Building Bridges for PATIENT CARE

2016 REGISTRATION DOCUMENT

IPSEN
Innovation for patient care

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

Société anonyme with a share capital of 83,580,494 euros
Registered office: 65 quai Georges Gorse – 92650 Boulogne-Billancourt
419 838 529 R.C.S. Nanterre

IPSEN
Innovation for patient care

2016 REGISTRATION DOCUMENT

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

Pursuant to the provisions of its general regulations, in particular article 212-13, the *Autorité des Marchés Financiers* (AMF) has registered this registration document on 27 March 2017, under number D.17-0231. This document may not be used in support of any financial operation unless it is accompanied by a prospectus approved by the AMF.

This document has been prepared by the issuer, and its signatories assume responsibility for its contents.

Pursuant to the provisions of article 28 of EC regulation 809/2004 of 29 April 2004, readers are referred to the *Document de Référence* for Ipsen recorded by the AMF on 29 March 2016 under number D.16-0216 for the 2015 financial year and on 27 March 2015 under number D.15-0221 for the 2014 financial year, for the following financial information, prepared under IFRS (International Financial Reporting Standard): 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 2.1.4. 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 1.2.8 – "Risk factors" of this registration document arise. In addition, attainment of the targets and forecasts implies the success of the strategy presented in section 1.1.2 – "Strategy" of this registration document.

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

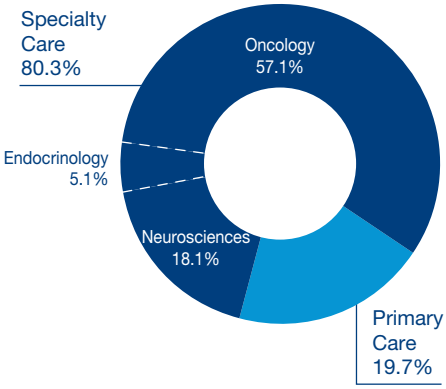
Investors are urged to pay careful attention to the risk factors described in paragraphs 1.2.8.1, 1.2.8.2, 1.2.8.3, 1.2.8.4, 1.2.8.5 and 1.2.8.6 of this registration document before making their investment decision. One or more of these risks may have an adverse effect on the Group's activities, condition, 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.

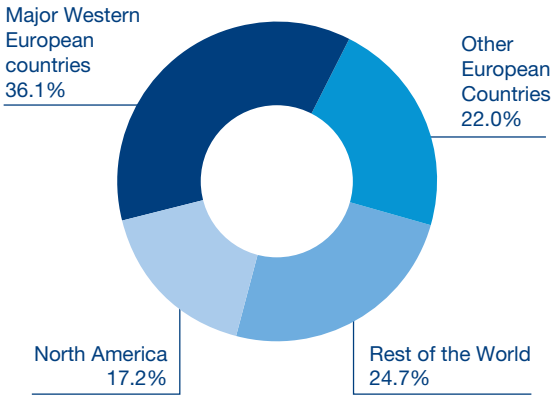
Forward-looking statements, targets and forecasts shown in this registration document may be affected by risks, either known or unknown, uncertainties or other factors that may lead to the Group's future results of operations, performance and achievements differing significantly from the stated or implied targets and forecasts. These factors may include changes in economic or trading conditions and regulations, as well as the factors set forth in Chapter 1.2.8 – "Risk factors" of this registration document.

INTRODUCTION: KEY FIGURES

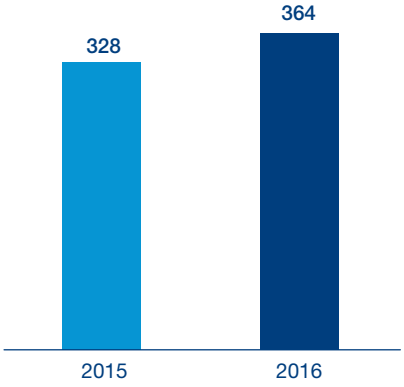
2016 Group sales by therapeutic areas



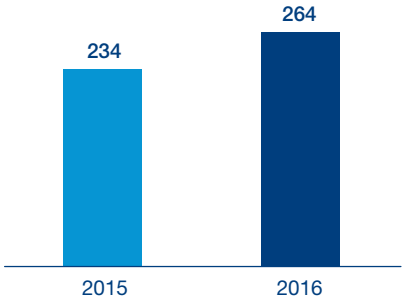
2016 Group sales by geographic areas



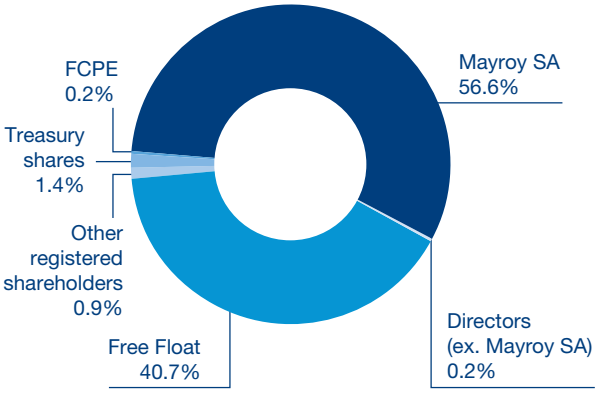
Core Operating Income (in millions of euros)(1)



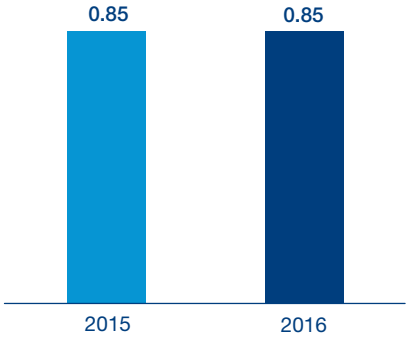
Core consolidated net profit (in millions of euros)(1)



Ownership of the Company's share capital at 31 December 2016



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



(1) New definition of Core financial measures which excludes amortization of intangible assets (excluding software), gain or loss on disposal of fixed assets, restructuring costs, impairment losses and other non-core items.

Share price performance on the stock exchange

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

Ipsen shares joined the SBF120 index on 24 December 2007.

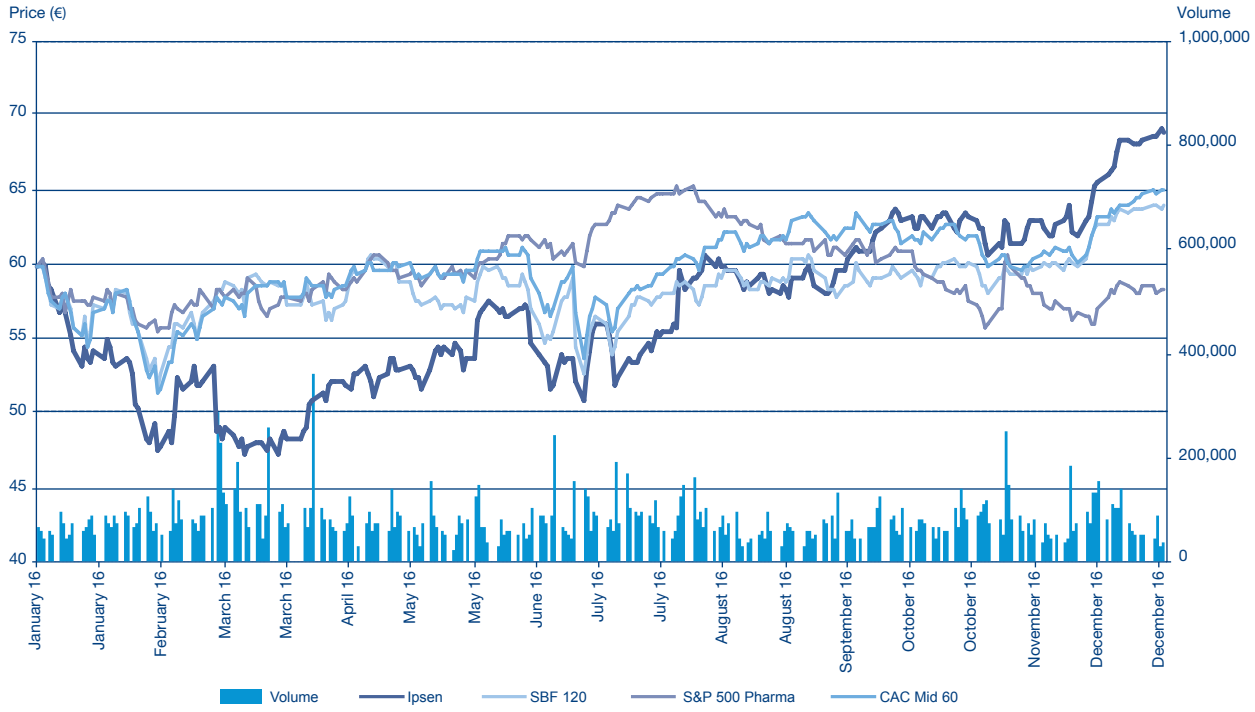
Ipsen shares joined the Deferred Settlement System on 28 March 2007.

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

Share information		2016 trading data	
ISIN Code	FR0010259150	Average share price	€56.8
Euronext Code	IPN.PA	Highest price (29/12/2016)	€69.0
ADR Code	IPSEY	Lowest price (21/03/2016)	€47.1
SRD / PEA Eligibility	Yes / Yes	Stock market capitalization(1)	€5,740.4M
Total Shares(1)	83.6 M	Average daily volume	82,393.0

(1) As of 31 December 2016.

Comparison between Ipsen's share price performance and the principal stock market indicators between 4 January 2016 and 30 December 2016 (Source: Reuters)



1 PRESENTATION OF IPSEN AND ITS ACTIVITY

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1.1 GROUP'S OVERVIEW AND STRATEGY

1.1.1 History and Development of the Company

1.1.1.1 Legal Entity Overview

Registered name

Ipsen

Registered office

65 Quai Georges Gorse, 92650 Boulogne-Billancourt cedex

Telephone number

+33 (0)1 58 33 50 00

Legal Form and applicable laws

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

Registration details

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

Date of incorporation and term

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

1.1.1.2 Group Overview

Ipsen is a global specialty-driven pharmaceutical group created in 1929 with a total worldwide staff of 4,907 people, over 20 products on the market and sales in excess of €1.5 billion. Its portfolio comprises specialty care drugs in development or commercialized worldwide in targeted fast-growing therapeutic areas (Oncology, Neurosciences, and Endocrinology) which represent the Group's development priorities. Moreover, the Group markets drugs in other therapeutic areas in which it has historical expertise, in particular gastroenterology and cognitive disorders.

Ipsen's strategy is also supported by an active policy of partnerships. Ipsen's specific Research & Development (R&D) centers and engineering platforms of peptides and toxins provide the Group with a competitive advantage. In 2016, R&D spending reached €208.9 million, which represents about 13.2% of total sales.

The Group's vision and ambition

- Vision

Improving the lives of patients is what drives Ipsen, and the search for innovative solutions to disabling conditions is at the heart of everything it does. Increased life expectancy makes the pursuit of its inspiring vocation more vital than ever: finding effective therapeutic solutions to cure or relieve patients and bring value to the community.

- Ambition

Ipsen aims to be among the top 10 pharmaceutical companies in the world in terms of growth and profitability and wants to become respected above all for its strategic model, success, and the commitment of our teams towards patients.

The Group's competitive edge

The Group believes that it has the following competitive advantages:

- *Proven financial strength* through a significant and recurring cash flow and strong balance sheet;
- *An international presence* in over 100 countries, with core operations in Europe's five largest markets (France, Germany, Italy, Spain, and the United Kingdom). The Group also benefits from an important historical presence in emerging markets, such as China and Russia. Moreover, in 2008, it entered the US market – the largest pharmaceutical market in the world – and today has achieved solid growth there;
- *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 (Cambridge, MA) and in Europe (Abingdon-Oxford, Dreux, Dublin, Paris, and Slough) to highly-regarded university research centers that enable the Group to benefit from available scientific expertise and to hire highly qualified personnel;
- *A recognized ability to establish and manage large-scale partnerships* with the world's leading pharmaceutical companies, such as Roche, Teijin, Exelixis and Menarini;
- *An effective management team* with significant experience working with the world's leading pharmaceutical companies, as well as a new cross-divisional organizational structure. The new organizational structure is built around the Research and Development department to propose new molecules and conduct proof of concept (Phase IIa) testing and has franchises in each therapeutic area (Oncology, Neurosciences, Endocrinology), responsible for defining target product profiles from Phase IIb to marketing approval.

1.1.1.3 Group's Main Products

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

Product name	Therapeutic area[1]	2016 sales (in millions of euros)	Principal therapeutic indications[2]
Specialty Care: 80.3% of full year sales			
Somatuline®	Oncology	538.3	Neuroendocrine Tumors; acromegaly
Decapeptyl®	Oncology	339.8	Advanced metastatic prostate cancer; uterine fibroids; precocious puberty; endometriosis; female sterility (*in vitro* fertilization)
Hexvix®	Oncology	18.3	Improvement of the detection and resection of non-invasive bladder cancer
Cabometyx®	Oncology	7.2	Renal cell carcinoma
Cometriq®	Oncology	1.2	Medullary thyroid cancer
Dysport®	Neurosciences	284.7	Motor disorders and muscular spasticity (cervical dystonia; cerebral palsy; blepharospasms and hemifacial spasms)
NutropinAq®	Endocrinology	57.7	Growth failure in children due to growth hormone (GH) deficiency, Turner syndrome or chronic renal failure and GH deficiency in adults
Increlex®	Endocrinology	23.7	Long-term treatment of growth failure in children and adolescents with severe primary insulin-like growth factor-1 deficiency (severe primary IGFD-1)
Primary Care: 19.7% of full year sales			
Smecta®	Gastroenterology	111.0	Chronic and acute diarrhoea; symptomatic treatment of pain linked to oesogastroduodenal conditions and colic
Forlax®	Gastroenterology	39.3	Constipation
Tanakan®	Cognitive disorders	43.6	Mild cognitive impairment related to age; pathophysiological deficiencies; vertigo; retinal deficits; acute or chronic hearing impairment; tinnitus

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

1.1.1.4 Important Events in the Group's History

The Group started in 1929 when Doctor Henri Beaufour set up Laboratoires Beaufour in Dreux for the launch of Romarène®, a naturally-occurring product derived from rosemary for the treatment of digestive disorders. In 1954, the Group launched Citrate de Betaïne®, a product used in the symptomatic treatment of dyspepsia. Following the opening in 1969 of the Group's French research facility, the Institut Henri Beaufour, the 1970s was a period of expansion for the Group's activities in organic products. During these years, Ipsen launched Tanakan® and Smecta®, which remain major products for the Group.

During the 1970s, the Group decided to focus its activities on engineering peptide products, which represented a visionary strategic advancement. In pursuit of this goal, the Group fostered close relationships with universities in the United States and set up *Biomeasure* (now known as *Ipsen Bioscience, Inc*), which is the Group's peptide product research facility based close to universities around Boston. Through *Biomeasure*, relationships were established and fostered with several American universities.

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

In the late 1980s and early 1990s, the Group continued its international expansion by setting up subsidiaries and offices outside of France and acquiring foreign companies. In 1992, the Group initiated its expansion in China, initially by establishing representative offices and then by setting up a subsidiary in 1997 to establish an active presence there. In 2000, the Group opened a manufacturing facility to produce Smecta® for the Chinese market. The Group employs approximatively 600 people in China today.

In order to strengthen its presence in the United Kingdom, Northern Europe, and the United States, as well as 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®. In March 1995, the Group launched its second sustained-release peptide, Somatuline® in France, and then launched Forlax® in February 1996.

During the 2000s, the Group defined and implemented a strategy for Ipsen. This two-fold strategy consisted of optimizing its primary care presence by making selective investments in lifecycle management through partnerships or research and development and of pursing the growth and globalization of its specialty care activities.

The Group went public in December 2005 on the Eurolist market of Euronext™ in order to accelerate and support its growth in specialty care and to enter the world's largest pharmaceutical market in North America.

During the 2010s, the Group increased its focus and investment in technological platforms, *i.e.* peptides and toxins. The Group's active policy to build partnerships allows it to obtain the resources for programs it does not wish to finance independently or to create value through the licensing of products that arise from its research but are not deemed as part of its core business (see part 1.2.2 "Major Contracts"). In this context, the Group has granted exclusive European rights for the development, and distribution of its botulinum toxin type A in its aesthetic indications to Galderma. This partnership was reinforced in 2014 for the development and commercialization of neurotoxins mainly in the US, Canada, and Brazil.

In 2014, the Group implemented a new organization by separating its Specialty Care and Primary Care businesses.

1.1.2 Group Strategy

The Group's strategy is built on a focus on Specialty Care in niche therapeutic areas and on Primary Care in the gastrointestinal field.

Specialty Care:

- a focus on three niche therapeutic areas where Ipsen has the potential to become a leader: neuroendocrine tumors, spasticity, and the aesthetic indication of Dysport® through our partnership with Galderma;
- the reinforcement of the Group's presence in its historical therapeutic areas: urology-oncology and adult endocrinology;
- the exploration of adjacent therapeutic areas: in gastrointestinal (GI) and orphan cancers.

In order to bring new specialty care products to the market in the Group's targeted therapeutic areas, Research & Development (R&D) continues to focus on two differentiated and innovative technological platforms, peptides and toxins. In line with the strategy of exploring adjacent segments, R&D will also deploy resources for the development of molecules for the treatment of gastrointestinal and orphan cancers. Moreover, R&D will continue its efforts to enter partnerships and make acquisitions to complement its internal pipeline.

Primary Care:

- optimization of the GI portfolio;
- diversification on adjacent GI pathologies;
- reinforcement of geographical coverage.

The Group is also building an OTx(1) commercial model to benefit from its strong brand recognition and to maximize its commercial reach.

External growth:

The Group continues its business development efforts by simultaneously targeting molecules under development and commercialized products in the Group's targeted therapeutic areas, in the US, Europe, and emerging markets. The Group is also considering external growth to reinforce its Primary Care business in Europe and emerging markets. In line with the strategy of exploring adjacent therapeutic areas, the Group will also look for opportunities in gastrointestinal and orphan cancers.

(1) OTx: Dual channel approach (Rx/OTC).

1.2 GROUP'S ACTIVITY AND CORPORATE STRUCTURE

1.2.1 The Group's products

1.2.1.1 Specialty Care products

Oncology

Somatuline® and Somatuline® Autogel®

Active substance and indications

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

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

- *Acromegaly*

  Treatment of acromegaly when circulating levels of growth hormone and/or Insulin-like Growth Factor-1 remain abnormal after surgery and/or radiotherapy, or in patients who otherwise require medical treatment.

  Somatuline® inhibits growth hormone release and thus improves control of this disorder by relieving the symptoms associated with elevated levels of this hormone.

- *Neuroendocrine tumors*

  – Treatment of symptoms associated with carcinoid syndrome related to neuroendocrine tumors (ex-US). Somatuline inhibits the production of certain hormones secreted in excess by these tumors;

  – Anti-proliferative treatment of gastroenteropancreatic neuroendocrine tumors (Somatuline® Autogel® / Depot®).

A new galenic formulation was launched in 2001. This formulation, Somatuline® Autogel®, is the first semi-solid formulation for injection without any polymeric excipient since the active substance itself controls the sustained release. Somatuline® Autogel® releases the active substance over the duration of at least 28 days, thus requiring just one deep sub-cutaneous injection per month when compared with the two or three injections previously required. This unique formulation allows the product to be presented in a pre-filled, ready-to-use syringe (single use only) for easier administration. More recently a new pre-filled ready-to-use device was launched in 2011 with a retractable needle enabling the safe delivery of the full dose at every injection.

Marketing

Somatuline® was initially launched in France in 1995 and the Somatuline® Autogel® formulation in 2001. Somatuline® Depot® was first approved by the US Food and Drug Administration in August 2007 for the treatment of acromegaly and was then approved in 2014 for the anti-proliferative treatment of GEP-NET. Somatuline® Depot® became the first and only somatostatin analogue FDA-approved for this last indication.

Somatuline® Depot® received "orphan drug" exclusivity in the United States for the treatment of neuroendocrine tumors which runs until 2021.

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

As of 31 December 2016, Somatuline® Autogel® (lanreotide) was marketed in 57 countries (including 27 in Europe) for the treatment of acromegaly and neuroendocrine tumors.

In 2016, Somatuline® sales represented 34% of total Ipsen sales, of which 39% were generated in North America.

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

Competition

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 tumors; (ii) Somavert®, a growth hormone receptor antagonist developed by Pfizer and indicated in acromegaly only; and (iii) Signifor® LAR®, a new generation of somatostatin analogue® targeting different somatostatin receptors developed by Novartis and indicated in Europe for the treatment of adults patients with acromegaly for whom surgery is not an option or has not been curative and who are inadequately controlled on treatment with a first-generation somatostatin analogue.

Sandostatin® LAR Depot®, Somavert® and Signifor® LAR® are available in many countries, including the United States. A number of pharmaceutical companies, including Midatech and Camurus/Novartis, are engaged in research and development activities on octreotide sustained-release formulations.

Decapeptyl®

Active substance and indications

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

The indications of Decapeptyl® are as follows:

- *Treatment of locally advanced or metastatic prostate cancer:* In this indication, Decapeptyl® temporarily increases the concentration of testosterone and dihydrotestosterone, but continuous administration paradoxically leads to a reduction in plasmatic testosterone concentration. After two to three weeks of treatment, testosterone is reduced

to levels below the castration threshold, thereby depriving prostate tumors of one of the main hormones promoting tumor development;

- *Uterine fibroids:* Decapeptyl® is used to reduce the risk of blood loss following ablative surgery to remove uterine fibroids and to relieve symptoms such as abdominal pain, dysmenorrhoea (painful menstruation), and menorrhagia (excessive menstrual bleeding) associated with uterine fibroids through the reduction in their hormonal stimulation;
- *Endometriosis:* Decapeptyl® is aimed at suppressing oestrogen secretion, which deprives the ectopic endometrial tissue of the critical stimulus it needs to grow;
- *In vitro fertilization:* Decapeptyl® is used in association with gonadotropins to induce ovulation for *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 daily, monthly, quarterly, and semi-annual sustained-release formulations.

Marketing

At 31 December 2016, Decapeptyl® had marketing authorizations in over 66 countries, including 29 in Europe.

In 2016, Decapeptyl® sales represented 21% of total Ipsen sales, of which 49% were generated in the major Western European countries (G5). Emerging countries represent an increasingly large portion of Decapeptyl® sales and China was the first contributor to Decapeptyl® sales in 2016. In China, Ipsen was the first pharmaceutical company to launch a 3-month formulation as early as 2010. Decapeptyl® is prescribed primarily by the following specialists: urologists, oncologists, radiotherapists, paediatric endocrinologists, gynaecologists, obstetricians, and *in vitro* fertilization specialists.

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

Competition

Competitors' products vary depending on 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).

Hexvix®

Active substance and indications

Hexvix® (hexaminolevulinate, 85 mg) is a photosensitizing agent used in the detection and treatment of bladder cancer. Hexvix® enhances the detection of tumors and helps in the surgical resection of the bladder, and therefore improves the treatment for non-muscle invasive bladder cancer (NMIBC). The agent was designed to generate selective fluorescence in neoplastic cells in the bladder during transurethral resection, thus improving detection, resection, and time to recurrence of NMIBC. These benefits have been proven in several clinical trials as well as in real-life studies.

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 tumors 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, which enables accurate visualization of the tumor.

Marketing

Hexvix® was developed by Photocure, which operates in Scandinavia and the United States. Ipsen is responsible for the commercialization of Hexvix® in other territories, particularly in Europe.

Cabometyx®

Active substance and indications

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

With a unique mechanism of action targeting MET and AXL beyond VEGFR (Vascular Endothelial Growth Factor Receptor), Cabometyx® has the potential to overcome the resistance induced by prior antiangiogenic therapies. The mechanism of action for Cabometyx® has been shown to inhibit angiogenesis and the migration and proliferation of tumor cells.

Cabometyx® is indicated for the treatment of advanced renal cell carcinoma (RCC) in adults following prior vascular endothelial growth factor (VEGF) targeted therapy.

This is based on the results from the randomized study METEOR, an open-label, multi-national, multi-center Phase 3 trial that compared the efficacy of cabozantinib with that of everolimus in patients with advanced RCC who received at least one prior VEGFR-TKI.

Marketing

On 1 March 2016, Exelixis granted the Group exclusive licensing rights for the commercialization and further development of cabozantinib indications outside of the United States, Canada, and Japan (paragraph 1.2.2 "Major Contracts").

In September 2016, the European Commission approved Ipsen's Cabometyx® (cabozantinib) for the treatment of advanced renal cell carcinoma (RCC) in adults following prior VEGF-targeted therapy.

RCC drugs are generally prescribed by oncologists but can be prescribed by urologists in some countries.

Competition

In second line RCC, five other treatments are approved in Europe. Three products have been marketed for several years: Nexavar® (Bayer), Afinitor® (Novartis), and Inlyta® (Pfizer). Two products received approval in 2016: Opdivo® (BMS) on 6 April 2016, and Kisplyx® (Eisai), in combination with Afinitor® on 25 August 2016.

In the most recent ESMO RCC guidelines, only Cabometyx® and Opdivo® are considered standards in second line post-TKI. Nexavar®, Afinitor®, and Inlyta® are only considered options, while Kisplyx®+Afinitor® was not included.

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

Cometriq®

Active substance and indications

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

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

Cometriq® was approved in the US and Europe based on the Phase 3, international, multicenter, randomized, double-blind study (EXAM). This study demonstrated a statistically significant and clinically meaningful improvement in progression free survival with Cometriq® as compared to placebo, corresponding to a decrease of 72% of the risk of disease progression in patients with progressive locally advanced (not amenable by surgery) or metastatic MTC.

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

Marketing

As of 31 December 2016, Cometriq® obtained marketing authorization in 27 countries, with Germany representing the largest amount of product sales. Cometriq® is prescribed primarily by the oncologists and endocrinologists. Cometriq® stems from a partnership with Exelixis (paragraph 1.2.2 "Major Contracts").

Competition

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

Neurosciences

Dysport®

Active substance and indications

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

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

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

Marketing

Dysport® was initially launched in the United Kingdom in 1991. As of 31 December 2016, Dysport® had marketing authorization in more than 80 countries.

In the United States, on 30 April 2009, the FDA approved the Biologics License Application (BLA) for Dysport® in cervical dystonia and for the temporary improvement in the appearance of moderate to severe glabellar lines in adults aged 65 years and under. In July 2015, the FDA approved Dysport® in the symptomatic treatment of focal spasticity affecting adult upper limbs. In July 2016, the FDA approved Dysport® in the symptomatic treatment of lower limb spasticity in pediatric patients two years of age and older.

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

In 2016, Dysport® sales represented 18% of total Ipsen sales.

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

Competition

Dysport®'s main competitors are Botox® (Allergan) and Xeomin (Merz). Lanzhou Biologics Institute launched a botulinum toxin A under the brand names Prosigne®, Lantox® or BTXA® in Asia, Russia, and Latin America. Medy-tox, Inc.

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®).

Endocrinology

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 following:

- Long-term treatment of growth failure in children due to inadequate secretion of endogenous growth hormone;
- Long-term treatment of growth failure associated with Turner syndrome;
- Treatment of growth failure in pre-pubescent children associated with chronic renal failure ahead of kidney transplantation;
- Treatment of adults with growth hormone deficiency of either childhood or adult onset.

Marketing

In 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.

As of 31 December 2016, the Group had obtained marketing authorizations in 34 countries. The product has been launched in 23 countries across Europe since 2004.

Growth hormones are prescribed by pediatric and adult endocrinologists.

Competition

Six other companies have marketed recombinant growth hormones for several years: Pfizer (Genotropin®), Eli Lilly (Humatrope®), Novo Nordisk (Norditropin®), Merck Serono (Saizen®) and Ferring (Zomacton®). Omnitrope® (Sandoz), a biosimilar product to Pfizer's Genotropin®, was launched more recently. A substantial number of developments focus on sustained-release formulations (weekly injection), which could improve acceptance of the treatment by patients and their parents.

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

Increlex®

Active substance and indications

The active substance in Increlex® (mecasermin) is a recombinant insulin-like growth factor of human origin (IGF-1). IGF-1 is the direct hormonal mediator of stature and bone growth and must be present for normal growth of bones and cartilage in children. The only approved indication for Increlex® is the treatment of severe primary IGF-1 deficiency in children and adolescents.

Marketing

Increlex® has been marketed in the United States since the beginning of 2006. It was granted orphan drug status by the EMA on 5 April 2006, and marketing authorization in the European Union on 9 August 2007.

1.2.1.2 Primary Care products

Gastroenterology

Smecta®

Active substance and indications

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

Marketing

As of 31 December 2016, Smecta® had market authorization in about 60 countries. In 2016, Smecta® sales represented 7% of total Ipsen sales, of which 79% were generated in China, France, and Russia, the product's main markets.

Smecta® is Ipsen's leading Primary Care product in terms of sales. Smecta® is prescribed by general practitioners, gastroenterologists, and pediatricians. The product can also be dispensed without prescription under pharmacist advice or as an OTC self-medication for patients. To position Smecta® as an OTC self-medication product, Ipsen launched a media campaign in France and Russia along with new products of Smecta® Fraise (advised by pharmacist) and Smectalia® *Prêt à l'emploi* (self-medication) in France.

Competition

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

On 20 May 2009, the French Health Authority (ANSM) informed the Group that it had granted marketing authorization to a generic product of Smecta® in France. Today, a non-reimbursed generic product of Smecta® is marketed by Mylan, called Diosmectite Mylan.

Forlax®

Active substance and indications

Forlax® is an oral osmotic laxative, designed and developed by Ipsen, and indicated for the treatment of constipation for both adults and children.

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

Marketing

Forlax® was first registered in France in 1995. The marketing authorization was later extended to 21 other EU countries through a mutual recognition procedure.

As of 31 December 2016, Forlax® has been granted marketing authorizations in about 50 countries. In 2016, 48% of Forlax® sales were generated in France.

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

Competition

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

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

Fortrans®

Active substance and indications

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

Marketing

Fortrans® is considered as the "gold standard" for bowel cleansing preparation before coloscopy. As of 31 December 2016, Fortrans® held marketing authorizations in about 50 countries.

Fortrans® is available in more than 40 countries. Russia and Poland are the two largest markets, which represents 47% of Fortrans® sales.

Eziclen®

Active substance and indications

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

Marketing

In 2009, Ipsen acquired from Braintree the exclusive manufacturing, marketing and distribution rights for the proprietary formulation BLI-800 for the European Union, the Commonwealth of Independent States (CIS), some Asian countries (including China) and some North African and South American countries.

As of 31 December 2016, Eziclen® had market authorization in about 21 countries and was marketed in 15 countries.

Cognitive disorders

Tanakan®

Active substance and indications

Tanakan® is indicated for the treatment of various neurological and neuro-sensorial disorders. Tanakan® contains natural substances with antioxidant and neuro-protective properties. Tanakan is indicated for the treatment of cognitive disorders (memory or attention deficit) in the elderly.

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

Marketing

As of 31 December 2016, Tanakan® was approved in approximately 50 countries, mainly in Europe, Russia, and Asia.

In 2016, 18% of Tanakan® sales were generated in Russia, where the product is offered as a self-medication OTC product.

Rheumatology

Adenuric®

Active substance and indications

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

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

Marketing

In 2009 Ipsen gained EU Marketing Authorization, and on 20 October 2009, the Group granted exclusive licensing rights to the Menarini Group for Adenuric® in 41 countries. Ipsen retains rights to Adenuric®'s co-promotion in France.

Competition

The only competitor of Adenuric® is allopurinol, which has long been available as a generic drug.

Adrovance®

Active substance and indications

Adrovance® is indicated in the treatment of post-menopausal osteoporosis in patients at risk of vitamin D deficiency.

Marketing

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

Competition

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).

LP 299V®

On 26 April 2016, Ipsen and Probi jointly announced the signature of a license and supply agreement for the commercialization of Probi's probiotic strain Lactobacillus plantarum 299v (LP299V®). Probi is a Swedish publicly traded bioengineering company that develops effective and clinically documented probiotics with patents in the gastro-intestinal field.

The agreement covers in total 18 markets, many with high growth potential, with an option to include additional countries. The product is expected to be launched by mid-2017.

This agreement establishes Ipsen's entry in the probiotic world and demonstrates the Group's willingness to enter in the microbiota field.

1.2.2 Major Contracts

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

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

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

1.2.2.1 Agreements in Specialty Care

1.2.2.1.1 Agreements in Oncology

Debiopharm (Lausanne, Switzerland)

The Group has maintained an ongoing relationship with Debiopharm since 1983, when it entered into its first licensing deal to manufacture and market Decapeptyl® in locally advanced or metastatic prostate cancer. This licensing agreement was renewed in 2002 and in 2007. The agreement covers Debiopharm's expertise and patents related to the active substance triptorelin and its various salts (particularly the pamoate formulation), which are sold under the Decapeptyl® and Pamorelin® trademarks, both of which were assigned to Ipsen in 2010. The daily, one-month, and three-month, acetate and pamoate formulations of Decapeptyl® are no longer protected by any invention patents.

The licensing agreement with Debiopharm grants the Group the right to (i) manufacture Decapeptyl® around the world (with the exclusion of North America and certain other countries, principally Israel, Japan, English-speaking African countries Switzerland and Liechtenstein in which the commercialization right is granted to Debiopharm) and (ii) market Decapeptyl® worldwide with the exclusion of North America and certain other countries, principally Israel, Japan, and English-speaking countries in Africa. 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, The Netherlands, and 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 of 31 December 2022, for each country of the agreement not covered by Debiopharm's patent protection. Under this agreement, the Group pays different royalties to Debiopharm based on revenues generated on sales achieved by Debiopharm.

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

Exelixis (California, USA)

On 1 March 2016, the Group and Exelixis Inc. signed an exclusive licensing agreement for the commercialization and further development of cabozantinib, Exelixis' lead oncology drug. The parties have agreed to collaborate on the development of cabozantinib for current and potential future indications, and Ipsen has exclusive commercialization rights worldwide outside the United States, Canada, and Japan. This agreement includes the rights to Cometriq® and Cabometyx®.

On 21 December 2016, the agreement was extended to include Canada.

Cometriq® is approved in the United States and the European Union (EU) for the treatment of adult patients with progressive, unresectable, locally-advanced or metastatic medullary thyroid cancer (MTC). In April 2016, Exelixis obtained marketing authorization of Cabometyx® from the U.S. Food and Drug Administration (FDA) for the treatment of patients with advanced renal cell carcinoma (RCC) who have received prior antiangiogenic therapy. In the EU, Norway, and Iceland, the European Commission granted marketing authorization for Cabometyx® on 14 September 2016.

Under the agreement Exelixis received a $200 million upfront payment and a $60 million milestone upon the approval of cabozantinib in Europe for advanced renal cell carcinoma

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

Photocure (Oslo, Norway)

On 26 September 2011, the Group signed a marketing and supply agreement with Photocure, a specialty pharmaceutical company specializing in photodynamic technologies applied to cancer and dermatology. Under the agreement, the Group was granted an exclusive license to commercialize the product for the diagnosis and resection of bladder cancer under the Hexvix® trademark, a brand owned by Photocure. Ipsen obtained the exclusive license worldwide, except in the United States, the Nordics, and certain other countries where Ipsen may decide to return to Photocure under certain conditions mentioned in the contract. The product is designed to improve the detection and resection of non-invasive bladder cancer by inducing specific fluorescence in malignant cells in the bladder during a cystoscopic procedure. The product has been approved in Sweden since 2004 and was subsequently approved in many European countries as well as in the United States.

In return for the exclusive licensing rights, the Group paid an upfront payment of €19 million to Photocure and GE Healthcare (who commercialized the product in Europe since 2006) as well as additional manufacturing milestones to Photocure of €5 million. In addition, the Group will pay royalties on annual net sales and commercial milestones upon the achievement of specific sales thresholds.

Telesta Therapeutics (Montreal, Canada)

In October 2015, the Group entered into an exclusive licensing agreement with Telesta Therapeutics for Ipsen to develop and commercialize MCNA, for the treatment of high risk non-muscle invasive bladder cancer, worldwide except in the United States, Canada, Mexico, Japan, South Africa, and South Korea. Ipsen was to initiate discussions with regulatory authorities to identify the regulatory path and potential requirements for the approval of the product in Europe and other key licensed territories.

On 2 February 2016, Telesta announced that it had received a complete response from the U.S. Food and Drug Administration (FDA) to further its Biologics License Application (BLA) for MCNA in the U.S. The FDA informed Telesta that an additional Phase 3 clinical trial for MCNA would be necessary to adequately establish MCNA's efficacy and safety. Considering the lack of pathways for the approval of MCNA in the countries licensed to Ipsen, the parties agreed to terminate their collaboration on 31 July 2016.

1.2.2.1.2 Agreements in Neurosciences

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

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

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

Galderma (Lausanne, Switzerland)

In February 2007, under the terms of a development and distribution agreement, Ipsen granted Galderma Pharma S.A., a Swiss company owned by Nestlé, exclusive rights to develop, promote, and distribute specific formulations of its botulinum toxin type A product in aesthetic medicine indications, in the European Union and certain Eastern European countries and Central Asia. The Group also granted Galderma first rights of negotiation for aesthetic medicine indications in the rest of the world, excluding the United States, Canada, and Japan, as well as rights for future formulations.

Since 2009 the product is distributed in Europe under the Azzalure® trademark owned by Galderma. Azzalure® is mainly commercialized in the United Kingdom, France, Germany, Portugal, Denmark, Finland, Sweden, and Poland. Ipsen owns all regulatory approvals and all data arising from development activities.

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

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. Exclusive promotion and distribution rights in the aesthetic and dermatologic indications were extended to Australia in 2012 and Mexico in 2013 for an initial five-year period.

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

Ipsen will manufacture and supply the finished product to Galderma and receive royalties from Galderma. In addition, the companies increased the scope of their R&D collaboration.

In this regard, Ipsen gained control of the intellectual property for Galderma's liquid toxin in the US, Canada, Brazil, and Europe, while Galderma retained commercialization rights.

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

Finally, in January 2016, the Group and Galderma announced the expansion of their partnership to China, India, South Korea, and under certain conditions, to Indonesia.

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 promotional and distribution rights in Latin America for Sativex®, a companion drug to Dysport® that is indicated as an add-on treatment for symptom improvement in patients with moderate to severe spasticity due to multiple sclerosis (MS).

The exclusive agreement gives Ipsen the rights to promote and distribute the finished product provided by GW in Latin America, excluding Mexico. Sativex® is now commercialized in Brazil, and marketing authorization applications have been filed in other Latin America countries.

1.2.2.1.3 Agreements in Endocrinology

Genentech (San Francisco, CA, USA)

Distribution agreement covering NutropinAq®

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

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

If the annual sales of a product in a specific country fall below a predetermined threshold, Genentech may decide whether the rights and licenses granted may become non-exclusive in the relevant country.

Increlex® agreements

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

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

Teijin (Tokyo, Japan)

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

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

On 28 July 2016, Ipsen and Teijin announced that Teijin had filed a supplemental application with Japan's Pharmaceuticals and Medical Devices Agency to use Ipsen's subcutaneous drug Somatuline® (lanreotide) for the treatment of neuroendocrine tumors (NETs).

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

In October 2014, the Group entered into an exclusive licensing agreement with Lexicon Pharmaceuticals for Ipsen to commercialize telotristat ethyl (previously knoumas telotristat etiprate) outside of North America and Japan, with a focus on the treatment of carcinoid syndrome. Through an amendment in March 2015, Ipsen was granted exclusive rights in Canada. Lexicon retains sole rights to commercialize telotristat ethyl in the US and Japan.

Lexicon has conducted Phase III clinical trials for telotristat ethyl in carcinoid syndrome which is a serious condition caused by symptomatic neuroendocrine tumors that produce large amounts of serotonin. Telotristat ethyl has received fast-track status and orphan drug designation from the FDA in the US and has received orphan drug designation from the EMA.

Lexicon will continue to be responsible for the potential registration of telotristat etiprate in the US and Japan. Ipsen will seek regulatory approvals in Europe and other countries within the Ipsen licensed territory with the Group assuming the responsibility in those markets.

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

On 31 May 2016 Lexicon announced that the U.S. Food and Drug Administration had accepted for filing the New Drug Application for telotristat ethyl, an oral drug for the treatment of carcinoid syndrome. On 18 July 2016, the European Medicines Agency (EMA) accepted the filing of the marketing application for telotristat ethyl. In addition to this European submission, Ipsen continues the implementation of its global regulatory filing applications for marketing authorization in the territories where the Group operates. Thus, the Marketing Authorization Application was submitted to SwissMedic (Switzerland's regulatory agency) on 5 July 2016.

Radius (Cambridge, MA, USA)

In 2005, the Group signed a licensing agreement with Radius under the terms of which the Group granted Radius the exclusive right to develop, manufacture, and distribute a

compound belonging to the Group known as BIM 44058 using the sustained-release formulation technology developed by the Group for the development of a drug for the treatment of osteoporosis.

This license has been granted globally, with the exception of Japan (except for manufacturing), where the Group has already granted an exclusive license to this compound to the Japanese group Teijin. Furthermore, the Group 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 be responsible for manufacturing the compound and be also hold the marketing authorizations and the responsibility for marketing the product. In November 2015, Radius submitted a marketing authorization application to the EMA following positive results of Phase III studies.

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

In October 2016, the Group initiated proceedings against Radius before the International Court of Arbitration of the International Chamber of Commerce based on potential breach of various provisions of the license agreement, including the Group's option to co-promote the finished product with Radius in France and on the license related to Japan (See section 1.2.8.3.2.2 "Legal and Administrative Proceedings").

Rhythm (Boston, MA, USA)

In 2010, the Group granted Rhythm an exclusive worldwide license for the research, development and commercialization of Ipsen's compounds and intellectual property related to analogs of the peptide hormones ghrelin and MSH, which regulate food intake, energy homeostasis, and gastrointestinal function. Under the terms of the license agreement, Ipsen will receive progressive payments of up to $80 million upon the achievement of certain development and commercial milestones and royalties on future sales of the products. Rhythm will continue to use Ipsen's recognized formulation expertise to develop innovative delivery systems for the peptide programs.

In 2013, Rhythm was split into two subsidiaries in order to separate the two development programs. Rhythm Pharmaceuticals (now renamed Motus Therapeutics) is developing the ghrelin program, while Rhythm Metabolic (now renamed Rhythm Pharmaceuticals) is developing the MC4 program. These two companies are held by Rhythm Holding Company. Ipsen owns 6.11% of equity shares in Rhythm Holding and holds one seat on Rhythm Holding's board of managers.

In October 2016, Allergan (formerly Actavis) exercised its option to acquire Motus Therapeutics, which is developing the peptide ghrelin agonist for the treatment of diabetic gastroparesis and other GI functional disorders and paid an exercise price of $200 million at closing to Rhythm Holding, Motus Therapeutics's parent company. Rhythm Holding will also be entitled to a contingent payment upon the first commercial sale of relamorelin.

1.2.2.2 Agreements in Primary Care

Teijin (Tokyo, Japan)

In July 2003, the Group entered into a Research and Development partnership with Teijin, a Japanese industrial conglomerate that specializes in the production and sale of pharmaceutical, medical and homecare products, as well as fibers, 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 Group's development and marketing in Europe of febuxostat (Adenuric®), a product owned by Teijin and used in the treatment of the symptoms associated with hyperuricaemia.

In accordance with the distribution and promotion agreement signed by Teijin and the Group in July 2006, the parties have determined the definitive terms of Ipsen's exclusive rights to febuxostat in Europe. Febuxostat's development costs in Europe will be covered by the Group, except for the any costs associated with 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.

In October 2009, the Group granted the Menarini group exclusive licensing, development, and commercialization rights in Europe for Adenuric® while keeping co-promotion rights in France.

Febuxostat was launched by Menarini in March 2010 under the trade mark Adenuric® (with a co-promotion right for the Group in France). The product was launched in the United States by Takeda in March 2009 under the trademark Uloric® and launched in Japan by Teijin in May 2011.

Schwabe (Karlsruhe, Germany)

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

Mayoly Spindler (Chatou, France)

Effective January 2014, 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. The agreement provides 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.

The Parties decided to terminate the agreement for the French territory effective as of 31 December 2016.

Braintree Laboratories (Braintree, MA, 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 the agreement, 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.

Under this agreement, Braintree will receive payments upon the achievement of certain milestones such as product launches and commercial sale thresholds. Additionally, Braintree will receive royalties on Ipsen's sales. The European decentralized registration procedure involving sixteen countries was 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, in December 2010, the Group entered into a licensing 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 Diosmectite sales by Braintree.

1.2.3 Research and Development

1.2.3.1 Research and Development Activities

As of 31 December 2016, about 300 Group employees were assigned to Research and Development with an additional 200 contributing through CMC (Chemistry Manufacturing Control).

In 2016, the Group spent €208.9 million on Research and Development (compared to €192.6 million in 2015), which represents 13.2% of Group's net consolidated sales (compared to 13.3% in 2015).

The Group's Research and Development ambition can be summed up in three verbs, DARE, SHARE, and CARE. Through the entrepreneurial mindset (DARE) and the collaborations with leading academic and industry partners (SHARE), the Group aims to deliver innovative care for patients (CARE). R&D aims to respond to unmet medical needs utilizing an entrepreneurial, collaborative approach that has been part of the company from the beginning.

Research and Development primarily focus on two areas:

- Managing the lifecycle of products marketed by the Group, through:
  - The extension of labelled indications;
  - The development of new formulations and delivery systems;
  - The registration in new geographical areas.
- Discovery, development, and regulatory approval of new molecular entities based primarily on two differentiated core compound moieties: peptides and toxins.

Additionally, although internal research focuses on peptides and toxins, the Group partners on in-licensing opportunities outside of these when appropriate to deliver its strategy.

Research teams select biological mechanisms of action and targets aligned with Ipsen's therapeutic areas of interest in order to develop peptide and toxin drugs with the potential to bring significant clinical benefit to patients. In the oncology area, many of the projects are based on inhibiting proteins: protein interactions, in order to inhibit tumor cell proliferation and metastasis directly or indirectly through modulation of the tumor microenvironment including immunomodulation. Furthermore, modulation of GPCR activity, through peptide agonists or antagonists is a major area of study. Novel peptide radiotherapy (PRRT) programs for neuroendocrine and other tumor types are also being designed and developed. In neuroscience, a deep understanding of botulinum toxin biology and conditions such as spasticity provides the foundation for the next generation of recombinant toxin-based drugs.

The engineering of peptides is mainly carried out in the Research and Development Center in Cambridge, MA (USA), in partnership with Les Ulis (Paris-Saclay) and/or in collaboration with academic research centers and biotechs. Ipsen has a long standing expertise in the discovery, delivery, and development of bioactive peptides that is being leveraged to create highly differentiated drugs for targets that are not readily addressed by small molecules or antibodies.

This work is coupled with **pharmaceutical development** that is located at 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 optimize the efficacy of active ingredients while improving the quality of life of patients and facilitating the use of these products by health care professionals.

The integration of the two groups 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. Most recently the U.S. Food and Drug Administration (FDA) approved Somatuline® Depot® for the treatment of adult patients with unresectable, well- or moderately-differentiated, locally advanced or metastatic gastroenteropancreatic neuroendocrine tumors (GEP-NETs) and is currently reviewing Somatuline® Depot® to supplement the label to include treatment of symptoms associated with carcinoid syndrome in patients with neuroendocrine tumors.

The engineering of new botulinum toxins is primarily carried out in Milton Park, (Oxford) UK, in partnership with Les Ulis (Paris-Saclay) and/or in collaboration with academic research centers and biotechs. Botulinum toxin has a unique potential for very broad therapeutic applications in many areas including: urology, oncology, endocrinology, regenerative medicine, etc. The R&D team in Milton Park has a wealth of experience in toxin biology supported by an extensive patent portfolio. Additionally, the Group is one of the few to master the manufacturing and testing of botulinum toxin at its plant in Wrexham (United Kingdom) as well as the technologies needed to explore new applications and to develop new toxin-based products.

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 revolutionizing the diagnosis and prognosis of diseases and the selection of the best treatment and the emergence of personalized medicine. This commitment to translational sciences is reflected in a willingness to invest in in-depth knowledge of pathophysiological/molecular mechanisms of diseases and from the outset to identify biomarkers which will accompany the development of candidate drugs with the potential to become companion diagnostics.

Partnership policy

Internal Research and Development efforts are also supported through an active partnership policy, which is led by the Scientific Affairs group, from basic research through clinical development. The Group's partnership philosophy stems from the recognition that Ipsen's R&D staff members are highly skilled in their fields but are a tiny fraction of the expertise available worldwide in the scientific community. Thus, it is essential to look for synergies between internal projects and skills and those of other leading-edge players in medical and pharmaceutical R&D.

At the research stage, the Group has established numerous academic collaborations with *Massachusetts General Hospital, Dana-Farber Cancer Institute, Harvard Medical School* in Boston, *Biostar* in Singapore, and *Inserm* in France. Ipsen has been involved since 2008 in a long-term partnership with the prestigious Salk Institute (La Jolla, California) on basic research in areas of Ipsen's interest. The Group has also forged partnerships on specific projects with innovative biotechs, thereby accessing new compounds and promising technologies for the discovery of new drug candidates.

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

1.2.3.2 Research and Development Centers

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

The Research and Development Center Paris-Saclay (France)

The Research and Development Center at Les Ulis, located in the Paris-Saclay hub, was opened in 1969 and a new facility was built in 1996. The scientists are focused on drug discovery of novel medicines in the fields of neuroscience and oncology. Notably, the Pharmacodynamic and Metabolism group in Les Ulis has expanded to support Ipsen projects from discovery to market. The Group has also established a pre-clinical and clinical development organization together with the Global Regulatory Affairs Group to support the design and execution of the worldwide development strategy to bring compounds to market.

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

Ipsen Bioscience, located at 650 East Kendall, reinforces Ipsen's leadership in the field of peptides and open-innovation with academic centers and biotechs. The Research and Development Center in Cambridge builds on expertise in the discovery, delivery, and development of bioactive peptides that is being leveraged to create highly differentiated drugs, in the areas of endocrinology and oncology, for targets that are not readily addressed by small molecules or antibodies.

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

The Research Center in Milton Park (Oxford, UK)

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

The new site, Ipsen Bioinnovation, represents Ipsen's technological platform for toxins, with expertise in engineering recombinant toxins for new therapeutic solutions in neuroscience and co-locates research scientists with the

major R&D activities of clinical development, scientific affairs, regulatory affairs, pharmacovigilance, project management, and publication.

1.2.3.3 The Portfolio of Research and Development Projects

1.2.3.3.1 The research and development process

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

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

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

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

After a clinical candidate has been selected, new project-centric and cross-functional development approaches are conducted at Ipsen. The scope of the Exploratory Development phase (PROVE) is up to the clinical proof of concept (PoC). Once both early efficacy and short-term safety have been established from the PoC and meet the Product Target Profile, the drug can proceed to the confirmatory development phase (CONFIRM). Exploratory Development benefits from innovative question-based development plan, adaptive design, modeling and simulation, biomarkers, and translational science/medicine.

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

1.2.3.3.2 The research programs

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

Research Programs	Indications
New Oncology Drugs	
Intracellular oncology target	Oncology
Transmembrane oncology target	Oncology
Peptide Receptor Radionuclide Therapy (PRRT)	GEP-NET
Novel radiopharmaceuticals (licensed from 3B pharma)	Pancreatic cancer
New Endocrinology drugs	
G protein-coupled receptor (GPCR)	Adult Endocrinology
New Neuroscience Drugs	
Novel Botulinum toxins	Neurosciences
LRRK2 (partnership with Oncodesign)	Parkinson's disease

Oncology research programs

The Group's engineering technology platforms allow for the exploration and development of new approaches for the treatment of cancer indications in areas of focus. These research programs are conducted in collaboration with universities, contract research organizations (CROs), and pharmaceutical companies. The Group is exploring a number of novel targets which can be addressed by different forms of peptide drugs.

Endocrinology research programs

The Endocrinology research project teams are working on a range of agonist and antagonist programs, including novel PRRT (Peptide Receptor Radionuclide Therapy) molecules for the treatment of neuroendocrine tumors and adult endocrinology diseases. In addition to peptide design using molecular modeling, the team uses phage display to identify new peptide leads for both endocrinology and oncology targets.

Neuroscience research programs

The Group's neuroscience 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.

1.2.3.3.3 The development programs

The table below lists the Group's clinical programs. This table is subject to change depending on numerous factors that can be extremely unpredictable. The Group might experience delayed completion of clinical trials, treatment failures, absence of marketing authorization, and the occurrence of a technical or administrative event beyond the Group's reasonable control. A summary of risks is described in chapter 1.2.8 "Risk Factors" of this document and a detailed description of the products development programs is given in chapter 1.2.1 "The Group's Products".

The portfolio of molecules under development is as follows:

Product under development	Indications	Development stage
New molecules under development		
^{177}Lu-OPS201	2nd line GEP-NET treatment	Phase I/II
^{68}Ga-OPS202	NET imaging tool	Phase IIb
Cabometyx® Molecule licensed by Ipsen from Exelixis, Inc.(1)	Advanced Renal Cell Carcinoma (RCC) 1L Hepatocellular Carcinoma (HCC) 2L	Phase II Phase III
"Chimeric" somastatin and dopamine agonist molecule (back up)	Treatment of Cushing's disease and Acromegaly	Phase IIa
VSN16R (option to acquire)	Spasticity in multiple sclerosis	Phase IIa (Canbex Sponsored)
Novel Botulinum toxin	Early intervention in adult spastic patients	Phase I
Product lifecycle management programs		
Somatuline® Autogel® PRF(2)	NET, Acromegaly	Phase II
Somatuline® Autogel®	Acromegaly – China	Phase III
Decapeptyl®	Endometriosis (China)	Phase III
Dysport®	Pediatric upper limb spasticity	Phase III
	Neurogenic Detrusor Overactivity	Phase III
	Glabellar Lines – China	Phase III
Dysport® Solution	Glabellar Lines	Phase III

(1) Excluding the United States and Japan.
(2) PRF: Prolonged Release Formulation.

New development programs

VSN16R

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

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

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

^{177}Lu-OPS201 and ^{68}Ga-OPS202

The Group acquired these molecules with the acquisition of OctreoPharm Sciences in June 2015. OctreoPharm Sciences was a private German life sciences company focusing on the development of innovative radioactive labeled compounds for molecular imaging diagnostics and therapeutic applications.

Peptide Receptor Radionuclide Therapy (PRRT) uses the ability of peptides to target specific receptors to deliver a radionuclide directly to a tumor. This targeting approach provides an exciting theranostic opportunity that offers the promise of use for both detection and treatment of the disease. ^{68}Ga-OPS202 is an NET imaging tool utilizing positron emission tomography (PET, PET/CT) and is currently in clinical development, and ^{177}Lu-OPS201 is a PRRT therapeutic.

Telotristat ethyl

In October 2014, Ipsen announced that it had entered into an exclusive licensing agreement with *Lexicon Pharmaceuticals, Inc.* to commercialize telotristat ethyl (previously known as telotristat etiprate) outside of North America and Japan with a focus on the treatment of carcinoid syndrome. Telotristat ethyl completed Phase 3 development with positive topline results.

Lexicon conducted Phase 3 clinical trials of telotristat ethyl for carcinoid syndrome. Carcinoid syndrome is a serious condition caused by symptomatic neuroendocrine tumors that produce large amounts of serotonin, which can lead to severe diarrhea, flushing, and occasionally to heart valve damage. Telotristat ethyl is an oral, small-molecule inhibitor of tryptophan hydroxylase (TPH) that reduces peripheral serotonin production without affecting brain serotonin levels. Telotristat ethyl has received fast track status and orphan drug designation from the Food and Drug Administration in the United States and has received orphan drug designation from the European Medicines Agency. *Lexicon* has submitted a filing for review to the FDA in the first quarter 2016, and Ipsen submitted a filing to the EMA in second quarter 2016. These filings are currently under review.

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

Lifecycle Management

Somatuline® Autogel®

The Group is keeping its lanreotide, prolonged-release formulation development programs for a longer period.

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

Decapeptyl®

On 10 October 2014, Ipsen announced positive results from the Phase III clinical study of Decapeptyl® (triptorelin pamoate) 11.25 mg administered by subcutaneous injection to prostate cancer patients. Ipsen then applied for the addition of the subcutaneous route, alongside the intramuscular route, to the label of triptorelin pamoate 11.25 mg. Ipsen has been granted approval in Portugal, the Czech Republic, Ireland, and Poland for administration along the subcutaneous route.

Dysport®

The Group is leading several Phase III studies that started in 2011 to reinforce therapeutic indications in the United States.

In January 2015, Ipsen announced topline results of two double-blind Phase III studies of Dysport® in lower limb spasticity in children with cerebral palsy (CP) and in adults.

In July 2016, the U.S. Food and Drug Administration (FDA) approved Ipsen's supplemental Biologics License Application for Dysport (botulinum toxin A) injection for the treatment of lower limb spasticity in paediatric patients ages two and older, and the dossier was filed in the second quarter of 2016 with the EMA.

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

Furthermore, the Group is also developing a liquid, ready-to-use formulation of toxin A, Dysport® Solution. Ipsen announced the results of the European Phase II clinical trial of Dysport® Solution in glabellar lines, and has completed enrollment in two Phase 3 clinical trials in glabellar lines in 2016.

1.2.3.3.4 Research and Development programs licensed to partners

To ensure optimal development of all molecules in the research stage, the Group granted worldwide licenses for the development and marketing of some of these innovative molecules to address unmet medical needs:

Endocrinology – Parathyroid hormone-related peptide (PTH-rP) analog (BIM-44058). The Group granted Radius, a biotechnology company, the exclusive right to develop, manufacture, and distribute its proprietary PTH-rP analog, BIM-44058 (as well as the library of related compounds), for restoration of bone mass in the treatment of osteoporosis. A detailed description of this partnership is provided in paragraph 1.2.2 of this document.

On 7 November 2015, Radius announced that it had submitted a Marketing Authorization Application (MAA) for an investigational, once-daily subcutaneous injection of abaloparatide (BIM-44058) for treatment of postmenopausal women with osteoporosis. Concurrently, a New Drug Application (NDA) is under regulatory review in the US by the Food and Drug Administration, with a Prescription Drug User Fee Act (PDUFA) date of 30 March 2017.

Endocrinology – Melanocortin receptor 4 (MC-4) agonist (BIM-22493), and Ghrelin analog (BIM-28131). After securing venture capital funding, the Group helped Rhythm Pharmaceuticals, a biotechnology company to develop its proprietary compounds, BIM-22493, a MC-4 receptor agonist for treatment of obesity and diabetes, and BIM-28131, a ghrelin analog, for treatment of GI motility disorders and cachexia. The group granted Rhythm an exclusive worldwide license for development and marketing of BIM-22493 and BIM-28131. A detailed description of this partnership is provided in paragraph 1.2.2 of this document.

On 20 July 2016, Rhythm published *(New England Journal of Medicine)* positive data from its Phase II study of setmelanotide (MC-4 agonist, BIM-22493) in treating obesity in POMC-deficient patients, and on 4 November 2016, positive data was reported for treatment of leptin receptor deficient patients, both genetic diseases of obesity. Separately, on 27 October 2016, after achieving positive Phase IIb results for the treatment of diabetic gastroparesis, Allergan exercised an option to acquire and develop relamorelin (ghrelin analog, BIM-28131).

1.2.4 Intellectual Property

1.2.4.1 Patents

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

The Group considers that protection of patented technologies and products is essential to the success of its businesses. As of 31 December 2016, the Group held 1,798 patents, 1,099 of which were issued in European countries and 141 in the United States (in the majority of cases, each international application includes several national applications and one European application upon expiry of the 30-month priority period).

As of the same date, the Group had 524 patent applications pending.

Both European patent applications and international patent applications (PCTs) are often recognized by regulatory agencies in other countries. This patent recognition offers the opportunity to seek patent protection in multiple countries with a European or PCT filing. The Group often pursues patent protection in Europe and through PCTs to protect its intellectual property in other countries that are important for the Group's operations. As a result, the 57 applications in Europe and the 9 PCTs currently filed are likely to yield a significantly higher number than the 66 national patents already 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 protection in terms of intellectual property rights through licensing agreements for products and compounds that have been patented by other companies.

Product	Patent holder	Patent expiration date
Specialty care		
Oncology		
Somatuline® Autogel® – formulation – preparation process	 Ipsen Ipsen	 Patent expired Europe(1) and 2020 (USA(2)) 2031 (if patent granted)
Somatuline®	Tulane University	Patent now expired
Decapeptyl® – Pamoate formulation – Acetate formulation	 Debiopharm Syntex	 Patent now expired Patent now expired
Decapeptyl® 6 month formulation	Debiopharm	2028 (if patent granted)
Cabometyx® – compound – polymorphic form – process/formulations	 Exelixis Exelixis Exelixis	 2024 (Europe)(3) 2030 (Europe)(4) 2030-2032 (Europe) (if patent granted)

(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) Based on this EP patent, an extension has been filed *via* the filing of SPC in a number of European countries (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, The Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and Great Britain) which will extend the patent term until 2029 in countries wherein the SPC will be granted.
(4) Oppositions have been filed against the EP patent. At the end of the opposition procedure, the EP patent has been maintained under an amended form which still covers the product. Opponents appealed the decision.

Product	Patent holder	Patent expiration date
Cometriq® – compound – polymorphic form – process/formulations	 Exelixis Exelixis Exelixis	 2024 (Europe)(1) 2030 (Europe)(2) 2030-2032 (Europe) (if patent granted)
Hexvix®	Photocure École Polytechnique Lausanne	2016 + SPC (3) 2019
Telotristat ethyl – compound – polymorphic form – preparation process and intermediates – dosage forms	 Lexicon Lexicon Lexicon Lexicon	 2027 (Europe) 2028 (Europe) 2028 (Europe) (if patent granted) 2032 (Europe) (if patent granted)
Neurosciences		
Dysport®(4)	–	No patent filed
Dysport® liquid formulation	Ipsen	2025 (Europe)(5) 2025 (USA)
BN 82451	Ipsen	2020 (Europe and USA)
Endocrinology		
NutropinAq®	Genentech	Patent now expired (Europe)
Increlex® – Medical use – Medical use – Formulation – Manufacturing process	 Genentech Ipsen Biopharmaceuticals (previously known as Tercica) Genentech Genentech	 Expired 2024 (Europe) and 2025 (USA) 2017 (USA) 2018 (USA)
Primary Care		
Smecta® – process – new aroma formulation – new formulation	 Ipsen Ipsen Ipsen	 2025 (if patent granted) 2028 (Europe) and 2028 (USA – if patent granted) 2031 (if patent granted)
Forlax®	–	No patent filed
Tanakan®	Schwabe Indena	Expired (Europe) Expired (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 (Europe)(6) 2023 (Europe)(7)
Eziclen® / Izinova®	Braintree	2023 (Europe)(8)

(1) Based on this EP patent, an extension has been filed *via* the filing of SPC in a number of European countries (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, The Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and Great Britain) which will extend the patent term until 2029 in countries wherein the SPC will be granted.
(2) Oppositions have been filed against the EP patent. At the end of the opposition procedure, the EP patent has been maintained under an amended form which still covers the product. Opponents appealed the decision.
(3) The European patent is extended (*via* SPC) in a number of European countries until 2021 in Switzerland and 2019 in the other countries (Austria, Belgium, Czech Republic, Germany, Spain, France, Great Britain, Hungary, Ireland, Italy, The Netherlands and Portugal).
(4) There is no patent on the indications and formulation currently marketed but applications are pending in the field of botulinum toxin.
(5) An opposition had been filed against a first EP patent. At the end of the opposition procedure, the EP patent has been maintained under an amended form without limiting the scope of the patent. The opponent appealed this decision. Oppositions were also filed against the second EP patent granted in February 2015.
(6) The EP patent granted in November 2009 has been maintained under an amended form relating to a therapeutic composition of a polymorphic form of febuxostat during the opposition procedure. The patent will expire in June 2019. Based on this EP patent, an extension has been filed *via* the filing of SPC in a number of European countries (Albania, Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, The Netherlands, Portugal, Romania, Slovenia, Spain, Sweden and Great Britain) which will extend the patent term until 2023 in countries wherein the SPC will be granted.
(7) Based on this EP patent, a SPC has been granted in Estonia which extends the patent term until 2023.
(8) Requests for Supplementary Patent Certificates have been filed in a number of European countries (Belgium, Czech Republic, Germany, Spain, Estonia, France, Great Britain, Greece, Italy, The Netherlands, Portugal and Romania) which will extend the patent life until 2028 in countries wherein the SPC will be granted.

The Group deems it appropriate to clarify the terms of review 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 do not give visibility on the timing of examination or on the status of requests. In general, the review of a patent application takes between three and six years.

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

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

1.2.4.2 Brand Names and Trademarks

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

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

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

The Group's key products, namely Somatuline® (and Somatuline® Autogel®), Decapeptyl®, Cabometyx® and Cometriq®, Dysport®, Smecta®, Tanakan®, Forlax®, Fortrans®, Eziclen® / Izinova®, and the number of trademarks held by the Group at 31 December 2016, are shown in the table below.

Brands and trademarks	Number of applications
Somatuline®	155
Autogel®	149
Decapeptyl®	74
Cabometyx® / Cometriq®(1)	150 / 15
Dysport®	329
Smecta®	850
Tanakan®	261
Forlax®	188
Fortrans®	111
Eziclen® / Izinova®	68 / 63

(1) The Trademarks Cabometyx® and Cometriq® are owned by the company Exelixis, Inc.

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

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

1.2.4.3 Domain Names

As of 31 December 2016, the Group had 1,456 domain names (reserved or in the process of being reserved).

1.2.5 Main Markets

1.2.5.1 Market Data

Sectorial information for therapeutic area and region is detailed in section 2 of this registration document for the 2016 and 2015 financial years.

The Group is specialized in healthcare solutions for targeted, debilitating diseases. Three franchises support Ipsen's development strategy: Oncology, Neurosciences and Endocrinology. Ipsen's commitment to oncology is exemplified through its growing portfolio of key therapies improving the care of patients suffering from neuro-endocrine tumors, prostate cancer, bladder cancer and renal cancer. The Group also has a significant presence in primary care. The Group's main drug markets and their sizes are detailed in section 1.2.1 of this registration document ("The Group's Products").

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

1.2.5.2 Competitive Position

The pharmaceutical industry is highly competitive. In recent years the pharmaceutical industry has experienced an increasing level of horizontal and vertical concentration. Within this competitive environment, the Group faces competition from other companies to develop and secure marketing authorizations for new pharmaceutical specialties in targeted therapeutic areas, as well as for specific products that generate similar therapeutic results to those generated by medicines marketed by the Group. Numerous companies

that compete with the Group to develop and secure marketing authorizations for new medicines are significantly larger than the Group and are accordingly able to invest more resources in Research and Development as well as in marketing, which may provide them with the advantage of offering a larger range of products and having access to larger sales forces.

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

1.2.6 Regulations

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

Price-setting and control

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

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

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

The governments of many countries in which the Group operates continue to introduce new measures to reduce public health expenses, some of which have affected the Group's sales and profitability in 2016.

1.2.7 The Group's Legal Structure

Ipsen S.A. acts as a holding company with regards to its affiliated companies and has no operational activities. Certain senior managers are employed by Ipsen S.A. under certain conditions and invoicing provisions described in paragraph 2.3.4. The Group comprises 49 affiliates, which are consolidated as shown in note 29 in chapter 2.2.5.

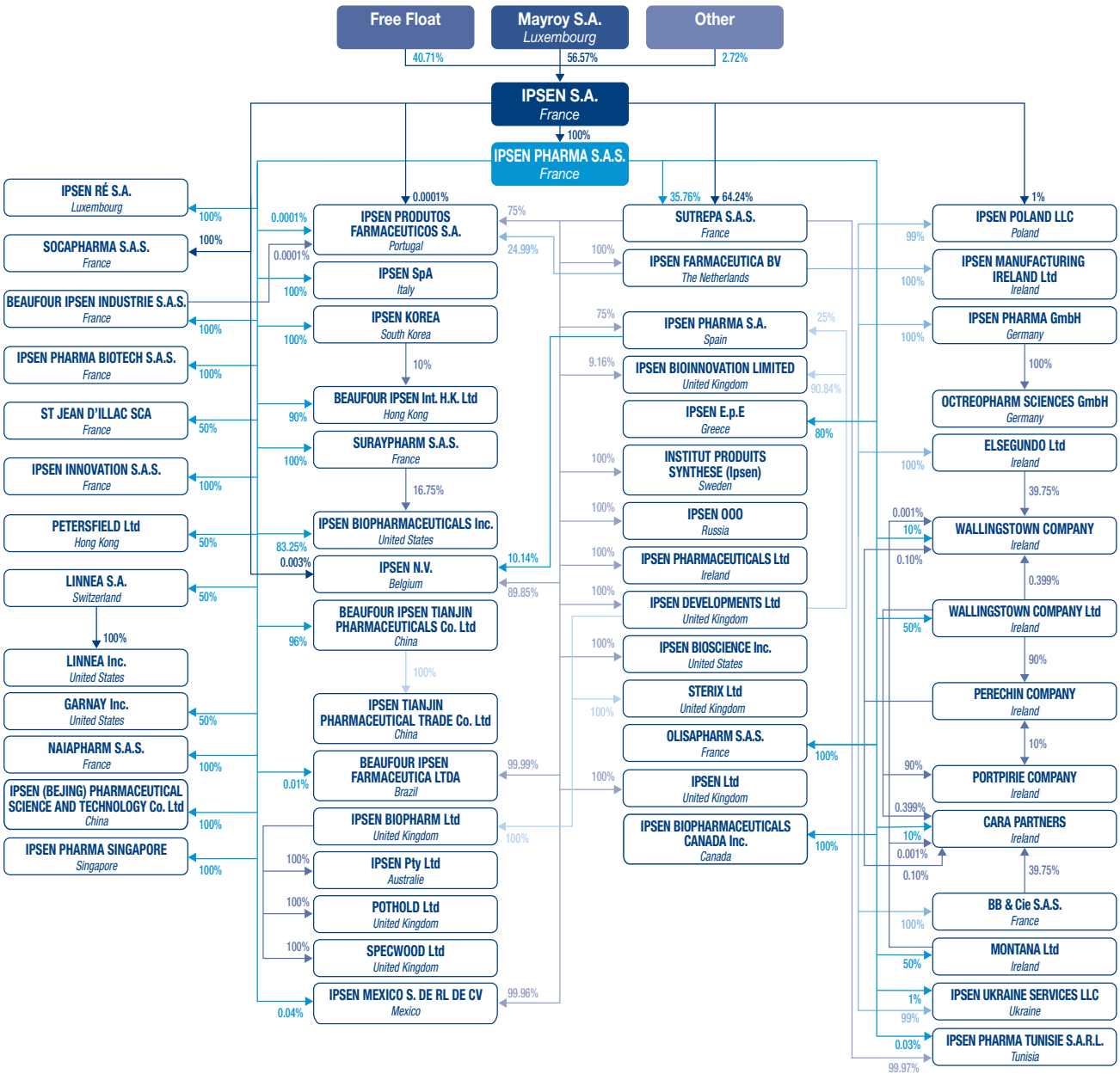
These companies are categorized as research and development, manufacturing, management, or commercialization entities.

As indicated in chapter 4.2.3, Ipsen S.A. is controlled by a company incorporated in Luxembourg, Mayroy SA. Description of this company and its shareholding is detailed in chapter 4.2.3.

1.2.7.1 Organizational Structure

The stated percentages indicate the proportion of share capital and voting rights(1) held in each company.

Group Organization chart as of 31 December 2016



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

1.2.7.2. Acquisitions and Discontinuation

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

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

1.2.7.3 Information on Subsidiary Stakes

The participations of the Company only cover the Group Companies. Their financial impacts are described in the Appendices to consolidated financial statements of the Company contained in section 2.2 "Consolidated Financial Statements" in this registration document.

Non-controlling interests exist in two Group's subsidiaries, mentioned in note 29 in chapter 2.2.5:

- Beaufour Ipsen (Tianjin) Parmaceutical Co. Ltd (China): interest of 4% held by a local partner (Tianjin Pharmaceutical Holdings): a representative from the minority shareholder participates in the Board and a pre-emption right is provided in the JV contract;
- Ipsen E.P.E (Greece): interest of 20% held by a local partner (Marinopoulos Bros SA): a representative from the minority shareholder participates in the Board and a pre-emption right is provided in the company's articles of association.

1.2.8 Risks Factors

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

Within the Legal Division the Group has a "Risk and Insurance" function that reports directly to the General Counsel. Within this registration document this function is described in section 4.1.2.1.6.3 of the report relating to the organization of Board activities and section 4.1.2.1.6 on the Group's internal control procedures.

1.2.8.1 Specific Risks to the Group and its Structure

1.2.8.1.1 Dependence on products

A significant part of the Group sales and results relies on a few major products. The three main ones: Somatuline®, Decapeptyl®, and Dysport represented 70% of 2016 consolidated Group sales, respectively 34%, 21% and 18%. The major development, marketing and competency challenges for each of those products are described in the detailed presentation of the Group's products (see section 1.2.1 "The Group's products").

1.2.8.1.2 Dependence on third parties

1.2.8.1.2.1 To ensure the Research and Development portfolio success

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

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

1.2.8.1.2.2 To manufacture certain products

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

1.2.8.1.2.3 To develop and market certain products

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

The Group develops and markets some of its products in collaboration with other pharmaceutical companies. The Group has entered into significant collaboration agreements (see paragraph 1.2.2 "Major Contracts"). The royalties received by the Group from some of these partners could or currently make a substantial contribution to the Group's net operating income and cash flow. Where the Group markets its products under the terms of collaboration agreements, it exposes itself to the risk that certain decisions, such as the preparation of budgets and promotional strategies, may be controlled by its partners and that those decisions made by the Group's partners may have a negative impact on the Group's business carried-out under the terms of those agreements. The Group cannot be certain that its partners will fulfil their obligations and may be unable to obtain any benefit from those agreements. In addition, the Group's partners could choose to develop their existing new products, rather than products marketed in collaboration with the Group. Finally, although it has legal remedies against its partners in the event that they cause Ipsen damage, the Group is not in a position to ensure that its partners have sufficient insurance to cover fully their liabilities for their overall business, especially as its relates to other third parties or the Group. If partners did not to have sufficient insurance, the Group could be forced to bear, either directly or indirectly, a substantial portion of any damage thus caused, which potentially could entail an adverse impact on its business, financial situation, or results.

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

1.2.8.1.2.4 Related to intellectual property

- *Group's intellectual property*

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

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

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

- *Third party intellectual property*

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

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

1.2.8.1.2.5 Dependence on certain managing executives scientists, and social relations

The Group's success depends in large part on certain essential managing executives and scientists. The departure of these senior employees could damage the Group's competitiveness and compromise its ability to achieve its objectives. In addition, the Group is convinced that its continued expansion in sectors and activities that require additional expertise and resources (such as marketing, clinical trials, and regulatory licenses) will require it to recruit new executive management and scientists. The Group could find itself unable to attract or retain the required executive management and scientists.

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

employee motivation or the quality of social relations could jeopardize the achievement of some Group targets related to research, production, or marketing activities and lead to a corresponding impact on the Group's results or financial position.

1.2.8.1.3 Risks associated with the Group's international activities

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

- Risks arising from unexpected regulatory changes such as changes in tax regulations and regulations on trade and tariffs;
- Risks arising from difficulties in interpreting or implementing certain specific regulations;
- Risks arising from limitations on the repatriation of earnings;
- Risk of financial default on the part of certain public and private operators with which the Group conducts business;
- Risks arising from exchange rate fluctuations;
- Risks arising from the validity of various intellectual property rights being deferred;
- Risks arising from various labor regulations;
- Risks arising from political or economic changes affecting a given region or country;
- Risks arising from increased difficulties in recruiting staff and managing operating entities abroad;
- Risks arising from failure by the Group's employees to observe the ethical principles laid down by the Group (see section 4.1.2.1.6 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;
- Risks arising from the absence of an international agreement on regulatory standards.

1.2.8.1.4 Risks associated with information systems

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

1.2.8.2 Risks Associated with the Pharmaceutical Industry

1.2.8.2.1 Risks associated with market competition

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

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

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

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

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

The Group is dependent on prices that are set for drugs and is vulnerable to the potential withdrawal of certain drugs from the list of reimbursable products by governments and the relevant regulatory authorities in the countries in which it operates.

In general terms, the Group is faced with uncertainty related to the prices set for its products, since pharmaceutical prices have come under severe pressure over the last few years as a result of various factors. These factors include the following:

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

- parallel imports that enable wholesalers to take advantage of price differentials by buying drugs at lower prices in certain markets and reselling them in other markets at higher prices.

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

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

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

1.2.8.2.3 Risks associated with Research and Development failures

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

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

In order to remain competitive in the highly competitive pharmaceutical industry, the Group must allocate substantial resources to Research and Development every year to develop new products. Even if the Group's Research and Development efforts bear fruit, its competitors could develop more effective products or successfully bring a larger number of new products to market. In 2016, the Group spent €208.9 million on Research and Development, representing around 13.2% of consolidated sales. The Group's current investments related to the launch of new products and the research and development of future products could entail higher costs without a proportionate increase in the Group's revenues.

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

The Research and Development process typically lasts eight to twelve years from the date of a discovery to a product being brought to market. The R&D process involves several stages. At each stage there is a substantial risk that the Group could fail to achieve its objectives and be forced to abandon its efforts on products in which it has invested significantly. Thus, in order to develop viable products from a commercial perspective, the Group must demonstrate that the molecules in question are effective and are not harmful to humans through pre-clinical and clinical trials.

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

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

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

1.2.8.2.4 Uncertainty as to the approval of products under development and their marketing

Some products developed by the Group are still in the very early stages of development, and even when products are

in more advanced stages of development, the Group cannot be certain that they will be gain approval from the relevant regulatory authorities and be successfully brought to market.

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

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

1.2.8.2.5 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 (*e.g.* the need to correct certain technical problems in order to bring production sites into compliance with applicable regulations) and a technical nature (*e.g.* difficulties obtaining supplies of satisfactory quality, difficulties manufacturing active ingredients, or drugs complying with their technical specifications on a sufficiently reliable and uniform basis at the required volume). This situation may 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.

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

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

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

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

1.2.8.3 Legal Risks

1.2.8.3.1 Reference shareholder

As of 31 December 2016, the Company's main shareholder, Mayroy, held 56.57% of the Company's equity and 71.96% of voting rights. This means that it can control the passing of resolutions at Shareholders' Meetings, which could have a material unfavorable impact on the Company's share price. This concentration of capital and voting rights in the hands of a single shareholder, and that shareholder's ability to freely dispose of all or part of its shares in the Company, could have a material unfavorable impact on the Company's share price.

1.2.8.3.2 General business risks

1.2.8.3.2.1 Undesired disclosure of critical information

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

The Group has set up procedures to control the dissemination of this information to protect either the confidentiality of

sensitive information, particularly to protect its intellectual property or competitive positions, or to ensure that privileged information is disseminated to investors in a manner that complies with the legislation in force. However, the Group cannot be certain that it will not be faced with undesired or uncontrolled disclosure of critical or strategic information, which might adversely affect the company's financial position, competitive situation, or share value.

1.2.8.3.2.2 Legal and administrative proceedings

In the normal course of business, the Group is or may be involved in legal or administrative proceedings. Financial claims are or may be brought against the Group in connection with some of these proceedings. Provisions have been raised with respect to such claims in accordance with IFRS accounting standards (a description of these provisions is provided in section 2.2, note 21.1 of this registration document). These provisions amounted to a total of €15.4 million as of 31 December 2016. These provisions are estimated on the basis of the most likely assumptions on the reporting date.

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

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

On 13 February 2017 Galderma Brazil filed for ICC arbitration in São Paulo against Ipsen Brazil for alleged violation of the distribution agreement following supply interruption caused by Anvisa's (Brazilian Health Authorities) decision to suspend its GMP certificate for the manufacturing of Dysport®.

1.2.8.3.2.3 Dependence on the Group's intellectual property rights

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

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

If the Group does not manage to protect its intellectual property rights, the Group 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 that is constantly evolving has a number of uncertainties.

Consequently, the Group cannot be certain that:

- it will be able to develop other patentable inventions,
- patents for which it has applied will be granted,
- any patents granted to it or that are the subject of licenses granted to it will not be challenged and judged to be invalid or unenforceable,
- the protection afforded by a patent will be sufficiently broad so as to exclude competitors,
- other persons or entities will not claim rights including ownership rights over patents and other intellectual property rights owned by the Group or which are the subject of licenses granted to it.

The information related to the patents held by the Group is detailed in section 1.2.4.1 ("Patents");

1.2.8.3.2.4 Risks associated with patent infringement

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

In addition, in view of the development of the pharmaceutical industry, an increasing number of patents are being issued, including some which apply to all therapeutic areas; and there is an increasing risk that the Group's activities and its use of certain technologies could entail the infringement of patents belonging to third parties. This risk is inherent in the business of any pharmaceutical company and is usually resolved by way of license agreements or cross-license agreements where this potential overlap materializes. Given that patent

applications are not generally published until 18 months after the date of the priority application (or even, in certain cases, until the patents in question are issued), the Group cannot guarantee that third parties have not been the first to invent certain products or to file patent applications for inventions that are the subject of pending patent applications filed by the Group. In addition, patents in the United States can be issued based on the date of invention (*i.e.* the first inventor). This distinction can enable parties to benefit from patents related to inventions for which they were not the first to file applications.

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

1.2.8.3.2.5 Risks associated with the counterfeiting of Group products

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

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

1.2.8.3.2.6 Risks associated with product liability

The Group's businesses expose it to product liability risk, and its insurance coverage could be insufficient to protect it against such risks should the need arise. Product liability constitutes a substantial risk for the Group and one that could increase if the Group's business expands into new markets and continues to grow in the United States (where the costs associated with product liability claims can be particularly onerous). Considerable damages have been awarded against pharmaceutical companies in certain countries as a result of physical harm allegedly caused by the use of certain products. Certain pharmaceutical companies have recently had to withdraw products from the market as a result of product liability claims. Although the Group is not currently involved in any substantial proceedings arising from product liability and including significant damages claims, it is possible that such proceedings could be initiated in the future. The Group has insurance policies covering up to a certain amount; however, there remains the risk of potential claims based on product liability. If a claimant wins a case against the Group on the basis of such liability, the case could have a negative impact on the Group's business, financial situation, or results. Given that product liability insurance in the pharmaceutical industry is a narrow market, it is impossible to predict the cost of future insurance. The Group may be unable to obtain or retain insurance coverage on acceptable terms, and the insurance coverage held by the Group may not provide adequate protection against potential risks of the type in question. 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 related to the safety of its products, and in particular products relating to neurology (marketed under the brand names Dysport® and Azzalure®) which may cause, or appear to cause, serious side effects or potentially dangerous interactions with other drugs if misused or not properly prescribed. The Group is subject to pharmacovigilance obligations that require it to report to the regulatory authorities any events in the course of which its products are associated with serious side effects including patient death or serious harm. Such events could, in particular, result in additional regulatory constraints, such as additional requests from the regulatory authorities when reviewing marketing applications in various countries, leading to potential delays in launching products in 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.

1.2.8.4 Financial Risks

1.2.8.4.1 Market risks

The Group mainly manages financial risks through control procedures that Group Finance puts into place by working with the relevant subsidiaries and the Group's specialist departments responsible for arranging and managing such procedures. The Group mainly makes use of traditional, controlled-risk instruments to hedge its exposure to exchange rate and interest rate fluctuations. The financial impact of market risks is described in note 23 to the consolidated financial statements as of 31 December 2016.

1.2.8.4.2 Exchange rate risks

A significant share of sales comes from countries where the Group's reporting currency, the euro, is the functional currency. However, due to its international business, the Group is exposed to fluctuations in exchange rates that may impact its results.

Several types of risks can be distinguished:

- the transactional exchange rate risk related to business and operational activities;
- exchange rate risk associated with financing contracted in a currency different from functional currencies;

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

The Group's policy is to hedge against the impact of exchange rate fluctuations on its net income compared to its budget.

Exposure to currency risk is assessed by the subsidiaries before being forwarded to the Treasury Department. The Group hedges, based on the estimates, the major currencies "trade" (USD, RUB, GBP, BRL, CNY/CNH, PLN, CZK, HUF, RON, AUD, CHF) and "operational" (USD, GBP, CNY/CNH, CAD, PLN, AUD, CHF).

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

1.2.8.4.3 Interest rate risks

Given its level of debt as of December 31, 2016 (note 22 to the consolidated financial statements), the Group has now limited exposure to interest rate risk. The financial impact of interest rate risks is set out in note 23 "Derivative Financial Instruments" to the consolidated financial statements as of 31 December 2016.

1.2.8.4.4 Liquidity and counterparty risks

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

As of 31 December 2016, the Group's net cash and cash equivalents amounted to €425.5 million largely invested in term accounts and term deposits.

More detailed analysis of the Group's liquidity position is described in section 2.1.3.2 related to the Group's net cash position.

1.2.8.4.5 Risks associated with economic and financial crisis

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

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

1.2.8.4.6 The Company's share price may fluctuate

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

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

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

1.2.8.5 Industrial and Environmental Risks

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

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

1.2.8.5.2 Environmental risks

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

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

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

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 3.2.2.

1.2.8.5.3 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 is critical and unique. Despite the business continuity management policy in place, a breakdown at a production site could result in an interruption of production for 3 to 24 months while pending the replacement of parts or entire equipment, followed by its requalification and validation, or could result in the use of subcontractors. Any such interruption in production could have a negative impact on the Group's business, financial position, or performance.

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

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

1.2.8.6 Insurance and Protection Against Risks

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

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

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

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

In order to mitigate risk volatility of product liability risk in the insurance market, a part of the Group's liability insurance program is financed through its reinsurance subsidiary. The reinsurance subsidiary is a regulated company ruled by the Luxembourg Control authorities that provides the first €10 million of liability coverage per claim and per year.

The Group also maintains insurance cover relative to its general activities, which include business interruptions as well as environmental liability insurance.

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

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

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

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2.1 MANAGEMENT REPORT FOR THE FINANCIAL YEAR

2.1.1 Significant events during the year

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

Acquisitions and Agreements

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

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

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

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

Research and Development

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

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

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

6 June 2016 – Exelixis and Ipsen announced the presentation of positive data from subgroup analyses of the pivotal METEOR trial comparing Cabometyx™ (cabozantinib) tablets with everolimus in 658 patients with advanced renal cell carcinoma (RCC) who have received prior anti-angiogenic therapy.

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

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

Regulatory

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

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

18 July 2016 – Ipsen issued a statement about the acceptance by the European Medicines Agency (EMA) of the marketing authorization application for telotristat etiprate to treat carcinoid syndrome caused by neuroendocrine tumors, in combination with somatostatin analogues.

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

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

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

Governance

16 February 2016 – Ipsen announced at its meeting on 15 February 2016, that the Board of Directors decided to change the Company's form of governance by separating

the duties of Chairman of the Board of Directors and Chief Executive Officer. The Board of Directors confirmed that Mr. Marc de Garidel shall fulfill the duties of Chairman of the Board of Directors within the framework of the new governance structure and recorded the departure of Mrs. Christel Bories as Deputy Chief Executive Officer.

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

12 December 2016 – Ipsen announced at Claude Bertrand, Executive Vice President, R&D, Chief Scientific Officer, would depart Ipsen on 2 January 2017.

Other

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

9 June 2016 – Ipsen announced the successful issuance of its inaugural, unsecured 7-year Notes for a total of €300 million. These Notes mature on 16 June 2023, and pay interest at an annual rate of 1.875%.

2.1.2 Analysis of results

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

Sales by therapeutic area and by product[1]

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

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

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

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

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

In the fourth quarter of 2016, sales of **Specialty Care** products of €339.8 million, were up 17.8% year-on-year driven by Oncology sales growth of 27.0%. In 2016, sales of Specialty Care products of €1,273.0 million, were up 16.1% fueled by Oncology sales growth of 22.1%, Neurosciences sales growth of 4.3%, and Endocrinology sales growth of 1.7%. Over the period, the relative weight of Specialty Care continued to increase to reach 80.3% of Group sales, compared to 77.2% in 2015.

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

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

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

Cabometyx® – In the fourth quarter of 2016, sales reached €7.2 million, including sales recognized in France under the Cabometyx® Managed Access Program (ATU or Temporary Use Authorization).

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

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

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

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

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

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

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

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

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

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

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

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

Sales by geographical area

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

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

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

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

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

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

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

Spain – In the fourth quarter of 2016, sales reached €18.5 million, up 6.0% year-on-year. In 2016, sales amounted to €69.2 million, up 5.5%, driven by strong volume growth of Decapeptyl® and Somatuline®. Over the period, sales in Spain represented 4.4% of total Group sales, compared to 4.5% in the previous year.

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

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

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

2.1.2.2 Comparison of Core consolidated income statement for 2016 and 2015

Core financial measures are performance indicators. Reconciliation between these indicators and IFRS headings is presented in paragraph 2.1.4.4 “Bridges from IFRS consolidated net profit to Core consolidated net profit”.

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

Reconciliation from Core consolidated net profit to IFRS consolidated net profit

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

Sales

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

Other revenues

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

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

Cost of goods sold

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

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

Selling expenses

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

Research and development expenses

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

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

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

General and administrative expenses

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

Other core operating income and expenses

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

Core Operating Income

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

Net financing costs and other financial income and expense

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

- **Net financing costs** amounted to €5.0 million, *versus* €2.9 million in 2015, impacted by the interest on the €300 million bond issued by the Group in June 2016.
- In 2016, **other financial expense** amounted to €9.3 million, compared to an expense of €8.4 million in 2015 and mainly consisted of the impact of exchange rates differences.

Core income taxes

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

Core consolidated net profit

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

Core Earning per share

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

2.1.2.3 From Core financial measures to IFRS reported figures

Reconciliations between IFRS 2015/2016 results and the newly defined Core financial measures are presented in paragraph 2.1.4.4.

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

Amortization of intangible assets (excluding software)

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

Other operating income and expenses

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

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

Restructuring costs

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

Impairment losses

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

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

Other

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

As a consequence, IFRS reported indicators are:

Operating Income

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

Consolidated net profit

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

Earning per share

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

2.1.2.4 Operating segments: Core Operating Income by therapeutic area

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

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

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

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

(in millions of euros)	31 December 2016	31 December 2015	Variation	
			Change	%
Specialty Care				
Sales	1,273.0	1,114.2	158.8	14.2%
Revenue	1,308.0	1,146.1	161.9	14.1%
Core Operating Income	415.0	328.9	86.1	26.2%
% of sales	*32.6%*	*29.5%*		
Primary Care				
Sales	311.6	329.7	(18.1)	– 5.5%
Revenue	363.1	374.1	(11.0)	– 2.9%
Core Operating Income	99.6	126.7	(27.1)	– 21.4%
% of sales	*32.0%*	*38.4%*		
Total unallocated				
Core Operating Income	(150.7)	(127.9)	(22.8)	17.8%
Group total				
Sales	1,584.6	1,443.9	140.7	9.7%
Revenue	1,671.1	1,520.2	150.9	9.9%
Core Operating Income	363.9	327.7	36.2	11.1%
% of sales	*23.0%*	*22.7%*		

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

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

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

2.1.3 Net cash flow and financing

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

2.1.3.1 Analysis of the consolidated net cash flow statement

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

Operating Cash Flow

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

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

- A €7.7 million rise in inventories during the year, in line with business growth and the need to build inventories for the Cabometyx® launch;
- A €42.7 million increase in trade receivables in line with sales growth, to compare with a €63.8 million increase in trade receivables in 2015;
- A €47.6 million increase in trade payables at 31 December 2016 in correlation with phasing of operating expenses mainly to support the growing business over the last quarter and the Cabometyx® launch. At 31 December 2015, trade payables increased by €10.8 million.

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

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

Free Cash Flow

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

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

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

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

Shareholders return and external growth operations

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

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

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

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

2.1.3.2 Reconciliation of cash and cash equivalents and net cash

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

(*) Net cash / (debt): cash and cash equivalents, less bank overdrafts, bank loans and other financial liabilities and excluding financial derivative instruments.
(**) Financial liabilities mainly exclude €18.2 million in derivative instruments in 2016, compared with €4.5 million in derivative instruments in 2015.

Analysis of Group cash

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

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

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

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

2.1.4 Appendices

2.1.4.1 Consolidated income statement

(in millions of euros)	31 December 2016	31 December 2015 restated
Sales	**1,584.6**	**1,443.9**
Other revenues	86.5	76.3
Revenue	**1,671.1**	**1,520.2**
Cost of goods sold	(353.3)	(336.8)
Selling expenses	(608.4)	(541.4)
Research and development expenses	(208.9)	(192.6)
General and administrative expenses	(129.4)	(122.9)
Other operating income	6.9	7.3
Other operating expenses	(28.6)	(18.6)
Restructuring costs	(1.9)	(6.7)
Impairment losses	(42.9)	(64.6)
Operating Income	**304.7**	**244.0**
Investment income	0.9	0.7
Financing costs	(5.8)	(3.6)
Net financing costs	**(5.0)**	**(2.9)**
Other financial income and expense	(1.6)	(3.6)
Income taxes	(73.5)	(49.8)
Share of net profit (loss) from companies accounted for using the equity method	1.9	2.5
Net profit (loss) from continuing operations	**226.5**	**190.2**
Net profit (loss) from discontinued operations	0.1	0.5
Consolidated net profit (loss)	**226.6**	**190.7**
– Attributable to shareholders of Ipsen S.A.	225.9	189.9
– Attributable to non-controlling interests	0.6	0.9

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

2.1.4.2 Consolidated balance sheet before allocation of net profit

(in millions of euros)	31 December 2016	31 December 2015
ASSETS		
Goodwill	357.2	353.3
Other intangible assets	380.1	151.5
Property, plant & equipment	379.0	348.7
Equity investments	21.2	25.6
Investments in companies accounted for using the equity method	15.6	15.9
Non-current financial assets	0.2	–
Deferred tax assets	213.2	217.7
Other non-current assets	6.7	15.5
Total non-current assets	**1,373.1**	**1,128.1**
Inventories	113.3	107.4
Trade receivables	363.5	311.0
Current tax assets	66.3	82.9
Current financial assets	6.6	6.8
Other current assets	75.2	75.6
Cash and cash equivalents	425.5	226.1
Assets of disposal group classified as held for sale	–	–
Total current assets	**1,050.4**	**809.9**
TOTAL ASSETS	**2,423.5**	**1,938.0**
EQUITY AND LIABILITIES		
Share capital	83.6	83.2
Additional paid-in capital and consolidated reserves	998.5	892.3
Net profit (loss) for the period	225.9	189.9
Foreign exchange differences	50.9	57.0
Equity attributable to Ipsen S.A. shareholders	**1,358.9**	**1,222.5**
Equity attributable to non-controlling interests	3.3	3.1
Total shareholders' equity	**1,362.2**	**1,225.6**
Retirement benefit obligation	58.4	51.2
Non-current provisions	21.6	31.4
Other non-current financial liabilities	314.8	20.6
Deferred tax liabilities	14.6	23.1
Other non-current liabilities	90.6	124.5
Total non-current liabilities	**500.0**	**250.8**
Current provisions	27.8	29.9
Current financial liabilities	58.6	11.0
Trade payables	241.5	195.1
Current tax liabilities	4.1	12.0
Other current liabilities	226.4	201.5
Bank overdrafts	3.0	12.1
Total current liabilities	**561.3**	**461.5**
TOTAL EQUITY & LIABILITIES	**2,423.5**	**1,938.0**

2.1.4.3 Cash flow statements

2.1.4.3.1 Consolidated statement of cash flow

(in millions of euros)	31 December 2016	31 December 2015
Consolidated net profit (loss)	**226.6**	**190.7**
Share of profit (loss) from companies accounted for using the equity method before impairment losses	0.4	(0.8)
Net profit (loss) before share from companies accounted for using the equity method	**227.0**	**189.9**
Non-cash and non-operating items		
– Depreciation, amortization, provisions	39.1	43.7
– Impairment losses included in Operating Income and net financial income	42.9	64.6
– Change in fair value of financial derivatives	9.7	1.9
– Net gains or losses on disposals of non-current assets	(2.3)	0.5
– Share of government grants released to profit and loss	(0.4)	(0.0)
– Foreign exchange differences	(13.7)	(1.3)
– Change in deferred taxes	8.1	1.4
– Share-based payment expense	5.6	4.0
– Gain or (loss) on sales of treasury shares	(0.0)	0.3
– Other non-cash items	2.7	(0.1)
Cash flow from operating activities before changes in working capital requirement	***318.7***	***304.8***
– (Increase) / decrease in inventories	(7.7)	(0.2)
– (Increase) / decrease in trade receivables	(42.7)	(63.8)
– Increase / (decrease) in trade payables	47.6	10.8
– Net change in income tax liability	10.5	(9.0)
– Net change in other operating assets and liabilities	(8.6)	(18.9)
Change in working capital requirement related to operating activities	***(0.9)***	***(81.2)***
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**317.8**	**223.6**
Acquisition of property, plant & equipment	(81.2)	(50.0)
Acquisition of intangible assets	(291.1)	(25.2)
Proceeds from disposal of intangible assets and property, plant & equipment	3.6	0.2
Acquisition of shares in non-consolidated companies	(1.0)	(0.0)
Payments to post-employment benefit plans	(1.3)	(1.5)
Impact of changes in the consolidation scope	(0.0)	(31.4)
Deposits paid	1.8	0.2
Change in working capital related to investment activities	12.2	7.8
Other cash flow related to investment activities	(0.1)	(6.3)
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES	**(357.1)**	**(106.2)**
Additional long-term borrowings	327.9	1.1
Repayment of long-term borrowings	(3.9)	(5.6)
Capital increase	12.7	5.4
Treasury shares	(17.7)	(22.4)
Dividends paid by Ipsen S.A.	(70.0)	(70.0)
Dividends paid by subsidiaries to non-controlling interests	(0.4)	(0.5)
Change in working capital related to financing activities	3.4	0.8
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**252.0**	**(91.2)**
CHANGE IN CASH AND CASH EQUIVALENTS	**212.7**	**26.3**
Opening cash and cash equivalents	**214.0**	**180.1**
Impact of exchange rate fluctuations	(4.2)	7.6
Closing cash and cash equivalents	**422.5**	**214.0**

2.1.4.3.2 Consolidated statement of net cash flow

(in millions of euros)	31 December 2016	31 December 2015
Opening cash and cash equivalents	214.0	180.1
Opening current and non-current financial liabilities	(27.1)	(19.3)
Opening net cash / (debt)	**186.9**	**160.8**
CORE OPERATING INCOME	**363.9**	**327.7**
Non-cash items	**15.6**	**31.1**
(Increase) /decrease in inventories	(7.7)	(0.2)
(Increase) / decrease in trade receivables	(42.7)	(63.8)
Increase / (decrease) in trade payables	47.6	10.8
Change in operating working capital requirement	**(2.8)**	**(53.2)**
Change in income tax liability	10.5	(9.0)
Change in other operating assets and liabilities (excluding milestones received)	1.6	1.6
Other changes in working capital requirement	**12.1**	**(7.4)**
Acquisition of property, plant & equipment	(81.2)	(50.0)
Acquisition of intangible assets (excluding milestones paid)	(13.3)	(10.2)
Disposal of fixed assets	3.6	0.2
Change in working capital related to investment activities	6.9	3.2
Net capex (excluding milestones paid)	**(84.0)**	**(56.7)**
Dividends received from companies accounted for using the equity method	**2.3**	**1.6**
Operating Cash Flow	**307.1**	**243.1**
Other operating income and expenses and restructuring costs (cash)	(20.8)	(28.9)
Financial income (cash)	(3.1)	(4.7)
Current income tax (P&L, excluding provisions for tax contingencies)	(65.5)	(51.4)
Other operating cash flow	11.1	18.3
Free Cash Flow	**228.8**	**176.3**
Dividends paid (including payout to non-controlling interests)	**(70.3)**	**(70.5)**
Acquisition of shares in non-consolidated companies	(1.0)	(0.0)
Acquisition of other financial assets	–	(6.1)
Milestones paid[(a)]	(272.5)	(10.4)
Milestones received[(b)]	20.7	7.9
Net investments (business development and milestones)	**(252.9)**	**(52.0)**
Share buybacks	**(24.0)**	**(28.5)**
Other (discontinued operations)	**0.1**	**0.7**
Shareholders return and external growth operations	**(347.2)**	**(150.2)**
CHANGE IN NET CASH / (DEBT)	**(118.4)**	**26.1**
Closing cash and cash equivalents	**422.5**	**214.0**
Closing current and non-current financial liabilities	(353.9)	(27.1)
Closing net cash / (debt)	**68.6**	**186.9**

(a) Milestones paid correspond to payments subject to the terms and conditions set out in the Group's partnership agreements. The €257.3 million in upfront and milestones paid to Exelixis accounted for the majority of the milestones paid at 31 December 2016. The amounts paid were recorded as an increase in intangible assets on the consolidated balance sheet. The transactions were included in the "Acquisition of intangible assets" line item in the consolidated statement of cash flow (see Appendix 2.1.4.3.1).

(b) Milestones received are amounts collected by Ipsen from its partners. Of the €20.7 million in milestones received at 31 December 2016, €10.5 million were paid by Galderma in accordance with the partnership agreement signed in December 2015 for the Asia-Pacific region. The amounts were recorded as deferred income in the consolidated balance sheet and then recognized in the income statement as "Other revenues". Milestones received were included in the "Net change in other operating assets and liabilities" line item in the consolidated statement of cash flow (see Appendix 2.1.4.3.1).

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

(in millions of euros)	IFRS 31 December 2016	Amortization of intangible assets (excl. software)	Other operating income or expenses	Restructuring	Impairment losses	Other	CORE 31 December 2016
Sales	1,584.6						1,584.6
Other revenues	86.5						86.5
Revenue	**1,671.1**	**–**	**–**	**–**	**–**	**–**	**1,671.1**
Cost of goods sold	(353.3)						(353.3)
Selling expenses	(608.4)						(608.4)
Research and development expenses	(208.9)						(208.9)
General and administrative expenses	(129.4)						(129.4)
Other operating income	6.9		(6.1)				0.9
Other operating expenses	(28.6)	7.7	12.9				(8.0)
Restructuring costs	(1.9)			1.9			–
Impairment losses	(42.9)				42.9		–
Operating Income	**304.7**	**7.7**	**6.8**	**1.9**	**42.9**	**–**	**363.9**
Investment income	0.9						0.9
Financing costs	(5.8)						(5.8)
Net financing costs	**(5.0)**	**–**	**–**	**–**	**–**	**–**	**(5.0)**
Other financial income and expense	(1.6)					(7.7)	(9.3)
Income taxes	(73.5)	(2.6)	(2.5)	(0.8)	(10.7)	2.1	(88.0)
Share of net profit (loss) from companies accounted for using the equity method	1.9						1.9
Net profit (loss) from continuing operations	**226.5**	**5.1**	**4.4**	**1.1**	**32.1**	**(5.6)**	**263.6**
Net profit (loss) from discontinued operations	0.1					(0.1)	–
Consolidated net profit	**226.6**	**5.1**	**4.4**	**1.1**	**32.1**	**(5.7)**	**263.6**
– Attributable to shareholders of Ipsen S.A.	225.9	5.1	4.4	1.1	32.1	(5.7)	262.9
– Attributable to non-controlling interests	0.6						0.6
Earnings per share fully diluted – attributable to Ipsen S.A. shareholders (in € per share)	*2.73*	*0.06*	*0.05*	*0.01*	0.39	(0.07)	3.18

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

(in millions of euros)	IFRS	Amortization of intangible assets (excl. software)	Other operating income or expenses	Restructuring	Impairment losses	Other	CORE
	31 December 2015						31 December 2015
Sales	1,443.9						1,443.9
Other revenues	76.3						76.3
Revenue	**1,520.2**	**–**	**–**	**–**	**–**	**–**	**1,520.2**
Cost of goods sold	(336.8)						(336.8)
Selling expenses	(541.4)						(541.4)
Research and development expenses	(192.6)					0.5	(192.1)
General and administrative expenses	(122.9)						(122.9)
Other operating income	7.3		(2.0)			(0.5)	4.8
Other operating expenses	(18.6)	4.7	9.7				(4.1)
Restructuring costs	(6.7)			6.7			–
Impairment losses	(64.6)				64.6		–
Operating Income	**244.0**	**4.7**	**7.7**	**6.7**	**64.6**	**–**	**327.7**
Investment income	0.7						0.7
Financing costs	(3.6)						(3.6)
Net financing costs	**(2.9)**	**–**	**–**	**–**	**–**	**–**	**(2.9)**
Other financial income and expense	(3.6)					(4.9)	(8.4)
Income taxes	(49.8)	(1.8)	(2.2)	(2.2)	(23.2)	(5.9)	(85.1)
Share of net profit (loss) from companies accounted for using the equity method	2.5						2.5
Net profit (loss) from continuing operations	**190.2**	**2.9**	**5.5**	**4.5**	**41.4**	**(10.8)**	**233.8**
Net profit (loss) from discontinued operations	0.5					(0.5)	–
Consolidated net profit	**190.7**	**2.9**	**5.5**	**4.5**	**41.4**	**(11.3)**	**233.8**
– Attributable to shareholders of Ipsen S.A.	189.9	2.9	5.5	4.5	41.4	(11.3)	232.9
– Attributable to non-controlling interests	0.9						0.9
Earnings per share fully diluted – attributable to Ipsen S.A. shareholders (in € per share)	*2.30*	*0.04*	*0.07*	*0.05*	0.50	(0.14)	2.82

2.1.5 Subsequent events

2.1.5.1 Event from activities

Significant events and transactions occurring between 31 December 2016 and the Board of Directors meeting on 22 February 2017:

On 9 January 2017 – Ipsen announced that it has entered into a definitive agreement to acquire global oncology assets from Merrimack Pharmaceuticals, including its key marketed product ONIVYDE® (irinotecan liposome injection) for the treatment of patients with metastatic adenocarcinoma of the pancreas after disease progression following gemcitabine-based therapy, in combination with fluorouracil and leucovorin. Under the terms of the agreement, Ipsen will gain exclusive commercialization rights for the current and potential future ONIVYDE indications in the U.S., as well as the current licensing agreements with Shire for commercialization rights ex-U.S. and PharmaEngine for Taiwan. The transaction also includes Merrimack's commercial and manufacturing infrastructure, and generic doxorubicin HCl liposome injection.

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

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

On 13 February 2017 – Ipsen announced that it has entered into a definitive agreement to acquire from Sanofi (Euronext: SAN; NYSE: SNY) five consumer healthcare products in certain European territories. The most significant product is Prontalgine®, an analgesic for the treatment of moderate to severe pain, which has grown at double digit rates over the last four years and is available only in France. The portfolio also includes Buscopan®, an antispasmodic; Suppositoria Glycerini, a laxative; and Mucothiol® and Mucodyne®, expectorants for cough and flu. Combined, these regional brands span a geographic scope of eight European countries. Manufacturing will be provided by third parties.

2.1.6 Group outlook

2017 Objectives

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

- **Specialty Care** sales growth year-on-year greater than +18.0%(1);
- **Primary Care** sales growth year-on-year greater than +4.0%(1);
- **Core operating margin** (excluding amortization of intangible assets) greater than 24% of net sales.

2020 Outook

On 2 July 2015, Ipsen provided financial outlook for 2020 in terms of sales and operating margin.

In 2016, these forecasts were updated to reflect the contribution of cabozantinib, in-licensed worldwide outside the United States, and Japan with:

- Sales in excess of 2.0 billion euros;
- Core operating margin greater than 26% (including amortization of intangible assets).

These forecasts will be updated in the second quarter of 2017 to include notably the recent acquisitions of Onivyde® and the new Consumer Health Care products announced in the beginning of 2017, as well as the updated definition of Core financial measures.

(1) Sales objectives are set at constant currency.

2.2 CONSOLIDATED FINANCIAL STATEMENTS

2.2.1 Consolidated income statement

(in millions of euros)	Notes	31 December 2016	31 December 2015 Restated
Sales	4.2 & 4.3	1,584.6	1,443.9
Other revenues	4.4	86.5	76.3
Revenue		**1,671.1**	**1,520.2**
Cost of goods sold		(353.3)	(336.8)
Selling expenses		(608.4)	(541.4)
Research and development expenses		(208.9)	(192.6)
General and administrative expenses		(129.4)	(122.9)
Other operating income	7	6.9	7.3
Other operating expenses	7	(28.6)	(18.6)
Restructuring costs	8	(1.9)	(6.7)
Impairment losses	6	(42.9)	(64.6)
Operating Income	**4.1**	**304.7**	**244.0**
Investment income		0.9	0.7
Financing costs		(5.8)	(3.6)
Net financing costs	**9**	**(5.0)**	**(2.9)**
Other financial income and expense	9	(1.6)	(3.6)
Income taxes	10.1	(73.5)	(49.8)
Share of net profit (loss) from entities accounted for using the equity method	16	1.9	2.5
Net profit (loss) from continuing operations		**226.5**	**190.2**
Net profit (loss) from discontinued operations	11	0.1	0.5
Consolidated net profit		**226.6**	**190.7**
– Attributable to shareholders of Ipsen S.A.		225.9	189.9
– Attributable to non-controlling interests		0.6	0.9

Basic earnings per share, continuing operations (in euros)	20.2	2.74	2.30
Diluted earnings per share, continuing operations (in euros)	20.3	2.73	2.29
Basic earnings per share, discontinued operations (in euros)	20.2	0.00	0.01
Diluted earnings per share, discontinued operations (in euros)	20.3	0.00	0.01
Basic earnings per share (in euros)	20.2	2.74	2.31
Diluted earnings per share (in euros)	20.3	2.73	2.30

The consolidated income statement was restated to reflect changes in presentation. See notes 3.9 and 30 for details.

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

Comprehensive income statement

(in millions of euros)	31 December 2016	31 December 2015
Consolidated net profit	**226.6**	**190.7**
Actuarial gains and (losses) on defined benefit plans, net of taxes	(7.7)	9.0
Other items of comprehensive income that will not be reclassified to the income statement	**(7.7)**	**9.0**
Revaluation of financial derivatives for hedging, net of taxes	(2.8)	0.5
Foreign exchange differences, net of taxes	(6.7)	33.7
Financial assets available for sale, net of taxes	(3.0)	7.0
Other items of comprehensive income likely to be reclassified to the income statement	**(12.5)**	**41.2**
Comprehensive income: Consolidated net profit (loss) and gains and (losses) recognized directly in equity	**206.3**	**241.0**
– Attributable to shareholders of Ipsen S.A.	205.7	240.0
– Attributable to non-controlling interests	0.6	1.0

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

2.2.2 Consolidated balance sheet before allocation of net profit

(in millions of euros)	Notes	31 December 2016	31 December 2015
ASSETS			
Goodwill	12	357.2	353.3
Other intangible assets	13	380.1	151.5
Property, plant & equipment	14	379.0	348.7
Equity investments	15	21.2	25.6
Investments in companies accounted for using the equity method	16	15.6	15.9
Non-current financial assets		0.2	–
Deferred tax assets	10.2	213.2	217.7
Other non-current assets	17	6.7	15.5
Total non-current assets		**1,373.1**	**1,128.1**
Inventories	18.2.1	113.3	107.4
Trade receivables	18.1	363.5	311.0
Current tax assets	18.1	66.3	82.9
Current financial assets	18.2.2	6.6	6.8
Other current assets	18.2.3	75.2	75.6
Cash and cash equivalents	19.2	425.5	226.1
Total current assets		**1,050.4**	**809.9**
TOTAL ASSETS		**2,423.5**	**1,938.0**
EQUITY AND LIABILITIES			
Share capital	20.1	83.6	83.2
Additional paid-in capital and consolidated reserves		998.5	892.3
Net profit (loss) for the period		225.9	189.9
Foreign exchange differences		50.9	57.0
Equity attributable to Ipsen S.A. shareholders		**1,358.9**	**1,222.5**
Equity attributable to non-controlling interests		3.3	3.1
Total shareholders' equity		**1,362.2**	**1,225.6**
Retirement benefit obligation	5.3.2.2	58.4	51.2
Non-current provisions	21	21.6	31.4
Other non-current financial liabilities	22.1	314.8	20.6
Deferred tax liabilities	10.2	14.6	23.1
Other non-current liabilities	18.2.4	90.6	124.5
Total non-current liabilities		**500.0**	**250.8**
Current provisions	21	27.8	29.9
Current financial liabilities	22.1	58.6	11.0
Trade payables	18.1	241.5	195.1
Current tax liabilities	18.1	4.1	12.0
Other current liabilities	18.2.4	226.4	201.5
Bank overdrafts	19.1.2	3.0	12.1
Total current liabilities		**561.3**	**461.5**
TOTAL EQUITY & LIABILITIES		**2,423.5**	**1,938.0**

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

2.2.3 Consolidated statement of cash flow

(in millions of euros)	Notes	31 December 2016	31 December 2015
Consolidated net profit		**226.6**	**190.7**
Share of profit (loss) from companies accounted for using the equity method before impairment losses	16	0.4	(0.8)
Net profit (loss) before share from companies accounted for using the equity method		**227.0**	**189.9**
Non-cash and non-operating items			
– Depreciation, amortization, provisions	6.2	39.1	43.7
– Impairment losses included in Operating Income and net financial income	6.2	42.9	64.6
– Change in fair value of financial derivatives		9.7	1.9
– Net gains or losses on disposals of non-current assets		(2.3)	0.5
– Share of government grants released to profit and loss		(0.4)	(0.0)
– Foreign exchange differences		(13.7)	(1.3)
– Change in deferred taxes	10.2	8.1	1.4
– Share-based payment expense		5.6	4.0
– Gain or (loss) on sales of treasury shares		(0.0)	0.3
– Other non-cash items		2.7	(0.2)
Cash flow from operating activities before changes in working capital requirement		***318.7***	***304.8***
– (Increase)/decrease in inventories	18.1 & 11	(7.7)	(0.2)
– (Increase)/decrease in trade receivables	18.1 & 11	(42.7)	(63.8)
– Increase/(decrease) in trade payables	18.1 & 11	47.6	10.8
– Net change in income tax liability	18.1 & 11	10.5	(9.0)
– Net change in other operating assets and liabilities	18.1 & 11	(8.6)	(18.9)
Change in working capital requirement related to operating activities		***(0.9)***	***(81.2)***
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		**317.8**	**223.6**
Acquisition of property, plant & equipment	14.1	(81.2)	(50.0)
Acquisition of intangible assets	13.1	(291.1)	(25.2)
Proceeds from disposal of intangible assets and property, plant & equipment		3.6	0.2
Acquisition of shares in non-consolidated companies		(1.0)	(0.0)
Payments to post-employment benefit plans	5.3.2.6	(1.3)	(1.5)
Impact of changes in the consolidation scope		(0.0)	(31.4)
Deposits paid		1.8	0.2
Change in working capital related to investment activities	18.1	12.2	7.8
Other cash flow related to investment activities		(0.1)	(6.3)
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES		**(357.1)**	**(106.2)**
Additional long-term borrowings	22.1	327.9	1.1
Repayment of long-term borrowings	22.1	(3.9)	(5.6)
Capital increase		12.7	5.4
Treasury shares		(17.7)	(22.4)
Dividends paid by Ipsen S.A.	20.5	(70.0)	(70.0)
Dividends paid by subsidiaries to non-controlling interests		(0.4)	(0.5)
Change in working capital related to financing activities		3.4	0.8
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		**252.0**	**(91.2)**
CHANGE IN CASH AND CASH EQUIVALENTS		**212.7**	**26.3**
Opening cash and cash equivalents	19.1.1	**214.0**	**180.1**
Impact of exchange rate fluctuations		(4.2)	7.6
Closing cash and cash equivalents	19.1.2	**422.5**	**214.0**

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

2.2.4 Statement of change in consolidated shareholders' equity

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

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

(in millions of euros)	Share capital	Share premiums	Consolidated reserves	Reserves related to retirement benefit obligations	Cash flow hedge reserves	Treasury shares	Net profit (loss) for the period	Total Group equity	Equity attributable to non-controlling interests	Total equity
Balance at 1 January 2015	**82.9**	**714.9**	**171.4**	**(29.4)**	**0.8**	**(28.8)**	**153.5**	**1,065.2**	**2.7**	**1,067.9**
Consolidated net profit (loss)	–	–	–	–	–	–	189.9	189.9	0.9	190.7
Gains and (losses) recognized directly in equity[1]	–	–	40.6	9.0	0.5	–	–	50.1	0.1	50.2
Consolidated net profit (loss) and gains and losses recognized directly in equity	**–**	**–**	**40.6**	**9.0**	**0.5**	**–**	**189.9**	**240.0**	**1.0**	**241.0**
Allocation of net profit (loss) from the prior period	–	–	153.5	–	–	–	(153.5)	–	–	–
Capital increases (decreases)	0.4	5.2	(0.2)	–	–	–	–	5.4	–	5.4
Share-based payments	–	–	4.0	–	–	6.3	–	10.3	–	10.3
Own share purchases and disposals	–	–	0.3	–	–	(28.7)	–	(28.5)	–	(28.5)
Dividends	–	–	(70.0)	–	–	–	–	(70.0)	(0.5)	(70.5)
Other changes	–	–	0.0	–	–	–	–	0.0	(0.0)	–
Balance at 31 December 2015	**83.2**	**720.1**	**299.6**	**(20.4)**	**1.3**	**(51.2)**	**189.9**	**1,222.5**	**3.1**	**1,225.6**

(1) Detailed in the note “Comprehensive income statement”.

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

2.2.5 Notes

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Note 1 Significant events and transactions during the period having an impact on the consolidated financial statements at 31 December 2016

1.1 Exclusive licensing agreement signed with 3B Pharmaceuticals GmbH

On 17 February 2016, Ipsen and 3B Pharmaceuticals GmbH (3B Pharmaceuticals), a German private life sciences company focusing on targeted radiopharmaceutical drugs and diagnostics for oncology indications, announced the signature of an exclusive license agreement for novel radiopharmaceuticals in oncology.

Under the financial terms of the agreement, 3B Pharmaceuticals received a €5 million upfront licensing payment and will be eligible to receive development and regulatory milestone payments for several indications of up to €77 million, as well as tiered royalties on worldwide annual net sales of products developed and commercialized by Ipsen.

1.2 Exclusive licensing agreement signed with Exelixis Inc.

On 1 March 2016, Ipsen announced that it had entered into an exclusive licensing agreement to commercialize and develop cabozantinib, Exelixis' primary oncology product. As part of the agreement, Ipsen acquired exclusive commercialization rights for current and potential future cabozantinib indications outside the United States, Canada and Japan, including Cometriq®, which is currently approved in the European Union (EU) for the treatment of adult patients with progressive, unresectable, locally advanced or metastatic medullary thyroid cancer (MTC). The companies agreed to collaborate on the development of cabozantinib's current and future indications.

At 31 December 2016, in addition to the USD200 million upfront payment, Ipsen paid Exelixis milestone payments totaling USD70 million (see note 13), USD10 million of which was related to the completion of commercial milestones.

On 21 December 2016, Ipsen and Exelixis amended their exclusive licensing agreement to include the commercialization and development of cabozantinib in the Canadian market. Under the terms of the amendment, Exelixis received a USD10 million upfront payment (see note 13), and may receive USD14 million and CAD26.5 million in potential payments arising from the completion of regulatory and commercial milestones.

1.3 Changes to corporate governance

On 16 February 2016, Ipsen announced that its Board of Directors, which met on 15 February 2016, decided to change the company's method of governance by separating the functions of Chairman and Chief Executive Officer (CEO). The Board of Directors confirmed that Marc de Garidel would become the non-executive Chairman of the Board of Directors under the new corporate governance structure and approved the departure of Ms. Christel Bories, Deputy CEO.

On 8 July 2016, the Board of Directors named David Meek as the company's Chief Executive Officer. This appointment took effect on 18 July 2016, when Marc de Garidel became the company's non-executive Chairman.

1.4 €300 million in seven-year notes issued

On 16 June 2016, Ipsen S.A. issued €300 million in unsecured, seven-year notes. The notes mature on 16 June 2023 and pay an annual interest rate of 1.875%. The purpose of the issue was to diversify and extend the maturity of Ipsen's sources of funds and to support its investment and development strategy.

At 31 December 2016, after factoring in issuing expenses and the issue premium, the debt related to the issue came to €297.1 million and was recognized in non-current financial liabilities (see note 22).

Note 2 Changes in the scope of consolidation

2.1 2016 financial year

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

2.2 2015 financial year

At 31 December 2015, two newly created and fully owned and controlled companies were included in the scope of consolidation, Ipsen Biopharmaceuticals Canada, Inc. and Ipsen (Tianjin) Pharmaceutical Trade Co. Ltd.

Further, 100%-owned and controlled OctreoPharm GmbH was fully consolidated as of 1 July 2015 (see note 12).

In March 2015, Syntaxin Ltd. was renamed Ipsen BioInnovation Ltd.

Note 3 Accounting principles and methods, and compliance statement

Preliminary remarks:

- All amounts are expressed in millions of euros, unless otherwise stated.
- The closing date of the consolidated financial statements is 31 December of each year. Individual statements incorporated into consolidated statements are prepared at the closing date of the consolidated statements, *i.e.* 31 December, and cover the same period.
- The Group's consolidated financial statements were approved by the Board of Directors on 22 February 2017 and will be submitted for approval at the Shareholders' Meeting scheduled for 7 June 2017.

3.1 General principles and compliance statement

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

In compliance with European regulation n° 1606 / 2002 adopted on 19 July 2002 by the European Parliament and the European Council, the Group's consolidated financial statements for the year ending 31 December 2016 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 Standards, amendments and interpretations that became applicable as of 1 January 2016

The mandatory standards, amendments and interpretations published by the ASB and applicable as of the 2016 financial year are listed below.

- Amendments to IAS 1 – Disclosure Initiative
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization
- Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants
- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions
- Amendments to IAS 27 – Equity Method in Separate Financial Statements
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception
- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations
- Annual Improvements to IFRS – 2010-2012 Cycle
- Annual Improvements to IFRS – 2012-2014 Cycle

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

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

The Group did not opt for early adoption of the standards, amendments and interpretations adopted by the European Union for which the application was not mandatory on 1 January 2016, namely:

- IFRS 9 – Financial Instruments
- Amendments to IAS 7 – Disclosure Initiative
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses
- IFRS 15 – Revenue from Contracts with Customers.

A review of IFRS 9 and the amendments to IAS 7 and IAS 12 was under way by the Group at the close of the 2016 consolidated financial statements.

Following a review of the main impacts of IFRS 15 – Revenue from Contracts with Customers, the standard is not expected to have a material impact on the Group's consolidated financial statements, including the balance sheet, the income statement or the comprehensive income statement.

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

3.4.1 Publications not yet approved by the European Union

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

- IFRS 14 – Regulatory Deferral Accounts
- IFRS 16 – Leases
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 2 – Classification and Measurement of Share-Based Payment Transactions

- Amendments to IFRS 4 – Applying IFRS 9, Financial Instruments with IFRS 4, Insurance Contracts
- Clarifications to IFRS 15 – Revenue from Contracts with Customers

A review of these standards was under way by the Group at the close of the 2016 consolidated financial statements.

3.4.2 IASB publications

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

- Annual Improvements to IFRS – 2015-2017 Cycle.

A review of these standards was under way by the Group at the close of the 2016 consolidated financial statements.

3.5 Measurement bases used in preparing the consolidated financial statements

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

3.6 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 predict future outlook.

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.

3.7 Consolidation methods

Subsidiaries over which the Group exercises control are fully consolidated.

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

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

If the accounting methods used by subsidiaries, joint operations, joint ventures, and companies accounted for using the equity method do not comply with those used by the Group, all necessary changes are made to ensure that the financial statements of those companies are compliant with the Group's accounting principles, as described in note 3.

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:

- for 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;
- for 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.

3.8 Business combinations

Business combinations are accounted for using the purchase method. The cost of an acquisition is based on the fair value of the assets acquired, instruments of equity issued, and liabilities incurred or assumed 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 non-controlling interests in the acquired company determined either at fair value at the acquisition date (full goodwill method), or on the basis of its 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 note 3.17).

In the case of companies accounted for using the equity method, goodwill is included in the amount invested in the companies accounted for using the equity method. The costs directly attributable to the combination are 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 on 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 investments that do not give control 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".

3.9 Changes in accounting methods and presentation

As of the 2016 financial year, Ipsen no longer includes alternative performance indicators in its consolidated income statement.

Accordingly, other core income and other non-core operating income are now grouped together in the "Other operating income" line item, while other core expenses and other non-core expenses are encompassed in the "Other operating expenses" line item. This change in presentation had no impact on Operating Income or Consolidated net profit. See note 30.

3.10 Operating segments

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

The Group's two operating segments are Primary Care and Specialty Care. Only corporate overhead costs and the impact of currency hedging policy are not allocated to the two operating segments. Research and development costs are allocated to the operating segments, while formerly included in Unallocated.

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

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

These performance indicators are not replacements for IFRS indicators and should not be viewed as such. They are used in addition to IFRS indicators. Although used by the Executive Leadership Team as important factors for setting targets and measuring the Group's performance, these indicators are not required or defined by IFRS.

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

3.11 Translation of financial statements in foreign currencies

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

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

- 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, liabilities, transactions and flows

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 on 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.

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

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 are systematically tested annually for impairment (see note 3.17).

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.

The accounting treatment of internal research and development expenses and research and development work acquired separately is described in note 3.32.

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.

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.

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

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

3.15 Property, plant & equipment

Property, plant and equipment items are accounted for at acquisition 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:

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

Land is not depreciated.

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

The carrying value of an asset is depreciated immediately to bring it back to its recoverable amount when the asset's carrying value is greater than its estimated recoverable amount (see note 3.17).

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

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

3.16 Leases

3.16.1 Finance leases

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

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

- the term of the lease compared with the useful life of the asset,
- total 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 favorable to the lessee,
- the specific nature of the asset leased.

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

3.16.2 Operating leases

Operating leases are lease contracts that are not classified as finance leases. Rental payments are recorded as expenses when incurred.

3.17 Impairment of assets

3.17.1 Type of asset tested

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

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

3.17.1.1 Goodwill

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

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

3.17.1.2 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 an asset may be impaired.

3.17.2 Impairment tests – methods used by the Group

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

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

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

Regarding goodwill, the Group calculates recoverable amounts of cash-generating units from their value in use. This is determined by discounting their estimated future cash flows to present value. These cash flow estimates are based on short-term and medium-term estimates as well as longer-term forecasts made for each operating segment (*i.e.* Specialty Care and Primary Care) 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 weighted average cost of capital of the Primary Care and Specialty Care operating segments, except in specific cases when additional risk premiums are taken into account based on the asset tested.

When it is not possible to estimate the recoverable amount of a particular fixed asset, the Group determines the recoverable amount of the cash-generating unit that holds it.

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 2016 are presented for intangible assets of unlimited useful life and goodwill in notes 13 and 12 respectively.

3.18 Government grants

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

3.19 Financial assets

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

- financial assets 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.

3.19.1 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 on the income statement.

Assets in this category are designated as current assets.

3.19.2 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 12 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 on the income statement.

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

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

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

3.19.3 Available-for-sale financial assets

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

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

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

Exchange differences on monetary assets denominated in foreign currencies are recognized in the income statement. Exchange differences on non-monetary assets denominated in foreign currencies are recognized directly in equity.

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

3.19.4 Determination of fair value

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

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

If it is not possible to reasonably estimate the fair value of an asset, it is measured at cost. These assets are tested for impairment to determine their recoverable amount.

3.20 Non-current assets held for sale and discontinued operations

A non-current asset, or group of assets and liabilities, is classified as held for sale if its carrying value will be recovered principally through a sale transaction rather than through continuing use. The asset 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 principal and distinct business line or geographic region,
- is part of a specific and coordinated plan for disposal of a principal and distinct business line or geographic region, or
- is a subsidiary acquired exclusively for resale.

3.21. Inventories

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

Net realizable value is the estimated selling price less the estimated costs necessary to make the sale.

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

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

3.22 Securities held for sale

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

3.23 Cash and cash equivalents

Cash includes cash on hand and demand deposits with banks.

Cash equivalents include short-term, highly liquid investments (with a maturity of less than three months) and which are subject to an insignificant risk of changes in value in the event of interest rate variations. Mutual funds, UCITS and term deposits therefore meet the definition of cash equivalents. Cash equivalents are classified as financial assets at fair value held for transactions. They are measured at fair value and any changes are recognized in the income statement. Given the nature of these assets, their fair value is generally close to their net carrying value.

3.24 Stock options plans

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

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

3.25 Retirement benefit obligations

3.25.1 Post-employment benefits

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

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

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

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

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

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

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

3.25.2 Other employee benefits

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

3.26 Provisions

Provisions are recognized in accordance with IAS 37 to cover all liabilities to third parties likely or certain to give rise to an outflow of resources embodying economic benefits, provided the amount of the provision can be reliably estimated. These provisions are estimated on the basis of the most likely assumptions at the closing date.

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

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

3.27 Financial liabilities

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

3.28 Derivative financial instruments

As part of its overall strategy for managing foreign exchange risks, the Group completed a number of transactions involving the use of derivative financial instruments. The Group uses derivative instruments designated as cash flow hedging instruments.

The Group buys and sells derivative financial instruments with a view to managing and reducing its exposure to the risk of exchange rate fluctuations. The Group deals only with first-class financial institutions. Under IAS 39, financial instruments may only be classified as hedges when the Group can demonstrate and document the effectiveness of the hedging relationship at inception and throughout the life of the hedge.

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

A cash flow hedge is a hedge of the exposure to cash flow fluctuations, which stem from a particular risk associated with

a recognized asset or liability, or a highly probable forecast transaction, and which could affect profit or loss. Changes in the fair value of the hedging instrument are recognized directly in equity in the consolidated statement of comprehensive income for the effective portion of the hedging relationship. For the ineffective portion, changes in the fair value of hedging instruments are recognized in "Other financial income and expense" on the income statement.

Aggregate changes in the fair value of the hedging instrument that were previously recognized in equity are recycled into the income statement in the same period(s) in which the hedged transaction affects profit or loss. The recycled gains and losses are recognized in "other operating income and expenses" for hedges related to operating activities and in "financial income" or "financial expense" for hedges related to investing or financing activities. When the hedging instrument expires, the aggregate gains or losses previously recognized in equity remain in equity and are recycled into the income statement only after the forecast transaction has been effectively completed. However, when the Group no longer expects the forecast transaction to be completed, aggregate gains and losses previously recognized in equity are immediately recognized in the income statement.

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

3.29 Sales

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

Sales are recognized when all the following conditions are met:

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

Sales of goods are recognized when the risks and rewards of ownership have passed to the buyer. Sales of goods are valued at the fair value of the counterparty amount received or to be received. 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 sale of the goods and are classified as a deduction from consolidated sales.

3.30 Other revenues

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

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

Upfront payments 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 based on the goods or services delivered to the other contracting party.

3.31 Cost of sales

Cost of sales primarily includes the industrial cost of goods sold and royalties paid under licenses. The industrial cost of goods sold encompasses the cost of the raw materials consumed, including freight-in costs, direct and indirect costs for production services personnel, manufacturing-related depreciation, all types of external costs related to manufacturing activities, such as 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.

3.32 Research and development

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

3.32.1 Internal research and development work

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

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

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

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

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

assets" on the asset side of the balance sheet, as soon as they are incurred.

3.32.2 Research and development acquired separately

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

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

3.32.3 Research and development acquired in a business combination

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

3.32.4 Research tax credits

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

3.33 Other operating income and expenses

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

3.34 Taxes

Deferred taxes are recorded on all temporary differences between the carrying value and tax base of assets and liabilities, and on tax loss carryforwards.

The main temporary differences in the Group's consolidated financial statements stem from tax loss carryforwards, restatements to eliminate internal margins on inventory and provisions for retirement benefits.

Deferred tax assets are recognized for deductible temporary differences only when it is probable that taxable profits will be available against which the deferred tax asset can be utilized.

Deferred tax assets and liabilities are valued using the expected tax rate for the period in which the asset will be realized and the liability will be settled, on the basis of the tax rates enacted or virtually enacted at the balance sheet date. Deferred tax assets are subject to a recoverability analysis based on Group forecasts.

Deferred tax assets and liabilities are not discounted, in accordance with IAS 12 – Income taxes.

Amounts recognized in the consolidated financial statements are calculated at the level of each tax entity included in the consolidation scope.

The Group elected to recognize the CVAE business tax *(Cotisation sur la Valeur Ajoutée des Entreprises)* as income tax expense in the income statement. Accordingly, and in line with provisions of IAS 12, the total amount of current and deferred expenses related to the C.V.A.E. is presented on the "Income taxes" line.

3.35 Earnings per share

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

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

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

Note 4 Operating segments

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

All costs allocated to these two segments are presented in the key performance indicators. Only general and administrative expenses and the impact of cash flow hedges are not allocated to the two operating segments. Research and development costs are now allocated to the operating segments. Previously, they were unallocated.

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

The main accounting principles used for presenting segment information are described in note 3.10.

4.1 Core Operating Income by operating segment

(in millions of euros)	Primary Care	Specialty Care	Other (unallocated)	31 December 2016
Sales	311.6	1,273.0	–	1,584.6
Other revenues	51.5	35.0	–	86.5
Revenue	**363.1**	**1,308.0**	**–**	**1,671.1**
Core Operating Income	**99.6**	**415.0**	**(150.7)**	**363.9**

(in millions of euros)	Primary Care	Specialty Care	Other (unallocated)	31 December 2015 Restated
Sales	329.7	1,114.2		1,443.9
Other revenues	44.5	31.9	–	76.3
Revenue	**374.1**	**1,146.1**	**–**	**1,520.2**
Core operating income	**126.7**	**328.9**	**(127.9)**	**327.7**

In the 2016 financial year, unallocated Core Operating Income (expenses) came to (€150.7) million, compared with (€127.9) million in 2015. The expenses stemmed mainly from unallocated general and administrative expenses and the impact of cash flow hedges.

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

(in millions of euros)	31 December 2016	31 December 2015 Restated
Core Operating Income	**363.9**	**327.7**
Amortization of intangible assets, excluding software	(7.7)	(4.7)
Restructuring costs	(1.9)	(6.7)
Impairment losses	(42.9)	(64.6)
Other operating income and expenses	(6.8)	(7.7)
Operating Income	**304.7**	**244.0**

For informational purposes, the operating segment information published in 2015 is presented below:

(in millions of euros)	Primary Care	Specialty Care	Other (unallocated)	31 December 2015 Published
Sales	329.7	1,114.2	–	1,443.9
Other revenues	44.5	31.9	–	76.3
Revenue	**374.1**	**1,146.1**	**–**	**1,520.2**
Core Operating Income	**126.0**	**476.9**	**(280.4)**	**322.5**
Other operating income			2.0	2.0
Other operating expenses			(9.2)	(9.2)
Restructuring costs			(6.7)	(6.7)
Impairment losses			(64.6)	(64.6)
Operating Income	**126.0**	**476.9**	**(358.9)**	**244.0**

In the 2015 financial year, published, unallocated Core Operating Income (expenses) came to (€280.4) million. These expenses consisted mainly of the Group's research and development costs, which totaled €189.4 million, and unallocated general and administrative expenses.

4.2 Sales by geographical region

(in millions of euros)	31 December 2016		31 December 2015	
	Amounts	% share	Amounts	% share
Major Western European countries	571.9	36%	543.8	38%
Rest of Europe	349.2	22%	321.4	22%
North America	273.0	17%	157.9	11%
Rest of the World	390.5	25%	420.8	29%
Consolidated sales	**1,584.6**	**100%**	**1,443.9**	**100%**

4.3 Sales by therapeutic area and product

(in millions of euros)	31 December 2016	31 December 2015
Oncology	904.9	752.8
of which Somatuline®	*538.3*	*401.6*
of which Decapeptyl®	*339.8*	*334.0*
of which Hexvix®	*18.3*	*17.2*
Neurosciences	286.7	280.7
of which Dysport®	*284.7*	*279.5*
Endocrinology	81.5	80.7
of which NutropinAq®	*57.7*	*60.3*
of which Increlex®	*23.7*	*20.4*
Specialty Care	**1,273.0**	**1,114.2**
Gastroenterology	219.1	227.2
of which Smecta®	*111.0*	*114.8*
of which Forlax®	*39.3*	*39.7*
Cognitive disorders	43.6	52.0
of which Tanakan®	*43.6*	*52.0*
Other pharmaceutical products	23.5	26.2
Drug-related sales	25.5	24.3
Primary Care	**311.6**	**329.7**
Consolidated sales	**1,584.6**	**1,443.9**

4.4 Other revenues

(in millions of euros)	31 December 2016	31 December 2015
Royalties received	44.0	41.5
Milestone payments – Licenses	28.4	28.5
Other (co-promotion revenues, re-billings)	14.2	6.3
Other revenues	**86.5**	**76.3**

Other revenues for the financial year 2016 totaled €86.5 million, up 13.4% *versus* €76.3 million generated in 2015. This change was attributable to higher royalties received from Group partners (mainly Galderma for Dysport® and Menarini for Adenuric®), the new distribution model for Etiasa® in China, partially offset by the recognition in 2015 of an upfront payment of €3.4 million received from the sale of Ginkor Fort® licensing rights to Tonipharm.

4.5 Other information

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

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

(in millions of euros)	31 December 2015			Total
	Primary Care	Specialty Care	Other (unallocated)	
Acquisition of property, plant & equipment	(10.7)	(37.2)	(2.1)	(50.0)
Acquisition of intangible assets	(0.8)	(15.7)	(8.7)	(25.2)
Total investments	**(11.4)**	**(52.9)**	**(10.8)**	**(75.1)**
Net depreciation, amortization and provisions (excluding financial assets)	(8.7)	(31.7)	(4.7)	(45.1)
Share-based payment expenses with no impact on cash flow	–	–	(4.0)	(4.0)

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

Note 5 Personnel

5.1 Headcount

At the end of 2016, the Group's headcount totaled 4,907 employees, compared with 4,635 at the end of 2015.

The average headcount for the 2016 financial year was 4,816, compared with 4,592 in 2015.

5.2 Employee expenses

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

(in millions of euros)	31 December 2016	31 December 2015
Wages and salaries	(367.7)	(343.1)
Employer's social security contributions and payroll taxes	(119.0)	(123.6)
Sub-total	**(486.7)**	**(466.7)**
Interest on employee benefits (note 5.3.2.3)	**(0.4)**	**(5.4)**
Annual accounting expenses associated with share-based payments (note 5.4)	(5.5)	(3.9)
Social security contributions on share-based payments	(0.1)	(0.1)
Share-based payment expenses sub-total	**(5.6)**	**(4.0)**
Employee profit-sharing	**(10.3)**	**(7.9)**
Total	**(503.1)**	**(483.9)**

In 2016, the average rate of employer's social security contributions and payroll taxes amounted to 32.3% of gross payroll, *versus* 36.0% in 2015.

The Group's French companies have a derogatory employee profit-sharing agreement. Employees may invest their entitlement in either an interest-bearing savings account within the company or in a company savings plan invested in collective investment funds managed by a financial institution.

In 2016, a three-year incentive agreement was set up in France to supplement the above-mentioned agreement. Based on an assessment of the expected fulfillment of the objectives of this incentive agreement, the impact recorded in the consolidated financial statements at 31 December 2016 came to 5.5% of gross payroll. That percentage compares to the 3.8% recorded at 31 December 2015.

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

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

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

5.3.1.2 Other long-term benefits

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

5.3.2 Measurement and recognition of liabilities

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

Discount rates are determined by reference to a market rate based on bonds issued by first class issuers. The main benchmark index used is the iBoxx Corporate AA for the Eurozone and the United Kingdom.

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

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

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

Unfunded liabilities and plan deficits are recognized in the balance sheet under "Retirement benefit obligation".

5.3.2.1 Assumptions used

The main actuarial assumptions applied as at 31 December 2016 are as follows:

	Europe (excluding UK)	United Kingdom	Asia-Oceania
Discount rate	1.3%	2.6%	2.3%
Inflation rate	1.8%	2.4%	N/A
Rate of increase in salaries, net of inflation	Varies by SSC	0.6%	5.6%
Rate of increase in pensions	1.7%	2.4%	N/A

A 1.0% increase in the discount rate would lead to decreases in employee benefit obligations of 10.9% in France, 22.3% in Ireland, 21.4% in the UK, and 13.4% in Asia-Oceania.

5.3.2.2 Reconciliation of balance sheet assets and liabilities

(in millions of euros)	31 December 2016			31 December 2015
	Post-employment benefits	Other long-term benefits	Total	Total
Breakdown of net balance sheet amount				
Present value of liabilities	105.4	4.9	110.3	102.6
Fair value of plan assets	51.9	–	51.9	51.4
Net liabilities (a)	**53.5**	**4.9**	**58.4**	**51.2**
Effect of asset ceiling (b)	–	–	–	–
Net liability (a – b)	**53.5**	**4.9**	**58.4**	**51.2**

5.3.2.3 Reconciliation of income statement expenses

(in millions of euros)	31 December 2016			31 December 2015
	Post-employment benefits	Other long-term benefits	Total	Total
Current service costs	5.6	0.4	6.0	7.8
Contributions by plan participants	(0.1)	–	(0.1)	(0.2)
Interest expense on obligations	2.2	0.1	2.3	2.5
Interest income on plan assets	(1.2)	–	(1.2)	(1.1)
Past service costs (plan amendments and curtailments)	(5.6)	–	(5.6)	(1.9)
Actuarial (gains) and loses recognized as expense	–	0.2	0.2	(0.3)
Total	**0.9**	**0.6**	**1.5**	**6.7**
– of which – Operating expenses	(0.1)	0.6	0.4	5.4
– of which – Interest expense	1.0	0.1	1.1	1.3

In 2016, past service costs included:

- a €2.4 million gain generated from closing the defined benefit plan in the U.K. to new entrants and by freezing future rights for beneficiaries;
- a €3.2 million gain from management retirement benefits resulting from the change in corporate governance.

5.3.2.4 Movements in net liability recognized in the balance sheet

(in millions of euros)	31 December 2016			31 December 2015
	Post-employment benefits	Other long-term benefits	Total	Total
Opening net liability	**46.8**	**4.4**	**51.2**	**59.6**
Changes in consolidation scope	–	–	–	(0.0)
Charge for the year (note 5.3.2.3)	0.9	0.6	1.5	6.7
Actuarial gains and (losses) recognized in other comprehensive income	7.8	–	7.8	(13.2)
Employer's contributions to plan assets	(1.3)	–	(1.3)	(1.5)
Benefits paid from internal reserve	(0.5)	(0.2)	(0.7)	(0.9)
Exchange differences	(0.3)	–	(0.3)	0.5
Closing net liability	**53.5**	**4.9**	**58.4**	**51.2**

5.3.2.5 Movements in defined benefit plan obligations

(in millions of euros)	31 December 2016			31 December 2015
	Post-employment benefits	Other long-term benefits	Total	Total
Opening balance	**98.2**	**4.4**	**102.6**	**107.0**
Changes in consolidation scope	–	–	–	(0.0)
Current service costs	5.6	0.4	6.0	7.8
Interest expense on obligations	2.2	0.1	2.3	2.5
Past service costs (plan amendments and curtailments)	(5.6)	–	(5.6)	(1.9)
Benefits paid from plan assets	(1.2)	–	(1.2)	(1.2)
Benefits paid from internal reserve	(0.5)	(0.2)	(0.7)	(0.9)
Actuarial (Gains) and losses – experience adjustments	(6.6)	0.1	(6.5)	(6.2)
Actuarial (Gains) and losses – changes to discount rate	11.7	0.1	11.8	(0.8)
Actuarial (Gains) and losses – changes to other assumptions	3.9	(0.1)	3.8	(4.9)
Exchange differences	(2.3)	–	(2.3)	1.4
Closing balance	**105.4**	**4.9**	**110.3**	**102.6**

At 31 December 2016, defined benefit plan obligations broke down primarily among France 57.4%, the UK 17.7%, and Ireland 19.5%.

5.3.2.6 Movements in plan assets

(in millions of euros)	31 December 2016			31 December 2015
	Post-employment benefits	Other long-term benefits	Total	Total
Opening balance	**51.4**	**–**	**51.4**	**47.3**
Interest income on plan assets	1.2	–	1.2	1.1
Benefits paid from plan assets	(1.2)	–	(1.2)	(1.2)
Employee contributions to plan assets	0.1	–	0.1	0.2
Employer's contributions to plan assets	1.3	–	1.3	1.5
Actuarial gains and (losses)	1.1	–	1.1	1.6
Exchange differences	(2.0)	–	(2.0)	0.9
Closing balance	**51.9**	**–**	**51.9**	**51.4**

At 31 December 2016, plan assets broke down primarily among France 45.1%, the UK 28.0%, and Ireland 26.4%.

5.3.2.7 Allocation of plan assets

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

(1) Property, cash and other.

(in millions of euros)	31 December 2015			
	Equities	Bonds	Other[1]	Total
Europe (excluding UK)	9.3	22.1	5.7	37.0
United Kingdom	9.3	4.6	0.3	14.2
Asia-Oceania	0.2	0.0	–	0.2
Total (in thousands of euros)	**18.7**	**26.7**	**6.0**	**51.4**
Total (as a percentage)	**36%**	**52%**	**12%**	**100%**

(1) Property, cash and other.

5.3.2.8 Future probable plan benefits

(in millions of euros)	Post-employment benefits	Other long-term benefits	Total
2017	1.7	0.5	2.1
2018	0.6	0.5	1.0
2019	1.0	0.6	1.6
2020	8.8	0.7	9.4
2021	5.0	0.6	5.7
2022-2026	46.6	2.7	49.3

5.4 Share-based payments

Since 2005, Ipsen has granted various bonus share option, bonus share and stock appreciation rights plans within the scope of IFRS 2, with the most recent plans still vesting at 31 December 2016.

The annual charge for all share-based payments can be broken down as follows:

(in millions of euros)	31 December 2016	31 December 2015
Share option plans granted by Ipsen (note 5.4.1.2)	–	0,2
Bonus shares (note 5.4.2.2)	5.5	3.7
Total	**5.5**	**3.9**

5.4.1 Share option plans granted by Ipsen

5.4.1.1 Details of share option plans

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

(*) 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.

5.4.1.2 Valuation of plans

(in millions of euros)	Other plans prior to 2010	Plan dated 31 March 2010	Plan dated 30 June 2011	Total
Opening valuation of active plans at 31 December 2016	21.6	3.8	1.5	26.9
2016 expense	–	–	–	–
2015 expense	–	–	0.2	0.2

5.4.1.3 Change in number of options outstanding

Changes in the number of outstanding options under all plans are as follows:

(in number of options)	31 December 2016	31 December 2015
Opening balance	**1,142,157**	**1,516,826**
Options exercised	(393,886)	(367,419)
Options cancelled	–	(7,250)
Options expired	(3,500)	–
Closing balance	**744,771**	**1,142,157**

5.4.2 Bonus share plans

Since 2005, various Boards of Directors have been awarded bonus shares contingent upon the Group's achievement of certain performance conditions for certain plans.

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

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

On 1 April 2015, the Board of Directors granted:

- 12,588 bonus shares to the Chairman and Chief Executive Officer, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 10,070 bonus shares to the Deputy Chief Executive Officer, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 30,363 bonus shares to members of the Executive Committee, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 39,970 bonus shares to beneficiaries of its American subsidiaries, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 69,056 bonus shares to certain beneficiaries of other Group subsidiaries. subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity.

5.4.2.1 Details of Ipsen bonus share plans

Tranches	Plan dated 30 March 2012					Plan dated 28 March 2013				
	1.1	1.2	1.3	1.4	1.5	1.1	1.2	1.3	1.4	1.5
Number of bonus shares	84,685	73,649	19,416	11,200 (*)	35,645	79,859	78,485	21,791	9,540	34,329
Vesting period (in years)	2	2	2	4	2	2	2	4	4	2
Value of shares on date granted, before reduction	€20.50	€20.50	€20.50	€20.50	€20.50	€27.91	€27.91	€27.91	€27.91	€27.91
Fair value of bonus shares	**€17.75**	**€17.75**	**€17.75**	**€19.31**	**€17.75**	**€23.47**	**€23.47**	**€26.28**	**€26.28**	**€23.47**

Tranches	Plan dated 27 March 2014				Plan dated 1 April 2015				Plan dated 1 June 2016			
	1.1	1.2	1.3	1.4	1.1	1.2	1.3	1.4	1.1	1.2	1.3	1.4
Number of bonus shares	65,018	56,062	19,405	21,685	53,021	47,572	21,484	39,970	64,019	72,208	41,336	64,727
Vesting period (in years)	2	2	4	2	2	2	4	2	2	2	4	2
Value of shares on date granted, before reduction	€29.75	€29.75	€29.75	€29.75	€44.99	€44.99	€44.99	€44.99	€56.69	€56.69	€56.69	€56.69
Fair value of bonus shares	**€20.01**	**€20.01**	**€21.74**	**€20.01**	**€31.10**	**€31.10**	**€31.24**	**€31.24**	**€47.73**	**€47.73**	**€49.04**	**€47.73**

(*) Bonus shares free of any performance conditions specific to the Group or the stock market.
1.1 Beneficiaries include the Chairman and Chief Executive Officer, the non-executive Chairman, the Deputy CEO, the Chief Executive Officer, Executive Committee members, and Executive Leadership Team members.
1.2 Beneficiaries from the Group's French subsidiaries.
1.3 Beneficiaries outside the Group's French and American subsidiaries.
1.4 Beneficiaries from the Group's American subsidiaries.

5.4.2.2 Valuation of Ipsen bonus share plans

(in millions of euros)	Plan dated 30 June 2011	Plan dated 30 March 2012	Plan dated 28 March 2013	Plan dated 27 March 2014	Plan dated 1 April 2015	Plan dated 1 June 2016	Total
Opening valuation	**3.6**	**4.0**	**5.3**	**3.1**	**4.4**	**10.5**	**31.0**
2016 expense	–	0.0	0.2	0.4	1.8	3.1	5.5
2015 expense	0.1	0.0	0.7	1.4	1.5	–	3.7

Note 6 Depreciation, amortization, provisions and impairment losses

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

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

(in millions of euros)	31 December 2016	31 December 2015
Operating – excluding current assets	(38.2)	(45.1)
Financial	(1.1)	(1.4)
Tax	0.1	2.8
Depreciation and amortization before impairment and excluding current assets	**(39.1)**	**(43.7)**
Impairment losses included in operating income (note 6.2)	(42.9)	(64.6)
Impairment losses	**(42.9)**	**(64.6)**

6.2 Impairment losses

6.2.1 2016 financial year

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

- All the intangible assets related to a radiopharmaceutical product for diagnosing neuroendocrine tumors developed by OctreoPharm GmbH were written down. The €28.9 million impairment loss included a write-down of €31.8 million on the Ga-Satoreotide intangible asset (see note 13) that was partially offset by a €2.9 million revaluation of the financial liabilities related to the asset's probability measured and discounted future payments;
- The MCNA intangible asset, an exclusive license for MCNA acquired from Telesta Therapeutics, was written down in the amount of €8 million (see note 13);
- The option to acquire 100% of the shares in Canbex Therapeutics was written down in the amount of €5.4 million (see note 17).

6.2.2 2015 financial year

In 2015, the Group recorded a €57.0 million impairment loss after writing down all intangible assets related to the tasquinimod program, as well as a €7.6 million impairment loss resulting from the write-down in full of an Ipsen BioInnovation Ltd. intangible asset already partially written down in 2014.

Note 7 Other operating income and expenses

In 2016, other operating expenses totaled €21.6 million, compared with other operating expenses of €11.3 million in 2015.

The increase stemmed primarily from the impact of cash flow hedges, the change in corporate governance, costs related to moving R&D in the UK to the new site in Oxford, and amortization expense for cabozantinib-related intangible assets initiated with beginning sales.

In 2015, other operating expenses included €6.6 million recognized following the discontinuation of the tasquinimod studies for prostate cancer.

Note 8 Restructuring costs

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

Note 9 Net financial income

(in millions of euros)	31 December 2016	31 December 2015
Proceeds from sales of short-term investments	0.0	0.3
Total income from loans and receivables	0.9	0.4
Investment income	**0.9**	**0.7**
Interest on debt	(4.6)	(1.2)
Interest on employee profit-sharing fund	(0.1)	(0.2)
Total expenses on financial liabilities measured at amortized cost	**(4.7)**	**(1.3)**
Financial expense on derivative instruments	(1.1)	(2.3)
Total expenses on financial assets held for trading	**(1.1)**	**(2.3)**
Financing costs	**(5.8)**	**(3.6)**
NET FINANCING COSTS	**(5.0)**	**(2.9)**
Other exchange differences	(0.7)	(2.6)
Income and expenses on financial assets and liabilities at fair value	**(0.7)**	**(2.6)**
Impairment of investments in non-consolidated companies	(0.0)	(0.1)
Income and expenses on available-for-sale financial assets	**(0.0)**	**(0.1)**
Financial income on employee benefits (note 5.3.2.3)	1.2	1.1
Interest on employee benefits (note 5.3.2.3)	(2.3)	(2.5)
Other financial elements	(0.1)	(0.5)
OTHER FINANCIAL INCOME AND EXPENSE	**(1.6)**	**(3.6)**
FINANCIAL INCOME (EXPENSE)	**(6.6)**	**(6.4)**
Of which total financial income	*64.2*	*56.8*
Of which total financial expense	*(70.8)*	*(63.3)*

In 2016, the Group had net financial expense of €6.6 million, *versus* net financial expense of €6.4 million in 2015.

- **Net financing costs** totaled €5.0 million in 2016, compared with €2.9 million in 2015, impacted by the interest on the €300 million bond issued by the Group in June 2016;
- In 2016, **other financial expense** amounted to €1.6 million, *versus* other financial expense of €3.6 million in 2015. In addition to the impact of foreign exchange fluctuations in 2016, Ipsen received €5.3 million in dividends from Rhythm Holding following the disposal of its Motus Therapeutics subsidiary to Allergan, and €2.4 million from an earnout payment on the sale of Spirogen shares and dividends from the InnoBio fund. In 2015, the Group received a final €4.9 million earnout payment stemming from the sale of PregLem shares.

Note 10 Income taxes

10.1 Tax expense

10.1.1 Effective tax rate

(in millions of euros)	31 December 2016	31 December 2015
Net profit (loss) from continuing operations	226.5	190.2
Share of net profit (loss) from companies accounted for using the equity method	1.9	2.5
Net profit from continuing operations before share of results from companies accounted for using the equity method	**224.5**	**187.8**
Current tax	(65.4)	(48.6)
Deferred tax	(8.1)	(1.2)
Income taxes	(73.5)	(49.8)
Pre-tax profit from continuing operations before share of results from companies accounted for using the equity method	**298.1**	**237.6**
Effective tax rate	**24.7%**	**21.0%**

In 2016, income tax expense of €73.5 million resulted in an effective tax rate of 24.7% on pre-tax profit from continuing operations, excluding the share of profit (loss) from companies accounted for using the equity method. That compares with an effective rate of 21.0% in 2015.

The higher effective tax rate arose notably from non-recurring events in the previous year that were favorable to the effective tax rate in 2015, such as the tax-deductibility of writing off tasquinimod intangible assets and applying the Steria case court ruling, which effectively exempts all taxes on dividends paid to a French parent company by its subsidiaries within the European Union.

10.1.2 Reconciliation between the effective and nominal tax expense

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

(in millions of euros)	31 December 2016	31 December 2015
Pre-tax profit from continuing operations before share of results from companies accounted for using the equity method	298.1	237.6
Group tax rate	34.43%	34.43%
Nominal tax expense	**(102.6)**	**(81.8)**
(Increase)/decrease in tax expense arising from:		
– Tax credits	10.5	9.3
– Non-recognition of tax impact on certain losses during the year	(1.8)	(8.6)
– Utilization of tax losses not recognized as deferred tax assets	0.1	0.2
– Recognition of deferred tax assets	0.2	1.6
– Other permanent differences[1]	20.2	29.6
Effective tax expense	**(73.5)**	**(49.8)**

(1) Other permanent differences in 2016 included:
- €18.9 million stemming from differences in tax rates applied to foreign subsidiaries,
- €8.2 million arising from the reduced tax rate on royalties in France,
- A €7.0 million loss stemming from other permanent differences, notably the recognition of France's CVAE business tax *(Cotisation sur la Valeur Ajoutée des Entreprises)* as income tax for €4.6 million, and the €2.4 million tax charge on dividend payouts in France.

10.2 Deferred tax assets and liabilities

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

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

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

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

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

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

At 31 December 2016, the Group recognized €141.5 million in deferred tax assets on tax loss carryforwards, *versus* €163.9 million a year earlier (see note 10.3). These were mainly tax loss carryforwards in the United States, where the time frame for using them is near expiration. Deferred tax assets are recognized based on results forecasts for each tax consolidation group. These forecasts are in line with Ipsen's medium and long-term plans and take into account the time frames notably in relation to the duration of the tax loss carryforwards and the specific situation of each tax consolidation group.

Changes in deferred tax assets and liabilities in 2015 can be broken down as follows:

(in millions of euros)	31 December 2014	Movements during the year						31 December 2015
		Income statement income / expense	Deferred taxes recorded directly to reserves	SoRie	Changes in consolidation scope	Foreign exchange differences	Other movements	
Deferred tax assets	204.6	3.1	–	(4.0)	–	16.5	(2.5)	217.7
Deferred tax liabilities	(5.6)	(4.5)	(3.9)	–	(11.5)	(0.2)	2.5	(23.1)
Net assets / (liabilities)	**199.0**	**(1.4)**	**(3.9)**	**(4.0)**	**(11.5)**	**16.4**	**(0.0)**	**194.6**

The €1.4 million decrease recognized in "Income statement income / expense" includes the use of €2.1 million in French tax losses.

At 31 December 2015, unrecognized deferred tax assets amounted to €73.9 million. That amount corresponds primarily to the Group's unused R&D tax credits and tax loss carryforwards not carried forward at 31 December 2015. They were not recognized because the companies concerned were unable to determine whether the tax assets could be used based on their earnings forecasts.

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

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

(in millions of euros)	31 December 2014	Movements during the year					31 December 2015
		Income statement income / expense	Deferred taxes recorded directly to reserves	SoRie	Changes in consolidation scope	Foreign exchange differences	
Inventories	31.0	6.5	–	–	–	0.2	37.7
Tax loss carryforwards	151.5	(3.9)	–	–	–	16.2	163.9
Provision for retirement and other benefits	16.1	1.6	–	(4.0)	–	(0.0)	13.6
Other	0.3	(5.6)	(3.9)	–	(11.5)	(0.1)	(20.7)
Net assets / (liabilities)	**199.0**	**(1.4)**	**(3.9)**	**(4.0)**	**(11.5)**	**16.4**	**194.6**

The €11.5 million in net liabilities from changes in the scope of consolidation corresponds to OctreoPharm's GmbH entry into the scope of consolidation during the 2015 financial year.

Note 11 Net profit (loss) from discontinued operations

In 2016, net profit from discontinued operations totaled €0.1 million, compared to €0.5 million in net profit from discontinued operations in 2015. The net profit from discontinued operations arose from agreements to sell Inspiration assets in 2013, and corresponds to the rebilling of production costs for OBI-1 clinical samples as well as royalties from the sales of that product received from Baxalta, a company spun off from Baxter International.

Note 12 Goodwill

12.1 Net goodwill carried in the balance sheet

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

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

Gross goodwill shown on the balance sheet at 31 December 2016 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, followed by €53.5 million arising on the acquisition of BB et Cie;
- €8.6 million arising on the 2004 acquisition of Sterix Ltd, which was fully amortized at the time of the business combination;
- €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. (now Ipsen Biopharmaceuticals Inc.) on

16 October 2008. These transactions generated residual net goodwill in the amount of €138.3 million;

- €31.3 million arising on the acquisition of Ipsen BioInnovation Ltd on 12 July 2013. This transaction generated residual net goodwill of €16.1 million;
- the acquisition of OctreoPharm GmbH in 2015. This transaction generated goodwill of €13.8 million.

Changes in goodwill in 2015 can be broken down as follows:

(in millions of euros)	31 December 2014	Movements during the year				31 December 2015
		Increase	Changes in consolidation scope	Decrease	Foreign exchange differences	
Gross goodwill	333.7	–	13.8	–	15.8	363.2
Impairment losses	(9.3)	–	–	–	(0.7)	(10.0)
Net goodwill	**324.4**	**–**	**13.8**	**–**	**15.1**	**353.3**

12.2 Impairment of goodwill

For impairment testing purposes, goodwill is allocated to the cash-generating units defined by the Group. The cash-generating units identified for the allocation and performance of goodwill-related impairment tests correspond to the operating segments. The Group's two operating segments are Specialty Care and Primary Care. Accordingly, goodwill is allocated in line with the Group's organization:

- goodwill totaling €135.3 million related to the Group's 1998 structuring operations was allocated to the Specialty Care and Primary Care segments, in proportion to the sales generated;
- the €53.5 million in goodwill arising from the end of the Group's 2004 structuring operation, with the acquisition of BB et Cie, was allocated in full to the Primary Care business;
- the goodwill related to the acquisition of Vernalis Inc. and Ipsen Biopharmaceuticals Inc. in the second half of 2008, as well as the goodwill related to the acquisition of Ipsen BioInnovation Ltd in 2013, and goodwill arising from the acquisition of OctreoPharm GmbH in 2015, were allocated to the Specialty Care operating segment.

The recoverable value of the respective cash-generating units corresponds to the value in use based on discounting the related estimated future cash flows. These cash flows are based on short-term, medium-term and long-term estimates (such as forecasts, annual budgets, five-year strategic plans, and long-term plans specific to product life cycles) for the identified operating segments, *i.e.* Specialty Care and Primary Care.

At 31 December 2016 and 31 December 2015, no impairment losses related to goodwill were recorded. The previously recorded impairment loss concerned solely the goodwill arising from the acquisition of Sterix Ltd.

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

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

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

A change in the discount rate for the "Specialty Care" cash-generating unit, representing a key assumption in these estimates, to more than three times its present value would result in a carrying value equal to the value in use.

A decrease in sales for the "Specialty Care" cash-generating unit, representing a key assumption in these estimates, of more than 18% of its present value would result in a carrying value equal to the value in use.

A change in the discount rate for the "Primary Care" cash-generating unit, representing a key assumption in these estimates, to more than four times its present value would result in a carrying value equal to the value in use.

A decrease in sales for the "Primary Care" cash-generating unit, representing a key assumption in these estimates, of more than 10% of its present value would result in a carrying value equal to the value in use.

Note 13 Other intangible assets

13.1 Movements

Movements in 2016 can be broken down as follows:

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

The increase in net assets arose mainly from the following:

- the €266.4 million acquisition of exclusive commercialization rights for cabozantinib from Exelixis, including an upfront payment and additional milestone payments;
- a €5.1 million regulatory milestone payment made to Lexicon;
- the €5.0 million acquisition from 3B Pharmaceuticals GmbH of an exclusive license for new radiopharmaceutical products in oncology; and
- information technology investments.

It also included:

- a €31.8 million impairment loss on the Ga-Satoreotide asset, an OctreoPharm GmbH product; and
- an €8.0 million impairment loss on the MCNA asset acquired from Telesta Therapeutics.

The decrease in the "Intellectual property" item resulted from derecognizing the MCNA asset and the corresponding impairment loss (see notes 1.5 and 6), following the termination of the partnership contract with Telesta Therapeutics on 31 July 2016, as well as the derecognition of €13.2 million in fully amortized Santhera intangible assets, following the termination of an agreement between the two partners to develop fipamezole.

At 31 December 2016, amortization expense for intangible assets came to €7.7 million, excluding €10.3 million in amortization expense related to software.

Movements in 2015 can be broken down as follows:

(in millions of euros)	31 December 2014	Movements during the year					31 December 2015
		Increase	Decrease	Changes in consolidation scope	Foreign exchange differences	Other movements	
Intellectual property	503.2	19.2	(57.4)	41.3	27.5	5.7	539.4
Intangible assets in progress	6.8	6.0	–	–	0.1	(5.0)	7.9
Gross assets	**510.0**	**25.2**	**(57.4)**	**41.3**	**27.6**	**0.7**	**547.3**
Depreciation	(155.5)	(13.7)	0.4	0.0	(8.5)	(8.4)	(185.8)
Impairment losses	(193.6)	(64.6)	57.0	–	(17.1)	8.2	(210.1)
Net assets	**160.9**	**(53.1)**	**(0.1)**	**41.3**	**2.0**	**0.4**	**151.5**

The increase in the "Intellectual property" item was due mainly to:

- the recognition of €9.0 million payment related to the partnership with Telesta Therapeutics as part of an exclusive licensing agreement for MCNA in the treatment of non-muscle invasive bladder cancer for all main world territories, except the United States;
- Ipsen's acquisition of intellectual property control over Galderma's liquid toxin in certain key regions of the Asia-Pacific (APAC) region, in exchange for a payment of €4.6 million;

- an additional payment as part of the partnership with Lexicon; and
- information technology investments.

Movements in the scope of consolidation relate to the allocation of the purchase price of OctreoPharm GmbH.

At 31 December 2015, amortization expense for intangible assets came to €4.7 million, excluding €9.0 million in amortization expense related to software. 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.

At 31 December 2015, the Group recorded a €57.0 million impairment loss after writing down all intangible assets related to the tasquinimod program, following a decision to discontinue clinical studies in prostate cancer. As a result, the tasquinimod-related gross assets as well as the corresponding impairment losses were derecognized. Further, at 31 December 2015, the Group recognized an €7.6 million impairment loss resulting from the write-down in full of an Ipsen BioInnovation Ltd. intangible asset, on top of the €8.0 million write-down recorded at 31 December 2014.

Movements in "Impairment losses" are detailed in notes 13.2 and 13.3.

13.2 Impairment tests of intangible assets with an indefinite useful life

13.2.1 2016 financial year

At 31 December 2016, the Group had intangible assets with a total net carrying value of €59.8 million.

The assets concerned rights acquired for proprietary oncology, endocrinology and neuroscience drugs that were in an advanced phase of development but had not yet been commercialized. As a result, the assets have not yet been amortized, in accordance with the Group's accounting principles (see note 3.32). For these intangible assets, the recoverable amount corresponds to the value in use based on estimated expected future cash flows.

13.2.2 2015 financial year

At 31 December 2015, the Group had one intangible asset with a net carrying value of €92.0 million.

At 31 December 2015, the Group recorded a €57.0 million impairment loss after writing down all tasquinimod-related intangible assets, following a joint decision by Active Biotech and Ipsen to discontinue clinical studies in prostate cancer. As a result, the tasquinimod-related gross assets as well as the corresponding impairment losses were derecognized.

Further, at 31 December 2015, the Group recognized a €7.6 million impairment loss resulting from the write-down in full of an Ipsen Bioinnovation Ltd. intangible asset.

13.3 Impairment tests of intangible assets with a definite useful life

13.3.1 2016 financial year

None of the impairment loss on the Increlex® active ingredient was reversed in the consolidated financial statements at 31 December 2016, while awaiting the FDA's approval of compliance at the manufacturer's production plant.

13.3.2 2015 financial year

Despite the release of a new batch of Increlex® announced by Ipsen in October 2015, and given the uncertainty surrounding the release of additional batches by the FDA and the longer-term supply of the product in the American market, none of the impairment loss on the Increlex® active ingredient was reversed in the consolidated financial statements at 31 December 2015.

13.4 Breakdown of intangible assets by asset type

(in millions of euros)	31 December 2016			31 December 2015		
	Gross value	Amortization & Impairment	Net value	Gross value	Amortization & Impairment	Net value
Brands and trademarks	21.2	(20.9)	0.4	21.2	(20.9)	0.4
Licenses	659.9	(318.0)	341.8	404.0	(288.7)	115.3
Patents	9.2	(9.2)	0.0	9.9	(9.9)	0.0
Know-how	10.1	(10.1)	0.0	10.1	(9.2)	1.0
Software	103.7	(75.9)	27.8	93.7	(66.9)	26.8
Other intangible assets	0.3	(0.2)	0.1	0.5	(0.3)	0.2
Intangible assets in progress	10.0	–	10.0	7.9	–	7.9
Total	**814.3**	**(434.2)**	**380.1**	**547.3**	**(395.9)**	**151.5**
Of which impairment losses		*(220.5)*			*(210.1)*	

In 2016, the net amount of intangible assets with an indefinite useful life came to €59.8 million, *versus* €92.0 million in 2015. These assets concerned acquired proprietary drug rights and were classified under "Licenses".

Note 14 Property, plant & equipment

14.1 Breakdown by asset type

Movements in 2016 can be broken down as follows:

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

In 2016, acquisitions of property, plant and equipment totaled €81.2 million, compared with €50.0 million in 2015. The increase resulted primarily from capital spending needed to boost production capacity at the Group's manufacturing sites in Ireland and France, and to build a new dedicated toxin-research and development center in the United Kingdom.

Movements in 2015 can be broken down as follows:

(in millions of euros)	31 December 2014	Movements during the year					31 December 2015
		Increase	Decrease	Changes in consolidation scope	Foreign exchange differences	Other movements	
Land	19.4	0.2	(0.0)	–	0.4	0.8	20.8
Buildings	204.2	2.5	(2.4)	–	3.1	21.2	228.6
Plant & equipment	246.4	4.6	(3.4)	–	6.7	12.0	266.2
Other assets	112.6	5.1	(1.9)	0.1	1.7	14.7	132.1
Assets in progress	121.5	37.6	–	–	6.4	(21.9)	143.6
Gross assets	**704.0**	**50.0**	**(7.8)**	**0.1**	**18.2**	**26.8**	**791.2**
Depreciation	(381.9)	(33.3)	7.1	(0.0)	(7.8)	(14.0)	(430.0)
Impairment losses	(12.5)	–	–	–	–	–	(12.5)
Depreciation & impairment losses	**(394.4)**	**(33.3)**	**7.1**	**(0.0)**	**(7.8)**	**(14.0)**	**(442.5)**
Net assets	**309.6**	**16.6**	**(0.7)**	**0.0**	**10.4**	**12.8**	**348.7**

Other movements included €11.0 million in gross value on buildings corresponding to the reclassification of indemnification paid to a US subsidiary by its lessor in 2014. The purpose of the indemnification was to finance the outfitting of the premises occupied by the subsidiary. Other movements also included €16.8 million in gross value (€2.6 million net) related to reclassifying the Sant-Feliu site assets in Spain as continuing operations. The assets were previously classified as "assets held for sale" for over 12 months.

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

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

(in millions of euros)	31 December 2016	31 December 2015
Euro	212.8	184.4
U.S. dollar	23.7	25.0
Pound sterling	133.0	129.1
Chinese Yuan renminbi	8.0	8.9
Other currencies	1.5	1.3
Total	**379.0**	**348.7**

Note 15 Equity investments

Movements in 2016 can be broken down as follows:

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

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

- a €9.5 million interest in Radius Health Inc. based on the company's unit share price of $38.03 at that date. In 2016, the decrease in the value of the Radius Health interest came to €5.0 million;
- a €7.3 million investment in the Innobio venture capital fund. In 2016, the decrease in the value of the Innobio investment amounted to €2.1 million;
- a €3.4 million interest in Pharnext, on which a €1.3 million provision was reversed in 2016.

Movements in 2015 can be broken down as follows:

(in millions of euros)	31 December 2014	Movements during the year				31 December 2015
		Acquisitions and increases	Disposals and decreases	Foreign exchange differences	Other movements	
Investments in non-consolidated companies	30.4	0.0	–	0.9	10.7	42.0
Write-downs & impairment losses	(15.4)	(0.3)	0.3	(0.9)	–	(16.4)
Net book value (available-for-sale financial assets)	**15.0**	**(0.3)**	**0.3**	**0.0**	**10.7**	**25.6**

Net equity investments classified as financial assets available for sale notably included the following equity investments at 31 December 2015:

- a €14.6 million interest in Radius Health Inc. based on the company's unit share price of $61.70 at that date. In 2015, the change in the value of the Radius Health interest amounted to €6.3 million;
- a €9.4 million investment in the Innobio venture capital fund. In 2015, the change in the value of the Innobio investment amounted to €4.4 million.

Note 16 Investments in companies accounted for using the equity method

At 31 December 2016, the Group owned a 50% interest in Linnea S.A., consolidated using the equity method.

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

At 31 December 2015, the value of Linnea shares on the Group's balance sheet totaled €15.9 million, with Linnea contributing €2.5 million to the Group's net profit. The company paid out €1.6 million in dividends in 2015.

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

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

(in millions of euros)	At 31 December 2015			
	Assets	Liabilities, excluding shareholder's equity	Sales	Net profit (loss) for the year
Linnea S.A.	42.0	10.3	42.0	4.9
Total	**42.0**	**10.3**	**42.0**	**4.9**

Note 17 Other non-current assets

(in millions of euros)	31 December 2016	31 December 2015
Liquidity agreement[1]	3.8	4.0
Deposits paid	2.9	4.7
Other financial assets[2]	0.0	6.8
Total other non-current assets (loans, receivables and other)	**6.7**	**15.5**

(1) Changes are due to the liquidity agreement with Natixis Bleichroeder, a subsidiary of Natixis, signed in February 2007 and automatically renewed thereafter. The liquidity agreement consists of cash, not treasury shares.
(2) The change stemmed primarily from the €5.4 million write-down of an option to acquire 100% of the shares in Canbex Therapeutics (see note 6).

Note 18 Detail of the change in working capital requirement

18.1 Movements

Movements in 2016 can be broken down as follows:

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

(1) Impairment losses on "WCR assets" were not reported due to their immaterial nature. The fair value of "WCR assets" corresponds to the value reported in the balance sheet (value at the transaction date and then tested for impairment on each reporting date).
(2) The carrying amount of items comprising "WCR liabilities" was deemed to be a reasonable estimation of fair value.

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

(in millions of euros)	Total	Trade receivables < 3 months	Trade receivables from 3 to 6 months	Trade receivables from 6 to 12 months	Trade receivables > 12 months
Trade receivables – gross value	**52.2**	34.5	6.3	6.2	5.2
Trade receivables – net value	**50.2**	34.3	6.3	6.0	3.6

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

Movements in 2015 can be broken down as follows:

(in millions of euros)	31 December 2014	Movements during the year						31 December 2015
		Change in w/cap related to operating activities	Change in w/cap related to investing activities	Change in w/cap related to financing activities	Changes in consolidation scope	Foreign exchange differences	Other movements	
Inventories (see note 18.2.1)	105.5	0.2	–	–	–	1.1	0.6	107.4
Trade receivables	243.5	63.8	–	–	–	(2.6)	6.4	311.0
Current tax assets	65.9	19.4	–	–	–	0.1	(2.6)	82.9
Other current assets (see note 18.2.3)	67.8	8.4	0.6	(0.5)	0.1	0.9	(1.6)	75.6
WCR assets[1]	**482.7**	**91.8**	**0.6**	**(0.5)**	**0.1**	**(0.5)**	**2.8**	**576.9**
Trade payables	(179.8)	(10.8)	–	–	(0.3)	(4.0)	(0.2)	(195.1)
Current tax liabilities	(4.1)	(10.4)	–	–	–	0.0	2.6	(12.0)
Other current liabilities (see note 18.2.4)	(186.1)	20.8	(8.4)	(0.2)	(0.0)	(5.3)	(22.4)	(201.5)
Other non-current liabilities (see note 18.2.4)	(115.8)	(10.3)	–	–	–	(6.7)	8.3	(124.5)
WCR liabilities[2]	**(485.9)**	**(10.7)**	**(8.4)**	**(0.2)**	**(0.3)**	**(16.0)**	**(11.7)**	**(533.1)**
Total	**(3.2)**	**81.2**	**(7.8)**	**(0.7)**	**(0.2)**	**(16.5)**	**(8.9)**	**43.9**

(1) Impairment losses on "WCR assets" were not reported due to their immaterial nature. The fair value of "WCR assets" corresponds to the value reported in the balance sheet (value at the transaction date and then tested for impairment on each reporting date).
(2) The carrying amount of items comprising "WCR liabilities" was deemed to be a reasonable estimation of fair value.

At 31 December 2015, gross trade receivables past due totaled €49.5 million.

(in millions of euros)	Total	Trade receivables < 3 months	Trade receivables from 3 to 6 months	Trade receivables from 6 to 12 months	Trade receivables > 12 months
Trade receivables – gross value	**49.5**	29.3	10.1	3.0	7.2
Trade receivables – net value	**42.9**	28.5	9.4	2.7	2.2

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

18.2 Breakdown

18.2.1 Inventories

(in millions of euros)	31 December 2016			31 December 2015
	Gross value	Depreciations	Net value	Net value
Raw materials and supplies	40.9	(1.2)	39.7	38.4
Work in progress	28.4	(2.0)	26.4	21.9
Finished goods	52.7	(5.5)	47.2	47.1
Total	**122.0**	**(8.7)**	**113.3**	**107.4**

18.2.2 Current financial assets

At 31 December 2016, current financial assets included derivative instruments totaling €6.6 million, *versus* €6.8 million at 31 December 2015.

18.2.3 Other current assets

(in millions of euros)	31 December 2016	31 December 2015
Advance payments to suppliers	15.9	9.6
Receivables related to the sale of non-current assets	0.0	0.6
Recoverable VAT	32.4	28.9
Other assets	10.5	23.9
Prepayments	16.4	12.7
Total current assets (loans and receivables)[1]	**75.2**	**75.6**

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

18.2.4 Other current and non-current liabilities

(in millions of euros)	31 December 2016	31 December 2015
Non-current deferred income	90.6	124.5
Total other non-current liabilities[1]	**90.6**	**124.5**
VAT payable	13.5	12.4
Other current tax liabilities	6.5	6.3
Employment-related liabilities	117.8	108.4
Amounts due to non-current asset suppliers	35.9	24.8
Other liabilities	14.9	18.6
Deferred income	37.9	31.0
Total other current liabilities[1]	**226.4**	**201.5**

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

Changes in "Other current liabilities" and "Other non-current liabilities" are presented 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 millions of euros)	Consolidated balance sheet at 1 January 2016	Consolidated balance sheet at 1 January 2015
Cash and cash equivalents – assets	226.1	186.3
Bank overdrafts – liabilities	(12.1)	(6.1)
Opening Net cash and cash equivalents	**214.0**	**180.1**

19.1.2 Closing Net cash and cash equivalents

(in millions of euros)	Consolidated balance sheet at 31 December 2016	Consolidated balance sheet at 31 December 2015
Cash and cash equivalents – assets	425.5	226.1
Bank overdrafts – liabilities	(3.0)	(12.1)
Closing Net cash and cash equivalents	**422.5**	**214.0**

19.2 Cash and cash equivalents

(in millions of euros)	31 December 2016	31 December 2015
Interest-bearing deposits	357.9	144.2
Cash and cash equivalents	67.6	81.9
Cash and cash equivalents – assets	**425.5**	**226.1**

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

Note 20 Consolidated equity

20.1 Share capital

At 31 December 2016, Ipsen's share capital was comprised of 83,557,864 ordinary shares each with a nominal value of €1, including 47,829,011 shares with double voting rights, compared with 83,245,602 ordinary shares each with a nominal value of €1, including 47,778,755 shares with double voting rights at 31 December 2015.

The changes arose from the following: in 2016, 312,262 new shares were issued following the exercise of warrants, 80,000 new shares were issued as part of the 21 July 2016 capital increase reserved for employees and 80,000 company shares, repurchased in 2015 and slated for cancellation, were cancelled.

20.2 Basic earnings per share

Basic earnings per share were calculated on the weighted average number of shares outstanding during the year (see note 3.34).

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

	31 December 2016	31 December 2015
Weighted average number of shares outstanding during the year	82,308,644	82,269,896
Consolidated net profit – attributable to Ipsen S.A. shareholders (in millions of euros)	225.9	189.9
Basic earnings per share (in euros)	**2.74**	**2.31**
Net profit from discontinued operations – attributable to Ipsen S.A. shareholders (in millions of euros)	0.1	0.5
Basic earnings per share, discontinued operations (in euros)	**0.00**	**0.01**
Net profit from continuing operations – attributable to Ipsen S.A. shareholders (in millions of euros)	225.8	189.3
Basic earnings per share, continuing operations (in euros)	**2.74**	**2.30**

20.3 Diluted earnings per share

Stock option plans

At 31 December 2016, all stock option plans were dilutive, as at 31 December 2015.

Share transactions occurring after 31 December 2016 would not significantly modify the number of shares used in calculating earnings per share or diluted earnings per share.

Bonus shares

At 31 December 2016, bonus shares for the plans of 28 March 2016 (foreign tax-resident beneficiaries) and 27 March 2014 (foreign tax-resident beneficiaries) – which were 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.

	31 December 2016	31 December 2015
Weighted average number of shares outstanding during the year	82,621,792	82,703,617
Consolidated net profit – attributable to Ipsen S.A. shareholders (in millions of euros)	225.9	189.9
Diluted earnings per share (in euros)	**2.73**	**2.30**
Net profit from discontinued operations – attributable to Ipsen S.A. shareholders (in millions of euros)	0.1	0.5
Diluted earnings per share, discontinued operations (in euros)	**0.00**	**0.01**
Net profit from continuing operations – attributable to Ipsen S.A. shareholders (in millions of euros)	225.8	189.3
Diluted earnings per share, continuing operations (in euros)	**2.73**	**2.29**

20.4 Weighted average number of shares outstanding

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

20.4.1.1 Weighted average number of shares at 31 December 2016

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

20.4.1.2 Weighted average number of shares at 31 December 2015

	31 December 2015
Number of ordinary shares at 31 December 2014	**82,869,083**
Treasury shares (weighted average number)	(827,194)
Impact of options exercised in the 2015 financial year – Stock option plan of 6 December 2005	43,080
Impact of options exercised in the 2015 financial year – Stock option plan of 12 December 2006	22,130
Impact of options exercised in the 2015 financial year – Stock option plan of 30 May 2007	3,214
Impact of options exercised in the 2015 financial year – Stock option plan of 31 March 2010	13,871
Impact of options exercised in the 2015 financial year – Stock option plan of 30 June 2011	17,540
Impact of options exercised in the 2014 financial year – Stock option plan of 31 March 2010	350
Impact of bonus shares – 30 June 2011 plan – Foreign tax-resident beneficiaries	19,604
Impact of bonus shares – 28 March 2013 plan – French tax-resident beneficiaries	108,217
Weighted average number of shares outstanding at 31 December 2015	**82,269,896**

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

	31 December 2016	31 December 2015
Weighted average number of shares outstanding to calculate basic earnings per share	**82,308,644**	**82,269,896**
Dilutive effect of stock options	278,216	389,918
Dilutive effect of bonus shares	34,932	43,803
Weighted average number of shares outstanding to calculate diluted earnings per share	**82,621,792**	**82,703,617**

20.5 Dividends paid

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

		31 December 2016	31 December 2015
Dividend payout (in euros)	(a)	69,956,704	70,005,861
Number of shares on the payment date	(b)	82,302,005	82,359,836
Dividend per share (in euros)	**(a) / (b)**	**0.85**	**0.85**

Note 21 Provisions

21.1 Movements

Movements in 2016 can be broken down as follows:

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

At 31 December 2016, provisions 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 commercial origin whose individual impact is limited.

Legal risks

These provisions include:

- €10.2 million for the risk of tax reassessment by local authorities at certain Group's subsidiaries and certain additional taxes that the Group may be required to pay;
- €4.7 million for costs related to labor-related litigation that the Group may incur;
- €0.5 million for various other legal risks.

Restructuring costs

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

Other

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

Movements in 2015 can be broken down as follows:

(in millions of euros)	31 December 2014	Movements during the year					31 December 2015
		Charges	Reversals		Foreign exchange differences	Other movements	
			Applied	Released			
Business and operating risks	1.7	1.5	(0.5)	(0.8)	0.1	0.6	2.6
Legal risks	27.9	4.1	(6.4)	(8.7)	(0.0)	0.4	17.3
Restructuring costs	20.6	2.6	(11.6)	(1.4)	(0.0)	0.1	10.3
Other	17.8	23.6	(9.7)	(2.0)	0.2	1.2	31.1
Total provisions	**68.0**	**31.9**	**(28.1)**	**(12.9)**	**0.2**	**2.2**	**61.3**
– of which current	26.0	18.2	(24.1)	(2.7)	0.1	12.3	29.9
– of which non-current	42.1	13.6	(4.0)	(10.2)	0.1	(10.1)	31.4

At 31 December 2015, 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 commercial origin whose individual impact is limited.

Legal risks

These provisions include:

- €12.6 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;
- €2.4 million for costs related to labor-related litigation that the Group may incur;
- €2.3 million for various other legal risks.

Restructuring costs

These provisions correspond mainly to costs incurred by the Group to adapt is structure as well as costs to group certain UK subsidiary activities at the Oxford site.

Other

At 31 December 2015, a provision was recorded for Group performance-related medium-term bonus plans, which were approved by the Board of Directors.

21.2 Impact on consolidated income in 2016

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

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

21.3 Impact on consolidated income in 2015

Charges totaling €31.9 million were recognized in Operating Income in 2015.

In 2015, released reversals totaling €10.1 million were recognized in Operating Income, while €2.8 million in released reversals were recognized in taxes.

Note 22 Bank loans and financial liabilities

22.1 Movements

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

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

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

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

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

On 24 June 2016, Ipsen S.A. amended its syndicated loan to reduce the amount to €300 million and remove the covenants, *i.e.* the leverage and gearing ratios. At 31 December 2016, this credit line remained untapped.

Ipsen S.A. also has access to a €300 million program to issue commercial paper, of which €30 million had been issued at 31 December 2016.

Movements in financial liabilities between 31 December 2014 and 31 December 2015 were as follows:

(in millions of euros)	31 December 2014	Additions	Repayments	Net change in interest	Other movements	Changes in consolidation scope	Foreign exchange differences	31 December 2015
Other financial liabilities[1]	12.1	1.1	(4.5)	0.0	0.6	11.1	0.2	20.6
Non-current financial liabilities (measured at amortized cost)	**12.1**	**1.1**	**(4.5)**	**0.0**	**0.6**	**11.1**	**0.2**	**20.6**
Credit lines and bank loans	4.0	–	–	–	–	–	–	4.0
Other financial liabilities	3.2	0.0	(1.1)	0.1	(0.7)	1.0	(0.0)	2.5
Current financial liabilities (measured at amortized cost)	**7.2**	**0.0**	**(1.1)**	**0.1**	**(0.7)**	**1.0**	**(0.0)**	**6.5**
Derivative financial instruments	0.8	–	–	–	3.7	–	–	4.5
Current financial liabilities (financial liabilities measured at fair value)	**0.8**	**–**	**–**	**–**	**3.7**	**–**	**–**	**4.5**
Current financial liabilities	**8.0**	**0.0**	**(1.1)**	**0.1**	**3.0**	**1.0**	**(0.0)**	**11.0**
Total financial liabilities	**20.1**	**1.1**	**(5.6)**	**0.1**	**3.6**	**12.1**	**0.2**	**31.6**

(1) The €1.9 million change in other movements resulted primarily from the reclassification of the Ipsen BioInnovation Ltd. earnout clause recognized in provisions for contingencies and losses at 31 December 2013, into financial liabilities.

22.2 Breakdown by maturity and currency

At 31 December 2016, the Group had issued €300 million in notes maturing on 16 June 2023.

The Group's financial debt was denominated in euros for the 2016 and 2015 financial years.

22.3 Collateralized debt

At 31 December 2016 and 2015, the Group had not provided any collateral.

Note 23 Derivative financial instruments

23.1 Interest rate risk

At 31 December 2016, there were no derivative financial instruments for hedging interest rate risk.

23.2 Exchange rate risk

23.2.1 Exposure to exchange rate risk

A significant share of the Group's business is conducted in countries where the euro, Ipsen's reporting currency, is the functional currency. Nevertheless, owing to its international business scope, the Group is exposed to exchange rate fluctuations that can affect its results. A 10% increase or decrease in the pound sterling, the Russian ruble or the US dollar against the euro (the main currencies in which the Group operates) would impact sales by plus or minus 3%, and Operating Income by plus or minus 3%.

Several types of risks can be identified:

- transactional foreign exchange risk related to business activities; the Group has hedged its main foreign currencies, including the USD, RUB, GBP, BRL, CNY/CNH, based on its budget forecasts,
- financing foreign exchange risk related to financing contracted in a currency other than the functional currencies of Group entities.

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

At 31 December 2016 and 31 December 2015, derivative financial instruments held by the Group broke down as follows:

(in millions of euros)	31 December 2016	31 December 2015
Put forward contracts	(15.3)	(2.8)
Seller at maturity foreign exchange swaps	(0.7)	(0.0)
Call forward contracts	5.1	3.9
Buyer at maturity foreign exchange swaps	0.2	1.2
Sales transactions	**(10.7)**	**2.3**
Financial transactions	**(0.9)**	**(0.0)**
Total net position	**(11.6)**	**2.3**

23.2.2 Transactional foreign exchange risk

The Group's hedging policy is aimed a protecting Operating Income from foreign exchange rate fluctuations vis-à-vis company forecasts. Accordingly, the effective portion of the hedge is recorded in Operating Income.

The Group has hedged its main foreign currencies, including the USD, RUB, GBP, BRL, and CNY/CNH, based on its budget forecasts.

To reduce its exposure to foreign exchange rate fluctuations, Ipsen uses derivative instruments, primarily put or call forward contracts as well as currency swaps, vanilla options and non deliverable forward (NDF) contracts.

These derivatives hedge primarily significant future cash flows denominated in foreign currencies after the close of the reporting period, *i.e.* the balance sheet date.

The Group's policy and practices preclude carrying out derivative financial instrument transactions for speculative gain.

23.2.3 Financing foreign exchange risk

Pooling of the financing surpluses and needs of foreign subsidiaries outside the euro zone exposes certain entities to financing foreign exchange risk arising from fluctuations in the value of financial liabilities and receivables denominated in currencies other than the functional currency of the lending or borrowing entity. To pool the risk, the intra-group financing is generally denominated in the subsidiary's functional currency.

The Group hedges financial current accounts denominated in the functional currencies of its subsidiaries through financial instruments that match current account balances. These include currency swaps and loans and borrowings contracted from counterparty banks.

23.3 Derivative financial instruments reported in the balance sheet

Derivative financial instruments reported in the balance sheet at 31 December 2016 and 2015:

(in millions of euros)	31 December 2016		31 December 2015	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Market value of currency instruments	6.6	18.2	6.8	4.5
Total	**6.6**	**18.2**	**6.8**	**4.5**

Note 24 Financial instruments reported in the balance sheet

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.

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

(in millions of euros)	31 December 2016		Breakdown by financial instrument class – balance sheet value					Level of fair value		
	Carrying value	Fair value	Fair value through P&L	Available-for-sale financial assets	Loans, receivables and other liabilities	Liabilities at amortized cost	Derivatives	Level 1	Level 2	Level 3
Equity investments	21.2	21.2	–	21.2	–	–	–	11.9	7.3	2.0
Non-current financial assets	0.2	0.2	–	–	0.2	–	–	–	–	0.2
Other non-current assets	6.7	6.7	–	–	6.7	–	–	6.7		–
Trade and accounts receivable	363.5	363.5	–	–	363.5					
Current financial assets	6.6	6.6	–	–	–	–	6.6	–	6.6	–
Other current assets	75.2	75.2	–	–	75.2	–	–			
Cash and cash equivalents	425.5	425.5	425.5	–	–	–	–	425.5	–	–
ASSETS	**898.9**	**898.9**	**425.5**	**21.2**	**445.5**	**–**	**6.6**	**444.0**	**13.9**	**2.2**
Other non-current financial liabilities	314.8	323.0	–	–	–	314.8	–	305.2	5.1	12.7
Other non-current liabilities	90.6	90.6	–	–	90.6	–	–			
Current financial liabilities	58.6	58.6	–	–	–	40.3	18.2	4.0	54.6	–
Trade payables	241.5	241.5	–	–	241.5	–	–			
Other current liabilities	226.4	226.4	–	–	226.4	–	–			
Bank overdrafts	3.0	3.0	–	–	–	3.0	–	3.0	–	–
LIABILITIES	**935.0**	**943.1**	**–**	**–**	**558.6**	**358.1**	**18.2**	**312.2**	**59.7**	**12.7**

Financial instruments reported in the balance sheet at 31 December 2015 break down as follows:

(in millions of euros)	31 December 2015		Breakdown by financial instrument class – balance sheet value					Level of fair value		
	Carrying value	Fair value	Fair value through P&L	Available-for-sale financial assets	Loans, receivables and other liabilities	Liabilities at amortized cost	Derivatives	Level 1	Level 2	Level 3
Equity investments	25.6	25.6	–	25.6	–	–	–	14.6	9.4	1.7
Non-current financial assets	–	–	–	–	–	–	–	–	–	–
Other non-current assets	15.5	15.5	–	–	15.5	–	–	9.5		6.0
Trade and accounts receivable	311.0	311.0	–	–	311.0					
Current financial assets	6.8	6.8	–	–	–	–	6.8	–	6.8	–
Other current assets	75.6	75.6	–	–	75.6	–	–			
Cash and cash equivalents	226.1	226.1	226.1	–	–	–	–	226.1	–	–
ASSETS	**660.7**	**660.7**	**226.1**	**25.6**	**402.2**	**–**	**6.8**	**250.1**	**16.2**	**7.7**
Other non-current financial liabilities	20.6	20.6	–	–	–	20.6	–	–	7.1	13.5
Other non-current liabilities	124.5	124.5	–	–	124.5	–	–			
Current financial liabilities	11.0	11.0	–	–	–	6.5	4.5	4.0	7.0	–
Trade payables	195.1	195.1	–	–	195.1	–	–			
Other current liabilities	201.5	201.5	–	–	201.5	–	–			
Bank overdrafts	12.1	12.1	–	–	–	12.1	–	12.1	–	–
LIABILITIES	**564.8**	**564.8**	**–**	**–**	**521.1**	**39.2**	**4.5**	**16.1**	**14.1**	**13.5**

Note 25 Information on proportionally consolidated entities

25.1 Balance sheet items

25.1.1 Balance sheet at 31 December 2016

(in millions of euros)	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Companies				
Cara Partners	8.2	10.8	6.9	5.5
Garnay Inc.	2.1	0.1	–	0.0
Perechin Unlimited Company	–	(0.0)	0.0	0.0
Portpirie Unlimited Company	–	0.0	–	0.0
Saint-Jean d'Illac S.C.A.	1.9	1.1	0.1	0.2
Wallingstown Company	1.5	6.5	–	0.1
Wallingstown Company Ltd	–	0.0	0.0	0.0
Total	**13.7**	**18.5**	**6.9**	**5.8**

25.1.2 Balance sheet at 31 December 2015

(in millions of euros)	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Companies				
Cara Partners	8.0	8.9	4.8	5.5
Garnay Inc.	1.8	0.5	0.1	0.0
Perechin Unlimited Company	0.0	0.0	0.0	0.0
Portpirie Unlimited Company	0.0	0.0	–	–
Saint-Jean d'Illac S.C.A.	2.1	0.1	0.1	0.2
Wallingstown Company	1.2	6.6	–	0.2
Wallingstown Company Ltd	0.0	0.0	0.0	0.0
Total	**13.1**	**16.1**	**4.9**	**5.8**

25.2 Income statement items

25.2.1 Income statement at 31 December 2016

(in millions of euros)	Sales	Operating expenses	Share of net profit (loss)
Companies			
Cara Partners	4.5	(1.6)	2.7
Garnay Inc.	0.1	(0.4)	0.0
Perechin Unlimited Company	–	(0.0)	(0.0)
Portpirie Unlimited Company	–	–	(0.0)
Saint-Jean d'Illac S.C.A.	0.2	1.0	0.9
Wallingstown Company	11.9	(8.9)	3.0
Wallingstown Company Ltd	–	(0.0)	(0.0)
Total	**16.7**	**(9.9)**	**6.7**

25.2.2 Income statement at 31 December 2015

(in millions of euros)	Sales	Operating expenses	Share of net profit (loss)
Companies			
Cara Partners	3.6	(2.1)	1.3
Garnay Inc.	0.3	(0.7)	(0.4)
Perechin Unlimited Company	–	(0.0)	(0.0)
Portpirie Unlimited Company	–	–	–
Saint-Jean d'Illac S.C.A.	0.3	(0.1)	0.2
Wallingstown Company	9.5	(7.0)	2.5
Wallingstown Company Ltd	–	0.0	0.0
Total	**13.7**	**(9.9)**	**3.6**

Note 26 Information on related parties

26.1 Director and Executive compensation

In 2016, the total compensation attributed to Board and Executive Leadership Team members amounted to €24.3 million, of which €4.8 million were allocated to members of the Board of Directors and €19.5 million were allocated to members of the Executive Leadership Team.

Pension and similar benefits for Board members and members of the Executive Leadership Team came to €18.1 million at 31 December 2016, with a total of €1.1 million attributed to members of the Board of Directors and €17.1 million attributed to Executive Leadership Team members.

On 8 July 2016, the Board of Directors set the compensation terms and conditions for the corporate mandates of the Chairman and the Chief Executive Officer, with a targeted bonus subject to performance conditions.

The Chairman and the Chief Executive Officer benefit from the Company's current complementary retirement benefits.

In addition, the Board is obligated – under certain conditions – to pay a departure package equal to 24 four months of the Chairman's and the Chief Executive Officer's fixed compensation under their corporate mandates.

26.2 Transactions with related parties

26.2.1 In the income statement at 31 December 2016

(in millions of euros)	Revenues	Operating expenses
Proportionately consolidated companies[1]	6.1	(9.7)
Associated companies[1]	0.0	0.0
Companies over which the Group's executive officers exercise significant influence[2]	–	(0.1)
Total	**6.1**	**(9.8)**

(1) The Group's relationship with Schwabe was formalized in a cooperation agreement signed on 27 July 2005 concerning:
- the sourcing and supply of *Ginkgo biloba* leaves;
- the production of *Ginkgo biloba* extract;
- know-how and the EGb 761® brand name;
- research and development activities concerning the EGb 761® extract and drugs containing the EGb 761® extract.

This contract recognizes that the Group and Schwabe have joint shareholdings in the following companies, which form the production chain for EGb 761® or other plant extracts:
- 50% of the share capital in Saint-Jean d'Illac S.C.A., Garnay Inc. and Linnea S.A.;
- 50% of the partnership shares in Wallingstown Company Ltd;
- 50% of the joint rights in Cara Partners.

(2) Rent owed by a number of the Group's companies to real estate holdings owned by certain Group Directors.

26.2.2 In the income statement at 31 December 2015

(in millions of euros)	Revenues	Operating expenses
Proportionately consolidated companies[1]	4.6	(9.6)
Associated companies[1]	–	0.0
Companies over which the Group's executive officers exercise significant influence[1]	–	(0.1)
Total	**4.6**	**(9.7)**

(1) See note 26.2.1.

26.2.3 On the balance sheet at 31 December 2016

(in millions of euros)	Loans and receivables	Trade receivables	Bank loans / Debts	Trade payables
Proportionately consolidated companies[1]	8.7	3.0	–	4.3
Total gross	**8.7**	**3.0**	**–**	**4.3**
Provisions for doubtful accounts receivables	–	–	–	–
Total (net of write-offs)	**8.7**	**3.0**	**–**	**4.3**

(1) See note 26.2.1.

26.2.4 On the balance sheet at 31 December 2015

(in millions of euros)	Loans and receivables	Trade receivables	Bank loans / Debts	Trade payables
Proportionately consolidated companies[1]	8.3	1.7	0.1	3.2
Total gross	**8.3**	**1.7**	**0.1**	**3.2**
Provisions for doubtful accounts receivables	–	–	–	–
Total (net of write-offs)	**8.3**	**1.7**	**0.1**	**3.2**

(1) See note 26.2.1.

26.2.5 Off-balance sheet commitments

This item includes rent commitments to companies over which executive officers of the Group exercise significant influence. The total amount of future rent payments due in respect of these rented premises amounted to €0.2 million at 31 December 2016.

Note 27 Commitments and contingent liabilities

27.1 Operating commitments

Within the scope of its business activity, in particular with strategic development operations that lead to the formation of partnerships, the Group regularly enters into agreements that may result in potential financial commitments, subject to the completion of certain events. The amounts presented below correspond to the maximum amounts that may be owed (commitments given) or received (commitments received), if all the conditions have been met.

27.1.1 Operating commitments given

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

(in millions of euros)	31 December 2016
Key agreements in oncology	806.4
Key agreements in endocrinology	173.4
Key agreements in neurosciences	95.3
Key agreements in Primary Care	19.8
Total	**1,095.0**

At 31 December 2016, commitments given by the Group and related to key agreements in oncology totaled €806.4 million, *versus* commitments of €136.9 million at 31 December 2015. Milestone payments that could be made to Exelixis accounted for €767.7 million of that amount.

27.1.2 Operating commitments received

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

(in millions of euros)	31 December 2016
Key agreements in oncology	19.9
Key agreements in endocrinology	112.8
Key agreements in neurosciences	36.2
Key agreements in Primary Care	67.7
Key agreements in haematology	177.9
Total	**414.5**

27.2 Financial commitments

The Ipsen Group has subscribed to a worldwide liability insurance policy from a third-party insurer. The insurance company itself is underwritten by the captive reinsurance company Ipsen Ré, a wholly owned subsidiary of the Group, up to the first €10.0 million for any potential claim made.

To cover that financial commitment and address any potential default by Ipsen Ré, the Ipsen S.A. parent company on 9 March 2016 issued a letter of guarantee payable upon first demand in favor of the third-party insurer for a total amount of €10.0 million. The first-demand guarantee is renewable annually.

Further, the Group owns a 50% interest in a Swiss company, consolidated using the equity method, that subscribed to two credit lines totaling CHF10.0 million, half of which is backed by a general assignment of receivables. The credit lines were drawn on during the year on an ad-hoc and limited basis.

27.3 General risks

The Group may be involved in litigation, arbitration and other legal proceedings. Such proceedings are generally related to civil litigation concerning product liability, intellectual property rights, competition law, trading practices, trade rules, labor rights, tax issues, waste treatment and environmental issues, and requests for guaranteeing the liabilities of assets sold. Provisions related to litigation and arbitration are recognized in compliance with the principles presented in note 3.26.

Most of the questions raised by these claims are complex and are subject to significant uncertainties. As a consequence, it is 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 unfavorable material impact on its results.

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

27.4 Liquidity risk and counterparty risk

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

27.5 Other commitments

27.5.1 Capital expenditure commitments

Future Group expenditures resulting from investment commitments amounted to €13.3 million at 31 December 2016, and were broken down as follows:

(in millions of euros)	Maturity			Total
	Less than one year	From one to five years	Over five years	
Industrial assets	5.9	3.5	–	**9.4**
Research and development assets	2.7	1.2	–	**3.9**
Total	**8.6**	**4.7**	**–**	**13.3**

27.5.2 Commitments related to rental agreements

The total amount of future rent payments due in respect of agreements for rented premises amounted to €153.2 million at 31 December 2016, compared with €149.3 million at 31 December 2015.

Due dates are as follows:

(in millions of euros)	31 December 2016	31 December 2015
Less than one year	26.2	27.9
From one to five years	57.3	55.1
Over five years	69.7	66.3
Total	**153.2**	**149.3**

At 31 December 2016, rental lease-related commitments stemmed primarily from the Group's Boulogne headquarters, the buildings rented by the UK subsidiary Ipsen Biopharm Ltd and the building rented by the U.S. subsidiary Ipsen Bioscience, Inc.

The total amount of future rent payments due in respect of these rented premises (Group's Boulogne headquarters essentially) amounted to €2.5 million at 31 December 2016, compared with €3.6 million at 31 December 2015.

27.5.3 Risk of acceleration of borrowings

The Group's exposure to this risk is described in note 22.1.

At 31 December 2016, no commitment or contingent liability had been contracted that could significantly affect the assessment of the consolidated financial statements.

27.5.4 Endorsements, pledges and guarantees given

Total guarantees given came to €15.0 million at 31 December 2016. These commitments correspond primarily to guarantees given to government authorities to participate in calls for tender.

Note 28 Post closing events with no impact on the consolidated financial statements at 31 December 2016

On 9 January 2017, Ipsen announced that it had entered into a definitive agreement to acquire global oncology assets from Merrimack Pharmaceuticals, including its key marketed product Onivyde® (irinotecan liposome injection) for the treatment of patients with metastatic adenocarcinoma of the pancreas after disease progression following gemcitabine-based therapy, in combination with fluorouracil and leucovorin. Under the terms of the agreement, Ipsen will gain exclusive commercialization rights for the current and potential future Onivyde® indications in the U.S., as well as the current licensing agreements with Shire for commercialization rights ex-U.S. and PharmaEngine for Taiwan. The transaction also includes Merrimack's commercial and manufacturing infrastructure, and generic doxorubicin HCl liposome injection. The upfront payment made at the closing of the deal came to USD575 million. In addition, future payments of up to USD450 million may be made upon the approval of potential additional indications.

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

On 13 February 2017, Ipsen announced that it had entered into a definitive agreement to acquire five consumer healthcare products in certain European territories from Sanofi. The most significant product is Prontalgine®, an analgesic for the treatment of moderate to severe pain, which has grown at double-digit rates over the last four years and is available only in France. The portfolio also includes Buscopan®, an antispasmodic; Suppositoria Glycerini, a laxative; and Mucothiol® and Mucodyne®, expectorants for cough and flu. Combined, these regional brands span a geographic area of eight European countries. Manufacturing will be provided by third-parties. Under the terms of the agreement, Ipsen will pay €83 million for the products upon closing.

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.

Note 29 Consolidation scope

The table below shows the following information for all companies included in the consolidation scope:

- Country of incorporation;
- Place of registered office (State of incorporation for U.S. companies);
- The percentage interest held in each company.

List of companies included in the consolidation scope at 31 December 2016 and 31 December 2015.

29.1 Fully consolidated companies

Name and legal form	Country	Registered office	31 December 2016	31 December 2015
			% interest	% interest
Ipsen S.A. (Parent company)	France	Boulogne	100	100
BB et Cie S.A.S.	France	Boulogne	100	100
Beaufour-Ipsen Industrie S.A.S.	France	Dreux	100	100
Ipsen Innovation S.A.S.	France	Les Ulis	100	100
Ipsen Pharma S.A.S.	France	Boulogne	100	100
Suraypharm S.A.S	France	Boulogne	100	100
Sutrepa S.A.S	France	Boulogne	100	100
Ipsen Pharma Biotech S.A.S.	France	Signes	100	100
Ipsen Pharma GmbH	Germany	Ettlingen	100	100
OctreoPharm Sciences GmbH	Germany	Berlin	100	100
Ipsen Pty Ltd	Australia	Glen Waverley	100	100
Ipsen N.V.	Belgium	Gand	100	100
Beaufour Ipsen Farmaceutica LTDA	Brazil	São Paulo	100	100
Ipsen Biopharmaceuticals Canada Inc.	Canada	Mississauga	100	100
Beaufour-Ipsen (Tianjin) Pharmaceutical Co. Ltd	China	Tianjin	96	96
Ipsen (Beijing) pharmaceutical science and technology development Co. Ltd	China	Beijing	100	100
Ipsen (Tianjin) Pharmaceutical Trade Co., Ltd	China	Tianjin	96	96
Ipsen Korea Ltd	Korea	Seoul	100	100
Ipsen Pharma S.A.	Spain	Barcelona	100	100
Ipsen E.P.E.	Greece	Athens	80	80
Elsegundo Ltd	Ireland	Cork	100	100
Ipsen Manufacturing Ireland Ltd	Ireland	Dublin	100	100
Ipsen Pharmaceuticals Ltd	Ireland	Dublin	100	100
Ipsen S.p.A.	Italy	Milan	100	100
Ipsen Ré S.A.	Luxembourg	Luxembourg	100	100
Ipsen Mexico S. de R.L. de C.V.	Mexico	Mexico City	100	100
Ipsen Farmaceutica B.V.	The Netherlands	Hoofddorp	100	100
Ipsen Poland LLC	Poland	Warsaw	100	100
Ipsen Produtos Farmaceuticos S.A.	Portugal	Lisbon	100	100
Ipsen OOO	Russia	Moscow	100	100
Ipsen Pharma Singapore PTE. LTD.	Singapore	Singapore	100	–
Institut de produits de synthèse et d'extraction naturelle (Ipsen) AB	Sweden	Kista	100	100
Ipsen Pharma Tunisie S.A.R.L.	Tunisia	Tunis	100	100
Ipsen Ltd	UK	London	100	100
Ipsen Biopharmaceuticals Inc.	US	New Jersey	100	100
Ipsen Bioscience Inc.	US	Massachusetts	100	100
Ipsen BioInnovation Ltd	UK	Oxford	100	100
Ipsen Biopharm Ltd	UK	Wrexham	100	100
New Ipsen Developments Ltd	UK	Berkshire	100	100
Sterix Ltd	UK	London	100	100
Ipsen Ukraine services LLC	Ukraine	Kiev	100	100

29.2 Proportionally consolidated companies

Name and legal form	Country	Registered office	31 December 2016	31 December 2015
			% interest	% interest
Saint-Jean d'Illac S.C.A.	France	Boulogne	50	50
Cara Partners	Ireland	Cork	50	50
Perechin Unlimited Company	Ireland	Cork	50	50
Portpirie Unlimited Company	Ireland	Cork	50	50
Wallingstown Company	Ireland	Cork	50	50
Wallingstown Company Ltd	Ireland	Cork	50	50
Garnay Inc.	US	South Carolina	50	50

29.3 Companies consolidated using the equity method

Name and legal form	Country	Registered office	31 December 2016	31 December 2015
			% interest	% interest
Linnea S.A.	Switzerland	Riazzino	50	50

Note 30 Change in presentation

As of the 2016 financial year, Ipsen no longer includes an alternative performance indicator in the consolidated income statement.

This change in presentation had no impact on Operating Income or Consolidated net profit. The following table shows the changes between restated and published 2015 comparative data.

(in millions of euros)	31 December 2015 Restated	Impacts	31 December 2015 Published
Sales	1,443.9	–	1,443.9
Other revenues	76.3	–	76.3
Revenue	**1,520.2**	**–**	**1,520.2**
Cost of goods sold	(336.8)	–	(336.8)
Selling expenses	(541.4)	–	(541.4)
Research and development expenses	(192.6)	–	(192.6)
General and administrative expenses	(122.9)	–	(122.9)
Other core operating income		(5.3)	5.3
Other core operating expenses		9.4	(9.4)
Core Operating Income			**322.5**
Other operating income	7.3	5.3	2.0
Other operating expenses	(18.6)	(9.4)	(9.2)
Restructuring costs	(6.7)	–	(6.7)
Impairment losses	(64.6)	–	(64.6)
Operating Income	**244.0**	**–**	**244.0**
Investment income	0.7	–	0.7
Financing costs	(3.6)	–	(3.6)
Net financing costs	**(2.9)**	**–**	**(2.9)**
Other financial income and expense	(3.6)	–	(3.6)
Income taxes	(49.8)	–	(49.8)
Share of net profit (loss) from companies accounted for using the equity method	2.5	–	2.5
Net profit (loss) from continuing operations	**190.2**	**–**	**190.2**
Net profit (loss) from discontinued operations	0.5	–	0.5
Consolidated net profit	**190.7**	**–**	**190.7**
– Attributable to shareholders of Ipsen S.A.	189.9	–	189.9
– Attributable to non-controlling interests	0.9	–	0.9
Basic earnings per share, continuing operations (in euros)	2.30	–	2.30
Diluted earnings per share, continuing operations (in euros)	2.29	–	2.29
Basic earnings per share, discontinued operations (in euros)	0.01	–	0.01
Diluted earnings per share, discontinued operations (in euros)	0.01	–	0.01
Basic earnings per share (in euros)	2.31	–	2.31
Diluted earnings per share (in euros)	2.30	–	2.30

Note 31 Fees paid to the Statutory Auditors

The fees paid by the Group to the Statutory Auditors and members of their networks are presented in the following table:

(in thousands of euros)	Deloitte & Associés				KPMG Audit			
	Amounts, net of VAT		%		Amounts, net of VAT		%	
	2016	2015	2016	2015	2016	2015	2016	2015
Certification and limited review of separate and consolidated financial statements								
Issuer	*181*	*177*	*26%*	*20%*	*152*	*209*	*20%*	*23%*
Fully consolidated subsidiaries	*413*	*646*	*60%*	*75%*	*467*	*566*	*62%*	*61%*
Sub-total	**594**	**823**	**86%**	**95%**	**619**	**775**	**83%**	**84%**
Services other than the certification of the financial statements								
Issuer	*98*	*–*	*14%*	*–*	*75*	*–*	*10%*	*–*
Fully consolidated subsidiaries	*–*	*43*	*–*	*5%*	*56*	*152*	*7%*	*16%*
Sub-total	**98**	**43**	**14%**	**5%**	**131**	**152**	**17%**	**16%**
Total	**692**	**866**	**100%**	**100%**	**750**	**927**	**100%**	**100%**

2.2.6 Statutory Auditors' report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.
The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.
This report also includes information relating to the specific verification of information given in the Group's management report.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Ipsen S.A.

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

Statutory Auditors' report on the consolidated financial statements

Year ended 31 December 2016

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 2016, 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 2016 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 the opinion expressed above, we draw your attention to notes 3.9 and 30 to the consolidated financial statements which describe the impact from a change in the presentation of certain income statement items and operating segments on the consolidated financial statements as well as on the comparative financial information.

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 3.17 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 6.2, 12.2, 13.2, 13.3 and 14.1 to the consolidated financial statements is appropriate.

- **Provisions**

Notes 3.26 and 21 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 note 3.25 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 22 February 2017

The Statutory Auditors
French original signed by

KPMG Audit
A division of KPMG S.A.

Philippe Grandclerc
Partner

Deloitte & Associés

Jean-Marie Le Guiner
Partner

2.3 2016 COMPANY FINANCIAL STATEMENTS

2.3.1 Summary document

Balance sheet at 31 December 2016

Assets (in millions of euros)	31 December 2016			31 December 2015
	Gross	Depreciation, amortization & write-downs	Net	
Intangible assets				
– Concessions, patents and similar rights	0.2	–	0.2	0.2
– Other intangible assets	–	–	–	–
Financial assets				
– Equity investments	1,167.5	–	1,167.5	1,167.5
– Other financial assets	9.5	–	9.5	13.2
Non–current assets	**1,177.2**	**0.0**	**1,177.2**	**1,180.9**
Receivables				
– Advances and down–payments to suppliers	0.5	–	0.5	–
– Trade and accounts receivables	14.1	–	14.1	11.0
– Other receivables	216.8	–	216.8	95.1
Other				
– Short–term investments	54.3	–	54.3	46.9
– Cash and cash equivalents	110.1	–	110.1	5.0
– Prepayments	0.0	–	0.0	0.0
Current assets	**395.8**	**0.0**	**395.8**	**158.0**
Loan issuance costs to be amortized	**3.0**	**–**	**3.0**	**1.6**
Bond redemption premium	**1.8**	**–**	**1.8**	**–**
Unrealized losses on foreign exchange	**0.0**	**–**	**0.0**	**0.0**
Total assets	**1,577.7**	**0.0**	**1,577.7**	**1,340.5**

Liabilities and shareholders' equity (in millions of euros)	31 December 2016	31 December 2015
Share capital	83.6	83.2
Paid-in capital	732.9	720.1
Legal reserve	44.7	44.7
Other reserves	94.4	98.3
Retained earnings	253.4	131.9
Net profit (loss) for the period	(24.3)	191.4
Regulated provisions	–	0.0
Equity	**1,184.7**	**1,269.7**
Provisions for contingencies	13.7	14.6
Provisions for losses	7.4	11.1
Provisions for contingencies and losses	**21.1**	**25.7**
Other bonds	303.1	–
Bank borrowings	0.0	–
Sundry borrowings and financial liabilities	30.3	0.3
Trade and accounts payable	1.3	1.1
Taxes payable and payroll and payroll on-cost amounts payable	10.6	9.7
Amounts payable to fixed asset suppliers	1.6	1.8
Other liabilities	25.1	32.2
Deferred income	0.0	–
Debts	**371.9**	**45.1**
Unrealized gains on foreign exchange	0.0	–
Total equity & liabilities	**1,577.7**	**1,340.5**

Income statement at 31 December 2016

(in millions of euros)	31 December 2016	31 December 2015
Sales of merchandise	–	–
Production sold - services	18.2	21.1
Net sales	**18.2**	**21.1**
Reversal of depreciation, amortization & provisions, expense transfers	22.5	16.8
Other revenues	0.0	–
Operating income	**40.8**	**37.9**
Other purchases and external charges	(5.2)	(2.6)
Taxes and duties	(2.6)	(2.0)
Wages and salaries	(22.9)	(25.1)
Payroll on-costs	(8.4)	(8.2)
Depreciation expense on fixed assets	(0.4)	(0.4)
Provision expense on fixed assets	–	–
Provision expense for contingencies and losses	(13.1)	(23.1)
Miscellaneous operating expenses	(0.9)	(1.0)
Operating expenses	**(53.7)**	**(62.4)**
Operating profit (loss)	**(12.9)**	**(24.5)**
Financial income from participating interests	1.6	172.5
Other interest and similar income	0.1	0.0
Reversal of provisions and transfer of extraordinary expense	47.2	38.3
Foreign exchange gains	0.0	0.0
Financial income	**48.8**	**210.8**
Depreciation, amortization and provision charges	(0.1)	0.0
Interest and other financial expenses	(3.9)	(0.8)
Foreign exchange losses	(0.0)	(0.0)
Financial expense	**(4.1)**	**(0.8)**
Net financial income (expense)	**44.7**	**210.0**
Pre-tax profit (loss) on ordinary activities	**31.8**	**185.6**
Extraordinary income from operations	–	–
Extraordinary income from capital transactions	85.4	0.8
Reversal of provisions and expense transfers	0.0	0.0
Extraordinary income	**85.4**	**0.8**
Extraordinary expense from operations	–	–
Extraordinary expense from capital transactions	(142.5)	(0.4)
Depreciation, amortization and provision charges	–	–
Extraordinary expenses	**(142.5)**	**(0.4)**
Net extraordinary income (expense)	**(57.1)**	**0.4**
Employee profit-sharing	–	–
Income tax income (expense)	1.0	5.5
Net profit (loss) for the year	**(24.3)**	**191.4**

2.3.2 Notes to the annual financial statements

Notes

These are the notes to the balance sheet and the income statement for the year ended 31 December 2016. The total balance sheet amount comes to €1,577.7 million, while the income statement shows a net loss of €24.3 million for the period. Had the Company been taxed separately, its net loss for tax purposes would have totaled €25.4 million.

The reporting period covers the 12-month period from 1 January to 31 December 2016.

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

Note 1 Significant events during the year

1.1 Changes to corporate governance

On 16 February 2016, Ipsen announced that its Board of Directors, meeting 15 February 2016, decided to change the company's governance by separating the functions of Chairman and Chief Executive Officer (CEO). The Board of Directors confirmed that Mr. Marc de Garidel would become the non-executive Chairman of the Board of Directors under the new corporate governance structure and approved the departure of Ms. Christel Bories, Deputy CEO.

On 8 July 2016, the Board of Directors named David Meek as the Group's Chief Executive Officer. This appointment took effect on 18 July 2016, when Marc de Garidel became the Group's non-executive Chairman.

1.2 €300 million in seven-year notes issued

On 16 June 2016, Ipsen S.A. issued €300 million in unsecured, seven-year notes. The notes mature on 16 June 2023 and pay annual interest of 1.875%. The purpose of the issue was to diversify and extend the maturity of Ipsen's sources of funds and to support its investment and development strategy.

At 31 December 2016, the notes including accrued interest were recognized as debt in the Company's financial statements in the amount of €303.1 million on the "Other bonds" line item of the balance sheet. In addition, a €1.8 million redemption premium and €1.2 million in issuing costs were recorded on the asset side of the balance sheet.

1.3 Share repurchasing program

On 28 June 2016, Ipsen announced that it had granted Natixis a mandate to purchase 400,000 Ipsen S.A. shares, representing 0.48% of the Company's share capital at that date. The purchase was to take place from 4 July 2016, over a period of two months minimum and not extend beyond 30 December 2016. The purchased shares were allocated primarily to cover share awards as part of the Company's bonus share plans. The buyback program was in line with the authorizations granted by the Combined Shareholder's Meeting.

The program ended on 30 December 2016.

Under the program, the Company repurchased 400,000 shares for a total €24 million in the year ended 31 December 2016.

1.4 Asset contributions

On 18 November 2016, Ipsen S.A. contributed its entire 68% interest in Suraypharm S.A.S., consisting of 41,800,000 shares, to Ipsen Pharma S.A.S. The contribution was assessed at €27.9 million. In compensation, Ipsen S.A. was granted 1,575 new Ipsen Pharma S.A.S shares fully assessed at €27.9 million.

On 18 November 2016, Ipsen S.A. contributed its entire 22% interest in Ipsen Biopharmaceuticals Inc., consisting of 832 shares, to Ipsen Pharma S.A.S. In compensation for the contribution, which was assessed at €56.8 million, Ipsen S.A. was granted 3,206 new Ipsen Pharma S.A.S shares assessed at €56.8 million.

The 4,781 new Ipsen Pharma S.A.S. shares issued to compensate for the asset contributions did not trigger a change in Ipsen S.A.'s interest in Ipsen Pharma S.A.S., which remained at 100%.

Note 2 Accounting principles and valuation methods

2.1 Standards, principles and valuation methods

2.1.1 Accounting principles

The annual financial statements have been prepared in accordance with legal and regulatory provisions applicable in France, as set out in the French Chart of Accounts (ANC Regulation n°2014-03 approved by the Order of 8 September 2014), in observance of the prudence principle and the independence of financial years and the presumption of a going concern.

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

2.1.2 Valuation methods

2.1.2.1 Intangible assets

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

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

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

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

2.1.2.2 Financial investments

- Equity investments

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

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

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

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

    At the closing date, short-term investment amounts are measured at their net asset liquidation value. Capital gains realized between the closing date value and the starting value are not recognized. Unrealized capital losses are written down.
  - Share repurchase program aimed at cancelling the shares. Shares repurchased for purposes of cancellation are recorded at acquisition cost in "Other financial assets". These shares are not subject to an assessment of their net asset liquidation value at the close of the period.

2.1.2.3 Receivables

Receivables are measured at nominal value.

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

2.1.2.4 Short-term investments

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

At the closing date, provisions were recorded as follows:

- For Company shares purchased with a view to allocating them to bonus share plans, a provision was recorded on the liability side of the balance sheet to account for employee share allocation obligations based on services rendered. Because the allotment of Ipsen's bonus share plans are subject to length of service conditions at the Company, the provision is spread over the vesting period, as required under the CNC opinion;
- Otherwise, for Company shares, when the value at the closing date, *i.e.* the average monthly share price during the last month of the financial year, is below carrying value, an impairment provision is recorded for the difference.

The income and expenses generated from buying and selling the Company's own shares are recognized as extraordinary income or expenses. To determine the net income or expense when selling repurchased shares, the oldest shares are considered to have been sold first in accordance with the FIFO, first-in, first-out method.

2.1.2.5 Provisions for contingencies and losses

Provisions for contingencies and losses are recognized at the period close to cover all Company liabilities to third parties likely or certain to give rise to an outflow of resources to said third-parties without any counterpart. These provisions are estimated on the basis of the most likely assumptions at the closing date.

2.1.2.6 Debts

Debts are measured at nominal value.

2.1.2.7 Foreign exchange differences

Foreign-currency denominated income and expense items were recorded in euros based on the exchange rate in effect at the transaction date. Debts, receivables, and cash denominated in foreign currencies were translated into euros at the closing exchange rate at year-end. The resulting translation differences for debts and receivables denominated in foreign currencies were posted to "Foreign exchange differences" on the balance sheet. Unrealized losses were provisioned in full as contingencies.

2.1.2.8 Retirement benefit obligations

Company employees may be entitled to compensation when they retire or to a pension following their retirement. The Company's liabilities arising from such post-employment benefits are calculated by using an actuary model and assumptions applicable in France.

The corresponding liabilities, based on the rights vested to the beneficiaries, are covered by contributions to independent organizations (insurance companies), which are responsible for paying the pensions and other benefits. In accordance with provision of the French Commercial Code, net assets and

liabilities arising from these obligations are not recognized, as the Company does not apply the preferential method.

Further, amounts intended to reward employees for their length of service are paid out as bonuses by the Company.

2.1.2.9 Tax consolidation regime

To reflect the tax consolidation that unites the Company with its subsidiaries, Ipsen, in accordance with the other member companies of its tax consolidation group, has adopted the following rules, in keeping with the advice of French tax authorities.

Each subsidiary within the consolidation scope recognizes its income tax as if it were taxed separately, *i.e.* particularly after carrying forward tax loses incurred earlier by the subsidiary and transferred to the Parent Company.

Ipsen calculates the income tax due by the consolidated group and expenses the charge. Further, the Company recognizes the tax savings arising from the tax consolidation as income.

Ipsen does not return the tax savings contributed by loss-generating subsidiaries after they return to profitability.

Note 3 Notes to the balance sheet

3.1 Non-current assets

3.1.1 Intangible assets

- Change in gross amounts

(in millions of euros)	31 December 2015	Increases	Decreases	31 December 2016
Brands and trademarks	0.2	–	–	0.2
Total	**0.2**	**–**	**–**	**0.2**

No amortization or provisions were recognized for these intangible assets, which had a net carrying value of €0.2 million at 31 December 2016.

3.1.2 Financial investments

- Change in gross amounts

(in millions of euros)		31 December 2015	Increases	Decreases	31 December 2016
Equity investments – shares	**Note 3.1.3**	**1,214.6**	**84.8**	**(131.9)**	**1,167.5**
FPCI – Private equity professional fund		5.0	–	–	5.0
Company shares / liquidity agreement		0.3	28.7	(28.5)	0.5
Liquidity agreement		4.0	28.7	(28.7)	4.0
Company shares to be cancelled		3.9	–	(3.9)	(0.0)
Total other financial assets	**Note 3.1.4**	**13.2**	**57.4**	**(61.1)**	**9.5**
Total financial assets		**1,227.9**	**142.2**	**(193.0)**	**1,177.0**

- Change in write-downs

(in millions of euros)	31 December 2015	Increases	Decreases	31 December 2016
Equity investments – shares	(47.2)	–	47.2	–
Company shares	–	–	–	–
Liquidity agreement	–	–	–	–
Other financial assets	–	–	–	–
Total	**(47.2)**	**–**	**47.2**	**–**

3.1.3 Equity investments

Information about subsidiaries and affiliates is disclosed in the subsidiaries and affiliates table (note 6).

As part of the asset transfer operations disclosed in note 1.4, the Company on 31 December 2016 reversed €47.2 million in equity investment write-downs, which broke down as

€13.9 million in write-down reversals of Suraypharm S.A.S. shares and €33.3 million in write-down reversals of Ipsen Biopharmaceuticals shares.

3.1.4 Other financial assets

At 31 December 2016, this item broke down as follows:

- Shares in the InnoBio FPCI private equity professional fund: In 2009, the Company signed a subscription form for five thousand shares at an initial investment value of €1,000 each, with the InnoBio FPCI for a total of €5 million.

  The commitment includes 10 tranches amounting to 69% of the shares, or €3.5 million paid from 2009 to 2016, and deferred tranches totaling €1.5 million that will be gradually called by the fund management company. At 31 December 2016, the Company held 2.89% of the fund.

- Company shares held as part of a liquidity agreement entrusted – by a decision taken 22 March 2005 – to Natexis Bleichroder for a period of one year and renewable by tacit agreement. The liquidity agreement complies with the AMAFI Ethics Charter, approved by the French financial markets authority.

  At 31 December 2016, the Company held 7,562 shares with a gross value of €0.5 million and provided €4 million in cash under the liquidity agreement.

3.2 Receivables by maturity

(in millions of euros)	Gross Amount 2015	Gross Amount 2016	of which	
			Less than one year	More than one year
Other financial assets	8.2	4.5	4.5	–
Other trade receivables	11.0	14.1	14.1	–
Personnel and related accounts	–	–	–	–
Social security and other welfare agency	–	–	–	–
State and other public authorities				
– Income tax	80.1	53.1(*)	53.1	–
– Value added tax	0.1	0.1	0.1	–
– Other	0.1	0.1	0.1	–
Group and associates	14.5	162.8	162.8	–
Miscellaneous receivables	0.2	1.2	1.2	–
Prepayments	0.0	0.0	0.0	–
TOTAL RECEIVABLES	**114.3**	**236.0**	**236.0**	**–**

(*) The decline in the amount of income tax receivables *versus* 31 December 2015 stemmed mainly from the repayment of research tax credits received in 2016.

3.3 Short-term investments

The Company holds short-term investments comprised of 1,120,808 of its own shares valued at €54.3 million.

- Change in short-term investments

(in millions of euros)	31 December 2015	Increases	Decreases	31 December 2016
Gross value	46.9	24.0(*)	(16.6)(**)	54.3
Write-downs	–	–	–	–
Net value	**46.9**	**24.0**	**(16.6)**	**54.3**

(*) See note 1.3.
(**) Decrease in short-term investments following the allotment of 312,655 bonus shares to beneficiaries of the 12 December 2006, 12 December 2007, 29 September 2008 and 30 March 2009 stock option plans, the Group's July 2016 employee savings program and the 30 March 2012 and 27 March 2014 bonus share plans.

3.4 Cash and cash equivalents

At 31 December 2016, the "Cash and cash equivalents" item consisted primarily of term deposits.

3.5 Bond redemption premium

In line with the notes issued by the Company on 16 June 2016 (note 1.2), the Company recognized a €1.9 million redemption premium amortized over the duration of the notes, *i.e.* seven years. An amount totaling €0.1 million was expensed for the 2016 financial year, with the redemption premium's €1.8 million balance remaining on the asset side of the balance sheet at 31 December 2016.

3.6 Debt issuance costs to be amortized

Debt issuance costs are spread over the duration of the respective bonds and loans from which they arose. At

31 December 2016, debt issuance costs came to €2.9 million and broke down as follows:

- €1.2 million arising from the notes (see note 1.2). The €1.3 million in related issuance costs were spread over the duration of the notes, *i.e.* seven years. An amount totaling 0.1 million was expensed for the 2016 financial year;
- €0.4 million arising from the bilateral loan (see note 3.9.2). The €0.5 million in related issuance costs were spread over the duration of the loan, *i.e.* 6.5 years. An amount totaling 0.1 million was expensed for the 2016 financial year.

3.7 Equity

- Share capital
  - At 31 December 2016, Ipsen's share capital was comprised of 83,557,864 ordinary shares each with a nominal value of €1, including 47,829,011 shares with double voting rights, compared with 83,254,602 ordinary shares each with a nominal value of €1, including 47,778,755 shares with double voting rights at 31 December 2015.
  - The changes during the 2016 financial year were as follows:
    - 312,262 new shares were issued as share warrants were exercised;
    - 80,000 new shares were allocated under the Group's July 2016 employee savings program;
    - 80,000 shares repurchased for purposes of cancellation were cancelled.

- Change in share capital

(in millions of euros)	Share capital	Share premium	Issue premium	Legal reserve	Other reserves	Retained earnings	Net profit (loss) for the period	Regulated provisions	Total equity
Balance at 31 December 2015, before allocation of net profit	**83.2**	**29.8**	**690.3**	**44.7**	**98.3**	**131.9**	**191.4**	**0.0**	**1,269.7**
Dividends	–	–	–	–	–	0.8(*)	(70.8)	–	**(70.0)**
Net profit (loss) for the period	–	–	–	–	–	–	(24.3)	–	**(24.3)**
Capital increase	0.1	–	3.4	–	–	–	–	–	**3.5**
Capital decrease by Ipsen	(0.1)	–	–	–	(3.8)	–	–	–	**(3.9)**
Capital increase from exercised warrants	0.3	–	9.5	–	–	–	–	–	**9.8**
Other movements	–	–	–	–	–	120.7	(120.7)	(0.0)	**(0.0)**
Balance at 31 December 2016, before allocation of net profit	**83.6**	**29.8**	**703.1**	**44.7**	**94.4**	**253.4**	**(24.3)**	**0.0**	**1,184.7**

(*) Dividends on treasury shares are posted to retained earnings.

3.8 Provisions for contingencies and losses

The change in provisions for contingencies and losses from the opening to the closing of the financial year breaks down as follows:

(in millions of euros)	31 December 2015	Movements during the period				31 December 2016
		Charges	Reversals		Other movements	
			Applied	Released		
Provisions for litigation	–	–	–	–	–	–
Other provisions for contingencies	14.6	7.8	(8.0)	(0.7)	–	13.7
Provisions for contingencies	**14.6**	**7.8**	**(8.0)**	**(0.7)**	**–**	**13.7**
Provisions for losses	**11.1**	**5.2**	**(8.7)**	**(0.3)**	**–**	**7.4**
Total	**25.7**	**13.1**	**(16.6)**	**(1.0)**	**–**	**21.1**

At 31 December 2016, provisions for contingencies and losses included the following items:

- Provisions for Group performance-related medium-term bonus plans approved by the Board of Directors;
- Provisions recorded to account for employee bonus-share and stock option allocation obligations based on services rendered (see notes 1.3 and 2.1.2.4);
- Provisions to cover expenses related to long service awards.

3.9 Borrowings and debt

3.9.1 Liabilities by maturity

(in millions of euros)	Gross amount 2015	Gross amount 2016	of which		
			Within 1 year	1 to 5 years	Over 5 years
Other bond borrowings	0.0	303.1	3.1	0.0	300.0
Bank borrowings – Initially up to one year – Initially over one year	 0.0 –	 0.0 –	 0.0 –	 – –	 – –
Sundry borrowings and financial liabilities	0.3	30.3	30.1	0.2	–
Trade payables	1.1	1.3	1.3	–	–
Taxes payable and payroll and payroll on-cost amounts payable					
Personnel and related accounts payable	5.2	6.4	6.4	–	–
Social security and other welfare agency payables	3.1	3.1	3.1	–	–
State and other public authority payables – Income tax – Value added tax – Other taxes and duties	 – 1.2 0.3	 – 0.9 0.2	 – 0.9 0.2	 – – –	 – – –
Total taxes payable and payroll and payroll on-cost amounts payable	**9.7**	**10.6**	**10.6**	**–**	**–**
Other liabilities					
Amounts payable to fixed asset suppliers and related accounts	1.8	1.6	1.6	–	–
Group and associates	31.8	24.8	24.8	–	–
Other payables	0.4	0.3	0.3	–	–
Total other liabilities	**34.0**	**26.7**	**26.7**	**–**	**–**
TOTAL LIABILITIES	**45.1**	**371.9**	**71.7**	**0.2**	**300.0**

3.9.2 Sundry borrowings, financial liabilities and bonds

On 16 June 2016, Ipsen S.A. issued €300 million in unsecured, seven-year notes paying annual interest of 1.875% (see note 1.2). At 31 December 2016, the notes including accrued interest were recognized as debt in the Company financial statements in the amount of €303.1 million on the "Other bond borrowings" line item.

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

On 24 June 2016, Ipsen S.A. amended its syndicated loan to reduce the amount to €300 million and remove the covenants, *i.e.* the leverage and gearing ratios. At 31 December 2016, this credit line remained untapped.

Ipsen S.A. also has access to a €300 million program to issue commercial paper, €30 million of which had been drawn at 31 December 2016 and recorded in the "Sundry borrowings and financial liabilities" line item on the balance sheet.

3.10 Accrued liabilities

(in millions of euros)	31 December 2016	31 December 2015
Sundry borrowings and financial liabilities	3.2	0.1
Suppliers – invoices not yet received	0.8	0.8
Fixed asset suppliers – invoices not yet received	1.6	1.8
Personnel		
– Accrued liabilities for paid vacation	0.9	0.8
– Accrued liabilities for bonuses	3.4	4.2
– Accrued liabilities for employee profit–sharing	–	0.0
– Accrued liabilities for profit–sharing	0.1	0.1
– Accrued liabilities for retirement indemnities	1.9	–
– Accrued social welfare expenses	1.9	2.2
State – Accrued expenses	0.4	0.4
Other accrued expenses and interest on current accounts	–	0.0
TOTAL	**14.2**	**10.5**

Note 4 Notes to the income statement

4.1 Operating income

Operating income totaled €40.8 million in the 2016 financial year and broke down as follows:

- €18.3 million in personnel expense re-invoiced to subsidiaries,
- €17.7 million in reversals of provisions for contingencies and losses,
- €4.8 million in expense transfers, including €3 million from reclassifying provision charges for contingencies and losses as personnel expense and €1.8 million from debt issuance costs to be amortized (see note 3.6).

4.2 Operating expenses

The change in operating expense *versus* the previous financial year stemmed mainly from:

- The €1.4 million increase in borrowing issuance fees and expenses (see note 3.6);
- The €2 million decrease in the "wages and salaries" and "payroll on-costs" items arising from the 2015 reclassification of €4.8 million in provision charges for contingencies and losses as personnel expense, the €4.9 million increase in indemnities and bonuses, and the €1.9 million decrease in expenses related to bonus share and stock option plans.
- The €9.9 million decrease in amortization expense related primarily the change in provisions for medium-term bonus plans and bonus share allocation plans.

4.3 Financial income

(in millions of euros)	2016	2015
Income from equity investments	1.6(*)	172.5(**)
Reversal of provisions and expenses transferred	47.2(***)	38.3(****)
Other financial income	0.1	0.0
Foreign exchange gains	0.0	0.0
Total financial income	**48.8**	**210.8**

(*) At 31 December 2016, income from equity investments consisted primarily of payouts from the InnoBio FPCI private equity fund (see note 3.1.4).
(**) At 31 December 2015, income from equity investments consisted mainly of intragroup dividends (see note 5.2.2).
(***) As part of the asset contribution operations disclosed in note 1.4, the Company on 31 December 2016 reversed €33.3 million in equity investment write-downs on Ipsen Biopharmaceuticals and reversed €13.9 million in equity investment write-downs on Suraypharm S.A.S.
(****) At 31 December 2015, the Company reversed €24.6 million in equity investment write-downs on its Ipsen Biopharmaceuticals subsidiary and reversed €13.7 million in equity investment write-downs on its Suraypharm S.A.S. subsidiary.

4.4 Financial expense

(in millions of euros)	2016	2015
Foreign exchange differences	(0.0)	(0.0)
Interest and other financial expenses	(3.9)(*)	(0.8)
Depreciation, amortization and provision charges	(0.1)	–
Total financial expense	**(4.1)**	**(0.8)**

(*) Of which €3 million in interest expense arising from the notes issued in June 2016 (see note 1.2).

4.5 Net extraordinary income (expense)

(in millions of euros)	2016	2015
Gains from share buybacks	0.7	0.8
Reversal of provision for investment	0.0	0.0
Extraordinary income from capital transactions	84.8	–
Extraordinary income	**85.4**	**0.8**
(Losses) from share buybacks	(10.6)	(0.4)
Extraordinary expense from capital transactions	(131.9)	–
Miscellaneous extraordinary expenses	–	–
Extraordinary (expenses)	**(142.5)**	**(0.4)**
Net extraordinary income (expense)	**(57.1)**	**0.4**

Net extraordinary expense for the 2016 financial year resulted primarily from:

- Asset contributions totaling €47.2 million and disclosed in note 1.4;
- The €10 million capital loss realized during the transfer of treasury shares to certain beneficiaries in respect of bonus share plans, stock option plans and the Group's employee savings program (see note 3.3).

4.6 Income tax breakdown

The income tax line for the 2016 financial year shows a net gain of €1 million.

(in millions of euros)	Pre-tax	Net tax amount	After tax
Profit on ordinary activities	31.8	–	31.8
Net extraordinary income (expense) and employee profit-sharing	(57.1)	–	(57.1)
Income tax income from tax consolidation	–	(1.0)	1.0
Book profit (loss)	**(25.3)**	**(1.0)**	**(24.3)**

4.7 Tax consolidation

Ipsen S.A. leads a tax consolidation group. To reflect the tax consolidation that unites the Company with its subsidiaries, the following methods were applied in the annual financial statements:

Each subsidiary within the tax group recognizes its income tax as if it were taxed separately, *i.e.* particularly after recognizing its tax-loss carryforwards.

Payments were made by bank transfer to the Company's account at dates scheduled for payment transfer to the Treasury. Ipsen calculated the income tax owed by the tax consolidated group and expensed the amount. In addition, the Company recorded the income tax recognized by its integrated subsidiaries as income.

If a subsidiary exits the scope of consolidation after a period of five years, it recovers no income tax or tax-loss carryforwards.

At 31 December 2016, the Company reported tax consolidation income of €3.1 million, compared with €9.4 million a year earlier.

There were no tax-loss carryforwards for the tax consolidation group at 31 December 2016.

4.8 Increases or decreases in future tax liability

Excluding tax consolidation impact, the amount of increases or decreases in future tax liability was not material for the 2016 financial year.

Note 5 Other information

5.1 Directors, executives and officers

5.1.1 Remuneration paid to corporate officers

Remuneration paid by the Company to directors, executives and officers during the 2016 financial year totaled €10.8 million, breaking down as follows:

- €1.7 million in remuneration paid to members of executive bodies;
- €9.1 million in remuneration paid to members of management bodies.

Retirement pensions and similar benefit obligations for executives and officers came to €1.3 million at 31 December 2016.

5.1.2 Loans and advances to top management

No advances or loans were made to the Company's top management.

5.2 Transactions with affiliated companies and related parties

5.2.1 Balance sheet

(in millions of euros)	2016	2015
Assets		
Equity investments	1,167.5	1,167.5
Trade receivables	14.1	11.0
Group and associated companies	162.8	14.5
Other receivables	–	–
Total	**1,344.4**	**1,193.0**

(in millions of euros)	2016	2015
Liabilities		
Trade payables	0.4	0,2
Group and associated companies	–	–
Other liabilities	24.9	31.8
Total	**25.4**	**32.0**

5.2.2 Financial income and expense

(in millions of euros)	2016	2015
Financial expense with affiliated companies	(0.0)	(0.1)
Financial income with affiliated companies	–	0.0
Dividends received	0.0	172.5
TOTAL	**(0.0)**	**172.5**

5.2.3 Transactions with related parties

There were no material transactions with related parties not concluded in arm's length transactions.

5.3 Average headcount at period closing

	2016	2015
Top and upper management	15	17
TOTAL	**15**	**17**

5.4 Financial commitments

5.4.1 Commitments to personnel

Apart from retirement bonuses mandated under a collective bargaining agreement with the French pharmaceutical industry and obligations related to a supplementary pension plan, the Company has no other obligations arising from employee pensions, complementary retirement benefits, retirement bonuses or contributions or similar post-employment benefits.

At 31 December 2016, obligations arising from retirement bonuses and the supplementary pension plan amounted to

€3 million and €20.2 million respectively. The amounts were determined *via* actuarial valuation using the "projected unit credit" method.

The main assumptions used in the calculations were as follows:

- Discount rate of 1.3%,
- inflation rate of 1.8%,
- Voluntary retirement for managers at age 67 for those born after 1963 and 64 for those born before 1963; voluntary retirement for non-managers at age 65 for those born after 1963 and age 63 for those born before 1963,
- TH 11-13 mortality table for men and TF 11-13 mortality table for women.

These obligations were outsourced to an insurance company. At 31 December 2016, the fair value of these financial assets came to €1.8 million for the retirement bonuses and the €10.9 million for the supplementary pension plan, assuming a long-term rate of return of 1.3%.

In accordance with provision of the French Commercial Code, net assets and liabilities arising from these obligations are not recognized, as the Company does not apply the preferential method.

The obligation arising from long-service awards was determined *via* actuarial valuation using the "projected unit credit" method and fully provisioned at 31 December 2016. A discount rate of 1.30% was assumed to calculate the €0.3 million long-service award obligation.

5.4.2 Commitments given

The Group has subscribed to a worldwide liability insurance policy from a third-party insurer. The insurance company itself is underwritten by the captive reinsurance company Ipsen Ré, a wholly owned subsidiary of the Group, up to the first €10.0 million for any potential claim made. To cover that financial commitment and address any potential default by Ipsen Ré, the Ipsen S.A. parent company on 9 March 2016 issued a letter of guarantee payable upon first demand in favor of the third-party insurer for a total amount of €10.0 million. The first-demand guarantee is renewable annually.

5.5 Share option plans granted by the Company

5.5.1 Details of share option plans

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

(*) 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.

5.5.2 Valuation of plans

(in millions of euros)	Plans prior to 2010	Plan dated 31 March 2010	Plan dated 30 June 2011	TOTAL
Opening valuation of active plans at 31 December 2016	21.6	3.8	1.5	26.9

5.5.3 Change in number of options outstanding

Changes in the number of outstanding options under all plans are as follows:

(in number of options)	31 December 2016	31 December 2015
Opening balance	**1,142,157**	**1,516,826**
Options exercised	(393,886)	(367,419)
Options cancelled	–	(7,250)
Options expired	(3,500)	–
Closing balance	**744,771**	**1,142,157**

5.6 Bonus share plans

Since 2005, various Boards of Directors have been awarded bonus shares contingent upon the Group's achievement of certain performance conditions for certain plans.

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

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

On **1 April 2015**, the Board of Directors granted:

- 12,588 bonus shares to the Chairman and Chief Executive Officer, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 10,070 bonus shares to the Deputy Chief Executive Officer, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 30,363 bonus shares to members of the Executive Committee, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 39,970 bonus shares to beneficiaries of its American subsidiaries, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 69,056 bonus shares to certain beneficiaries of other Group subsidiaries, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity.

5.6.1 Details of Ipsen bonus share plans

	Plan dated 30 March 2012					Plan dated 28 March 2013				
Tranches	1.1	1.2	1.3	1.4	1.5	1.1	1.2	1.3	1.4	1.5
Number of bonus shares	84,685	73,649	19,416	11,200 (*)	35,645	79,859	78,485	21,791	9,540	34,329
Vesting period (in years)	2	2	2	4	2	2	2	4	4	2
Value of shares on date granted, before reduction	€20.50	€20.50	€20.50	€20.50	€20.50	€27.91	€27.91	€27.91	€27.91	€27.91
Fair value of bonus shares	**€17.75**	**€17.75**	**€17.75**	**€19.31**	**€17.75**	**€23.47**	**€23.47**	**€26.28**	**€26.28**	**€23.47**

(*) Bonus shares free of any performance conditions specific to the Group or the stock market.
1.1 Beneficiaries include the Chairman and Chief Executive Officer, the non-executive Chairman, the Deputy CEO, the Chief Executive Officer, Executive Committee members, and Executive Leadership Team members.
1.2 Beneficiaries from the Group's French subsidiaries.
1.3 Beneficiaries outside the Group's French and American subsidiaries.
1.4 Beneficiaries from the Group's American subsidiaries.

Tranches	Plan dated 27 March 2014				Plan dated 1 April 2015				Plan dated 1 June 2016			
	1.1	1.2	1.3	1.4	1.1	1.2	1.3	1.4	1.1	1.2	1.3	1.4
Number of bonus shares	65,018	56,062	19,405	21,685	53,021	47,572	21,484	39,970	64,019	72,208	41,336	64,727
Vesting period (in years)	2	2	4	2	2	2	4	2	2	2	4	2
Value of shares on date granted, before reduction	€29.75	€29.75	€29.75	€29.75	€44.99	€44.99	€44.99	€44.99	€56.69	€56.69	€56.69	€56.69
Fair value of bonus shares	**€20.01**	**€20.01**	**€21.74**	**€20.01**	**€31.10**	**€31.10**	**€31.24**	**€31.24**	**€47.73**	**€47.73**	**€49.04**	**€47.73**

(*) Bonus shares free of any performance conditions specific to the Group or the stock market.
1.1 Beneficiaries include the Chairman and Chief Executive Officer, the non-executive Chairman, the Deputy CEO, the Chief Executive Officer, Executive Committee members, and Executive Leadership Team members.
1.2 Beneficiaries from the Group's French subsidiaries.
1.3 Beneficiaries outside the Group's French and American subsidiaries.
1.4 Beneficiaries from the Group's American subsidiaries.

5.6.2 Valuation of Ipsen bonus share plans

(in millions of euros)	Plan dated 30 March 2012	Plan dated 28 March 2013	Plan dated 27 March 2014	Plan dated 1 April 2015	Plan dated 1 June 2016	TOTAL
Opening valuation of active plans at 31 December 2016	4.0	5.3	3.1	4.4	10.5	27.3

Note 6 Subsidiaries and affiliates

(Amounts in thousands of currency units)

Detailed information for each interest, in which gross value exceeds 1% of the company's share capital	Share capital	Equity other than share capital and excl. net profit	Percentage of share capital held %	Number		Carrying amount of shares held		Outstanding loans and advances granted by the Company	Amount of endorsments, guarantees, and letters of intent provided by the Company	Sales, net of VAT, for the last year (avg. exch. rate)	Net profit (loss) for the last year (avg. exch. rate)	Dividends collected by the Company in the last year, net of ESOP
				Interest	Shares	Gross amounts	Provisions					
1. SUBSIDIARIES												
Sutrepa	€130 K	€209,894 K	64		166,580	€88,816 K	-	-	-	-	€3,355 K	-
Ipsen Pharma	€5,856 K	€412,439 K	100		188,905	€1,078,615 K	-	-	-	€1,084,568 K	€178,519 K	-
Socapharma	€30 K	€(23) K	100		30,000	€30 K	-	-	-	-	€(3) K	-
General information for other interests, in which gross value exceeds 1% of the company's share capital												
1. Equity interests in foreign companies												
Ipsen Poland LLC	PLN1,210 K	PLN7,156 K	0		1	15 K€	-	-	-	-	(1 136) KPLN	-

Note 7 Cash flow statement

(in millions of euros)	31 December 2016	31 December 2015
Opening cash and cash equivalents	**5.0**	**0.0**
Net profit (loss)	(24.3)	191.4
Elimination of income and expense with no impact on cash flow or not used in operating activities	–	–
– Net depreciation, amortization and provision charges	(4.0)	(21.9)
Cash flow	**(28.3)**	**169.5**
Change in working capital requirement related to operating activities	15.1	(29.0)
Net cash flow from operating activities	**(13.2)**	**140.5**
Acquisition of equity investments	–	–
Disposal of equity investments	–	–
Other cash flow related to financing activities	3.7	(0.4)
Change in working capital related to investment activities	(0.3)	–
Net cash provided (used) by investment activities	**3.4**	**(0.4)**
Repayment of borrowings	(0.2)	(0.3)
Debt issues	331.3	0.1
Change in share capital	9.3	5.4
Share repurchasing agreement	(7.4)	(22.1)
Dividends paid	(70.0)	(70.0)
Change in working capital related to financing activities	(148.3)	(48.3)
Net cash provided (used) by financing activities	**114.8**	**(135.1)**
Changes in cash and cash equivalents	**105.0**	**5.0**
Closing cash and cash equivalents	**110.1**	**5.0**

Note 8 Subsequent events

On 9 January 2017, Ipsen announced that it had entered into a definitive agreement to acquire global oncology assets from Merrimack Pharmaceuticals, including its key marketed product Onivyde® (irinotecan liposome injection) for the treatment of patients with metastatic adenocarcinoma of the pancreas after disease progression following gemcitabine-based therapy, in combination with fluorouracil and leucovorin. Under the terms of the agreement, Ipsen will gain exclusive commercialization rights for the current and potential future Onivyde® indications in the U.S., as well as the current licensing agreements with Shire for commercialization rights ex-U.S. and PharmaEngine for Taiwan. The transaction also includes Merrimack's commercial and manufacturing infrastructure, and generic doxorubicin HCl liposome injection. The upfront payment made at the closing of the deal came to USD575 million. In addition, future payments of up to USD450 million may be made upon the approval of potential additional indications.

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

On 13 February 2017, Ipsen announced that it had entered into a definitive agreement to acquire five consumer healthcare products in certain European territories from Sanofi. The most significant product is Prontalgine®, an analgesic for the treatment of moderate to severe pain, which has grown at double-digit rates over the last four years and is available only in France. The portfolio also includes Buscopan®, an antispasmodic; Suppositoria Glycerini, a laxative; and Mucothiol® and Mucodyne®, expectorants for cough and flu. Combined, these regional brands span a geographic area of eight European countries. Manufacturing will be provided by third-parties. Under the terms of the agreement, Ipsen will pay €83million in cash for the products upon closing.

No other event occurring between the closing date of the Company's annual financial statements and the date of their approval by the Chairman, and not taken into consideration, was likely to call into question the annual financial statements themselves or make it necessary to mention such an event in the notes to the annual financial statements.

2.3.3 Statutory Auditor's Report on the annual financial statements

This is a free translation into English of the statutory auditors' report on the 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 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 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 management report and in the documents addressed to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Ipsen S.A.
Registered office: 65, Quai Georges Gorse 92650 Boulogne-Billancourt Cedex

Statutory Auditors' Report on the annual financial statements

Year ended 31 December 2016

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 2016, on:
- the audit of the accompanying financial statements of Ipsen S.A.;
- the justification of our assessments;
- the specific verification and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the annual 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 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 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 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 financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2016 and of the results of its operations for the year then ended in accordance with French accounting principles.

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 matter:

Note 2.1.2.2 to the financial statements describes the method used by the Company to measure the carrying value of its financial assets and investments in subsidiaries and affiliates. Our procedures consisted in assessing the data and assumptions on which these estimates are based, in particular the cash flow forecasts set out by the Company's operational management, reviewing calculations made by the Company, understanding the approval procedures by the management of these estimates. We verified that the disclosure provided in notes 2.1.2.2, 3.1 and 6 to the financial statements is appropriate. We assessed that the estimates made by the Company were reasonable.

These assessments were made as part of our audit of the 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

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L.225-102-1 of the French Commercial Code (*Code de commerce)* relating to remuneration and benefits received by the Directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders or holders of the voting rights has been properly disclosed in the management report.

Paris La Défense and Neuilly-sur-Seine, on the 22 February 2017

The Statutory Auditors
French original signed by

KPMG Audit
A division of KPMG S.A.
Philippe Grandclerc
Partner

Deloitte & Associés
Jean-Marie Le Guiner
Partner

2.3.4 Information related to Ipsen's business activity

2.3.4.1 Significant events of the year

Significant events of the year are disclosed in the first part of the notes to the annual financial statements.

2.3.4.2 Business activity

(in millions of euros)	2016	2015
Services	18.2	21.1
Net sales	**18.2**	**21.1**

Services correspond primarily to personnel-related expenses billed back to the subsidiaries.

2.3.4.3 Net profit (loss)

The following table provides a summary of the main aggregate items on the income statement:

(in millions of euros)	2016	2015
Net sales	18.2	21.1
Operating losses	(12.9)	(24.5)
Net financial income	44.7	210.0
Profit on ordinary activities	**31.8**	**185.6**
Net extraordinary income (expense)	(57.1)	0.4
Employee profit-sharing	–	–
Pre-tax profit	**(25.3)**	**186.0**
Income tax income	1.0	5.5
Net profit (loss)	**(24.3)**	**191.4**

Operating losses declined by €11.6 million over the performance in the 2015 financial year. The main observations are as follows:

- Re-invoicing to subsidiaries was down by €2.9 million,
- The €14.4 million decline in operating expenses, net of provision reversals and expense transfers, resulted primarily from:
  - The €2 million decrease in the "wages and salaries" and "payroll on-costs" line items arising from reclassifying €4.8 million in provision charges for contingencies and losses into personnel expense in 2015, the €4.9 million increase in indemnities and bonuses, and the €1.9 million decrease in expenses related to bonus share and stock option plans.
  - The €10 million decrease in amortization expense related primarily the variation in provisions for medium-term bonus plans and bonus share allocation plans.

Net financial income fell by €165.3 million, primarily as a result of the Company collecting no dividends in 2016, *versus* dividends of €172.5 million received in 2015, and the higher reversals of equity investment write-downs on the Ipsen Biopharmaceuticals and Suraypharm subsidiaries (see notes 1.4 and 4.3).

2.3.4.4 Income tax

At 31 December 2016, the Company reported income tax income of €3.1 million, *versus* income tax income of €9.4 million a year earlier. That result corresponds to the tax consolidation income.

2.3.4.5 Funding

The cash flow statement disclosed in the notes shows an increase in cash and cash equivalents at the close of 2016, arising mainly from interest-bearing deposits.

2.3.4.6 Net cash flow from operating activities

The decrease observed in net cash flow from operating activities in 2016 stemmed notably from the net loss reported for the year, *versus* net profit in 2015.

2.3.4.7 Net cash provided (used) by investment activities

Net cash flow used by investment activities resulted mainly from the Company's own-share purchases and sales made under the liquidity agreement in 2016, resulting in a net use of funds totaling €0.2 million. In addition, in line with the 3 June 2015 share repurchasing program, 80,000 of the Company's own shares were cancelled in July 2016, resulting in a net use of funds totaling €3.9 million.

2.3.4.8 Net cash provided (used) by financing activities

After a net use of funds totaling €135.1 million at the close of the 2015 financial year, financing activities generated a net source of funds totaling €114.8 million at 31 December 2016.

The €331.1 million net increase in debt issues stemmed from the following items:

- €301.3 million from the notes issued in June 2016 (see note 1.2); That amount includes accrued interest but is net of the redemption premium (see note 3.5); and
- €30 million from the commercial paper drawn at 31 December 2016 (see note 3.9.2).

The €9.3 million net increase in shareholders' equity resulted from the following items:

- The €0.3 million increase in share capital as described in note 3.3.7 of the notes to Company financial statements;
- The €12.8 million increase in issue premiums arising from the creation of new shares following the exercise of stock options; and
- In line with the 3 June 2015 share repurchasing program, the July 2016 cancellation of 80,000 of the Company's own shares totaling €3.9 million, of which €3.8 million were deducted from reserves.

The €7.4 million change in uses of funds from share buyback agreements arose from the following transactions:

- The repurchase by the Company in the 2016 financial year of 400,000 of its own shares totaling €24 million, as part of the share buyback program announced by the Company on 28 June 2016 (See note 1.3);
- The allotment of 312,655 bonus shares totaling €16.6 million to beneficiaries of the 12 December 2006, 12 December 2007, 29 September 2008 and 30 March 2009 stock option plans, the Group's July 2016 employee savings program and the 30 March 2012 and 27 March 2014 bonus share plans.

In 2016, the Company paid out €69.7 million in dividends, compared with €70 million in 2015.

At 31 December 2016, the Company's current account balance with Group companies showed a debit of €162.8 million, up €148.3 million over a debit current account balance of €14.5 million at 31 December 2015.

2.3.4.9 Subsequent events

Subsequent events are disclosed in note 8 of the notes to the Company's annual financial statements.

2.3.4.10 Business trends and outlook

In 2016, Ipsen S.A.'s net profit will be derived essentially from the dividends it receives from its subsidiaries, its financial expense and the tax consolidation gain.

2.3.4.11 Subsidiaries and affiliates

The lion's share of sales from Ipsen S.A. subsidiaries are generated by the marketing and sale of proprietary drugs prescribed by the medical profession. Purchases of most of the drugs are reimbursed by national health programs.

(in millions of euros)	2016		2015	
	Sales	Net profit (loss)	Sales	Net profit (loss)
Ipsen Pharma	1,084.6	178.5	1,038.8	185.8
Ipsen Biopharmaceuticals Inc.(*)	–	–	138.1	(19.7)
Sutrepa	–	3.4	–	87.5
Suraypharm(*)	–	–	–	20.6
Socapharma	–	(0.0)	–	(0.0)

(*) On 18 November 2016, Ipsen S.A. transferred its entire interests in Suraypharm S.A.S. and Ipsen Biopharmaceuticals Inc. to Ipsen Pharma S.A.S. (see note 1.4).

The list of subsidiaries and affiliates is provided in the notes to the Company's annual financial statements.

2.3.4.12 Accounting principles and methods

No changes were made in the accounting principles and methods *versus* the prior year.

2.3.4.13 Payment due dates

The following information on due dates for payables and receivables is provided in accordance with Article L.441-6-1 and Decree 441-4 of France's Commercial Code.

Trade and accounts payable

At 31 December 2016, the "Trade and accounts payable" line item totaled €1,286,000 and broke down as follows:

- 31.45% Group payables to suppliers;
- 64.08% invoices not yet received in 2016;
- 4.47% balance consisting of overdue invoices.

At 31 December 2015, the "Trade and accounts payable" line item totaled €1,051,000 and broke down as follows:

- 18.77% Group payables to suppliers;
- 77.24% invoices not yet received in 2015;
- 3.99% balance consisting of overdue invoices.

Trade and accounts receivable

At 31 December 2016, the "Trade and accounts receivable" line item came to €14.1 million and consisted of Group trade receivables.

At 31 December 2015, the "Trade and accounts receivable" line item amounted to €11 million and consisted of Group trade receivables.

2.3.4.14 Sumptuary spending

No non-tax-deductible expenses targeted under Article 39-4 of the French Tax Code were added back during the financial year just ended.

2.3.4.15 Net profit (loss) for the period

The net loss for the 2016 financial year came to €24.3 million.

2.3.4.16 Dividend payout

In accordance with Article 243 bis of the French Tax Code, the dividends paid out for the last three financial years were as follows:

(in euros)	Annual dividend payout Total (*)	Dividend per share
2014	65,520,394	0.80
2015	70,005,861	0.85
2016	70,759,527	0.85

(*) After cancelling dividends on treasury shares in retained earnings.

2.3.4.17 Company earnings and other financial highlights over the past five years

	2012	2013	2014	2015	2016
Share capital at year–end					
– Share capital (in millions of euros)	84.3	84.2	82.9	83.2	83.6
– Number of shares	*84,255.4*	*84,242.7*	*82,869.1*	*83,245.6*	*83,557.9*
– Number of outstanding preferred shares without voting rights	–	–	–	–	–
– Maximum number of shares to be created	–	–	–	–	–
Transactions and results for the year (in millions of euros)					
– Net sales	19.7	10.2	16.1	21.1	18.2
– Earnings before income tax, employee profit–sharing, amortization, depreciation and provisions	*70.9*	*57.1*	*113.3*	*164.0*	*(76.5)*
– Income tax income (expense)	22.5	5.0	8.6	5.5	1.0
– Employee profit–sharing for the year	*(0.1)*	*(0.0)*	*(0.0)*	*0.0*	*0.0*
– Earnings after income tax, employee profit–sharing, amortization, depreciation and provisions	*91.7*	*62.1*	*114.2*	*191.4*	*(24.3)*
– Dividends paid out(**)	66.5	66.6	65.5	70.0	70.0
Earnings per share (in euros)					
– Earnings after income tax and employee profit–sharing, but before amortization, depreciation and provisions	1.0	1.0	1.0	2.0	(1.0)
– Earnings after income tax, employee profit–sharing, amortization, depreciation and provisions	1.0	1.0	1.0	2.0	0.0
– Dividend per share	0.80	0.80	0.80	0.85	0.85
Personnel (in millions of euros)					
– Average number of employees during the year(*)	18	17	16	17	15
– Total payroll for the year	10.1	10.1	16.6	25.1	22.9
– Total payroll on–costs for the year (social security, welfare, etc.)	5.6	4.2	6.2	8.2	8.4

(*) Including Management bodies.
(**) Dividends on treasury shares are posted to retained earnings.

3 GROUP'S EMPLOYEES AND ENVIRONMENTAL ISSUES

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3.1 HUMAN RESOURCES

3.1.1 Group workforce

At 31 December 2016, 45% of the Group's 4,907 employees were employed outside the major Western European countries.

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

Split

	Sales and marketing	Manufacturing and supply	Research and Development	Administration and other	Total
At 31 December 2016					
Major Western European countries (1)	878	899	459	447	**2,683**
Other European countries	292	120	22	49	**483**
North America	236	5	55	52	**348**
Rest of the world (2)	1,203	70	11	109	**1,393**
Total	**2,609**	**1,094**	**547**	**657**	**4,907**
At 31 December 2015					
Major Western European countries (1)	844	820	461	462	**2,587**
Other European countries	247	108	39	46	**440**
North America	192	7	54	43	**296**
Rest of the world (2)	1,084	83	29	116	**1,312**
Total	**2,367**	**1,018**	**583**	**667**	**4,635**

(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 2016	31 December 2015
Major Western European countries (1)	2,683	2,587
Other European countries	483	440
North America	348	296
Rest of the world (2)	1,393	1,312
Total	**4,907**	**4,635**

(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 2016	31 December 2015
Permanent	85%	86%
Non-permanent	15%	14%

Part-time

(As a percentage)	31 December 2016	31 December 2015
Full-time	95%	95%
Part-time	5%	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 2016	1,607	1,652	1,218	380
At 31 December 2015	1,408	1,630	1,138	409

(1) "Field" sales force.

Recruitments (joint ventures non included)

	31 December 2016			31 December 2015		
	Total	Of which		Total	Of which	
		Perm	Fixed term		Perm	Fixed term
Major Western European countries [1]	**531**	377	154	**402**	283	119
Other European countries	**118**	72	46	**86**	50	36
North America	**109**	107	2	**106**	106	–
Rest of the world [2]	**386**	127	259	**291**	108	183
Total	**1,144**	**683**	**461**	**885**	**547**	**338**

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

The high number of recruitments in 2016 is related among others to the launch of Cabometyx.

Termination of employees (joint ventures non included)

	Redundancies, dismissals	Mutual agreement	Resignations, end of fixed-term contracts, seasonal contracts	Retirements, deaths	Total
2016 financial year					
Major Western European countries [1]	155	27	228	28	438
Other European countries	16	2	57	1	76
North America	15	–	43	-	58
Rest of the world [2]	45	65	188	2	300
Total	**231**	**94**	**516**	**31**	**872**
2015 financial year					
Major Western European countries [1]	170	11	220	28	429
Other European countries	23	1	57	–	81
North America	20	1	35	2	58
Rest of the world [2]	40	35	156	1	232
Total	**253**	**48**	**468**	**31**	**800**

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

Absenteeism

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

The following table shows the absenteeism rates by function during the 2016 and 2015 financial years:

	2016 financial year	2015 financial year
Manufacturing and supply chain	4.3%	4.1%
Sales and marketing	1.6%	1.3%
Administration and other	2.9%	3.6%
Research and Development	1.9%	2.9%
Total	**2.5%**	**2.5%**

3.1.2 The Group's Human Resources policy

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

- to foster the professional development and growth of all employees through continuous dialogue about their needs and motivations, whilst offering a wide variety of training and development opportunities,
- to promote a culture of agility, results orientation, team spirit and accountability,
- to enhance the employee's engagement through an inclusive environment, a culture of continuous improvement and a competitive compensation policy which rewards their contribution.

Individual performance assessment

The Individual Performance Appraisal Process (IPAP) is an essential process in the management of people. It is an ongoing process with formal appraisal meetings. The dialogue between the manager and each team member is an opportunity to set clear expectations on the employee's contribution to the Group's strategic objectives.

The IPAP provides managers with the means to motivate and encourage their team members to achieve challenging but realistic objectives. The outcome of the goal-setting interview should allow alignment and agreement on the expected performance – job expectations, annual targets and behaviors – and the definition of the means to enable the employee to reach them. At year end, it is an opportunity for the employee and the manager to summarize their dialogue throughout the year on the employee's performance and the difficulties they may have encountered.

Recruitment and mobility

In 2016, the Group pursued the recruitment strategy to support the execution of our business objectives with a clear focus on the needs for the launch of Cabometyx. Emphasis was also placed on improving the recruitment process regarding the time-to-hire and the best qualified candidates. Additional investment was made to simplify and making the process more efficient.

Recruitment

Ipsen's commitment to ensure diversity within its workforce starts with a call to recruit a broad range of profiles and competencies (cf. "Equal opportunities and diversity within the Group"). In 2016, the Group recruited a total of 1,144 new employees, which split as follows: 17% in Manufacturing and supply chain, 10% in Research and Development, 60 % in Sales and Marketing and 13% in support functions.

The split by gender of our recruitments (57% women and 43% of men) shows our strong commitment as an equal opportunity employer.

Once recruited, new employees are welcomed and integrated to Ipsen *via* either local programs at site level, Divisional or Functional events and programs and/or Global Induction seminars for experienced Managers coupled with the access to numerous resources through our e-learning and communication portal and tools.

Internal mobility

Ipsen actively promotes internal mobility. Indeed, whether it be geographical or functional, mobility is key to employees' professional development and to the company's dynamism. It enables to offer new career opportunities (including international) and contributes to the company's performance improvement overall.

Since 2010, an internal mobility page is available to all employees and job vacancies are systematically advertised on the Group's intranet portal. This portal has enhanced its look & feel in 2016 to make it more user friendly and appealing to our employees and to reinforce our Employer Brand and Action Principles. Also, Mobility Committees are held every month for the Business HR Directors and the Corporate HR team to review all internal job opportunities and identify potential candidates anywhere in the organization.

Development and training

The Group consistently aims at providing its employees with efficient development methods adapted to the needs of the Group and to the specificities of each business. In order to promote the development of managerial skills, the Group relies on Ipsen Management Academy, which not only offers high-performance training courses, but also promotes innovative development opportunities through peer-to-peer exchanges.

In addition, the Group is modernizing and expanding its training offering thanks to Ipsen Learning Platform, which combines all the training resources in a single system.

Talent Management and Development

In 2016, we conducted our Annual Talent Review. We improved the efficiency of this process by clarifying the criteria to define our key positions and or "talents" (top performing employees with high potential to grow). This bottom-up process ensures proper planning and coverage/succession of our key jobs and business continuity.

Launched in 2015, the Personal Development Meeting (PDM) is a key element of our Employees' Development Process and allows each employee to make an update with his/her manager on the employee's professional experience, skills, motivations, and to identify employee's development areas and professional expectations and interests. It leads to the formalization of an action plan whose implementation is accompanied and advised by our Human Resources experts.

Based on the belief that beyond technical skills and expertise, it is the way people act that will make the difference, ten behavioral competencies are identified as critical for the efficiency of the company and to boost its transformation. They ensure a consistent approach to management and support the Group's execution of its strategy.

Additionally, mentoring, and coaching programs are in place to support our selected managers and executives improve their leadership skills and business impact.

Training and development investment

The investment of the Group in training and development

in 2016 was in support of both the strategic needs of the company and of the individual performance. The employee's needs are identified through the performance management process (short-term needs) and through the Personal Development Meeting (long-term needs).

In 2016 the number of hours of training per employee is higher than 25.

Over the past three years, the total number of training hours provided by the Group has been as follows:

Number of hours of training	2016	2015	2014
TOTAL	**127,069**	**112,071**	**110,687**

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 (United Kingdom), while others have incorporated measures ensuring equal opportunities into their recruitment policy (Poland, Korea) or into more general codes of conduct (Italy).

The average age of employees in the Group is 41.

Split per age (joint ventures non included)

	2016	2015
Under 30 years old	10%	10%
30-50 years old	71%	72%
Over 50 years old	19%	18%

Equal opportunities for men and women

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

By signing of a new triennal agreement on 1 February 2015 in France, Ipsen has renewed and enriched its agreement on equal opportunities for men and women. Among the new measures:

- a partnership with "*Les Petits Chaperons Rouges*" nurseries,
- commitment through the signing of the "Charter of parenting".

It is within this context and in view to pursue commitments related to equal gender opportunities that in France a telework agreement was signed in 2016 to enable better work-life balance.

Beyond the legal rules about discriminations due to sex, Ipsen reaffirms that the principles of equal opportunity between all employees constitutes a value applicable from hiring throughout the career.

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

(as a percentage)		31 December 2016		31 December 2015	
		Male	Female	Male	Female
Non-field sales force	Exempt staff	14.6%	18.5%	13.6%	17.1%
	Non-exempt staff	12.9%	21.1%	13.2%	22.3%
Field sales force	Exempt staff	11.5%	13.5%	11.2%	13.6%
	Non-exempt staff	2.3%	5.5%	2.9%	6.0%
Total		**41%**	**59%**	**41%**	**59%**

Integration of disabled workers

Since 2009, Ipsen has been committed to helping disabled workers find their place within the company.

In France, Ipsen has signed in January 2014 a partnership with an association created by the LEEM (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

Ipsen pursues its' commitment in France to employing young and senior workers as well as transferring knowledge through the signature of a new agreement in 2016.

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:

- External competitiveness;
- Internal equity ;
- Performance rewarding.

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

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. Hence, as a part of French mandatory annual negociations an agreement on wages was signed in 2016.

Based on their level of responsibility, employees are eligible to a variable compensation. 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.

Furthermore, a profit sharing agreement was signed in France in 2016 for a three-year duration in order to extend an existing employee savings plan and strengthen the employees' commitment to the Group results ensuring at the same time a solidarity between French entities and the reinforcement of local performance recognition.

Based on the 2016 salary review, the Group's salary mass increased by 2.0% on 1 March 2016 due to merit increases (not including Brazil since their salary review occurs in July).

3.2 ENVIRONMENT, HEALTH AND SAFETY

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

3.2.1 Regulatory Issues

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

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

Concerning workplace health and safety, Ipsen companies are subject to regulatory requirements to protect the health and safety of employees, particularly through the assessment of occupational risk. Legislation and regulation in this area are regularly strengthened.

These last years have seen the emergence of new requirements around environment, health and safety in Europe related to the management of chemical hazards, to psychological risks as well as to the environment through the energy consumption and carbon emission impacts as well as through waste management impacts.

Regarding environmental legislation, the sites are covered in 2016 by EU Directive No. 2008/1/CE of 15 January 2008 (Text abrogated by Article 81 of Directive No. 2010/75/EU of the European Parliament and of the Council of 24 November 2010 as of 7 January 2014 => Official Bulletin of European Union L 334 of 17 December 2010) and n° 2010/75/UE of 24 November 2010 related to integrated pollution prevention and control, and industrial emissions.

These directives define a system introducing specific operating procedures (declaration or filing for authorization to operate) and cover all environmental issues potentially facing an industrial site (for example, waste management, environmental discharges, use, handling and storage of toxic and/or hazardous substances). These directives have been and will be enacted progressively in national legislation in every EU member state and their provisions must be observed at each of Ipsen'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, Ipsen 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 Ipsen. This analysis has enabled Ipsen to control the impact on Ipsen activities. In order to fully understand and define the risks to our business and put in place appropriate mitigation plans, Ipsen has implemented a governance on REACH in the form of a multi-disciplinary steering committee and a task force with members covering all of our manufacturing activities (both in-house and at contract manufacturers). In addition to mitigating the potential risks, the REACH steering committee and task force will increase general awareness of the regulation and its potential impacts across multiple fields of activity in Ipsen.Finally, Ipsen 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 Characterization, Labelling and Packaging (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 Ipsen's activities have been analysed. Since 2010, Ipsen ensures that the required notifications of chemical products from Ipsen are realized.

A newly developing area that is being monitored and evaluated internally is the issue concerning Pharmaceuticals in the Environment (PIE). Specific legislation has not yet been developed but Ipsen understands that this is an area that must be managed properly to prevent the impact of our active ingredients on the environment. Actions underway are to evaluate actual emissions from our manufacturing sites for specific peptides to determine if these materials are being released in our waste water discharges. Preliminary monitoring has not detected these materials to date. Further sampling and analyses are planned to ensure that this remains the case.

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

Given its increasing integration with worldwide trade channels, China has for several years been developing a specific framework of EHS regulations. The manufacturing facility operated by Ipsen in China is thus subject to a set of regulations in this area. The highest Chinese authority for environmental issues is the Ministry of Environmental Protection (EPM) which is leading its local 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 State Administration of Work Safety of the People's Republic of China which takes into account these questions.

The Cambridge research and development center 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, Ipsen watches carefully for events that could have a direct or indirect impact on the various business activities of Ipsen regarding EHS, and monitors with particular attention the guidance given at post-Kyoto international meetings.

3.2.2 EHS Policy

3.2.2.1 Ipsen's EHS policy

In 2016, Ipsen updated and released its Environment, Health and Safety (EHS) policy (as shown below). The new policy was signed by the Executive Committee including the Chairman and Chief Executive Officer (now Chairman of the Board of Directors for Ipsen). Ipsen has hired a new Chief Executive Officer, David Meek, so the EHS Policy will be reissued with his signature in 2017.

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

3.2.2.2 Ipsen EHS Manual and 2020 Goals

Ipsen Environment, Health and Safety Management Manual describes the management and operational standards necessary to protect the environment, and to respect our health and safety. The goal of this Manual is to drive continuous improvement in EHS performance.

From an operational perspective, Ipsen's EHS policy is implemented through a 3-year rolling strategic plan. This plan drives the development of annual targets which are applicable to all of Ipsen's sites. The EHS strategic plan was approved by Ipsen Executive Committee in August 2014 and includes the establishment of a new EHS governance system within the organization, the individual involvement and commitment of each employee, the gradual deployment of EHS objectives to office activities and support functions, risk reduction through targeted programs and better visibility through internal and external communication. An Ipsen EHS Council was created consisting of the Executive Committee. This Council meets twice per year to discuss EHS performance and set EHS strategic direction for the next period. In 2016, two Council meetings were held and delivered the revised EHS Policy signed by the Council members and three 2020 targets designed to demonstrate Ipsen's desire to be best in class with our pharma peers in the EHS area. These targets are as follows:

- Reduce the medicalized accident frequency rate to less than 2.00 by 2020 using 2016 as the baseline;
- Reduce energy consumption and carbon greenhouse gas emissions by 5% by 2020 using 2016 as the baseline;
- Reduce water consumption by 30% by 2020 using 2016 as the baseline.

The focus since 2008 has been to put in place an EHS management system for Ipsen to ensure site compliance and the operational control of activities. The strategic plan sets 2017 ISO 14001 and OHSAS 18001 certification for all manufacturing sites with the eclusion of our joint venture in Cork and our primary care facility located in Tianjin, China (Perimeter 1). Ipsen's R&D sites will join the group certification in 2020. In addition, integrating these various EHS elements into the business allows Ipsen to ensure a better product management as well as better control of its production equipment. Our "People Based Safety" (PBS) program, our flagship project, is designed to focus on individual responsibilities to raise awareness that all accidents are preventable, and that each and every one of us has an important role to play in preventing them. We want to inspire everyone in Ipsen community to make a personal commitment to being proactive and react to all unsafe situations before an accident occurs. We encourage open dialog and individual empowerment with a challenge to all to consider how we can all perform our work more safely. This cultural change which began in 2014/2015 is now well embedded in Ipsen and will continue to drive better EHS performance in future years.

By making a 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 actions, EHS is an integral component of sustainable development and demonstrating Corporate Social Responsibility at Ipsen.

Ipsen Environment, Health and Safety Policy

Ipsen is committed to caring for our people and the planet by integrating design for the environment and safety principles into all aspects of our business; from the research and development of our products, through our supply chain and manufacturing operations and ultimately to our customers. We believe that responsible environmental stewardship is good business and that our business can play a key role in addressing the planet's sustainability and responsibility challenges.

We will do this by:

Committing to provide a safe, injury-free workplace by integrating safety through our S3 and People-Base Safety into our daily business decisions and processes. Management and employees lead this effort behind this important Ipsen value as part of the cultural transformation process, and all employees are responsible and influenced for both their safety and the safety of those around them. We promote our S3 EHS Code of responsibility, leadership, sustainability and demonstration of ownership internally and with our business partners. We actively promote a healthy lifestyle and encourage employees to proactively manage their personal health.

Complying with all applicable regulatory and Ipsen Environment, Health & Safety (EHS) standards and requirements wherever we operate. We will engage with stakeholders to develop responsible laws, regulations and innovative programs that provide safeguards for the community, the workplace, and the environment while providing flexibility to meet the needs of our business. We will achieve certification as an organization to ISO 14001 and OHSAS 18001 by 2017 ensuring that we will have a proactive management system in place to ensure positive continuous improvement in reducing our EHS footprint.

Committing to protect the environment by preventing pollution and striving to conserve natural resources through innovative processes and continuous improvement methodologies with the goal of reducing, reusing, recycling, and identifying safer material substitutes or alternatives for our operations. We strive to utilize green chemistry principles to identify safer material substitutes or alternatives for our operations and ensure that our S3 EHS Code Principles and actions drive this process through integration into research and development processes. We have invested in energy and water conservation through focused efforts to identify where conservation opportunities exist and will continue to do so. We will work to reduce our carbon emissions over time which will reduce our impact on climate change.

Committing to designing and manufacturing products that are safe and minimize impact to the environment. We will be a responsible member of the communities in which we live and work. As we expand our knowledge and understanding of the risks, opportunities and impacts of our operations and our products, we will share this knowledge with the broader community.

Overall, we are committed to continually improving our EHS standards, culture and performance, and will continue to transparently report our performance goals and metrics. We will continue to maintain appropriate controls, including periodic review, to ensure that this policy is appropriate and being followed.

ELT Signatures

June 17, 2016

3.2.3 EHS 2016 Performance

3.2.3.1 Compliance and External Recognition

In this highly regulated environment, one of Ipsen's primary concerns is regulatory compliance. As such, Corporate EHS 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 impacts.

Ipsen has a set of requirements and good practices which are captured in its global EHS standards. These EHS Standards were revised in 2016 and several new EHS Standards were added in order to make these EHS Standards comprehensive and complete. It is important to note that the standards defining the management systems for Ipsen are aligned with the occupational health-safety standard OHSAS 18001 and the environmental standard ISO 14001.

In 2015 and 2016, these EHS Standards were reviewed, revised and new Standards developed to fill gaps in the original EHS Standards. These revised and new EHS Standards were released in 2016 with an expected implementation schedule that goes out through 2018. These EHS Standards apply to all R&D and Manfcaturing operations within Ipsen. A separate commercial office EHS manual was also developed and released in 2016 wich details the EHS requirements to be followed by commercial office locations. This new Manual is being rolled out to our eight largest affiliate offices currently (France, UK, Russia, China, Germany, Italy, Spain, and the USA). The other affiliate offices will implement this Manual in 2018/2019. A third set of EHS Standards is in development for our joint venture plantations which deal with EHS issues related to industrial agricultural operations (*Ginkgo biloba* plantations located in France and the USA). This Manual is drafted and going through final approval and implementation in 2017.

The sites of Ipsen have moved forward with the implementation of these global standards through action plans and have reached a high level of compliance with regard to internal requirements. This process continues to improve and is tested through an internal audit process administered by our Global Internal Audit function which is independent of the EHS function.

It is important to note that in 2016 Ipsen received two notices of violation regarding compliance with air emissions and waste water discharges at its facility located in Dublin. These violations were corrected to the satisfaction of the Irish EPA. There were no fines or penalties associated with these violations and the site is now in full compliance.

Legal and regulatory intelligence

Legal and regulatory intelligence in the areas of environment and health and safety has been put into place at each Ipsen site (Perimeter 1). This allows them to keep track and update evolution of applicable regulatory developments. This is also being established for the commercial office affiliates as part of the implementation of their EHS Office Manual programs.

Regulatory compliance assessment and other requirements

All sites operated by Ipsen have all the environmental, health and safety permits and licenses required for their operations and comply with applicable EHS regulations.

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

To assess compliance with applicable requirements and global standardss, internal audits are performed on all Ipsen sites (Perimeter 1 and partly including Perimeter 2). EHS is involved and conducts audits related to business acquisitions, divestitures, partnerships, joint ventures, supply chain evaluations, and contracted services including third-party research and manufacturing operations.

Certifications

Ipsen is completing a certification project regarding the ISO 14001 and OHSAS 18001 standards for all sites with the exception of our joint venture in Cork, Ireland, and our primay care facility in Tianjin, China, within the Perimeter 1 by 2017. Ipsen certification for the manufacturing operations will conclude in 2017 with an Ipsen group certification. The R&D sites will join Ipsen certification in 2020 and are working toward having their sites prepare and evaluate against the two standards over the next three year period.

Currently, five manufacturing sites are ISO 14001 certified: Dreux, Signes, L'Isle-sur-la-Sorgue, Cork and Tianjin. Dreux and Signes were certified in 2011. L'Isle-sur-la-Sorgue, Cork and Tianjin received their certificates in 2004, 2008 and 2010, respectively. It is noted that these certifications are subject to annual surveillance audits and are renewed every 3 years. Once Ipsen Group certification is achieved, these individual certifications will be discontinued with the exception of Cork (joint venture) and Tianjin (unique Chinese requirements), which will stay outside Ipsen Group certification for the time being.

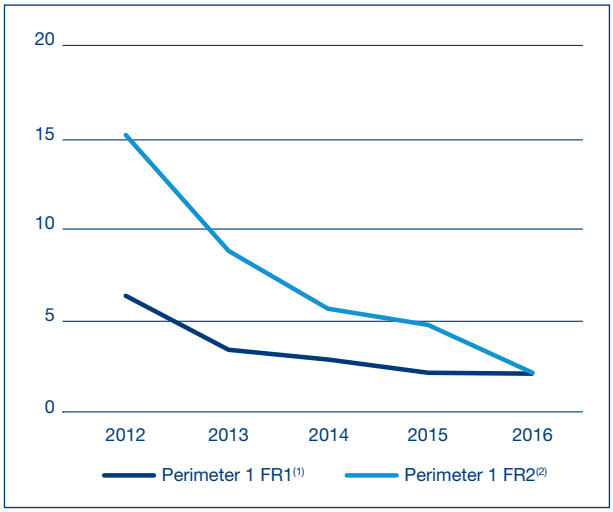
Several sites are certified regarding OHSAS 18001: the site of Dreux in 2011 and the site of Cork in 2010.. Tianjin is going through the certification process currently and is expected to have this by June 2017.

Other sites such as Les Ulis, Oxford-Milton Park (formerly Abingdon), Cambridge, Dublin and Wrexham are in the process of conforming to the ISO 14001 and OHSAS 18001 standards. The site of Wrexham obtained the certification to BS 8555 (Phase 3), an environmental certification standard, from the UK authorities. Furthermore, this site received recognition from local authorities regarding occupational health and the Royal Society for the Prevention of Accidents (RoSPa) gold award for the prevention of accidents. Oxford-Milton Park has also received the RoSPa award for safety.

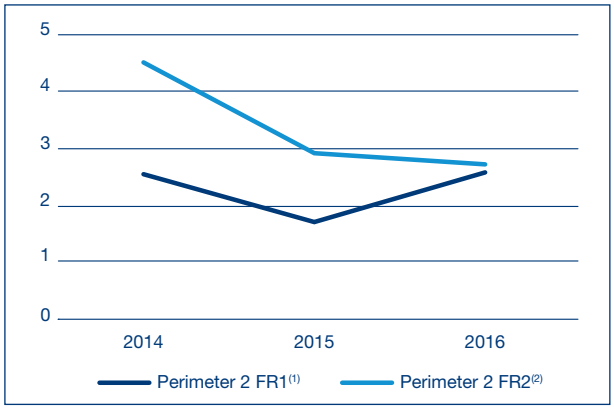
3.2.3.2 Assuring the health and safety of employees

Reduce accidents

The work-related accidents requiring medical intervention indicators for Perimeter 1 are as follows:



The work-related accidents requiring medical intervention indicators for Perimeter 2 are as follows:



(1) The frequency rate 1 is the number of disabling injuries du to the work needing an external medicalized assistance, with work lost time exceeding one day which have occurred over a period of 12 months per million hours worked (frequency rate 1 = number of disabling injuries due to the work with lost time x 1,000,000 / number of hours worked).
(2) The frequency rate 2 is the number of disabling injuries due to the work needing an external medicalized assistance, with work lost time exceeding one day and without work lost time which have occurred over a period of 12 months per million hours worked (frequency rate 2 = number of disabling injuries due to the work with and without lost time x 1,000,000 / number of hours worked).

The frequency rate 2 has decreased by 55% on the Perimeter 1 and by 7.5% on the Perimeter 2 between 2015 and 2016. This is explained by a significant decrease in the number of injuries and the implementation of a ''People Based Safety'' approach resulting in managerial safety visits on all sites belonging to Perimeter 1. 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 and sharing of good practices, incidents and near misses. Accidents related to slips, trips and falls in 2016 represents the most frequent accident category within the Group as in previous years. A campaign to reduce this type of accident was launched in late 2014/2015 and was deployed by the organization in 2015/2016. This has resulted in a significant decrease in the frequency of this category of accident.

Beyond the risk assessments performed regarding all work stations at the sites, accident and identified hazardous situations are subject to corrective and preventive actions, and included in the annual safety program at each site.

In addition, in 2016 Ipsen continued its project of profit-sharing launched in 2010 for its French employees based on various criteria, one of which was EHS data related to medicalized accident frequency.

Two occupational diseases were reported and declared to the Authorities in 2016.

Road Safety

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

In 2016, the deployment of an action plan aimed at reducing the frequency and the severity of accidents continued on the global perimeter with an emphasis in France. A communication is regularly done to the employee representatives. The year 2016 brought a number of actions and communications relating to road safety at Ipsen level.

Industrial Hygiene

The risks related to the use of hazardous materials have led Ipsen to put in place a policy and associated standards driving the prevention and protection of employee health and safety.

Ipsen continued its industrial hygiene program which focuses on hazardous chemical exposure risk control improvement.

The Industrial hygiene strategy of Ipsen 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, Ipsen has continued its work on the risk profiling of Ipsen's products regarding health, safety and the environment, in order to implement recommendations for product handling and for the selection of associated equipment. The industrial hygiene issues concerning Ipsen 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 ensuring the most 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 2017 and beyond.

Well Being and Work Life Balance

Prevention of the psychosocial risks (RPS) is integrated in a global approach to preserving occupational health and quality of life. The RPS covers occupational hazards that occur naturally or through anthropogenic means, and that can impact employees' health.

The French framework agreement regarding the prevention of the RPS in December 2010 constituted a first step for the worldwide implementation of a health plan. This agreement defines a general framework, and relies on three significant themes: identification of the psychosocial risks, prevention of the risk factors in the workplace, and accompaniment of employees. With this agreement, Ipsen wishes to continue the actions already engaged by the French sites and set up a common approach to prevention. For example, in China, a major initiative was implemented in 2016 to reduce absenteeism through well being actions such as encouraging proper diet, exercise and work life balance. The impact was a significant improvement. This approach will be modeled for roll out to other Ipsen locations.

In 2014, Ipsen initiated an evaluation process of the Quality of Life at Work on the entire French perimeter and more than 62% of subjects responded to the survey. This study allowed development and implementation of preventive and corrective action plans. These were defined for each division and site in order to be most suited to the results and the local context. Thus, results and action plans in 2015 were reported for each entity and their implementation was monitored and confirmed.

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.

Six new decrees, published 9 October, 2014 completed the regulatory framework for strenuous labor conditions, listed ten risk factors such as night work, the activities in a hyperbaric environment, working in alternating successive teams and repetitive work that were addressed in 2015. Six additional risk factors (manual load handling, improper posture resulting in pain, mechanical vibration, dangerous chemicals, extreme temperatures and noise) were addressed in 2016. Ipsen will stay vigilant and continue its preventive action approach to preserve the health of employees by implementing associated strenuous labor conditions action plans.

3.2.3.3 Reduce the environmental footprint

Soil, Subsoil & Pollution Prevention

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

Therefore, specific procedures are in place to treat incidents of accidental pollution on Ipsen's industrial sites.

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

All environmental incidents are recorded in the EHS management system framework in place at manufacturing and R&D sites. The most significant incidents are systematically reported to the appropriate administrative authorities, if applicable, and to Corporate EHS. In 2016, 7 breaches of waste water discharge licenses or permits were reported by the sites located at Dublin, Signes and Cork. These breaches were dealt with quickly by determining the root causes and implementing corrective actions in a thorough and rapid manner.

Besides, in accordance with the "Real Estate Compliance" global standard, environment, hygiene and safety audits of compliance were performed in 2010 on 2 French sites: the site of Dreux and the site of L'Isle-sur-la-Sorgue. These audits aimed at identifying potential high-risk areas in terms of soil and underground water pollution associated with the current and past activities handled at those sites. According to the conclusions, no obvious high-risk area of soil and underground water pollution associated with the current conditions of operation was identified during these audits. In 2014, 2 new audits took place at Wrexham and at Dublin 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. The authorities have been satisfied with the remedial investigations and activities aimed at removing the contamination from this site. A third round of soil and ground water oxidation treatment is planned in 2017 and should resolve this issue to both Ipsen and the Authority's expectation. Monitoring post treatment to ensure the effectiveness of the treatment over the long term will continue for the next few years.

In terms of land use, Ipsen has no particular direct influence. However through joint ventures, Ipsen 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 L'Isle-sur-la Sorgue where some areas were identified as non-compliant from the fact that the surrounding neighborhood is very quiet. An awareness campaign in the neighborhood, including an invitation to meet with the site's management, has been conducted annually since 2014. Future plans are shared with the neighbors and their issues are also captured and addressed.

Impact of Ipsen activities on climate change

Ipsen's approach to carbon reduction includes identifying sources of carbon emissions throughout the organization, next is to quantify or at least estimate the amount of these emissions, and finally to target opportunities to reduce these emissions. Ipsen has conducted this approach for several years and continues to implement methods to identify and quantify carbon emissions.

A focus for Ipsen has been the scope 1 and 2 carbon emissions as these are directly controlled by Ipsen. Ipsen's activities are guided by the 10 voluntary commitments of LEEM (agreement with the MEDDEM - Ministry of the Environment, Sustainable Development, Energy and the Sea). Ipsen has implemented energy conservation programs at its manufacturing and R&D facilities to reduce these emissions even with a growing company. The work done so far has been effective and Ipsen will continue to pursue these opportunities.

The table which follows identifies Ipsen scope 1 and 2 carbon emissions.

Tonnes eqCO_2 Manufacturing and R&D	2016	2015	2014
Scope 1: direct energy	13,013	12,675	13,072
Scope 2: indirect energy	13,138	13,570	14,176
Total Scope 1+2	**26,151**	**26,245**	**27,247**

Offices	2016	2015	2014
Total Scope 1+2	**1,676**	**2,178**	**2,230**

Manufacturing, R&D and Offices	2016	2015	2014
Scope 1: direct energy	13,239	13,024	13,421
Scope 2: indirect energy	14,589	15,399	16,056
Total Scope 1+2	**27,828**	**28,424**	**29,477**

Overall, Ipsen's emissions are estimated at 26,152 tonnes of CO_2 eq in 2016, a decrease of nearly 2% compared to 2015.

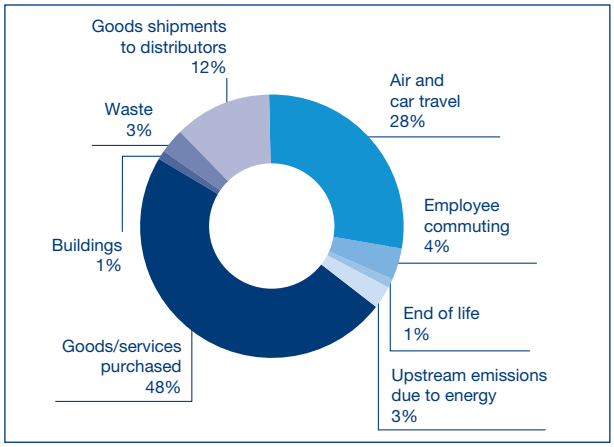
Some of our sites see increase due to production increase and the country mix drive GHG emission decrease (less consumption in China for instance)

Ipsen is also broadening its collection of internal data such as including more affiliate commercial offices in various countries as well as determining scope 3 emissions. The table below includes data on scope 3 emissions determined to date. More sources are being evaluated. Ipsen is studying ways to reduce emissions associated with sources of carbon such as vehicle fleets, supply chain opportunities, distribution opportunities, and employee travel opportunities.

Scope 3 emissions account for almost three-quarters of total annual emissions. The main challenges lie mainly in the carbon weight of components, including packaging, business travel (notably by plane) and freight transport. To date, Ipsen has identified these scope 3 emission sources as the most critical to measure and manage. We will look at other scope 3 emission sources and confirm that we have targeted the most appropriate sources to measure and manage. To a lesser extent, Ipsen also plans to work on lower-carbon work such as working from home or waste management. The complexity of the estimates requires rigorous methodological analysis which began in 2016 and will continue into 2017. This is necessary to be able to implement control actions based on reliable data.

In 2016, Ipsen has identified the climate change risks such as changes in regulatory requirements affecting Ipsen operations and those of our supply chain, uncertainty of physical risks such as flooding and other natural disasters which impact our operations and our supply chain, carbon taxation, mandatory trading programs, mandatory energy efficiency standards, mandatory emission limits, and product and process standards. Other risks include energy shortages, resource scarcity, price changes prompted by scarcity, consumer changes in attitude and demand, and reputation risks. All of these risks can impact operations, costs and ability to compete in the biotech business sector.

Scope 3 (tonnes of CO_2 eq)



In 2016, Ipsen has set an ambitious target of reducing carbone emission by 5% in 2020.

Other air emissions

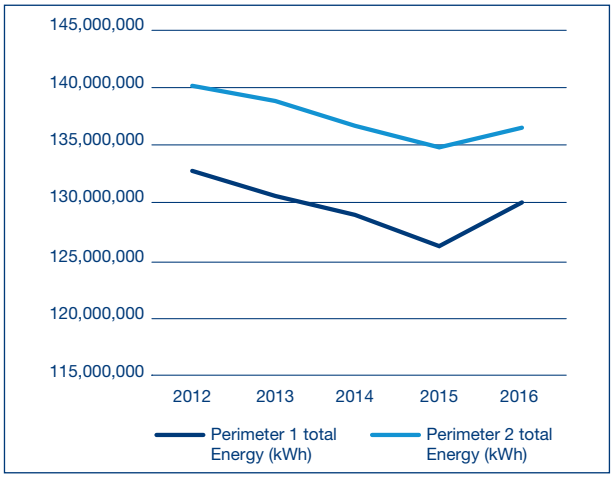
The Group monitors other substances which could be discharged into the atmosphere through its various activities. It particularly monitors volatile organic compounds (VOCs) and controlled substances identified as causes of the depletion of the ozone layer under the Montreal Protocol. Emissions of VOC to the atmosphere for 2016 were approximately 9.55 tons and 0.5 ton less than in 2015 (-5.0%), mainly related to the sites of Signes and Cork (approximately 80% of Ipsen global emissions). Emissions from the research and development centers do not contribute significantly to these emissions.

Energy consumption

Ipsen's energy consumption on Perimeter 1 totalled 129,806,050 kWh in 2016 compared to 126,222,078 kWh, which corresponds to an increase of 2.76%. On Perimeter 2, the global consumption in energy was 136,448,451 in 2016 compared to 134,801,683 kWh in 2015, which corresponds to an increase of 1.25% between 2015 and 2016. The commercial offices represent approximately 6.2% of the global consumption.This energy increase is the result of significant expansion at the majority of Ipsen's manufacturing sites in 2016. We also have more office sites reporting energy consumption in 2016 than in previous years.

The sites of Cork, Dreux, Signes and Wrexham represent more than two thirds (65%) of the energy consumption of the manufacturing and R&D activities.The production site of Dreux, representing about 20% of Ipsen energy consumption, has seen its global consumption decrease by 7.3%, notably through the establishment of an energy consumption reduction program.

The energy consumption by perimeter is as follows:



The split between energy sources (electricity, gas and fuel) has been maintained at the same level since 2012. In 2016, fuel oil consumption remained relatively small with a share of 1.2% in the global energy consumption and which is stable compared to 2015 and 2014. In 2016, an additional purchased steam source was used by the Cambridge site, as it was in 2014 and 2015.

Renewable energy and green energy consists of contracted energy from electrical energy providers as well as solar panels installed in Signes. In addition, the Cambridge site is

sourcing steam supply from a district heating loop available to the site thus eliminating onsite steam producing systems. Ipsen is looking at more opportunities to improve the use of renewable/green power sourced energy.

Waste Management

Ipsen produced 13,161 tonnes of waste in 2016 compared to 9,756 tonnes in 2015. The 2016 increase is related to growth in production with more than 20% growth in the production of major products as well as expansion of manufacturing site footprints with new buildings, additional production shifts and additional production capacity.

Ipsen waste profile in terms of hazardous-non-hazardous ratios has increased in the amount of hazardous waste generated each year. The increasing trend is driven by product demand, increase production capacity, and increases in building projects. Ipsen waste treatment mix has remained relatively constant over the period. 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	2016	2015	2014	2013	2012
Total hazardous waste	25.0% of which 0.35% is biological waste	27.1% of which 0.4% is biological waste	23.1% of which 0.4% is biological waste	21.2% of which 0.6% is biological waste	24.9% of which 0.6% is biological waste
Total non-hazardous waste	75.0%	72 .9%	76 .9%	78.8%	75.1%

Ipsen waste treatment mix was as follows:

Types of treatment	2016	2015	2014	2013	2012
Recycling	73.47%	67.3%	14.85%	73.7%	70.1%
Incineration	18.3% of which 12.05% is with heat recovery	31.6% of which 26.6% is with heat recovery	5.82% of which 3.26% is with heat recovery	24.4% of which 13.4% is with heat recovery	27.4% of which 14.3% is with heat recovery
Landfills	1.03%	0.9%	79.26%	1.8%	2.1%
Other	7.23%	0.24%	0.07%	0.1%	0.4%

The proportion of recycled waste remains dominant with a percentage of 73.47% compared to incineration and landfilling. It should be noted that the largest producers of waste, the sites of Cork, Signes, Wrexham and L'Isle-sur-la-Sorgue, recycle their waste 79.53%, 72.50%, 72.86% and 98.97%, respectively.

Finally, sites are in the process of implementing waste optimization programs by searching for new technologies and methods to decrease the amount of waste generated and to increase the amount of waste that is recycled. The waste landfilled in Cork increased in 2016 due to a reclassification of the waste by the waste management company. In 2015, the waste stream was classified into two categories, waste code #200307 (mixed bulky waste) which was recycled and waste code #200301 (mixed municipal waste) which was landfilled. In 2016, the waste company combined these two waste streams to one waste code #200301 and this waste stream was landfilled.

Food Waste

Ipsen does not create a large amount of food waste at its facilities. Food waste is managed through local waste management services. This area is not considered a significant waste stream for Ipsen.

Water Consumption

Ipsen's water consumption totalled 568,033 m^3 in 2016 compared to 485,554 m^3 in 2015, which shows an increase of 14.5%. The Dublin site increased their water consumption significantly in 2016 *versus* 2015. The cause was found to be a leak and this was repaired. We expect that 2017 water consumption at the Dublin site will reduce to pre-2016 levels.

In 2016, 54.6% of the water consumed at Ipsen was sourced from well water. Some Ipsen sites are subject to specific local conditions regarding water use (surface water consumption, volume limitations, etc.). To date, no additional regulatory restrictions have been imposed.

The L'Isle-sur-la-Sorgue site consumed 54.27% of Ipsen total 2016 water consumption. 99.6% of this water was sourced well water. This is down from 2015 consumption levels which were at 57.4%. This site's water consumption has decreased by more than 3% in 2016 compared to 2015 consumption. Water conservation and recycling projects are identified for implementation at the L'Isle-sur la Sorgue site in 2017 and 2018. The well water consumption is expected to reduce by 30% in 2019 once these projects are implemented.

Water treatment

Ipsen has six sites with on-site sewage treatment plants that treat all or part of liquid wastes. Those are the sites of Cambridge, Cork, L'Isle-sur-la-Sorgue, Signes, Dublin, and Tianjin.

The volume of water treated on sites was 359,493 m^3 in 2016 compared to 363,362 m^3 in 2015. This represents a 1.1% decrease in waste water being treated in 2016 *versus* 2015.

Green Chemistry or solvent usage optimization

Ipsen has 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 processed 95% of the solvent used through regeneration;
- At the Signes site, near 75% of solvents used are recycled.

In 2016, the total solvent consumption increased by 12% *versus* 2015 driven by production. In 2016, the total solvent recycled increased by 12.2% *versus* 2015 driven by the ability to regenerate and recycle these solvents.

In parallel, Ipsen has committed to developing and implementing EHS consideration requirements that are incorporated into the overall new product development process. These requirements include considering alternative materials for formulations, process aids including solvents, and packaging. These EHS considerations are being piloted in 2017 and will be finalized in 2018 becoming part of the ongoing product development process.

We launched an innovative syringe technology Somatuline® Depot Injection for the treatment of neuroendocrine tumors to reduce medical waste and protect against needle stick injuries. Ipsen won the California Product Stewardship Council's 2015 Green Arrow Award for System & Design Innovation for this industry-changing product. The impact of this new delivery system could be estimated to 67 tons of CO_2 emissions avoided, a toxics reduction of 53 tons of solvents and a savings of 6,083 pounds of packaging in 2016.

Stakeholders Relations

Ipsen 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, Ipsen integrated stakeholder requests and opinions. As such, meetings and partnership activities were organized.

For 2016, Ipsen can highlight the communication campaigns by the sites of Cork and L'Isle-Sur-La-Sorgue. In Cork, the site participated in communication activities and support for resident associations and other companies in their area. In L'Isle-Sur-La-Sorgue, a meeting on site with members of the neighborhood has allowed the presentation of activities, identification of prevention measures associated with the potential EHS impacts of the site.

Biodiversity: biological equilibrium, natural habitats and protected species

Ipsen's policy is to provide a safe workplace that protects the environment and does not harm the health of its employees or that of 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 Ipsen's general environmental protection program. Some initiatives were implemented at Signes, the site has followed its collaboration with the GEPS (Ipsenement 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. These analyzes provide a quality trend of the air near the site and in connection with the solvents used predominantly by companies in the business park. At the Cork facility, awareness campaigns to promote land conservation were conducted. Additionally, a maintenance program of green areas has been implemented for the preservation of the flower beds of the site and the regular planting of trees. At Dreux, the site has collaborated on a fish counting operation in the River named 'Les Châtelets'. The Les Ulis site also uses bees as an inidcator to monitor environmental impact of the local environment.

Ipsen Sustainability Performance Table

Sustainability Area	2012	2013	2014	2015	2016
Safety and Health Management					
Ipsen Fatalities	0	0	0	0	0
Ipsen Total Medicalized Accidents with and without Lost Days (FR2)	15.26	8.81	4.50	3.48	2.32
Severity Rate	0.04	0.10	0.06	0.02	0.03
Ipsen Perimeter 1 Medicalized Accidents with Lost Days (FR1)	6.29	3.39	2.84	2.12	2.03
Ipsen Perimeter 1 Medicalized Accidents with and without Lost Days (FR2)	15.26	8.81	5.67	4.59	2.03
Ipsen Perimeter 2 Medicalized Accidents with Lost Days (FR1)	4.15	4.01	2.53	1.71	2.56
Ipsen Perimeter 2 Medicalized Accidents with and without Lost Days (FR2)	Not Collected	Not Collected	4.50	2.90	2.69
Ipsen First Aids	Not Collected	Not Collected	96	83	68
Ipsen Near Misses	Not Collected	Not Collected	247	240	189
Ipsen Occupational Health	0	0	3	1	2
Contractor Fatalities	0	0	0	0	0
Contractor Medicalized Accidents with Lost Days	Not Collected	Not Collected	5	5	4
Contractor Medicalized Accidents with and without Lost Days	Not Collected	Not Collected	2	0	1
Contractor First Aids	Not Collected	Not Collected	6	6	10
Waste Management					
Hazardous Waste (tonnes)	Not Collected	Not Collected	2,313	2,643	3,324
Non-Hazardous Waste (tonnes)	Not Collected	Not Collected	44,608	7,113	9,837
Recycled Materials (tonnes)	Not Collected	Not Collected	6,967	6,566	9,668
Recycling Rate (%)	70.1	73.7	14.85	67.3	73.47
Energy Management					
Electrical Energy (kWh)	64,473,954	62,567,253	61,513,378	62,681,362	62,850,159
Renewable including Green Power (%)	4.70	5.60	4.66	3.47	2.78
Other Energy (kWh)	Not Collected	Not Collected	410,090	2,025,267	2,047,287
Fuel Derived Energy (kWh)	75,686,816	76,183,088	75,183,017	70,095,054	71,551,005
Total Energy (kWh)	140,160,770	139,038,341	136,696,395	134,801,683	136,448,451
Manufacturing and R&D Energy (kWh)	132,806,588	130,673,788	128,737,691	126,222,078	129,806,050
Affiliate Commercial Office Energy (kWh)	7,354,182	8,364,553	7,958,704	8,579,605	5,290,950
Vehicle Fleet Efficiency (km/l)	Not Collected	Not Collected	not Collected	Not Collected	12
Vehicle Fleet Energy (kWh)	Not Collected	Not Collected	Not Collected	Not Collected	15,154,999
Water Management					
Total Water Consumption (m^3)	532,470	529,882	558,301	485,554	568,033
Total Water Recycled (m^3)	Not Collected	Not Collected	Not Collected	Not Collected	Not Collected
Hazardous Materials Management					
Solvent Consumption (tonnes)	16,292	15,199	14,988	19,182	21,494
Reclaimed Solvents (tonnes)	Not Collected	Not Collected	13,912	17,852	20,042
Refrigerant Gas Losses (tonnes)	Not Collected	Not Collected	0.23	1.07	0.49
Compliance Management					
Notices of Violation Received	0	0	0	0	2
Fines and Penalties Paid (€)	0	0	0	0	0

Sustainability Area	2012	2013	2014	2015	2016
Air Emissions Management					
VOC Emissions (tonnes)	Not Collected	Not Collected	9.08	10.2	9.55
NOx Emissions (tonnes)	Not Collected	Not Collected	Not Collected	Not Collected	Not Collected
SOx Emissions (tonnes)	Not Collected	Not Collected	Not Collected	Not Collected	Not Collected
Waste Water Management					
Waste Water Treated (m^3)	Not Collected	411,543	442,456	363,362	359,493
COD Loading (tonnes)	Not Collected	Not Collected	Not Collected	Not Collected	Not Collected
BOD Loading (tonnes)	Not Collected	Not Collected	Not Collected	Not Collected	Not Collected
Total Suspended Solids (tonnes)	Not Collected	Not Collected	Not Collected	Not Collected	Not Collected
Unit Production (tonnes)	Not Collected	Not Collected	36,304,359	33,104,456	30,073,580
Sales (€M)	Not Collected	Not Collected	1,275	1,444	TBD
Total Facility Area (m^2)	Not Collected	Not Collected	101,478	101,649	102,966
Headcount (number)	Not Collected	Not Collected	4,531	4,635	4,907
EHS Investments (€000)	Not Collected	Not Collected	10,585	4,926	7,521

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.

Eco-design

The development of approaches to eco-design is part of Ipsen's EHS strategic plan. Also some sites of Ipsen 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 Dreux and Tianjin, actions are conducted to reduce the impact of the product on the environment like decreasing from 9µm to 7µm the thickness of sachet used in Smecta® both in Dreux and in Tianjin, as well as Forlax® in Dreux. Today, 85% of Smecta® and Forlax® production at Dreux is 7 µm. Another project for the reduction in the size of the sachets of Smecta® and Forlax® is on going at Dreux and Tianjin. Forlax®, made at Dreux and dedicated to the French market, now has smaller sachets.

In parallel, actions for reducing or recycling solvents (detailed in the green chemistry paragraph) are developed on the Cork, Signes and Dublin sites.

Finally, as explained in the Green Chemistry section above, we launched an innovative syringe technology Somatuline® Depot Injection for the treatment of neuroendocrine tumors to reduce medical waste and protect against needle stick injuries. Ipsen won the California Product Stewardship Council's 2015 Green Arrow Award for System & Design Innovation for this industry-changing product. The impact of this new delivery system could be estimated to 67 tons of CO_2 emissions avoided, a toxics reduction of 53 tons of solvents and a savings of 6,083 pounds of packaging in 2016.

Training

As the cornerstones of the prevention program, awareness campaigns and training on environment, health and safety continued in 2016. 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, protective equipment, and first aid training was performed on all manufacturing and R&D sites.

More specific training related to Ipsen required approaches and applicable workplace practices such as training courses confined space management, explosive atmospheres management, and manager safety visit training were deployed.

Finally, the concept of well-being at work was raised especially in regards to psychological risks and work life balance.

3.2.4 Internal resources

3.2.4.1 Internal management resources for EHS issues

Ipsen EHS policy and strategy are applied at each site/division 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 standards and guidelines. As such, everyone in his actions and behaviour contributes to the success of EHS policy.

In addition, to reinforce its policy of prevention, Ipsen 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. Ipsen of EHS professionals specific to Research and Development activities, was also set up in 2014.

EHS management at each site is coordinated by an EHS manager under the authority of the site director. A total of 33 people make up Ipsen's EHS organization. They report to the Corporate Environment, Health and Safety function (2 people). The Corporate EHS reports to Technical Operations.

The Committees of Health, Safety and Work Conditions in France, or their equivalent in other countries, meet regularly and are involved in monitoring activities and projects concerning the health and safety of employees.

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 Ipsen, the latter regularly makes investments in these areas. In 2016, with the implementation of master plans on the sites, which includes the setting of new improvements for EHS prevention, the amount of investment in secondary EHS totalled just over €7.5 million.

Of the investments, in particular we can highlight:

- a new Research and Development site in the United Kingdom in Oxford-Milton Park with the establishment of collective protective equipment to prevent exposure to hazardous chemicals or biological agents;
- projects for improving the segregation between manufacturing / laboratory areas and offices areas;
- projects for improving equipment in order to reduce the risk of falling at height / on the floor;
- improvements in ergonomics and manual handling workstations;
- removal of asbestos;
- and the improvement of fire protection systems.

There have also been major expansions and addition of new buildings at most of Ipsen R&D and Manufacturing sites in 2016 all of which involve EHS investment in various EHS systems.

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 Ipsen to limit its exposure and liability or, more generally, to remediate to the environmental damage caused by its operations. However, Ipsen does not have environmental provisions.

In addition, since 2004, no ruling or compensation payments related to environmental damages caused by one of Ipsen's manufacturing facilities were brought to Ipsen's attention.

3.2.5 2016 Ipsen UN Global Compact Communication on Progress

Since 2012, Ipsen adheres to the Global Compact program of the United Nations.

Ipsen is a global specialty-care pharmaceutical which has the ambition of becoming a leader in specialty healthcare solutions for targeted debilitating diseases in oncology, neurosciences and adult and pediatric endocrinology. Ipsen also has a significant presence in primary care. Ipsen's R&D is focused on its innovative and differentiated technological platforms, peptides and toxins, located in the heart of the leading biotechnological and life sciences hubs (Les Ulis, France; Slough/Oxford, UK; Cambridge, US).

Our focus fosters deep engagement with medical specialists and we make it our business to listen closely to their needs so that together we can advance patient care. We combine this strategic focus with a diversified approach that enables us to follow our research and development into new specialty areas where unmet needs are significant.

In partnership with the medical community, we bring scientific excellence and rigor to deliver leading products that improve patient outcomes. And, we go above and beyond this to provide education and information, with the highest level of integrity, which helps patients to fully understand the choices available to them and make well-informed treatment decisions with their doctors. We know we are successful when doctors and patients place their trust in our products and our company, when our employees excel and when our efforts make a meaningful difference in the lives of the patients and communities we serve.

For almost 90 years, Ipsen has been committed to the health, safety, and well-being of the people who put their trust in our products. Every day, we strive to better people's lives in a wide range of ways – from developing new treatments for complex and disabling medical conditions to offering science-based medical over the counter solutions. Our determination

to make a positive contribution extends to not only the people who benefit from our products, but also to our employees and to the global community in which we live and work. It remains our goal to ensure that our contribution to science reflects our commitment to a safe, healthy workplace, strong communities and responsible, ethical business practices in everything we do, from research and development to sales and marketing. Ipsen remains focused on sustainable business practices including:

- Offering needed products that have environmental, health and safety design considerations,
- Managing climate change through energy efficiency and carbon footprint reduction,
- Continuing to improve operational efficiency, reducing waste and increasing recycling,
- Providing a safe and healthy workplace for our employees,
- Working with our supply chains to improve corporate responsibility performance, and
- Enhancing positive community interaction.

As an example, Ipsen has received the Green Arrow award for system design and innovation regarding the product Somatuline® Depot by the California Product Stewardship Council.

In this introduction, I am highlighting some of our key achievements and challenges relating to our corporate social responsibility. More information about these and other areas of our commitment is provided throughout our website. You can also read more about our business environment, strategy, goals and performance in our Annual Report. Moreover, the philanthropic mission of the Fondation Ipsen is to contribute to the development and dissemination of scientific knowledge and to foster interactions between researchers and clinical practitioners. Its ambition is to initiate a reflection about the major scientific issues of the forthcoming years.

Sustainability is the balance between the competing priorities of economic, social and environmental responsibilities. Ipsen has and will continue to commit resources and measure performance to ensuring that the highest ethical standards are applied within the whole organization. Thus Ipsen confirms its will to include UN Global Compact fundamental principles in its sphere of influence.

In conclusion, Ipsen has had a long commitment to sustainable business values. We work to keep these core values in mind in all aspects of our business so that we can maintain the excellent reputation and respect that we enjoy with our stakeholders and the communities in which we operate.

David Meek
Chief Executive Officer
Ipsen

UN Global Compact Commitments and Performance

The following narrative and links will demonstrate how Ipsen is addressing each of these Principles and plans for improving performance in each of these areas.

Principle 1: Protection of Human Rights

Ipsen approaches the Protection of Human Rights as it does any other personal freedom and has articulated this support through its Code of Ethical Conduct. The Code of Ethical Conduct applies to all Ipsen employees and in all of Ipsen's business dealings. The Code of Ethical Conduct requires, among other things, that employees respect human rights and do not discriminate against anyone based on characteristics protected by law. Harassment is not tolerated in any form. Violence or threats of violence in the workplace are not tolerated. The Code of Ethical Conduct applies to persons or entities representing or working on behalf of Ipsen as well.

In 2012, Ipsen committed to the UN Universal Declaration of Human Rights. Ipsen is in alignment with this Declaration and found its commitment to be a natural method to strengthen its resolve in the area of Human Rights.

In 2013 and 2014, Ipsen continued its commitment to its Code of Ethical Conduct and ensuring that employees and representatives of the company continue to follow the Code by providing extensive training regarding the expectations based on the Code of Ethical Conduct and requiring that all employees complete this training process. In 2015 and 2016, work was initiated internally to include the UN Global Principles in the proecurement process. In addition in 2017, Ipsen plans to work with Eco Vadis which allows Ipsen to manage the ethical sourcing and responsible procurement of goods and services. Eco Vadis, on behalf of Ipsen, is planning to conduct supply chain partner assessments that include aspects such as human rights.

Principle 2: Complicity in Human Rights Abuses

Ipsen will not be complicit in Human Rights abuses as stated in its Code of Ethical Conduct. In 2012, Ipsen committed to the UN Universal Declaration of Human Rights. Ipsen is in alignment with this Declaration and found its commitment to be a natural method to strengthen its resolve in the area of Human Rights.

In 2013 and 2014, Ipsen continued its commitment to its Code of Ethical Conduct and ensuring that employees and representatives of the company continue to follow the Code by providing extensive training regarding the expectations based on the Code of Ethical Conduct and requiring that all employees complete this training process. In 2015 and 2016, work was initiated internally to include the UN Global Principles in the procurement process. In addition in 2017, Ipsen plans to work with Eco Vadis which allows Ipsen to manage the ethical sourcing and responsible procurement of goods and services. Eco Vadis, on behalf of Ipsen, is planning to conduct supply chain partner assessments that include aspects such as human rights.

Principle 3: Freedom of Association and Collective Bargaining

Ipsen approaches the right to freedom of association and collective bargaining as it does any other personal freedom and has articulated this support through its Code of Ethical

Conduct. In 2012, Ipsen committed to the UN Universal Declaration of Human Rights. Ipsen is in alignment with this Declaration and found its commitment to be a natural method to strengthen its resolve in the area of Human Rights.

In 2013 and 2014, Ipsen continued its commitment to its Code of Ethical Conduct and ensuring that employees and representatives of the company continue to follow the Code by providing extensive training regarding the expectations based on the Code of Ethical Conduct and requiring that all employees complete this training process. In 2015 and 2016, work was initiated internally to include the UN Global Principles in the proecurement process. In addition in 2017, Ipsen plans to work with Eco Vadis which allows Ipsen to manage the ethical sourcing and responsible procurement of goods and services. Eco Vadis, on behalf of Ipsen, is planning to conduct supply chain partner assessments that include aspects such as freedom of association and collective bargaining.

Principle 4: Forced and Compulsory Labor

Ipsen will not be complicit in forced or compulsory labor per Ipsen's Code of Ethical Conduct. In 2012, Ipsen committed to the UN Universal Declaration of Human Rights. Ipsen is in alignment with this Declaration and found its commitment to be a natural method to strengthen its resolve in the area of Human Rights.

In 2013 and 2014, Ipsen continued its commitment to its Code of Ethical Conduct and ensuring that employees and representatives of the company continue to follow the Code by providing extensive training regarding the expectations based on the Code of Ethical Conduct and requiring that all employees complete this training process. In 2015 and 2016, work was initiated internally to include the UN Global Principles in the proecurement process. In addition in 2017, Ipsen plans to work with Eco Vadis which allows Ipsen to manage the ethical sourcing and responsible procurement of goods and services. Eco Vadis, on behalf of Ipsen, is planning to conduct supply chain partner assessments that include aspects such as forced and compulsory labor.

Principle 5: Child Labor

Ipsen will not be complicit in the use of child labor per Ipsen's Code of Ethical Conduct. In 2012, Ipsen committed to the UN Universal Declaration of Human Rights. Ipsen is in alignment with this Declaration and found its commitment to be a natural method to strengthen its resolve in the area of Human Rights.

In 2013 and 2014, Ipsen continued its commitment to its Code of Ethical Conduct and ensuring that employees and representatives of the company continue to follow the Code by providing extensive training regarding the expectations based on the Code of Ethical Conduct and requiring that all employees complete this training process In 2015 and 2016, work was initiated internally to include the UN Global Principles in the proecurement process. In addition in 2017, Ipsen plans to work with Eco Vadis which allows Ipsen to manage the ethical sourcing and responsible procurement of goods and services. Eco Vadis, on behalf of Ipsen, is planning to conduct supply chain partner assessments that include aspects such as child labor.

Principle 6: Discrimination

Ipsen approaches discrimination as it does any other personal freedom and has articulated this support through its Code of Ethical Conduct. The Code of Ethics applies to all Ipsen employees and in all of Ipsen's business dealings. The Code of Ethics requires that employees respect human rights and do not discriminate against anyone based on characteristics protected by law. Harassment is not tolerated in any form. Violence or threats of violence in the workplace are not tolerated. The Code of Ethical Conduct applies to persons or entities representing or working on behalf of Ipsen, as well.

In 2012, Ipsen committed to the UN Universal Declaration of Human Rights. Ipsen is in alignment with this Declaration and found its commitment to be a natural method to strengthen its resolve in the area of Human Rights.

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Principle 7: Precautionary Approach

Ipsen has adopted the Precautionary Approach in all its business dealings and articulates this in its Annual Registration Document. Ipsen has always practiced the precautionary principle with regard to its products and operations. The inherent nature of researching and developing drug products for human use demonstrates the precautionary principle in action. Ipsen considers the impacts of actions undertaken through a rigorous risk assessment process with multiple gates through which the company proceeds when the multitude of risks are determined to be acceptable to Ipsen and the various stakeholders in the process including patients, physicians, employees, government officials, investors, and others.

Principle 8: Environmental Responsibility

Ipsen has a very strong stand on environmental responsibility as indicated by its EHS policy, programs and various performance reports (see pages 19-20 and 69-93). Ultimately, Ipsen has been reducing energy and water consumption at its facilities and has goals to continue improving this performance. In 2016, Ipsen is considering participating in the CEO Water Mandate and the Caring for Climate C4C Ipsen.

In 2014, Ipsen continued its commitment to its Code of Ethical Conduct and ensuring that employees and representatives of the company continue to follow the Code by providing extensive training regarding the expectations based on the Code of Ethical Conduct and requiring that all employees complete this training process. In 2015 and 2016, work was initiated internally to include the UN Global Principles in the proecurement process. In addition in 2017, Ipsen plans to work with Eco Vadis which allows Ipsen to manage the ethical sourcing and responsible procurement of goods and services. Eco Vadis, on behalf of Ipsen, is planning to conduct supply chain partner assessments that include aspects such as human rights.

Principle 9: Environmentally Friendly Technologies

Ipsen has made its approaches and technologies used to achieve the results captured in Principle 8 available to the public through Ipsen website, and various trade associations and partnerships.

In 2014, Ipsen continued its commitment to its Code of Ethical Conduct and ensuring that employees and representatives of the company continue to follow the Code by providing extensive training regarding the expectations based on the Code of Ethical Conduct and requiring that all employees complete this training process. In addition in 2015, Ipsen began to work with Eco Vadis which allows Ipsen to manage the ethical sourcing and responsible procurement of goods and services. Eco Vadis, on behalf of Ipsen, is planning to conduct supply chain partner assessments that include aspects such as environment, health and safety management systems and resource conservation.

Principle 10 Corruption

Ipsen has established positions against corruption including bribery in its Code of Ethical Conduct In 2012, Ipsen committed to the UN Universal Declaration of Human Rights. Ipsen is in alignment with this Declaration and found its commitment to be a natural method to strengthen its resolve in the area of Human Rights.

In 2013 and 2014, Ipsen continued its commitment to its Code of Ethical Conduct and ensuring that employees and representatives of the company continue to follow the Code by providing extensive training regarding the expectations based on the Code of Ethical Conduct and requiring that all employees complete this training process. In 2015 and 2016, work was initiated internally to include the UN Global Principles in the proecurement process. In addition in 2017, Ipsen plans to work with Eco Vadis which allows Ipsen to manage the ethical sourcing and responsible procurement of goods and services. Eco Vadis, on behalf of Ipsen, is planning to conduct supply chain partner assessments that include aspects such as corruption prevention.

Conclusion

Ipsen will continue to enhance support of the UN Global Compact Principles. Ipsen will collaborate with the UN Global Compact on methods and means to improve its performance and the performance of all entities regarding these Principles.

3.3 SOCIAL & SOCIETAL INFORMATION

3.3.1 Social relations

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. Negotiations' meetings allowed to conclude an agreement to set up a European Work Council signed on 28 August 2013. As from this date, Ipsen's European Work Council took the place of the Special Negotiating Body achieving his goal. Indeed, the parties to this agreement have stated their desire to work together, taking a concerted approach, and in compliance with the legal and regulatory practices as well as the cultural and social characteristics of the various countries. Ipsen's European Works Council is composed of 10 members representing European employees; it met for the first time on 17 June 2014. Ordinary meetings are held anually in order to present the progress in Ipsen Group's business and its strategic directions.

It's an European employee representation body for information and consultation on so-called "transnational" issues which is responsible for sharing information and exchange of views, fostering experience-sharing and building coordination between European countries.

3.3.1.2 Collective agreements

See paragraph 3.1.2 "The Group's Human Resources policy" (paragraphs: "Equal opportunities and diversity within the Group", "Integration of disabled workers", "Employing young and senior workers and transferring knowledge", "Group's compensation and benefits policy").

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.

3.3.2 Societal information

3.3.2.1 Social, economical and territory impact

Ipsen's ambition is to become a leader 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 (oncology, neuroscience and endocrinology) 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 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 new technologies or competencies for research & development programs;
- Investigate new or complementary research areas;
- Enhance Ipsen's distribution network through the acquisition of commercial rights for products from third parties, in countries where Ipsen operates;
- Optimize the value of products issued from Ipsen's research that do not fit into its targeted therapeutic areas, by out-licensing them to partners that will develop and market them in specific territories.

Several strategic partnerships are ongoing for:

- Early stage development & technology: Rhythm, bioMérieux, Oncodesign, CEA, CNRS, Inserm, Johns Hopkins, Salk Institute, Institut Gustave Roussy, Harvard Medical School, Peptimimesis, Institute of Molecular and Cell Bilogy, 3B Pharmaceuticals, etc;
- Late stage development & marketing: Galderma, Debiopharm, Photocure, Teijin, GW Pharmaceuticals, Lexicon, Exelixis, etc.

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. A study is carried out to design and optimize the packagings of the drugs as well as the palletization of the products while taking into account the recycling solutions. It has enabled the reduction of aluminium grammage and need for blisters.

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, etc.) 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);
- Bodies with a national footprint such as for instance 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, Ipsen, LFB, Pierre Fabre, Sanofi, Servier and Théa) which maintain decision centers are 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) in France, the Medicines & Healthcare Products Regulatory Agency (MHRA) in the United Kingdom and the Food and Drug Administration (FDA) in the United States, as well as various other regulatory bodies, depending on the relevant market.

Patients / civil society

Communication to patients, patient associations, caregivers 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 and charitable organizations supported by Ipsen around the world 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 and Organizations are subject to compliance with the laws, regulations, and codes in force in the countries in which Ipsen operates. They are based on scientific data and exchanges in accordance with Ipsen's commitment to improve the health and quality of life of patients. In particular, they include scientific publications, information on the efficacy and safety of medicines, research and development programmes, and education.

In accordance with applicable rules, Ipsen is committed to full transparency in its interactions with Healthcare Professionals and Organizations. Many countries have adopted laws or codes to implement transparency, such as the United States (US Sunshine Act), France (Bertrand law) or European countries that fall under the EFPIA Transparency Code.

The Fondation Ipsen

Established in 1983 under the aegis of the *Fondation de France*, the ambition of the Fondation Ipsen is to initiate a reflection about the major scientific issues of the forthcoming years. Thus, the mission of the Fondation Ipsen is to contribute to the development and spreading of scientific knowledge. Over 30 years, the Fondation Ipsen has organized over 250 meetings and produced several hundred publications; more than 250 scientists and biomedical researchers have been awarded prizes and research grants. In 2016, the invited speakers, generally internationally recognized, have endeavored to present aspects of biological and medical research illustrating a broad range of promising biomedical innovations (the genome recombining technique CRISPR-Cas9, the therapeutic role of gut microbiota in a wide range of diseases, new generation vaccines, etc.).

In 2016, the Fondation Ipsen continues to hold its scientific meetings in series known as *Colloques Médecine et Recherche* (CMR):

- **Cancer Science.** The 12th annual CMR of this event was held in San Pedro de Atacama (Chile) from 5 to 8 March on the topic of "Tumor metabolism" and was co-organized with Inder Verma (*Salk Institute for Biological Studies*, USA). This event, which acquired an international recognition, gathered the most prominent scientists in Cancer research, including Nobel prize laureates like David Baltimore (***California Institute of Technology***, USA) or Harold Varmus (*Weil Cornell Medical College*, USA). All along these four days, the talks and the interactions were very fruitful and helped us understand the importance to characterize the tumor metabolic profiles. Indeed, the identification of metabolic markers could facilitate tumor classification and provide the most appropriate treatment.

- **Neuroscience.** The 24th CMR in Neuroscience was held in Paris on 22 April and was co-organized with Rudolf Jaenisch (MIT, USA), Fred Gage (*Salk Institute for Biological Studies*, USA) and Feng Zhang (MIT, USA). The scientific program was focused on the "*Genome editing in Neuroscience*", and the applications that are emerging from the CRISPR-Cas9 technology. This new technique has been notably developed by Emmanuelle Charpentier (*Max Planck Institute*, Germany), also invited as a speaker. Some interviews, made during this event, are available on our website (www.fondation-ipsen.org).

- **Endocrinology.** This year's meeting focused on "Hormones, Metabolism and the Benefits of Exercise" was held in Paris on 5 December. This meeting was prepared with Bruce Spiegelman (*Dana Faber Cancer Institute*, USA) and gave an overview of the physiological and cognitive benefits of exercise. For instance, physical activity improves muscle insulin sensitivity, leading to better glucose uptake and reduced risk of Type 2 diabetes.

Besides its core activities, the Fondation Ipsen pursued its prestigious partnerships with research institutes like the *Salk Institute for Biological Studies* (La Jolla, USA) or the

Karolinska Institutet (Stockholm, Sweden which awards the Nobel Prizes), and/or scientific journals like Science or Cell.

- **Biological Complexity,** jointly developed with the *Salk Institute for Biological Studies* (La Jolla, USA) and *AAAS/Science*, the 10th meeting (20-22 January) was dedicated to "Synthetic Biology". This new branch of biology combines molecular biology, biotechnology and bioinformatics and aims at the generation of biomolecules or complexes for fundamental research, therapeutic purposes. Among the invited speakers, Craig Venter (J. Craig Venter Institute, USA) has accepted to give a special lecture on the generation of new bacterial species from newly designed and synthetized chromosomes. Many applications can be derived from this technology, like the generation of biofuels, but raises some ethical issues.
- **Bridging Biomolecular Worlds.** This conference series was set up in partnership with the journals *AAAS/Science* and *AAAS/Science Translational Medicine*. This third edition was held in Hong Kong Medicine Faculty and was focused on the beneficial interactions from our gut microbiota. These questions are extremely promising since many studies revealed that hosting beneficial bacteria can prevent some diseases like obesity, cancer or gut-related inflammatory disorders.
- **Epigenetic Control & Cellular Plasticity.** The Fondation Ipsen is pleased to announce a new series of symposium, in partnership with INSERM and the Center for *Epigenetics and Metabolism of University of California Irvine* (USA) headed by Paolo Sassone-Corsi. This year's meeting (6-7 October), held at *the Beckman Center of the National Academy of Sciences* (Irvine, USA), gathered leaders in the field of epigenetics, which is highly involved in the regulation of the expression of a wide range of genes at both physiological and pathological levels.
- **Exciting Biologies.** As part of its collaboration with Cell Press, the Fondation Ipsen organized the 10th annual meeting in the "Exciting Biologies" series: "*Biology of Commitment*", which was held in Phoenix (USA) on 16 to 18 October. The invited speakers helped us understand why and how cells acquire a specific phenotype or trigger their proliferation or their death. These mechanisms are fundamental for life and are involved in many diseases that could support the development of novel therapeutics.
- **Days of Molecular Medicine,** on the theme of "*Bugs to Bedside to Biotech*", was held at the Karolinska Institutet on 27 and 28 October. This new meeting presented an overview of the most effective new technologies against harmful infectious agents (HIV, Ebola, Influenza and Zika virus, Malaria, etc.).

  In 2016, the Fondation Ipsen also awarded annual prizes to reward outstanding research, within the framework of international conferences.
- **The 27th Neuronal Plasticity Prize** was jointly awarded to three scientists for their pioneering work in the domain of neuroenergetics: David Attwell (*University College of London*, United Kingdom), Pierre Magistretti (*Brain Mind Institute*, Switzerland) and Marcus Raichle (*Washington University School of Medicine*, USA). The prize has been awarded on 5 July at the *Federation of European Neurosciences Societies* in Copenhagen (Denmark) by an international jury headed by Nikos Logothetis (*Max Planck Institute for Biological Cybernetics*, Germany). Our laureates have greatly contributed to understand the most energy demanding cerebral components. Our brain only represents 2% of our weight, yet it alone consumes 20% of the oxygen and 25% of the glucose in our body. Moreover, they also highlighted the important implication of astrocytes in neuron energetic metabolism. Their relation is absolutely essential to stimulate the 50 trillion connections that neuron form in our brain.
- **The 15th Endocrine Regulation Prize** was awarded at the ICE (International Congress of Endocrinology) in Beijing (China) on 1 September to John Funder (Prince Henry's Institute, Victoria, Australia). The international jury chaired by Iain Robinson (National Institute for Medical Research, United Kingdom) unanimously recognized the contribution of the laureate on the endocrine aspects of hypertension, and especially the role played by cortisol.
- **The 21st Longevity Prize** has been awarded to Kaare Christensen (*University of Odense*, Denmark), in recognition of his outstanding work on the importance of genes and environment on ageing and longevity. The awarding lecture took place on 19 November at the *Gerontology Society of America* (GSA) in New Orleans (USA).

Support, sponsorship or partnering activities

Ipsen has a corporate policy fostering 'mecenat', grants and donations related to its mission, in accordance with its values and in compliance with all laws, regulations and Codes local regulations, such as:

- Grants for scientific research or medical education;
- Awards and grants for researchers;
- Charitable donations.

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, Phases I to IV clinical study monitoring and management, as well as part of drug development and manufacturing to CDMOs (Contract Development and Manufacturing Organizations).

More generally, purchasing value representing a high percentage of Ipsen sales, involving suppliers in Corporate Social Responsibility progress is essential to deliver a sustainable business.

This is translated into the nine governing principles introducing the global purchasing policy, which are:

- quality, efficiency and effectiveness;
- probity and equity;
- transparency;
- effective competition, including fair dealing;

- objective practices related to pricing and contracting;
- respect and protection of intellectual property and information;
- strong focus on building mutually beneficial relationships;
- environment and sustainability considerations;
- and other risk management considerations.

Moreover, a specific paragraph of this policy focuses on ethical standards, for which purchasing team members ought to be a model.

In France, Ipsen signed in 2013 the *"Charte des Relations Inter-Entreprises"*. The objective of this Charter is to build a balanced and sustainable relationship between large companies and their suppliers in knowledge and respect of the rights and duties of each party.

How does the purchasing community translate these principles into action?

Firstly, Corporate Social Responsibility (CSR) criteria are considered as part of the supplier selection and evaluation process.

EHS or more widely CSR are part of our specifications in more and more categories:

- Namely, for equipment purchases and capital expenses, EHS reviews the specifications in Les Ulis, Dreux, Dublin and Wrexham.
- For contract manufacturing, a certain standard is required for subcontractors manipulating our drugs, for whom we not only collect detailed EHS information before selection, but we may also perform EHS site audit to assess the Health and Safety protection level of their staff before selection and once they have become our supplier.
- In Dreux, our biggest volume manufacturing site, we have added in 2013 CSR section in our evaluation tool applied to the most strategic material suppliers. In 2014, we have systematized this evaluation to all our suppliers of material and packaging; furthermore, we have also enlarged this assessment to our main providers of facility management (maintenance, security...).
- We have included a clause covering sustainability and labor in most of our Facility management contracts for Dreux, Signes and Les Ulis (maintenance, security…).
- We have included EHS in our Supplier Relationship Management (SRM) program and specifically in the SRM tool being developed for managing Ipsen-Supplier relationships.
- In 2016, we started to discuss working with EcoVadis to help manage supplier compliance with CSR and Sustainable practices. This is progressing to a pilot system to implement the supplier CSR and sustainability management. This will allow Ipsen to work with suppliers to improve their CSR and sustainability standings as well as improve our relationships with these suppliers.

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 since 2012 and are subject to annual monitoring:

- Gardening in our three French manufacturing sites Dreux, L'Isle-sur-la-Sorgue and Signes as well as at Les Ulis our R&D site, purchasing of pallets at L'Isle-sur-la-Sorgue, painting work at Dreux.
- In our sites of Dreux and L'Isle-sur-la-Sorgue, we buy from protected and adapted companies in France some of our cleaning products and office supplies; we also outsource to them the enveloping and the mail postage. In 2015, Dreux is also buying visit cards from French protected and adapted companies.
- Some breakfasts and catering services at Signes, part of our meal trays servicing, the provision and maintenance of green plants in Boulogne and Les Ulis, design of Ipsen greeting cards and mailing to all Ipsen French employees. In 2015, L'Isle-sur-la-Sorgue (ISS) bought for the first time compositions for the gift packages of their staff.
- At Signes, we purchased work equipment that have been analyzed by ergonomists in 2014 in order to optimize and maintain the position of disabled workers and improve the working conditions of the working unit. This analysis was extended over 2015 and also on a perimeter including L'Isle-sur-la-Sorgue (ISS).

Actions are conducted to reduce the impact of the product on the environment like decreasing from 9 µm to 7 µm the thickness of sachet used in Smecta® both in Dreux and in Tianjin, as well as Forlax® in Dreux. Since 2014, 85% of Smecta® and Forlax® production at Dreux is 7 µm.

Another 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 Forlax® in Dreux was finalized in 2014. Forlax® produced at Dreux for the French market has today smaller sachets. And in 2015, our Tianjin plant finalized the reduction of the sachets for Smecta®.

Finally, we launched an innovative syringe technology Somatuline® Depot Injection for the treatment of neuroendocrine tumors to reduce medical waste and protect against needle stick injuries. Ipsen won the California Product Stewardship Council's 2015 Green Arrow Award for System & Design Innovation for this industry-changing product. The impact of this new delivery system could be estimated to 67 tons of CO_2 emissions avoided, a toxics reduction of 53 tons of solvents and a savings of 6,083 pounds of packaging in 2016.

3.3.2.5 Loyalty of practices

Ipsen's continued commitment to the highest ethical standards has been communicated through the Company's

Code for Ethical Conduct. Ipsen's Company Code applies to all Ipsen employees and new hires and through an Ethics and Compliance program that meets international standards, driven by ethical guidelines, applied to all countries and all departments in the company.

Actions taken to prevent all forms of corruption

Ipsen has adopted a continuous improvement approach for its anti-corruption program as defined in the applicable procedures and training. Ipsen also joined the United Nations "Global Compact" program in 2012, confirming the Group's commitment to fighting corruption in all its forms.

Against this backdrop, Ipsen has adopted appropriate and adequate measures that apply to each employees and partners company-wide.

In 2016, the global anti-corruption policy was communicated to all Ipsen countries and entities to remind the Company's employees and partners how to identify, prevent, and mitigate corruption risks. At the end of 2016, all Ipsen employees, including new hires, received training in this.

In addition, a "Third Party Compliance Due Diligences" program has been rolled out for Ipsen's partners and subparties along with a dedicated training program.

As a pharmaceutical company, we also work with Healthcare Professionals and Organizations as part of Ipsen's commitment to improve the health and quality of life of Patients. The Healthcare Industry and Healthcare Professionals and Organizations work with us on a variety of activities ranging from clinical research to sharing best clinical practices and information on how new medicines can be adapted to patient pathways. Ipsen is subject to all legislations, regulations and codes applicable and has adopted relevant procedures supporting the implementation of high ethical standards, enabling these relationships to be conducted with integrity and trust.

Lastly, Ipsen encourages all employees to report any incidents or breaches related to, among other risks, potential corruption facts, and has implemented an alert procedure described in the Company's Code for Ethical Conduct.

Measures taken in favor of the safety and health of customers

Ipsen's vision as a leading pharmaceutical company is to strive to deliver significant improvements in patients' health and quality of life by providing effective therapeutic solutions to fulfill unmet medical needs.

As a pharmaceutical Company, pharmacovigilance is a key activity within Ipsen with both ethical and legal aspects. As part of the Research and Development Division, the Global Patient Safety (GPS) department, includes pharmacovigilance among its various accountabilities to ensure the safety of patients receiving Ipsen products. The Senior Vice President, Head of Global Patient Safety also fulfils the role of European Union Qualified Person for Pharmacovigilance (EU QPPV), and reports to the Senior Vice President, Chief Medical Officer. The objective of Global Patient Safety are:

- to ensure the proactive evaluation and communication of evolving safety knowledge about all Ipsen drug products, so that benefit-risk is optimised for patients, both in clinical development and after market launches; and
- to maintain a sustainable cross-functional Ipsen PV System, fully compliant with pharmacovigilance legislation worldwide, and sourced cost-effectively with reliable access to the right capacity of skills and capabilities to secure efficient delivery of fluctuating workload demands.

The achievement of these objectives requires the collection and evaluation of adverse event data from all sources worldwide, and ensuring that these data are accurately entered onto our Global Patient Safety database and expedited as required to health authorities according to the relevant pharmacovigilance legislation. This database provides information for the ongoing assessment of the benefit-risk profiles of all Ipsen products authorized for marketing, and those molecules which are in clinical development. The data are examined using state of the art software and statistical analyses to look for safety signals, which are then evaluated to ascertain whether these constitute new risks or changes to existing risks. Regular aggregate reports of safety data are prepared for submission to health authorities according to their timelines and requirements.

Ipsen's safety culture is based on strong collaboration between Non-Clinical Drug Safety, and Global Patient Safety, providing an integrated scientific approach to safety decision-making. The sources of safety data include spontaneous case reports from healthcare professionals and consumers, clinical trials, pre-clinical and toxicology information, solicited case reports from organized patient data collection systems (e.g. patient support programs, registries, etc.), published articles in the scientific and medical literature and communications from health authorities.

Thus GPS staff work closely with their colleagues within other functions to develop clinical trial programs, clinical study reports, Marketing Authorization Applications, responses to questions from Health Authorities, and to ensure effective communication of up-to-date benefit-risk information *via* the product information (Summary of Product Characteristics, Prescribing Information, Patient Leaflets) to assist the physicians and patients in making the best patient-centric decisions on treatment. Such collaborative working may also involve Ipsen partners when the product is the subject of a licensing venture.

A collaborative teamwork

GPS benefits from effective teamwork at all levels to achieve its objectives, namely:

- Within GPS;
- Across the wider pharmacovigilance community, including all Ipsen-staff with pharmacovigilance responsibilities in local affiliates and subsidiaries who interface with local customers and local health authorities to ensure patient safety and compliance with the regulatory legislation;
- Other functions within Ipsen, and Ipsen's partner-companies and third party vendors.

The medical safety governance at Ipsen has recently been strengthened with the creation of Ipsen Benefit-Risk Decision

Board, chaired by the Chief Medical Officer, which includes senior experts from the relevant functions required for effective benefit-risk decision making, including changes to the Company Core Data Sheets and subsequent Summaries of Product Characteristics, Prescribing Information and Investigator's Brochures for all Ipsen development and post-marketing authorisation products.

In June 2014 the MHRA (UK) conducted a routine Good Pharmacovigilance Practice (GVP) inspection at Ipsen. There were no critical findings identified in the Company's pharmacovigilance system (a critical finding is defined as a deficiency in pharmacovigilance systems, practices or processes that adversely affect the rights, safety or well-being of patients or that poses a potential risk to public health or that represents a serious violation of applicable legislation and guidelines). All Corrective and Preventative Actions in relation to this inspection have now been completed.

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;
- to make sure that we are not complicit in human rights abuses;
- to encourage the freedom of association and the effective recognition of the right to collective bargaining;
- to eliminate all forms of forced and compulsory labor;
- to abolish child labor;
- to ban discrimination in respect of employment and occupation.

Moreover, since 2012, Ipsen adheres to the Global Compact program of the United Nations and confirms the will of the Group to include its fundamental principles in particular in the domain of human rights and standards of work in its sphere of influence.

Methodological note on the social and environmental reporting

Human Resources

- **Headcounts**

The headcount indicators reported in the registration document come from two main sources of information:

1. HRConnect – HRIS of Ipsen – which covers all countries except China. Data retrieved from HRConnect enable to provide all indicators except the absenteeism rate (see below).
2. A standard Excel table:

   China submits every month a file which includes the list of employees with the necessary data (headcount up-to-date, start date/leave date, birth date, etc.) enabling the HRIS Department (Human Resources Information System) to produce indicators.

Regarding joint ventures, the Group HR policy does not apply to these entities; no reporting is being done to Ipsen's Human Resources. Therefore the only information taken into account for joint ventures is the headcount related to the total Group Workforce. The other indicators do not take into account information related to joint ventures.

Headcount computation rule: "Is considered as present any employee with a current work contract with Ipsen who has a status Active or Inactive in HRConnect". "Active" means "any employee paid the last day of the month which is under consideration"; "inactive" means "any employee unpaid the last day of the month which is under consideration".

External resources: temporary workers, trainees, etc. are excluded from headcounts.

- **Absenteeism**

A specific standard Excel table covers the absenteeism rate. This template is sent, at the end of the year, to every country or site with a Human Resources manager: Algeria, Australia, Brazil, Canada, China, France, Germany, Ireland, Italy, Korea, Russia, Spain, United Kingdom, and Vietnam. At the end of 2016, this perimeter represents about 91% of Ipsen's population (excluding joint ventures). However, the absenteeism rate for the French sites is based on data retrieved from the French payroll system and provided by Payroll Department.

- **Training**

Training data of the training deployed at local level are collected by local HR Managers. The data concerning training recorded on the global training platforms are directly managed at the central level. All the collected data is consolidated into a common Excel file.

Environment, Health and Safety (EHS)

Perimeter 1 of the reporting includes 7 manufacturing or production sites: Dreux (France), Dublin (Ireland), L'Isle sur-la-Sorgue (France), Signes (France), Tianjin (China) and Wrexham (United Kingdom) and the joint venture in Cork (Ireland), as well as 3 research and development (R&D) sites: Les Ulis (France), Cambridge (United States) and Oxford-Milton Park formerly Abingdon (United Kingdom). The joint venture of

Cork is included in the perimeter of this reporting as this site follows Ipsen EHS policy.

In addition the Perimeter 2 encompasses tertiary sites of the Group with a Human Resource representative that is to say: Algeria, Germany, Australia, US (Basking Ridge), France (Boulogne-Billancourt), Brazil, China, Korea, Spain, Italy, Russia, UK (Slough) and Vietnam. This perimeter covers 90% of headcount at end 2015. Note that for offices, health and safety indicators (number of medicalized accident, number of occupational disease, number of days lost), information are now regularly collected during the year (except for Algeria and Korea). The energy data are collected for the annual exercise.

The Perimeter 1 represents Ipsen's main environmental impacts related to the activities of production and research and development. The choice of extending to Perimeter 2 has been made to include the energy consumption of international offices as well as accident data, which have a non-negligible impact at Group level. The Perimeter 1 will be taken as a reference except where the Perimeter 2 is specifically mentioned.

Data consolidation is performed using an internal reporting file, which also defines EHS monitoring indicators. The data are controlled and compiled using this central file, which possesses means of control and alert (absurd data, problems of units, etc.). This central reporting file has been introduced to persons in charge of EHS on site in order to 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 Ipsen.

In addition, some precisions are to be taken into account for the following indicators:

- Emission factors used to calculate CO_2 emissions are those of the Base Carbone ADEME and those provided by the IEA emission factors related to international electricity consumption.
- Energy indicators and associated CO_2 emissions, published in 2014 for sites of Cambridge (additional supply of steam), Abingdon (calculation error without considering 2014 kWh) and Algeria (data for gas were provided in m^3 and not in kWh in 2014) have been modified. Obviously, these informations are also taken in account for the 2015 reporting. Furthermore, without any additional and detailed information, the steam netwok of Cambridge has been estimated with an emission factor of 0.203 kg CO_2/kWh, which corresponds to the average of French networks.

Health and safety indicators in particular for determining the accident frequency and severity rates include the following calculations:

- The frequency rate 1 is the number of disabling injuries due to the work needing an external medicalized assistance, with work lost time exceeding one day which have occurred over a period of 12 months per million hours worked (frequency rate 1 = number of disabling injuries due to the work with lost time x 1,000,000 / number of hours worked).
- The frequency rate 2 is the number of disabling injuries due to the work needing an external medicalized assistance, with work lost time exceeding one day and without work lost time which have occurred over a period of 12 months per million hours worked (frequency rate 2 = number of disabling injuries due to the work with and without lost time x 1,000,000 / number of hours worked).
- The severity rate is the number of worker-days lost as a result of disability injuries per thousand hours worked (severity rate = number of worker-days lost x 1,000 / number of hours worked).

The following table represents the approaches used to derive carbon emissions for scope 1, 2 and 3 included in the fight to prevent climate change section of the document.

Scope	Categories	Description	Data sources	Emissions Factor sources
1	Direct emissions from stationary combustion sources	Natural gas and fuel combustion (Kwh)	R&D manufacturing and affiliates reporting	IAE Highlights CO_2 fossil fuels
1	Direct fugitive emissions	Refrigerant gas losses (tons)	R&D manufacturing reporting	Base Carbone
2	Indirect emission from electricity consumption	Electricity consumption (Kwh)	R&D manufacturing and affiliates reporting	IAE Highlights CO_2 fossil fuels
2	Indirect emission from steam, heat and cooling consumption	Steam and cooling consumption (Kwh). Only one site is concerned	R&D manufacturing and affiliates reporting	Base Carbone
3	Emissions due to fuels and energy (not covered by scope 1 and 2)	Upstream emissions (extraction and transportation) (Kwh)	R&D manufacturing and affiliates reporting	Base Carbone
3	Purchased goods or services	Extraction and Manufacturing of raw materials	R&D manufacturing: Weight of every composant primary, secondary and tertiary packaging (tons)	Base Carbone and CarbonEM methodology
3	Capital goods	GHG Emissions due to the construction of buildings (industrial and offices) depreciation based on 50 years.	R&D manufacturing and affiliates reporting Buildings (sqm)	Base Carbone®
3	Upstream and downstream transportation and distribution	Road, Air, sea transportation of raw materials and final products from production site to first delivery local sites	Upstram: Tonnes km from each site reporting Downstream: tonnes km from deliveries extraction	Base Carbone®
3	Waste generated	GHG Emissions due to the treatment of production waste (incineration, landfill, recycling)	R&D manufacturing Reporting (tons)	Base Carbone®
3	Business travels	GHG Emissions due to the car fleet consumption and plane travels	Travel agency (km) and reporting on gasoline consumption (liters)	Base Carbone®
3	Employee commuting	GHG Emissions due to travels between working sites and employee's home	Distances (km) estimated from average (French national survey (ENTD INSEE))	Base Carbone®
3	End-of-life treatment of sold products	GHG Emissions due to the treatment of packaging waste after use of sold products (incineration, landfill, recycling)	Deliveries database (tons) and average waste treatment	Base Carbone®

This is a free English translation of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Ipsen

Société anonyme: 65, Quai Georges Gorse – 92650 Boulogne-Billancourt

Report by one of the Statutory Auditors, appointed as independent third party, on the consolidated human resources, environmental and social information included in the management report

For the year ended 31 December 2016

To the Shareholders,

In our capacity as Statutory Auditors of Ipsen S.A (the "Company"), appointed as independent third party and certified by COFRAC under number 3-1048[1], we hereby report to you on the consolidated human resources, environmental and social information for the year ended 31 December 2016 included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code *(Code de commerce)*.

Company's responsibility

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the guidelines used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request at the EHS department of the company.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics *(Code de déontologie)* of our profession and the requirements of article L.822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Statutory Auditor's responsibility

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved six people and was conducted between October 2016 and February 2017 during a three week period. We were assisted in our work by our sustainability experts.

Our work described below was performed in accordance with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement, with professional standards issued by the national auditing body, and with ISAE 3000 concerning our conclusion on the fairness of CSR Information.

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programs arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, *i.e.*, the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

(1) The scope of which is available at www.cofrac.fr.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted ten interviews with the people responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important[1]:

- at parent entity and sites level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities selected by us[2] on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents between 16% and 29% of quantitative social data disclosed, and between 31% and 100% of quantitative environmental data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Neuilly-sur-Seine, 22 February 2017

One of the Statutory Auditors,

Deloitte & Associés

Jean-Marie Le Guiner
Partner

Julien Rivals
Partner, Sustainability Services

(1) **Social indicators:** Group workforce at 31 December; Redundancies, dismissals, mutual agreement, resignation, end of fixed-term, retirements, deaths, other motive (joint-ventures not included); Absenteeism; Number of hours of training.
EHS indicators: Frequency rate 1, frequency rate 2, severity rate; GHG emissions in tons eqCO2; Emissions of VOC to the atmosphere; Group energy consumption on perimeters 1&2 (kWh); Split of group energy consumption (%) by energy source; 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; Supply of water of well water origin; Solvent usage.
Qualitative information: Training and development investment; Fight against climate change/ reduction of CO2 emissions; Green chemistry and optimization of the use of solvents; Subcontractors and suppliers; Measures taken to prevent all kinds of corruption; Measures taken in favor of the safety and health of customers.

(2) Beaufour Ipsen Industrie S.A.S. in Dreux (Accident indicators), Beaufour Ipsen Industrie in L'Isle-sur-la-Sorgue (Total waste; Water consumption), Carapartners in Cork (Solvent usage, Accident indicators), Ipsen Pharma Biotech in Signes (HR and EHS indicators), Ipsen Pharma GmbH (Training, Absenteeism, Accident indicators).

4 CORPORATE GOVERNANCE AND LEGAL INFORMATION

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4.1 CORPORATE GOVERNANCE

4.1.1 Presentation of the Board of Directors and the Executive Committee

A Board of Directors governs the Company. The Board of Directors determines the Company's business strategy 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 guides the Company's affairs through its deliberations.

On 16 February 2016, the Company announced the implementation of a new governance structure based on the separation of the duties of Chairman of the Board of Directors and Chief Executive Officer. The Board of Directors which held on 8 July 2016 appointed David Meek as Chief Executive Officer. From 18 July 2016, effective date of appointment of David Meek as CEO, Marc de Garidel became Chairman of the Board of Directors, non-executive. For additional information, please see 4.1.2.1.1 – Governance structure.

4.1.1.1 Rules Governing the Board of Directors

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 who are appointed by Ordinary Meetings of Shareholders.

Statutorily, each Director must own at least one share in the Company. If, on the day of his or her appointment, a director does not own the minimum number of shares required, or if during his or her term in 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 the Statutory Auditors if the remaining directors are absent, 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 exceptional cases or in order to enable the staggered renewal of the Directors' terms, Ordinary Shareholders' Meetings shall be able to elect one or several directors for terms in 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 from among its members a Chairman who must be a natural person in order for the appointment to be valid, for a term of appointment that 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 the Chairman's temporary incapacity or death, 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 work for 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 fulfill their duties.

During it's meeting dated 8 July 2016, the Board of Directors determined the scope of the Chairman's duties within the framework of the new governance structure announced on 16 February 2016. The Internal rules of the Board of Directors have also been amended during this meeting to specify the specfic mission entrusted to the Chairman of the Board of Directors within the framework of the separation of functions. The Board especially precised that the Chairman represents the Board of Directors and, except under exceptional circumstances, has the sole authority to act and speak on behalf of the Board. He organizes and directs the work of the Board and ensures the effective functioning of the corporate bodies in compliance with the good governance principles. He coordinates the work of the Board with that of the Committees. He also ensures that the directors are able to fulfill their mission and shall particularly ensure that they have all of the information they require to fulfill their mission.

In addition, the Chairman also fulfills the following specific missions:

- he assists the Chief Executive Officer, at the request of the latter, within the framework of the representation of the Company in national and international professional organizations;
- he may represent the Company, in cooperation with the Chief Executive Officer and at the request of the latter, in its high-level relations, on a national and international level;

- he may participate, at the invitation of the Chief Executive Officer, in internal meetings with the executives and teams of the Company, in order to provide insight on strategic issues;
- he may, without prejudice to the prerogatives of the Board of Directors and its committees, be regularly consulted by the Chief Executive Officer regarding any significant events related to the Company's strategy and major growth projects.

In all of these specific missions, the Chairman acts in close coordination with the Chief Executive Officer who will solely be in charge of the leadership and operational management of the Group.

(For further information, see section 2.1.5.2.1 – Implementation of a new governance structure).

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. Failing them, 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 as often as required in the interests of the Company, at the request of his Chairman, at its 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.

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 by 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 is kept to be signed by all directors participating in the meetings.

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 guidelines.

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.

In relation to third parties, the Company is bound even by an action of the Board of Directors that is not consistent with the corporate purpose, unless it proves that the third party was aware that the action exceeded such purpose, or could not be unaware thereof in the circumstances. It being specified that the mere publication of the articles 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 fulfill their duties, and may obtain any documents they consider necessary from the Company's Executive Management.

Internal Rules

The Internal Rules of the Board of Directors are subjected to a regular review by the Board of Directors.

By the decision dated 8 July 2016, and within the frame of the implementation of a new governance structure, the Board of Directors has decided to amend its Internal Rules adopted on 30 August 2005, 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 Rules are described below.

Role of the Board of Directors

Responsible for governing the Company in accordance with the legal provisions and Articles of association, the Board of Directors:

- regularly reviews the strategic guidelines of the Company and Group, which is made up of the Company and the business units it consolidates in its financial statements (hereafter "the Group"), its investments, disinvestment, or internal restructuring projects; and the Group's overall policy with regard to human resources, in particular its policy in the field of the Company's compensation, profit-sharing, and performance based incentives. It conducts an annual performance appraisal of the Company's senior executives and is consulted on new senior executive recruitments;
- approves, on a proposal of the Strategic Committee and before any decision is made, acquisitions or divestments of equity interests or assets, partnerships, alliances, or cooperation agreements relating to research, development, industry, and business as well as, generally speaking, any transaction or any commitment that might significantly affect the Group's financial or operating situation or its strategic guidelines;
- is regularly informed *via* the Audit Committee about the financial situation, the Company's cash position, and all the significant events affecting the Company; it is kept informed by its Chairman and by its committees of all significant events related to the conduct of business for the Company and the Group;

- strives to ensure that shareholders and the public are well informed, in particular *via* the control it exercises on the information given by the Company; and in this respect, it defines the Company's communication policy, in particular regarding the frequency with which financial information relating to the Group is released;
- checks that the Company has reliable procedures in place to identify, assess, and monitor its commitments and risks, including off-balance sheet ones, as well as internal control.

Members of the Board of Directors

Every Director shall dedicate the time and attention required to discharge the duties of his/her mandate and attend the meetings of the Board and of the Committee(s) on which they are a member. The Annual Report will list the mandates held by members of the Board of Directors and record how assiduously they attend meetings of the Board and of Committees.

Executive officers shall not hold more than two other directorships in non-Group listed companies, including foreigners ones. Furthermore, they must seek the prior opinion of the Board before accepting any additional corporate office.

A Director shall not hold more than four other mandates in non-Group listed companies, including foreigners ones. Directors must keep the Board informed about the mandates and positions held in other companies. The non-executive Chairman must in addition obtain the Board's opinion before accepting a new corporate office.

The Board must be made up of Directors chosen because of their competence and their experience with respect to the Company's and the Group's operations.

A Director is deemed to be independent if he or she meets the following criteria as of the date on which his/her status is assessed:

- he or she is neither an employee, nor an executive officer, nor a member of the Board and is not closely related to an executive officer or to a member of the Board, of a Group entity or of an entity controlling the Company within the meaning of Article L.233-3 of the French Commercial Code, and was not during the past five years;
- is not an executive Director and is not closely related to an executive Director of a company in which a Group entity holds an executive office, either directly or indirectly, through an employee appointed as such, or in which a corporate officer of the Company (currently in office or having held such office within the past five years at least) holds, directly or indirectly, a corporate office;
- is not a customer, or a supplier or an investment banker or a commercial banker, or a significant service provider of the Company or of the Group, or a member of a customer company, or a supplier, or an investment bank or a commercial bank, or a material service provider of the Company or of the Group for which either Ipsen or the Group accounts for a material share of business;

  The assessment as to whether the relationship with the Company or of the Group is material or not is debated once a year at a meeting of the Nomination and Governance Committee and the criteria having led to this assessment, are explained in the registration document;
- does not (i) represent a shareholder that owns, (ii) is not a member of an entity holding directly or indirectly or (iii) does not, directly or indirectly, own more than five percent of the Company's share capital or voting rights;
- do not have close family ties with a corporate officer;
- has not been Statutory Auditor of the Company in the previous five years.

The meaning of "executive officer" and "close relationship with an executive officer" is defined by Article L.621-18-2 of the French Monetary and Financial Code.

Independent directors should account for at least a third of Board members. Directors representing the employee shareholders and directors representing employees are not taken into account when determining the percentage of independent directors within the Board and the Committees.

The Board shall examine at least once a year which Directors meet these independence criteria and shall report the conclusions of this review to shareholders (i) every year during the Shareholder's Meeting convened to approve the financial statements for the previous financial year and (ii) during Shareholder's Meetings convened to elect new Directors or ratify Directors co-opted by the Board.

Board members may attend training sessions on specific areas of the Company or its business line(s) and industrial sector that are to be arranged on the Company's own initiative or at the request of the Board of Directors.

Before accepting office Directors should familiarize themselves with any general or specific obligations or duties related to their position. In particular, they ought to acquaint themselves thoroughly with legal provisions governing the Company, its Articles of Association, and provisions of the Board's by-laws which apply to them.

Directors are elected by all the Company's shareholders and must act in all circumstances in the Company's interest.

Directors must inform the Board about any situation of a conflict of interest, even if it is potential, between themselves and the Company or the Group and shall abstain from taking part in any discussions and vote by the Board on the relevant deliberations.

Directors are required to contribute to the determination of the Company's and Group's strategic objectives and to supervise 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 in regard to 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 in office.

Directors undertake to comply with all stock market regulations designed to prevent any market abuse that is prejudicial to the interests or image of the Company or the Group.

Directors shall not engage in transactions on any shares of companies in respect of which they hold insider information, owing to their position, which is likely to have a significant effect on the price of the securities concerned.

Without prejudice to the applicable statutory provisions, every Director must be a Company shareholder in a personal

capacity and directly or indirectly own a relatively significant number of shares.

Since an amendment to the Internal Rules dated 2 March 2015, any Director, whether a physical person or a permanent representative of a legal entity to whom director's fees have been paid, must own 500 Company shares.

Within two years after the entry into force of this rule, or with regard to future appointments within the two years following their initial appointment, it is recommended that Directors should hold, directly or indirectly, a number of shares amounting at least to the equivalent of the latest net annual amount of the director's fees received.

These shares must be registered shares.

The Company regularly communicates to the Directors their new obligations.

Functioning of the Board of Directors

The Board 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 or by the Articles of Association.

The Deputy Chairman of the Board, when one has been appointed, assists the Chairman in his mission to organize and supervise the Board's work. The Deputy Chairman of the Board takes part in the preparation of Board meetings in coordination with the Chairman and serves in that capacity to set a meeting's agenda when consulted by the Chairman. Before the notice of a meeting is sent out, along with the Chairman, the Deputy Chairmam reviews the documents and information given for the Directors' disposal.

Once a year, the Board discusses its *modus operandi,* composition, and organization in an executive session outside the presence of the Chairman of the Board, the Chief Executive Officer, and management team members.

This "executive session" is prepared by the Nomination and Governance Committee in cooperation with the Deputy Chairman of the Board or a Director who is specially appointed for such purpose.

The Board also proceeds to a formalized evaluation at least every three years.

The Board may call in an outside consultant to conduct an appraisal.

Furthermore, the non-executive Directors also proceed, once a year, in the performance evaluation of the Board's Chairman, of the Chief Executive Officer and of the one or several Deputy Executive Officers, outside their presence.

Means of the Board

The Board of Directors may establish temporary or permanent specialized committees which are made up of at least three members and no more than six Directors and appoints the Chairmen of said committees.

These Committees submit their opinions and proposals to the Board and report back to the Board on their work.

In order to ensure efficient and prudent control of the Company's and the Group's management, the Board may hold a hearing with the Group's main senior managers, whether executive officers or not. The Board may request all the reports, documents, and studies drafted by the Group. The Board may also ask forany external technical studies at the Company's expense provided this does not breach any confidentiality rules. For this purpose, and without prejudice to the individual director's information right provided under legal provisions and the Articles of Association, the Deputy Chairman of the Board, acting on behalf of all the Directors, may ask the Chairman of the Board, when the latter is also the Company's Chief Executive Officer, for any information document which would need to be made available in order to enable Directors to fulfill their mission in compliance with the law and Articles of Association.

Directors may collectively 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.

Directors may likewise, collectively or individually, during or outside of meetings, ask the Chairman for information they deem useful should disclosing said information not be prohibited by prudential rules with respect to confidentiality.

Directors are provided with relevant information such as monthly reports, press reviews, and financial analysts' reports.

Directors also regularly receive information covering 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.

At its meeting held on 15 February 2016, the Board of Directors decided to change the Company's form of governance by separating the duties of Chairman of the Board of Directors and Chief Executive Officer. The Board of Directors which held on 8 July 2016 appointed David Meek as Chief Executive Officer. From 18 July 2016, effective date of appointment of David Meek as Chief Executive Officer, Marc de Garidel became Chairman of the Board of Directors (for further information, see section 4.1.2.1.1).

The Chief Executive Officer

Appointment and removal

When the Board of Directors determines 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 his or her dismissal is unjustified.

The Chief Executive Officer is subject to the provisions of Article L.225-94-1 of the French Commercial Code on simultaneous holding of 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 or her.

Powers

The Chief Executive Officer has the broadest powers to act at any time 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 outside of the corporate purpose, unless the Company can prove that the third party knew the act was *ultra vires* or could not fail to have known this given the circumstances, on the understanding that the sole publication of the Company's Articles of Association is not sufficient to constitute such proof.

Deputy Chief Executive Officers

Upon proposal of the Chief Executive Officer, the Board of Directors may appoint one or more persons to assist the Chief Executive Officer. This appointed position for assiting the CEO 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 or her duties, the Deputy Chief Executive Officers will remain in office until a new Chief Executive Officer is appointed, unless the Board of Directors decides otherwise.

Board Committees

Common rules to all committees

In accordance with its Internal Rules, the Board of Directors may establish temporary or permanent specialized committees which are made up of at least three members and no more than six Directors and appoints the Chairmen of said committees. These committees issue proposals and recommendations and report their work to the Board.

Committee members are chosen from among the Directors and are appointed in a personal capacity for the duration of their term of office as a Director. They cannot get somebody to represent them. The Board can replace or dismiss Committee members at any time. Their mandates are renewable. A single Director can be a member of several Committees.

Subject to the specific rules applicable to them, every Committee defines how frequently it will hold meetings. Said meetings are held in the head office or any other location decided by its Chairman when he convenes it and sets the meeting's agenda.

A Committee can meet only if at least half of its members attend the meeting, in one of the ways allowed by the law or the Articles of Association with respect to directors attending Board meetings.

The Chairman of a Committee may invite all Board members to one or several of its meetings, as well as anyone else. Only members of the Committee shall take part in its deliberations.

The minutes of every Committee meeting are drawn up by the Secretary of the Board under the authority of the Chairman of the Committee. The minutes are then sent to all members of the Committee. The Chairmen of Committees report to the Board on the work carried out by their Committees under the conditions set by the Board.

In its respective competence, each Committee issues proposals, recommendations, or opinions. To this end, each Committee may undertake or arrange for, at the Company's expense, all external studies likely to shed light on the Board's deliberations. Each Committee reports to the Board on its work at each one of the Board's meetings. A summary of the activity of every Committee is included in the Annual Report.

Each Committee decides on its other operating procedures if need be. Each Committee periodically makes sure that its rules and operating procedures enable it to help the Board deliberate in a fruitful manner on the issues of its competence and can propose to the Board a change in its by-laws.

The Board of Directors has set up five permanent committees: the Strategic Committee, Audit Committee, Compensation Committee, Nomination and Governance Committee, and the Ethics Committee (see section 4.1.2.1. – Report of the Chairman of the Board of Directors).

■ 4.1.1.2 Composition of the Board of Directors and of the Executive Management

During 2016 financial year, the changes that occurred within the Board of Directors and the Executive Management are as follows:

	Nature of the change	Consequences in term of diversification
Shareholders' Meeting held on 31 May 2016	Renewal of Mayroy S.A. and Ms. Carol Xueref as Directors	N/A
Board of Directors held on 8 July 2016	Separation of functions between Chairman (Marc de Garidel) and Chief Executive Officer (David Meek)	Internationalization of the Executive management (David Meek is an American national)

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 4.1.1.3 "Main activities of the active Board members".

In 2016, the Board of Directors met fourteen times. The attendance rate amounted to 91%.

List of the members of the Board of Directors in function as at 31 December 2016

Name	Function	Age	Date of first appointment and last renewal	End of term of office(*)	Member of a Committee
Marc de Garidel	Chairman of the Board of Directors(**)	58	11/10/2010 with effect as at 22/11/2010 27/05/2015	ASM 2019	Strategic Committee (Chairman) Nomination and Governance Committee
Antoine Flochel	Vice-Chairman and Director	52	30/08/2005 31/05/2013	ASM 2017	Compensation Committee (Chairman) Strategic Committee
Hélène Auriol-Potier (a) (c)	Director	54	04/06/2014	ASM 2018	Ethics Committee (Chairperson) Compensation Committee
Anne Beaufour(c)	Director	53	30/08/2005 04/06/2014	ASM 2018	Nomination and Governance Committee (Chairperson) Strategic Committee
Henri Beaufour	Director	52	30/08/2005 27/05/2015	ASM 2019	Strategic Committee Nomination and Governance Committee(***)
Hervé Couffin (a)	Director	65	30/08/2005 04/06/2014	ASM 2018	Nomination and Governance Committee Audit Committee
Michèle Ollier (a) (b) (c)	Director	58	27/05/2015	ASM 2019	Nomination and Governance Committee Strategic Committee
Mayroy SA (represented by Philippe Bonhomme)	Director	47	01/06/2012 31/05/2016	ASM 2020	Ethics Committee
Pierre Martinet (a)	Director	67	19/09/2005 04/06/2014	ASM 2018	Audit Committee (Chairman) Compensation Committee
Christophe Vérot	Director	56	27/05/2011 27/05/2015	ASM 2019	Audit Committee Nomination and Governance Committee
Carol Xueref (b) (c)	Director	61	01/06/2012 31/05/2016	ASM 2020	Strategic Committee Ethics Committee

(*) The Company has implemented staggered terms of office in 2011, which explains the different maturity dates.
(**) Mr. Marc de Garidel has been entrusted with the duties of Chairman of the Board of Directors within the framework of the new governance structure which became effective on the date of entry into office of the new Chief Executive Officer, David Meek, on 18 July 2016.
(***) Henri Beaufour is a member of the Nomination and Governance Committee since 17 January 2017.
(a) Independent Director.
(b) Director of non-French nationality.
(c) Woman director.

In 2015, the Board of Directors 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 2019 to approve the 2018 financial statements.

At its meeting held on 15 February 2016, the Board of Directors approved the launching of the recruitment process of a new Chief Executive Officer and decided to separate the duties of Chairman of the Board of Directors and Chief Executive Officer. The Board of Directors also confirmed that the duties of Chairman of the Board of Directors will be exercised by Marc de Garidel within the frame of the new governance structure.

The Board of Directors which held on 8 July 2016 appointed David Meek as Chief Executive Officer. From 18 July 2016, effective date of appointment of David Meek as Chief Executive Officer, Marc de Garidel became Chairman of the Board of Directors. For further details, see section 4.1.2.1.1.

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 Company's Board of Directors and/or Executive Management.

Upon proposal of the Nomination and Governance Committee, the Board of Directors, at its meeting held on 22 February 2017, considered that Hélène Auriol-Potier, Michèle Ollier, Hervé Couffin and Pierre Martinet are independent Directors within the meaning of the Board Internal Rules described in section 4.1.1.1 of the present registration document. The other Directors are related to an entity which controls the Company.

In addition, the Nomination and Governance Committee appraises once a year, during the annual review of the

qualification of independence of directors, on the basis of a multi-criteria approach combining quantitative and qualitative criteria (including duration and the continuity of the relationship, the organization of the relationship, the amounts concerned), whether or not the directors' business relationship with the Company or the Group is significant. To this end, the Committee shall verify, where appropriate, that the amounts of transactions between the Company and the relevant director or the company with which he is associated (as a customer, supplier, merchant banker or investment banker) do not exceed certain thresholds of the turnover, equity, assets or debt of the stakeholders.

At its meeting of 22 February 2017, on the recommendation of the Nomination and Governance Committee, the Board of Directors noted that there was no business relationship between the members of the Board of Directors and the Company.

Once a year, during the annual evaluation of the Director's independence qualification, the Nomination and Governance Committee estimates, on the basis of a multicriteria approach combining quantitative and qualitative criteria (in particular duration and continuity of the relation, organization of the relation, amounts involved) the significant nature (or not) of the business relations maintained by the Directors with the Company or the Group. To this end, the Committee verifies, as the case may be, the transaction amounts between the Company and the concerned Directors or the company to which he or she is associated (as a client, provider, investment, or as a business banker) to ensure those transactions do not exceed certain Group's turnover, stockholder's equity, Company's assets, or stockholder's debt thresholds.

Upon recommendation of the Nomination and Governance Committee, the Board of Directors in its meeting held on 29 February 2016, considered that there was no business relationship between the members of the Board of Directors and the Company.

The detail of the independence criteria evaluation is as follows:

Independence criteria	He or she is neither an employee, nor an executive officer, nor a member of the Board and is not closely related to an executive officer or to a member of the Board, of a Group entity or of an entity controlling the Company and was not during the previous five years	Is not an executive officer and is not closely related to an executive officer of a company in which a Group entity holds an executive office, either directly or indirectly through an employee appointed as such or in which a corporate officer of the Company (currently in office or having held such office within the past five years at least) holds, directly or indirectly a corporate office	Is not a customer, or a supplier, or an investment banker or a commercial banker, or a significant service provider of the Company or of the Group, or a member of a customer company, or a supplier, or an investment bank or a commercial bank or a material service provider of the Company or of the Group or for which either the Company or the Group accounts for a material share of business	Does not (i) represent a shareholder that owns, (ii) is not a member of an entity holding directly or indirectly or (iii) does not, directly or indirectly, own more than five percent (5%) of the Company's share capital or voting rights	Has not been Statutory Auditor of the Company in the previous five years	Do not have close family ties with an executive officer
Directors						
Marc de Garidel	Marc de Garidel has been Chairman and Chief Executive Officer until 18 July 2016, he is Chairman of the Board of Directors since this date	–	–	–	–	–
Antoine Flochel	–	–	–	Antoine Flochel is Vice-President of the Board and Managing Director of Mayroy SA, the company controlling Ipsen SA	–	–

Independence criteria	He or she is neither an employee, nor an executive officer, nor a member of the Board and is not closely related to an executive officer or to a member of the Board, of a Group entity or of an entity controlling the Company and was not during the previous five years	Is not an executive officer and is not closely related to an executive officer of a company in which a Group entity holds an executive office, either directly or indirectly through an employee appointed as such or in which a corporate officer of the Company (currently in office or having held such office within the past five years at least) holds, directly or indirectly a corporate office	Is not a customer, or a supplier, or an investment banker or a commercial banker, or a significant service provider of the Company or of the Group, or a member of a customer company, or a supplier, or an investment bank or a commercial bank or a material service provider of the Company or of the Group or for which either the Company or the Group accounts for a material share of business	Does not (i) represent a shareholder that owns, (ii) is not a member of an entity holding directly or indirectly or (iii) does not, directly or indirectly, own more than five percent (5%) of the Company's share capital or voting rights	Has not been Statutory Auditor of the Company in the previous five years	Do not have close family ties with an executive officer
Directors						
Anne Beaufour	–	–	–	Anne Beaufour is the Board Vice-President and Managing Director of Mayroy SA, the company controlling Ipsen SA	–	Anne Beaufour and Henri Beaufour are brother and sister
Henri Beaufour	–	–	–	Henri Beaufour is a Director of Mayroy SA, the company controlling Ipsen SA	–	Anne Beaufour and Henri Beaufour are brother and sister
Hervé Couffin	–	–	–	–	–	–
Michèle Ollier	–	–	–	–	–	–
Hélène Auriol-Potier(*)	–	–	–	–	–	–
Mayroy SA (represented by Philippe Bonhomme)	–	–	–	Mayroy SA is the main shareholder of Ipsen SA	–	–
Pierre Martinet	–	–	–	–	–	–
Christophe Vérot	Christophe Vérot is closely linked to Mayroy SA	–	–	–	–	–
Carol Xueref	Carol Xueref is closely linked to Mayroy SA	–	–	–	–	

(*) Ms. Hélène Auriol-Potier, independent director of the Company, is also as member of the Supervisory Board of the company Oddo&Cie. The Board of Directors of Ipsen has taken note of the policies on management of conflicts of interests set up by the Oddo Group. The Board also noticed that the consolidated holding of the subsidiary Oddo Asset Management in the share capital of Ipsen, through several management funds, was below the 5% legal threshold.

Executive Management on 31 December 2016

Name	Function	Age	Date of first appointment and last renewal	End of term of office	Member of a Committee
David Meek	Chief Executive Officer	53	08/07/2016 with effect as 18/07/2016	Unlimited	Executive Leadership Team (Chairman)

For the purposes of their office, Directors and members of the Executive Management are domiciled at the Company's registered office.

On 16 February 2016, the Company announced the implementation of a new governance structure based on the separation of the duties of Chairman of the Board of Directors and Chief Executive Officer. The Board of Directors which held on 18 July 2016 appointed David Meek as Chief Executive Officer. From 8 July 2016, effective date of appointment of David Meek as CEO, Marc de Garidel became Chairman of the Board of Directors.

To the Company's best knowledge as of the date of the present registration document, during the past five years, none of the Directors of the Company 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.

4.1.1.3 Main activities of the Board members on 31 December 2016

Marc de Garidel Chairman of the Board of Directors	Nationality: French	Shares owned: 181,968 Voting rights: 202,391

Committees:
Strategic Committee (Chairman)
Nomination and Governance Committee

Date of birth:
16 March 1958

Date of 1st appointemnt:
22 November 2010

Last renewal date:
27 May 2015

Term of office:
2019 General Meeting

Biography and experience

Marc de Garidel is Chairman of the Board of Directors within the frame of the new governance announced by the Company on 16 February 2016.
Marc de Garidel held the position of Chairman and Chief Executive Officer of Ipsen SA since November 2010 and until 18 July 2016, date on which the decision to dissociate the functions of Chairman of the Board of Directors and Chief Executive Office became effective with the appointment of David Meek as Chief Executive Officer. For further details, see section 4.1.2.1.1.
Marc de Garidel is Chairman and spokesperson of the G5, an association of eight leading French healthcare companies, since January 2011. He is also Vice-President of France's Healthcare Industries and Technologies Strategic Committee since July 2011. Marc de Garidel is Vice-President and a board member of the EFPIA (European Federation of Pharmaceutical Industries and Associations).
He is a member of the Board of Directors of Galenica (Switzerland).
Marc de Garidel is a knight of France's National Order of the Legion of Honor.
He is a teacher in the Master's Programs at ESSEC and ESCP Europe business schools.
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 Deputy Chief Financial Officer of the Group "Corporate Controller", based in the US. In 2000, he takes up operational responsibilities in France, 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 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).

Positions and functions currently held

Main function:
- Ipsen SA, Chairman of the Board of Directors

Other position:
- G5 Santé (France), Chairman
- EFPIA, Director and Vice-President
- Healthcare Industries and Technologies (France), Vice-President of the Strategic Committee
- Galenica (listed company in Switzerland), Director
- IMI (Innovative Medicines Initiative), Chairman of the Board of Directors

Positions and functions previously held that expired during the last five years

- Ipsen SA (France), Chairman and Chief Executive Officer until 18 July 2016
- Ipsen Pharma SAS (France), Chairman
- Suraypharm SAS (France), Chairman
- Pharnext (France), Director
- Comité Biotech du Leem (Les Entreprises de Médicament)
- European Biopharmaceutical Enterprises, Chairman
- Promethera (Belgique), Non-Executive Chairman
- Inserm Transfer (France), Vice-President of the Advisory Board

Antoine Flochel Vice-Chairman of the Board of Directors	Nationality: French	Shares owned: 5,000(*) Voting rights: 7,000

Committees:
Chairman of the Compensation Committee and member of the Strategic Committee

Date of birth:
23 January 1965

Date of 1st appointment:
30 August 2005

Last renewal date:
31 May 2013

Term of office:
2017 General Meeting

Biography and experience

Antoine Flochel is currently the legal manager of Financière de Catalogne (Luxembourg) and Vice-Chairman of Ipsen SA's Board of Directors. He is a Managing Director and Chairman of the board of Mayroy SA and Director of Beech Tree.
Antoine Flochel worked for Coopers & Lybrand Corporate Finance (now PricewaterhouseCoopers Corporate Finance) from 1995 to 2005 and was a partner in 1998.
Antoine Flochel is a graduate of the Paris Institut des Études Politiques (institute of political studies), holds a law degree and a postgraduate degree in economics of the Paris Dauphine University, as well as an MSc in finance from the London School of Economics.

Positions and functions currently held

Main function:
- Financière de Catalogne SPRL (Luxembourg), Legal Manager

Other position:
- Mayroy SA (Luxembourg), Managing Director and Chairman of the Board
- Beech Tree SA (Luxembourg), Director
- Alma Capital Europe SA (Luxembourg), Director
- Alma Capital Investment Funds SICAV (Luxembourg), Director
- Blue Hill Participations SARL (Luxembourg), Legal Manager
- Financière CLED SPRL (Belgium), Legal Manager
- VicJen Finance SA (France), Chairman

Positions and functions 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

(*) Antoine Flochel is Chairman of Vicjen Finance SA which held 2,000 shares of the Company and 4,000 voting rights as of 31 December 2016. He is also Legal Manager of Financière de Catalogne, which held 3,000 shares of the Company and 3,000 voting rights at the same date.

Anne Beaufour Director	Nationality: French	Shares owned: 1 Voting rights: 2

Committees:
Chairperson of the Nomination and Governance Committee and member of the Strategic Committee

Date of birth:
8 August 1963

Date of 1st appointment:
30 August 2005

Last renewal date:
4 June 2014

Term of office:
2018 General Meeting

Biography and experience

Anne Beaufour holds a Bachelor's degree in geology (University of Paris Orsay).
Anne Beaufour is the shareholder of several companies, as described in section 4.2.3.1, which directly and/or indirectly hold shares of the Company.

Positions and functions currently held

Main function:
- Mayroy SA (Luxembourg), Vice Chairperson of the Board of Directors and Managing Director

Other position:
- Beech Tree SA (Luxembourg), Director and Chairperson of the Board of Directors
- Highrock S.à.r.l. (Luxembourg), Legal Manager
- Bluehill Participations S.à.r.l. (Luxembourg), Legal Manager
- South End Consulting Limited (SEC Ltd) (United Kingdom), Director

Positions and functions previously held that expired during the last five years

- FinHestia S.à.r.l. (Luxembourg), Legal Manager

Henri Beaufour Director	Nationality: French	Shares owned: 1 Voting rights: 2

Committees:
Member of the Strategic Committee
Member of the Nomination and Governance Committee

Date of birth:
6 January 1965

Date of 1st appointment:
30 August 2005

Last renewal date:
27 May 2015

Term of office:
2019 General Meeting

Biography and experience

Henri Beaufour holds a Bachelor of Arts degree (Georgetown University, Washington DC, United States).

Henri Beaufour is the shareholder of several companies, as described in section 4.2.3.1, which directly and/or indirectly hold shares of the Company.

Positions and functions currently held

Main function:
- Mayroy SA (Luxembourg), Director

Other position:
- Beech Tree SA (Luxembourg), Director

Positions and functions previously held that expired during the last five years

None

Hervé Couffin Independent director	Nationality: French	Shares owned: 1,200 Voting rights: 2,400

Committees:
Member of the Nomination and Governance Committee and member of the Audit Committee

Date of birth:
26 October 1951

Date of 1st appointment:
30 August 2005

Last renewal date:
4 June 2014

Term of office:
2018 General Meeting

Biography and experience

Hervé Couffin is Chairman of Callisto, a consultancy advising management teams on LBOs.

He is Chairman of the Board of Directors of Mersen and sits on the board of directors of Antargaz as well as on the Supervisory Board of Gerflor. From 1998 to 2004, he was a member of the executive committee and senior partner at PAI Partners. Previously, he worked for Paribas for 15 years.

Hervé Couffin is a graduate of the École Polytechnique and a member of the Corps des Mines.

Positions and functions currently held

Main function:
- Callisto SAS (France), Chairman

Other position:
- Mersen (listed on Euronext) (France), Chairman of the Board of Directors
- HC Conseil SARL (France), Managing partner
- Antargaz, Finagaz, UGI France (France), Permanent representative of HC Conseil in the Board of Directors
- Topflor SAS (France) (Group Gerflor), Permanent Representative of HC Conseil in the Advisory Board

Positions and functions previously held that expired during the last five years

- French-Tunisian Oil Company (Tunisia), Director

Hélène Auriol-Potier Independent director	Nationality: French	Shares owned: 600 Voting rights: 600

Committees:
Chairman of the Ethics Committee and member of the Compensation Committee

Date of birth:
26 November 1962

Date of 1st appointment:
4 June 2014

Term of office:
2018 General Meeting

Biography and experience

Since October 2016, Helene Auriol-Potier is General manager Public Sector Western Europe at Microsoft.

Hélène Auriol-Potier built her career in the digital technologies and telecommunications industry in the United States, Europe, Africa and Asia. She started her career in New York at France Telecom in 1986. In 1990, she joined the Canadian mobile technology company, Nortel, where she spent 16 years and successively held several management positions including Vice-President Mobile Pre-Sale division and Vice-President EMEA, Services & Operations.

In 2006, she joined Dell as Managing Director in charge of Africa and the Mediterranean Region and as member of the Executive Committee of Dell Emerging Markets. In 2009, she was recruited by Microsoft as Managing Director – Enterprises, Public Sector and Partners – and as member of the Executive Committee for Microsoft France. Then, she was appointed Chairman of Microsoft Singapore and member of the Executive Committee of Microsoft Pacific Asia.

Hélène Auriol-Potier graduated from the École Nationale Supérieure des Télécommunications in Paris and completed an Executive Program from INSEAD.

Positions and functions currently held

Main function:
- Microsoft, General Manager Public Sector Western Europe

Other position:
- Oddo & Cie, Member of the Supervisory Board

Positions and functions previously held that expired during the last five years

- Faiveley Transport (France) (listed on Euronext), Independent Director
- Microsoft Dynamics Europe, General manager

Mayroy SA Director	Nationality: Luxembourg	Shares owned: 47,269,813 Voting rights: 94,539,617

Committees:
Member of the Ethics Committee

Date of 1st appointment:
6 June 2012

Date of last renewal:
31 May 2016

Term of office:
2020 General Meeting

Biography and experience

The company Mayroy SA is a *société anonyme* incorporated under the laws of Luxembourg in 1994. The company Mayroy SA is a shareholder of Ipsen SA.

Registered office: 11 boulevard Royal, L-2449 Luxembourg.

Number B48865 RCS Luxembourg.

As of 31 December 2016, Mayroy SA held 47,269,813 shares, *i.e.*, 56,57% of the share capital and 94,539,617 voting rights, *i.e.*, 72.58% of net voting rights.

Philippe Bonhomme permanent representative of Mayroy SA	Nationality: French	Shares owned: 500 Voting rights: 500

Date of birth:
5 November 1969

Biography and experience

Since 2005, Phillippe Bonhomme has been the Managing Director and a member of the management committee of Hottinguer Corporate Finance, which is the investment banking arm of Hottinguer bank. He has been advising in France and abroad on numerous transactions in the pharma and healthcare sectors as well as on private equity-backed transactions.

From 1993 to 2005, Philippe Bonhomme was first an auditor and then, a Corporate Finance consultant with Coopers & Lybrand (renamed into PricewaterhouseCoopers).

Philippe Bonhomme is a graduate of École des Hautes Études Commerciales (HEC, Paris) and a French Certified Public Accountant (CPA).

Positions and functions currently held

Main function:
- Hottinguer Corporate Finance SA (France), Partner, Director and Member of the Management Committee

Other position:
- Mayroy SA (Luxembourg), Director

Positions and functions previously held that expired during the last five years

None

Pierre Martinet Independent director	Nationality: French	Shares owned: 2,132 Voting rights: 4,264

Committees:
Chairman of the Audit Committee and member of the Compensation Committee

Date of birth:
2 December 1949

Date of 1st appointment:
19 September 2005

Date of last renewal:
4 June 2014

Term of office:
2018 General Meeting

Biography and experience

Pierre Martinet is the Chairman of Almacantar (Luxembourg).

From 1993 to 2014, he held different general managing duties within Exor's Group in Paris, Luxembourg, and Geneva.

From 1990 to 1992, he was a member of Perrier's executive team. From 1986 to 1990, he participated in the management of investment funds at Paribas Technology, then at Pallas Venture, a group that he helped co-found. Previously, he worked at Cartier as General Secretary from 1977 to 1985. In 1974, Pierre Martinet started his career in Rothschild Bank.

Pierre Martinet is a graduate of the Paris ESC business school and of the Columbia Graduate School of Business.

Positions and functions currently held

Main function:
- Almacantar (Luxembourg), Chairman

Other position:
None

Positions and functions previously held that expired during the last five years

- Old Town SA (Luxembourg), Managing Director

Michèle Ollier Independent director	Nationalité : Swiss	Shares owned: 500 Voting rights: 500

Committees:
Member of the Strategic Committee and the Nomination and Governance Committee

Date of birth:
2 June 1958

Date of 1st appointment:
27 May 2015

Term of office:
2019 General Meeting

Biography and experience

Since 1 February 2016, Michèle Ollier is one of the partner and founder of Medicxi Ventures, a capital venture company located in Geneva and London. Medicxi ventures is the spin-off of the life science section of Index Ventures.

From February 2006 to February 2016, Michèle Ollier was Partner in the life science investment team of Index Ventures.

From 2003 to 2005, she was the investment's manager at Edmond de Rothschild Investment Partner in Paris. From 2000 to 2002, she was the corporate's vice-manager at Serono international. From 1994 to 2000, she occupied various posts at Rhone-Poulenc Rorer in particular in oncology and in the division "gene therapy", RPR Gencel.

Before, Michèle Ollier occupied various functions in strategy, development, and commercialization in the pharmaceutical companies Sanofi International and Bristol-Myers Squibb France.

Michèle Ollier is a graduate of the medicine faculty of Paris-Ouest.

Positions and functions currently held

Main function:
- Medicxi Ventures (Switzerland and United Kingdom), Partner

Other position:
- Minerva Neuroscience, Inc. (United States of America) (Listed Company at the NASDAQ)
- Epsilon 3 Bio Limited (United Kingdom)
- LinguaFlex Inc. (United States of America)
- Funxional Therapeutics (United Kingdom)
- STX pharma Limited (United Kingdom)
- Purple Therapeutics Limited (United Kingdom)
- AbTco BV (Netherlands)
- Human Antibody Factory (United Kingdom)
- Palladio Biosciences Inc. (United States of America)
- Kymo Therapeutics (United Kingdom)
- Kaerus Bioscence Ltd. (France, United Kingdom)
- Mavalon Therapeutics Ltd (United Kingdom)
- Diasome Pharmaceuticals, Inc. (United States of America)

Positions and functions previously held that expired during the last five years

- Encare Biotech BV (The Netherlands)
- Aegerion Inc (United States of America) (listed Company at the NASDAQ)
- OncoEthix (Switzerland)
- Cyrenaic Pharma Inc (United States of America)
- Sonkei Pharma Inc (United States of America)
- Mind-NRG (Switzerland)
- Profibrix (Netherlands)

Christophe Vérot Director	Nationality: French	Shares owned: 1,500 Voting rights: 3,000

Committees:
Member of the Audit Committee and the Nomination and Governance Committee

Date of birth:
23 July 1960

Date of 1st appointment:
27 May 2011

Date of last renewal:
27 May 2015

Term of office:
2019 General Meeting

Biography and experience

Since 1991, Christophe Vérot has a consultancy activity in Corporate Finance then Valuation & Economics within PwC where he is a partner since 1995. Christophe Vérot is the author of several articles and publications on merger and acquisitions and valuation methods.

From 1985 to 1988, Christophe Vérot was an auditor at Price Waterhouse. From 1988 to 1991, he was a consultant at SIAR, a Scandinavian consultancy firm on strategy.

Christophe Vérot is a graduate of the ESSEC.

Positions and functions currently held

Main function:
- PwC Investissements SAS, Chairman and Member of the Management Committee

Other position:
- PwC Corporate Finance SAS, Permanent Representative of PwC Investments at the Board of Directors
- PwC Holdings France, Member of the Management Committee and Chairman
- PricewaterhouseCoopers Corporate Finance, Permanent Representative of PwC Corporate Finance at the Management Committee
- Director and Company Secretary of Association Guersanté
- Director of Pricewaterhouse Coopers GIE

Positions and functions previously held that expired during the last five years

None

Carol Xueref Director	Nationality: British	Shares owned: 500 Voting rights: 1,000

Committees:
Member of the Strategic Committee and member of the Ethics Committee

Date of birth:
9 December 1955

Date of 1st appointment:
1 June 2012

Date of last renewal:
31 May 2016

Term of office:
2020 General Meeting

Biography and experience

Carol Xueref is Chairman of Floem SAS, consulting firm. She has been Company Secretary and member of the Executive Committee of Essilor International until 30 June 2016.

Carol Xueref is a founder member and a past-President of the Cercle Montesquieu (Association of French in-house lawyers (1998-2002)) and chaired its "Ethics of in-house lawyers" working group. She is member of the *Association Française des Femmes Juristes* and Director of the Franco-British Lawyers Society.

Carol Xueref is the author of numerous articles and a speaker in conferences on international commerce and competition law.

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 (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 became Head of a legal department of Crédit Lyonnais and subsequently, Director for Legal Affairs of OIG (Crédit Lyonnais defeasance entity). From 1996 to 2014, Carol Xueref is Director for Legal Affairs and Group Development, and from 2014 to 2016 Company Secretary and 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 holds a Master's Degree in Law and a Post Graduate Degree in International Commercial Law (DESS) from the University of Paris II (Assas).

Positions and functions currently held

Main function:
- Floem SAS, Chairman

Other position:
- Eiffage (listed on Euronext) (France), Director and member of the Compensation and Appointments Committee and member of the Strategic Committee
- Essilor International (listed on Euronext) (France), Director of several non-French subsidiaries of the Group

Positions and functions previously held that expired during the last five years

- Essilor International, Director of several subsidiaries of the Group (France and abroad), Company Secretary and Member of the Executive Committee.

4.1.1.4 Conflicts of Interests and Service Contracts

Conflicts of interest involving Directors and Executive Officers

The Director is elected by all the shareholders and must act in all circumstances in the Company's interest.

Directors must inform the Board about any existing or potential conflicts of interest between themselves and the Company or the Group and must abstain from taking part in any vote by the Board on the relevant deliberations.

To the Company's best knowledge and as of 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, Executive Management, and corporate officers vis-à-vis the Company and their personal interests and other duties;
- there is no undertaking or agreement with the main shareholders, clients, suppliers, or other parties pursuant to which one of the members of the Board of Directors and of the Executive Management of the Company has been appointed as director;
- no Director or members of the Executive Management have entered into any agreement restricting the sale of their shareholding in the Company, at the exception, for the Chief Executive Officer, of the minimum portion of shares that msut be held until his term of office.

The executive officers have signed a commitment to prevent certain situations of conflicts of interest taking effect when they leave the Group.

Service contracts with members of the Company's governing bodies

To the Company's best knowledge, no services contracts has been signed, involving Directors or any member of the Executive Board and the issuing company or its subsidiaries likely to provide such benefits.

Loans and guarantees granted to members of the Board

No loan or guarantee has been granted by the Company to any member of its Board of Directors or its executive management.

4.1.1.5 Assessment of the Board's Performance

The Internal Rules of the Board of Directors provides for an annual debate regarding its functioning, composition and organization through a session without the presence of the Chairman of the Board as the case may be, the Chief Executive Officer and senior executives. This executive session meeting is prepared by the Nomination 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.

The Board also proceeds to a formal assessment at least every three years.

A formal assessment of the Board of Directors' functioning was carried out, by Ms. Michèle Ollier, independent Director, under the aegis of the Nomination and Governance Committee. This assessment was conducted by Ms. Michèle Ollier on the basis of individual interviews with each director. The conclusions of this assessment were presented and debated during the Board of Directors meetings held on 15 December 2016, 22 February 2017 and 9 March 2017. The Directors emphasized the satisfactory functioning of the Board of Directors. They appreciate the improvements made in 2016, in particular regarding the prior transmission by the management of justified documents, the good interaction between the Board and the specialized committees, as well as the quality of the reports prepared by the chairmen of the specialized committees which are in constant improvement.

Some new areas of improvement were also mentioned, such as initiating reflection aimed at focusing on the recruitment of Directors with a management, scientific, development or company management experience in our sector and adjacent sectors. Furthermore, Directors estimated it was appropriate to create a Scientific Advisory Board, paying attention to conflict of interest issues. Finally, although recent, in the opinion of the Directors, the separation of the functions of Chairman of the Board and Chief Executive Officer is considered positive.

A reflection should be carried out in 2017 on the question of the introduction of a variable part on the Director's fees based on the attendance of directors at the meetings of the Board and committees, in accordance with the recommendations of the Afep-Medef Code, although the presence (14 Board meetings in 2016 and more than 30 Committee meetings) is already high (overall attendance rate of 97% in the Board and Committees meetings in 2016).

The Internal rules of the Board will be updated to take account, among others, the recent changes of the Afep-Medef Code.

During these discussions, Directors were given the opportunity to express their appreciation of individual contributions during the general comments.

4.1.1.6 Executive Leadership Team

The Group has an Executive Leadership Team that is responsible for managing the Company's day-to-day operations and for coordinating the Group's various scientific, legal, financial, commercial, and strategic actions.

The Executive Leadership Team is also responsible for establishing consistent management policies throughout the Group and for assisting the Chairman of the Board of Directors in implementing the Board's decisions.

4.1.1.6.1 Composition

As of 15 March 2017, the current members of the Executive Leadership Team are:

Name	Function	Date of entry in the Group
David Meek	Chief Executive Officer	2016
Jonathan Barnsley	Executive Vice-President, Technical Operations	2014
Stéphane Bessette	Executive Vice-President, Human Resources	2015
Aymeric Le Chatelier	Executive Vice-President, Finance	2014
François Garnier	Executive Vice-President, General Counsel	2015
Christophe Jean	Executive Vice-President, Strategy and Business Development	2002
Cynthia Schwalm	Executive Vice-President and President, North American Commercial Operations	2014
Harout Semerjian	Executive Vice-President and President, Specialty Care International & Global Franchises	2017
Benoît Hennion	Executive Vice-President and President, Primary Care	2006
–(*)	Executive Vice-President Research & Development, Chief Scientific Officer	–

(*) Alexandre Lebeaut currently leads the R&D division in the interim.

In 2016, a number of changes occurred in the composition of the Executive Leadership Team (formerly named Executive Committee).

New members of the Executive Leadership Team since 1 January 2016

Name	Function	Date of entry in the Group	Member of the Executive Leadership Team since
David Meek	Chief Executive Officer and Chairman of the Executive Leadership Team	2016	18 July 2016
Cynthia Schwalm	Executive Vice-President and President, North American Commercial Operations	2014	26 August 2016
Harout Semerjian	Executive Vice-President and President, Specialty Care International & Global Franchises	2017	2 February 2017
Benoît Hennion	Executive Vice-President and President, Primary Care	2006	13 March 2017

Members having left the Executive Leadership Team since 1 January 2016

Name	Function	Date of entry in the Group	Member of the Executive Leadership Team until
Christel Bories	Deputy Chief Executive Officer and Chairman of the Executive Committee	2013	15 February 2016
Marc de Garidel(*)	Chairman and Chief Executive Officer and Chairman of the Executive Committee	2010	18 July 2016
Pierre Boulud	Executive Vice-President, Specialty Care Commercial Operations	2002	30 September 2016
Claude Bertrand	Executive Vice-President, Research and Development, Chief Scientific Officer	2009	31 December 2016
Philippe Robert-Gorsse	Executive Vice-President, Specialty Care Franchises	2005	31 December 2016
Jean Fabre	Executive Vice-President, Primary Care Global Busness Unit	2008	10 March 2017

(*) From 15 February 2016 and until 18 July 2016, effective appointment date of Mr. David Meek as Chief Executive Officer, Mr. Marc de Garidel replaced Ms. Christel Bories as Chairman of the Executive Committee following the announcement of her departure.

David Meek replaced Marc de Garidel as Chairman of the Executive Leadership Team as of 18 July 2016, in relation with the separation of functions of Chairman of the Board and CEO at that date. Mr Marc de Garidel replaced Mrs Christel Bories as Chairman of the Executive Committee as of 15 February 2016, following the announcement of the departure of Mrs Christel Bories (see paragraph 2.1.1 for additional information).

Ms. Cynthia Schwalm joined Ipsen in 2014 and the Executive Leadership Team on 26 August 2016 as Executive Vice President and President, North American Commercial Operations.

With an experience of more than twenty years in the pharmaceutical industry, Mr Harout Semerjian joined Ipsen and the Executive Leadership Team on 2 February 2017 as Executive Vice President and President, Specialty Care International and Global Franchises.

Mr Benoit Hennion joined Ipsen in 2006 and the Executive Leadership Team on 13 March 2017 as Executive Vice President and President, Primary Care.

There are no family relationships between the members of the Executive Leadership Team, nor with the members of the Board (being specified that Mr. Marc de Garidel is also Chairman of the Board of Directors).

To the Company's best knowledge and as of the date of publication of the present registration document, over the last five years, none of the members of the Executive Leadership Team have been:

- convicted of fraud, charged with any other offence or had any official public disciplinary action taken against them by statutory or regulatory authorities;
- implicated in a bankruptcy, receivership or liquidation as an executive officer or director;
- disqualified from acting as a board member, senior executive or supervisory board member or from participating in the management of a listed company.

The members of the Executive Leadership Team, except for Mr. David Meek, hold employment contracts with the Group. There are no other agreements or service contracts entered into between the Company or one of its subsidiaries and one of the members of the Company's Executive Leadership Team.

4.1.1.6.2 Presentation of the members of the Executive Leadership Team

David Meek
Chief Executive Officer

Citizenship:
US

Appointment date:
18 July 2016

Date of birth:
12 September 1963

Biography and experience

In the frame of the change of governance, Mr. David Meek, Chief Executive Officer of Ipsen SA since 18 July 2016, replaced Mr. Marc de Garidel as Chairman of the Executive Committee from his nomination date.

David Meek has over 25 years of experience in the pharmaceutical industry where he held various global executive positions in major pharmaceutical and biotechnology companies. Most recently, he was Executive Vice-President and President of the oncology division of Baxalta Inc., which was recently acquired by Shire. David led the formation of the oncology division and rapidly created an innovative oncology portfolio through strategic acquisitions and partnering deals.

He holds a BA in Management from the University of Cincinnati and started his career at Johnson & Johnson and Janssen Pharmaceutica (1989-2004) where he held a variety of U.S. senior sales and marketing positions across multiple therapeutic areas in primary care (gastroenterology, pain management, dermatology) and specialty care (oncology, neuroscience).

He then joined Novartis (2005-2012), where he successively served as the global business franchise head for the company's respiratory and dermatology franchise in Basel, Switzerland; President and Chief Executive Officer of the pharmaceutical division in Canada; and the head of oncology for Northern, Central and Eastern Europe, based in Milan, Italy. From 2012 to 2014, he served as Chief Commercial Officer of Endocyte, an American biotechnology company.

Other current terms and positions

Ipsen Group:
- Ipsen Pharma SAS, Chairman

Other:
None

Jonathan Barnsley
Executive Vice-President, Technical Operations

Citizenship:
British and Swiss

Appointment date:
1 April 2014

Date of birth:
26 January 1957

Biography and experience

Jonathan Barnsley 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 (notably within Beecham Pharmaceuticals Ltd, GD Searle Company Ltd, Celltech Ltd, Biocompatibles Ltd, GSK and Merck Serono).

Before joining Ipsen, Jonathan Barnsley spent the last 18 years with Merck Serono, where he held various positions of leadership in corporate engineering and manufacturing. In 2000, he became site Director of the 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, has been Senior Vice-President of biotech development covering the development of processes for transfer to manufacturing.

Other current terms and positions

Ipsen Group:
- Ipsen Pharma SAS, Managing Director
- Ipsen Biopharm Limited (United Kingdom), Chairman and Director
- Ipsen Developments Limited (United Kingdom), Chairman and Director
- Ipsen Limited (United Kingdom), Chairman and Director
- Pothold Limited (United Kingdom), Chairman and Director
- Specwood Limited (United Kingdom), Chairman and Director
- Sterix Limited (United Kingdom), Chairman and Director
- Syntaxin Limited (United Kingdom), Chairman and Director
- Ipsen Bioinnovation Limited (United Kingdom), Chairman and Director

Other:
None

Stéphane Bessette
Executive Vice-President, Human Resources

Citizenship:
French

Appointment date:
1 October 2015

Date of birth:
18 May 1966

Biography and experience

Stéphane Bessette is Executive Vice-President, Human Resources since October 2015.

He is graduated from the ECAM (Lyon), IGS (Paris) and INSEAD (Advanced Management Programme).

Stéphane Bessette worked in several international groups. He held several leadership positions of increasing responsibility and acquired solid managerial experience in human resources at Alcatel Telecom, Alstom and Guerlain.

Stéphane Bessette has over 11 years of experience in the medical device sector, working for Sorin Group, a leader in the treatment of cardiovascular diseases. Prior to joining Ipsen, Stéphane Bessette was leading its global Human Resources function, based in Milan, Italy, and made a large contribution to Sorin's expansion worldwide.

Other current terms and positions

Ipsen Group:
- Ipsen Pharma SAS, Managing Director

Other:
None

Aymeric Le Chatelier
Executive Vice-President, Finance

Citizenship:
French

Appointment date:
3 November 2014

Date of birth:
26 May 1969

Biography and experience

Aymeric Le Chatelier is a graduate from HEC.

He started his career at Arthur Andersen audit firm in 1993. He became internal auditor first at Lagardère group in 1997 and then at Vivendi group in 1998. From 1999, Aymeric Le Chatelier successively assumed several responsibilities in finance management in France and the United States within Veolia Environnement, notably as Deputy Chief Financial Officer of Veolia Water in 2004-2005. In 2006, he joined Arjowiggins group, a leading manufacturer of creative and technical paper, and was assigned as Group Chief Financial Officer in 2009. In 2013, Aymeric Le Chatelier was nominated Financial Director of ERDF (electricity French distribution network company of EDF) and in 2014, he became member of the Management Board in charge of Finance and Sourcing within ERDF.

Other current terms and positions

Ipsen Group:
- Ipsen Pharma SAS, Managing Director

Other:
None

François Garnier
Executive Vice-President, General Counsel

Citizenship:
French

Appointment date:
5 January 2015

Date of birth:
4 May 1962

Biography and experience

Former student from the IEP of Paris and graduated from the University of Panthéon-Assas, François Garnier worked in the legal department of a number of pharmaceutical Groups.

Previously, François Garnier was International General Counsel (outside the US) for Pfizer Inc. starting in January 2014. He joined Pfizer France in April 2003 as Vice-President, of General Counsel before moving on to become General Counsel for Pfizer's operations in Europe in January 2009, a position he held until January 2014. François Garnier began his career in March 1989 at Servier S.A. as International Contracts Manager and remained with the firm until September 1995. He then moved to Rhône Poulenc Rorer S.A. to take up the position of Counsel for Corporate Transactions. In May 1996 he moved to the United States as Associate Counsel, before being appointed Chief Counsel for France in May 1999. François Garnier continued his career as Chief Counsel at Aventis Animal Nutrition until September 2001, when he joined the Pharmacia Group as General Counsel for Europe.

Other current terms and positions

Ipsen Group:
- Ipsen Pharma SAS, Managing Director

Other:
- Union des Fabricants (UNIFAB), Director

Benoît Hennion
Executive Vice-President and President, Primary Care

Citizenship:
French

Appointment date:
13 March 2017

Date of birth:
7 March 1976

Biography and experience

Benoît Hennion joined Ipsen in 2006 within the Corporate Strategic Planning team. In 2009, he became Primary Care Business Unit Head for France, and subsequently, in 2011, General Manager of France Operations (including both Specialty Care and Primary Care). Following the split between Specialty Care and Primary Care in 2014, Mr. Hennion was appointed Vice-President, Asia-Pacific Specialty Care. Mr. Hennion earned his MBA degree at ESSEC (Paris, France). Before joining Ipsen, he started his career at Societe Generale in the Czech Republic and then served for six years at the Paris office of Roland Berger Strategy Consultants.

Other current terms and positions

Ipsen Group:
- Ipsen Pharma SAS, Managing Director

Other:
None

Christophe Jean
Executive Vice-President, Strategy and Business Development

Citizenship:
French

Appointment date:
November, 2013

Date of birth:
22 December, 1955

Biography and experience

Graduating from the Harvard Business School, Christophe Jean started his career in the pharmaceutical industry in Ciba-Geigy where he held several marketing and international management positions in both Europe and Latin America. He was then appointed Vice-President of Finance and Information Technology and a member of the Pharmaceutical Executive Committee in Basel, a position that he held after the merger 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 President and Chief Executive Officer of pharmaceutical activities.

Christophe Jean joined the Group in September 2002 as Executive Vice-President, Operations in charge of the Group's commercial and medical affairs activities worldwide.

Other current terms and positions

Ipsen Group:
- Ipsen Pharma SAS, Managing Director

Other:
- DiaxonHit (France), Member of the Supervisory Board
- EBE (European Biopharmaceutical Enterprises) (Belgium), Director
- Rhythm Holding Company LLC, Member of the Board of Managers
- Rhythm Pharmaceuticals, Inc., Director

Cynthia Schwalm
Executive Vice-President and President, North American Commercial Operations

Citizenship:
US

Appointment date:
26 August 2016

Date of birth:
27 February 1960

Biography and experience

Cynthia Schwalm has over 30 years of senior healthcare experience in the fields of pharmaceuticals, biotechnology and medical devices. Cynthia Schwalm has spent her entire career in the healthcare industry.

Prior to joining in February 2014, she held a variety of COO roles for various biotech and specialty companies.

Cynthia started her career at Janssen Pharmaceutica, a division of Johnson & Johndon, where she held multiple commercial roles over an eighteen year period, including her role as General Manager of Ortho Biotech UK & Ireland.

As Executive Vice President & President of Ipsen North American Commercial Operations, she leads all commercial operations for the U.S. and Canada, and manages shared services for Ipsen research facility in Cambridge, MA. Previously, she served as Chief Operating Officer of Eisai Inc. She joined Eisai in 2008 from Amgen Inc. where she served as a Vice President and General Manager of the Oncology Business Unit of Amgen Inc. since May 2005.

Cynthia currently serves on the Harvard JFK School Women's Leadership Board.

Other current terms and positions

Ipsen Group:
- Ipsen Biopharmaceuticals Inc, Chairman and Board Member
- Ipsen Biopharmaceuticals Canada Inc, Board Member

Other:
None

Harout Semerjian
Executive Vice-President and President, Specialty Care International & Global Franchises

Citizenship:
Canadian

Appointment date:
2 February 2017

Date of birth:
6 November 1970

Biography and experience

Harout Semerjian was appointed Executive Vice-President and President, Specialty Care International & Global Franchises on 2 February 2017.

Harout Semerjian has more than 23 years of pharmaceutical experience, including the last 17 years at Novartis focused on oncology and specialty care. He took on leadership roles with increasing responsibility across the U.S., Canada, Europe, Middle East & North Africa in addition to headquarter-based roles. His last role was Senior Vice-President and Global Launch Head of ribociclib. Prior to that, he was Vice-President and U.S. Hematology Franchise Head based in New Jersey.

He holds dual MBA degrees from Cornell University, New York and from Queen's University, Canada. He also holds a Bachelor Degree of Science in Biology from the Lebanese American University.

Other current terms and positions

Ipsen Group:
- Ipsen Pharma SAS, Managing Director

Other:
None

4.1.1.7 Transactions on Company's Shares

Definition of blackout periods

The Company complies with the recommendation n°2016-08 of the *Autorité des marchés financiers* of 26 October 2016, and the AFEP-MEDEF Code as revised in Novembre 2015 and November 2016. Accordingly, purchases and sales of Company securities or financial instrumentsare prohibited during the periods running from the date on which persons having managerial responsibilities, as well as any other person who has access to privileged information on a regular or occasional basis, have knowledge of information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more issuers ot to one or more financial instruments, and which, if it were made public, would be likelty to have a significant effect on the prices of those financial intruments or on the price of related derivative financial instruments:

- 30 calendar days prior to the publication of press release on the annual and half-year financial statements and the day of publication included, and
- 30 calendar days prior to the publication of quarterly information and the day of publication included.

At the beginning of every year, the Company draws up and releases, a timetable that defines the periods during which trading in Company securities is prohibited and stipulates that the indicated periods do not anticipate the existence of other blackout periods that result from knowledge of precise

information that directly or indirectly concerns Ipsen, which, if it were disclosed, would be likely to have a significant affect on the price of the securities concerned.

In accordance with the recommendations of the AFEP-MEDEF Code (section 24.3.3), hedging of any kind on securities of the Company, with regard to options, to shares resulting from the exercise of options or to performance shares, is prohibited.

Mr. David Meek, Chief Executive Officer since 18 July 2016, and Mr. Marc de Garidel, Chairman and Chief Executive Officer until 18 July 2016 and Chairman of the Board of Directors since this date 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. Mrs Christel Bories, Deputy Chief Executive Officer until 31 March 2016 had taken a similar commitment.

Transactions on the Company's Securities Carried Out in 2016

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 2016, as such transactions were notified to the Company and the *Autorité des marchés financiers*:

	Purchases			Sales			Exercice of stock-options		
	Date	Number	Price per unite	Date	Number	Price per unite	Date	Number	Price per unite
Christophe Jean, Executive Vice-President Strategy, Business Development and Alliances[1]	22 July 2016	711.24	43.15	–	–	–	–	–	–
Claude Bertrand, Executive Vice-President, Research and Development, Chief Scientific Officer	–	–	–	21 September 2016	12,000	60.63	–	–	–
Marc de Garidel, Chairman of the Board of Directors[2]	–	–	–	–	–	–	3 November 2016	121,180	25.01

(1) Purchase of FCP Ipsen Shares units made within the frame of the employee sharehokding plan launched by the Company in June 2016, see 4.2.2.4.
(2) Simple exercise (not followed by the sale of the shares as of the date of filing of this document).

4.1.2 Reports of the Chairman of the Board and the Statutory Auditors

4.1.2.1 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 Combined Shareholders' Meeting to be called to deliberate in 2017 on the 2016 annual accounts, 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 22 February 2017 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 2016.

4.1.2.1.1 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 separated since 18 July 2017.

On 15 February 2016, the Board of Directors approved the launching of a recruitment process for a new Chief Executive Officer and decided to separate the duties of Chairman of the Board of Directors and Chief Executive Officer according to Article 18.1 of the articles of association, and after opinion of the Nomination and Governance Committee.During the same meeting, the Board of Directors decided to to confirm the appointment of Mr. Marc de Garidel as Chairman of the Board.

This evolution about the governance reflects the determination of the Group to accelerate his international development and to be prepared for the challenges that the pharmaceutical industry is currently facing. The separation of said duties is also governance's good practice, more and more applied in the pharmaceutical industry.

The Board of Directors, during its meeting held on 8 July 2016, to appoint Mr David Meek as Chief Executive Officer for an indefinite period. The separation of functions is effective since 18 July 2016.

Thisseparation of functions gives to the Chief Executive Officer the capacity to focus on strategy, on the pursuit of the transformation and Group's operations while the Chairman will be fully dedicated to the management of the Board of Directors.

In this perspective, the general management has been entrusted to an executive officer with an international profile and experience, Mr. David Meek. In accordance with the provisions of the articles of association, the Chief Executive Officer could be assisted by one or several Deputy Chief Executive Officers.

Corporate governance Code

The Company refers to the AFEP-MEDEF corporate governance Code of April 2010, revised on November 2016, 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 8 Independence criteria	The independence criteria of the Board members are defined in the paragraph 4.1.1.1 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 and can not consequently constitute in itself a reason of non-independence without taking into consideration the director's personality and experience. The Board of Directors considers otherwise 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 and allows particularly to formulate an informed opinion with regard to its experience in the decision-making process. Every year, as well as 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. Following the 2013 Registration Document, the High Committee of Corporate Governance (HCGE) considered that this explanation doesn't seem relevant. Nevertheless, the explanation was maintained by Ipsen, who considered that it could not, on its own, alter the Director's critical objectivity.
Article 16.1 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 both quality and experience of independent members within the Nomination and Governance Committee allows the establishment of an open debate and that the current distribution does not undermine the good functioning of the said committee.
Article 17.1 The Compensation Committee should be chaired by an independent director	This provision is not applied because the Company is controlled by a majority shareholder. Moreover, two out of three members of the Compensation Committee are independent which is enough to ensure the proper functioning of the Committee. Furthermore, it is specified, that no executive officer is a member of this Committee. The chairmanship of this Committee was entrusted to Mr. Antoine Flochel given his deep knowledge of the Group's functioning, the pharmaceutical industry and of his experience regarding compensations.
Article 20.1 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 (97% of global attendance rate in 2016 for the Committees and Board meetings) and number of meetings of the Board and its Committees (49 meetings in 2016 including 14 Boards meetings and 35 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 one or several Committees. A reflection should be carried out in 2017 on the question to introduce a variable part to the fees depending on the attendance of Directors to Board and committee meetings, in compliance with the recommendations of the AFEP-MEDEF Code.

The provisions on equal representation of men and women within Board of Directors have been deleted from the AFEP-MEDEF Code as revised in November 2016, the provision having been included in French law.

Currently four of Directors are women (*i.e.* 36.36%). The objective of 40% of women within the Board of Directors is not achieved yet. The objective of 40% of women within Board of Directors will be achieved at the conclusion of the General Meeting called to deliberate in 2017 on the 2016 annual accounts., in accordance with the provisions of Article L.225-18-1 of the French Commercial Code regarding the equal representation of men and women within Board of Directors.

The Board of Directors

Composition

The Board of Directors is currently comprised of eleven members, including four women, Ms. Hélène Auriol-Potier, Ms. Anne Beaufour, Ms. Michèle Ollier and Ms. Carol Xueref.

Two of its members are non-French nationals: Ms. Carol Xueref of British nationality and Ms. Michèle Ollier of French and Swiss nationalities.

Among the members of the Board, four Directors, Ms. Hélène Auriol-Potier and Ms. Michèle Ollier, Messrs. Pierre Martinet 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 an employee nor an executive officer nor a member of the Board, and not be closely related to an executive officer or to a member of the Board of a Group entity or of an entity controlling the Company within the meaning of Article L.233-3 of the French Commercial Code and was not during the previous five years;
- Not be an executive director, and not be closely related to an executive director of a company in which a Group entity holds an executive office, either directly or indirectly through an employee appointed as such or in which a corporate officer of the Company (currently in office or having held such office within the past five years at least) holds, directly or indirectly, a corporate office;
- Not be a customer, or a supplier or an investment banker or a commercial banker, or a significant service provider of the Company or of the Group, or a member of a customer company, or a supplier, or investment bank or a commercial bank, or a material service provider of the Company or of the Group for which either Ipsen or the Group accounts for a material share of business;

  The assessment as to whether the relationship with the Company of the Group is material or not is debated at a meeting of the Nomination and Governance Committee once a year and the criteria having led to this assessment are explained in the registration document;
- Do not have close family ties with a corporate officer;
- Do not (i) represent a shareholder that owns, (ii) not be a member of an entity holding, directly or indirectly, or (iii) do not, directly or indirectly, own more than five percent of the Company's share capital or voting rights;
- Not have been a Statutory Auditor of the Company in the previous five years.

It is specified that the independent Directors maintain no business relationship with the Group.

Individual information concerning Directors and in particular the list of their terms of office are presented in section 4.1.1.3 of the registration document.

The table listing the composition of the Board of Directors and the table with the detail of the independence criteria appears in section 4.1.1.2 of the registration document.

Meetings of the Board of Directors

Number of members	Number of independent members	Number of meetings	Attendance rate
11	4	14	91%

During financial year 2016, the Board of Directors of the Company met 14 times. The average attendance rate at the meetings amounted 91% (without committee meetings).

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 2016

In 2016, the Board of Directors discussed, among other things, the following matters:

- concerning financial statements and financial situation: review and approval of the 2015 annual and consolidated financial statements, the 2016 half-year financial statements, examination of the management forecast documents, and 2017 budget;
- concerning strategy and development: examination and follow-up of the Group acquisition, partnership and development projects, and Group strategic review;
- concerning compensation: examination of the compensation of the Chairman and Chief Executive Officer, determination of the compensation of the Chairman of the Board of Directors and the Chief Executive Officer within the frame of the decision to separate these two functions, grant of performance shares, and implementation of an employee shareholding plan;
- concerning organization and functioning of the Board of Directors: discussion on the functioning of the Board of Directors (self-assessment), proposal to renew of the appointments of directors, nomination of Marc de Garidel as chairman of the Strategic Committee and member of the Nomination and Governance Committee, report on the independence of the Directors, assessment of executive officer's performance, without their presence, decision to separate the functions of Chairman of the Board of Directors and Chief Executive Officer, definition of the specific missions of the Chairman of the Board and subsequent amendment of the internal rules of the Board of 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 Combined Shareholders' Meeting held on 31 May 2016;
- share capital: capital increase linked to exercises of subscription options and capital reduction by cancellation of own 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 these senior executives are directors or not. The Directors, together or individually, may 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 whose 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 that are of a confidential nature or that are presented as such by the Chairman of the Board of Directors.

Members of the Board of Directors are appointed by the all the shareholders and must act at any given circumstances in the Company's corporate interest. Every member has the obligation to convey to the Board any plausible conflict of interests' situation that may involve him/her and the Company or Group. Consequently, he must refrain from taking part in the voting of the Board's corresponding deliberations.

Organization and functioning of the Committees of the Board of Directors

The Board of Directors may establish temporary or permanent specialized committees which are made up of at least three members and no more than six Directors and appoints the Chairmen of said committees. These Committees submit their opinions and proposals to the Board and report back to the Board on their work.

Committee members, chosen from among the Directors, are appointed in a personal capacity for the duration of their term of office as a Director. They cannot get somebody to represent them. They can be replaced or dismissed at any time by the Board. Their mandates are renewable. A single Director can be a member of several Committees.

Subject to the specific rules applicable to them, every Committee defines how frequently it will hold meetings. Said meetings are held in the head office or any other location decided by its Chairman when he convenes it and sets the meeting's agenda.

A Committee can meet only if at least half of its members attend the meeting, in one of the ways allowed by the law or the Articles of Association with respect to Directors attending Board meetings.

The Chairman of a Committee may invite all Board members to one or several of its meetings, as well as anyone else. Only members of the Committee shall take part in its deliberations.

The minutes of every Committee meeting are drawn up by the Secretary of the Board, under the authority of the Chairman of the Committee. They are subsequently sent to all members of the Committee. The Chairmen of Committees report to the Board on the work carried out by their Committees under the conditions set by the Board.

In its field of competence, each Committee issues proposals, recommendations, or opinions. To this end, each Committee may undertake or arrange for, at the Company's expense, all external studies likely to shed light on the Board's deliberations.It reports to the Board on its work at each one of its meetings.

A summary of the activity of every Committee is included in the Annual Report.

The compensation of the members and of the Chairman of each Committee is set by the Board and paid from the total annual amount of its remuneration.

The Board of Directors has set up five permanent committees: a Strategic Committee, an Audit Committee, a Compensation Committee, an Nomination 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

Number of members	Number of independent members	Number of meetings	Attendance rate
6	1	8	94%

The Strategic Committee comprises at least three Directors and no more than six Directors, including the Chairman of the Board.

The Strategic Committee is currently comprised of six members, one of whom is independent in regard to the independence criteria referred to above. Its members are: Marc de Garidel (Chairman), Anne Beaufour, Henri Beaufour, Carol Xueref, Michèle Ollier (independent member) and Antoine Flochel.

The role of the Strategic Committee is:

- study all the strategic issues of interest for the Company and the Group, in the field of research and development, in the industrial field, in business and financial matters and with regard to alliances and partnerships of all kinds;
- study all significant investment, disinvestment, restructuring, alliance or partnership projects;
- study and approve the Group's strategic plan, subsequently submitted to the Board for validation, and changes to be made to the plan, if need be;

- ensure the annual monitoring of progress achieved by the strategic initiatives under way;
- submit to the Board all the reports, issue all opinions and make all recommendations, relating to issues covered by its mission.

The Committee may, on its own initiative, present to the Board a program of strategic initiatives or a review of the strategic issues that are important for the Group, which it would like the Board to study.

The Strategic Committee meets at least four times a year, when convened by its Chairman, or by a majority of its members.

To carry out its work, the Strategic Committee may audition the Group's senior executives, whether corporate officers or not. It can obtain access to all reports, documents and studies conducted in-house by the Group and moreover, provided this does not breach any confidentiality rules, request that technical studies be carried out and external experts be used at the Company's expense.

In the course of 2016, the Strategic Committee met eight times and had an attendance rate of 94%. Its activities particularly involved the examination and review of the Group's acquisition, partnership and development projects.

The Audit Committee

Number of members	Number of independent members	Number of meetings	Attendance rate
3	2	6	100%

The Audit Committee comprises at least three Directors and no more than six Directors, including two-thirds of independent Directors who meet the criteria set out hereabove, none of whom may be the Chairman of the Board. One of the two independent Directors chosen as a member of the Committee must boast specific financial, accounting or statutory audit expertise. The Board appoints the Chairman of the Committee from among its members. The Chairman of the Committee also holds independent status with respect 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, accounting or statutory audit expertise. Messrs. Pierre Martinet and Hervé Couffin fulfill the independence and financial, accounting or statutory audit criteria given their professional experience as described in 4.1.1.3 of the registration document.

The role of the Audit Committee is to:

- ensure the relevance and permanence of the accounting policies used to prepare both the statutory and consolidated financial statements, review and assess the consolidation scope as well as evaluate and confirm the relevance of the accounting methods applied to the Group;
- examine draft annual and interim financial statements, draft forecasts and annual budgets as well as any accounting and financial information relating to any significant project; to that end, the Audit Committee should be able to cooperate (by exchanging information and working jointly) with the Strategic Committee and the Company's General Management before a summary of their work is presented to the Board;
- examine, before they are presented presentation to the Board of Directors, press releases on financial results and guidelines, as well as related presentations;
- study draft resolutions related to the financial statements in order to voice any observation or suggestion, before they are presented to the Board;
- the draft interim and annual consolidated financial statements, together with budgets and forecasts prior to their presentation to the Board;
- control the quality of and compliance with procedures, and evaluate the information received from management, internal committees and internal and external auditors;
- monitor the effectiveness of internal control and risk management systems;
- examine the risk exposure and off-balance sheet commitments of the Company;
- supervise the selection and reappointment of the Statutory Auditors, verify their independence, give an opinion on the amount of the fees they request, and submit the results of its work to the Board;
- examine the pertinence of the fees paid by the Company and the Group to the Statutory Auditors and make sure that said fees and corresponding services are unlikely to affect the auditors' independence;
- validate the services other than statutory audit work that the Statutory Auditors and the members of their networks may be asked to perform in accordance with the applicable laws and regulations;
- conduct an annual review ot the status of major disputes.

The Audit Committee meets at least four times a year when convened by its Chairman.

In the performance of its tasks, the Audit Committee:

- submits to the Board its proposals regarding the appointment, compensation or replacement of the Company's Statutory Auditors;
- reviews with the management team and the Company's Statutory Auditors the interim and annual financial statements, the accounting principles and methods implemented, the Group's audit and internal control principles and methods, risk management procedures and the analyses and reports relating to financial reporting, accounting policy and communications between management and the Company's Statutory Auditors;
- examines and checks the rules and procedures applicable to conflicts of interest, expenses incurred by members

of the management team and the identification and quantification of the main financial risks, as well as their application and submits its assessment every year to the Board;

- examines, checks and assesses on an annual basis the independence as well as the control procedures of the Company's Statutory Auditors, and the problems they have encountered as well as the measures adopted to solve said problems, and monitors in the same manner the way in which internal audit operates;
- more generally speaking, examines, checks and assesses everything likely to affect the regularity and fairness of the financial statements.

The Audit Committee ensures it is provided, and in sufficient time, all the necessary or useful information to be able to carry out the above task and auditions everybody whose testimony is deemed necessary or useful with regard to said task. It may in particular have recourse to outside experts.

During the annual and half-year accounts examination an Audit Committee's meeting is held in a sufficient time prior to the examination and the financial statements by the Board of Directors.

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 2016, the Audit Committee met six times and had an attendance rate of 100%. The Statutory Auditors were present at meetings regarding the review of annual and half-yearly financial statements and presented the main aspects of the outcomes of the statutory audit and of the chosen accounting methods. The Committee heard, in particular, the Statutory Auditors, the Executive Vice-President Finance, the Group Controller, the Head of Internal Audit and the Head of Risk Management. A presentation was also prepared for the members of the Audit Committee by the Executive Vice-President Finance, regarding the Company's significant risks and off-balance-sheet commitments. The Committee's activities primarily involved the review of the 2015 annual and consolidated financial statements, the 2016 half-year financial statements, the 2016 closing options and the 2017 budget review, the review of the report of the Chairman of the Board of Directors on preparation and organization of the Board's work and on internal control and risk management procedures, the review of the 2015 internal audit report, the 2016 and 2017 internal audit plan and the work review of the Group's internal audit and of the internal control procedures, and the approval of the services other than statutory audit work provided by the Statutory Auditors.

The Nomination and Governance Committee

Number of members	Number of independent members	Number of meetings	Attendance rate
6	2	13	96%

The Nomination and Governance Committee comprises at least three Directors and no more than six Directors including at least one independent Director as defined by the criteria set forth hereabove. The Board appoints the Chairman of the Committee from among its members.

In 2016, the Nomination and Governance Committee was comprised of five members, two of whom are independent having regards to the independence criteria referred to above set forth by the Board's internal regulations. Its members are: Anne Beaufour (Chairperson), Marc de Garidel, Hervé Couffin (independent member), Michèle Ollier (independent member) and Christophe Vérot. Henri Beaufour is a member of this Committee since 17 January 2017, increasing the number of its members to 6 since this date.

The role of the Nomination and Governance Committee is to:

- make proposals to the Board of Directors concerning the re-election, replacement or appointment of new Directors, in close cooperation with the Chairman of the Board;
- give its opinion, with the support of the Board's Chairman, on the recruitment or the replacement of the Chief Executive Officer and/or Deputy Chief Executive Officers where required, as well as some key positions in the Executive Committee;
- prepare, in close cooperation with the Deputy Chairman of the Board or a Director specially appointed for this purpose, the annual "executive session" of the Board of Directors dedicated to the assessment of its ***modus operandi*** outside the presence of the Chairman of the Board, the Chief Executive Officer and the management team members;
- give its opinion, with the supported of the Board's Chairman, on the list of independent members of the Board of Directors;
- design a plan for replacement of executive company officers.

The Nomination and Governance Committee meets at least twice a year when convened by its Chairman or at the request of the Chairman of the Board.

During the course 2016, the Nomination and Governance Committee met thirteen times and had an attendance rate of 96%. Within the frame of the separation of the functions of Chairtman and Chief Executive Officer, which occurred in 2016, its activities primarily involved the selection of a new Chief Executive Officer. The Committee also worked on the assessment of the organization and functioning of the Board of Directors, the determination of independent members and the selection of new Directors.

The Compensation Committee

Number of members	Number of independent members	Number of meetings	Attendance rate
3	2	5	100%

The Compensation Committee comprises at least three Directors and no more than six Directors, including a majority of independent Directors as defined by the criteria set hereabove, chosen among members of the Board of

Directors although none of whom may be the Chairman of the Board. The Board appoints the Chairman of the Committee from among its members.

The Compensation Committee is currently comprised of three members two of whom are independent having regards to the independence criteria referred to above set forth by the Board's internal regulations. Its members are: Antoine Flochel (Chairman), Hélène Auriol-Potier 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 corporate officers, senior management and senior executives;
- be informed on all the matters pertaining to the recruitment of the Group's main senior managers, other than the Chief Executive Officer, as well as on any decisions related to all components of their compensation;
- give an opinion on the amount and allocation of Directors' fees among Board members;
- make recommendations to the Board of Directors on Group compensation policies and employee savings plans, employee share ownership schemes, stock options and bonus shares or any other similar forms of compensation.

If it deems this is useful, the Compensation Committee may ask the Chairman of the Board to help in its deliberations and work, except when it is discussing the Chairman's compensation.

The Compensation Committee meets at least twice a year when convened by its Chairman, or at the request of the Chairman of the Board.

During the course of 2016, the Compensation Committee met five times and had an attendance rate of 100%. Its activities primarily involved the fixing of the compensation of the Chairman of the Board of Directors and Chief Executive Officer within the frame of the separation of functions which occurred in 18 July 2016, as well as the examination of the compensation of the Chairman and Chief Executive Officer. The Committee has also been involved in the performance shares grants policy within the group, performance shares and the employee shareholding plan implemented in 2016.

The Ethics Committee

Number of members	Number of independent members	Number of meetings	Attendance rate
3	1	3	100%

The Ethics Committee comprises at least three Directors and no more than six Directors, including at least an independent Director as defined by the criteria set forth hereabove. The Board appoints the Chairman of the Committee from among its independent members.

The Ethics Committee is currently comprised of three members one of whom is independent having regards to the independence criteria referred to above set forth by the Board's internal regulations. Its members are: Hélène Auriol-Potier (Chairperson and independent member), Carol Xueref and Mayroy SA (represented by Mr. Philippe Bonhomme). The role of the Ethics Committee is to:

- review the definition of the Group's fundamental values as well as of its ethics and compliance policies;
- submit recommendations on ethics and compliance to the Board of Directors; discuss all issues related to ethics and compliance referred to it by the Board;
- ensure the dissemination throughout the Group of the Code of Ethics and general ethics policies defined by the Group and their updates;
- monitor the implementation and efficiency of procedures used to disseminate the Code of Ethics and overall policies and make sure they are bought into by employees and complied with throughout the Company;
- study the Group's risks mapping from ethics and compliance standpoint;
- review the ethics and compliance activity report within the Group;
- study the organization of the ethics and compliance function and make recommendations, when relevant;
- receive any information concerning possible breaches of the ethics and compliance policy and review action plans implemented after such breaches are detected.

The Ethics Committee when it deems necessary, may audition the General Management team or members of this team, Internal Audit, the Ethics & Compliance Department or any other member of the Management team. Said auditions can be held, when necessary, outside the presence of members of the General team.

The Ethics Committee meets at least once a year when convened by its Chairman.

During the course of 2016, the Committee met three times and had an attendance rate of 100%. Its activities primarily involved the review and/or examination of the procedures and regulations concerning ethics, transparency and governance.

Internal Rules of the Board of Directors

The Board of Directors adopted its Internal Rules, 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 in this case, the non-participation to the vote just as 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 Rules of the Board of Directors are presented in section 4.1.1.1 of the registration document for 2016.

4.1.2.1.2 Company's executive management

The 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 the powers expressly granted by law, articles of association and the Internal Rules to the General Shareholders' Meetings and to the Board of Directors (described in section 4.1.1). He represents the Company in its dealings with third parties.

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.

At its meeting held on 15 February 2016, the Board of Directors approved the launching of a recruitment process for a new Chief Executive Director and decided to separate the duties of Chairman of the Board of Directors and Chief Executive Officer according to Article 18.1 of the articles of association.

This evolution about the governance reflects the determination of the Group to accelerate his international development and to be prepared for the challenges that the pharmaceutical industry is currently facing. The separation of said duties is also good practice in governance that is increasingly applied throughout the pharmaceutical industry.

The separation of functions will give to the Chief Executive Officer the capacity to focus on strategy, on the pursuit of the transformation and Group's operations while the Chairman will be fully dedicated to the management of the Board of Directors.

This separation of functions allows the Chief Executive Officer, who is solely responsible for the management and operational management of the Group, to act in close coordination with the Chairman of the Board of Directors within the frame of the specific missions granted to him.

In this perspective, during its meeting dated 8 July 2016, effective 18 July the general management has been entrusted to an executive officer with an international profile and experience, Mr. David Meek.

According to the articles of association, the Chief Executive Officer could, if he wishes, be assisted by one or several Deputy Chief Executive Officers.

During the same meeting, on 8 July 2016, the Board of Directors decided to confirm the appointment of Marc de Garidel as Chairman of the Board of Directors,

4.1.2.1.3 Principles and rules governing the compensation of Directors and Company officers

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 on the basis of practices for comparable companies and the compensation of the Company's other senior executives.

The compensation paid to Company officers is structured as follows:

- fixed compensation;
- annual variable compensation (only for executive officers);
- if applicable, multi-annual variable compensation (only for executive officers);
- if applicable, benefits for taking up a position;
- if applicable, eligibility to directors' fees paid to Directors;
- allocation of stock options and performance bonus shares under plans approved by the Board of Directors (only for executive officers);
- if applicable, other benefits;
- if applicable, payments, benefits and compensation granted to Company officers upon termination of their functions.

The individual elements of the Company officers are described in section 4.1.3.2 of the registration document.

In accordance with the AFEP-MEDEF Code (§24.3 in its version of November 2015 and §26 in its version of November 2016), the compensation elements due or allocated to Mr. Marc de Garidel, Chairman and Chief Executive Officer until 18 July 2016 and Chairman of the Board of Directors since this date, and Mr. David Meek, Chief Executive Officer since 18 July 2016, shall be submitted to the vote of the Shareholders at the Annual Combined General Meeting to be held in 2017 deciding on the accounts for the financial year closed on 31 December 2016, following a specific resolution for each of them.

The compensation elements due or allocated to Ms. Christel Bories, Deputy Chief Executive Officer until 31 March 2016, for the 2016 financial year, will be submitted to the Shareholders at the Annual Combined General Meeting to be held in 2017 deciding on the accounts for the financial year closed on 31 December 2016.

For the record, from the Annual General Meeting to be held in 2018, and according to article L.225-37-5, alinéa 2 of the French Commercial Code, the payment of the compensation elements of the company officer concerned will depend on their approval by an ordinary general meeting, under the conditions details at article L.225-100 of the French Commercial Code.

Fixed compensation

The fixed compensation is used as the basis for the calculation of the annual and multi-annual variable compensations. It is subject to re-evaluation by the Board of Directors, basically at relatively long intervals, according to the Company's market position and taking into account the extension of operational responsibilities. In the frame of the separation of the offices of Chairman of the Board and Chief Executive Officer, the Board of Directors has decided to pay only a fixed compensation to the non-executive Chairman of the Board.

Annual variable compensation

The annual variable compensation is linked to the Group's overall performance and to the achievement of Company officers' personal targets. Every year, the Board of Directors defines and precisely predetermines qualitative and quantitative criteria for determining the fixed compensation and the target objectives. Quantitative criteria are preponderant for the determination of the annual variable compensation. Furthermore, a limit is determined for the qualitative part.

The annual variable compensation is set on the basis of a target bonus equal to 100% of the fixed compensation, within a range between zero to a certain percentage, predetermined by the Board of Directors, in case of over or underperformance. The detail of qualitative criteria and the level of completion expected for quantitative criteria are not made public for confidentiality reasons.

In the frame of the separation of the offices of Chairman of the Board and Chief Executive Officer, the Board of Directors has decided that no annual variable compensation shall be paid to the non-executive Chairman of the Board.

Multi-annual variable compensation

Company officers as well as certain senior executive officers of the Group may benefit from Mid-Term Bonus plans approved by the Board of Directors upon proposal of the Compensation Committee, depending on opportunities and legislative changes on the free shares. The Mid-Term Bonus is determined as a percentage of the fixed compensation.

These plans are subject to attendance and, if applicable, precisely predetermined performance conditions, which must be fulfilled during an acquisition period set by the Board of Directors. Nevertheless, in the event of death, disability, retirement or dispensation, decided by the Board of Directors before the end of the acquisition period, the beneficiary can keep his rights. The completion levels expected and realized of the external and internal criteria are not disclosed for confidentiality reasons.

In the frame of the separation of the offices of Chairman of the Board and Chief Executive Officer, the Board of Directors has decided that no multi-annual compensation shall be paid to the non-executive Chairman of the Board.

Exceptional compensation and/ or financial indemnity

The Board of Directors may decide, in case of specific circumstances, to grant exceptional compensations.

It can decide to grant an exceptional compensation and/or an exceptional financial indemnity to the Company officers while taking into account specific circumstances during the course of which they carry out their duties.

Special financial indemnity

The Board of Directors can decide to grant a special financial indemnity to a new executive Officer who has come from a company outside the Group. The payment of this benefit is intended to compensate the director for the loss of the entitlements from which he or she previously benefited.

Directors' fees

The Company officers who are members of the Board of Directors may receive directors' fees due on the basis of their positions as Directors, and according to the rules applicable to all of the Company officers.

In the frame of the separation of the offices of Chairman of the Board and Chief Executive Officer, the Board of Directors has decided that no directors' fees shall be paid to the non-executive Chairman of the Board and, if applicable, to the Chief Executive Officer.

The specific details of gross directors' fees paid during the 2016 financial year are presented at section 4.1.3 of the registration document.

Stock options and performance bonus shares

Grant policy

Executive Company officers as well as certain senior executive officers of the Group may benefit from stock option and/or performance bonus shares under plans approved by the Board of Directors upon proposal of the Compensation Committee. Each year, during the second quarter, the Board of Directors approves the stock options and/or performance bonus shares plans. In accordance with the AFEP-MEDEF Code (§24.2 in its version of November 2016), the non-executive officers shall not benefit from stock option and/or performance bonus shares plans.

The definitive number of performance bonus shares that will be vested will depend upon the level of achievement of the performance conditions set by the Board of Directors, which are based on an internal criterion (quantifiable financial ratio) and on an external criterion (share price compared to a benchmark of comparable companies). Each of these conditions shall be assessed annually by comparing the target threshold and the actual performance of the Company over the first and second financial years used as reference periods for the applicable plan. Each of these conditions may generate a payout varying within a range between zero to a certain percentage predetermined by the Board of Directors at the implementation of the plan.

Retention and Vesting policy

The Board of Directors decided that the Company officers must retain, until the end of their term of office, a number of shares equivalent to 20% of the net capital gain that would be realized upon the sale of the shares resulting from the exercise of his stock options or from the bonus shares.

These plans are subject to attendance and, if applicable, performance conditions, which must be fulfilled during an acquisition period of two or four years depending on the beneficiaries' country of tax residence. The beneficiaries submit to an acquisition period of two years and then must also respect a two years-period of retention. Nevertheless, in the event of death, disability, retirement or dispensation, decided by the Board of Directors before the end of the acquisition period, the beneficiary can keep his rights.

The Company officers who are beneficiaries of these stock options and/or performance bonus shares plans 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.

Particular terms governing the exercise of options

The Board of Directors 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.

Other benefits

The Company officers may also be awarded benefits in respect of their duties carried out within the Ipsen Group, including : benefits in kind (company car and temporary accommodation), assistance for the preparation and filing of personal income tax returns, global healthcare policy (mutual and life-illness schemes) coverage under the Group's policy, reimbursement of travel expenses and expenses incurred with the exercise of their corporate duties, officers liability insurance.

Payments, benefits and compensation granted to Company officers upon termination of their functions

Severance payment

The Company officers may benefit from a severance payment clause, due in the event of the termination of their term of office which the terms have been decided by the Board of Directors and compliant with the recommendations of the AFEP-MEDEF Code:

- a payment due only in the event of a forced departure within the meaning of the AFEP-MEDEF Code,
- in an amount corresponding to 24 months' fixed and annual variable remuneration in respect of their term of office,
- which includes the amount due in respect of any non-compete obligation, if applicable,
- payment of which is subject to a predetermined performance condition, assessed at least on two financial years.

Non-competition payment

The Board of Directors may conclude a non-competition agreement with the Company officers in case of their departure from the Group for a reason other than a change of control. This agreement shall be valid for a certain period following the date of departure.

The non-competition payment may not exceed a ceiling of 24 months' fixed and annual variable remuneration in respect of their term of office. The compensation due by the Company in consideration of this commitment is comprised in the severance payment described above.

Pension commitment

The Company officers may benefit from a defined contribution pension plan or the defined benefit additional pension commitment existing within the Company (benefits, more generally, to the company's executives), compliant with the recommendations of the AFEP-MEDEF Code and Article L.225-42-1 of the French Commercial Code.

4.1.2.1.4 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.

In accordance with article R.225-85 of the French Commercial Code, the right to participate in Shareholders' Meetings is subject to the account registration of the shares being registered in an account in the name of the shareholder or of the financial intermediary acting on the shareholder's behalf, at midnight, Paris time, on the second business day preceding the date of the General Meeting, either in the registered share accounts kept by the Company or in the bearer share accounts kept by the authorized intermediary.

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.

4.1.2.1.5 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 4.2.3.5 of the registration document for 2015.

4.1.2.1.6 Internal control or Risk management

The following describes Ipsen's framework created for Group Internal Control and Risk Management. Ipsen aims to continuously improve its internal control and risk management environment to be compliant with the *"Cadre de Référence"* issued by "*l'Autorité des marchés financiers*" (AMF).

Introduction

Risk management objectives are to:

- Secure the general Group objective to improve patient health and quality of life by providing effective therapeutic solutions for unmet medical needs;
- Create and preserve the value, assets and reputation of the Group;
- Make decisions and processes secure to reach Group objectives by taking into account risk factors;
- Ensure consistency between actions and Group values;
- Mobilise employees around a shared vision of the Company's main risks and around the specific risks in their own area of activity;
- Protect Group employees and the environment.

Internal control 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 Leadership Team ;
- Effectiveness of Group internal processes, notably those aimed at protecting Group assets;
- Reliability of financial data and, more generally of all data included in published statements.

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

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

4.1.2.1.6.1 Organization

General framework

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

Operational Committees

Executive Leadership Team

Ipsen governance model changed in July 2016 following the appointment of David Meek as CEO and the transition of Mark de Garidel to non-executive Chairman of the Board. Previously, two committees governed Ipsen. Those two committees were the Chairman's Committee and the COMEX. Going forward there is one governing body leading the strategic direction of Ipsen and its implementation: the Executive Leadership Team (ELT). The ELT is chaired by the Chief Executive Officer and meets on a monthly basis.

Permanent members include: the Chief Executive Officer, the EVP Research & Development / Chief Scientific Officer, the EVP Technical Operations, the EVP Primary Care Global Business Unit, the EVP Human Resources, the EVP Legal/General Counsel, the EVP Corporate Strategy and Business Development, the EVP Finance/Chief Financial Officer, the EVP Specialty Care Franchises, EVP North America Commercial Operations. In addition, the respective Senior Vice-Presidents responsible for SCCO Europe and SCCO Intercontinental sit on the committee pending replacement of the EVP for Specialty Care Commercial Operations.

The scope of responsibility of the ELT includes:

- Setting the Group Strategy;
- Validating the 10-year strategic plan, 5-year business plan and target settings for annual budget;
- Preparing recommendations for the Board Strategic Committee and/or the Board of Directors.
- Ensuring consistency in the implementation of decisions made by the Board of Directors;
- Promoting good corporate governance;
- Overseeing and reviewing risk management, legal and compliance key subjects and priorities;
- Coordinate with Risk Management, Global Ethics & Compliance and Global Internal Audit functions to ensure adequate level of risk mitigation;
- Approving financial and external Group communications;
- Approving Group financing solutions;
- Ensuring efficient and transparent investor and shareholder relations;
- Creating the conditions for sustainable results;
- Setting annual objectives for divisions and functions;
- Monitoring Group performance;
- Overseeing and sponsoring key scientific, commercial, industrial, and financial projects for the Group;
- Arbitrating key projects at the request of other operational committees (CAPEX Board, Deal Review Board, Portfolio Management Board, etc.) or in case of major deviations;
- Assessing key talents of the Group and ensuring succession planning.

The ELT functioning has also been defined.

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

Deal Review Board (DRB)

- The DRB is chaired by the CEO and serves as a decision body for M&A and Corporate Business Development activities;
- Permanent members are the EVP CS&BD, EVP Finance, EVP Legal, EVP R&D, EVP TechOps, EVP SC Franchises, EVP PCBU, EVP NA, and ad interim the Senior Vice-Presidents responsible for SCCO Europe and SCCO Intercontinental

Portfolio Management Board (PMB)

The PMB, co-chaired by the Executive Vice-President Research and Development and Executive Vice-President Speciality Care Franchises, decides on key pre and post Proof of Concept stage gates.

Intellectual Property Supervision Committee (IPSC)

IPSC is in charge of Ipsen patent management. Chaired by the Senior Vice-President Intellectual Property, the IPSC takes decisions related to Group patent families and makes sure relevant stakeholders are updated on relevant information regarding patents.

Ethics & Compliance

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

- Maintain an effective compliance and ethics program that ensures a culture of integrity enabling the Company to conduct its global business with the highest ethical standards, in full compliance with all applicable laws and regulations and the Group Code of Conduct;
- To regularly review and improve our compliance and ethics program to ensure it remains current with respect to significant risks, developments and trends;
- Communicate and train employees and relevant third parties to these standards;
- Monitor the enforcement of these standards within the Group entities;
- Develop and maintain Ethics & Compliance Due Diligence for Third Parties
- Develop a continuous improvement approach with the update of these standards;
- Act as the point of contact for anyone who would like to address Ethics and Compliance issues, and to investigate in a confidential manner;

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

The Group Chief Ethics and Compliance Officer periodically reports on the state of progress of the Ethics and Compliance program to the Board of Directors Ethics Committee.

Risk Management organization

The following organization supports the framework described in section 4.1.2.1.6.3.

Risk Management and Insurance department

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

- The distribution of a culture of risk management to ensure an homogeneous approach to risk management, in compliance with the Group policies. This objective includes elaborating the Group Risk Map;
- Providing methodological and technical support to the divisions (risk identification, analysis and processing, engineering prevention and protection, risk exposure monitoring);
- The definition of the transfer policy of residual risks to the insurance market, the conception and the management of the Group insurance programs such as described in the paragraph 1.2.8.6;
- The piloting of a crisis management process.

Risk Committee

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

Quality and Safety

Global Quality Function

The Company has one Global Quality Function that reports to the Executive Vice-President, Technical Operations, with a dotted reporting to the Chief Executive Officer. This function supports the research, development, manufacturing and distribution activities across the product life cycle and is accountable for Good Practices (GXP) compliance across the Group. Its role is to establish, improve and maintain an integrated global Quality Management System that complies with good laboratory practices ("GLP"), good clinical practices ("GCP"), good manufacturing practices ("GMP"), good distribution practices ("GDP") and good pharmacovigilance practices (GVP) for clinical and commercial products.

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

Quality Governance

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

Quality Management system

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

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

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

Pharmacovigilance

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

Quality Systems Evaluation Board (QSEB)

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

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

Expenditures and Cash control financial framework

Financial authorization

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

Financing and Treasury

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

The cash position and performances are evaluated and reported regularly to the ELT.

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

4.1.2.1.6.2 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 major risk mapping for the Company validated by the ELT and reported once a year for approval by the Board of Directors Audit Committee. Operational and finance management are informed annually of existing coverage and procedures.

Information on Audit findings and conclusions

Internal Audit reports are communicated as presented in section 4.1.2.1.6.4.

Information on products Quality and Safety

Information on product Quality and Safety is ensured by the Quality and Safety functions as presented in paragraph 4.1.2.1.6.1.

Financial information

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

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

Preparation of consolidated financial statements

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

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

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

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

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

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

External Communications committees

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

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

Validation of Corporate Press releases follows a three-round process:

1. Core team (IR, Corporate Communications and ad-hoc functions) to make first draft;
2. Draft to be validated by Head of each function involved, SVP Global Regulatory Affairs, Company Secretary (Legal), and EVP North America Commercial Operations for US-related press releases;
3. Draft to be validated by Chief Executive Officer, ELT and Chief Medical Officer.

Financial controlling

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

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

4.1.2.1.6.3 Risk Management framework

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

Risk Management Components

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

The Risk Management organization is described in section 4.1.2.1.6.1.

Risk identification and analysis

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

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

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

Risk factors

The Group's main risk factors are described in chapter 1.2.8 of this registration document.

Risk action plans

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

Financial Risk Management

Financial Risk Management hedges the following risks:

- Foreign exchange risks:

  The potential exposure to foreign exchange risk is estimated by the Company entities then transmitted to the Group Treasury department. The hedging operations are partially realised on behalf of Company entities and the intragroup foreign exchange risk management is operated centrally with standard hedging tools, according to the Group hedging policy.

  In 2016 the Group hedged the budgeted amount of foreign currencies cash-flow to mitigate the effect of currency rate changes.

  In 2016, the Group Treasury department bought currency derivatives (forward exchange contracts and "plain vanilla" options). The instruments purchased to hedge exposure are primarily denominated in USD, RUB, GBP, BRL, CNY/CNH, PLN, CZK, HUF, RON, AUD, CHF. The Group Policy is to hedge for the budget period to come. Detailed information can be found in section 1.2.8.4.2 of this report.

  A "hedging committee" composed of the Chief Executive Officer, the Chief Financial Officer, and the Vice-President Treasury meets every quarter, or upon request of any of its members, to review and approve the forex policy, provide guidelines, and validate the hedging strategy.

- Interest rate risks:

  Due to its positive treasury position and its current non exposure to net debt the Group has not set up a hedging operation on interest rate risks in 2016.

- Counterpart and liquidity risks:

  Within the scope of its activities, the Finance Department makes forecasts regarding the Group application of funds and resources and implements financial instruments aligned with these forecasts, which are duly submitted to and approved by the Board of Directors. On 31 December 2016 the Group had a net positive cash position. This cash

position is mainly centralised and the selection of investment options is carried out by the Treasury Department in pursuance of a formalised charter which defines:

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

In accordance with its treasury charter, the Group Treasury Department is in charge of 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 Treasury Department ensures that the credit limits applicable to its international customers are respected (notably distributors and agents), in particular upon the receipt of new orders. It also monitors the overall status of average payment timescales of customers in its entities.

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

- Identification of and accounting for risks:

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 potential risks beforehand that are being supported by the Company's financial managers and the Group's controlling department;
- The control of information provided by Company entities 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 Board of Directors Audit Committee attends the pre-closing meeting with the external auditors and final meetings for half-year and full-year accounts.

4.1.2.1.6.4 Control activities

Audits

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

Global Internal Audit

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

As part of Global Internal Audit governance, an Audit Charter (approved by the Chief Executive Officer and the Audit Committee) is in effect. This Audit Charter defines the Global Internal Audit's scope of audit services as covering all areas of Ipsen's activities, functions, and processes. These audits may include, but are not limited to, audits of country managed units, Group functions, internal control frameworks, compliance requirements, Information Technology, Environmental, Health and Safety and independent assessments of the effectiveness of Ipsen's Good Quality Systems across the Good Pharmaceutical Practices (GxPs) where GxPs apply (Note: in this case GxPs refer to the quality systems related to Good Manufacturing Practices, Good Clinical Practices, Good Laboratory Practices,Good Distribution Practices and Good Pharmacovigilance Practices). The GXP good practices audits (quality audits) are covered under the GXP Quality Audit programme as described below.

The Global Internal Audit plan is risk-based and developed using a variety of inputs including the Group Risk Map and inputs from Global Ethics and Compliance and the ELT. The GIA audit plan is approved by the Audit Committee on an annual basis.

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

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

GXP Quality Audit

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

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

Audit compliance to quality targets is measured routinely and Global Internal Audit is provided with regular status updates from the Quality Audit programme. The GXP Quality Audit group also coordinates with the Global Internal Audit department to assure efficiencies are maximized.

External Audit

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

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

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

4.1.2.1.6.5 Review and assessment of internal control

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

Global Internal Audit met with the Audit Committee three times in 2016 and provided summary reports and status updates, including dashboard and trend data, on the progression of the respective audit plans along with an assessment as to the overall level of internal control.

Statutory Auditors and Global Internal Audit met periodically throughout 2016 including as part of the Audit Committee updates.

The Chairman of the Board of Directors
February 2017

4.1.2.2 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 S.A.

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 2016

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 2016.

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, 22 February 2017

The Statutory Auditors

KPMG Audit
Division of KPMG S.A.

Philippe Grandclerc
Partner

Deloitte & Associés

Jean-Marie Le Guiner
Partner

4.1.3 Compensation of directors and officers

4.1.3.1 Compensation of the members of the Board of Directors

4.1.3.1.1 Directors' fees

Terms of allocation of directors' fees

The Board of Directors decided at its meeting of 10 November 2009, with effect from the 2010 financial year, and within the global limit of €990,000 approved by the Combined Shareholders' Meeting held on 1 June 2012 (until new decision), the allocation of the directors' fees as follows:

- each member of the Board of Directors receives a director's fee of €40,000 for a full year of service,
- the Vice-Chairman of the Board of Directors receives an additional fee of €50,000 for a full year of service,
- the members of Committees of the Board receive a director's fee of €15,000 for a full year of service,
- the Chairmen of the Nomination and Governance Committee, the 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 the Compensation Committee receive, for a full year of service, an additional director's fee of €35,000.

Each Director who is a member of at least one committee shall receive an additional amount of €5,000 for a full year of service.

The Board of Directors can decide to allow additional directors' fees amounting to €5,000 for intercontinental traveling in order to attend a meeting of the Board.

Directors' fees are paid on a half year basis (within the month following each half-year closing).

The gross amount of directors' fees paid for 2016 was €963,655.91.

Individual amounts of fees and other compensation paid to directors (gross amounts – rounded) (Table 3 of AMF recommendations)

Directors	Amounts paid(**) in 2015	Amounts paid(**) in 2016
Marc de Garidel(*) – Director's fees – Other compensation	€60,000 see section 4.1.3.2	€81,989 see section 4.1.3.2
Hélène Auriol-Potier – Director's fees – Other compensation	€80,000 –	€95,000 –
Anne Beaufour – Director's fees – Other compensation	€95,000 –	€95,000 –
Henri Beaufour – Director's fees – Other compensation	€80,000 –	€61,667 –
Hervé Couffin – Director's fees – Other compensation	€75,000 –	€75,000 –
Martha Crawford(1) – Director's fees – Other compensation	€55,000 –	– –
Antoine Flochel – Director's fees – Other compensation	€160,000 –	€160,000 –
Pierre Martinet – Director's fees – Other compensation	€110,000 –	€110,000 –
Mayroy SA – Director's fees – Other compensation	€60,000 –	€60,000 –
Michèle Ollier(2) – Director's fees – Other compensation	€6,250 –	€75,000 –

(1) Director until 27 May 2015.
(2) Director since 27 May 2015.
(*) To that should be added the compensation elements of Mr. Marc de Garidel, paid *prorata temporis* in respect of his functions as Chairman and Chief Executive Officer until 18 July 2016, and as Chairman from this date, that are presented at section 4.1.3.2 of the registration document.
(**) Directors' fees are paid on a half-year basis (within the month following each half-year closing), based *prorata temporis* on the term of office along the semester, if applicable.

Directors	Amounts paid(**) in 2015	Amounts paid(**) in 2016
Christophe Vérot – Director's fees – Other compensation	€75,000 –	€75,000 –
Carol Xueref – Director's fees – Other compensation	€75,000 –	€75,000 –
Total **– Director's fees** **– Other compensation**	**€931,250** **–**	**€963,656** **–**

(*) To that should be added the compensation elements of Mr. Marc de Garidel, paid *prorata temporis* in respect of his functions as Chairman and Chief Executive Officer until 18 July 2016, and as Chairman from this date, that are presented at section 4.1.3.2 of the registration document.
(**) Directors' fees are paid on a half-year basis (within the month following each half-year closing), based *prorata temporis* on the term of office along the semester, if applicable.

4.1.3.2 Compensation of Company officers

4.1.3.2.1 Compensation of Company officers holding office as of 31 December 2016

4.1.3.2.1.1 Compensation elements of Mr. David Meek, Chief Executive Officer since 18 July 2016

For financial year 2016, the basis of compensation of Mr. David Meek, Chief Executive Officer, was determined by the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 8 July 2016. The basis of compensation for financial year 2017 was determined by the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 22 February 2017.

In accordance with the AFEP-MEDEF Code (§24.3 in its version of November 2015 and §26 in its version of November 2016), the compensation elements due or allocated to Mr. David Meek, Chief Executive Officer since 18 July 2016, for the 2016 financial year, shall be submitted to the vote of the Shareholders at the Annual Combined General Meeting to be held in 2017 deciding on the accounts for the financial year closed on 31 December 2016, following a specific resolution.

A. Summary tables of compensation, options and shares granted to Mr. David Meek, Chief Executive Officer since 18 July 2016

Summary table of compensation, options and performance bonus shares (Table 1 of AMF recommendations)

(gross rounded amount – in euros)	2015 Financial Year	2016 Financial Year
David Meek **Chief Executive Officer since 18 July 2016**		
Compensation due for the year (see details below)	–	1,599,554
Book value of multi-annual variable compensations granted during the year	–	–
Book value of the options granted during the year	–	–
Book value of the performance bonus shares granted during the year(*)	–	478,311(1)
Total	**–**	**2,077,865**

(*) For further details, see section 4.1.3.2.1 paragraphs B and C below.
(1) Book value for a target award of 10,021 performance bonus shares. The amount of bonus shares granted in 2016 to Mr. David Meek is calculated on a *prorata temporis* basis.

Summary table of the compensation (Table 2 of the AMF recommendations)

(gross rounded amount – in euros)	2015		2016	
	Amounts due	Amounts paid	Amounts due	Amounts paid
David Meek Chief Executive Officer from 18 July 2016				
Fixed compensation	–	–	410,714(1)	410,714
Annual variable compensation – Performance for 2016 – Integration within the Group	 – –	 – –	 438,840(2) 300,000(3)	 – –
Multi-annual variable compensation	–	–	–	–
Exceptional compensation – Special financial indemnity	–	–	450,000(4)	450,000
Directors' fees	–	–	–	–
Benefits in kind	–	–	0	0
Total	**–**	**–**	**1,599,554**	**860,714**

(1) The Board of Directors fixed an amount of €410,714 for the period from 18 July 2016 to 31 December 2016 in respect of his duties as Chief Executive Officer (*prorata temporis* amount calculated on an annual basis of €900,000).
(2) The Board of Directors, at its meeting held on 22 February 2017, upon proposal of the Compensation Committee, fixed, in view of the realization of the pre-established criteria, the amount of the annual variable compensation for 2016 of the Chief Executive Officer at €438,840 (*prorata temporis* amount calculated from 18 July 2016 on an annual target basis of €900,000). This amount will be paid in 2017.
(3) The Board of Directors, at its meeting held on 22 February 2017, upon proposal of the Compensation Committee, fixed an amount of €300,000 in respect of Mr. David Meek's exceptional bonus linked to the success of his integration within the Group.
(4) The Board of Directors decided to grant Mr. David Meek a special financial indemnity of a gross amount of €900,000, to be paid in two instalments. For further details, see section 4.1.3.2.1 paragraph B below.

B. Details of the compensation elements granted to Mr. David Meek, Chief Operating Officer from 18 July 2016

The compensation of the Chief Executive Officer is determined by the Board of Directors upon proposal of the Compensation Committee.

Fixed compensation

The determination of the annual and multi-annual variable compensations is based on the fixed compensation.

The Board of Directors, upon recommendation of the Compensation Committee, has set Mr. David Meek's fixed compensation as a gross annual amount of €900,000. For the 2016 financial year, this compensation has been paid on a *prorata temporis* basis starting from 18 July 2016. It amounts to €410,714 for the 2016 financial year.

For the 2017 financial year, the Board of Directors, at its meeting held on 22 February 2017 and upon recommendation of the Compensation Committee, has set the elements relating to the compensation and benefits of the Chief Executive Officer. The amount of the gross fixed remuneration for 2017 has not been changed, and still amounts to €900,000.

Annual variable compensation

The annual variable compensation is linked to the Group's global performance and to the realization of personal goals set for the Chief Executive Officer.

The Board of Directors, upon recommendation of the Compensation Committee, during its meeting held on 8 July 2016 has decided to grant Mr. David Meek a gross target bonus of €900,000 (*i.e.* 100% of the fixed compensation), which may vary within a range between 0% and 200% (*i.e.* 0 to €1,800,000) based on quantitative and qualitative performance criteria. Two-thirds of this gross target bonus will depend on the achievement of consolidated revenues, current operating profit, cash flow from operations and diluted earnings per share. One-third will depend on qualitative criteria regarding strategic guidelines. Details regarding the qualitative criteria and the level of expectations of the performance criteria have not been disclosed for confidentiality reasons. For 2016, the gross target bonus will be calculated and paid on a *prorata temporis* basis.

At its meeting held on 22 February 2017, the Board of Directors has stated that the performance conditions were fulfilled and decided to grant Mr. David Meek an amount of €438,840.

The Board of Directors, at its meeting held on 8 July 2016, and upon proposal of the Compensation Committee, has also decided to grant Mr. David Meek an exceptional bonus of a maximum gross amount of €300,000. The definitive amount of this special bonus was subject to his successful integration within the Company by the end of the year 2016. The Board of Directors, at its meeting held on 22 February 2017, has decided to set an amount of €300,000 in this respect.

For the 2017 financial year, the Board of Directors, upon recommendation of the Compensation Committee, fixed, at its meeting held on 22 February 2017, the compensation and benefits elements of the Chief Executive Officer. The amount of the target annual variable compensation for 2017 was fixed at a gross amount of €900,000 (amounting to a 100% achievement of the objectives), that may vary from 0 to 200% (*i.e.* 0 to €1,800,000), depending on quantitative and qualitative criteria as follows: the two-thirds of this target bonus are based on the achievement of levels of consolidated net sales, core operating income, diluted earnings per share

and cash-flow from operations; the balance is based on qualitative criteria concerning managerial and strategic objectives. The detail of qualitative criteria and the level of completion expected for quantitative criteria are not made public for confidentiality reasons.

Multi-annual variable compensation

Mr. David Meek does not receive any multi-annual variable compensation.

Special financial indemnity

The Board of Directors may grant a special allowance to a new executive company officer coming from a company outside the Group on taking up duty in order to compensate the loss of financial advantages he used to benefit from.

The Board of Directors, at its meeting held on 8 July 2016, and upon recommendation of the Compensation Committee, has decided to grant Mr. David Meek a special financial indemnity of an annual gross amount of €900,000, payable in two installments (50% on the date of his appointment as Chief Executive Officer and 50% one year later, provided that he has not resigned or left the Company by that time), to compensate for the loss of a portion of the elements of his variable remuneration at his previous employer. This special financial indemnity amounts then to €450,000 for 2016.

Bonus shares

The Chief Executive Officer can be awarded bonus shares in the scope of the plans approved and set every year by the Board of Directors upon proposal of the Compensation Committee. The features of these plans are described at paragraph 4.2.2.3.2 of the registration document.

The Board of Directors, at its meeting held on 8 July 2016, has agreed on the principle of granting to Mr. David Meek in 2016, as part of the long term incentive plan, depending on the performance of the Company over the 2016-2017 period, LTIs equal to 100% of his annual gross fixed remuneration (amounting to 10,021 shares).

Details regarding this allocation are given below, see section C.

Other benefits

Mr. David Meek receives benefits resulting from the conditions linked to the performance of his duties at Ipsen, namely and in particular a relocation package in France, assistance for the filing of his personal income tax returns, reimbursement of reasonable attorney fees and expenses incurred in connection with the finalization of the terms and conditions of his appointment as Chief Executive Officer, company car and driver, business travel and accommodation expenses incurred whilst exercising his duties as Chief Executive Officer, healthcare under a global healthcare policy, and death and disability coverage under the Group's policy or a specific policy, D&O liability insurance consistent with the D&O liability insurance of the previous Chief Executive Officer.

Payments, benefits and compensation granted to Company officers upon termination or change of their functions

Details of these commitments are given below (see section D).

C. Subscription or purchase options granted to Mr. David Meek, Chief Executive Officer from 18 July 2016

Executive directors and other managers of the Group can be awarded stock options and/or bonus shares in the scope of the plans approved and set every second term of the year by the Board of Directors upon proposal of the Compensation Committee. The definitive number of shares that will vest will depend on the applicable performance conditions.

a. Subscription or purchase options granted to Mr. David Meek, Chief Executive Officer from 18 July 2016

Subscription or purchase options granted during the 2016 financial year (table 4 of AMF recommendations)

No option was granted to the Chief Executive Officer, Mr. David Meek, during the 2016 financial year.

Synthesis of the subscription or purchase options granted (table 8 of AMF recommendations)

The Chief Executive Officer, Mr. David Meek, does not hold any Ipsen option.

Subscription or purchase options exercised during the 2016 financial year (table 5 of AMF recommendations)

No option was exercised by the Chief Executive Officer, Mr. David Meek, during the 2016 financial year.

b. Bonus shares granted to Mr. David Meek, Chief Executive Officer from 18 July 2016

Bonus shares granted during the 2016 financial year (table 6 of AMF recommendations)

	Plan date	Number of bonus shares granted	Book value of the shares (per share) [1]	Book value of the shares[(1)]	Acquisition date	Date of availability	Performance conditions
David Meek	29/07/2016	10,021[(2)(3)]	€47.73	€478,311	30/07/2018	30/07/2020	Yes

(1) Under the method used for the consolidated financial statements. The shares' book value amounted to €56.69, which corresponds to the share's value during the allocation, after taking into account the drop in value linked to the performance criteria and to the probability of attendance in the company at the end of the acquisition period. The global amount of granted shares book value is listed on table 1 under paragraph 4.1.3.2.1.1.
(2) Allocation subject to performance conditions, representing 0.01% of the share capital as of 31 December 2016.
(3) Mr. David Meek has been appointed as Chief Executive Officer with effect from 18 July 2016. The number of bonus shares granted to Mr. David Meek in 2016 is calculated on a *prorata temporis* basis.

At its meeting held on 29 July 2016, upon proposal of the Compensation Committee, the Board of Directors has decided to award Mr. David Meek, Chief Executive Officer from 18 July 2016, an envelope amounting to 100% of his gross fixed compensation, *i.e.* 10,021 shares in bonus shares under article L.225-197-1 of the French Commercial Code. This number of shares is calculated on a *prorata temporis* basis.

The definitive acquisition of the bonus shares is subject to a presence condition in the Group. The definitive number of bonus shares that will be vested will depend on the level of achievement of the performance conditions applicable, that will be assessed annually by comparing the target level of performance achieved by the Company during the first and the second financial years set by the plan. Each of the conditions may induce a payment varying from 0 to 250%.

The performance conditions are based, for the half of the granted shares, on an internal criterion based on the Core Operating Income and, for the other half, on an external criterion based on the relative performance of IPSEN's stock price compared to that of the other companies which are part of the STOXX TMI 600 Health Care index. The details of these internal and external performance conditions as well as the degree of achievement (expected and achieved), that have been precisely determined, are not disclosed for confidentiality reasons. In case of over achievement of the expected performance (*i.e.* 100%), the number of bonus shares granted will be adjusted correlatively. These bonus shares are subject to a 2-year acquisition period from the date of grant and 50% of the shares thus acquired will be subject to a 2-year holding period.

Synthesis of the bonus shares granted

The table below describes, as of 31 December 2016, the total of bonus shares granted to the Chief Executive Officer. For further details, see Table 8, section 4.2.2.3.

Company Officer	Date of grant	Number of options granted	Date of vesting	Date of availability	Number of shares to be retained
David Meek Chief Executive Officer from 18 July 2016	29/07/2016	10,021(1)	30/07/2018	30/07/2020	20% capital gain net of acquisition value
Total		**10,021(2)**			

(1) Award subject to performance conditions, see section B above.
(2) *i.e.* 0.01 % of the share capital as of 31 December 2016.

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 29 July 2016, fixed the retention policy for the Chief Executive Officer for the shares resulting from bonus shares. The Board decided that the Chief Executive Officer 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 bonus shares until the termination of his office as Chief Executive Officer.

Mr. David Meek undertook a formal commitment not to engage in hedging transactions either on his options or on shares issued following the exercise of options or on performance bonus shares granted until the end of the holding period that has been decided by the Board of Directors.

Performance bonus shares that have become available for the Chairman and Chief Executive Officer during the 2016 financial year (Table 7 of AMF recommendations)

During the 2016 financial year, no performance bonus shares granted to the Chief Executive Officer became available, as Mr. David Meek was appointed on 18 July 2016.

D. Summary of commitments issued in favor of Mr. David Meek, Chief Executive Officer from 18 July 2016

	Employment contract		Additional pension scheme		Payments or benefits due or to be due in connection with the termination or change of functions		Compensation under a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
M. David Meek Chief Executive Officer Date of appointment: 8 July 2016 with effect from 18 July 2016 End of term of office: unlimited		X	X		X		X	

Employment contract

Mr. David Meek, Chief Executive Officer since 18 July 2016, does not hold employment agreement.

Additional pension scheme (article L.137-11 of the French social security code)

Mr. David Meek, Chief Executive Officer, potentially benefits from the defined benefit additional pension commitment existing within the Company according to the decision of the Board of Directors held on 8 July 2016. This pension commitment benefits, more generally, to the company's executives.

The benefit of the pension commitment is subject to:

- a minimum 5-year service,
- the liquidation of the social security pension at a full rate,
- the termination of any professional activity with the Company at the date of the liquidation of basic and additional pensions.

However, the right is maintained in case of early retirement or dismissal after the age of 55 subject to non-resumption of professional activity or in case of admission in the 2nd or 3rd category of invalidity.

Furthermore, in case of death of the potential beneficiary in activity, the right to widow's or widower's pension is maintained.

In accordance with article L.225-42-1 of the French Commercial Code, the grant of this additional pension scheme shall be subject to the following performance condition: the maintaining of the recurring operating margin of the Group during the three years preceding departure at a minimum threshold of 15%.

The pension is calculated at rate of 0.6% per year of seniority to the part of the reference compensation below 8 times the Annual Social Security Ceiling ("PASS") and at a rate of 1% for the part of the reference compensation in excess of 8 times the PASS.

The reference compensation is the average of the total gross amount of the compensation perceived for a full time job's (bonus included) during the last 36 months preceding the end of contract and/or office. The termination fees, expense reimbursement, profit-sharing and incentives are excluded.

The seniority is limited to 40 years.

Widow's or widower's pension modalities are organized in the plan.

The annual amount of pension expected by the beneficiaries could not exceed 45% of their fixed and variable compensation.

The potential rights are financed by non-individualisable premiums paid to an insurance institution. These premiums are deductible from the tax company base and subject to the contribution organized by article L.137-11, I, 2° a) of the Social Security code at the rate of 24%.

Since the entitlement to benefit from this scheme requires 5-year seniority, if Mr. David Meek had to ask the payment of his pension plan on 1 January 2017, the pension that would have been paid to him would have amounted to zero.

Payments or benefits due or to be due in connection with the termination of function within the Group

At its meeting held on 8 July 2016, the Board of Directors decided to grant Mr. David Meek, Chief Executive Officer, the benefit of a severance payment on the following terms, in accordance with the recommendations of the AFEP-MEDEF Code:

- a payment due only in the event of a forced departure within the meaning of the AFEP-MEDEF Code,
- in an amount corresponding to a 24-month remuneration (fixed and annual 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 of 15%), and
- which includes the amount due in respect of any non-compete obligation, if applicable.

Non-competition payment

Mr. David Meek agreed, in the event of his departure from the Group, during a period of 24 months following the date of his effective departure from the Company, not to perform or participate from an operational standpoint (including as a consultant), within the territory of the European Economic Area (EEA) and/or North America, in any activity relating to the development and/or the marketing of products belonging to the same therapeutic category (source IMS-Health) as one of the top three products of the Group based on the turnover generated by such products or their importance from a strategic standpoint (as assessed by the Board) and any product acquired by the Company, between 1 January 2016 and the date of Mr. David Meek's effective departure, for a total consideration exceeding €300 million.

The indemnity owed by the Company in consideration of this non-compete undertaking will be deemed to be included in the severance package referred to above if it is also owed.

4.1.3.2.1.2 Compensation elements of Mr. Marc de Garidel, Chairman and Chief Executive Officer until 18 July 2016, Chairman since this date

For financial year 2016, the basis of compensation of Mr. Marc de Garidel, first as Chairman and Chief Executive Officer, and then as Chairman, was determined for 2016 by the Board of Directors, upon recommendation of the Compensation Committee, at its meetings held on 29 February 2916 and 8 July 2016. The basis of compensation for financial year 2017 was determined by the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 22 February 2017.

In accordance with the AFEP-MEDEF Code (§24.3 in its version of November 2015 and §26 in its version of November 2016), the compensation elements due or allocated to Mr. Marc de Garidel, Chairman since 18 July 2016 and Chairman and Chief Executive Officer until this date, for the 2016 financial year, shall be submitted to the vote of the Shareholders at the Annual Combined General Meeting to be held in 2017 deciding on the accounts for the financial year closed on 31 December 2016, following a specific resolution.

A. Summary tables of compensation, options and shares granted to Mr. Marc de Garidel, Chairman and Chief Executive Officer until 18 July 2016, Chairman since this date

a. Summary table of compensation, options and performance bonus shares

Total amount of compensation, options and performance bonus shares granted for 2016 (table 1 of the AMF recommendations)

(gross rounded amount – in euros)	2015 Financial Year	2016 Financial Year
Marc de Garidel Chairman and Chief Executive Officer until 18 July 2016 Chairman from this date		
Compensation due for the year (see details below)	2,828,800	2,865,894
Book value of multi-annual variable compensations granted during the year(*)	375,000(1)	–
Book value of the options granted during the year	–	–
Book value of the performance bonus shares granted during the year(**)	391,487(2)	241,997(3)
Total	**3,595,287**	**3,107,891**

(*) For further details, see section 4.1.3.2.1 paragraph B below.
(**) For further details, see section 4.1.3.2.1 paragraphs B and C below.
(1) Gross target amount. The final amount could change depending on the performance criteria and on the reference share price of the Company under the plan for the determination of the mid-term bonus' final amount.
(2) Book value for a target grant of 12,588 bonus shares.
(3) Book value for a target grant of 5,070 bonus shares. The number of bonus shares granted to Mr. Marc de Garidel in 2016 is calculated on a *prorata temporis* basis of the time served as Chief Executive Officer of Ipsen during the 2016 financial year.

As Chairman and Chief Executive Officer, until 18 July 2016

(gross rounded amount – in euros)	2016 Financial Year
Marc de Garidel Chairman and Chief Executive Officer until 18 July 2016	
Compensation due for the year (see details below)	2,498,043
Book value of multi-annual variable compensations granted during the year	–
Book value of the options granted during the year	–
Book value of the performance bonus shares granted during the year(*)	241,997(1)
Total	**2,740,040**

(*) For further details, see section 4.1.3.2.1 paragraphs B and C below.
(1) Book value for a target grant of 5,070 bonus shares. The number of bonus shares granted to Mr. Marc de Garidel in 2016 is calculated on a *prorata temporis* basis of the time served as Chief Executive Officer of Ipsen during the 2016 financial year.

As Chairman, from 18 July 2016

(gross rounded amount – in euros)	2016 Financial Year
Marc de Garidel Chairman from 18 July 2016	
Compensation due for the year (see details below)	367,851
Book value of multi-annual variable compensations granted during the year	–
Book value of the options granted during the year	–
Book value of the performance bonus shares granted during the year	–
Total	**367,851**

b. Summary table of the compensation (Table 2 of the AMF recommendations)

Total amount of the compensation for 2016

(gross rounded amount – in euros)	2015		2016	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Marc de Garidel Chairman and Chief Executive Officer until 18 July 2016 Chairman from this date				
Fixed compensation	750,000	750,000	772,817[1]	772,817
Annual variable compensation	1,075,000[2]	1,033,000[3]	454,950[4]	1,075,000[2]
Multi-annual variable compensation	931,318[5]	931,318	1,588,396[6]	1,588,396
Exceptional compensation	–	–	–	–
Directors' fees	60,000	60,000	43,656	81,989
Benefits in kind[7]	12,482.15	12,482.15	6,075	6,075
Total	**2,828,800.15**	**2,786,800.15**	**2,865,894**	**3,524,277**

(1) The Board of Directors fixed an amount of €407,738 for the period from 1 January 2016 to 18 July 2016 in respect of his office as Chief Executive Officer (*prorata temporis* amount calculated on an annual basis of €750,000) as well as an amount of €365,079 for the period from 18 July 2016 to 31 December 2016 in respect of his office as Chairman (*prorata temporis* amount calculated on a target annual basis of €800,000)
(2) The Board of Directors, at its meeting held on 29 February 2016, upon proposal of the Compensation Committee, fixed, in view of the realization of the pre-established criteria, the amount of the variable compensation for 2015 for the Chairman and Chief Executive Officer at €1, 075,000. This amount was paid in 2016.
(3) The Board of Directors, at its meeting held on 2 March 2015, upon proposal of the Compensation Committee, fixed, in view of the realization of the pre-established criteria, the amount of the annual variable compensation for 2014 of the Chairman and Chief Executive Officer at €1, 033,000. This amount was paid in 2015.
(4) The Board of Directors, at its meeting held on 22 February 2017, upon proposal of the Compensation Committee, fixed, in view of the realization of the pre-established criteria, the amount of the annual variable compensation of the Chairman and Chief Executive Officer for 2016 at €454,950 (*prorata temporis* amount until 18 July 2016 calculated on a target annual basis of €750,000). This amount will be paid in 2017.
(5) The Board of Directors, at its meeting held on 1 April 2015, upon proposal of the Compensation Committee, fixed, in view of the realization of the pre-established criteria, the amount of the multi-annual variable compensation of the Chairman and Chief Executive Officer for 2013 and 2014 at €931,318. For further details, see section 4.1.3.2.1.2 paragraph B.
(6) The Board of Directors, at its meeting held on 30 March 2016, upon proposal of the Compensation Committee, fixed, in view of the realization of the pre-established criteria, the amount of the annual variable compensation of the Chairman and Chief Executive Officer for 2014 and 2015 at €1,588,396. For further details, see section 4.1.3.2.1.2 paragraph B.
(7) Benefits in kind are comprised of a company car.

As Chairman and Chief Executive Officer, until 18 July 2016

(gross rounded amount – in euros)	2016	
	Amounts due	Amounts paid
Marc de Garidel Chairman and Chief Executive Officer until 18 July 2016		
Fixed compensation	407,738[1]	407,738
Annual variable compensation	454,950[2]	1,075,000[3]
Multi-annual variable compensation	1,588,396[4]	1,588,396
Exceptional compensation	–	–
Directors' fees[5]	43,656	81,989
Benefits in kind[6]	3,303	3,303
Total	**2,498,043**	**3,156,426**

(1) The Board of Directors fixed an amount of €407,738 for the period from 1 January 2016 to 18 July 2016 in respect of his office as Chief Executive Officer (*prorata temporis* amount calculated on an annual basis of €750,000).
(2) The Board of Directors, at its meeting held on 22 February 2017, upon proposal of the Compensation Committee, fixed, in view of the realization of the pre-established criteria, the amount of the variable compensation of the Chairman and Chief Executive Officer for 2016 at €454,950 (*prorata temporis* amount until 18 July 2016 calculated on a target annual basis of €750,000). This amount will be paid in 2017.
(3) The Board of Directors, at its meeting held on 29 February 2016, upon proposal of the Compensation Committee, fixed, in view of the realization of the pre-established criteria, the amount of the variable compensation for 2015 for the Chairman and Chief Executive Officer at €1,075,000. This amount was paid in 2016.
(4) The Board of Directors, at its meeting held on 30 March 2016, upon proposal of the Compensation Committee, fixed, in view of the realization of the pre-established criteria, the amount of the multi-annual variable compensation of the Chairman and Chief Executive Officer for 2014 and 2015 at €1,588,396.
(5) The amount of directors' fees due corresponds to the term of office as Chief Executive Officer between 1 January 2016 and 17 July 2016. The amount of directors' fees paid corresponds to the term of office as Chief Executive Officer together with the amount paid in January 2016 in respect of the second half of the 2015 financial year. See section 4.1.2.1.3.1.
(6) Benefits in kind are comprised of a company car.

As Chairman, from 18 July 2016

(gross rounded amount – in euros)	2016	
	Amounts due	Amounts paid
Marc de Garidel Chairman from 18 July 2016		
Fixed compensation	365,079[1]	365,079
Annual variable compensation	–	–
Multi-annual variable compensation	–	–
Exceptional compensation	–	–
Directors' fees	–	–
Benefits in kind[2]	2,772	2,772
Total	**367,851**	**367,851**

(1) The Board of Directors fixed an amount of €365,079 for the period from 18 July 2016 to 31 December 2016 in respect of his office as Chairman (*prorata temporis* amount calculated on a target annual basis of €800,000).
(2) Benefits in kind are comprised of a company car.

B. Details of the compensation elements granted to Mr. Marc de Garidel, Chairman since 18 July 2016 and Chairman and Chief Executive Officer until this date

The compensation of the Chairman is determined by the Board of Directors upon proposal of the Compensation Committee.

For the financial year 2016, the Board of Directors, upon recommendation of the Compensation Committee, fixed, at its meeting held on 29 February 2016, the compensation elements of Mr. Marc de Garidel in respect of his office as Chief Executive Officer; and at its meeting held on 8 July 2016, the compensation elements of Mr. Marc de Garidel in respect of his office as Chairman, which are as follows:

a. As Chairman and Chief Executive Officer, until 18 July 2016

Fixed compensation

The determination of the annual and multi-annual variable compensations is based on the fixed compensation. The amount of Mr. Marc de Garidel's fixed compensation in respect of his office as Chairman and Chief Executive Officer has not been changed since 1 January 2013.

The Board of Directors has set Mr. Marc de Garidel's fixed remuneration at a gross annual amount of €750,000. For the 2016 financial year, this compensation has been paid on a *prorata temporis* basis until 18 July 2016, thus amounting to €407,738.

Annual variable compensation

In respect of his office as Chairman and Chief Executive Officer, the annual variable compensation of Mr. Marc de Garidel is linked to the Group's global performance and to the fulfilment of objectives determined by the Board of Directors.

The Board of Directors, at its meeting held on 29 February 2016, and in respect of his office as Chairman and Chief Executive Officer, has decided to fix the variable part of the compensation of Mr. Marc de Garidel to a gross target bonus of €750,000 (100% of his fixed compensation), within a range of 0 to 150% (*i.e.*, from 0 to €1,125,000), based on the following quantitative and qualitative performance criteria: the two-thirds of this target bonus are based on the achievement of levels of consolidated revenues, current operating profits, diluted earnings per share and cash-flow from operations; the third is based on qualitative criteria concerning strategic orientations. The detail of qualitative criteria and the level of completion expected for quantitative criteria are not made public for confidentiality reasons.

At its meeting held on 22 February 2017, the Board of Directors has decided to grant Mr. Marc de Garidel an amount calculated on a *prorata temporis* basis in respect of his office as Chairman and Chief Executive Officer. Having established the fulfilment of the performance conditions, the Board of Directors has decided to grant Mr. Marc de Garidel an amount of €454,950 (*i.e.* 842,950 on an annual basis), upon proposal of the Compensation Committee.

Multi-annual variable compensation

The Chief Executive Officer may benefit from a Mid-Term Bonus under plans approved each year during the second quarter by the Board of Directors upon proposal of the Compensation Committee.

The Board of Directors decided that no such plan would be implemented in 2016, therefore the volume of performance bonus shares granted has increased.

The Board of Directors, at its meeting held on 28 March 2013, upon recommendation of the Compensation Committee, decided the implementation of a mid-term bonus, subject to performance condition for the 2013 and 2014 financial years, to the benefit of 161 beneficiaries within the Group. The Board of Directors granted, within this plan, a mid-term bonus to the Chairman and Chief Executive Officer of a gross amount of €375,000 (representing 50% of the fixed compensation). The performance conditions are based, for two-third of the target amount, on quantitative criteria: revenues in constant exchange rate (1/3), adjusted operating EBIT (1/3) and cash flow from operations (1/3); and for the third of the target amount, on qualitative criteria. For confidentiality reasons, the details regarding the qualitative criteria and the level of achievement expected of quantitative criteria are not made public. This mid-term bonus was subject to a presence

condition. The Board of Directors at its meeting held on 1 April 2015 assessed the achievement of the performance conditions and decided to pay to the Chairman and Chief Executive Officer the amount of €931,318.

The Board of Directors at its meeting held on 27 March 2014 decided, upon recommendation of the Compensation Committee, the implementation of the mid-term bonus, subject to performance conditions for the 2014 and 2015 financial years, to the benefit of 156 beneficiaries within the Group. The Board of Directors granted, within this plan, a mid-term bonus to the Chairman and Chief Executive Officer of a gross amount of €375,000 (representing 50% of the fixed compensation). This bonus was paid in 2016, subject to the assessment by the Board of Directors of the achievement of performance conditions, which are based, for the half of the target amount, on the achievement of an internal criterion based on the recurring adjusted EBIT level of the Group (50%) and, for the other half of the target amount, on an external criterion based on the performance of the stock market price of the Ipsen share regarding the STOXX 600 TMI Health Care index (50%) For confidentiality reasons, the intern and extern criteria details and the level of achievement expected and realized are not made public. This mid-term bonus was subject to a presence condition during the period from 27 March 2014 to 27 March 2016. The Board of Directors at its meeting held on 30 March 2016 measured the level of achievement of the performance conditions and fixed the amount of €1,588,396 due to the Chairman and Chief Executive Officer.

At its meeting held on 1 April 2015, the Board of Directors also decided, upon recommendation of the Compensation Committee, the implementation of the mid-term bonus for the 2015 and 2016 financial years, subject to performance and presence conditions, to the benefit of 168 beneficiaries within the Group. The Board of Directors granted, within this plan, a mid-term bonus to the Chairman and Chief Executive Officer of a gross amount of €375,000 (representing 50% of the fixed compensation). This bonus is to be paid in 2017, subject to the assessment by the Board of Directors of the achievement of performance conditions, which are based, for the half of the target amount, on the achievement of internal criterion based on the level reached by the current operating income (excluding research tax credit) of the Group and, for the other half of the target amount, on an external criterion based on the performance of the stock market price of the share of the Company regarding the STOXX 600 TMI Health Care index. For confidentiality reasons, the intern and extern criteria details and the level of achievement expected and realized are not made public. The Board of Directors will consider in 2017 the achievement of the performance conditions and the amount to be paid to the Chairman and Chief Executive Officer on this basis. The mid-term bonus plan decided by the Board of Directors on 1 April 2015 is subject to a presence condition which must be fulfilled between 1 April 2015 and 1 April 2017. However, in the event of death, disability, retirement or dispensation decided by the Board of Directors, prior to the end of the acquisition period, the beneficiary or, if necessary, his beneficiaries can keep his rights.

Mr. Marc de Garidel shall continue to benefit, in proportion to the time as Chief Executive Officer during the 2016 financial year (*i.e.* 27.35%), from the multi-annual variable compensation elements which have been granted to him as part of referred Cash plan indexed on the Ipsen share price determined by the Board of Directors on April 1, 2015 (for the 2015 and 2016 financial years).

Summary table of multi-annual variable compensation

(gross rounded amounts – in euros)	2014		2015		2016	
	Due	Paid	Due	Paid	Due	Paid
Marc de Garidel **Chairman and Chief Executive Officer until 18 July 2016** **Chairman of the Board from this date**	263,400	263,400	931,318	931,318	1,588,396	1,588,396

Directors' fees

For the 2016 financial year, Mr. Marc de Garidel keeps the directors' fees owed to him until the termination of his term as Chief Executive Officer of the Company, *i.e.* €43,656 for the period from 1 January to 17 July 2017.

Stock options and performance shares

Mr. Marc de Garidel, as Chairman and Chief Executive Officer, could benefit from performance bonus shares under plans approved each year during the second quarter by the Board of Directors upon proposal of the Compensation Committee. The characteristics of these plans are described in paragraph 4.2.2.3.2 of the Registration document.

The Board of Directors, at its meeting held on 31 May 2016, upon recommendation of the Compensation Committee, decided to grant to the Chairman and Chief Executive Officer, subject to performance and presence conditions, 18,539 performance bonus shares (see section B above). Mr. Marc de Garidel was granted 7.5% of the total amount of performance bonus shares decided by the Board, at its meeting held on 31 May 2016 (0.6% of the share capital if the target were exceeded at a maximum level).

In the frame of the separation of the functions, the Board of Directors, at its meeting held on 8 July 2016 decided that Mr. Marc de Garidel shall continue to benefit, in proportion to the time as Chief Executive Officer during the 2016 financial year, from the multi-annual variable compensation which have been granted to him as part of the restricted shares plans by the Board of Directors on 31 May 2016 (for the 2016 and 2017 financial years). The number of performance

bonus share granted to him, adjusted *prorata temporis*, amounted to 5,070 shares or (27.35%) of the initial grant.

For further information see C below.

Other benefits

In respect of his office as Chairman and Chief Executive Officer, Mr. Marc de Garidel used to receive the same benefits as described at point b. below in respect of his office as Chairman from 18 July 2016.

Payments or benefits due or to be due to Mr. Marc de Garidel in connection with the termination of function within the Group

In accordance with Ipsen policy and compliant to the AFEP-MEDEF Code, the Board of Directors, at its meeting held on 11 October 2010, decided to grant Mr. Marc de Garidel:

- a severance pay,
- the benefice of defined benefit additional pension commitment existing within the Company,
- a compensation under a non-compete agreement.

Payments or benefits due or to be due to Mr. Marc de Garidel in connection with the termination of function are now void as a result of the separation of the functions of Chairman and Chief Executive Officer.

b. As Chairman of the Board, from 18 July 2016

Fixed compensation

The fixed compensation is likely to be revaluated by the Board of Directors in respect of its position on the market and in order to consider the increase of operational responsibilities.

In the frame of the separation of the functions of Chairman of the Board and Chief Executive Officer, the Board of Directors decided that the Chairman of the Board would benefit from a fixed compensation.

For the 2016 financial year, upon the recommendation of the Compensation Committee, the Board of Directors has set the fixed remuneration of Mr. Marc de Garidel at an annual gross amount of €800,000. This compensation namely considers the specific missions of the Chairman of the Board in the frame of the separation of the functions (see section 4.1.1.1). For the 2016 financial year, this remuneration was paid on a *prorata temporis* basis from 18 July 2016, thus amounting to €365,079.

For the financial year 2017, the Board of Directors, upon recommendation of the Compensation Committee, fixed, at its meeting held on 22 February 2017, the compensation and benefits of the Chairman of the Board. The amount of the gross fixed compensation for 2017 remained unchanged (*i.e.* €800,000).

Annual variable compensation

In the frame of the separation of the functions of Chairman of the Board and Chief Executive Officer, the Board of Directors has decided that Mr. Marc de Garidel will not receive any variable compensation in respect of his office as Chairman of the Board of Directors of the Company.

Multi-annual variable compensation

In the frame of the separation of the functions of Chairman of the Board and Chief Executive Officer, the Board of Directors has decided that Mr. Marc de Garidel will not receive any multi-annual variable compensation in respect of his office as Chairman of the Board of Directors of the Company.

Directors' fees

In the frame of the separation of the functions of Chairman of the Board and Chief Executive Officer, the Board of Directors has decided on 8 July 2016 that Mr. Marc de Garidel will not receive any director's fees in respect of his office as Chairman of the Board.

Stock options and bonus shares

In the frame of the separation of the functions of Chairman of the Board and Chief Executive Officer, the Board of Directors has decided that Mr. Marc de Garidel will not receive any stock option and/or bonus share in respect of his office as Chairman of the Board.

Other benefits

Mr. Marc de Garidel receives benefits resulting from the conditions linked to the performance of his duties at Ipsen, namely and in particular assistance for the filing of his personal income tax returns, reimbursement of reasonable attorney fees and expenses incurred in connection with the finalization of the terms and conditions of his corporate mandate, company car and driver, business travel and accommodation expenses incurred whilst exercising his duties as Chief Executive Officer, healthcare under a global healthcare policy, and death and disability coverage under the Group's policy or a specific policy, D&O liability insurance consistent with the D&O liability insurance of the previous Chief Executive Officer.

Payments or benefits due or to be due to Mr. Marc de Garidel in connection with the termination of function within the Group

In accordance with Ipsen policy and compliant to the AFEP-MEDEF Code, the Board of Directors, at its meeting held on 8 July 2016, decided to grant Mr. Marc de Garidel:

- a severance pay,
- the benefice of defined benefit additional pension commitment existing within the Company,
- a compensation under a non-compete agreement.

These payments or benefits due or to be due to the Chairman in connection with the termination of function replace those previously granted in respect of his office as Chairman and Chief Executive Officer by the Board of Directors of 11 October 2010.

Details of these commitments are given below (see section D. below).

C. Subscription or purchase options granted to Mr. Marc de Garidel, Chairman and Chief Executive Officer until 18 July 2016

Executive directors and other managers of the Group can be awarded stock options and/or bonus shares in the scope of the plans approved and set every second term of the year by the Board of Directors upon proposal of the Compensation Committee. The definitive number of shares that will vest will depend on the applicable performance conditions.

In accordance with the AFEP-MEDEF Code (§24.2 in its version of November 2016), no stock option and/or performance bonus share is granted to the Chairman. The bonus shares that have been awarded to Mr. Marc de Garidel in 2016 have been so in respect of his office as Chairman and Chief Executive Officer until 18 July 2016.

a. Subscription or purchase options granted to Mr. Marc de Garidel, Chairman and Chief Executive Officer until 18 July 2016

Subscription or purchase options granted during the 2016 financial year (table 4 of AMF recommendations)

No option was granted to the Chairman, Mr. Marc de Garidel, during the 2016 financial year. No options were granted to Mr. Marc de Garidel in respect of his office as Chairman and Chief Executive Officer until 18 July 2016.

Synthesis of the subscription or purchase options of Ipsen shares granted

For further details, see section 4.2.2.3.

	Date of grant	Number of options granted	Nature of the options	Exercise price	Exercise date	Expiry date	Number of options exercised
Marc de Garidel Chairman and Chief Executive Officer until 18 July 2016 Chairman from this date	30/06/2011	121,180 (1)	Subscription options	€25.01	01/07/2015	30/06/2019	121,180(2)
Total		**121,180**					

(1) Allocation subject to performance conditions, see section B below.
(2) Mr. Marc de Garidel exercised 121,180 options on 3 November 2016. The shares resulting from the exercise of the options granted have not been sold at the submission date of the registration document.

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, fixed the retention policy for the Chairman and Chief Executive Officer for the shares resulting from bonus shares. The Board decided that the Chairman and Chief Executive Officer 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 bonus shares until the termination of his office as Chairman and Chief Executive Officer.

Subscription or purchase options exercised during 2016 (Table 5 of the AMF recommendations)

Company officer	Date of grant	Number of options exercised during the financial year	Exercise price
Marc de Garidel Chairman and Chief Executive Officer(1)	30/06/2011	121,180(2)	€25.01

(1) Mr. Marc de Garidel has been Chairman of the Board since 18 July 2016, at the date of the separation of the functions of Chairman and Chairman and Chief Executive Officer.
(2) The shares resulting from the options exercised on 3 November 2016 have not been sold at the submission date of the registration document.

b. Bonus shares granted to Mr. Marc de Garidel, Chairman and Chief Executive Officer until 18 July 2016

Bonus shares granted during the 2016 financial year (table 6 of AMF recommendations)

	Plan date	Number of bonus shares granted	Book value of the shares (per share)[1]	Book value of the shares[1]	Acquisition date	Date of availability	Performance conditions
Marc de Garidel	31/05/2016	5,070[2] [3]	€47.73	€241,997	01/06/2018	01/06/2020	Yes

(1) Under the method used for the consolidated financial statements. The shares' book value amounted to €56.69, which corresponds to the share's value during the allocation, after taking into account the drop in value linked to the performance criteria and to the probability of attendance in the company at the end of the acquisition period. The global amount of granted shares book value is listed on table 1 under paragraph 4.1.3.2.1.2.
(2) Allocation subject to performance conditions.
(3) In the frame of the separation of the functions, the Board of Directors, at its meeting held on 8 July 2016, decided that Mr. Marc de Garidel shall continue to benefit, in proportion to the time as Chief Executive Officer during the 2016 financial year, from the multi-annual variable compensation which has been granted to him as part of the restricted shares plans by the Board of Directors on 31 May 2016 (for the 2016 and 2017 financial years). The number of performance bonus shares granted to him, adjusted *prorata temporis*, amounted to 5,070 shares (27.35%) compared to an initial grant of 18,549 shares.

The Board of Directors, at its meeting held on 31 May 2016, upon recommendation of the Compensation Committee, decided the implementation of a plan of bonus shares to the benefit of 192 beneficiaries, on a total of 245,738 shares (equivalent to about 430,000 shares in case of an over achievement of 175%, *i.e.* 0.60% of the share capital), each of them subject to performance and presence conditions. This bonus shares represent 0.30% of the share capital at the date of grant.

The Board of Directors, at its meeting held on 31 May 2016, upon recommendation of the Compensation Committee, initially decided to grant to the Chairman and Chief Executive Officer, in respect of this plan, 18,539 performance bonus shares to the Chairman and Chief Executive Officer, Mr. Marc de Garidel, *i.e.* 0.02 % of the share capital.

The definitive acquisition of bonus shares is subject to a presence condition within the Company. The definitive number of bonus shares that will be vested will depend on the realization of the applicable performance conditions that will be assessed annually by comparing the target threshold and the actual performance of the Company over the first and second financial years used as reference periods for the plan. Each of these conditions may generate a payout varying within a range between zero to 175%. These bonus shares are subject to a 2-year acquisition period from the date of grant and 50% of the shares thus acquired will be subject to a 2-year holding period.

These performance conditions are based, for the half of the target amount, on an internal criterion based on the level reached by the current operating income of the Group and for the other half of the target amount, an external criterion based on the performance of the stock market price of the share of the Company regarding the STOXX 600 TMI Health Care index. For confidentiality reasons, the intern and extern criteria details and the level of achievement expected and realized are not made public. In case of over achievement of the expected performance (*i.e.* 100%), the number of bonus shares granted will be adjusted correlatively.

In the frame of the separation of the functions, the Board of Directors, at its meeting held on 8 July 2016, decided that Mr. Marc de Garidel shall continue to benefit, in proportion to the time as Chief Executive Officer during the 2016 financial year, from the multi-annual variable compensation which has been granted to him as part of the restricted shares plans by the Board of Directors on 31 May 2016 (for the 2016 and 2017 financial years). The number of performance bonus shares granted to him, adjusted *prorata temporis*, amounted to 5,070 shares (27.35%).

Synthesis of the bonus shares granted

The table below describes, as of 31 December 2016, the total of bonus shares granted to the Chairman and Chief Executive Officer[1]. For further details, see Table 8, section 4.2.2.3.

Company Officer	Date of grant	Number of options granted	Date of vesting	Date of availability	Number of shares to be retained
Marc de Garidel Chairman and Chief Executive Officer until 18 July 2016[1]	30/06/2011	4,490[2]	01/07/2013	01/07/2015	20% capital gain net of acquisition value
	30/03/2012	23,940[2]	31/03/2014	31/03/2016	
	28/03/2013	22,590[2]	29/03/2015	29/03/2017	
	27/03/2014	18,712[2]	28/03/2016	28/03/2018	
	01/04/2015	12,588[2][3]	02/04/2017	02/04/2019	
	31/05/2016	5,070[2][3]	01/06/2018	01/06/2020	
Total		**87,390[4]**			

(1) In the frame of the separation of functions, Mr. Marc de Garidel has been Chairman since 18 July 2016.
(2) Allocation subject to performance conditions, see section B above.
(3) In the frame of the separation of the functions, the Board of Directors, at its meeting held on 8 July 2016 decided that Mr. Marc de Garidel shall continue to benefit, in proportion to the time as Chief Executive Officer during the 2016 financial year, from and (i) the variable compensation elements which have been granted to him as part of the restricted shares plans by the Board of Directors on 1 April 2015 (for the 2015 and 2016 financial years) as well as (ii) the variable compensation elements which have been granted to him as part of the restricted shares plans by the Board of Directors on 31 May 2016 (for the 2016 and 2017 financial years). The number of performance bonus share granted to him, adjusted *prorata temporis*, amounted to 5,070 shares (27.35%).
(4) Representing 0.10 % of the share capital on 31 December 2016.

In accordance with the provisions of article L.225-197-1 of the French Commercial Code, the Board of Directors, at its meetings held on 30 June 2011, 30 March 2012, 28 March 2013, 27 March 2014, 1 April 2015 and 31 May 2016 fixed the retention policy for the Chairman and Chief Executive Officer for the shares resulting from bonus shares. The Board decided that the Chairman and Chief Executive Officer must retain, until the end of his term of office, a number of shares equivalent to 20% of the net capital gain that would be realized upon the sale of the shares resulting from bonus shares until the termination of his office as Chairman and Chief Executive Officer.

Mr. Marc de Garidel, Chairman and Chief Executive Officer until 18 July 2016, undertook a formal commitment not to engage in hedging transactions either on his options or on shares issued following the exercise of options or on performance bonus shares granted until the end of the holding period that has been decided by the Board of Directors.

Performance bonus shares that have become available during the 2016 financial year (Table 7 of AMF recommendations)

The table below describes all of the bonus shares that have become available during the 2016 financial year for the Chairman and Chief Executive Officer:

Company Officer	Date of grant	Number of options granted
Marc de Garidel Chairman and Chief Executive Officer[1]	30/03/2012	16,282[2]

(1) Mr. Marc de Garidel has been Chairman of the Board since 18 July 2016, at the date of the separation of the functions of Chairman and Chairman and Chief Executive Officer.
(2) Allocation subject to performance conditions, see section B above.

D. Summary of commitments issued in favor of Mr. Marc de Garidel, Chairman and Chief Executive Officer until 18 July 2016 and Chairman from this date

	Employment contract		Additional pension scheme		Payments or benefits due or to be due in connection with the termination or change of functions		Compensation under a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Marc de Garidel Chairman and Chief Executive Office until 18 July 2016 Chairman from this date Date of reappointment as Director: AGM 2015		X	X		X		X	

Employment contract

Mr. Marc de Garidel, Chairman and Chief Executive Officer until 18 July 2016 and Chairman since then, does not hold any employment agreement.

Additional pension scheme

Mr. Marc de Garidel, Chairman, potentially benefits from the defined benefit additional pension commitment existing within the Company according to the decision of the Board of Directors held on 8 July 2016. This pension commitment benefits, more generally, to the company's executives.

The benefit of the pension commitment is subject to:

- a minimum 5-year service,
- the liquidation of the social security pension at a full rate,
- the termination of any professional activity with the Company at the date of the liquidation of basic and additional pensions.

However, the right is maintained in case of early retirement or dismissal after the age of 55 subject to non-resumption of professional activity or in case of admission in the 2nd or 3rd category of invalidity.

Furthermore, in case of death of the potential beneficiary in activity, the right to widow's or widower's pension is maintained.

In accordance with the Article L.225-42-1 of the French Commercial Code, the grant of this additional pension scheme shall be subject to the following performance condition: the maintaining of the recurring operating margin of the Group during the three years preceding departure at a minimum threshold of 15%.

The pension is calculated at rate of 0.6% per year of seniority to the part of the reference compensation below 8 times the Annual Social Security Ceiling ("PASS") and at a rate of 1% for the part of the reference compensation in excess of 8 times the PASS.

The reference compensation is the average of the total gross amount of the compensation perceived for a full time job's (bonus included) during the last 36 months preceding the end of contract and/or office. The termination fees, expense reimbursement, profit-sharing and incentives are excluded.

The seniority is limited to 40 years.

Widow's or widower's pension modalities are organized in the plan.

The annual amount of pension expected by the beneficiaries could not exceed 45% of their fixed and variable compensation.

The potential rights are financed by non-individualisable premiums paid to an insurance institution. These premiums are deductible from the tax company base and subject to the contribution organized by article L.137-11, I, 2° a) of the Social Security code at the rate of 24%.

For Mr. Marc de Garidel, the amount of the annual pension, as of 31 December 2016, is estimated at €151,439. This amount was calculated according to the procedures under Decree Nr. 2016-182 of 23 February 2016, bearing in mind that this amount is based on a reference compensation calculated on the average gross full-time compensation (bonus included) received during the last 36 months. In view of the new frame of compensation of Mr. Marc de Garidel, who will only receive a fixed compensation in respect of his office during the following financial years, this pension should progressively amount to a level comparable to the one preceding his appointment as Chairman, should he leave on 31 December of the year of his 62nd birthday (see 2015 Registration Document).

Payments or benefits due or to be due in connection with the termination of function within the Group

At its meeting held on 8 July 2016, the Board of Directors decided to grant Mr. Marc de Garidel, Chairman, 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 within the meaning of the AFEP-MEDEF Code,
- in an amount corresponding to 24-months' remuneration (fixed and annual 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 of 15%), and
- which includes the amount due in respect of any non-compete obligation, if applicable.

Non-competition payment

Mr. Marc de Garidel agreed, in the event of his departure from the Group, during a period of 24 months following the date of his effective departure, not to perform or participate from an operational standpoint (including as a consultant), within the territory of the European Economic Area (EEA) and/or North America, in any activity relating to the development and/or the marketing of products belonging to the same therapeutic category (source IMS-Health) as one of the top three products of the Group in terms of turnover on the date of Mr. Marc de Garidel's effective departure.

The indemnity owed by the Company in consideration of this non-compete undertaking will be included in the severance package described above if it were also due.

4.1.3.2.2 Compensation of the Company Officers whose term ended during the 2016 financial year

At its meeting held on 15 February 2016, the Board of Directors of the Company noted the departure of Ms. Christel Bories due to diverging strategic considerations, and, on the recommendation of the Compensation Committee, it determined the following remuneration and compensation payable in connection with the termination of her duties. In accordance with article L.225-42-1 of the French Commercial Code and with the recommendations of the AFEP-MEDEF code (§24.5 of the AFEP-MEDEF code in its November 2016 version), the information related to the termination of the mandate of Ms. Christel Bories as Deputy Chief Executive Officer have been published on the Company's website.

The compensation elements due or allocated to Ms. Christel Bories, Deputy Chief Executive Officer until 31 March 2016, for the 2016 financial year, will be submitted to the Shareholders at the Annual Combined General Meeting to be held in 2017 deciding on the accounts for the financial year closed on 31 December 2016.

A. Summary table of the compensation, options and performance shares accruing to Ms. Christel Bories, Deputy Chief Executive Officer until 31 March 2016

Summary table of the compensation, options and performance shares (table 1 of the AMF recommendations)

(gross rounded amount – in euros)	2015 Financial Year	2016 Financial Year
Christel Bories Deputy Chief Executive Officer until 31 March 2016		
Compensation due for the year (see details below)	2,167,802	4,725,440
Book value of multi-annual variable compensations granted during the year(*)	300,000(1)(2)	–
Book value of the options granted during the year	–	–
Book value of the performance bonus shares granted during the year(*)	313,177(2)	–
Total	**2,780,979**	**4,725,440**

(*) For further details, see Table 10 and section 4.1.3.2.1 paragraphs B and C below.
(1) Gross target amount. The final amount could change depending on the performance criteria and on the reference share price of the Company under the plan for the determination of the mid-term bonus' final amount.
(2) At its meeting held on 15 February 2016, the Board of Directors decided that Ms. Christel Bories's acquisition rights, within the plan of 1 April 2015, shall cover 50% of the number of bonus shares initially granted (50% of 10,070 bonus shares, *i.e.* 5,035 bonus shares) and her rights to the medium term bonus, within the plan of 1 April 2015, will therefore be calculated based on a target bonus of €150,000, *i.e.* 50% of the amount of the target bonus initially granted (€300,000), corresponding to the time spent by Ms. Christel Bories at the Company during the reference period set out in the plan, depending on the relevant performance criteria for 2015 only.

Summary table of the compensation (Table 2 of the AMF recommendations)

(gross rounded amount – in euros)	2015		2016	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Christel Bories Deputy Chief Executive Officer until 31 March 2016				
Fixed compensation	600,000	600,000	150,000(1)	150,000(1)
Annual variable compensation	860,000(2)	819,000(3)	–(4)	860,000(2)
Multi-annual variable compensation	707,802(5)	707,802	–	–
– for 2014 and 2015	–	–	1,207,180(6)	1,207,180
– for 2015 and 2016	–	–	448,260(7)	448,260
Exceptional compensation	–	–	–	–
Directors' fees	–	–	–	–
Benefits in kind	–	–	–	–
Severance payment(8)	–	–	2,920,000	2,920,000
Total	**2,167,802**	**2,126,802**	**4,725,440**	**5,585,440**

(1) The Board of Directors, at its meeting held on 15 February 2016, fixed an amount of €150,000 for the period from 1 January 2016 to 31 March 2016 in respect of her office as Deputy Chief Executive Officer (*prorata temporis* amount calculated on an annual basis of €600,000).
(2) The Board of Directors, at its meeting held on 15 February 2016, upon proposal of the Compensation Committee, fixed, in view of the realization of the pre-established criteria, the amount of the annual variable compensation for 2015 of the Deputy Chief Executive Officer at €860,000. This amount will be paid in 2016.
(3) The Board of Directors, at its meeting held on 2 March 2015, upon proposal of the Compensation Committee, fixed, in view of the realization of the pre-established criteria, the amount of the annual variable compensation for 2014 of the Deputy Chief Executive Officer at €819,000. This amount was paid in 2015.
(4) No variable remuneration was awarded to Ms. Christel Bories for the 2016 financial year as a result of her departure on 31 March 2016.
(5) The Board of Directors, at its meeting held on 1 April 2015, upon proposal of the Compensation Committee, fixed, in view of the realization of the pre-established criteria, the amount of the multi-annual variable compensation for 2013 and 2014 of the Deputy Chief Executive Officer at €707,802. This amount was paid in 2015. For further details, see section 4.1.3.2.2 paragraph B.
(6) The Board of Directors, at its meeting held on 15 February 2016, upon proposal of the Compensation Committee, noted that Ms. Christel Bories would benefit from the multi-annual variable compensation of the Deputy Chief Executive Officer due to her for 2014 and 2015, *i.e.* €1,207,180. For further details, see section 4.1.3.2.2 paragraph B below.
(7) The Board of Directors, at its meeting held on 15 February 2016, decided to lift the condition of presence relating to Ms. Christel Bories for the period running from 1 April 2016 to 1 April 2017, applicable to the determination of the amount of the multi-annual variable compensation of the Deputy Chief Executive Officer for 2015 and 2016. The Board of Directors, at its meeting held on 30 March 2016, upon recommendation of the Compensation Committee, fixed, in view of the realization of the pre-established criteria, the amount of the annual variable compensation at €448,260. Ms. Christel Bories's rights are calculated on the basis of a target bonus amounting to 50% of the target bonus awarded in 2015.
(8) For further details, see section 4.1.3.2.2 paragraph B below.

B. Details of the compensation elements granted to Ms. Christel Bories, Deputy Chief Executive Officer until 31 March 2016

The compensation of the Chief Executive Officer is determined by the Board of Directors upon proposal of the Compensation Committee.

For the financial year 2016, the Board of Directors, upon recommendation of the Compensation Committee, fixed, at its meeting held on 15 February 2016, the elements regarding the compensation and the departure of the Deputy Chief Executive Officer, which are as follows:

Fixed compensation

The Board of Directors has set Ms. Christel Bories's fixed compensation at a gross annual amount of €600,000. For the 2016 financial year, this compensation has been paid on a *prorata temporis* basis until 31 March 2016. It amounts to €150,000 for the 2016 financial year.

Annual variable compensation

No variable remuneration was awarded to Ms. Christel Bories for the 2016 financial year as a result of her departure on 31 March 2016.

Multi-annual variable compensation

The Board of Directors, at its meeting held on 28 March 2013, decided, upon recommendation of the Compensation Committee, the implementation of the mid-term bonus, subject to performance conditions for the 2013 and 2014 financial years, to the benefit of 161 beneficiaries within the Group. The Board of Directors granted, within this plan, the gross amount of €285,000 (representing 50% of the fixed compensation) to the Deputy Chief Executive Officer. The performance conditions, which are based, for the two thirds of the target amount, on quantitative criteria which are based on the achievement of a certain level of revenues at constant exchange rate (1/3), adjusted operating EBIT (1/3) and cash flow from operations (1/3); and for the third of the target amount, on qualitative criteria. For confidentiality reasons, the qualitative criteria details and the level of achievement expected set by quantitative criteria are not made public. The allocation of this bonus is also subject to a presence condition. The Board of Directors, at its meeting held on 1 April 2015, assessed the achievement of performance conditions and decided the payment of €707,802 to the Deputy Chief Executive Officer.

The Board of Directors, at its meeting held on 27 March 2014, decided, upon recommendation of the Compensation Committee, the implementation of the mid-term bonus, subject to performance conditions for the 2014 and 2015 financial years, to the benefit of 156 beneficiaries within the Group. The Board of Directors granted, within this plan, the gross amount of €285,000 (representing 50% of the fixed compensation) to the Deputy Chief Executive Officer. This

bonus was to be paid in 2016, subject to the assessment by the Board of Directors of performance conditions. These performance conditions are based, for the half of the target amount, on an internal criterion based on the recurring adjusted EBIT level of the Group (50%) and for the other half, on an external criterion based on the performance of the stock market price of the Ipsen share regarding the STOXX 600 TMI Health Care index (50%). For confidentiality reasons, the intern and extern criteria details and the level of achievement expected and realized are not made public. The acquisition of the mid-term bonus was subject to a presence condition during the period from 27 March 2014 to 27 March 2016. The Board of Directors at its meeting held on 15 February 2016 measured the level of achievement of the performance conditions and fixed the amount of €1,207,180 due to the Deputy Chief Executive Officer. The Board of Directors, at its meeting held on 1 April 2015, upon recommendation of the Compensation Committee, also decided the implementation of the mid-term bonus, subject to performance conditions, for the 2015 and 2016 financial years, to the benefit of 168 beneficiaries within the Group. The Board of Directors granted, within this plan, the gross amount of €300,000 to the Deputy Chief Executive Officer. This bonus is subject to the assessment by the Board of Directors of the achievement of performance conditions, which are based, for the half of the target amount, on an internal criterion based on the level reached by the current operating income (excluding research tax credit) of the Group (50%) and for the other half of the target amount, an external criterion based on the performance of the stock market price of the share of the Company regarding the STOXX 600 TMI Health Care index. For confidentiality reasons, the intern and extern criteria details and the level of achievement expected and realized are not made public. This attribution of mid-term bonus is subject to a presence condition for the period running between 1 April 2015 and 1 April 2017.

Within the framework of the departure of Ms. Christel Bories from the Group on 31 March 2016, the Board of Directors, at its meeting held on 15 February 2016, decided to lift the condition of presence relating to Ms. Christel Bories for the period running from 1 April 2016 to 1 April 2017. The Board of Directors also decided that Ms. Christel Bories's rights to the medium term bonus, within the plan of 1 April 2015, will therefore be calculated based on a target bonus of €150,000, *i.e.* 50% of the amount of the target bonus initially granted (€300,000), corresponding to the time spent by Ms. Christel Bories at the Company during the reference period set out in the plan, depending on the relevant performance criteria for 2015 only. The Board of Directors, at its meeting held on 30 March 2016, fixed the level of achievement of the performance conditions and decided the payment of €448,260 to the Deputy Chief Executive Officer in this respect.

No multi-annual compensation was granted to Ms. Christel Bories for the 2016 financial year.

Bonus shares

No bonus share was awarded to Ms. Christel Bories for the 2016 financial year as a result of her departure on 31 March 2016.

Payments or benefits due or to be due to Ms. Christel Bories in connection with the termination of function within the Group

In accordance with Ipsen policy and compliant to the AFEP-MEDEF Code, the Board of Directors, at its meeting held on 26 February 2013, decided to grant Ms. Christel Bories:

- a severance pay (€2,920,000 paid in 2016);
- the benefice of defined benefit additional pension commitment existing within the Company (minimum 5-year seniority required);
- a compensation under a non-compete agreement (50% of the severance pay paid in 2016). Details of the payment that occurred in 2016 are given below (see section D below).

C. Subscription or purchase options granted to Ms. Christel Bories, Deputy Chief Executive Officer until 31 March 2016

Executive directors and other managers of the Group can be awarded stock options and/or bonus shares in the scope of the plans approved and set every second term of the year by the Board of Directors upon proposal of the Compensation Committee. The definitive number of shares that will vest will depend on the applicable performance conditions.

a. Subscription or purchase options granted to Ms. Christel Bories, Deputy Chief Executive Officer until 31 March 2016

Subscription or purchase options granted during the 2016 financial year (table 4 of AMF recommendations)

No option was granted to the Deputy Chief Executive Officer, Ms. Christel Bories, during the 2016 financial year.

Synthesis of the subscription or purchase options granted

The Deputy Chief Executive Officer, Ms. Christel Bories, was not granted any option during her term of office.

Subscription or purchase options exercised during the 2016 financial year (table 5 of AMF recommendations)

No option was exercised by the Deputy Chief Executive Officer, Ms. Christel Bories, during the 2016 financial year.

b. Bonus shares granted to Ms. Christel Bories, Deputy Chief Executive Officer until 31 March 2016

Bonus shares granted during the 2016 financial year (table 6 of AMF recommendations)

Ms. Christel Bories was not awarded any bonus shares during the 2016 financial year.

Synthesis of the bonus shares granted

The table below describes, as of 31 December 2016, the total of bonus shares granted to the Deputy Chief Executive Officer. For further details, see Table 8, section 4.2.2.3.

Company Officer	Date of grant	Number of options granted	Date of vesting	Date of availability	Number of shares to be retained
Christel Bories Deputy Chief Executive Officer until 31 March 2016	28/03/2013	17,169[1]	29/03/2015	29/03/2017	20% capital gain net of acquisition value
	27/03/2014	14,221[1]	28/03/2016	28/03/2018	
	01/04/2015	10,070[1][2]	02/04/2017	02/04/2019	
Total		**41,460[3]**			

(1) Grant subject to performance conditions, see section B above.
(2) The Board of Directors, at its meeting held on 15 February 2016, decided that Ms. Christel Bories' rights to the mid-term bonus, within the plan of 1 April 2015, will therefore be calculated based on 50% of the amount of shares initially granted (50% of 10,070 free shares, *i.e.* 5,035 free shares), corresponding to the time spent by Ms. Christel Bories at the Company during the reference period set out in the plan (1 April 2015 to 1 April 2017 included).
(3) Representing 0.05% of the share capital as of 31 December 2015.

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 28 March, 27 March 2014 and 1 April 2015, fixed the retention policy for the Deputy Chief Executive Officer for the shares resulting from bonus shares. The Board decided that the Chief Executive Officer 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 bonus shares until the termination of his office as Deputy Chief Executive Officer.

Ms. Christel Bories, Deputy Chief Executive Officer until 31 March 2016, undertook a formal commitment not to engage in hedging transactions either on his options or on shares issued following the exercise of options or on performance bonus shares granted until the end of the holding period that has been decided by the Board of Directors.

Performance bonus shares that have become available during the 2016 financial year (Table 7 of AMF recommendations)

During the 2016 financial year, no performance bonus shares granted to the Deputy Chief Executive Officer became available.

D. Summary of commitments issued in favor of Ms. Christel Bories, Deputy Chief Executive Officer until 31 March 2016

	Employment contract		Additional pension scheme		Payments or benefits due or to be due in connection with the termination or change of function		Compensation under a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Ms. Christel Bories Deputy Chief Executive Officer Date of appointment: 26 February 2013 with effect from 1 March 2013 End of term of office: 31 March 2016		X	X(*)		X		X	

(*) Because of her departure on 31 March 2016, Ms. Christel Bories did not benefit from this scheme.

Employment contract

Ms. Christel Bories, Deputy Chief Executive Officer until 31 March 2016, did not hold employment agreement.

Additional pension scheme (article L.137-11 of the French social security code)

Because of her departure, Ms. Christel Bories will not benefit of this commitment in particular because she doesn't have the seniority required (at least 5 years) to benefit from it.

Payments or benefits due or to be due in connection with the termination of function within the Group

At its meetings held on 26 February 2013, the Board of Directors decided to grant Ms. Christel Bories, Deputy Chief Executive Officer until 31 March 2016, the benefit of a severance payment, in accordance with the recommendations of the AFEP-MEDEF Code.

As its meeting held on 15 February 2016, the Board of Directors of the Company decided the departure of Ms. Christel Bories because of diverging strategic considerations and, upon recommendation of the Compensation Committee, approved the payment of the severance pay to her profit for an amount of €2,920,000, corresponding to 24 months of fixed and variable remuneration, calculated on the basis of the fixed and variable remuneration of Ms. Christel Bories during the financial year 2015. This amount was subject to for the approval of the 2015 financial statements and the assessment of the achievement of the performance criteria by the Board of Directors held on 29 February 2016. The Board of Directors noticed that the maintenance of the Group's recurring operational profit margin over the 3 years preceding the departure with a minimum threshold 12.5% was fulfilled. The compensation under the non-compete clause is included, representing 50% of the granted amount. The payment occurred on 1 April 2016.

Non-competition payment

In case of departure from the Group (for a reason other than a change of control), Ms. Christel Bories undertook, for a 24-month duration after her 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 three 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. In this purpose, the severance pay of Ms. Christel Bories, Deputy Chief Executive Officer until 31 March 2016, includes a non-compete compensation representing 50% of the granted amount.

4.1.4 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.

Ipsen S.A.

Registered office: 65, quai Georges Gorse – 92650 Boulogne-Billancourt Cedex

Statutory Auditors' special report on regulated agreements and commitments

Year ended 31 December 2016

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.

We are required to inform you, on the basis of the information provided to us, the terms and conditions, and the reasons for the interest of the company, 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, 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 applicable agreements and commitments in 2011, which were already approved by the General Meeting of Shareholders.

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 entered into during the past financial year

We inform you that we have been advised of the following agreements and commitments that have been pre-authorized by your Board of Directors pursuant to Article L.225-40 of the French Commercial code.

Benefit from performance bonus shares and mid-term bonus granted to Ms. Christel Bories, Deputy Chief Executive Officer until 31 March 2016, in connection with her departure

Your Board of Directors, at its meeting held on 15 February 2016, noted the departure of Ms. Christel Bories, Deputy Chief Executive Officer, due to diverging strategic considerations, with effect from 31 March 2016, and determined the elements of remuneration and compensation payable in connection with the termination of her duties. The details regarding elements of compensation are presented below in second part of this report.

In this context, your Board of Directors authorized:

- The benefit of the performance bonus shares and the mid-term bonus granted to Ms. Christel Bories within the framework of plans decided by your Board of Directors held on 27 March 2014, *i.e.* 14,221 performance bonus shares and a target mid-term bonus amount of €285,000;

- The benefit of 50% of the number of performance bonus shares and of the target mid-term bonus initially granted to Ms. Christel Bories within the framework of plans decided by your Board of Directors held on 1 April 2015, *i.e.* in fine 5,035 performance bonus shares and a target mid-term bonus amount of €150,000.

To this end, the Board of Directors lifted the condition of presence for the period running from 1 April 2016 to 1 April 2017 and authorized Ms. Christel Bories to keep the benefit of 50% of these elements of remuneration, corresponding to the time spent by Ms. Christel Bories at the Company during the reference period set out in the plan (from 1 April 2015 to 1 April 2017).

Your Board of Directors considered that this decision retaining the benefits of the performance bonus shares and the mid-term bonus, granted to Ms. Christel Bories at the time of her departure, was motivated by her contribution to the transformation and improvement of the Ipsen's results as well as by the circumstances of her departure.

Commitments made in the case of the termination of her functions in favor of Mr. Marc de Garidel, Chairman of the Board of Directors since 18 July 2016

Your Board of Directors, at its meeting of 8 July 2016, approved the compensation elements of Mr. Marc de Garidel, Chairman of the Board of Directors from 18 July 2016 and previously Chairman of the Board and Chief Executive Officer from 22 November 2010.

These compensation elements include:

- The benefit of membership from the existing additional pension scheme in force within the Company, giving right to, on retirement and subject to (i) a minimum seniority of 5 years within the Group, already acquired, (ii) an eligibility to social security retirement at the full rate (*i.e.* a retirement age of 62 at the earliest in accordance with the current French law), and (iii) the respect of a performance condition mentioned below, the payment of an annual pension calculated by reference to seniority within the Group, (x) at a rate of 0.6% of the total gross remuneration ("TGR") per year of seniority for the portion of the TGR lower than 8 times the French annual social security ceiling and (y) at a rate of 1% per year of seniority for the portion of the TGR exceeding 8 times the French annual social security ceiling (with the French annual social security ceiling amounting to €38,616 in 2016). The grant of this additional pension scheme will be subject to the same performance condition as the one applicable to the severance payment (the maintaining of the recurring operating margin of the Group during the three years preceding departure at a minimum threshold of 15%).

  Your Board of Directors also decided that Mr. Marc de Garidel is to benefit from three additional years of seniority within the context of the Company's additional pension scheme in return for his undertaking to continue his involvement within the Group as Chairman of the Board, provided that his effective departure from the Company does not take place prior to the month of November of the year he reaches 62 years of age. These additional years of seniority will allow Mr. Marc de Garidel to benefit from an annuity equal at least to €80,000, *i.e.* an annuity comparable to the one that would result from the pension entitlements at the end of the 2015 financial year (about €88,000), should he leave on the year of his 62nd birthday. The accrual of these additional years of seniority would take place on a year-by-year basis starting with fiscal year 2017 and subject to compliance with the performance conditions described above for the year in question. This benefit would not result in Mr. Marc de Garidel accruing conditional rights at a pace exceeding the maximum accrual allowed by law (*i.e.*, currently, 3% of the annual benchmark remuneration for the calculation of the annuity paid within the Company's supplementary pension plan).

- A severance payment which terms and conditions in accordance with the recommendations are set out in the AFEP-MEDEF Code, in other words:
  - an indemnity which will only be due in the event of a forced departure *(départ contraint)* within the meaning of the AFEP-MEDEF Code,
  - of an amount equal to the remuneration received from the Company over the last 24 rolling calendar months preceding the effective date of his departure,
  - the grant of which will be subject to the same performance condition as the one applicable to the severance payment due to the Chief Executive Officer (the maintaining of the recurring operating margin of the Group during the three years preceding his departure at a minimum threshold of 15%), and
  - including, for a portion equal to 50% of the amount hereof, the amount payable in consideration for the non-compete undertaking mentioned below.

Your Board of Directors considered that the decision to grant the benefit of the supplementary defined benefit pension plan in force within the Company and a severance payment to Mr. Marc de Garidel, as Chairman of the Board of Directors, is motivated by the fact that the latter has been entrusted with a long-term assignment within the Group and that the Group and the Company benefit from his experience in the pharmaceutical sector. These commitments supersede those made in favor of Mr. Marc de Garidel, in the case of the termination of his duties as Chief Executive Officer between 22 November 2010 and 18 July 2016; the latter commitment had been originally authorized by your Board of Directors at its meeting held on 11 October 2010 and modified by your Board of Directors at its meeting held on 30 March 2016, it being specified that these modifications had been approved by your General Meeting held on 31 May 2016, upon special report of the Statutory Auditors of 3 May 2016.

Non-compete undertakings taken by Mr Marc de Garidel, Chairman of the Board since 18 July 2016

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 category (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), within the territory of the European Economic Area (EEA) and/or Northern America.

During the meeting of the Board of Directors held on 8 July 2016, Mr. Marc de Garidel accepted to maintain this undertaking in the frame of his sole functions as Chairman of the Board, it being specified that the non-compete obligation will now focus on the three products of the Group in terms of turnover on the date of Mr. Marc de Garidel's effective departure. It is stated that the compensation due by your Company in consideration of these non-compete commitments would be included in the severance payment described above if it also were to be due.

Your Board of Directors considered that the undertaking of Mr. Marc de Garidel takes place within the frame of the separation of functions of Chairman of the Board and Chief Executive Officer, and of the respect of governance principles implemented within the Company.

Commitments granted to Mr. David Meek, Chief Executive Officer from 18 July 2016, in the case of termination of employment

Your Board of Directors, in its meeting held on 8 July 2016, approved the compensation elements of Mr. David Meek, Chief Executive Officer from 18 July 2016.

These compensation elements include:

- The benefit of membership from the existing additional pension scheme in force within the Company, giving right to, on retirement and subject to (i) a minimum seniority of 5 years within the Group, already acquired, (ii) an eligibility to social security retirement at the full rate (*i.e.* a retirement age of 62 at the earliest in accordance with the current French law), and (iii) the respect of a performance condition mentioned below, the payment of an annual pension calculated by reference to seniority within the Group, (x) at a rate of 0.6% of the total gross remuneration ("TGR") per year of seniority for the portion of the TGR lower than 8 times the French annual social security ceiling and (y) at a rate of 1% per year of seniority for the portion of the TGR exceeding 8 times the French annual social security ceiling (with the French annual social security ceiling amounting to €38,616 in 2016). The grant of this additional pension scheme will be subject to the same performance condition as the one applicable to the severance payment (the maintaining of the recurring operating margin of the Group during the three years preceding departure at a minimum threshold of 15%).
- A severance payment which terms and conditions in accordance with the recommendations set out in the AFEP-MEDEF Code, in other words:
  - an indemnity which will only be due in the event of a forced departure *(départ contraint)* within the meaning of the AFEP-MEDEF Code,
  - equal to 24 months of gross (fixed and variable) remuneration paid for his duties as Chief Executive Officer,
  - the grant of which will be subject to the maintaining of the recurring operating margin of the Group during the three years preceding his departure at a minimum threshold of 15%, and
  - including, for a portion equal to 50% of the amount hereof, the amount payable in consideration for the non-compete undertaking of Mr. David Meek referred to below.

Your Board of Directors considered that the decision to grant the benefit of the supplementary defined benefit pension plan in force within the Company and a severance payment to Mr. David Meek is motivated by the fact that the latter has been entrusted with a long-term assignment within the Group and that the Group and the Company benefit from his experience in the pharmaceutical sector, notably in the American market, which is a strategic area of development for the Company.

Non-compete undertakings taken by Mr. David Meek, Chief Executive Officer since 18 July 2016

During the meeting of the Board of Directors held on 8 July 2016, Mr. David Meek agreed, in the event of his departure from the Group, during a period of 24 months following the date of his effective departure from the Company, not to perform or participate from an operational standpoint (including as a consultant), within the territory of the European Economic Area (EEA) and/or North America, in any activity relating to the development and/or the marketing of products belonging to the same therapeutic category (source IMS-Health) as:

(1) one of the top three products of the Group based on the turnover generated by such products or their importance from a strategic standpoint (as assessed by the Board) on the date of Mr. David Meek's effective departure, and

(2) any product acquired by the Company between 1 January 2016 and the date of Mr. David Meek's effective departure for a total consideration exceeding €300 million (such consideration being the aggregate of any upfront payment and any subsequent commercial or regulatory milestone payment or, in the case of a corporate acquisition, the portion of the acquisition price thereof (being the sum of the initial price and any earn-out or other additional price) allocable to the relevant product).

It is stated that the indemnity owed by the Company in consideration of this non-compete undertaking will be deemed to be included in the severance package referred to above if it is also owed.

Your Board of Directors considered that the undertaking of Mr. David Meek takes place within the frame of the separation of functions of Chairman of the Board and Chief Executive Officer, of the respect of governance principles implemented within the Company, and the negotiations allowing the arrival of Mr. David Meek within the Company as Chief Executive Officer.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING

Agreements and commitments approved in prior years that were implemented during the past financial year

Pursuant to article R.225-30 of the French Commercial Code, we have been informed of the continuation of the following agreements and commitments, already approved by the General Meeting in prior years, which lasted or were implemented during the past financial year.

As indicated in the first part of the present report, your Board of Directors, at its meeting held on 15 February 2016, noted the departure of Mrs. Christel Bories due to diverging strategic considerations, and, on the recommendation of the Compensation Committee, it determined the following remuneration and compensation payable in connection with the termination of her duties:

Commitments granted to Ms. Christel Bories, Deputy Chief Executive Officer until 31 March 2016, in the case of termination of employment

Your Board of Directors authorized at its 26 February 2013 meeting granting to Ms. 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 annuity 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, the terms and conditions of which 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.

In the framework of Ms. Christel Bories' departure, your Board of Directors, at its meeting held on 15 February 2016, noticed the achievement of the performance condition and approved the payment of the severance payment due in case of the termination of her duties, of a gross amount of €2,920,000, corresponding to 24 months of fixed and variable remuneration for the 2015 financial year.

As Ms. Christel Bories does not fulfill the seniority required (at least 5 years) by the Company's additional pension scheme she will not benefit from said pension scheme.

Non-compete undertakings taken by Ms. Christel Bories

Your Board of Directors approved at its 26 February 2013 meeting the commitments taken by Ms. 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 in terms of revenue of the Ipsen Group, during the twenty-four months after her 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 Ms. 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.

In the framework of Ms. Christel Bories' departure, your Board of Director, at its meeting held on 15 February 2016, noticed that the amount payable for Ms. Christel Bories' non-compete compensation is included for 50% of this severance payment.

Paris La Défense and Neuilly-sur-Seine, 22 February 2017

The Statutory Auditors

KPMG AUDIT *A division of KPMG S.A.*	Deloitte & Associés
Philippe Grandclerc	Jean-Marie Le Guiner

4.2 INFORMATION RELATED TO THE COMPANY AND ITS SHARE CAPITAL

4.2.1 Main Provisions of the Articles of Association

4.2.1.1 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.

4.2.1.2 Governance of the Company

Board of Directors

The Company is governed by a Board of Directors. The Board of Directors is responsible for defining and implementing the Company's strategic objectives. Subject to the powers expressly reserved for the Shareholders' Meeting and within the limits of the Company's corporate purpose, the Board of Directors is competent to consider and settle all issues involving the proper functioning of the Company through the passing of its resolutions.

Executive Management

In accordance with the legal provisions, the executive management of the Company is the responsibility either of the Chairman of the Board of Directors, who then serves as Chairman and Chief Executive Officer, or of another person appointed by the Board of Directors who then serves as Chief Executive Officer.

The Board of Directors is responsible for electing one of these two options for a period which may not be less than one year.

At its meeting on 15 February 2016, the Board of Directors decided to change the Company's form of governance by separating the duties of Chairman of the Board of Directors and Chief Executive Officer. The Company also announced on 16 February 2016 that it had initiated the process to recruit its future Chief Executive Officer. The separation of said functions is effective since 18 July 2016 date of entry into office of David Meek as Chief Executive Officer. Within this change of governance, the appointment of Marc de Garidel as Chairman of the Board of Directors has been confirmed. For further details, see section 4.1.2.1.1.

4.2.1.3 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.

4.2.1.4 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 distribution of profits. It appoints and dismisses the Directors and sets their compensation in accordance with the legal provisions and the Articles of association. It appoints the Company's Statutory Auditors.

The Ordinary Shareholders' Meeting may delegate authority to the Board of Directors at the Board's request to deal with all matters not specifically reserved for Extraordinary Shareholders' Meetings.

More generally, the Ordinary Shareholders' Meeting resolves on all matters that do not entail a direct or indirect modification of the Articles of association.

The Ordinary Shareholders' Meeting is held every year no later than six months after the end of the previous financial year-end, unless this time period is extended by court order.

Extraordinary Shareholders' Meeting

The Extraordinary Shareholders' Meeting may amend any and all of the provisions of the Articles of association of the Company. However, it may not increase the shareholders' liability, or change the nationality of the Company except under the terms and conditions set forth by law and international treaties.

Notice and Meeting of Shareholders' Meetings

General Shareholders' Meetings are called by the Board of Directors or, if applicable, by the Statutory Auditors or any other person duly empowered by law. The meetings take place at the registered office or any other place indicated in the notice of meeting.

The agenda is set by the person who convenes the meeting. However, one or several shareholders may request, under the terms and conditions set forth by legal and regulatory provisions in force, the inclusion of items or draft resolutions in the agenda. The works council may also require the inclusion of proposed resolutions in the agenda in accordance with the regulation in force. The Shareholders' Meeting may not resolve on items which are not on the agenda, in accordance with the current regulation. However, it may in any event remove one or more Directors from office and appoints new directors in replacement. The agenda may not be revised for an adjourned meeting.

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 General Shareholders' Meeting, held on 27 May 2015, modified the Article 24.3 of the Company's Articles of association, in order to bring it into line with the regulations in force, as follow: "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, no later than on the second 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.

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 no later than two months from the original convening's date.

Shareholders attending the meeting by videoconferencing or other means of telecommunication allowing their identification and compliant with the legal and regulatory provisions are counted as present for the purpose of calculating the quorum.

4.2.1.5 Crossing of thresholds (Article 10.3 of the Articles of association)

In addition to the legal disclosure requirements set out in Article L.233-7 of the French Commercial Code, any person or legal entity, acting either alone or in concert, who holds by any mean a number of shares representing one percent (1%) of the share capital or voting rights, or any multiple thereof, must no later than five (5) business days after the occurrence, advise the Company by fax of the total number and percentage of shares and voting rights held, with written confirmation sent the same day by recorded delivery mail.

Such persons are also required to advise the Company if their holding falls back below those thresholds, under the same terms and conditions.

In case of failure to comply with these requirements, the shares exceeding the part that should have been disclosed are deprived of the voting right for any Shareholders' Meeting that would be held in a two-year period following the date of regularization of the disclosure. Except in the case of crossing one of the thresholds provided for by Article L.233-7 of the French Commercial Code, the deprival of the voting rights, which will be recorded in the minutes of the Shareholders' Meeting, may only occur if requested by one or more of the shareholders representing at least one percent (1%) of the share capital and voting rights of the Company.

4.2.1.6 Identification of bearer shareholders (Article 10.2 of the Articles of association)

The Company may at any time, in accordance with the applicable legal and regulatory provisions and at its own expenses, request the relevant central depositary for financial instruments, to provide it with the name, or the corporate name in case of a legal entity, nationality and address or as

the case may be, the registered office, of holders of securities conferring the right to vote at its General Shareholders' Meetings either immediately or in the future, as well as the number of securities held by each of them and any restrictions attached thereto.

4.2.1.7 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.

4.2.1.8 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.

4.2.1.9 Provisions that could delay, defer or prevent a change in control

There is no specific provisions of the Articles of association that could delay, defer or prevent a change in the control of the Company.

4.2.2 Share Capital

4.2.2.1 Amount of share capital

As of 31 December 2016, the share capital of the Company amounted to €83,557,864 divided into 83,557,864 shares fully subscribed and paid-up of same class, each with a par value of €1.

As of 22 February 2017, the share capital of the Company amounted to €83,580,494 divided into 83,580,494 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).

4.2.2.2 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
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
27/03/2014	Options exercises	1	5,110	5,110	120,443	712,214,776	82,616,769	82,616,769
31/03/2014	Bonus shares grant (Plans dated from 31/03/2010 and from 30/03/2012)	1	152,306	152,306	–	712,214,776	82,769,075	82,769,075
04/06/2014	Options exercises	1	7,100	7,100	158,200	712,372,976	82,776,175	82,776,175
28/08/2014	Options exercises	1	4,965	4,965	124,032	712,497,008	82,781,140	82,781,140
08/10/2014	Options exercises	1	59,833	59,833	1,677,241	714,174,249	82,840,973	82,840,973
17/12/2014	Options exercises	1	26,610	26,610	656,125	714,830,374	82,867,583	82,867,583
31/12/2014	Options exercises	1	1,500	1,500	43,320	714,873,694	82,869,083	82,869,083
02/03/2015	Options exercises	1	13,875	13,875	361,245	715,234,939	82,882,958	82,882,958
01/04/2015	Options exercises	1	39,898	39,898	1,068,756	716,303,695	82,922,856	82,922,856
01/04/2015	Bonus shares grant (Plan dated 28/03/2013)	1	142,596	142,596	–	716,303,695	83,065,452	83,065,452
27/05/2015	Options exercises	1	22,200	22,200	541,052	716,844,747	83,087,652	83,087,652

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
01/07/2015	Bonus shares grant (Plan dated 30/06/2011)	1	39,100	39,100	–	716,844,747	83,126,752	83,126,752
30/07/2015	Options exercises	1	19,726	19,726	577,654	717,422,401	83,146,478	83,146,478
07/10/2015	Options exercises	1	77,784	77,784	2,163,896	719,586,297	83,224,262	83,224,262
16/12/2015	Options exercises	1	21,340	21,340	525,967	720,112,264	83,245,602	83,245,602
29/02/2016	Options exercises	1	900	900	27,657	720,139,921	83,246,502	83,246,502
31/05/2016	Options exercises	1	13,180	13,180	457,229	720,597,150	83,259,682	83,259,682
21/07/2016	Capital increase by issue of shares	1	80,000	80,000	3,372,000	723,969,150	83,339,682	83,339,682
27/07/2016	Cancellation of treasury shares	1	(80,000)	(80,000)	–	–	83,259,682	83,259,682
27/07/2016	Options exercises	1	10,435	10,435	326,749	724,295,899	83,270,117	83,270,117
05/10/2016	Options exercises	1	117,367	117,367	4,157,665	728,453,564	83,387,484	83,387,484
15/12/2016	Options exercises	1	160,380	160,380	4,166,322	732,619,886	83,547,864	83,547,864
31/12/2016	Options exercises	1	10,000	10,000	322,100	732,941,986	83,557,864	83,557,864
22/02/2017	Options exercises	1	22,630	22,630	796,433	733,738,419	83,580,494	83,580,494

(1) Amount after imputation of the tax-free expenses on premiums.

4.2.2.3 Potential share capital

As of 31 December 2016, the potential share capital represents a maximum potential dilution of 0.26% distributed as follows:

4.2.2.3.1 Stock purchase or subscription options plans

Description

Every Ipsen SA stock subscription or purchase option grants the right to subscribe to or purchase one Company share.

The rights resulting from options granted to beneficiaries are entirely acquired at the end of a four-year period and can be exercised on one or several occasions.

With respect to all plans, in the event of a tender offer, granted options are immediately acquired and exercisable. Moreover, the underlying shares are negotiable, without any condition attached.

As of 31 December 2015, with respect to all Ipsen plans, there were 744,771 outstanding options (after deduction of the number of options exercised or cancelled to take into account the departure of certain beneficiaries), of which 530,819 purchase options and 213,952 subscription options, representing a potential increase of the share capital up to €213,952 and a maximum potential dilution of 0.26%.

The following table **(Table 8 of AMF recommendations)** presents, as of 31 December 2015, 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						Exercised as at 31/12/2016	Cancelled or expired as at 31/12/2016	Outstanding as at 31/12/2016
			Of beneficiaries	Of options	Number of beneficiaries	Of options							
02/06/2006	12/12/2006	12/12/2006	18	23,000	–	–	Subscription	12/12/2010	13/12/2016	29.88	13,500	9,500	0
02/06/2006	12/12/2006	12/12/2006	31	42,000	–	–	Subscription	12/12/2010	13/12/2018	29.88	7,500	15,500	19,000
02/06/2006	12/12/2006	12/12/2006	20	28,500	–	–	Subscription	12/12/2010	13/12/2018	33.21	10,000	9,500	9,000
02/06/2006	12/12/2006	12/12/2006	5	266,668	–	–	Purchase	12/12/2010	13/12/2018	38.73	34,334	20,000	212,334
02/06/2006	12/12/2006	12/12/2006	5	266,666	–	–	Purchase	12/12/2010	13/12/2018	35.86	61,401	20,000	185,265
02/06/2006	12/12/2006	12/12/2006	5	266,666	–	–	Subscription	12/12/2010	13/12/2018	33.21	161,833	20,000	84,833
02/06/2006	30/05/2007	30/05/2007	3	55,000	–	–	Subscription	30/05/2011	31/05/2017	39.06	23,333	5,000	26,667
02/06/2006	12/12/2007	12/12/2007	2	53,334	–	–	Purchase	12/12/2011	13/12/2017	41.33	53,334	0	0
02/06/2006	12/12/2007	12/12/2007	2	26,666	–	–	Subscription	12/12/2011	13/12/2017	41.33	19,999	0	6,667
02/06/2006	12/12/2007	12/12/2007	2	53,334	–	–	Purchase	12/12/2011	13/12/2017	38.27	53,334	0	0
02/06/2006	12/12/2007	12/12/2007	2	26,666	–	–	Subscription	12/12/2011	13/12/2017	38.27	19,999	0	6,667
02/06/2006	29/09/2008	29/09/2008	1	10,000	–	–	Subscription	29/09/2012	29/09/2018	34.68	0	0	10,000
02/06/2006	29/09/2008	29/09/2008	201	216,200	–	–	Purchase	29/09/2012	29/09/2018	34.68	81,650	39,450	95,100
02/06/2006	30/03/2009	30/03/2009	41	148,300	–	–	Purchase	30/03/2013	30/03/2019	26.39	34,500	75,680	38,120
04/06/2009	10/11/2009	10/11/2009	1	12,000	–	–	Subscription	10/11/2013	10/11/2019	34.74	12,000	0	0
04/06/2009	31/03/2010	31/03/2010	22	40,710	–	–	Subscription	31/03/2014	01/04/2018	36.64	19,390	14,900	6,420
04/06/2009	31/03/2010	31/03/2010	105	321,360(*)	–	–	Subscription	31/03/2014	01/04/2018	36.64	29,360	259,750	32,250
27/05/2011	30/06/2011	30/06/2011	10	16,005	–	–	Subscription	30/06/2015	01/07/2019	25.01	12,347	2,775	883
27/05/2011	30/06/2011	30/06/2011	6	189,703(*)	1	121,180	Subscription	30/06/2015	01/07/2019	25.01	164,302	13,836	11,565(1)
Total				**2,062,778**							**812,116**	**505,891**	**744,771**

(*) Options granted under performance conditions.
(1) The Board of Directors, at its meeting held on 1 April 2015, noticed the achievement of performance conditions attached to these options based on the evolution of income and the achievement of strategic objectives.

Details concerning Mr. Marc de Garidel last grant are under Paragraph 4.1.3.2.1.2, C.

Grant of stock options during 2016 financial year to ten employees of the Group receiving the highest number (Table 9 of AMF recommendations)

During the 2016 financial year, no options were granted.

Exercise of stock options during 2016 financial year by employees of the Group exercising the highest number (Table 9 of AMF recommendations)

6 financial year, the options exercised by the ten Group employees that have exercised the highest number reached a total of 203,100 options at a weighted average price of €35.82. These exercises resulted in the attribution of 203,100 Ipsen shares.

4.2.2.3.2 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 of the date of grant.

The final acquisition is then effective subject to a presence condition and, for certain plans, to the achievement of performance conditions set out by the Board of Directors.

During the 2016 financial year, 152,031 shares were transferred to beneficiaries at the end of the acquisition period for bonus shares granted under the 30 March2012 and 27 March 2014 plans, under the form of existing shares.

As of 31 December 2016, with respect to all Ipsen plans, 442,314 rights to bonus shares that may be acquired by beneficiaries were still valid (after deduction of the number of shares acquired or of rights cancelled to take into account the departure of certain beneficiaries), under the form of existing shares, no increase of share capital is to be planned.

The following table **(table 10 of AMF recommendations)** presents, as of 31 December 2016, 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 31/12/2016	Number of shares transferred or created	Outstanding as at 31/12/2016
			Of beneficiaries	Of Bonus shares	Number of beneficiaries	Of Bonus shares						
27/05/2011	30/03/2012	30/03/2012	8	84,685[5]	1	23,940	New shares	31/03/2014	31/03/2016	31,851[2]	52,834	–
27/05/2011	30/03/2012	30/03/2012	96	55,099[5]	–	–	New shares	31/03/2014	31/03/2016	8,657[2]	46,442	–
27/05/2011	30/03/2012	30/03/2012	14	35,645[5]	–	–	New existing shares	31/03/2014	31/03/2016	17,945[2]	17,700	–
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]	–	–	Existing shares	31/03/2016	31/03/2016	4,235	15,181	–
27/05/2011	30/03/2012	30/03/2012	16	11,200	–	–	Existing shares	31/03/2016	31/03/2016	2,800	8,400	–
27/05/2011	28/03/2013	28/03/2013	9	79,859[5]	2	39,759	New shares	29/03/2015	29/03/2017	3,313[3]	76,546	–
27/05/2011	28/03/2013	28/03/2013	104	71,065[5]	–	–	New shares	29/03/2015	29/03/2017	12,435[3]	58,630	–
27/05/2011	28/03/2013	28/03/2013	14	7,420	–	–	New shares	29/03/2015	29/03/2017	–	7,420	–
27/05/2011	28/03/2013	28/03/2013	12	34,329[5]	–	–	Existing shares	29/03/2015	29/03/2017	24,216[3]	–	10,113[*]
27/05/2011	28/03/2013	28/03/2013	36	21,791[5]	–	–	Existing shares	29/03/2017	29/03/2017	3,110	–	18,681
27/05/2011	28/03/2013	28/03/2013	18	9,540	–	–	Existing shares	29/03/2017	29/03/2017	3,180	–	6,360
31/05/2013	27/03/2014	27/03/2014	103	62,368[5]	–	–	Existing shares	28/03/2016	28/03/2018	11,397	50,971	–
31/05/2013	27/03/2014	27/03/2014	10	76,011[5]	2	32,933	Existing shares	28/03/2016	28/03/2018	16,232	59,779	–
31/05/2013	27/03/2014	27/03/2014	10	30,781[5]	–	–	Existing shares	28/03/2016	28/03/2018	12,322	–	18,459[*]
31/05/2013	27/03/2014	27/03/2014	33	20,795[5]	–	–	Existing shares	28/03/2018	28/03/2018	5,505	–	15,290
31/05/2013	01/04/2015	01/04/2015	10	48,310[5]	2	22,658	Existing shares	02/04/2017	02/04/2019	9,506	–	38,804
31/05/2013	01/04/2015	01/04/2015	80	47,572[5]	–	–	Existing shares	02/04/2017	02/04/2019	5,139	–	42,433
31/05/2013	01/04/2015	01/04/2015	17	39,970[5]	–	–	Existing shares	02/04/2017	02/04/2019	4,665	–	35,305[*]
31/05/2013	01/04/2015	01/04/2015	31	26,195[5]	–	–	Existing shares	02/04/2019	02/04/2019	1,859	–	24,336
31/05/2016	31/05/2016	31/05/2016	115	60,008[5]	1	2,535	Existing shares	01/06/2018	01/06/2018	3,164	–	56,844
31/05/2016	31/05/2016	31/05/2016	115	59,963[5]	1	2,535	Existing shares	01/06/2018	01/06/2020	3,164	–	56,799
31/05/2016	29/07/2016	29/07/2016	1	5,011[5]	1	5,011	Existing shares	30/07/2018	30/07/2018	–	–	5,011
31/05/2016	29/07/2016	29/07/2016	1	5,010[5]	1	5,010	Existing shares	30/07/2018	30/07/2020	–	–	5,010
31/05/2016	31/05/2016	31/05/2016	58	47,571[5]	–	–	Existing shares	01/06/2020	01/06/2020	500	–	47,071
31/05/2016	31/05/2016	31/05/2016	19	32,367[5]	–	–	Existing shares	01/06/2018	01/06/2018	1,465	–	30,902
31/05/2016	31/05/2016	31/05/2016	19	32,360[5]	–	–	Existing shares	01/06/2018	01/06/2020	1,464	–	30,896
Total				**1,042,891**						**190,224**	**410,353**	**442,314**

(*) The registration in the accounts will be after a four-year period following the date of grant.
(1) 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.
(2) The Board of Directors, at its meeting held on 27 March 2014 noted the partial achievement of performance conditions attached to these shares.
(3) The Board of Directors, at its meeting held on 1 April 2015, noted the partial achievement of performance conditions attached to these shares.
(4) The Board of Directors, at its meeting held on 30 March 2016, noted the achievement of performance conditions attached to these shares.
(5) Bonus shares granted under performance conditions.

Grants of Ipsen performance Bonus Shares to the employees during financial year 2016

During the 2016 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 53,628 bonus shares.

4.2.2.4 Authorized and non-issued share capital

The Combined Shareholders' Meetings held on 27 May 2015 and 31 May 2016 authorized the delegation of authority to the Board of Directors regarding shares capital increases as followed, being specified that below are mentioned only the ongoing delegations and authorizations as of 31 December 2016:

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	27 May 2015 (14th)	26 months (26 July 2017)	20% of the share capital (a, b, d)
Share capital increase by issues of ordinary shares and/or securities with retention of preferential subscription rights for shareholders	27 May 2015 (15th)	26 months (26 July 2017)	20% of the share capital (a, b, d)

As of 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	27 May 2015 (16th)	26 months (26 July 2017)	10% of the share capital (a, b, c, d)
Share capital increase by issues of ordinary shares or securities without preferential subscription rights for shareholders by private placement	27 May 2015 (17th)	26 months (26 July 2017)	10% of the share capital (a, b, c, d)
Share capital increase to compensate contributions in kind of shares or securities	27 May 2015 (19th)	26 months (26 July 2017)	10% of the share capital (a, d)

As of 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	27 May 2015 (22th)	26 months (26 July 2017)	5% of the share capital (a, i)
Stock subscription and purchase options granted to employees and executive directors	27 May 2015 (20th)	26 months (26 July 2017)	3% of the share capital (d, e, h)
Authorization to allocate free of charge existing shares and/or shares to be issued to waged staff members and/or certain company officers	31 May 2016 (13th)	26 months (30 July 2018)	3% of the share capital (e, f, h)
Preferential bonus shares granted to employees and/or certain executive directors	27 May 2015 (23th)	26 months (26 July 2017)	3% of the share capital (d, e, g, h)

(a) Based on a share capital of €83,065,452 as at the date of the combined Shareholders' Meeting held on 27 May 2015.
(b) Global common limit of 20% of the share capital as of the date of the 27 May 2015 combined Shareholders Meeting. 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.
(e) Common limit.
(f) On the basis of the share capital at the grant day. Used in 2016 up to a target amount of 245,738 shares, *i.e.*, 0.60% of the share capital at the date.
(g) On the basis of the existing share capital at the day of the first allocation (that is to say €82,882,958 on 1 April 2015 concerning the authorization regarding bonus shares).
(h) Sub-ceiling of 20% of the share capital within this envelop for allocation to company officers.
(i) Used in 2016, see below.

The Combined Shareholders' Meeting dated 27 May 2015, delegated to the Board of Directors under the 22nd resolution the authority to decide on a Company share capital increase *via* the issuance of new shares reserved for employees of the Company and its French and foreign subsidiaries who are members of a *plan d'épargne d'entreprise* (French company savings plan) of the Group.

In accordance with this delegation, the Board of Directors of 30 March 2016 decided on the principle of a Company share capital increase, reserved for employees, and eligible former employees and corporate officers, of the Company and its French and foreign subsidiaries, within the framework of Articles L.3332-1 *et seq.* of the French Labor Code, who are members of a *plan d'épargne d'entreprise* (French company savings plan) of the Group, limited to a number of shares representing not more than 1% of the share capital of the Company. The number of shares issued under the plan is limited to the number of shares actually subscribed by the beneficiaries.

The Chairman and Chief Executive Officer, acting pursuant to the delegation of authority granted to him by the Board of Directors, has set the share subscription price at €43.15, pursuant to a decision dated May 30, 2016. The subscription price is equal to the average of the Ipsen share opening prices on the Euronext Paris regulated stock exchange during the twenty (20) trading days preceding the date of the Chairman and Chief Executive Officer's decision, minus a 20 % discount. The subscription period extended between 7 to 21 June 2016 and 159,000 shares were subscribed.

4.2.2.5 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 2016 (12th resolution)	18 months (30 November 2017)	Maximum repurchase price per share: €90 Limit of 10% of the number of shares comprising the share capital
Cancellation of shares	27 May 2015 (13th resolution)	24 months (26 May 2017)	10% of the share capital as of the date of decision of cancellation(*)

(*) On 27 July 2016, the company cancelled 80,000 of its shares, acquired for the purpose of cancellation in accordance with the share repurchase program implemented in 2015.

Treasury shares (excluding liquidity agreement)

As of 31 December 2016, the Company held 1,120,778 of its own shares dedicated to the covering of its stock purchase options, bonus shares and performance bonus shares plans (see sections 4.2.2.3.1 and 4.2.2.3.2).

As of 1 March 2017, the Company held 1,116,178 of its own shares dedicated to the covering of its stock purchase options, bonus shares and performance bonus shares plans (see sections 4.2.2.3.1 and 4.2.2.3.2).

4.2.2.6 Share repurchase program

The Combined Shareholders' Meeting dated 31 May 2016 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 27 May 2015. Pursuant to this decision, the Board of Directors decided on 31 May 2016 to set up a new share repurchase program with a limit of 10%.

Since 26 February 2007, the Company had mandated Natexis Bleichroder, a subsidiary of Natixis, to implement a liquidity contract for a one-year period with tacit renewal. This contract is compliant with the Business Ethics Charter of the AMAFI (French Association of Investment Firms) which was approved by the French *Autorité des marchés financiers*. As per the liquidity contract, the following assets appeared on the liquidity account: 46,838 shares and €1,259,939.79.

On 27 June 2016, the Company announced having appointed Natixis to repurchase a target number of 400,000 Ipsen SA shares, or about 0.48% of the share capital, for a period of at least 2 months and until December 30, 2016, at the maximum. The program ended on 30 December 2016.

81,624 treasury shares have been used in 2016 as part of the exercised purchase options' coverage (see 4.2.2.3.1).

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 2016 financial year:

Number of shares purchased:	907,261
Average purchase price:	€57.93
Number of shares sold:	505,326
Average sale price:	€56.72
Total amount of dealing and brokerage expenses:	€127,179
Number of shares used in 2016:	161,624 allocated shares: – 81,624 shares for the coverage of options and shares plans – 80,000 aux fins d'annulation(*)
Number of shares registered in the name of the Company at the end of the financial year:	1,128,340 shares (of which 7,562 shares within the liquidity contract and 400,000 within the repurchase program)
Estimated value at the average purchase price:	€65,364,736.20
Nominal value:	€1,128,340 including: – €1,120,778 dedicated to the coverage of options and shares plans – €7,562 within the liquidity contract for the purposes of the animation of shares price

(*) The Company cancelled 80,000 shares held by the Company on 27 July 2016 and these shares were acquired during the share repurchase program implemented in 2015.

Distribution of own shares	% of the share capital
Animation of share price	0.01%
Coverage of stock purchase options or other employee share ownership system	1.34%
Securities giving right to shares	–
Acquisitions	–
Cancellation	–

4.2.2.7 Non-equity securities

As at 2 December 2015, the Company organized an emission plan of commercial papers (negotiable debt securities) to satisfy the general needs for financing the Group.

Maximum ceiling of the program	€300,000,000
Duration	Less than 1 year old
Minimal unit value of emissions	€150,000
Currency of issue	Euros (€) or any value authorized by the the French legislation
Domiciliary agent	CACEIS Corporate Trust
Arranger	Crédit Agricole Corporate and Investment Bank
Placement agent	Crédit Agricole CIB BNP Paribas Société Générale BRED Banque Populaire Natixis

The case of financial display about the emission plan of commercial papers and the outstanding discounted bills of emissions can be consulted on the Society's website (www.ipsen.com) and on the banque of france website (www.banque-france.fr).

The Company issued on 9 June 2016 its inaugural unsecured 7-year Notes for a total of €300 million. These Notes mature on 16 June 2023 and pay interest at an annual rate of 1.875%.

4.2.3 Shareholding

4.2.3.1 Share ownership and voting rights

As of 31 December 2016, the Company's share capital amounted to €83,557,864, divided into 83,557,864 shares, each with a par value of €1. The corresponding theoretical number of voting rights amounted to 131,386,875 and the number of net voting rights amounts to 130,258,535.

As of 22 February 2017, the Company's share capital amounts to €83,580,494, divided into 83,580,494 shares, each with a par value of €1. The corresponding theoretical number of voting rights amounts to 131,393,723 and the number of net voting rights amounts to 130,268,714.

The difference between the number of theoretical voting rights and the number of real voting rights corresponds to the number of treasury shares.

As of 31 December 2016, 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	47,269,813	56.57%	94,539,617	71.96%	94,539,617	72.58%
Free Float	34,019,228	40.71%	34,019,228	25.89%	34,019,228	26.12%
Treasury shares	1,128,340	1.35%	1,128,340	0.86%	0	0
Other registered shareholders	750,581	0.90%	1,196,456	0.91%	1,196,456	0.92%
Board of Directors (excluding Mayroy SA)(1)	188,902	0.23%	214,659	0.16%	214,659	0.16%
Employee FCP(2)	201,000	0.24%	288,575	0.22%	288,575	0.22%
Total	**83,557,864**	**100%**	**131,386,875**	**100%**	**130,258,535**	**100%**

(1) Certain Directors of the Company are presumed to act in concert: Anne Beaufour, who owns 1 share and 2 voting rights, Henri Beaufour, who owns 1 share and 2 voting rights, Carol Xueref, who owns 500 shares and 1,000 voting rights, Christophe Vérot, who owns 1,500 shares and 3,000 voting rights, Marc de Garidel, who owns 181,968 shares and 202,391 voting rights, the company Mayroy SA and Antoine Flochel. It is specified, to the Company's knowledge and based on Directors' statements, that VicJen Finance SA, a company whose Antoine Flochel is Chairman of the Board of Directors, held as at 31 December 2016, 2,000 shares and 4,000 voting rights, and the company Financière de Catalogne whose M. Flochel is the manager, hold, 3,000 shares and 3,000 voting rights as at 31 December 2016. Subsequently the concert participation amounts to 56.80% of the share capital and 72.74% of the voting rights.
(2) FCP Ipsen Shares is the only mutual fund for employees.

In accordance with the provisions of the law and its bylaws providing the disclosing of any detention of more than 1% of the share capital or voting rights, the Company has been informed of the following thresholds during the last three financial years:

- the company AXA Investment Managers, acting on its own account and the account of its affiliates, declared to the Company that it crossed:
  - downwards, on 15 April 2014, the 2% of the share capital threshold;
  - downwards, on 4 December 2015, the 1% of the share capital threshold;
- the company Amundi Asset Management declared to the Company that it crossed:
  - upwards, on 25 April 2014, the 2% of the voting rights threshold;
  - upwards, on 11 September 2014, the 4% 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:
  - downwards, on 14 January 2015, the 1% of the voting rights threshold;
  - downwards, on 9 February 2015, the 1% of the share capital threshold;
- the company UBS declared to the Company that it crossed:
  - downwards, on 24 December 2014, the 1% of the share capital threshold;
- the company *"Caisse des Dépôts et Consignations"* declared to the Company that it crossed, upwards, on 21 March 2014, the 1% share capital threshold;
- the company Opera Finance Europe SARL to the Company that it crossed:
  - downwards, on 1 April 2015, the 4% et 3% of the share capital threshold;
  - downwards, on 1 April 2015, the 2% of the voting rights threshold;
  - downwards, on 27 May 2015, the 2% et 1% of the share capital threshold;
  - downwards, on 27 May 2015, the 1% of voting rights threshold;
- the company Serimnir Fund SICAV declared to the Company that it crossed:
  - upwards, 1 April 2015, the 1% et 2% of the share capital threshold;
  - upwards, 1 April 2015, the 1% of the voting rights threshold;
  - downwards, 17 April 2015, the 2% of the share capital threshold;
  - downwards, 28 April 2015, the 1% of the voting rights threshold;
  - downwards, 6 May 2015, the 1% of the share capital threshold;
  - upwards, 26 May 2015, the 1% et 2% of the share capital threshold;
  - upwards, 26 May 2015, the 1% of the voting rights threshold;
  - downwards, 27 May 2015, the 2% of the share capital threshold;

  - downwards, 27 May 2015, the 1% of the share capital threshold;
  - downwards, 27 May 2015, the 1% of voting rights threshold;
- the company BNP Paribas Investment Partners declared to the Company that it crossed:
  - upwards, on 12 February 2016, the 1% share capital threshold;
  - upwards, on 7 April 2016, the 1% voting rights capital threshold; upwards, on 30 June 2016, the 2% share capital threshold.

To the Company's knowledge, on this declaratory basis, 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 above.

As at the registration document's setting-up date, and to the Company's knowledge, there were no significant alterations of the share capital distribution, with regard to the one presented above on 31 December 2016.

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.

4.2.3.2 Evolution of share ownership and voting rights over the past three financial years (as of 31 December 2016)

	2016					
	Number of shares	%	Number of gross voting rights	%	Number of net voting rights	%
Mayroy	47,269,813	56.57	94,539,617	71.96	94,539,617	72.58
Free Float	34,019,228	40.71	34,019,228	25.89	34,019,228	26.12
Treasury shares	1,128,340	1.35	1,128,340	0.86	0	0
Other registered shareholders	750,581	0.90	1,196,456	0.91	1,196,456	0.92
Employee FCP(**)	201,000	0.24	288,575	0.22	288,575	0.22
Board of Directors(*)	188,902	0.23	214,659	0.16	214,659	0.16
Total	**83,557,864**	**100**	**131,386,875**	**100**	**130,258,535**	**100**

	2015						2014					
	Number of shares	%	Number of gross voting rights	%	Number of net voting rights	%	Number of shares	%	Number of gross voting rights	%	Number of net voting rights	%
Mayroy	47,269,813	56.78	94,539,617	72.15	94,539,617	72.78	47,269,807	57.04	94,539,611	72.40	94,539,611	72.84
Free Float	34,026,745	40.88	34,026,745	25.97	34,026,745	26.19	34,098,116	41.15	34,098,116	26.11	34,098,116	26.27
Treasury shares	1,119,090	1.34	1,119,090	0.85	0	0	790,716	0.95	790,716	0.61	0	0
Other registered shareholders	689,809	0.83	1,098,450	0.84	1,098,450	0.85	580,786	0.70	909,917	0.70	909,917	0.70
Employee FCP(**)	91,135	0.11	182,270	0.14	182,270	0.14	100,400	0.12	200,800	0.15	200,800	0.15
Board of Directors(*)	49,010	0.06	58,185	0.04	58,185	0.04	29,258	0.04	37,393	0.03	37,393	0.03
Total	**83,245,602**	**100**	**131,024,357**	**100**	**129,905,267**	**100**	**82,869,083**	**100**	**130,576,553**	**100**	**129,785,837**	**100**

(*) Excluding Mayroy SA.
(**) The FCP Ipsen Shares is the sale employee shareholding fund to the share capital of the Company.

4.2.3.3 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 1 July 2017.

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, Antoine Flochel, Carol Xueref, Christophe Vérot and Marc de Garidel) and the company Mayroy SA are presumed to act in concert.

4.2.3.4 Nature of control

The Company is controlled as described above. Measures taken to avoid any abusive control are, in particular, the following:

- separation of the functions of Chairman of the Board and Chief Executive Officer;
- presence of four independent Directors of eleven members in the Company's Board of Directors as described in chapters 4.1.1.1, 4.1.1.2 and 4.1.2.1 of the present registration document;
- presence of an independent Director of six members in the Strategic Committee;
- presence of two independent Directors of four members in the Nomination and Governance Committee;
- presence of two independent Directors of three members in the Audit Committee, including the Chairman of the 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, including the Chairman of the Committee.

4.2.3.5 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 4.2.3 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 4.2.1.5).
- 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 4.2.3 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 4.2.1.3 (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 Ipsen Shares, the only mutual fund for employees, are exercised by a person empowered by the supervisory board of the mutual fund in order to be represented in shareholders' meeting (see section 4.2.3 of the present registration document).
- Agreements between shareholders of which the Company is aware that may cause restrictions to transfers of shares and exercises of voting rights: see section 4.2.3.3 of the present registration document.
- Provisions governing the election and replacement of Board Members: see section 4.1.1 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 4.2.2.4 and 4.2.2.5 of the present registration document.
- Agreements entered into by the Company that are amended or expire in the event of a change of control of the Company, unless this disclosure, except if required by law, may have a material negative impact on its interests: none.
- Agreements providing for compensations of members of the Board of Directors or employees in case of resignation or dismissal without cause or if their employment ends as a result of a takeover bid: see section 4.1.3 of the present document.

4.2.3.6 Dividends

Dividends paid in the past five financial years

	Dividends paid in				
	2016	2015	2014	2013	2012
Total number of shares giving rights to dividend	83,246,502	82,882,958	82,611,659	84,100,253	84,226,573
Distribution (in euros, excluding tax credit)	70,759,526.70(*)	70,450,514.30(*)	66,089,327.20(*)	67,280,202.40(*)	67,381,258.40(*)
Gross dividend amount per share (in euros, excluding tax credit)	0.85	0.85	0.80	0.80	0.80

(*) Including dividends on treasury shares assigned to the carry-forward profit account.

Dividends and reserves distribution policy

The dividend payout policy is determined by the Company's Board of Directors based on an analysis of the Company's financial results and position. The Company's objective for future years is to develop a payout policy consistent with its growth strategy, which should lead to a dividend payout of 30% at least of consolidated net earnings (excluding amortization 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.

4.2.3.7 Related-party transactions

Subject to, (i) the agreements entered into with the Schwabe group described in section 1.2.2.2 of the present document, (ii) information regarding related-party transactions described in chapter 2.2 note 25 of the present document, (iii) the agreements and commitments described in the Special Report of the Statutory Auditors on regulated agreements and commitments presented in section 4.1.4 of the registration document, there are no other agreements between the Group and related parties.

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5.1 PERSON RESPONSIBLE

5.1.1 Attestation of the person responsible for the registration document

Mr. David Meek, Chief Executive Officer of Ipsen

"I affirm that having taken all reasonable care to ensure that such is the case, the information contained in this registration document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I hereby declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and all the other companies included in the scope of consolidation, and that the Management Report presented in paragraph 5.4.2 of the present registration document gives a fair description of the business developments, results and financial position of the Company and all the other companies included in the scope of consolidation, as well as a description of the main risks and contingencies with which the Company may be confronted.

I've obtained a letter from the Statutory Auditors certifying that they have verified the financial and accounting information provided in this registration document and that they have read the document as a whole."

David Meek,
Chief Executive Officer

5.1.2 Person responsible for financial information

Aymeric Le Chatelier
Chief Financial Officer

Eugenia Litz
Vice-President, Investor Relations

Ipsen
65, quai Georges Gorse
92650 Boulogne-Billancourt cedex
Phone: +33 (0)1 58 33 50 00
Fax: +33 (0)1 58 33 50 01
investor.relations@ipsen.com

www.ipsen.com

5.1.3 Person responsible for account audit and fees

5.1.3.1 Statutory Auditors

Deloitte & Associés

Represented by Mr. Jean-Marie Le Guinier
185, avenue Charles de Gaulle
B.P. 136
92524 Neuilly-sur-Seine Cedex – France

First appointed at the Annual Shareholders' Meeting held on 10 April 2002. Term of office renewed by the Annual Shareholders' Meeting held on 31 May 2016.

KPMG Audit

Department of KPMG S.A.
Represented by Mr. Philippe Granclerc
2, avenue Gambetta
CS 60055
92066 Paris-La Défense Cedex – France

First appointed at the Annual Shareholders' Meeting held on 18 June 2005. Term of office renewed by the Annual Shareholders' Meeting held on 27 May 2011.

5.1.3.2 Alternate Statutory Auditors

B.E.A.S.

7-9, villa Houssay
92524 Neuilly-sur-Seine Cedex – France

First appointed at the Annual Shareholders' Meeting held on 10 April 2002. Term of office renewed by the Annual Shareholders' Meeting held on 31 May 2016.

KPMG Audit IS

2, avenue Gambetta
CS 60055
92066 Paris-La Défense Cedex – France

First appointed at the Annual Shareholders' Meeting held on 27 May 2011.

5.2 THIRD PARTY INFORMATION, STATEMENTS BY EXPERTS AND DECLARATIONS OF INTERESTS

None.

5.3 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).

5.4 COMPONENTS OF THE REGISTRATION DOCUMENT, BOARD OF DIRECTORS' REPORT INCLUDED IN THE REGISTRATION DOCUMENT AND ANNUAL FINANCIAL REPORT

5.4.1 Component of the Annual Financial Report

5.4.1.1 Company financial statements

The financial statements for the financial year ending 31 December 2016 are presented in section 2.3.1 and 2.3.2 of this registration document.

5.4.1.2 Consolidated financial statements

The consolidated financial statements for the financial year ending 31 December 2016 are presented in section 2.2.1 to 2.2.5 of this registration document.

5.4.1.3 Management Report pursuant to article 222-3-3 of the General Regulations of the *Autorité des marchés financiers* (AMF)

5.4.1.3.1 Objective and exhaustive analysis of the company's business, results and financial situation as well as those of its consolidating parent company, including a description of the main risks and uncertainties to which it is exposed

This information is presented in sections 1.2.8, 2.1.1, 2.1.2, 2.1.3, 3.1 and in the notes 1 and 2 of the section 2.2.5 of this registration document.

5.4.1.3.2 Authorized unissued share capital

This information is presented in section 4.2.2.4 of this registration document.

5.4.1.3.3 Information likely to have an impact in case of take-over bid

This information is presented in section 4.2.3.5 of this registration document.

5.4.1.3.4 Share repurchase program

This information is presented in section 4.2.2.6 of this registration document.

5.4.1.3.5 Attestation of the person responsible for the registration document

This information is presented in section 5.1.1 of this registration document.

5.4.1.4 Statutory Auditors' Report on the parent company and consolidated financial statements

This report is presented in section 2.3.3 and 2.2.6 of this registration document.

5.4.1.5 Report by one of the Statutory Auditors, appointed as independent third party, on the consolidated human resources, environmental and social information included in the management report

The information presented in section 3 is an integral part of the management report, in accordance with the requirements of article L225-102-1 of the French Commercial Code.

This report is presented in section 3.3 of this registration document.

5.4.2 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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