Officer. The bonus is to be paid in 2014, subject to the assessment by the Board of Directors of the achievement of performance conditions, which are based on the achievement of a certain level of revenues (30%), adjusted operating EBIT (50%) and net profit per share (20%). For confidentiality reasons, the level of achievement expected is not made public. The acquisition of this bonus is also subject to a presence condition. The Board of Directors to be held on 27 March 2014 will consider the achievement of the performance conditions and the amount to be paid to the Chairman and Chief Executive Officer.

The Board of Directors, at its meeting held on 28 March 2013, upon recommendation of the Compensation Committee, decided to grant to the Chairman and Chief Executive Officer, subject to performance conditions, 22,590 performance bonus shares (see section 3.1.3.3.2), and a mid-term bonus (also for the benefit of some Group Executives Officers) of a gross amount of €375,000 (see below).

The implementation of the mid-term bonus has been decided, subject to performance conditions, for the benefit of 161 beneficiaries, including the gross amount of €375,000 to the Chairman and Chief Executive Officer. This bonus is to be paid in 2015, subject to the assessment by the Board of Directors of the achievement of performance conditions, which are based on the achievement of certain level of revenues at constant exchange rate (1/3), adjusted operating EBIT (1/3) and cash flow from operations (1/3). For confidentiality reasons, the level of achievement expected is not made public. The acquisition of this bonus is also subject to a presence condition. The Board of Directors will consider in 2015 the achievement of the performance conditions and the amount to be paid to the Chairman and Chief Executive Officer on this basis.

For the financial year 2014, the Board of Directors, at its meeting held on 27 February 2014, upon recommendation of the Compensation Committee, set the following elements relating to the compensation and the benefits in kind to the Chairman and Chief Executive Officer:

- gross fixed compensation for 2014: €750,000 (unchanged);
- target bonus at €750,000, within a range between 0 and €1,125,000 based on quantitative and qualitative performance criteria decided by the Board of Directors. The Board of Directors set the following performance criteria relating to the determination of the bonus: two-thirds of this bonus are based on the achievement of levels of consolidated revenues, operating profit, net profit per share and cash flow from operations. The balance is based on qualitative criteria in terms of, in particular, strategic orientations. For confidentiality reasons, the detail and the level of completion expected are not made public.

The other components of the remuneration remain unchanged.

B. Compensation and severance payment of the Deputy Chief Executive Officer

The compensation of the Deputy Chief Executive Officer is determined by the Board of Directors upon proposal of the Compensation Committee.

For financial year 2013, the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 26 February 2013, set the following elements

relating to the compensation and benefits in kind of the Deputy Chief Executive Officer:

- gross fixed compensation for 2013: €570,000 (*prorata temporis*);
- target bonus at €570,000 within a range between 0 and €855,000 based on quantitative and qualitative criteria decided by the Board of Directors. For 2013, the gross target bonus will correspond to the *prorata temporis* of this amount, and will depend, for 50% on quantitative criteria based on achievement of levels of revenues, operating profit, diluted earnings per share and cash flow from operations, and, for 50%, on qualitative criteria based on strategic orientations and for the part subject to quantitative criteria will be guaranteed at a minimum gross amount of €285,000. For confidentiality reasons, the detail and the level of completion expected are not made public;
- a severance payment described in section 3.1.3.2.2 below;
- the Board of Directors has approved the principle of making an allocation to Mrs. Christel Bories of stock options and performance shares equivalent to an amount of €570,000. The grant, its distribution between options and performance shares and the determination of the corresponding terms and conditions will be decided by the Board of Directors, in accordance with its common practice. It being specified that the exercise price of the options and the definitive acquisition of the performance shares will be subject to (i) a presence condition within the company in accordance with the provisions of the Ipsen Group plans and (ii) performance conditions set out by the Board of Directors in accordance with the recommendations of the AFEP-MEDEF Code;
- eligibility to the additional pension scheme existing within the Company and described in section 3.1.3.2.2 below;
- car allowance;
- benefit of an agreement for the drafting of her personal tax statements;
- eligibility to Company's insurance policy (mutual and life-illness schemes);
- payment by the Company of expenses incurred with the finalisation of the term of office and travel expenses to be paid in connection with the exercise of her corporate duties;
- eligibility to directors and officers insurance policy compliant with those undertaken by the Group for the Chairman and Chief Executive Officer.

The Board of Directors, at its meeting held on 28 March 2013, upon recommendation of the Compensation Committee, decided to grant to the Deputy Chief Executive Officer, subject to performance conditions, 17,169 performance bonus shares (see section 3.1.3.3.2), and a mid-term bonus (also for the benefit of some Group Executives Officers) of a gross amount of €285,000 (see below).

The implementation of the mid-term bonus has been decided, subject to performance conditions, for the benefit of 161 beneficiaries, including the gross amount of €285,000 to the Deputy Chief Executive Officer. This bonus is to be paid in 2015, subject to the assessment by the Board of Directors of the achievement of performance conditions, which are based on the achievement of certain level of revenues at constant exchange rate (1/3), adjusted operating EBIT (1/3) and cash flow from operations (1/3). For confidentiality reasons, the level of achievement expected is not made public. The allocation of this bonus is also subject to a presence condition. The Board of Directors will consider in 2015 the achievement of the performance conditions and the amount to be paid to the Deputy Chief Executive Officer.

For financial year 2014, the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 27 February 2014, set the following elements relating to the compensation and the benefits in kind to the Deputy Chief Executive Officer:

- gross fixed compensation for 2014: €570,000 (unchanged);
- target bonus at €570,000, within a range between 0 and €855,000 based on quantitative and qualitative performance criteria decided by the Board of Directors. The Board of Directors set the following performance criteria relating to the determination of the bonus: two-thirds of this bonus are based on the achievement of levels of consolidated revenues, operating profit, net profit per share and cash flow from operations. The balance is based on qualitative criteria in terms of strategic orientations and Group transformation. For confidentiality reasons, the detail and the level of completion expected are not made public.

The other components of the compensation remain unchanged.

3.1.3.2.2 Summary of commitments issued in favor of executives officers

	Employment contract		Additional pension scheme		Payments or benefits due or to be due in connection with the termination of change of function		Compensation under a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Mr. Marc de Garidel Chairman and Chief Executive Officer Date of cooptation: BoD of 11 October 2010 with effect as at 22 November 2010 Date of renewal : ASM 2011 End of term: ASM 2015		X	X		X		X	
Mrs. Christel Bories Deputy Chief Executive Officer Date of appointment: 26 February 2013 with effect as of 1 March 2013		X	X		X		X	

Employment contract

Mr. Marc de Garidel, Chairman and Chief Executive Officer, and Mrs. Christel Bories, Deputy Chief Executive Officer, do not hold employment agreements.

Additional pension scheme

The Chairman and Chief Executive Officer and the Deputy Chief Executive Officer benefit from the additional pension commitment existing within the Company which is a defined benefit plan (which also benefit to all Group employees), which involves the payment on retirement, subject to a minimum 5-year service, of a pension calculated by reference to the number of years of service within the Group, applied at a rate of 0.6% per year to the part of the total gross compensation (including bonuses) below 8 times the Annual Social Security Ceilling (the "PASS" for 2013 being €37,032) and at a rate of 1% to the part of compensation in excess of 8 times the PASS, applied to the compensation for the last 36-months in office, in accordance with the decision of the Board of Directors dated 11 October 2010 and 26 February 2013.

The provision for 2013 financial year as regards this pension scheme amounted to €913,075 for the Chairman and Chief Executive Officer. Said provision for 2012 financial year amounted to €810,752.

The provision for 2013 financial year as regards this pension scheme amounted to €131,201 for the Deputy Chief Executive Officer.

Payments or benefits due or to be due in connection with the termination of change of function

At its meeting held on 11 October 2010, the Board of Directors decided to grant Mr. Marc de Garidel, Chairman and Chief Executive Officer, with the benefit of a severance payment on terms identical to those adopted on 27 February 2009 in accordance with the recommendations of the AFEP-MEDEF Code:

- a payment due only in the event of a forced departure associated with a change of control or strategy,
- in an amount equal to 24 months' remuneration (fixed and variable) in respect of his term of office,
- payment of which is subject to a performance condition (maintenance of the Group's recurring operational profit margin) over the 3 years preceding the departure, with a minimum threshold (12.5% for 2011), and
- which includes the amount due in respect of any non-compete obligation, if applicable.

At its meetings held on 26 February 2013, the Board of Directors decided to grant Mrs. Christel Bories, Deputy Chief Executive Officer, with the benefit of a severance payment on the following terms, in accordance with the recommendations of the AFEP-MEDEF Code:

- a payment due only in the event of a forced departure associated with a change of control or strategy decided by the Board of Directors,
- in an amount equal to 24 months' remuneration (fixed and variable) in respect of the term of office,
- payment of which is subject to a performance condition (maintenance of the Group's recurring operational profit margin) over the 3 years preceding the departure, with a minimum threshold (12.5% for 2013), and
- which includes the amount due in respect of any non-compete obligation, if applicable.

Compensation under a non-compete clause

In case of departure of the Group (for a reason other than a change of control), Marc de Garidel and Christel Bories undertook, for a 24-month duration after their effective departure, not to exercise or participate, from an operational point of view (including as a consultant), in the territories of the European Economic Union and/or in Northern America, to an activity of development and/or commercialization of products of the same therapeutic class (source IMS-Health) than the two first products of the Group in terms of revenues. The compensation due by the Company in consideration of this commitment is comprised in the severance payment described above.

3.1.3.3 Stock subscription and/or purchase options and performance bonus shares granted to executive officers

3.1.3.3.1 Stock subscription and/or purchase options

Subscription or purchase options granted to the Chairman and Chief Executive Officer during the 2013 financial year (Table 4 of the AMF recommendations)

During the 2013 financial year, no options were granted to the Chairman and Chief Executive Officer.

Subscription or purchase options granted to the Deputy Chief Executive Officer during the 2013 financial year (Table 4 of the AMF recommendations)

During the 2013 financial year, no options were granted to the Deputy Chief Executive Officer.

Synthesis of the Ipsen subscription and/or purchase options granted to the Chairman and Chief Executive Officer (Table 8 of the AMF recommendations)

	Date of grant	Number of options granted	Nature of the options	Exercise price (without discount)	Exercise date	Expiry date	Number of options exercised
Marc de Garidel Chairman and CEO since 22 November 2010	30/06/2011	121,180 (1)	Subscription options	€25.01	01/07/2015	30/06/2019	0
Total		**121,180**					

(1) Allocation subject to performance conditions.

In accordance with the provisions of Article L.225-185 of the French Commercial Code, the Board of Directors at its meeting held on 30 June 2011, set the number of shares that the Chairman and Chief Executive Officer must retain, until the end of his term of office, at the equivalent of 20% of the net capital gain that would be realised upon the sale of the shares resulting from the exercise of his stock options.

Synthesis of the Ipsen subscription and/or purchase options granted to the Deputy Chief Executive Officer

The Deputy Chief Executive Officer owns no Ipsen options.

Subscription or purchase options exercised during 2013 by the Chairman and Chief Executive Officer (Table 5 of the AMF recommendations)

During the financial year 2013, no subscription or purchase options were exercised by the Chairman and Chief Executive Officer.

3.1.3.3.2 Performance bonus shares

Performance bonus shares granted to executive officers during the 2013 financial year (Table 6 of the AMF recommendations)

	Plan date	Number of bonus shares granted	Book value of the shares (per share) (1)	Acquisition date	Date of availability
Marc de Garidel	28/03/2013	22,590 (2)	€23.47	29/03/2015	29/03/2017
Christel Bories	28/03/2013	17,169 (2)	€23.47	29/03/2015	29/03/2017

(1) Under the method used for the consolidated financial statements. The global amount of granted shares book value is listed on table 1 under paragraph 3.1.3.2.1.
(2) Allocation subject to performance conditions.

On 28 March 2013, the Board of Directors decided the implementation of a bonus shares plan to the benefit of 193 beneficiaries for a total of 224,004 shares, of which 207,044 performance bonus shares subject to performance conditions. The Board of Directors upon recommendation of the Compensation Committee, decided to grant 22,590 performance bonus shares to the Chairman and Chief Executive Officer and 17,169 performance bonus shares to the Deputy Chief Executive Officer. The performance conditions are based on the achievement of certain level of revenue at constant exchange rates (1/3), of adjusted operating EBIT (1/3) and cash flow from operations (1/3). The expected level of achievement is not made public for confidentiality reasons.

Synthesis of the performance bonus shares granted to the Chairman and Chief Executive Officer

The following table presents, as at 31 December 2013, the performance bonus shares granted to the Chairman and Chief Executive Officer:

	Grant date	Number of shares granted	Date of final acquisition	Date of availability	Number of shares to be retained
Marc de Garidel Chairman and CEO	30/06/2011	4,490 (1)	01/07/2013	01/07/2015	20% of the net gain of acquisition
	30/03/2012	23,940 (1)	31/03/2014	31/03/2016	
	28/03/2013	22,590 (1)	29/03/2015	29/03/2017	
Total		**51,020**			

(1) Grant subject to performance conditions.

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 and 28 March 2013, set the number of shares that the Chairman and Chief Executive Officer must retain, until the end of his term of office, at the equivalent of 20% of the net capital gain that would be realised upon the sale of the shares.

Synthesis of the performance bonus shares granted to the Deputy Chief Executive Officer

The following table presents, as at 31 December 2013, the performance bonus shares granted to the Deputy Chief Executive Officer.

	Grant date	Number of shares granted	Date of final acquisition	Date of availability	Number of shares to be retained
Christel Bories Deputy Chief Executive Officer	28/03/2013	17,169 (1)	29/03/2015	29/03/2017	20% of the net gain of acquisition
Total		**17,169**			

(1) Grant subject to performance conditions.

In accordance with the provisions of Article L.225-197-1 of the French Commercial Code, the Board of Directors, at its meeting held on 28 March 2013, set the number of shares that the Deputy Chief Executive Officer must retain, until the end of her term of office, at the equivalent of 20% of the net capital gain that would be realised upon the sale of the shares.

Performance bonus shares that have become available for the Chairman and Chief Executive Officer during the 2013 financial year (Table 7 of AMF recommendations)

During the 2013 financial year, no performance bonus shares granted to the Chairman and Chief Executive Officer became available.

Performance bonus shares that have become available for the Deputy Chief Executive Officer during the 2013 financial year (Table 7 of AMF recommendations)

During the 2013 financial year, no performance bonus shares granted to the Deputy Chief Executive Officer became available.

3.1.4 Agreements entered into by the Group with its senior executives or principal shareholders and Statutory Auditors' Report

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.

Statutory auditors' report on regulated agreements and commitments

Ipsen S.A.

Registered office: 65, quai Georges Gorse – 92 650 Boulogne-Billancourt Cedex

Shareholders' Meeting held to approve the financial statements for the year ended 31 December 2013

To the shareholders,

In our capacity as Statutory Auditors of your Company, we hereby present to you our report on the regulated agreements and commitments.

It is incumbent upon us to inform you, on the basis of the information provided to us, the crucial terms and conditions of the agreements and commitments of which we were notified or we could find relating to this engagement. It is not our role to determine whether they are beneficial or appropriate or 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 (*Code de commerce*), to evaluate the benefits arising from these agreements and commitments prior to their approval.

We are also required, where appropriate, to inform you about the terms of Article R.225-31 of the French Commercial Code (*Code de commerce*) relating to the manner in which agreements and commitments, which had been approved by the General Meeting of Shareholders, were implemented in 2013.

We performed the procedures we considered necessary in accordance with professional guidance issued by the national institute of auditors (*Compagnie nationale des commissaires aux comptes*), relating to this engagement. Our work consisted in verifying that the information provided to us is in agreement with the underlying documentation from which it was extracted.

AGREEMENTS AND COMMITMENTS TO BE APPROVED BY THE GENERAL MEETING OF SHAREHOLDERS

Agreements and commitments authorized in 2013

In accordance with Article L.225-40 of the French Commercial Code (*Code de commerce*), we were informed of the following agreements and commitments that had been previously authorized by your Board of Directors.

Mandate entrusted to JPh Hottinguer Corporate Finance

- **Person concerned:** Mr Philippe Bonhomme as a director, and permanent representative of Mayroy S.A. on the Board of Directors, and as a director and managing partner of JPh Hottinguer Corporate Finance S.A..
- N**ature, purpose and terms:**

  Your Board of Directors' meeting on 28 March 2013 decided to grant JPh Hottinguer Corporate Finance S.A. a remuneration of €600,000 exclusive of tax as a complementary fee for the mandate of 8 February 2013 authorized by your Board of Directors at its 13 December 2012 meeting.

  Your Company recognized expenses totalling €600,000 exclusive of tax in this respect in fiscal year 2013.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING

Agreements and commitments approved in prior years that continued to be implemented in 2013

In accordance with Article R.225-30 of the French Commercial Code, we were informed that the following agreements and commitments, already approved by the General Meeting in prior years, continued to be implemented in 2013.

Assistance and consulting mandates entrusted to Mr Antoine Flochel

- **Nature, purpose and terms:**

  – Your Board of Directors entrusted, on 27 August 2012, Mr Antoine Flochel with a special mandate, which was to last no more than six months, in order to assist your Company in defining its policy and monitoring developments in the strategic Inspiration Biopharmaceuticals Inc. case. Your Board of Directors at its meeting of 13 December 2012 decided to grant Mr Antoine Flochel a remuneration of €3,000 exclusive of tax per day, in respect of this mandate. The total amount of this remuneration depends on the number of days reported by Mr Antoine Flochel to your Company.

  This agreement was authorized by your Board of Directors at its meetings held on 27 August 2012 and 13 December 2012.

  Your Company recognized expenses totalling €51,000 exclusive of tax with respect to this mandate in fiscal year 2013.

Consulting mandate entrusted to JPh Hottinguer Corporate Finance S.A.

- **Nature, purpose and terms:** on 27 August 2012 your Board of Directors approved the principle of hiring JPh Hottinguer Corporate Finance S.A. as a consultant of your Company to help it monitor the strategic partnership agreement Inspiration Biopharmaceuticals Inc. and assess developments. At its 13 December 2012 meeting, your Board of Directors authorized the decision to grant a six-month mandate to JPh Hottinguer Corporate Finance S.A. to run six months from its signature with the possibility of renewing it by written and express renewal. This mandate in particular defined staggered payments of fixed fees totalling €600,000 exclusive of tax and included the possibility of paying a discretionary additional success fee in the event of a successful outcome.

  These agreements were authorized by your Board of Directors meetings held on 27 August 2012 and 13 December 2012.

  Your Company recognized expenses totalling €150,000 exclusive of tax with respect to this mandate in fiscal year 2013.

Liquidity contract with Mayroy S.A.

- **Nature and purpose:** on 6 December 2005 a liquidity contract to carry out market making for stocks options was signed between Ipsen S.A., Mayroy S.A. and Société Générale Bank & Trust, under which Mayroy S.A. gave a mandate to Société Générale Bank & Trust to ensure the accounting and administrative management of its stock option plans, to the benefit of Ipsen S.A. employees. An amendment dated 29 June 2010 changed Mayroy S.A.'s initial mandate for the accounting and administrative management of stock option plans, by authorizing Société Générale Bank & Trust to transfer treasury shares held by Mayroy S.A. as payment of the exercising of options by Ipsen Group beneficiaries.

- **Terms:** the expense related to this service recognized by Ipsen S.A. in 2013 amounted to €3,596 exclusive of tax.

Agreements and commitments approved in prior years that were not implemented during the year

Furthermore, we were informed about the following agreements and commitments, already approved by a General Meeting in previous years, which were not implemented during the past year.

Commitments granted to Mr Marc de Garidel, Chief Executive Officer, in the case of termination of employment

- **Nature, purpose and terms:** your Board of Directors at its meeting of 11 October 2010 authorized granting to Mr Marc de Garidel:

  – the benefit of membership of the supplementary pension plan in force at Ipsen S.A., giving right to, on retirement and subject to seniority of at least 5 years, the payment of an annual pension calculated by reference to seniority within the Group, at a rate of 0.60% per year of seniority on the part of total gross compensation (bonus included) that is lower than eight times the annual social security ceiling and at a rate of 1% per year on total gross compensation (bonus included) for the part of said total gross compensation that is higher than eight times the annual social security ceiling. Total gross compensation corresponds to the average compensation of the last 36 months of office.

  – a severance payment due under his position as CEO of the Company, for which the terms and conditions are in accordance with the recommendations set out in the AFEP-MEDEF Corporate Governance Code, in other words:
    - a payment due only in the event of a forced departure related to a change in control or in strategy,
    - a sum amounting to 24 months' compensation due under his position as CEO of the Company,
    - payment of which is subject to a performance-related condition: the Group's recurring operating margin needs to remain above a minimum threshold (12.5% for 2011) during the three years preceding his departure,
    - including the amount due, if applicable, in respect of any non-compete commitment described below.

Non-compete commitments taken by Mr Marc de Garidel, Chief Executive Officer

- **Nature, purpose and terms:** your Board of Directors approved at its meeting of 11 October 2010 the commitment taken by Mr Marc de Garidel, if he were to leave the Group for any other reason than a change in control, not to carry out or participate in any activity related to the development and/or marketing of products belonging to the same therapeutic class (source: IMS-Health) as the two best selling products of the Ipsen Group, during the twenty-four months after his effective departure, in an operational capacity (including as a consultant), in the European Economic Area (EEA) and/or in Northern America.

  The compensation due by your Company to Mr Marc de Garidel in consideration of these non-compete commitments is included in the severance payment due in the case of termination of employment, described above.

Agreements and commitments approved in the past year

We were furthermore informed that the following agreements and commitments were entered into during the past year, after they had already been approved by the General Meeting held on 31 May 2013, in accordance with a special report by the auditors dated 7 March 2013.

Setting minimum variable compensation for 2013

- **Person concerned:** Mrs Christel Bories, Deputy Chief Executive Officer as of 1 March 2013.

- **Nature, purpose and terms:** your Board of Directors authorized at its meeting of 26 February 2013 granting a bonus to Mrs Christel Bories in regard to 2013. This variable component of compensation is based on a gross target bonus of €570,000 (when 100% of objectives are met), which can vary within a range extending from 0% to 150%, on the basis of quantitative and qualitative criteria defined by your Board of Directors. With respect to 2013, the target bonus amounts to the *prorata temporis* percentage of

the above amount and will depend for 50% on the qualitative criteria and for 50% on the quantitative criteria. With respect to the qualitative criteria, a gross minimum amount of €285,000 is guaranteed for the target bonus on a *prorata temporis* basis.

Your Company recognized expenses totalling €478,048 with regard to this agreement in fiscal year 2013.

Commitments granted to Mrs Christel Bories, Deputy Chief Executive Officer, in the case of termination of employment

- **Person concerned:** Mrs Christel Bories, Deputy Chief Executive Officer as of 1 March 2013.
- **Nature, purpose and terms:** at its meeting held on 26 February 2013 your Board of Directors authorized granting to Mrs Christel Bories:
  - the benefit of membership of the supplementary pension plan in force at Ipsen S.A., giving right to, on retirement and subject to seniority of at least 5 years, the payment of an annual pension calculated by reference to seniority within the Group, at a rate of 0.60% per year of seniority on the part of total gross compensation (bonus included) that is lower than eight times the annual social security ceiling and at a rate of 1% per year on total gross compensation (bonus included) for the part of said total gross compensation higher than eight times the annual social security ceiling. Total gross compensation corresponds to the average compensation of the last 36 months of office.
  - a severance payment due under her position as Deputy CEO of the Company, for which the terms and conditions are in accordance with the recommendations set out in the AFEP-MEDEF Corporate Governance Code, in other words:
    - a payment due only in the event of a forced departure related to a change in control or in strategy decided by the Board of Directors,
    - a sum amounting to 24 months' (fixed and variable) compensation due under her position as Deputy CEO of the Company,
    - payment of which is subject to a performance-related condition: the Group's recurring operating margin needs to remain above a minimum threshold (12.5% for 2013) during the three years preceding her departure,
    - including the amount due, if applicable, in respect of any non-compete commitment described below.

Non-compete commitments taken by Mrs Christel Bories, Deputy Chief Executive Officer

- **Person concerned:** Mrs Christel Bories, Deputy Chief Executive Officer as of 1 March 2013
- **Nature, purpose and terms:** at its meeting of 26 February 2013 your Board of Directors approved the commitments taken by Mrs Christel Bories, in the event she should leave the Group for any other reason than a change in control, not to carry out or participate in any activity related to the development and/or marketing of products belonging to the same therapeutic class (source: IMS-Health) as the two best selling products of the Ipsen Group, during the twenty-four months after his effective departure, in an operational capacity (including as a consultant), in the European Economic Area (EEA) and/or in Northern America.

  The compensation due by your Company to Mrs Christel Bories in consideration of these non-compete commitments is included in the severance payment due in the case of termination of employment, described above.

Paris La Défense and Neuilly-sur-Seine, 27 February 2014

The Statutory Auditors

KPMG AUDIT *A division of KPMG S.A.*	Deloitte & Associés
Philippe Grandclerc	Fabien Brovedani

3.2 INFORMATION RELATING TO THE COMPANY AND ITS SHARE CAPITAL

3.2.1 Main provisions of the Articles of association

3.2.1.1 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.

3.2.1.2 Management 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.

3.2.1.3 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 (Article 26.1 and 11.3 of the Articles of association)

In Ordinary and Extraordinary Shareholders' Meetings, each shareholder has a voting right equal to the number of shares he/she holds or represents without limit.

However, the 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.

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.

3.2.1.4 Shareholders' Meetings (Articles 21 to 26 of the Articles of association)

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 appropriation 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.

Only the Extraordinary Shareholders' Meeting has jurisdiction to decide any contributions in kinds or special benefits made to the Company.

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.

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.

The right to attend the shareholders' meeting is subject to a book entry showing the number of shares held in the name of the shareholder or intermediary acting on its behalf, on the third business day preceding the meeting at 0.00 AM (Paris time), either in the registered securities accounts kept by the Company or in the bearer securities accounts kept by the authorized intermediary. The book entry of the bearer shares is evidenced by the certificate of attendance given by the authorized intermediary.

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 or 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 of two months to the date of original convening.

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.

3.2.1.5 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 further 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 regularisation 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.

3.2.1.6 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 maybe, 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.

3.2.1.7 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.

3.2.1.8 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.

3.2.2 Share capital

3.2.2.1 Amount of share capital

As at 31 December 2013, the share capital of the Company amounted to €84,242,701, recorded by the Board of Directors held on 27 February 2014, divided into €84,242,701 shares fully subscribed and paid-up of same class, each with a par value of €1.

As at 24 March 2014, the share capital of the Company amounted to €82,611,659 divided into €82,611,659 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).

3.2.2.2 Changes in share capital

Date	Transaction	Par value per share (in euros)	Number of shares	Nominal amount of share capital (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
24/04/2001	Share capital increase by capitalization of reserves	15.25	0	149,392.24	0	0	446,863,125	29,302,500
30/06/2005	Share capital increase by contribution in kinds	15.25	4,688,400	71,498,100	17,500,825.14	17,500,825.14	518,361,225	33,990,900
30/06/2005	Share capital increase by contribution in cash	15.25	3,477,345	53,029,511.25	12,970,496.85	30,471,321.99	571,390,736.25	37,468,245
18/07/2005	Decreasing of the shares par value	7.625	37,468,245	0	0	30,471,321.99	571,390,736.25	74,936,490
18/07/2005	Share capital decrease by reduction of par value and transfer to share premium account	1	0	496,454,245.25	496,454,245.25	526,925,568.24	74,936,490	74,936,490
07/12/2005	Share capital increase by contribution in cash	1	7,699,507	7,699,507	163,229,548.40	690,155,116.64	82,635,997	82,635,997
14/12/2005	Share capital increase by additional contribution in cash	1	1,139,008	1,139,008	24,146,969.60	714,302,086.24	83,775,005	83,775,005
28/12/2005	Share capital increase by contribution in cash reserved for Group's employees	1	249,678	249,678	4,184,603.28	718,486,689.52 / 708,994,538 (1)	84,024,683	84,024,683
12/12/2007	Bonus shares grant (Plan dated 06/12/2005)	1	18,500	18,500	–	708,994,538	84,043,183	84,043,183
12/12/2008	Bonus shares grant (Plan dated 06/12/2005)	1	16,500	16,500	–	708,994,538	84,059,683	84,059,683
04/06/2009	Bonus shares grant (Plan dated 30/05/2007)	1	8,000	8,000	–	708,994,538	84,067,683,	84,067,683

Date	Transaction	Par value per share (in euros)	Number of shares	Nominal amount of share capital (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
14/12/2009	Bonus shares grant (Plans dated 06/12/2005 and 12/12/2007)	1	12,500	12,500	–	708,994,538	84,080,183	84,080,183
14/12/2009	Options exercises	1	25,450	25,450	539,540	709,534,078	84,105,633,	84,105,633
26/02/2010	Options exercises	1	45,750	45,750	969,900	710,503,978	84,151,383	84,151,383
28/05/2010	Options exercises	1	23,500	23,500	498,200	711,002,178	84,174,883	84,174,883
30/08/2010	Options exercises	1	1,200	1,200	25,440	711,027,618	84,176,083	84,176,083
10/11/2010	Bonus shares grant (Plan dated 29/09/2008)	1	18,600	18,600	–	711,027,618	84,194,683	84,194,683
10/11/2010	Bonus shares grant (Plan dated 22/01/2009)	1	30	30	–	711,027,618	84,194,713	84,194,713
13/12/2010	Bonus shares grant (Plan dated 12/12/2006)	1	1500	1500	–	711,027,618	84,196,213	84,196,213
24/01/2011	Bonus shares grant (Plan dated 22/01/2009)	1	22,860	22,860	–	711,027,618	84,219,073	84,219,073
31/03/2011	Options exercises	1	1,000	1,000	21,200	711,048,818	84,220,073	84,220,073
30/06/2011	Options exercises	1	3,000	3,000	63,600	711,112,418	84,223,073	84,223,073
15/12/2011	Bonus shares grant (Plans dated 10/11/2009 and 12/12/2007)	1	3,500	3,500	–	711,112,418	84,226,573	84,226,573
02/04/2012	Bonus shares grant (Plan dated 31/03/2010)	1	26,000	26,000	–	711,112,418	84,252,573	84,252,573
01/10/2012	Bonus shares grant (Plan dated 29/09/2008)	1	2,800	2,800	–	711,112,418	84,255,373	84,255,373
26/02/2013	Cancellation – shares	1	(155,120)	(155,120)	–	711,112,418	84,100,253	84,100,253
28/03/2013	Options exercises	1	9,300	9,300	197,160	711,309,578	84,109,553	84,109,553
02/04/2013	Bonus shares grant (Plan dated 30/03/2009)	1	8,870	8,870	–	711,309,578	84,118,423	84,118,423
31/05/2013	Options exercises	1	1,000	1,000	21,200	711,330,778	84,119,423	84,119,423
27/06/2013	Options exercises	1	3,500	3,500	74,200	711,404,978	84,122,923	84,122,923
01/07/2013	Bonus shares grant (Plan dated 30/06/2011)	1	98,968	98,968	–	711,404,978	84,221,891	84,221,891
29/08/2013	Options exercises	1	1,200	1,200	25,440	711,430,418	84,223,091	84,223,091
11/12/2013	Options exercises	1	11,900	11,900	252,280	711,682,698	84,234,991	84,234,991
31/12/2013	Options exercises	1	7,710	7,710	167,835	711,850,533	84,242,701	84,242,701
27/02/2014	Options exercises	1	11,500	11,500	243,800	712,094,333	84,254,201	84,254,201
17/03/2014	Cancellation – shares	1	(800,000)	(800,000)	–	712,094,333	83,454,201	83,454,201
24/03/2014	Cancellation – shares	1	(842,542)	(842,542)	–	712,094,333	82,611,659	82,611,659

(1) Amount after imputation of the tax-free expenses on premiums.

3.2.2.3 Potential share capital

The potential share capital represents a maximum potential dilution of 1.86% distributed as follows:

3.2.2.3.1 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.

At 31 December 2013, with respect to all Ipsen plans, there were 1,926,597 outstanding options (after deduction of the number of options exercised or cancelled to take into account the departure of certain beneficiaries), of which 843,932 purchase options and 1,082,665 subscription options, representing a potential increase of the share capital up to €1,082,665 and a maximum potential dilution of 1.29%.

The following table **(Table 8 of AMF recommendations)** presents, as of 31 December 2013, the description of the Ipsen Options granted:

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 to executive directors						Exercised as at 31/12/2013	Cancelled or expired as at 31/12/2013	Outstanding as at 31/12/2013
			Of beneficiaries	Of options	Number of beneficiaries	Of options							
19/09/2005	14/11/2005	06/12/2005	93	329,000	–	–	Subscription	06/12/2009	07/12/2015	22.2	132,950	57,100	138,950
02/06/2006	12/12/2006	12/12/2006	18	23,000	–	–	Subscription	12/12/2010	13/12/2016	29.88	–	6,000	17,000
02/06/2006	12/12/2006	12/12/2006	31	42,000	–	–	Subscription	12/12/2010	13/12/2018	29.88	–	15,500	26,500
02/06/2006	12/12/2006	12/12/2006	4	6,000	–	–	Subscription	12/12/2010	13/12/2013	29.88	–	6,000,	0
02/06/2006	12/12/2006	12/12/2006	20	28,500	–	–	Subscription	12/12/2010	13/12/2018	33.21	–	9,500	19,000
02/06/2006	12/12/2006	12/12/2006	5	266,668	–	–	Purchase	12/12/2012	13/12/2018	38.73	–	20,000	246,668
02/06/2006	12/12/2006	12/12/2006	5	266,666	–	–	Purchase	12/12/2011	13/12/2018	35.86	–	20,000	246,666
02/06/2006	12/12/2006	12/12/2006	5	266,666	–	–	Subscription	12/12/2010	13/12/2018	33.21	–	20,000	246,666
02/06/2006	30/05/2007	30/05/2007	3	55,000	–	–	Subscription	30/05/2011	31/05/2017	39.06	–	–	55,000
02/06/2006	12/12/2007	12/12/2007	2	53,334	–	–	Purchase	12/12/2012	13/12/2017	41.33	–	–	53,334
02/06/2006	12/12/2007	12/12/2007	2	26,666	–	–	Subscription	12/12/2012	13/12/2017	41.33	–	–	26,666
02/06/2006	12/12/2007	12/12/2007	2	53,334	–	–	Purchase	12/12/2011	13/12/2017	38.27	–	–	53,334
02/06/2006	12/12/2007	12/12/2007	2	26,666	–	–	Subscription	12/12/2011	13/12/2017	38.27	–	–	26,666
02/06/2006	29/09/2008	29/09/2008	1	10,000	–	–	Subscription	29/09/2012	29/09/2018	34.68	–	–	10,000
02/06/2006	29/09/2008	29/09/2008	201	216,200	–	–	Purchase	29/09/2012	29/09/2018	34.68	–	38,400	177,800
02/06/2006	30/03/2009	30/03/2009	41	148,300	–	–	Purchase	30/03/2013	30/03/2019	26.39	6,490	75,680	66,130
04/06/2009	10/11/2009	10/11/2009	1	12,000	–	–	Subscription	10/11/2013	10/11/2019	34.74	–	–	12,000
04/06/2009	31/03/2010	31/03/2010	22	40,710	–	–	Subscription	01/04/2012	01/04/2018	36.64	–	13,100	27,610
04/06/2009	31/03/2010	31/03/2010	105	321,360(*)	–	–	Subscription	31/03/2014	01/04/2018	36.64	–	32,290	289,070
27/05/2011	30/06/2011	30/06/2011	10	16,005	–	–	Subscription	30/06/2013	01/07/2019	25.01	1,560	2,775	11,670
27/05/2011	30/06/2011	30/06/2011	6	189,703(*)	1	121,180	Subscription	30/06/2015	01/07/2019	25.01	–	13,836,	175,867
Total				**2,397,778**							**141,000**	**330,181**	**1,926,597**

(*) Options granted under performance conditions.

Details concerning Mr. Marc de Garidel last grant are under Paragraph 3.1.3.3.

Grant of stock options during the financial year to ten employees of the Group receiving the highest number (Table 9 of AMF recommendations)

During the 2013 financial year, no options were granted.

Exercise of stock options during the financial year by employees of the Group exercising the highest number (Table 9 of AMF recommendations)

During the 2013 financial year, the options exercised by the ten Group employees that have exercised the highest number reached a total of 29,250 options at a weighted average price of 23.28 euros. These exercises resulted in the attribution of 29,250 Ipsen shares.

3.2.2.3.2 Bonus Shares and Performance Bonus shares grants

Description

The final acquisition of shares is effective at the end of the acquisition period:

- of a two-year duration starting from the date of grant for French tax resident beneficiaries. These shares must be retained by French tax resident beneficiaries for an additional two-year period following the final acquisition;
- of a four-year duration starting from the date of grant for non-French tax resident beneficiaries as at the date of grant.

The final acquisition is then effective subject to presence conditions and, for certain plans, to the achievement of performance conditions set out by the Board of Directors.

During the 2013 financial year, 142,408 shares were transferred to beneficiaries at the end of the acquisition period for bonus shares granted under the 22 January 2009, 30 March 2009 and 30 June 2011 plans, of which 34,570 under the form of existing shares and 107,838 under the form of new shares.

At 31 December 2013, with respect to all Ipsen plans, 489,594 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 new shares, representing a maximum potential increase in the share capital of €489,594 and a maximum potential dilution of 0.58%.

The following table **(table 10 of AMF recommendations)** presents, as of 31 December 2013, the description and terms of the Ipsen bonus shares and performance bonus 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 to executive directors					Cancelled as at 31/12/2013	Number of shares transferred or created at the end of the acquisition period	Outstanding as at 31/12/2013
			Of beneficiaries	Of Bonus shares	Nombre de bénéficiaires	Of Bonus shares						
19/09/2005	14/11/2005	06/12/2005	4	18,500	–	–	New shares	06/12/2007	06/12/2009	–	18,500	–
19/09/2005	14/11/2005	06/12/2005	3	4,500	–	–	New shares	06/12/2009	06/12/2009	–	4,500	–
19/09/2005	12/12/2006	12/12/2006	3	16,500	–	–	New shares	12/12/2008	12/12/2010	–	16,500	–
19/09/2005	12/12/2006	12/12/2006	1	1,500	–	–	New shares	12/12/2010	12/12/2010	–	1,500	–
19/09/2005	30/05/2007	30/05/2007	2	8,000	–	–	New shares	01/06/2009	30/05/2011	–	8,000	–
06/06/2007	12/12/2007	12/12/2007	5	8,000	–	–	New shares	14/12/2009	12/12/2011	–	8,000	–
06/06/2007	12/12/2007	12/12/2007	1	1,000	–	–	New shares	12/12/2011	12/12/2011	–	1,000	–
06/06/2007	12/12/2007	12/12/2007	5	16,000	–	–	Existing shares	14/12/2009	12/12/2011	–	16,000	–
06/06/2007	12/12/2007	12/12/2007	1	2,000	–	–	Existing shares	12/12/2011	12/12/2011	–	2,000	–
06/06/2007	29/09/2008	29/09/2008	99	19,800	–	–	New shares	29/09/2010	29/09/2012	1,200	18,600	–
06/06/2007	29/09/2008	29/09/2008	28	4,100	–	–	New shares	29/09/2012	29/09/2012	1,300	2,800	–
06/06/2007	29/09/2008	29/09/2008	60	9,200	–	–	Existing shares	29/09/2012	29/09/2012	2,700	6,500	–
06/06/2007	22/01/2009	22/01/2009	999	29,970	–	–	Existing shares	22/01/2011	22/01/2013	3,270	26,700	–
06/06/2007	22/01/2009	22/01/2009	830	24,900	–	–	New shares	22/01/2011	22/01/2013	2,010	22,890	–
06/06/2007	22/01/2009	22/01/2009	1,489	44,730	–	–	Existing shares	22/01/2013	22/01/2013	13,410	31,320 (1)	
06/06/2007	27/02/2009	27/02/2009	1	3,000	–	–	Existing shares	27/02/2013	27/02/2013	3,000 (2)	–	
06/06/2007	27/02/2009	27/02/2009	4	18,750	–	–	Existing shares	27/02/2011	27/02/2013	18,750	–	–
06/06/2007	27/02/2009	27/02/2009	3	7,250	–	–	New shares	27/02/2011	27/02/2013	7,250	–	–
06/06/2007	30/03/2009	30/03/2009	13	6,190	–	–	Existing shares	30/03/2013	30/03/2013	2,940	3,250	–
06/06/2007	30/03/2009	30/03/2009	27	18,540	–	–	New shares	30/03/2013	30/03/2013	9,670	8,870	–
04/06/2009	10/11/2009	10/11/2009	2	13,500	–	–	New shares	10/11/2011	10/11/2013	11,000	2,500	–
04/06/2009	31/03/2010	31/03/2010	20	29,110	–	–	New shares	31/03/2012	01/04/2014	7,000	–	22,110 (*)
04/06/2009	31/03/2010	31/03/2010	39	17,530	–	–	New shares	31/03/2014	01/04/2014	3,060	–	14,470
04/06/2009	31/03/2010	31/03/2010	66	47,630	–	–	New shares	31/03/2012	01/04/2014	21,630 (3)	26,000	–
27/05/2011	30/06/2011	30/06/2011	6	27,331 (5)	1	4,490	New shares	01/07/2013	01/07/2015	2,733 (4)	24,598	–
27/05/2011	30/06/2011	30/06/2011	39	33,830	–	–	New shares	01/07/2015	01/07/2015	5,810	–	28,020
27/05/2011	30/06/2011	30/06/2011	9	15,755	–	–	New shares	01/07/2013	01/07/2015	2,775	–	12,980 (*)
27/05/2011	30/06/2011	30/06/2011	80	78,990	–	–	New shares	01/07/2013	01/07/2015	4,620	74,370	–
27/05/2011	30/03/2012	30/03/2012	8	84,685 (5)	1	23,940	New shares	31/03/2014	31/03/2016	7,000	–	77,685

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 to executive directors					Cancelled as at 31/12/2013	Number of shares transferred or created at the end of the acquisition period	Outstanding as at 31/12/2013
			Of beneficiaries	Of Bonus shares	Nombre de bénéficiaires	Of Bonus shares						
27/05/2011	30/03/2012	30/03/2012	96	55,099 (5)	–	–	New shares	31/03/2014	31/03/2016	7,238	–	47,861
27/05/2011	30/03/2012	30/03/2012	14	35,645 (5)	–	–	New shares	31/03/2014	31/03/2016	11,572	–	24,073 (*)
27/05/2011	30/03/2012	30/03/2012	27	18,550	–	–	New shares	31/03/2014	31/03/2016	2,100	–	16,450
27/05/2011	30/03/2012	30/03/2012	37	19,416 (5)	–	–	New shares	31/03/2016	31/03/2016	2,671	–	16,745
27/05/2011	30/03/2012	30/03/2012	16	11,200	–	–	New shares	31/03/2016	31/03/2016	700	–	10,500
27/05/2011	28/03/2013	28/03/2013	9	79,859 (5)	2	39,759	New shares	29/03/2015	29/03/2017	–	–	79,859
27/05/2011	28/03/2013	28/03/2013	104	71,065 (5)	–	–	New shares	29/03/2015	29/03/2017	2,153	–	68,912
27/05/2011	28/03/2013	28/03/2013	14	7,420	–	–	New shares	29/03/2015	29/03/2017	–	–	7,420
27/05/2011	28/03/2013	28/03/2013	12	34,329 (5)	–	–	New shares	29/03/2015	29/03/2017	2,086	–	32,243 (*)
27/05/2011	28/03/2013	28/03/2013	36	21,791 (5)	–	–	New shares	29/03/2017	29/03/2017	535	–	21,256
27/05/2011	28/03/2013	28/03/2013	18	9,540	–	–	New shares	29/03/2017	29/03/2017	530	–	9,010
Total				**974,705**						**160,713**	**324,398**	**489,594**

(*) The registration in the accounts will be after a four-year period following the date of grant.
(1) On January 23, 2013, 31,320 existing shares have been transferred to beneficiaries after a four-year acquisition period.
(2) The Board of Directors, at its meeting held on 26 February 2013 noted the non-achievement of performance conditions attached to 3,000 rights to performance shares granted under the plan dated 27 February 2009.
(3) The Board of Directors, at its meeting held on 30 March 2012 noted the non-achievement of performance conditions attached to 18,240 rights to performance shares granted under the plan dated 31 March 2010.
(4) The Board of Directors, at its meeting held on 27 June 2013, noted the non-achievement of performance conditions attached to 2,733 rights to performance shares granted under the plan dated 30 June 2011.
(5) Bonus shares granted under performance conditions.

Grants of Ipsen performance Bonus Shares to the employees during the financial year

During the 2013 financial year, the top ten Group employees (excluding executive officers) to whom have been granted the highest number of performance shares, received a total number of 57,407 bonus shares.

3.2.2.3.3 Mayroy stock options

Certain Group employees are beneficiaries of options granted by Mayroy, the controlling shareholder of Ipsen SA (hereinafter the "Mayroy Options"). The number of Mayroy Options granted to the ten Group employees (excluding executive directors) that have been granted the highest number of Mayroy Options is shown in the following table:

	Number of Mayroy shares corresponding to the Mayroy Options	Number of Mayroy Options exercised as at 31 December 2013	Exercise price (1) (in euros)	Exercise periods (2)
1	62,500	2,500	27.20	From 18/12/2007 to 13/02/2014
2	41,350	1,300	14.18	From 31/05/2005 to 13/02/2014
3	25,150	950	15.64	From 31/05/2005 to 13/02/2014
4	21,200	800	15.32	From 31/05/2005 to 13/02/2014
5	19,750	750	16.63	From 31/05/2005 to 13/02/2014
6	19,750	750	16.63	From 31/05/2005 to13/02/2014
7	14,450	550	17.07	From 31/05/2005 to 13/02/2014
8	12,500	500	27.20	From 18/12/2007 to 13/02/2014
9	11,650	450	20.17	From 03/10/2005 to 13/02/2014
10	6,250	250	27.20	From 13/02/2004 to 13/02/2014

(1) Average weighted price per share in euros.
(2) The Mayroy Options were granted under several stock option plans with different exercise periods. The exercise periods indicated correspond to the opening date of the first exercise period and the closing date of the last exercise period.

The liquidity mechanism available to holders of Mayroy Options under the Mayroy understanding (as described in section 3.2.3.3 of the present registration document) provides for, upon exercise of the Mayroy Options by their beneficiaries, the allocation of Ipsen shares currently held by Mayroy in exchange of the Mayroy shares resulting from the exercise.

Six Mayroy plans are currently outstanding. No Mayroy Options was granted during the 2013 financial year.

The following table presents the maximum number of Ipsen shares that may be transferred to each of the ten employees listed above under the liquidity mechanism:

Maximum number of Mayroy shares held or that may be held upon exercise of Mayroy Options	Maximum number of Ipsen shares held or that may be held pursuant to the liquidity mechanism (1)
62,500	75,533
41,350	48,669
25,150	30,423
21,200	25,645
19,750	23,889
19,750	23,869
14,450	17,477
12,500	15,108
11,650	14,083
6,250	7,554

(1) The maximum number of Company's shares held or that may be held may be different for a same number of Mayroy shares due to the change of ratio on 14 March 2008.

During the 2013 financial year, the number of Mayroy options exercised reached a total of 6,780 options at a weighted average price of 26.08 euros. These exercises resulted in the attribution of 175,020 Mayroy shares among which 175,020 have been exchanged against Ipsen SA shares.

3.2.2.4 Authorized and non-issued share capital

The Combined Shareholders' Meeting held on 31 May 2013 authorized the delegation of authority to the Board of Directors regarding shares capital increases as followed:

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	31 May 2013 (12th)	26 months (30 July 2015)	20% of the share capital (a, b)
Share capital increase by issues of ordinary shares and/or securities and/or incorporating reserves, profits or premiums with retention of preferential subscription rights for shareholders	31 May 2013 (13th)	26 months (30 July 2015)	20% of the share capital (a, b)

As at the date of the present registration document, these delegations have not been used.

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	31 May 2013 (14th)	26 months (30 July 2015)	10% of the share capital (a, b, c)
Share capital increase by issues of ordinary shares or securities without preferential subscription rights for shareholders by private placement	31 May 2013 (15th)	26 months (30 July 2015)	10% of the share capital (a, b, c)
Share capital increase to compensate contributions in kind of shares or securities	31 May 2013 (17th)	26 months (30 July 2015)	10% of the share capital (a)

As at the date of the present registration document, these delegations have not been used.

Issues reserved to employees (and, if applicable, to executive directors)

	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	31 May 2013 (18th)	26 months (30 July 2015)	5% of the share capital [a]
Stock subscription and purchase options granted to employees and executive directors	31 May 2013 (19th)	26 months (30 July 2015)	3% of the share capital [d, e]
Bonus Shares granted to employees and/or certain executive directors	31 May 2013 (20th)	26 months (30 July 2015)	3% of the share capital [e, f]

(a) Based on a share capital of €84,118,423 as at the date of the combined Shareholders' Meeting held on 31 May 2013.
(b) The issues decided under this delegation are deducted from the global common limit of 20% of the share capital.
(c) 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.
(d) Unused in 2013.
(e) Common limit.
(f) Used in 2013 up to 224,004 shares, *i.e.*, 0.27% of the share capital at the date, under the authorization given by the Shareholders' Meeting held on 27 May 2011.

3.2.2.5 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	31 May 2013 (10th resolution)	18 months (30 November 2014)	Maximum repurchase price per share: €40 Limit of 10% of the number of shares comprising the share capital
Cancellation of shares	31 May 2013 (11th resolution)	24 months (30 May 2015)	10% of the share capital as at the date of decision of cancellation [a] [b]

(a) Used in February 2013 up to 155,120 shares representing 0.18% of the share capital at the date of cancellation, under the authorization given by the Shareholders' Meeting held on 1 June 2012.
(b) Used in March 2014 up to 1,642,542 shares representing 1.95% of the share capital at the date of cancellation.

Treasury shares (excluding liquidity agreement and repurchase of shares for cancellation)

As at 31 December 2013, the Company held 843,902 of its own shares dedicated to the covering of its stock purchase options, bonus shares and performance bonus shares plans (see sections 3.2.2.3.1 and 3.2.2.3.2).

As at 1 March 2014, the Company held 843,902 of its own shares dedicated to the covering of its stock purchase options, bonus shares and performance bonus shares plans (see sections 3.2.2.3.1 and 3.2.2.3.2).

3.2.2.6 Share repurchase program

The Combined Shareholders' Meeting dated 31 May 2013 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 1 June 2012. Pursuant to this decision, the Board of Directors decided on 31 May 2013 to set up a new share repurchase program with a limit of 10% of the share capital and a maximum repurchase price of €40 per share.

Since 26 February 2007, the Group had mandated Natexis Bleichroder, a subsidiary of Natixis, to implement a liquidity contract for a one-year period with tacit renewal. This contract is compliant with the Business Ethics Charter of the AMAFI (French Association of Investment Firms) which was approved on 1 October 2008 by the French *Autorité des marchés financiers*. As per the liquidity contract, the following assets appeared on the liquidity account: 46,838 shares and €1,259,939.79.

Since 6 November 2013, the Group has mandated Natixis to repurchase 800,000 shares, representing 0.95% of the share capital. These repurchased shares will be cancelled. This mandate ended earlier on 3 February 2014 since all shares were acquired at this date.

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 2013 financial year:

Number of shares purchased:	1,098,451
Average purchase price:	€28.55
Number of shares sold:	620,609
Average sale price:	€28.59
Total amount of dealing expenses:	€27,500
Number of shares used in 2012:	196,180
Number of shares registered in the name of the Company at the end of the financial year:	1,375,074 shares (of which 17,132 shares within the liquidity contract and 514,040 within the share repurchase contract)
Estimated value at the average purchase price:	€39,258,362.70
Nominal value:	€1,375,074 Including: – €843,902 dedicated to the coverage of options and shares plans – €17,132 within the liquidity contract for the purposes of the animation of shares price – €514,040 within the shares repurchasing contract for these shares to be cancelled

Distribution of own shares	% of the share capital
Animation of share price	0.02%
Coverage of stock purchase options or other employee share ownership system	1.00%
Securities giving right to shares	–
Acquisitions	–
Cancellation	0.61%

The Board of Directors, at its meeting held on 26 February 2013, noted that 155,120 shares held for the coverage of the bonus shares plans became without object due to the cancellation of certain rights to these bonus shares. The Board of Directors decided to reallocate these 155,120 shares to the cancellation objectives and to cancel those shares by using the authorization granted by the Combined Shareholders' Meeting held on 1 June 2012 pursuant to the tenth resolution.

Moreover, 34,570 own shares have been used to the coverage of bonus shares final acquisition (see 3.2.2.3.2) and 6,490 own shares have been used to the coverage of exercised purchase options (see 3.2.2.3.1).

The Board of Directors, at its meeting held on 17 March 2014, decided to cancel 800,000 shares acquired within the share repurchase mandate given to Natixis. It also decided the cancellation of a maximum number of 842,542 actions, acquired within the private investment described in paragraph 3.2.3.1 (effective cancellation on 24 March 2014).

3.2.3 Shareholding

3.2.3.1 Share ownership and voting rights

As at 31 December 2013, the Company's share capital amounted to €84,242,701, recorded by the Board of Directors held on 27 February 2014, divided into €84,242,701 shares, each with a par value of €1. The corresponding theoretical number of voting rights amounted to 141,622,327. The difference between the number of theoretical voting rights and the number of real voting rights corresponds to the number of treasury shares.

As at 31 December 2013, 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	57,099,528	67.78%	114,033,559	80.52%	114,033,559	81.31%
FCP Ipsen Actions (1)	123,200	0.15%	246,400	0.17%	246,400	0.18%
Board of Directors (excluding Mayroy SA) (2)	15,456	0.02%	25,972	0.02%	25,972	0.02%
Treasury shares	1,375,074	1.63%	1,375,074	0.97%	0	0
Other registered shareholders	473,931	0.56%	785,810	0.56%	785,810	0.56%
Free Float	25,155,512	29.86%	25,155,512	17.76%	25,155,512	17.93%
Total	**84,242,701**	**100%**	**141,622,327**	**100%**	**140,247,253**	**100%**

(1) FCP Ipsen Actions is the only mutual fund for employees.
(2) Certain Directors of the Company are presumed to act in concert: Anne Beaufour, who owns 1 share and 2 voting rights, Henri Beaufour, who owns 1 share and 2 voting rights and Antoine Flochel who owns 3,000 shares and 6,000 voting rights. In addition it is specified that VicJen Finance SARL, a company whose Antoine Flochel is the legal manager and a senior partner, held as at 31 December 2013, to the Company's knowledge and based on Directors' statements, 2,000 shares and 4,000 voting rights. Subsequently the concert participation amounts to 67.79% of the share capital and 81.32% of the voting rights.

On 19 March 2014, the company Mayroy SA, the controlling shareholder of the Company, sold 5,888,290 Ipsen shares representing 7% of Ipsen's share capital *via* private placement. Mayroy sold these shares in order to partially finance the repurchase of the entire stake held in its share capital by its minority shareholder, the company Opera Finance Europe, a Luxembourg-registered company controlled by Mrs. Véronique Beaufour and her descendants. The repurchase of the balance of the stake of Opera Finance Europe is financed by the allocation by Mayroy of Ipsen shares representing approximately 4% of Ipsen's share capital. These shares will be placed in an escrow account for a period of 12 months following the completion of the transaction which has taken place on 24 March 2014. As part of this transaction, Ipsen repurchased 842,542 of its own shares to be cancelled. This transaction increases the Ipsen's free float from about 30% to 40% of the share capital, Mayroy's stake now amounts to 57.6% of the share capital and to 73.3% of Ipsen's voting rights (after having taken into account the cancellation of the 842,542 shares that have been repurchased within this institutional private placement and of the shares that have been repurchased within the share repurchase program between November 2013 and February 2014, *i.e.* a total amount of 1,642,542 shares).

In accordance with the provisions of 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:

- the company Natixis Asset Management declared to the Company that it crossed upwards, on 23 May 2012, the 1% of the share capital threshold;
- the company OppenheimerFunds Inc. declared to the Company that it crossed:
  - upwards, on 10 January 2013, the 1% of the share capital threshold;
  - downwards, on 29 May 2013, the 1% of the share capital threshold;
- the company AXA Investment Managers, acting on its own account and the account of its affiliates, declared to the Company that it crossed:
  - downwards, on 24 April 2013, the 3% of the share capital threshold and the 2% of the voting rights threshold;
  - upwards, on 17 May 2013, the 3% of the share capital threshold;
  - downwards, on 28 January 2014, the 3% of the share capital threshold.
- the company Amundi Asset Management declared to the Company that it crossed upwards, on 7 October 2013, the 2% of the share capital threshold.
- the company Franklin Resources Inc., acting for its own account et the account of its affiliates declared to the company that it crossed:
  - upwards, on 27 May 2012, the 3% of the share capital threshold;
  - downwards, on 13 January 2014, the 1% of the voting rights threshold.

To the Company's knowledge no other shareholder owns, directly or indirectly, acting alone or in concert, more than 1% of the share capital or voting rights except to what is described below.

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 93.23%, including 58.10% directly, and 35.13% indirectly, through its subsidiaries FinHestia S.àr.l. and Bee Master Holding BV, these two companies are incorporated under the forms of limited liability companies existing under the laws of the Luxembourg.

Anne Beaufour and her brother, Henri Beaufour, hold together, directly and indirectly, 100% of Beech Tree share capital. None of them control Beech Tree, which in the absence of any shareholders' agreement, is governed by its Articles of association.

3.2.3.2 Evolution of share ownership and voting rights over the past three financial years (as at 31 December)

	2013				2012				2011			
	Number of shares	%	Number of voting rights	%	Number of shares	%	Number of voting rights	%	Number of shares	%	Number of voting rights	%
Mayroy	57,099,528	67.78	114,033,559	81.31	57,317,977	68.03	114,252,008	81.30	57,336,952	68.07	114,270,983	81.34
Board of Directors(*)	15,456	0.02	25,972	0.02	11,316	0.01	17,333	0.01	45,342	0.05	55,426	0.04
FCP Ipsen Actions	123,200	0.15	246,400	0.18	151,000	0.18	302,000	0.21	157,600	0.19	315,200	0.22
Treasury shares	1,375,074	1.63	0	0	1,093,412	1.30	0	0	1,106,900	1.31	0	0
Other registered shareholders	473,931	0.56	785,810	0.56	575,332	0.68	851,457	0.61	541,954	0.64	806,049	0.57
Free Float	25,155,512	29.86	25,155,512	17.93	25,106,336	29.8	25,106,336	17.87	25,037,825	29.73	25,037,825	17.82
Total	**84,242,701**	**100**	**140,247,253**	**100**	**84,255,373**	**100**	**140,529,134**	**100**	**84,226,573**	**100**	**140,485,483**	**100**
Gross number of voting rights			**141,622,327**				**141,622,546**				**141,592,383**	

(*) Excluding Mayroy SA.

3.2.3.3 Shareholders' agreements, liquidity mechanisms and parties acting in concert

Agreements between shareholders of the Company

None.

Agreements between shareholders of Mayroy

On 17 December 2003, Beech Tree, FinHestia S.à.r.l. and Bee Master Holding BV on the one hand, and certain members of the Schwabe family which holds Finvestan S.à.r.l., limited liability company existing under the laws of the Luxembourg, on the other hand, entered into a shareholder's agreement which purpose is to preserve a stable controlling ownership structure of Mayroy.

This Agreement requires Bee Master Holding BV, FinHestia S.à.r.l., and Finvestan Sarl to make lock-up undertakings in respect of their Mayroy shares, and prevents Beech Tree from selling its Mayroy shares without first giving Bee Master Holding BV, FinHestia S.à.r.l., and Finvestan Sàrl the option to sell or otherwise transfer their own Mayroy shares at the same time and on the same terms and conditions. The Agreement also provides for a majority representation of the parties on Mayroy's Board of Directors, including one person nominated by Finvestan Sàrl.

Initially concluded for the duration expiring on 31 December 2008, this agreement has been renewed until 30 June 2015.

This agreement constitutes an agreement to act in concert between the shareholders and Mayroy, both signatories to the agreement.

Parties acting in concert

Certain Directors of the Company (Anne Beaufour, Henri Beaufour and Antoine Flochel) and the company Mayroy SA are presumed to act in concert.

Liquidity mechanism available to holders of Mayroy Options

In connection with the listing of the Company's shares on a regulated market, Mayroy provided a liquidity mechanism for employees and executive officers who held Mayroy Options, after the exercising these options.

Since the expiry of the lock-up undertaking made by Mayroy as part of the initial public offering, holders of Mayroy Options are granted a put option on the Mayroy shares they acquire following the exercise of their Mayroy Options. Mayroy also has the right to purchase the shares at its own initiative at the end of the third month after the exercise of the Mayroy Options. The administrative costs of the liquidity mechanism are borne by the Company.

Regardless of the liquidity mechanism used (exercise of put option by Mayroy Option holders or purchase by Mayroy), the total number of Mayroy shares that could be issued or exchanged and sold to the Company is 399,760 shares as at 31 December 2013.

Since 14 March 2008, each share that is sold will be exchanged for 1.20852 Company shares per Mayroy share and a fixed sum of €1.26436 per Mayroy share, so that the maximum number of existing Company shares which may be allotted by Mayroy to holders of Mayroy Options was accordingly 483,118 shares representing 0.8% of the Company's share capital as at 31 December 2013.

3.2.3.4 Nature of control

The Company is controlled as described above. Measures taken to avoid any abusive control are, in particular, the following:

- presence of four independent Directors of eleven members in the Company's Board of Directors as described in chapters 3.1.1.1, 3.1.1.2 and 3.1.2.1 of the present registration document;
- presence of an independent Director of six members in the Strategic Committee;
- presence of an independent Director of three members in the Appointments and Governance Committee;
- presence of two independent Directors of three members in the Audit Committee;

- presence of two independent Directors of three members in the Compensation Committee;
- presence of an independent Director of three members in the Ethics Committee.

3.2.3.5 Information or agreements likely to involve a change in control or to have an impact in the event of a takeover bid

Agreements likely to involve a change in control

None.

Information likely to have an impact in the event of a takeover bid

In accordance with provisions of Article L.225-100-3 of the French Commercial Code, the following information may have an impact in the event of a takeover bid:

- Ownership of the Company's share capital: see section 3.2.3 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 3.2.1.5)
- 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: none.
- Direct and indirect interests in the share capital known by the Company in accordance with the provisions of Articles L.233-7 and L.233-12 of the French Commercial Code: see section 3.2.3 of the present document.
- Shareholders holding any share conferring specific control rights and description: there are no shares conferring specific control rights. However, a double voting right exists for any fully paid-up registered under the name of a same shareholder for at least 2 years as described in section 3.2.1.3 (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 FCPE actions Ipsen, 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 3.2.3 of the present 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 3.2.3.3 of the present document.
- Provisions governing the election and replacement of Board Members: see section 3.1.1 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 3.2.2.4, 3.2.2.5 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 applicable.
- 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 takeover bid: see section 3.1.3 of the present document.

3.2.3.6 Dividends

Dividends paid in the past five financial years

	Dividends paid in				
	2013	2012	2011	2010	2009
Total number of shares giving rights to dividend	84,100,253	84,226,573	84,219,073	84,151,383	84,059,683
Distribution (in euros, excluding tax credit)	67,280,202.40 (*)	67,381,258.40 (*)	67,375,258.40 (*)	63,113,537.25 (*)	58,841,778.10 (*)
Gross dividend amount per share (in euros, excluding tax credit)	0.80	0.80	0.80	0.75	0.70

(*) Including dividends on treasury shares assigned to the carry-forward profit account.

Dividends and reserves distribution policy

The dividend payout policy is determined by the Company's Board of Directors based on an analysis of the Company's financial results and position. The Company's objective for future years is to develop a payout policy consistent with its growth strategy, which should lead to a dividend payout of 30% at least of consolidated net earnings (excluding amortisation of its intangible assets arising from the allocation of the purchase price of its acquisitions). However, this is not an undertaking on the Company's part, and the Company may decide to change for each fiscal year its distribution policy or not pay a dividend at all based on its financial performance, investment needs and debt management imperatives.

Statute of limitations

Dividends which are not claimed within five years of their payment date shall lapse and become the property of the State.

3.2.3.7 Related-party transactions

Subject to, (i) the liquidity agreement concerning the Mayroy Options described in section 3.2.3.3 of the present document, (ii) the agreements entered into with the Schwabe group described in section 1.4.2 of the present document, (iii) information regarding related-party transactions described in chapter 2.1 note 27 of the present document, (iv) the agreements and commitments described in the Special Report of the Statutory Auditors on regulated agreements and commitments presented in section 3.1.4 of the registration document, there are no other agreements between the Group and related parties.

4 ANNEXES

4.1 PERSON RESPONSIBLE

4.1.1 Attestation of the person responsible for the registration document

Mr. Marc de Garidel, Chairman and 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 chapter 4.4 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.

The Company has obtained a letter from its 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.

The consolidated financial statements for the financial year ending 31 December 2013, presented in this registration document have been the object of report from the Statutory Auditors presented on pages 195 and 196 which includes the following comment "Without qualifying our opinion, we draw your attention to note 3.3 to the consolidated financial statements which outlines the effects of the change in accounting method relating to the application of the amendments to IAS 19 "Employee Benefits", from 1 January 2013."

Marc de Garidel,
Chairman and Chief Executive Officer

4.1.2 Person responsible for financial information

Susheel Surpal
Chief Financial Officer

Pierre Kemula
Vice-President, Corporate Finance, Treasury and Financial Markets

Ipsen
65, quai Georges Gorse
92650 Boulogne-Billancourt cedex – France
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Fax: +33 (0)1 58 33 50 01
investor.relations@ipsen.com

www.ipsen.com

4.1.3 Person responsible for account audit and fees

4.1.3.1 Statutory Auditors

Deloitte & Associés

Represented by Mr. Fabien Brovedani
185, avenue Charles de Gaulle
B.P. 136
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 28 May 2010.

KPMG Audit

Department of KPMG S.A.
Represented by Mr. Philippe Granclerc
1, cours Valmy
92923 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 27 May 2011.

4.1.3.2 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 28 May 2010.

KPMG Audit IS
1, cours Valmy
92923 Paris-La Défense Cedex – France

First appointed at the Annual Shareholders' Meeting held on 27 May 2011.

4.1.3.3 Fees paid by the Group to the Statutory Auditors and members of their networks

	Deloitte & Associés						KPMG Audit					
	Amount (excl. VAT)			%			Amount (excl. VAT)			%		
(in thousand euros)	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011
Audit												
Statutory audit, certification, review of separate and consolidated financial statements												
Issuer	*157*	*151*	*210*	*15%*	*11%*	*23%*	*196*	*192*	*187*	*25%*	*21%*	*23%*
Fully consolidated subsidiaries	*638*	*784*	*562*	*61%*	*56%*	*62%*	*489*	*613*	*579*	*61%*	*68%*	*71%*
Other work and services directly related to the statutory audit												
Issuer	–	–	–	–	–	–	–	–	–	–	–	–
Fully consolidated subsidiaries	*249*	*461*	*127*	*24%*	*33%*	*14%*	*107*	*70*	*19*	*13%*	*8%*	*2%*
Sub-total	**1,044**	**1,396**	**900**	**100%**	**100%**	**100%**	**792**	**875**	**785**	**99%**	**97%**	**96%**
Other services provided by the network to fully consolidated subsidiaries												
Legal, fiscal and payroll	–	–	–	–	–	–	*10*	*24*	*31*	*1%*	*3%*	*4%*
Other	–	–	–	–	–	–	–	–	–	–	–	–
Sub-total	**0**	**0**	**0**	**0%**	**0%**	**0%**	**10**	**24**	**31**	**1%**	**3%**	**4%**
Total	**1,044**	**1,396**	**900**	**100%**	**100%**	**100%**	**802**	**899**	**816**	**100%**	**100%**	**100%**

4.2 THIRD PARTY INFORMATION, STATEMENTS BY EXPERTS AND DECLARATIONS OF INTERESTS

None.

4.3 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).

4.4 COMPONENTS OF THE REGISTRATION DOCUMENT, BOARD OF DIRECTORS' REPORT INCLUDED IN THE REGISTRATION DOCUMENT AND ANNUAL FINANCIAL REPORT

4.4.1 Component of the Annual Financial Report

4.4.1.1 Consolidated financial statements

The consolidated financial statements for the financial year ending 31 December 2013 are presented in section 2.1.1 to 2.1.5 of this registration document.

4.4.1.2 Management Report pursuant to article 222-3-3 of the General Regulations of the *Autorité des marchés financiers* (AMF)

4.4.1.2.1 Management Report pursuant to article 222-3-3 of the General Regulations of the AMF

This information is presented in sections 1.1.2, 1.2.1.2, 1.2.6, 1.2.7.2, 1.3.1, 1.4.1.2 and in the notes 1 and 2 of the section 2.1.5 of this registration document.

4.4.1.2.2 Authorised unissued share capital

This information is presented in section 3.2.2.4 of this registration document.

4.4.1.2.3 Information likely to have an impact in case of take-over bid

This information is presented in section 3.2.3.5 of this registration document.

4.4.1.2.4 Share repurchase program

This information is presented in section 3.2.2.6 of this registration document.

4.4.1.2.5 Attestation of the person responsible for the registration document

This information is presented in section 4.1.1 of this registration document.

4.4.1.3 Statutory Auditors' Report on the consolidated financial statements

This report is presented in section 2.1.6 of this registration document.

4.4.1.4 Statutory Auditor's moderate assurance report on the review of selected environmental and social indicators

This report is presented in section 1.3.2 of this registration document.

4.4.2 Correspondence table for the registration document

To facilitate consultation of this registration document, the table below outlines the minimum information to be included in this registration document pursuant to Appendices I of Regulation no. 809/2004 of the European Commission dated 29 April 2004.

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