GOING FURTHER FOR PATIENTS

2015 REGISTRATION DOCUMENT

IPSEN
Innovation for patient care

SUMMARY

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

Société anonyme with a share capital of 83,246,502 euros
Registered office: 65 quai Georges Gorse – 92650 Boulogne-Billancourt
419 838 529 R.C.S. Nanterre

2015 REGISTRATION DOCUMENT

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 29 March 2016, under number D.16-0216. This document may not be used in support of any financial operation unless it is accompanied by a prospectus approved by the AMF.

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

Pursuant to the provisions of article 28 of EC regulation 809/2004 of 29 April 2004, readers are referred to the *Document de Référence* for Ipsen recorded by the AMF on 27 March 2015 under number D.15-0221 for the 2014 financial year and on 26 March 2013 under number D.14-0209 for the 2013 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.

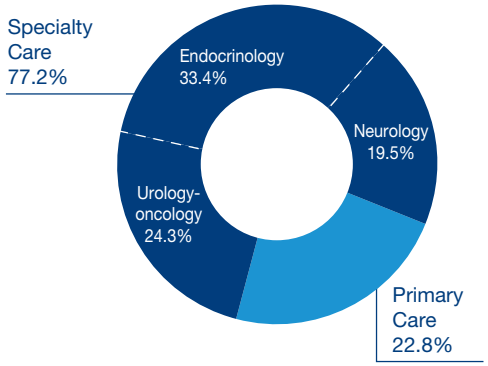
Investors are urged to pay careful attention to the risk factors described in paragraphs 1.2.8.1, 1.2.8.2, 1.2.8.3, 1.2.8.4, 1.2.8.5 and 1.2.8.6 of this registration document before making their investment decision. One or more of these risks may have an adverse effect on the Group's activities, condition,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

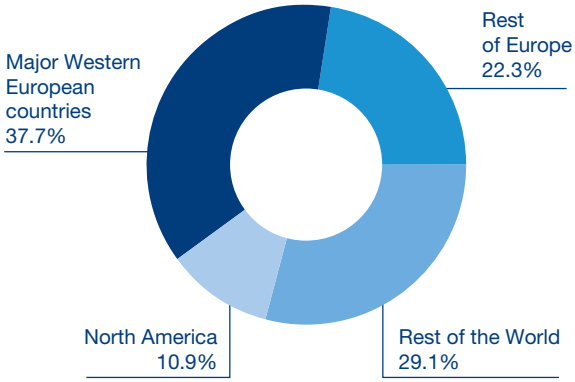
Forward-looking statements, targets and forecasts shown in this registration document may be affected by risks, either known or unknown, uncertainties or other factors that may lead to the Group's future results of operations, performance and achievements differing significantly from the stated or implied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

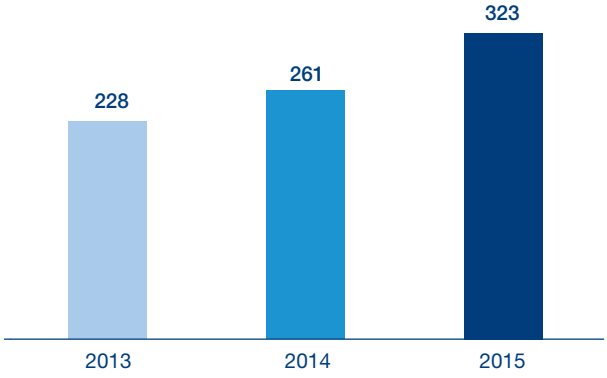
2015 Group sales by therapeutic areas



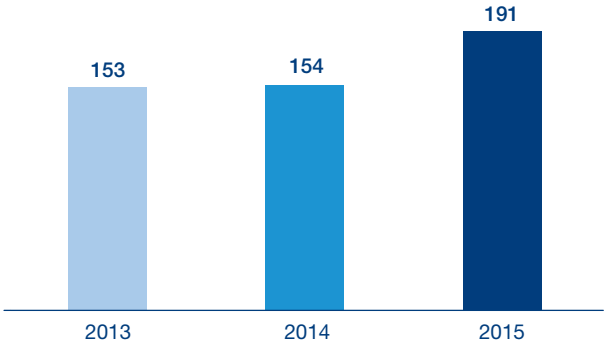
2015 Group sales by geographic areas



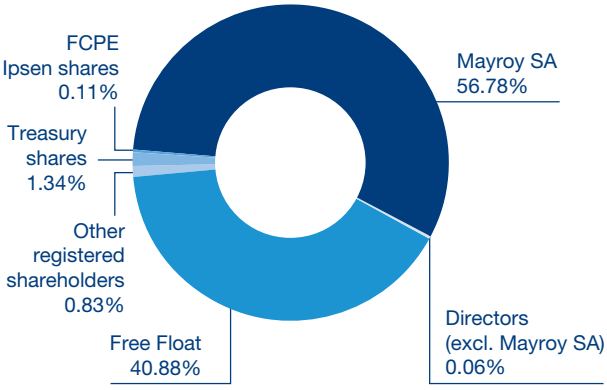
Core Operating Income (in millions of euros)



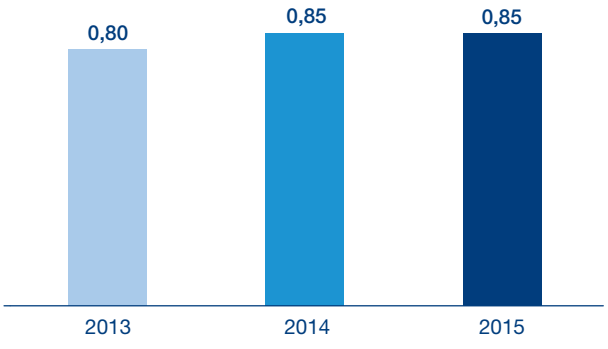
Consolidated net profit (in millions of euros)



Ownership of the Company's share capital at 31 December 2015



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



Share price performance on the stock exchange

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

Ipsen shares joined the SBF120 index on 24 December 2007.

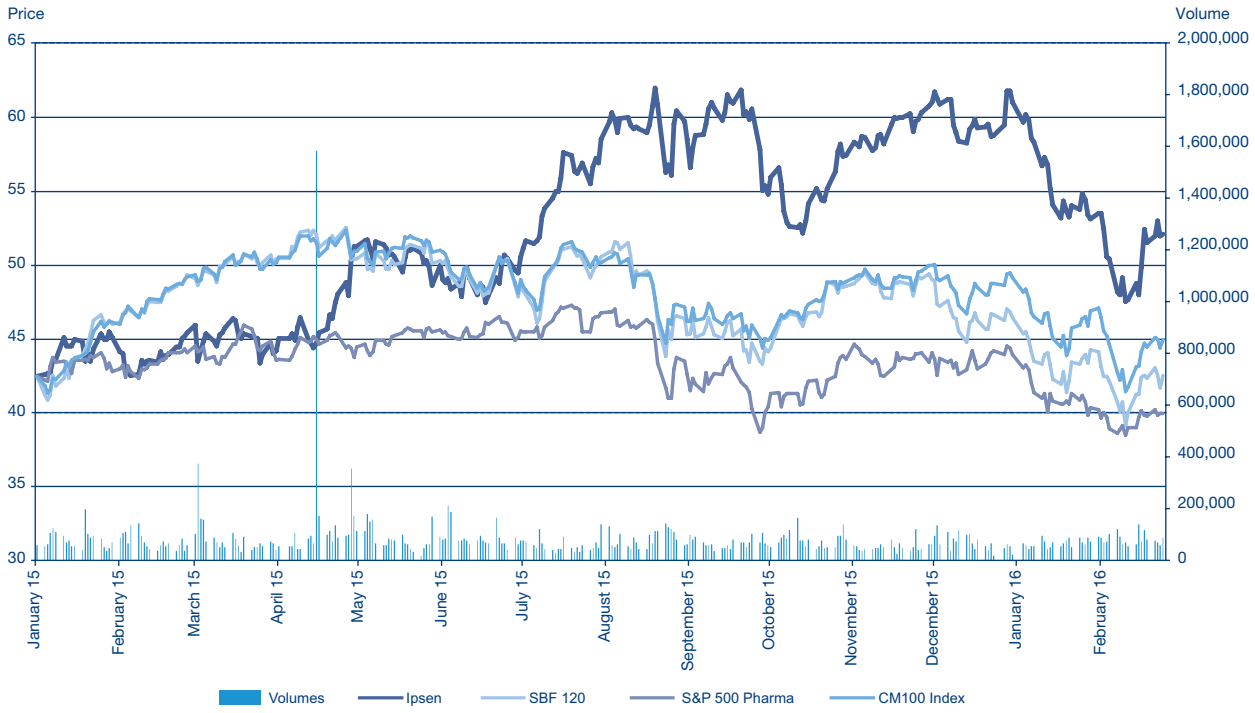
Ipsen shares joined the Deferred Settlement System on 28 March 2007.

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

Share information		2015 trading data	
ISIN Code	FR0010259150	Average share price	€52.3
Euronext Code	IPN.PA	Highest price (20/08/2015)	€62.0
ADR Code	IPSEY	Lowest price (02/01/2015)	€42.5
SRD / PEA Eligibility	Yes / Yes	Stock market capitalisation(1)	€5,076.7M
Total Shares(1)	83.2 M	Average daily volume	84,085.9

(1) As of 31 December 2015.

Comparison between Ipsen's share price performance and the principal stock market indicators between 2 January 2015 and 25 February 2016 (Source: Reuters)



1 PRESENTATION OF IPSEN AND ITS ACTIVITY

1.1 GROUP'S OVERVIEW AND STRATEGY

1.1.1 History and Development of the Company

1.1.1.1 Overview of the Legal Entity

Registered name

Ipsen

Registered office

65 quai Georges Gorse, 92650 Boulogne-Billancourt cedex

Telephone number

+33 (0)1 58 33 50 00

Legal Form

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 biotechnology specialty care group created in 1929 with a total worldwide staff of 4,635 people and over 20 products on the market which sales are in excess of €1.4 billion. Its portfolio comprises specialty care drugs in development or commercialized worldwide in targeted fast growing therapeutic areas (endocrinology, urology-oncology and neurology) which represent its development priorities. Moreover, the Group also markets drugs in other therapeutic areas in which it has historical know-how, 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 peptide & toxins engineering platforms provide the Group with a competitive edge. In 2015, R&D spending reached €192.6 million, representing about 13.3% of total Group sales.

The Group's vision and ambition

- Vision

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

- Ambition

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

The Group's competitive edge

The Group believes that it has the following competitive advantages:

- *Proven financial strength* thanks to its large recurring cash flows and robust balance sheet;
- *International presence* in over 100 countries, with core operations in Europe's five largest markets (France, Germany, Italy, Spain and the United Kingdom, hereinafter referred to as the "Major Western European Countries"). The Group also benefits from an important historical presence in emerging markets, such as China and Russia. Moreover, it entered the US market – the largest pharmaceutical market in the world – in 2008 for achieving today a 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) and in Europe (Abingdon-Oxford, Dreux, Dublin, Paris and Slough) with highly regarded university research centres, enabling the Group to tap into the wealth of scientific expertise available and to hire highly qualified personnel;
- *A recognized ability to seal and manage large-scale partnerships* with the world's leading pharmaceutical companies, such as Roche, Teijin and Menarini;
- *An effective management team* boasting considerable experience working with the world's leading pharmaceutical companies, as well as a new cross-divisional organization structure, built around the Research and Development department to propose new molecules and conduct chemical tests to proof of concept (phase IIa) and Franchises in each therapeutic area (Somatuline® / endocrinology, Dysport® / neurology, Decapeptyl® / urology-oncology) responsible for the definition of the target profile of the product and from the development of the phase IIb to marketing.

1.1.1.3 Group's products

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

Product name	Therapeutic area(1)	2015 sales (in millions of euros)	Principal therapeutic indications(2)
Specialty Care: 77.2% of consolidated sales			
Somatuline®	Endocrinology	401.6	Neuroendocrine Tumors; Acromegaly.
NutropinAq®	Endocrinology	60.3	Growth failure in children due to growth hormone (GH) deficiency, Turner syndrome or chronic renal failure and GH deficiency in adults.
Increlex®	Endocrinology	20.4	Long-term treatment of growth failure in children and adolescents with severe primary insulin-like growth factor-1 deficiency (severe primary IGFD-1).
Dysport®	Neurology	279.5	Motor disorders and muscular spasticity (cervical dystonia; cerebral palsy; blepharospasms and hemifacial spasms).
Decapeptyl®	Urology – Oncology	334.0	Advanced metastatic prostate cancer; uterine fibroids; precocious puberty; endometriosis; female sterility (*in vitro* fertilization).
Hexvix®	Urology – Oncology	17.2	Improvement of the detection and resection of non invasive bladder cancer.
Primary Care: 22.8% of consolidated sales			
Smecta®	Gastroenterology	114.8	Chronic and acute diarrhoea; symptomatic treatment of pain linked to oesogastroduodenal conditions and colic.
Forlax®	Gastroenterology	39.7	Constipation.
Tanakan®	Cognitive disorders	52.0	Mild cognitive impairment related to age; pathophysiological deficiencies; vertigo; retinal deficits; acute or chronic hearing impairment; tinnitus.
Nisis® and Nisisco®	Cardiovascular	3.9	Hypertension.
Adrovance®	Rheumatology	7.9	Treatment of post-menopausal osteoporosis in patients at risk of low vitamin D levels.

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

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

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

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

In the late 1980s and early 1990s, the Group's international expansion continued with subsidiaries and offices being set up outside France and the acquisition of foreign companies. In 1992, the Group initiated its expansion in China, initially by setting up representative offices and then in 1997 by setting up a subsidiary with a view to establishing an active presence there. In 2000, the Group opened a manufacturing facility at which it produces Smecta® for the Chinese market. Today in China, the Group employs approximatively 600 persons.

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

From the 2000s, the Group defined and implemented a strategy for Ipsen. This was twofold and consisted, on the

one hand, in the optimization of its primary care presence by making selective investments in product lifecycle management, in partnerships or in research and development and, on the other hand, in the growth and globalization of its specialty care activities.

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

From the 2010s, the Group increased focus and investment in both technological platforms (peptide and toxin). The Group also has an active policy of partnerships which allows the Group to obtain resources for programs it does not wish to finance independently or, to create value through the licensing of products arising from its research but which are deemed to not be a part of its core business (see part 1.2.2 "Major Contracts"). In that context, the Group has granted exclusive European rights for the development, promotion and distribution of its botulinum toxin type A in its aesthetic indications to Galderma. This partnership has been 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 Specialty care and Primary care businesses. This organization is reflected in the Executive Committee (ExCom) which strengthened Specialty care representation through the setting up of two divisions Specialty Care Franchises and Specialty Care Commercial Operations.

1.1.2 Group strategy

On 2 July 2015, Ipsen provided an update on 2020 strategy and outlook at Investor Day.

The Group strategy relies on a focus of specialty care on niche therapeutic areas and of primary care on the gastrointestinal segment.

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, 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 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.

Besides, the Group provided financial outlook for 2020 in terms of sales and operating margin. In order to reflect the contribution of cabozantinib, in-licensed for Europe on 1 March 2015, these forecasts have been updated as follows:

- sales in excess of 2.0 billion euros, driven by cabozantinib sales in 2019 and 2020;
- a core operating margin beyond 26%, despite the investment phase in 2017 and 2018 to launch cabozantinib for the treatment of advanced renal cell carcinoma in Europe. Ipsen will continue to implement cost containment initiatives and project arbitration to minimize impact on overall Group profitability.

Finally, the Group continues its business development efforts simultaneously targeting molecules under development and commercialized products in the Group's targeted therapeutic areas, in the US, Europe, and the 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

Endocrinology

Somatuline® and Somatuline® Autogel®

Active substance and indications

Somatuline® is made of the active substance lanreotide, 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 a carcinoid syndrome related to neuroendocrine tumors (ex-USA). Somatuline inhibits the over-production of certain hormones secreted by these tumors;

  – Antitumoural treatment of gastroenteropancreatic neuroendocrine tumors (Somatuline® Autogel® / Depot®).

A new galenic formulation has been launched in 2001. Somatuline® Autogel®, first semi-solid formulation for injection without any polymeric excipient, since the active substance itself controls the sustained release. Somatuline® Autogel® releases the active substance over a period of at least 28 days, thus requiring just one deep sub-cutaneous injection per month 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 for easier administration. More recently, a new pre-filled ready-to-use device has been 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, in 2014 for the antitumoural treatment of GEP-NET. Somatuline® Autogel® / Depot® became the first and only somatostatin analog FDA-approved for this last indication.

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

As of 31 December 2015, Somatuline® Autogel® (lanreotide) was marketed in 57 countries (including 27 in Europe) for the treatment of acromegaly and neuroendocrine tumors.

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 and (ii) Somavert®, a growth hormone receptor antagonist developed by Pfizer and indicated in acromegaly only. Sandostatin® LAR Depot® and Somavert® are available in many countries, including the United States. A number of pharmaceutical companies, including Ambrilia Biopharma, Endo Pharmaceuticals and Novartis/Camurus, are carrying out research and development activities on octreotide sustained-release formulations. In addition, Novartis has developed a product called Signifor® (pasireotide) for the treatment of acromegaly and Cushing's disease.

NutropinAq®

Active substance and indications

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

NutropinAq® is indicated for the:

- Long-term treatment of growth failure in children due to inadequate endogenous growth hormone secretion;
- Long-term treatment of growth failure associated with Turner syndrome;
- Treatment of growth failure in prepubertal 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.

At 31 December 2015, the Group had obtained marketing authorizations in 34 countries. The product has been launched in 23 countries across Europe since 2004.

Growth hormones are prescribed by paediatric and adult endocrinologists.

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 the children and their parents.

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

Increlex®

Active substance and indications

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

Marketing

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

Urology-oncology

Decapeptyl®

Active substance and indications

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

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 dihydro testosterone, but continuous administration paradoxically leads to a reduction in plasmatic testosterone concentration. After two to three weeks of treatment, testosterone is reduced to levels below the castration threshold, thereby depriving prostate tumors of one of the main hormones promoting tumour development;
- *Uterine fibroids.* Decapeptyl® is used to reduce the risk of blood loss following ablative surgery to remove uterine fibroids and to relieve symptoms such as abdominal pain, dysmenorrhoea (painful menstruation) and menorrhagia (excessive menstrual bleeding) associated with uterine fibroids through the reduction in their hormonal stimulation;
- *Endometriosis.* Decapeptyl® is used as a treatment aiming at suppressing oestrogen secretion, depriving the ectopic endometrial tissue of the critical stimulus it needs to grow;
- *In vitro fertilization*. Decapeptyl® is used in association with gonadotrophines, to induce ovulation in view of an *in vitro* fertilization followed by embryo transfer;
- *Precocious puberty*. Decapeptyl® is used to inhibit an over secretion of hormones by the pituitary gland, which improves the height age/bone age ratio.

Decapeptyl® is available in monthly, quarterly and semi-annual sustained-release formulations, as well as a daily formulation.

Marketing

At 31 December 2015, Decapeptyl® had marketing authorizations in over 66 countries, including 29 in Europe.

In 2015 Decapeptyl® sales represented 23.1% of total Ipsen sales, of which 48.0% were generated in the Major Western European Countries (G5). Emerging countries represent an increasingly large portion of Decapeptyl® sales. China was the first contributor to Decapeptyl® sales, as the past 4 years. In China, Ipsen was the first pharmaceutical company to launch a 3-month formulation as early as 2010. Competitors' 3-month formulations were only launched in 2012.

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

In the prostate cancer treatment, Ipsen obtained over the last months the approbation of the 3-month subcutaneous formulation in Portugal, Ireland, Czech Republic and Poland. Approvals in the rest of Europe are ongoing.

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 the first licensed drug developed to enhance the detection and management of bladder cancer, a key step in the surgical resection and treatment of non-muscle invasive bladder cancer. The drug was designed to generate selective fluorescence in neoplastic cells in the bladder during transurethral resection, thus improving detection, resection and time to recurrence of non-muscle-invasive bladder cancer (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, enabling accurate visualization of the tumour.

Marketing

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

Neurology

Dysport®

Active substance and indications

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

Dysport® is used for therapeutic and aesthetic indications which are the following:

- Treatment of local spasticity of adult upper and/or lower limbs. Spasticity is characterized by uncontrollable muscle contractions, often accompanied by pain and reduced muscle function, *e.g.* difficulty walking and a reduced use of the hands or the entire upper limb. 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 spastic equinus foot in children with cerebral palsy aged 2 years or older. Cerebral palsy is a motor disorder resulting from damage to the brain that generally occurs before, during, or after birth;
- Treatment of Cervical Dystonia, characterized by abnormal contraction of neck muscles leading to deviated neck associated to 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 in the treatment of the Glabellar lines.

Marketing

Dysport® was initially launched in the United Kingdom in 1991. At 31 December 2015, Dysport® had marketing authorizations in more than 80 countries.

With regard to the marketing of Dysport® in the United States, on 30 April 2009, the FDA approved the Biologics Licence Application (BLA) for Dysport® in cervical dystonia and in 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.

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).

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

Competition

Dysport®'s main competitor is Botox® (Allergan). Additional botulinum toxins type A have been recently launched such as Xeomin® (Mertz). Lanzhou Biologics Institute has also launched a botulium toxin A under the brand names Prosigne®, Lantox® or BTXA® in Asia, Russia and Latin America. Medytox, Inc. has launched Medytoxin® in South Korea in 2006 and continues its geographical expansion in Asia, Latin America and Eastern Europe under different brand names (Neuronox®, Botulift®, Siax®).

1.2.1.2 Primary care products

Gastroenterology

Smecta®

Active substance and indications

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

Marketing

As of 31 December 2015, Smecta® had been granted marketing authorizations in about 60 countries. In 2015, 79% of Smecta® sales were generated in China, France and Russia, the product's main markets.

Smecta® is Ipsen's leading Primary Care product, both in terms of sales and growth. Smecta® is prescribed by general practitioners, gastroenterologists and paediatricians. It can also be dispensed without prescription under pharmacist advice or on the self medication segment. Smecta® confirmed its presence on the self medication segment through a media campaign in France and Russia, and the launches of Smecta® Fraise and Smectalia® *Prêt à l'emploi* 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 a marketing authorization to a generic product of Smecta® in France. One time suspended, this marketing authorization is now active. To date, 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, indicated in the treatment of constipation for both adults and childrens.

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 December 31 2015, Forlax® was granted marketing authorizations in about 50 countries. In 2015, 45% of Forlax® sales were generated in France.

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

Competition

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

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

Fortrans®

Active substance and indications

Fortrans® use is aiming at cleaning the bowel 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 2015, Fortrans® held marketing authorizations in about 50 countries.

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

Eziclen®

Active substance and indications

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

Marketing

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

As of 31 December 2015, Eziclen® had been granted marketing authorizations in about 18 countries, and marketed in 11 countries.

Cognitive disorders

Tanakan®

Active substance and indications

Tanakan® is indicated in the treatment of various neurological and neuro-sensorial disorders. Tanakan® contains natural substances with antioxidant and neuroprotective properties. Tanakan is precisely indicated in the treatment of cognitive disorders (memory or attention deficit) in 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 2015, Tanakan® was approved in approximately 50 countries, mainly in Europe, Russia and Asia.

In 2015, 27% of Tanakan® sales were generated in Russia, where the product is positioned on the self-medication segment.

Competition

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

Cardiovascular

Nisis® and Nisisco®

Active substance and indications

Nisis® and Nisisco® are antihypertensive agents. Nisis® is an oral formulation containing valsartan, a synthetic angiotensin II antagonist compound, while Nisisco® contains valsartan and hydrochlorothiazide. The products are indicated in the treatment of high blood pressure and are prescribed by cardiologists and general practitioners.

Marketing

In 2003, the Group signed a marketing agreement with the Swiss company Novartis to market the products in France, Andorra and Monaco.

Competition

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

Rheumatology

Adenuric®

Active substance and indications

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

In 2015, Adenuric® (febuxostat) was approved in EU for 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 license rights to the Menarini Group for Adenuric® in 41 countries. Nevertheless 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).

1.2.2 Major contracts

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

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

This partnership strategy helps the Group to finance 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 urology-oncology

Debiopharm (Lausanne, Switzerland)

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

The licensing agreement with Debiopharm grants the Group (i) the right to manufacture Decapeptyl® around the world (with the exclusion of North America and certain other countries, principally Israel, Japan and the English speaking countries in Africa) and (ii) the right to market Decapeptyl® worldwide (with the exclusion of North America and certain other countries, principally Israel, Japan and the English speaking countries in Africa), and where this marketing right is exclusive except in Latin America. Pursuant to the agreement, the Group commercializes Decapeptyl® under a daily formulation as well as under monthly, 3-month and 6-month sustained-release formulations. For the latter formulation, the Group obtained marketing authorizations in France, in The Netherlands and in Portugal under the European decentralized procedure in October 2009.

This licensing agreement is due to remain in place in the countries covered by this agreement or on a country-by-country basis until the following dates: (i) at the earliest on 31 December 2020 for each country of the agreement not covered by Debiopharm's patent protection or (ii) at the expiry date of the last of the patents in countries covered by Debiopharm's patent protection. Under this agreement, the Group pays different levels of royalties to Debiopharm which vary according to the sales volume, with an increase in royalty levels above a given sales threshold. The Group is also entitled to a reduction in the royalty rates in the event of competition from a generic product, and for which the reduction is increasing in nature if Decapeptyl®'s market share falls significantly below a certain threshold determined on a market-by-market basis. The agreement entered into by the Group does not provide for any minimum royalty clause. This

agreement also contains an early termination clause which may be triggered if either of the parties undergoes a change of control causing substantial prejudice to the interests of the other party in relation to Decapeptyl®. At the registration date of this registration document, the Group was not aware of any change of control affecting Debiopharm.

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

Photocure (Oslo, Norway)

On 26 September 2011, the Group signed a marketing and supply agreement with Photocure, a specialty pharmaceutical company specialized in photodynamic technologies applied to cancer and dermatology. Under the agreement, the Group is granted an exclusive license to commercialize the product for the diagnosis and resection of bladder cancer under the Hexvix® trademark, a brand that is owned by Photocure. Ipsen obtains 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 induce specific fluorescence in malignant cells in the bladder during a cystoscopic procedure, by improving the detection and resection of non-invasive bladder cancer. The product has been approved since 2004 in Sweden and was then subsequently approved across many countries in Europe as well as in the United States.

In consideration for the exclusive license rights, the Group has 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 at a rate that is in line with industry standards for a marketed product as well as commercial milestones upon the achievement of specific sales thresholds.

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(1) for the treatment of high risk non-muscle invasive bladder cancer (NMIBC).

Telesta retained rights to MCNA in the United States, Canada, South Africa, Mexico, South Korea and Japan.

On 2 February 2016, Telesta announced that they had received a complete response from the U.S. Food and Drug Administration (FDA) further to their recently-filed Biologics License Application (BLA) for MCNA in the treatment of high risk non-muscle invasive bladder cancer patients who are refractory or relapsing from BCG front-line treatment. The FDA informed Telesta that an additional Phase 3 clinical trial for MCNA would be necessary to adequately establish MCNA's efficacy and safety. Ipsen will initiate discussions with regulatory authorities to identify the regulatory path and potential requirements for the product in Europe and other key licensed territories.

Under the financial terms of the agreement, Telesta is eligible to receive up to US$137 million in upfront and milestone payments comprising a US$10 million upfront payment and additional payments contingent upon achievement of regulatory and sales milestones. In addition, Telesta is eligible to receive meaningful tiered double-digit royalties on net sales of MCNA in the licensed territories.

1.2.2.1.2 Agreements in endocrinology

Genentech (San Francisco, CA, USA)

Distribution agreement covering NutropinAq®

The exclusive distribution agreement entered into in September 2002 by the Group with Genentech covers NutropinAq®, a liquid formulation of human growth hormone for daily use produced using recombinant DNA technology. Under this agreement, the Group has the exclusive right to market worldwide (with the exception of North America, Mexico, Brazil and Japan) NutropinAq® and the NutropinAq® Pen Cartridge® (*i.e.* the configuration used for the daily administration of the liquid formulation of NutropinAq®) and any improvement made to these products for a period of 20 years starting from the date on which NutropinAq® was launched on the market. The Group also has the right to use Genentech's existing brand names, namely NutropinAq®, NutropinAq® Pen and NutropinAq® Pen Cartridge®, as well as any new brand name that Genentech uses to market the products in territories not governed by the distribution agreement with the Group.

The Group agreed to pay Genentech milestone payments when certain net sales figures are reached. The Group has to agree with Genentech on sales milestone payments for each product before filing any application for regulatory approval for the marketing of any such product. The Group also agreed to pay royalties based on the total amount of annual sales of each product in the territory covered by the distribution agreement. The European patent owned by Genentech protecting the product expired on 29 July 2013.

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

Increlex® Agreements

The Group entered into two Increlex® (IGF-1) license agreements, in April 2002 for the US and in July 2003 for the rest of the world. Pursuant to these agreements, the Group is granted the exclusive right to develop, manufacture and commercialize IGF-1 in the world in all indications except central nervous system diseases. For the indication of diabetes treatment outside the United Sates, the Group should obtain the prior approval of Roche. Under the terms of these contracts Genentech is also granted an option right to develop and commercialize the product jointly with Ipsen in all non-orphan indications and diabetes.

(1) Mycobacterium phlei cell wall-nucleic acid complex.

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

In April 2013, Ipsen announced that Lonza, Increlex®'s active ingredient supplier, faced manufacturing issues at its Hopinkton site. The supply interruption occurred in mid-June 2013 in the US and in Q3 2013 in Europe and the rest of the world. After Lonza's announcement on 18 December 2013 stating that it had successfully re-manufactured the active ingredient of Increlex®, Ipsen worked closely with the FDA and the EMA to resupply Increlex® and reduce the impact of the shortage on patients and their families. Increlex® was resupplied in the EU starting in January 2014 and in the US starting in June 2014.

Radius (Cambridge, MA, USA)

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

This license has been granted for the entire world, with the exception of Japan (except for the manufacture), where the Group has already granted an exclusive license concerning this compound to the Japanese group Teijin. Furthermore, the Group will have the option of promoting and selling the finished product on a co-marketing basis with Radius in France. Radius is responsible for the overall development of the compound and will incur all the relevant costs. Radius will also hold the marketing authorizations and be responsible vis-à-vis the national regulatory authorities for marketing the product. The Group will also manufacture the compound until completion of the Phase II trials. Subsequently, following the transfer of the technology, Radius will be responsible for manufacturing the compound and the end product marketed. Radius will then supply Teijin for the purposes of marketing the product in Japan. In November 2015, Radius submitted and filed a marketing authorization application to the EMA following positive results of Phase III studies.

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

Rhythm (Boston, MA, USA)

In March 2010, the Group granted Rhythm an exclusive worldwide license for the research, development and commercialization of Ipsen's compounds and intellectual property related to analogs of the peptide hormones – ghrelin and MSH – which regulate food intake, energy homeostasis and gastrointestinal function. Under the terms of the license agreement, Ipsen will receive progressive payments of up to $80 million upon the achievement of certain development and commercial milestones and royalties on future sales of the products. Rhythm will continue to use Ipsen's recognized formulation expertise to develop innovative delivery systems for the peptide programs. In March 2013, Rhythm was restructured into two subsidiaries in order to separate the two development programs: Rhythm Pharmaceuticals pursues the Ghrelin program, while Rhythm Metabolic develops the MC4 program. The 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 2014, Actavis was granted an exclusive option to acquire Rhythm Holding's wholly-owned subsidiary, Rhythm Pharmaceuticals, which is developing the peptide ghrelin agonist for the treatment of diabetic gastroparesis and other GI functional disorders. Under the terms of the agreement, Actavis made a $40 million upfront payment to Rhythm Holding, and will have the option to acquire Rhythm Pharmaceuticals, who holds worldwide rights to ghrelin, following the completion of the Phase IIb study.

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 etiprate outside of North America and Japan, with a focus on the treatment of carcinoid syndrome. By amendment of March 2015, Ipsen was granted exclusive rights in Canada. Lexicon retains sole rights to commercialize telotristat etiprate in the US and Japan.

Lexicon is conducting Phase III clinical trials of telotristat etiprate for carcinoid syndrome, a serious condition caused by symptomatic neuroendocrine tumors, which produce large amounts of serotonin. Telotristat etiprate 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, while Ipsen will seek regulatory approvals in Europe and other countries within the Ipsen licensed territory, with Ipsen assuming the responsibility in those markets.

In August 2015, Lexicon Pharmaceuticals disclosed positive results from the pivotal Phase 3 TELESTAR study. TELESTAR evaluated the efficacy and safety of telotristat etiprate for carcinoid syndrome patients with metastatic neuroendocrine tumor (NET) inadequately controlled by somatostatin analog (SSAs), the current standard of care.

Top-line results from the Phase 3 study show that patients who added telotristat etiprate to the standard of care at both the 250 mg and 500 mg doses experienced a statistically significant reduction from baseline compared to placebo in the average number of daily bowel movements over the 12-week study period ($p<0.001$), meeting the study's primary endpoint.

Under the agreement Lexicon is eligible to receive up to US$148.5 million, comprising US$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 etiprate in the licensed territory.

1.2.2.1.3 Agreements in the field of neurology and botulinum toxin

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

The licensing agreement entered into by the Group in 1994 with the PHE covers the botulinum toxin type A complex, which is the active substance in Dysport®. The Group holds, until December 2036, an exclusive worldwide license to use and sell the botulinum neurotoxin type A produced by the PHE and the co-exclusive right with the PHE to manufacture this toxin using the PHE processes. Under an additional clause signed in September 2001, the Group has built the requisite installations for the production by the Group of botulinum toxin type A, with production having started during 2004. The Group is now free of the obligation to purchase botulinum toxin from the PHE. Pursuant to this agreement, the Group pays the PHE royalties based on revenues generated from the sale of products containing botulinum toxin type A, particularly those realized under the Dysport® brand name, together with minimum royalty clauses.

Galderma (Lausanne, Switzerland)

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

The product is distributed, since 2009, under the Azzalure® trademark owned by Galderma. As of today, in Europe, Azzalure® is mainly commercialized in the United Kingdom, France, Germany, Portugal, Denmark, Poland, Finland and Sweden.

Ipsen owns all regulatory approvals and all data arising from development activities.

Galderma paid the Group an initial milestone of €10 million and shall pay up to an additional €20 million if certain conditions are satisfied, such as marketing authorization and product launches on certain territories. The Group provides Galderma with the finished product at a fixed price and Galderma will pay the Group royalties based on sales.

In December 2007, the Group also granted to Galderma exclusive rights, until 2017, to promote and distribute under the trademark Dysport® certain formulations of botulinum toxin in aesthetic and dermatological indications in Brazil, Argentina and Paraguay. The commercialization of Dysport® has started in these indications in Brazil and Argentina.

The exclusive promotion and distribution rights in the aesthetic and dermatologic indications have been extended to Australia in 2012 and Mexico in 2013 for an initial 5-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, held originally by Valeant, have been included in the partnership. By this July 2014 agreement the rights granted for the US, Canada, Europe and Brazil have been extended until 2036. As part of this agreement, Galderma paid €25 million to Ipsen and benefits from improved margins in those territories. Ipsen will manufacture and supply the finished product to Galderma and receive royalties from Galderma. In addition, the companies will increase 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, in exchange for a €10 million payment, while Galderma retained commercialization rights. In December 2014, the expanded partnership set up in July 2014 was enlarged to include Mexico, Argentina, Australia and New Zealand. 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 promotion and the distribution in Latin America of Sativex®, a companion drug to Dysport®, indicated as an add-on treatment for symptom improvement in patients with moderate to severe spasticity due to multiple sclerosis (MS). Sativex® is also in Phase III clinical development, conducted and financed by GW, as a potential treatment of pain in people with advanced cancer. Ipsen has an option on the promotion and distribution of Sativex® in the latter indication.

The exclusive agreement hands Ipsen the reins of the promotion and the distribution of the finished product, furnished by GW, in Latin America except Mexico. GW Pharmaceuticals and Ipsen are conducting regulatory filings in selected countries in Latin America for the MS spasticity indication.

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 specializing 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 development and marketing by the Group in Europe of febuxostat (Adenuric), a product owned by Teijin and used in the treatment of the symptoms associated with hyperuricemia and known as TMX-67.

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

In June 2012, Teijin received marketing approval in Japan for Somatuline® 60/90/120 mg for subcutaneous injection for the treatment of acromegaly and pituitary gigantism and announced the marketing launch of such products in January 2013.

Marketing rights will revert to the Group upon expiry of a ten-year period of commercial use. As regards febuxostat, pursuant to the distribution and promotion agreement signed on 24 July 2006 by Teijin and the Group, the parties have determined the definitive terms of Ipsen's exclusive rights to the product in Europe. Febuxostat's development costs in Europe will be borne by the Group, except for the cost of conducting clinical trials that may be requested by the regulatory authorities prior to the registration of febuxostat in Europe, which will be shared between Teijin and the Group. Marketing rights will revert to Teijin upon expiry of a ten-year period of commercial use.

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

Febuxostat was registered in Europe in May 2008 under the trade mark Adenuric® and is being launched by Menarini since March 2010 (with a co-promotion right for the Group in France). The product was registered in the United States (TAP) in February 2009 under the trademark Uloric® and launched since March 2009 by Takeda, and launched in Japan by Teijin since May 2011.

Schwabe (Karlsruhe, Germany)

The Group has longstanding links with Schwabe concerning in particular *Ginkgo biloba* extracts and EGb 761®, the active substance in Tanakan®. The relationship between the Group and Schwabe was summarized in the cooperation agreement dated 27 July 2005 concerning (i) the procurement and supply of *Ginkgo biloba* leaves, (ii) the manufacture of *Ginkgo biloba* extracts and notably EGb 761®, (iii) the patents, expertise and EGb 761® brand name and drugs containing EGb 761® extract, and (iv) research and development activities concerning the EGb 761® extract and drugs containing EGb 761®. This cooperation agreement records the fact that the Group and Schwabe hold joint shareholdings in the following companies, which form the manufacturing chain for either EGb 761® or of other plant extracts.

Mayoly Spindler (Chatou, France)

On 18 December 2013, the Group and Mayoly Spindler, an independent French family-run laboratory recognized in gastroenterology, rheumatology, ENT and dermocosmetics, entered into a cross-promotion agreement for primary care activities in France effective in January 2014. The agreement foresees the implementation of a platform with complementary competencies and product portfolios. Ipsen will promote Météospasmyl® and Colchicine® to general practitioners; and Mayoly Spindler will promote Smecta®, Forlax® and Tanakan® in pharmacies. Under the terms of the agreement, each company will continue to book the sales of its own products.

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 which the Group purchased exclusive distribution, marketing and manufacturing rights to Braintree's proprietary formulation – BLI 800 – in colonic cleansing before colonoscopy, a diagnostic procedure for colorectal cancer screening. This agreement covers countries within the European Union, Commonwealth of Independent States, selected Asian countries (including China) and some North African countries.

In the context of this agreement, Braintree will receive payment upon achievement of certain milestones such as product launches and commercial thresholds. Additionally Braintree will receive royalties on Ipsen's sales. The European decentralized registration procedure involving sixteen countries has been launched in Q1 2013. The product is marketed under the Eziclen® trademark in most countries of the European Union and under the Izinova® trademark in some other countries, including France and the United Kingdom. The product has been launched in the Czech Republic, Lithuania, Latvia, Estonia and Poland.

In addition, on 17 December 2010, the Group entered into a license agreement with Braintree whereby Braintree was granted the exclusive right to develop and commercialize Diosmectite (the active ingredient of Smecta®) in the United States and Canada for the treatment of *Clostridium Difficile* infection and the associated symptoms and manifestations. The Group will receive payments from Braintree upon the occurrence of certain regulatory milestone events including the launch of the product. The Group will also receive royalties on sales made by Braintree.

1.2.3 Research and Development

1.2.3.1 Research and Development activities

At 31 December 2015, about 300 Group employees were assigned to Research and Development with an additional 200 contributing through CMC (Chemistry Manufacturing Control).

In 2015, the Group spent €192.6 million on Research and Development (against €186.9 million in 2014), representing 13.3% of Group's net consolidated sales (against 14.7% in 2014).

The Group's Research and Development ambition can be summed up in 3 powerful verbs, DARE, CARE and SHARE. Through the entrepreneurial mindset (DARE) and the collaborations we have with leading academic and industry partners (SHARE) we aim to deliver innovative care for patients (CARE). R&D aims to respond to unmet medical needs utilizing the entrepreneurial, collaborative approach that has been part of this 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 the internal research focuses on peptides and toxins, the Group partners on in-licensing opportunities outside these two groups as appropriate to deliver its strategy.

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

The engineering of peptides is mainly carried out in the Research and Development Centre in Cambridge, MA (USA), in partnership with Les Ulis (Paris-Saclay) and/or in collaboration with academic research centres and biotechs. Ipsen has a long standing expertise in the discovery, delivery & 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,** located on the Dreux site, which aims to design and develop formulations and innovative delivery systems for new chemical entities or for marketed products. These converging technologies are able to 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, Somatuline® Depot® was approved by the U.S. Food and Drug Administration (FDA) for the treatment of adult patients with unresectable, well- or moderately-differentiated, locally advanced or metastatic gastroenteropancreatic neuroendocrine tumors (GEP-NETs).

The engineering of new botulinum toxins is primarily carried out in Abingdon UK, in partnership with Les Ulis (Paris-Saclay) and/or in collaboration with academic research centres and biotechs. Botulinum toxin has unique potential for very broad therapeutic applications in many areas including: urology, oncology, endocrinology, regenerative medicine, etc. The R&D team in Abingdon have 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 revolutionising the diagnosis and prognosis of diseases and the selection of the best treatment and the emergence of personalized. This commitment to translational sciences is reflected in a willingness to invest in in-depth knowledge of pathophysiological/molecular mechanisms of diseases and to identify from the outset biomarkers which will accompany the development of candidate drugs, with the potential to become companion diagnostics.

Partnership policy

The internal Research and Development effort is also supported through an active partnership policy, led by the scientific affairs group, from basic research through to clinical development. The Group's philosophy in this regard stems from the observation that Ipsen's R&D staff members, even though they are highly skilled in their fields, are a tiny fraction of

the expertise available worldwide in the scientific community; it is essential therefore to look for synergies between internal projects and skills and those of other leading-edge players in medical and pharmaceutical R&D.

At the research stage, the Group has established numerous academic collaborations with *Massachusetts General Hospital, Dana-Farber Cancer Institute* and *Harvard Medical School* in Boston, *Biostar* in Singapore, and *Inserm* in France. It has been involved since 2008 in a long-term partnership with the prestigious Salk Institute (La Jolla, California) on basic research in areas of Ipsen's interest. It 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 Centres

The Group has strategically established an international network of research and development centres 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 centres, allow it to attract talented scientists, making the Group highly competitive in the field of pharmaceutical research compared with other groups of similar size.

The Research and Development Centre at Les Ulis (France)

The Research and Development Centre at Les Ulis (Institut Henri Beaufour), Ipsen Innovation Paris-Saclay, was opened in 1969 and a new facility was built in 1996. The scientists are focused on drug discovery of novel medicines in the fields of neurology and oncology. Of note, 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 to support the design and execution of the worldwide development strategy to progress compounds to market.

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

In July 2014, Ipsen completed its move to a new state of the art facility located at 650 East Kendall, reinforcing its leadership in the field of peptides and open-innovation with academic centres and biotechs. The Research and Development Centre in Cambridge (Ipsen Bioscience, Inc) builds on expertise in the discovery, delivery & 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 a clinical research and development team 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 Centre in Abingdon (Oxford, UK)

On this site, Ipsen BioInnovation is focused on the discovery of new modified recombinant botulinum toxins, mainly for neurology indications. In collaboration with the teams of the endocrinology and oncology therapeutic areas, Abingdon is also working on the promising area of targeted secretion inhibitors.

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 resulting in the selection of a candidate molecule for development, the process of securing approval for this new molecule or compound by the regulatory authorities may take eight to twelve years and is typically broken down into five separate stages: the pre-clinical stage and clinical trial Phase I (or First in Man) 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 results of these studies makes it possible to select the compound that meets the set treatment goals for a move into development.

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

The development continues with clinical trials, which are principally intended to provide evidence of the safety and efficacy of the 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 being implemented 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) managing more efficiently a project portfolio.

1.2.3.3.2 The research programs

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

Research Programs	Indications
New Neurological Drugs	
Novel Botulinum toxin	Neurology
LRRK2 (partnership with Oncodesign)	Parkinson's disease
New Endocrinology drugs	
GPCR	Adult Endocrinology
New Oncology Drugs	
Intracellular oncology target	Oncology
Transmembrane oncology target	Oncology
PRRT	GEP-NET
Novel radiopharmaceuticals (licensed from 3B pharma)	Pancreatic cancer

Neurology research programs

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

Endocrinology research programs

"Chimeric" molecule containing a somatostatin analogue and dopamine agonist. Following the termination of the lead program, BIM23A760, the Group synthesized new molecules combining a somatostatin analogue and a dopamine agonist to achieve additive therapeutic effects in diseases such as acromegaly and neuroendocrine tumors.

Oncology research programs

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

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 a number of factors, many of which are extremely unpredictable. The Group might experience delayed completion of clinical trials, treatment failures, absence of marketing authorization and 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 products development programs is described 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		
"Chimeric" somastatin and dopamine agonist molecule (back up)	Treatment of Cushing's disease	Phase I
BN82451B	Huntington's disease	Phase IIa
VSN16R (option to acquire)	Spasticity in multiple sclerosis	Phase IIa (Canbex Sponsored)
OPS201	2nd line GEP-NET treatment	Phase I/II
OPS202	NET imaging tool	Phase IIb
MCNA	Bladder cancer	BLA filed with the US FDA Telesta Therapeutics' molecule licensing by Ipsen in main territories(2)
LX1032 (Telotristat etiprate)	2nd line GEP-NET symptom control	Phase III completed Molecule licensed by Ipsen from Lexicon Pharmaceuticals in main territories(2) (except North America and Japan)
Product lifecycle management programs		
Somatuline® Autogel® PRF(1)	NET	Phase II
Somatuline® Autogel®	Acromegaly – China	Phase III
Dysport®	Adult lower limb spasticity	Phase III completed
	Peadiatric upper limb spasticity	Phase III
	Peadiatric lower limb spasticity	Phase III completed
	Neurogenic detrusor overactivity	Phase II
	Glabellar Lines – China	Phase III
Dysport® Solution	Cervical Dystonia	Phase III completed
	Glabellar Lines	Phase III
Décapeptyl®	Combined hormone therapy for pre-menopausal breast cancer	Phase III completed

(1) PRF: Prolonged Release Formulation.
(2) Excluding the United States, Canada, South Africa, Mexico, South Korea and Japan.

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 its 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.

OPS201 & 202

The Group acquired these molecules upon the acquisition of *OctreoPharm Sciences*, purchased in May 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. OPS202 is an NET imaging tool utilizing positron emission tomography (PET, PET/CT), and is currently in clinical development and OPS201 is a PRRT therapeutic.

MCNA

In October 2015, the Group obtained from *Telesta Therapeutics* an exclusive licensing agreement to develop and commercialize MCNA in all countries of the world, with the exception of the United States, where Telesta is establishing commercial operations, Canada, South Africa, Mexico, South Korea and Japan.

MCNA is a biologic therapy developed to provide high risk non-muscle invasive bladder cancer patients who are refractory to or relapsing from first line therapy with Bacillus Calmette-Guérin (BCG), with a therapeutic alternative to surgery. MCNA is derived from the cell wall fractionation of non-pathogenic bacteria. Its activity is believed to be through a dual mechanism of immune stimulation and direct anticancer effects. MCNA was developed to be delivered as a sterile suspension for intravesical administration by urologists and urology nurses, following the same dosing paradigm as first line BCG therapy, with the advantage that it can be prepared, handled and disposed of easily and safely.

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

LX1032

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

Lexicon conducted Phase 3 clinical trials of telotristat etiprate for carcinoid syndrome, a serious condition caused by symptomatic neuroendocrine tumors, which produce large amounts of serotonin. Carcinoid syndrome is characterized by severe diarrhea, flushing and, in some cases, heart valve damage. Telotristat etiprate is an oral, small-molecule inhibitor of tryptophan hydroxylase (TPH) that reduces peripheral serotonin production without affecting brain serotonin levels. Telotristat etiprate 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* is currently preparing a submission dossier for the FDA in the first quarter 2016 and Ipsen will submit to the EMA in the second quarter 2016.

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.

Dysport®

The Group is leading several phase III studies, 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. Treatment with Dysport® at the doses of 10U/kg/leg and 15 U/kg/leg statistically significantly improved muscle tone (primary endpoint) in hemiplegic and diplegic cerebral palsy children with lower limb spasticity. Treatment with Dysport® at the dose of 1,500 U statistically significantly improved muscle tone (primary endpoint) in adult patients with lower limb spasticity.

In addition, Ipsen announced in March 2014 positive results from its phase IIa clinical trial assessing Dysport® in the treatment of Neurogenic Detrusor Overactivity (NDO) in patients with urinary incontinence not adequately managed by anticholinergics. Ipsen will initiate PhIII studies in this indication, with patient recruitment scheduled to start in the first quarter 2016.

Otherwise, The Group also develops a liquid, ready-to-use formulation of toxin A, Dysport® Solution, Ipsen announced the results of the international Phase III clinical trial of Dysport® Solution in cervical dystonia and the results of the European Phase II clinical trial of Dysport® Solution in glabellar lines.

Decapeptyl®

On 10 October 2014, Ipsen announced positive results from phase III clinical study of Decapeptyl® (triptorelin pamoate) 11.25 mg administered by subcutaneous route 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 and the Czech Republic in 2015 for the subcutaneous route of administration.

1.2.3.3.4 Research and Development programs licensed to partners

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

Endocrinology – PTH-rP (BIM 44058). The Group has granted *Radius* the exclusive right to develop, manufacture and distribute a compound belonging to the Group known as BIM 44058 (as well as its analogues) using the sustained-release formulation technology designed by the Group for the development of a drug used in the treatment of osteoporosis. A detailed description of this partnership is provided in paragraph 1.2.2 of this document. On 7 November 2015, Radius announced that it has submitted a Marketing Authorization Application (MAA) for an investigational, once-daily subcutaneous injection of abaloparatide.

Endocrinology – MC4 agonist, ghrelin. The Group has granted *Rhythm Pharmaceuticals*, a biotechnology company developing therapeutic peptides for metabolic diseases, an exclusive worldwide license for research, development and marketing of its candidate drugs, MC-4 and ghrelin agonists, therapeutic peptides targeting obesity, metabolic disorders and gastrointestinal problems. On 6 November 2015, Rhythm presented positive data from Phase Ib study of Setmelanotide (MC4 agonist) for the treatment of genetic obesity. A detailed description of this partnership is provided in paragraph 1.2.2 of this document.

1.2.4 Intellectual Property

1.2.4.1 Patents

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

The Group considers that protection of patented technologies and products is essential to the success of its businesses. At 31 December 2015, the Group held 953 patents, 537 of which were issued in European countries and 123 in the United States (in the majority of cases, each international application includes several national applications and one European application upon expiry of the 30-month priority period).

At the same time, the Group had 638 patent applications pending.

The European and international patent applications by definition designate a large number of countries in which protection can be obtained later. In practice, many of these applications will result in the issuance of patents in the initially designated countries and which are considered important by the Group.

Consequently, the 67 applications in Europe and the 10 international patent applications ("PCT") are likely to lead to a significantly larger number than 77 national patents issued.

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

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

Product	Patent holder	Patent expiration date
Specialty care		
Urology – Oncology		
Decapeptyl® – Pamoate formulation – Acetate formulation	 Debiopharm Syntex	 Patent now expired Patent now expired
Decapeptyl® 6 month formulation	Debiopharm	2028 (if patent granted)
Hexvix®	Photocure École Polytechnique Lausanne	2016 + SPC (1) 2019
Endocrinology		
Somatuline® Autogel® – formulation – preparation process	 Ipsen Ipsen	 2015 (Europe(2)) and 2020 (USA(3)) 2031 (if patent granted)
Somatuline®	Tulane University	Patent now expired
NutropinAq®	Genentech	Patent now expired (Europe)
Increlex® – Medical use – Medical use – Formulation – Manufacturing process	 Genentech Tercica Genentech Genentech	 2015 (Europe) and 2014 (USA) 2024 (Europe) and 2025 (USA) 2017 (USA) 2018 (USA)
Telotristat etiprate – 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)

(1) The European patent is extended (*via* SPC) in a number of European countries until 2021 in Switzerland and 2019 in the other countries (Austria, Belgium, Czech Republic, Germany, Spain, France, Great Britain, Hungary, Ireland, Italy, The Netherlands and Portugal).
(2) 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.
(3) In the United States, an extension (PTE) has been granted which extends the patent term until March 2020.

Product	Patent holder	Patent expiration date
Neurology		
Dysport® (1)	–	No patent filed
Dysport® liquid formulation	Ipsen	2025 (Europe)(2) 2025 (USA)
BN 82451	Ipsen	2020 (Europe and 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® (3)	Schwabe Indena	Expired (Europe) Expired (USA)
Ginkor Fort® (3)	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)(4) 2023 (Europe)(5)
BLI-800	Braintree	2023 (Europe)(6)

(1) There is no patent on the indications and formulation currently marketed but applications are pending in the field of botulinum toxin.
(2) 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 may appeal this decision. Oppositions were also filed against the second EP patent granted in February 2015.
(3) Schwabe and Indena held patents in Europe relating to the standardized extract EGb 761®, the active ingredient of Tanakan® and one of the active ingredients of Ginkor Fort®.
(4) The EP patent granted in November 2009 has been maintained under an amended form relating to a therapeutical composition of a polymorphic form of febuxostat during the opposition proceedure. 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.
(5) Based on this EP patent, a SPC has been granted in Estonia which extends the patent term until 2023.
(6) 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 appropriate to clarify the terms of review of patent applications:

(1) Submission of the patent application.

(2) Review of the application by the patent offices (*e.g.* the National Institute of Industrial Property – INPI – France or The European Patent Office – EPO). Patent offices are independent and they do not give visibility on the timing of examination or on the status of requests. In general, the review of a patent application takes between 3 and 6 years.

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

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

1.2.4.2 Brandnames and trademarks

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

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

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

The Group's key products, namely Decapeptyl®, Somatuline® (and Somatuline® Autogel®), Dysport®, Tanakan®, Smecta®, Forlax®, Fortrans® and Eziclen® / Izinova®, and the number of trademarks held by the Group at 31 December 2015 are shown in the table below.

Brands and trademarks	Number of registrations or applications
Decapeptyl®	74
Somatuline®	155
Autogel®	149
Dysport®	358
Tanakan®	257
Smecta®	552
Forlax®	156
Fortrans®	111
Eziclen® / Izinova®	68 / 63

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

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

1.2.4.3 Domain Names

At 31 December 2015, the Group had 1,722 domain names (reserved or in the process of being reserved).

1.2.5 Main Markets

1.2.5.1 General data

Segment information by therapeutic area and by region, relating to 2014 and 2015 financial years are detailed in section 2 of this registration document.

The Group is specialized in healthcare solutions for targeted debilitating diseases. Ipsen's development strategy is supported by 3 franchises: endocrinology, neurology, and urology-oncology. Ipsen's commitment to oncology is exemplified through its growing portfolio in prostate cancer, bladder cancer and neuroendocrine tumors. The Group also has a significant presence in primary care. Main Group's drug markets and size are detailed in section 1.2.1 of this registration document ("The Group's products").

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

1.2.5.2 Competitive Position

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

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

1.2.6 Regulations

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

Price-setting and control

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

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

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

The governments of many countries in which the Group operates continue to introduce new measures to reduce public health expenses, some of which have affected the Group sales and profitability in year 2015. In addition, certain measures introduced in 2014 have continued to affect the Group's accounts year-on-year.

A comprehensive description of government measures affecting countries in which the Group operates is available in quarterly sales press release. Government measures affecting major countries for Ipsen in 2015 are listed below:

- In France, all Decapeptyl® formulations were impacted by a 3.1% price decrease imposed by Public Health Authorities, in February 2015;
- In Spain, Dysport® was included in the reference price system as the product has been on the market for more than 10 years;
- In the UK, to keep health service spend on branded medicines within the levels agreed under the Scheme, the Department of Health set the level of payment due from members of the Pharmaceutical Price Regulation Scheme (PPRS) at 10.36% in 2015, compared to 3.74% in 2014;
- In Italy, as of 1 August 2015, Decapeptyl® 3.75 mg and 11.25 mg were withdrawn from the pay-back procedure, with official prices consequently decreased by 5.0%;
- In the United States, Somatuline® prices increased on 30 June and 30 September 2015 (Somatuline® 120 mg: +1.6% in June, Somatuline® 60 mg/90 mg: +3.0% and +5.0%, respectively in June and September). In December 2015, all Somatuline® formulation prices increased by +2.1%. Increlex® price increased 14.9% in September 2015.

Furthermore, governments of many countries in which the Group operates continue to introduce new measures to reduce public health expenses, some of which will affect the Group sales and profitability beyond 2015.

- In France, the government presented the new Social Security Finance Bill (PLFSS), which sets forth expenditure targets in the healthcare sector for 2015. The target growth of healthcare expenditure has been set at 2.1% year-on-year, down from 2.4% in 2014. This is expected to result in €3.2 billion savings. Moreover, the two Smecta® price cuts have fully impacted countries that reference French prices in their international reference price system (incl. European Union and North Africa) starting January 2015;
- In Spain, Somatuline® 120 mg will be subject to a 5.0% price decrease due to the new reimbursement of GEP-NET indication. This new price is expected to be officially implemented as of March 2016;
- In the UK, the Department of Health announced the level of payment due from members of the Pharmaceutical Price Regulation Scheme (PPRS) in 2016 to keep health service spend on branded medicines within the levels agreed under the Scheme will be 7.80%;
- In China, an ongoing healthcare reform aims at aligning the patient management model with European standards. This results in an acceleration of hospital tenders and the implementation of a more efficient retail pharmacy distribution channel. In particular, this reform aims at removing price caps for most medicines to allow the market to play a bigger role in fixing prices.

The latest update on this reform is more price cut at provincial biddings for public hospitals and further price cut at post-bidding price negotiations in some cities. For drugs sold through retail pharmacy channels, this reform will bring more flexible drug pricing to pharmaceutical companies to raise their incentive for innovation, even though prices will remain subject to governmental and anti-trust supervision.

Besides, 2016 is the year heralding the 13th five-year plan. As such, PRC's Ministry of Health will also release its 13th five-year plan for Healthcare guiding its development for the next 5 years to reach the overall "Health China 2030" objectives.

1.2.7 Mother-subsidiaries relationship

Ipsen S.A. is acting as an holding company with regards to its affiliated companies and has no operational activities. Certain senior managers are employed by Ipsen S.A. under certain conditions and invoicing provisions described in paragraph 2.3.4. €21.1 million have been invoiced by Ipsen S.A. in 2015 with regards to these senior managers. The Group comprises 48 affiliates which are consolidated as set forth in note 28 in chapter 2.2.5.

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

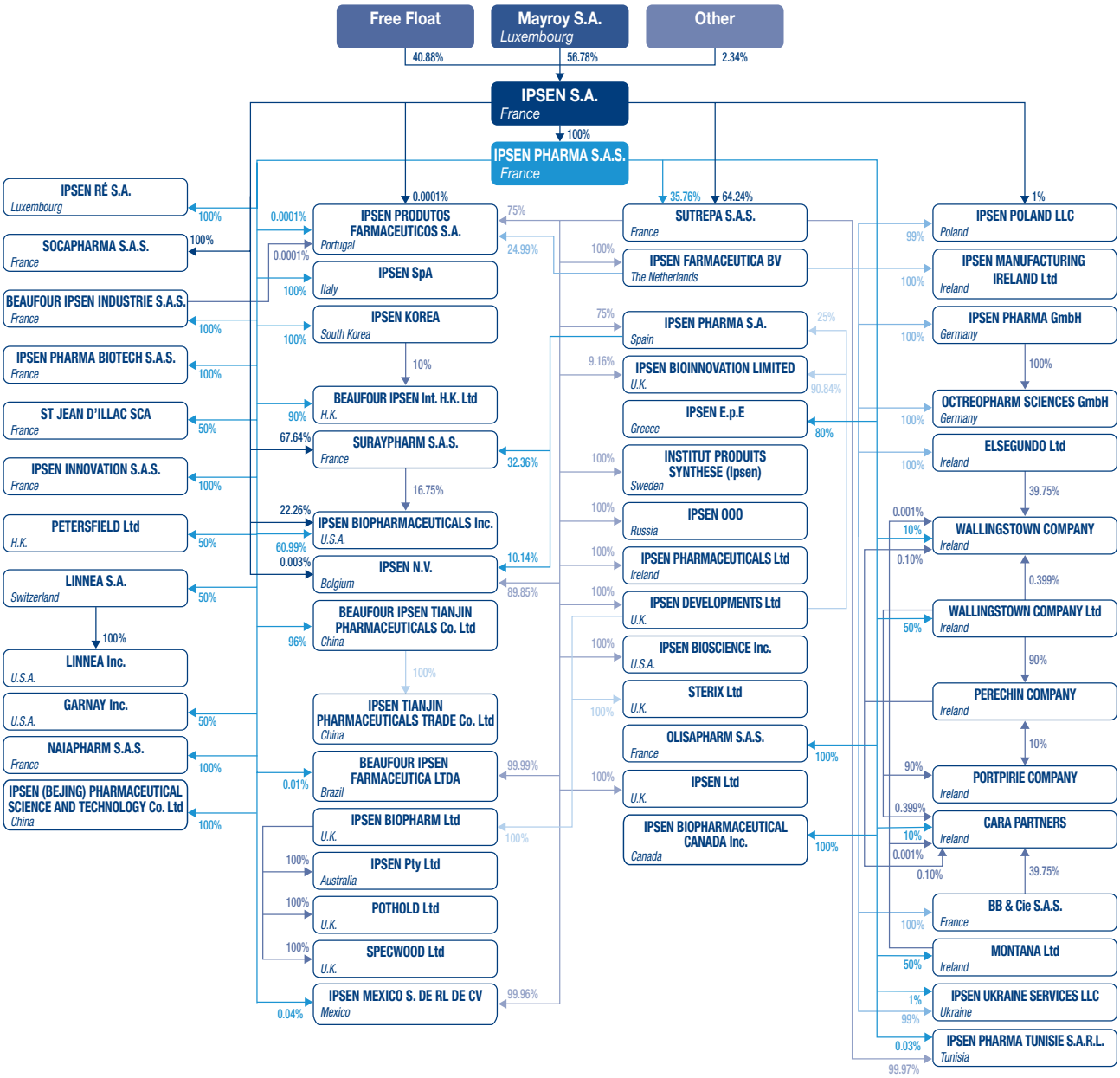
As indicated in chapter 4.2.3, Ipsen S.A. is controlled by a company incorporated in Luxembourg, Mayroy SA. Description of this company and its shareholding is to be found in chapter 4.2.3.

1.2.7.1 Organizational structure

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

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

Group Organization chart at 31 December 2015



■ 1.2.7.2. Acquisitions and winding-ups

The evolution of the organization chart takes into account the acquisition by the Group of Octreopharm GmbH, in Germany on 30 June 2015.

Moreover, in the context of simplification and rationalization of the Group's legal and administrative organization, three French companies were dissolved on 24 July 2015: Ancelab SAS, Liampharm SAS, Jusypharm SAS, with all assets being transferred to the parent company.

■ 1.2.7.3 Information on the participations

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

Within the Legal Division, the Group has a "Risk and Insurance" function which 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 Risks specific 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 70.3% of 2015 consolidated Group sales, respectively 27.8%, 23.1% and 19.4%. 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; its inability to secure such support or any shortcoming in its control over such third parties could have a negative impact on the Group.

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

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

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

A failure by any of the Group's partners or intense competition could result in some of the Group's products (i) having their development programs delayed or stopped, (ii) not being approved by the 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 In association with 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 benefit of intellectual property rights in respect of the Group's inventions or might not ensure that the Group's unpatented technology remains confidential.

The Group works with numerous partners (universities and other public and private bodies), and exchanges information and data with them in various forms in connection with researching, developing, producing and bringing to market its products. In spite of precautions taken by the Group with regard to these bodies, including in particular contractual precautions, they (or some of their members) could claim ownership of intellectual property rights arising from trials carried out by their employees or any other intellectual property rights relating to the Group's products. In addition, where their own intellectual property rights are concerned, these bodies could refuse to grant licenses to the Group on terms acceptable to it.

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

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

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

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

The Group's success also depends on the motivation of its employees in all its operations sites. Maintaining positive social relations within its different entities is an important factor in implementing the Group's policy. However, changes in economic conditions in the pharmaceutical industry could lead some Group sites to envisage or embark on reorganization or restructuring operations that could have an adverse impact on employee motivation and the quality of social relations in the Group, thereby jeopardising achievement of some Group targets in terms of Research, Production or Marketing activities, with a corresponding impact on the Group's results or financial position.

1.2.8.1.3 Risks associated with the Group's international activities

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

- Risks arising from unexpected regulatory changes and in particular changes in tax regulations and regulations on trade and tariffs;
- Risks arising from difficulties in interpreting or implementing certain specific regulations;
- Risks associated with the inevitable complexity of decision-making processes at Group level in this environment;
- Risks arising from limitations on the repatriation of earnings;
- Risk of financial default on the part of certain public and private operators with which the Group conducts business;
- Risks arising from exchange rate fluctuations;
- Risks arising from the validity of various intellectual property rights being deferred;
- Risks arising from various labour regulations;
- Risks arising from political or economic changes affecting a given region or country;
- Risks arising from increased difficulties in recruiting staff and managing operating entities abroad;
- Risks arising from failure by the Group's employees to observe the ethical principles laid down by the Group (see section 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 and, despite the procedures and security measures in place, the Group may have to deal with incidents connected to such systems and leading to activity disruptions, to the loss or alteration of critical data or the theft or corruption of data, in case of malicious acts.

1.2.8.2 Risks associated with the pharmaceutical industry

1.2.8.2.1 Risks associated with market competition

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

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

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

Details of the competitive environment of the Group's main products are set out in section 1.2.1 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 which are set for drugs, and is vulnerable to the potential withdrawal of certain drugs from the list of reimbursable products by governments and the relevant regulatory authorities in the countries in which it operates.

In general terms, the Group is faced with uncertainty in relation to the prices set for all its products, in so far as medication prices have come under severe pressure over the last few years as a result of various factors, including the following:

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

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

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

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

1.2.8.2.3 Risks associated with Research and Development failures

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

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

In order to remain competitive in the highly competitive pharmaceutical industry, the Group must allocate substantial resources to Research and Development every year in order to perfect new products. Even if the Group's Research and Development efforts bear fruit, its competitors could develop

more effective products or successfully bring a larger number of new products to market. In 2015, the Group spent €192.6 million on Research and Development, representing around 13.3% of consolidated sales. The Group's current investments related to the launch of new products and researching and developing future products could entail higher costs without a proportionate increase in the Group's revenues.

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

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

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

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

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

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

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

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

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

Consequently, the Group cannot guarantee that it will manage to secure the required future supplies.

If difficulties of this nature were to persist for a period of time in relation to one or more products, this could also have a negative impact on the Group's sales, and thus on its profitability and earnings.

1.2.8.2.6 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, for example, Forlax® or Smecta®, (ii) products which, although not strictly identical to the Group's products or which have not demonstrated their bioequivalence, may be granted marketing licenses for indications similar to those of the Group's products pursuant to the bibliographic reference regulatory procedure (well established medicinal use) before the patents protecting its products expire, and (iii) products sold for unauthorized uses once the protection afforded to the Group's products and those of its competitors by patent law expires.

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

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

1.2.8.3 Legal risks

1.2.8.3.1 Reference shareholder

As at 31 December 2015, the Company's main shareholder, Mayroy, held 56.78% of the Company's equity and 72.15% of actual voting rights. This means that it can control the passing of resolutions at Shareholders' Meetings, which could have a material unfavourable impact on the Company's share price.

This concentration of capital and voting rights in the hands of a single shareholder, and that shareholder's ability to freely dispose of all or part of its shares in the Company, could have a material unfavourable impact on the Company's share price.

1.2.8.3.2 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 for controlling dissemination of this information, either to protect the confidentiality of sensitive information, notably as concerns effective protection of its intellectual property or its competitive positions, or to ensure that privileged information is disseminated to investors in a manner that complies with the legislation in force. However, the Group cannot be certain that it will not be faced with undesired or uncontrolled disclosure of critical or strategic information, which might have adverse effects on the financial position of the company, its competitive situation or the value of its shares.

1.2.8.3.2.2 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 in respect of 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 €17.3 million as at 31 December 2015. These provisions are estimated on the basis of the most likely assumptions on the reporting date.

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

1.2.8.3.2.3 Dependence on the Group's intellectual property rights

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

Consequently, the Group cannot be certain that:

- it will be able to develop other patentable inventions,
- patents it has applied for will be granted,

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

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

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

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

1.2.8.3.2.5 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 the patients' confidence in the Group's products could be undermined. In addition, some of the Group's products could be withdrawn from the market if counterfeit products were sold. If the confidence of patients or prescribers of the Group's products were damaged, or if the Group were forced to withdraw products from the market, the Group could see a decline in its sales and profitability.

1.2.8.3.2.6 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 which could increase if the Group's business expands into new markets and continues to grow in the United States (where the costs associated with product liability claims can be particularly onerous). Considerable damages have been awarded against pharmaceutical companies in certain countries as a result of physical harm allegedly caused by the use of certain products. Certain pharmaceutical companies have recently had to withdraw products from the market as a result of product liability claims. Although the Group is not currently involved in any substantial proceedings arising from product liability and including significant damages claims, it is possible that such proceedings could be initiated in the future. Although the Group has insurance policies covering, up to a certain amount, the risk of potential claims based on product liability, were a claimant to win a case against the Group on the basis of such liability, this could have a negative impact on the Group's business, financial situation or results. Product liability Insurance in the pharmaceutical industry is a narrow market; it is impossible to predict the cost of such insurance in the future. The Group may be unable to obtain or retain insurance cover on acceptable terms, and the insurance cover held by the Group may not provide adequate protection against potential risks of the type in question. Should the Group be unable to take out insurance at reasonable prices or make adequate provision to protect itself against potential product liability claims, it could be exposed to substantial risks and find itself unable to market its products at the appropriate time or at competitive prices.

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

Group's products, thus causing sales to decline, even if it were ultimately demonstrated that the Group product in question had not caused the side-effects reported to the regulatory authorities.

1.2.8.4 Financial risks

1.2.8.4.1 Market risks

Financial risks are mainly managed by the Group through control procedures put in place by Group Finance, working with the relevant subsidiaries and the Group's specialist departments responsible for arranging and managing such procedures. The Group mainly makes use of traditional, 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 at 31 December 2015.

1.2.8.4.2 Exchange rate risks

A significant share of sales comes from countries where the euro, the Group's reporting currency, 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, primarily forward sales or purchase contracts and currency swaps, "vanilla" options and NDF (Non-Deliverable Forward).

1.2.8.4.3 Interest rate risks

As at 31 December 2015, the Group had no medium or long-term debt requiring interest rate hedging. The financial impact of interest rate risks is set out in note 23 "Derivative Financial Instruments" to the consolidated financial statements as at 31 December 2015.

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 at 31 December 2015, the Group's net cash and cash equivalents amounted to €226.1 million, mainly 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, which could in turn erode the local competitiveness of the Group's products relative to competitors operating in local currency, could be detrimental to the Group's margins in those regions where the Group's drugs are billed in local currencies or could compromise the Group's ability to recover receivables from public or private bodies with which the Group does business.

In a number of countries, the Group markets its drugs *via* distributors or agents: some of these partners' financial strength could be impacted by the crisis, potentially subjecting the Group to difficulties in recovering its receivables in full. Furthermore, in certain countries whose financial equilibrium is threatened by crisis and where the Group sells its drugs directly to hospitals, the Group could be forced to lengthen its payment terms or could experience difficulties in recovering its receivables in full Moreover the group may also be unable to protect itself against the risk of payment default from certain customers due to the lack of active offers of credit insurance in these geographical regions.In addition, patients in some geographical areas fund their own medication needs in the absence of any social security system. Such patients could find that their financial resources are impacted by financial crisis. Finally, in those countries in which public or private health cover 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 Company or one of its partners of the success or failure of one of the Company's Research and Development programs conducted either on its own or in conjunction with a third party;
- The announcement by the Company or one of its partners of the success or failure of the commercial launch of a new product;
- Announcements by competitors or announcements concerning the pharmaceutical industry;

- Announcements regarding changes in the Group's executive team or key personnel.

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

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

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

1.2.8.5.2 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 regarding the repair of environmental damage or the refurbishment of contaminated sites.

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

Significant investments to ensure the continued health and safety of employees handling dangerous substances at the Group's various sites could lead to the Group incurring significant expenditures or seeking to outsource certain activities to specialized partners. The Group's EHS (Environment, Health and Safety) policy is described in section 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 are critical and unique. If a production site were to suffer a breakdown, this could result in an interruption to production of between three and 24 months pending the replacement of parts or entire equipment, followed by its requalification and validation, or could result in the use of subcontractors. Any such interruption in production could have a negative impact on the Group's business, financial position or performance.

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

Furthermore, at several of its production sites, the Group uses dangerous and inflammable substances and powders which could lead to an explosion, a fire or the potential exposure of its employees to such substances. Although the Group considers that the safety measures it takes in respect of the handling and processing of dangerous substances satisfy the standards required by applicable laws and regulations and enable its employees and subcontractors to perform their activities under favourable environmental, health and security conditions, the risks associated with handling, storing and

using these dangerous substances cannot be completely eliminated and could lead to the partial or total destruction of one or more of its production sites, which could entail an interruption in production of potentially several years. Depending on the site and products concerned, the return of sales to their previous levels could prove difficult which could have a negative impact on the Group's ability to achieve its financial targets in the future.

1.2.8.6 Insurance and protection against risks

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

Product liability insurance covers all the products manufactured, marketed and sold by the Group, as well as all clinical trials conducted by the Group. The level of coverage for clinical trials 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 a narrow market; it is impossible to predict the cost of such insurance in the future.

The Group also maintains insurance cover relative to its activities in general, including business interruption, 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, with effect from 1 January 2011.

All the Group's policies carry certain restrictions, exclusions, limitations and deductibles which are common practice for policies of this type,

Regarding product liability claims for example, if a judgement 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.

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

Since 1 January 2006, a part of the Group liability insurance program is financed through its reinsurance subsidiary in order to cope with the potential volatility of this type of risk on the insurance market. This reinsurance subsidiary, which is a regulated company ruled by the Luxembourg Control authorities, provides the first €10 million of liability coverage per claim and per year.

2 FINANCIAL INFORMATION OF THE COMPANY

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

On 23 February 2015 – Ipsen Canbex Therapeutics Ltd announced that Canbex had granted Ipsen an option giving Ipsen the exclusive right to purchase 100% of Canbex shares upon completion of the Phase IIa study of Canbex's lead candidate for the treatment of spasticity in people with multiple sclerosis (MS), known as VSN16R.

On 19 May 2015 – Ipsen announced the signature of an agreement to acquire OctreoPharm Sciences, a private German life sciences company focusing on the development of innovative radioactive labeled compounds for molecular imaging diagnostics and therapeutic applications.

On 28 October 2015 – Ipsen and Telesta Therapeutics Inc. announced that they entered into an exclusive licensing agreement for Ipsen to develop and commercialize MCNA(1) for the treatment of high risk non-muscle invasive bladder cancer (NMIBC) in all countries of the world, with the exception of the United States. Under the financial terms of the agreement, Telesta is eligible to receive up to US$137 million in upfront and milestone payments comprising a US$10 million upfront payment and additional payments contingent upon achievement of regulatory and sales milestones.

Research and Development

On 26 January 2015 – Ipsen announced topline results for two double-blind phase III studies of Dysport® (abobotulinumtoxinA) in Pediatric Lower Limb (PLL) spasticity in children with cerebral palsy and in Adult Lower Limb (ALL) spasticity in patients who had experienced a stroke or traumatic brain injury.

On 1 April 2015 – Ipsen announced the inauguration of its new R&D center, Ipsen Bioscience, in Cambridge (MA, USA).

On 16 April 2015 – Active Biotech and Ipsen announced top line results of the 10TASQ10 study. Based on the results the companies have decided to discontinue all studies in prostate cancer.

On 3 August 2015 – Ipsen announced that its partner, Lexicon Pharmaceuticals, Inc., disclosed positive results from the pivotal Phase 3 TELESTAR study.

On 31 August 2015 – Ipsen announced The Lancet Neurology published online the detailed results from the Ipsen sponsored phase III randomized study (NCT01313299) showing the efficacy and safety of Dysport® in post-stroke or traumatic brain injury patients with upper limb spasticity.

Regulatory

On 16 July 2015 – Ipsen announced that the U.S. Food and Drug Administration (FDA) approved its supplemental Biologics License Application (sBLA) for Dysport® (abobotulinumtoxinA) for the treatment of upper limb spasticity in adult patients after the submission of the dossier in September 2014.

Governance

On 2 March 2015 – Ipsen announced the appointment of Dominique Laymand as Senior Vice President, Chief Ethics and Compliance Officer for the Ipsen Group.

On 1 October 2015 – Ipsen announced the appointment of Stéphane Bessette as Executive Vice President, Human Resources of the Ipsen Group.

Other

On 2 July 2015 – Ipsen hosted its Investor Day. The Group's management provided a comprehensive review of its 2020 strategy and its 2020 outlook.

(1) *Mycobacterium phlei* cell wall-nucleic acid complex.

2.1.2 Analysis of results

2.1.2.1 Comparison of consolidated sales for the fourth quarters and years 2015 and 2014

Sales by therapeutic area and by product

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 quarters and full years 2015 and 2014:

(in millions of euros)	4th Quarter				12 months			
	2015	2014	% variation	% variation at constant currency	2015	2014	% variation	% variation at constant currency
Endocrinology	131.1	92.2	42.1%	37.8%	482.3	359.4	34.2%	29.2%
of which Somatuline®	*110.0*	*73.9*	*48.8%*	*44.4%*	*401.6*	*287.5*	*39.7%*	*34.2%*
of which NutropinAq®	*14.7*	*13.9*	*5.8%*	*5.3%*	*60.3*	*59.0*	*2.1%*	*1.4%*
of which Increlex®	*6.4*	*4.4*	*45.0%*	*28.4%*	*20.4*	*12.9*	*58.6%*	*42.2%*
Urology-oncology	87.4	77.1	13.4%	10.9%	351.2	332.7	5.6%	1.5%
of which Decapeptyl®	*83.2*	*73.2*	*13.6%*	*11.0%*	*334.0*	*316.6*	*5.5%*	*1.3%*
of which Hexvix®	*4.3*	*3.9*	*9.0%*	*8.7%*	*17.2*	*16.0*	*7.3%*	*6.6%*
Neurology	71.2	59.4	19.7%	26.5%	280.7	255.0	10.1%	10.0%
of which Dysport®	*70.7*	*59.2*	*19.5%*	*26.1%*	*279.5*	*254.5*	*9.8%*	*9.7%*
Specialty care	**289.7**	**228.8**	**26.6%**	**25.8%**	**1,114.2**	**947.1**	**17.7%**	**14.4%**
Gastroenterology	59.8	52.6	13.7%	11.2%	227.2	219.3	3.6%	– 0.7%
of which Smecta®	*25.7*	*26.8*	*– 4.1%*	*– 6.2%*	*114.8*	*121.4*	*– 5.5%*	*– 10.2%*
of which Forlax®	*10.9*	*10.1*	*7.6%*	*6.0%*	*39.7*	*38.5*	*3.1%*	*1.4%*
Cognitive disorders	15.1	15.0	0.4%	2.2%	52.0	62.6	– 16.8%	– 11.2%
of which Tanakan®	*15.1*	*15.0*	*0.4%*	*2.2%*	*52.0*	*62.6*	*– 16.8%*	*– 11.2%*
Cardiovascular	2.5	3.6	– 31.6%	– 32.4%	15.8	18.7	–15.5%	– 15.8%
Other Primary Care	2.5	3.0	– 16.2%	– 15.3%	10.3	11.3	– 8.8%	– 8.4%
Drug-related Sales	6.0	4.1	46.6%	46.6%	24.3	15.9	53.2%	52.5%
Primary care*	**85.8**	**78.3**	**9.6%**	**8.4%**	**329.7**	**327.8**	**0.6%**	**– 1.1%**
Group Sales	**375.5**	**307.1**	**22.3%**	**21.3%**	**1,443.9**	**1,274.8**	**13.3%**	**10.4%**

* Drug-related sales (active ingredients and raw materials) are recorded within Primary care sales.

In the fourth quarter, sales have reached €375.5 million, up 21.3% year-on-year, driven by specialty care growth of 25.8% and primary care growth of 8.4%. In 2015, sales amounted to €1,443.9 million, up 10.4% year-on-year.

In the fourth quarter 2015, **Specialty care** sales reached €289.7 million, up 25.8% year-on-year. In 2015, sales amounted to €1,114.2 million, up 14.4%. Sales in endocrinology grew 29.2%, while sales in urology-oncology and neurology grew by respectively 1.5% and 10.0%. The relative weight of specialty care products continued to increase to reach 77.2% of total Group sales, compared to 74.3% the previous year.

In **Endocrinology,** sales reached €131.1 million in the fourth quarter 2015, up 37.8%, driven by the acceleration of ***Somatuline®*** growth and the good performance of ***Increlex®*** year-on-year. In 2015, sales amounted to €482.3, up 29.2%.

The annual sales of ***Somatuline®*** reached €401.6 million, up 34.2%, driven by strong growth in North America following the launch of the neuroendocrine tumor indication at the beginning of the year. The product also registered excellent performance in Europe, notably in Germany, France, Poland, the UK and Spain. The annual sales of ***Increlex®*** amounted to €20.4 million, up 42.2% year-on-year, benefiting from a favorable base effect related to the supply shortage, which started mid-June 2013 in the United States and in August 2013 in Europe. Supply gradually resumed in Europe in early 2014 and in the United States in June 2014. In 2015, sales of Endocrinology represented 33.4% of total Group sales, compared to 28.2% the previous year.

In **Urology-oncology,** sales of ***Decapeptyl®*** reached €83.2 million in the fourth quarter 2015, up 11.0% year-on-year, driven by the performance in Algeria helped by

a favorable base effect and a good market dynamic, the performance in Spain, where Ipsen is gaining market shares, notably benefiting from a more favorable share of voice to competitors, as well as favorable inventory effects in the Middle-East. In China, growth recovered in the fourth quarter helped by a favorable base effect, after 9 months of sales decline affected by the context of market slowdown and pricing pressure in some provinces. In 2015, sales amounted to €334.0 million, up 1.3%, affected by the slowdown in China and a more frequent use of co-payment in some Southern European countries and additional price cuts, notably of 11.0% on 1 January 2015 in Greece, of 3.0% on 1 February 2015 in France, and of more than 20% in Algeria. In 2015, sales of ***Hexvix***® amounted to €17.2 million, up 6.6% compared to the previous year, mostly driven by the performance in France and Germany. Germany represented around 71% of total product sales. Over the period, sales in Urology-oncology represented 24.3% of total Group sales, compared to 26.1% the previous year.

In **Neurology,** ***Dysport***® sales reached €70.7 million in the fourth quarter 2015, up 26.1% year-on-year, driven by the good performance of the aesthetic indication through the partnership with Galderma in Brazil, Australia and Mexico. In 2015, sales amounted to €279.5 million, up 9.7%, driven by the performance of the aesthetic indication in Russia, Brazil, Mexico and Australia. Over the period, Neurology sales represented 19.4% of total Group sales, compared to 20.0% a year earlier.

In the fourth quarter 2015, sales of **Primary Care** reached €85.8 million, up 8.4% year-on-year, driven by the growth of Gastroenterology and Drug-related sales, up respectively 11.2% and 46.6%. In 2015, sales amounted to €329.7 million, down 1.1% year-on-year, affected by a continued decline of 7.7% in France, partially offset by international growth of 1.2%. Primary care sales in France accounted for 24.3% of the Group's total primary care sales, compared to 26.5% the previous year.

In the fourth quarter 2015, sales of **Gastroenterology** products reached €59.8 million, up 11.2% year-on-year, despite a 6.2% decline of Smecta®, driven by the performance of ***Etiasa***® in China (where Ipsen is now the direct product distributor), of ***Fortrans***®**,** especially in Russia, and of ***Forlax***®**,** supported by sales to our partners marketing generic versions of the product, as well as by ***Eziclen***®'s progressive launch in additional European countries. In 2015, sales in Gastroenterology amounted to €227.2 million, down 0.7% year-on-year, affected by the decline of ***Smecta***® sales, down 10.2% year-on-year, due to an unfavorable inventory effect in the distribution channel during the second and third quarters in China, in a context of pricing pressure in some regions. Sales were also affected in France by the 7.5% price cut implemented in July 2014 and in Algeria with the termination of direct sales in 2015.

In the **cognitive disorders** area, sales of ***Tanakan***® reached €15.1 million euros in the fourth quarter 2015, up 2.2% year-on-year. Sales in 2015 amounted to €52.0 million euros, down 11.2%, impacted by a market slowdown in France and in Russia.

In the cardiovascular area, sales reached €2.5 million euros in the fourth quarter 2015, down 32.4% year-on-year. In 2015, sales amounted to €15.8 million euros, down 15.8%, mainly impacted by the decline in ***Nisis***® **/** ***Nisisco***® sales, hit by an additional 40.0% price cut in February 2015 in France.

Sales of **Other primary care** products reached €2.5 million in the fourth quarter 2015, down 15.3% year-on-year, mainly affected by the 12.1% decline in ***Adrovance***® sales over the period. In 2015, sales amounted to €10.3 million, down 8.4%.

In the fourth quarter 2015, **Drug-related sales (active ingredients and raw materials)** reached €6.0 million, up 46.6% year-on-year. In 2015, sales amounted to €24.3 million euros, up 52.5%. This performance is mainly explained by the new business model in Algeria (where Ipsen now supplies the active ingredient of Smecta® to a local manufacturer and records sales in Drug-related sales), the strong supply sales of *Ginkgo biloba* extracts to Schwabe, and the sales recovery of the active ingredient of Smecta® in South Korea.

Sales by geographical area

Group sales by geographical area in the fourth quarters and full years 2015 and 2014 were as follows:

(in millions of euros)	4th Quarter				12 months			
	2015	2014	% variation	% variation at constant currency	2015	2014	% variation	% variation at constant currency
France	53.9	53.4	1.0%	1.0%	212.4	211.4	0.5%	0.5%
Germany	29.8	23.6	26.2%	26.2%	110.3	94.2	17.1%	17.1%
Italy	19.5	17.8	9.5%	9.5%	79.4	78.5	1.1%	1.1%
United Kingdom	19.5	17.8	9.3%	– 0.1%	76.0	65.1	16.8%	5.1%
Spain	17.5	15.6	12.5%	12.5%	65.6	59.9	9.5%	9.5%
Major Western European countries	**140.2**	**128.2**	**9.4%**	**8.0%**	**543.8**	**509.1**	**6.8%**	**5.3%**
Eastern Europe	42.8	43.0	– 0.6%	8.8%	167.2	177.1	– 5.6%	6.8%
Others Europe	38.0	36.8	3.2%	5.2%	154.2	147.0	4.9%	5.2%
Other European Countries	**80.8**	**79.9**	**1.1%**	**7.1%**	**321.4**	**324.1**	**– 0.8%**	**6.0%**
North America	**48.7**	**21.2**	**129.2%**	**100.5%**	**157.9**	**79.2**	**99.5%**	**67.1%**
Asia	56.9	46.0	23.7%	12.0%	228.4	190.5	19.9%	2.1%
Other countries in the Rest of the world	49.0	31.8	53.8%	68.2%	192.4	172.0	11.9%	13.3%
Rest of the World	**105.8**	**77.8**	**36.0%**	**32.5%**	**420.8**	**362.5**	**16.1%**	**6.9%**
Group Sales	**375.5**	**307.1**	**22.3%**	**21.3%**	**1,443.9**	**1,274.8**	**13.3%**	**10.4%**

In the fourth quarter 2015, sales generated in the **Major Western European countries** reached €140.2 million, up 8.0% year-on-year. In 2015, sales amounted to €543.8 million, up 5.3%. Sales in the Major Western European countries represented 37.7% of total Group sales in 2015, compared to 39.9% the previous year.

France – In the fourth quarter 2015, sales reached €53.9 million, up 1.0% year-on-year. In 2015, sales amounted to €212.4 million, up 0.5% year-on-year, driven by the sustained growth of Somatuline® and Dysport®, partially offset by the decline of Decapeptyl® sales following the 3.0% price cut implemented as of 1 February 2015, and the decline of primary care, affected by the price cut on Smecta® and the continued erosion of Tanakan® and the other products in the portfolio. The relative weight of France in the Group's consolidated sales has continued to decrease and now represents 14.7% of sales, compared to 16.6% the previous year.

Germany – In the fourth quarter 2015, sales reached €29.8 million, up 26.2% year-on-year. In 2015, sales reached €110.3 million, up 17.1%, driven by the strong growth of Somatuline® and Hexvix®, offsetting the decline of Dysport® sales affected by increased competitive pressure. Over the period, sales in Germany represented 7.6% of total Group sales, compared to 7.4% a year before.

Italy – In the fourth quarter 2015, sales reached €19.5 million, up 9.5% year-on-year. In 2015, sales reached €79.4 million, up 1.1%, affected by the implementation of austerity measures targeting hospital products. In 2015, sales in Italy represented 5.5% of consolidated Group sales, compared to 6.2% the previous year.

United Kingdom – In the fourth quarter 2015, sales reached €19.5 million, slightly down 0.1% year-on-year. In 2015, sales amounted to €76.0 million, up 5.1%, supported by the strong growth of Somatuline® and Decapeptyl®, despite a PPRS(1) increase, which had a 4.5% year-on-year negative impact on prices. Over the period, sales in the United Kingdom represented 5.3% of total Group sales, compared to 5.1% the previous year.

Spain – In the fourth quarter 2015, sales reached €17.5 million, up 12.5% year-on-year. In 2015, sales amounted to €65.6 million, up 9.5%, driven by the double-digit growth of Somatuline® and Decapeptyl®. In 2015, Spain accounted for 4.5% of total Group sales, compared to 4.7% the previous year.

In the fourth quarter 2015, sales generated in the **Other European countries** reached €80.8 million, up 7.1% year-on-year. In 2015, sales amounted to €321.4 million, up 6.0% year-on-year, supported by the good performance of Somatuline® across the region and of Dysport® in Russia. Nevertheless, sales were negatively impacted by the contraction of the Group's activities in Ukraine, as a consequence of the ongoing political crisis. Over the period, sales in this region represented 22.3% of consolidated Group sales, compared to 25.4% the previous year.

(1) Pharmaceutical Price Regulation Scheme.

In the fourth quarter 2015, sales generated in **North America** reached €48.7 million, up 100.5% year-on-year, supported by the acceleration of Somatuline® growth. In 2015, sales amounted to €157.9 million, up 67.1% year-on-year, mainly driven by strong Somatuline® growth following the launch of the new indication in the treatment of neuroendocrine tumors, and to a lesser extent by the launch of Dysport® in the treatment of upper limb spasticity in adult patients in September 2015. Sales in North America represented 10.9% of consolidated Group sales, compared to 6.2% a year before.

In the fourth quarter 2015, sales generated in the **Rest of the World** reached €105.8 million, up 32.5% year-on-year, supported by the performance of Dysport® in Brazil, Australia and Mexico, and by the Decapeptyl® rebound in Algeria and in China. In 2015, sales amounted to €420.8 million, up 6.9% year-on-year. Sales in the Rest of the World represented 29.1% of total consolidated Group sales, compared to 28.4% the previous year.

2.1.2.2 Comparison of consolidated income statement for 2015 and 2014

	31 December 2015		31 December 2014		% change
	(in millions of euros)	% of sales	(in millions of euros)	% of sales	
Sales	**1,443.9**	**100.0%**	**1,274.8**	**100.0%**	**13.3%**
Other revenues	76.3	5.3%	57.6	4.5%	32.5%
Revenue	**1,520.2**	**105.3%**	**1,332.4**	**104.5%**	**14.1%**
Cost of goods sold	(336.8)	– 23.3%	(310.0)	– 24.3%	8.7%
Selling expenses	(541.4)	– 37.5%	(464.1)	– 36.4%	16.7%
Research and development expenses	(192.6)	– 13.3%	(186.9)	– 14.7%	3.0%
General and administrative expenses	(122.9)	– 8.5%	(111.2)	– 8.7%	10.4%
Other core operating income	5.3	0.4%	9.4	0.7%	– 43.9%
Other core operating expenses	(9.4)	– 0.6%	(9.1)	– 0.7%	3.2%
Core Operating Income	**322.5**	**22.3%**	**260.6**	**20.4%**	**23.8%**
Other operating income	2.0	0.1%	0.4	0.0%	472.2%
Other operating expenses	(9.2)	– 0.6%	(9.6)	– 0.8%	– 4.2%
Restructuring costs	(6.7)	– 0.5%	(21.9)	– 1.7%	– 69.6%
Impairment losses	(64.6)	– 4.5%	(8.0)	– 0.6%	707.9%
Operating Income	**244.0**	**16.9%**	**221.4**	**17.4%**	**10.2%**
Investment income	0.7	0.1%	1.7	0.1%	– 56.2%
Financing costs	(3.6)	– 0.3%	(4.7)	– 0.4%	– 22.8%
Net financing costs	**(2.9)**	**– 0.2%**	**(3.0)**	**– 0.2%**	**– 4.3%**
Other financial income and expense	(3.6)	– 0.2%	(12.0)	– 0.9%	– 70.5%
Income taxes	(49.8)	– 3.5%	(53.8)	– 4.2%	– 7.4%
Share of net profit (loss) from entities accounted for using the equity method	2.5	0.2%	1.9	0.1%	28.5%
Net profit (loss) from continuing operations	**190.2**	**13.2%**	**154.5**	**12.1%**	**23.1%**
Net profit (loss) from discontinued operations	0.5	0.0%	(0.5)	0.0%	–
Consolidated net profit	**190.7**	**13.2%**	**154.0**	**12.1%**	**23.8%**
– Attributable to shareholders of Ipsen S.A.	189.9		153.5		
– Attributable to non-controlling interests	0.9		0.5		
Basic earnings per share – attributable to Ipsen S.A. shareholders (in € per share)	*2.31*		*1.87*		
Core basic earnings per share – attributable to Ipsen S.A. shareholders (in € per share) (*)	*2.79*		*2.22*		

(*) The core consolidated net profit is detailled in Appendix 4.

Sales

Consolidated Group sales reached €1,443.9 million in 2015, up 13.3% year-on-year, or 10.4% excluding foreign exchange impact(1).

Other revenues

Other revenues for the financial year 2015 totaled €76.3 million, up 32.5% versus €57.6 million generated in 2014.

The growth stemmed from the following:

- higher royalties received from Group's partners, in particular Menarini for Adenuric® and Galderma for Dysport®, which had good performance in the United States and Europe;
- the recognition of an upfront payment of €3.4 million received by Ipsen as part of the sale of Ginkor Fort® licensing rights to Tonipharm in the Group's territories;
- the new distribution model of Etiasa® in China (reclassification with no impact on operating margin).

Cost of goods sold

In 2015, the cost of goods sold amounted to €336.8 million, representing 23.3% of sales, compared to €310.0 million in 2014, which represented 24.3% of sales.

The improvement in the ratio is primarily due to a favorable product mix (increasing share of specialty care sales), as well as productivity efforts deployed at manufacturing sites. Royalties paid to partners increased in line with Group sales.

Selling expenses

In 2015, selling, general and administrative expenses totaled €541.4 million, representing 37.5% of sales, up 16.7% versus 2014. The increase resulted primarily from the oncology sales force set-up in the United States in the second half of 2014 to prepare for the launch of Somatuline® Depot® (lanreotide) 120 mg Injection in the treatment of gastroenteropancreatic neuroendocrine tumors (GEP NETs). It also arose from the expenditure required to launch Dysport® in the treatment of spasticity in the United States.

Research and development expenses

For the financial year 2015, research and development expenses totaled €192.6 million, representing 13.3% of sales, compared with 14.7% of sales a year earlier.

The decline in research and development costs ratio is notably related to the decision to discontinue the clinical trials of tasquinimod in prostate cancer.

Main R&D projects in 2015 included the lifecycle management of Dysport® in spasticity and Somulatine® in neuroendocrine tumors (GEP NETs), the development of molecules in the diagnosis and treatment of neuroendocrine tumors as part of OctreoPharm Sciences GmbH acquisition, and the development of Dopastatin (endocrinology).

In 2015, the research tax credit amounted to €28.1 million, down versus the prior year as a result of provisions reversed in 2014.

General and administrative expenses

General and administrative expenses increased 10.4% year-on-year in 2015, mainly due to the strengthening of support functions in the United States associated with the rapid growth of the activity, higher IT spending and the impact of the Group's outperformance on bonus pay. Nevertheless, general and administrative expenses ratio remained stable versus the prior year.

Other core operating income and expenses

In 2015, other core operating income and expenses came to €4.1 million expense, versus an income of €0.3 million in the prior year. These items primarily included amortization expense for intangible assets, higher revenue from the sub-lease on the Ipsen's headquarters versus 2014 as a result of the lease renegotiation made in July 2015, and the impact of the cash flow hedging policy.

Core Operating Income

Core operating income in 2015 amounted to €322.5 million, representing 22.3% of sales. The Group continued to improve its profitability in 2015, thanks to accelerated growth in the United States, solid performance in Europe and good cost control.

Other operating income and expenses

In 2015 other non-core operating expenses totaled €7.2 million, compared with expenses of €9.2 million reported a year earlier.

These expenses arose primarily from discontinuing the development of tasquinimod in prostate cancer, a decision announced jointly by Active Biotech and Ipsen on 16 April 2015. As a result, the total expenses of €6.6 million related to tasquinimod clinical development studies for the fiscal year 2015 were recognized by Ipsen in other operating income and expenses.

In 2014, other operating income and expenses arose primarily from costs related to the transfer of the Group's US-based operations (Ipsen Bioscience Inc.) from Milford to Cambridge, and expenses related to the renegotiation of the partnership contract with Galderma.

Restructuring costs

In 2015, restructuring costs totaled €6.7 million resulting mainly from expenses made by the Group to adapt its structure and to pool some R&D resources in the United Kingdom together at the Oxford site.

In 2014, restructuring costs came to €21.9 million. Those expenses resulted mainly from Group efforts to accelerate the rollout of the transformation project, as well as from transferring the operations of the Group's US-based Ipsen Bioscience Inc. subsidiary from Milford to Cambridge.

Impairment losses

In 2015, the Group recorded a €57.0 million loss to impair all intangible assets related to the tasquinimod program, after the decision was made to discontinue clinical studies in prostate

(1) Sales growth excluding foreign exchange impact was calculated by restating the 31 December 2014 consolidated financial statements with currency rates at 31 December 2015.

cancer. In addition, the Group recognized a €7.6 million impairment loss in 2015, resulting from the write-down in full of an Ipsen BioInnovation Ltd. intangible asset that was partially written down in 2014.

Net financing costs and other financial income and expenses

In 2015, the Group had net financial expense of €6.4 million, versus net financial expense of €15.1 million in 2014.

- Net financing costs amounted to €2.9 million, versus €3.0 million in 2014.
- In 2015, other financial expenses amounted to €3.6 million, including a final €4.9 million earnout payment stemming from the sale of PregLem shares in 2010. The €8.5 million improvement over 2014 arose mainly from favorable foreign-exchange rate fluctuations.

Income taxes

In 2015, income tax expense of €49.8 million resulted from an effective tax rate of 21.0% on pre-tax profit from continuing operations, (excluding the share of profit (loss) from associated companies and joint ventures), compared with an effective rate of 26.1% in 2014. The lower effective tax rate stemmed from the tax-deductibility of writing off tasquinimod intangible assets and the application of 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.

Net profit (loss) from continuing operations

As a result of the items above, profit from continuing operations came to €190.2 million at 31 December 2015, up 23.1% from €154.5 million in 2014.

Net profit (loss) from discontinued operations

In 2015, net profit from discontinued operations totaled €0.5 million, compared to a net loss of €0.5 million in 2014. 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 to royalties received from Baxalta on that product (spin off from Baxter International).

Consolidated net profit

For the year ended 31 December 2015, consolidated net profit increased 23.8% to €190.7 million (€189.9 million attributable to Ipsen S.A. shareholders) compared with consolidated net profit of €154.0 million in 2014 (€153.5 million attributable to Ipsen S.A shareholders).

Earnings per share

In 2015, basic earnings attributable to the Group amounted to €2.31 per share, up from basic EPS of €1.87 in 2014.

Milestone payments collected but not yet recognized in the Group's income statement

At 31 December 2015, milestone payments collected by the Group but not yet recognized in the income statement amounted to €130.7 million, compared with €143.5 million a year earlier.

In 2015, apart from the recognition of deferred income on the income statement, the Group mainly recorded milestone payments totaling €19 million arising from the partnership extension with Galderma in key Asia-Pacific territories and the contracts with Menarini and Acadia.

Deferred income will be recognized in the Group's future income statement as follows:

(in millions of euros)	31 December 2015	31 December 2014
Total (*)	**130.7**	**143.5**
The deferred income will be recognized over time as follows:		
In the year n+1	29.8	24.9
In the years n+2 and subsequent	100.9	118.6

(*) Amounts converted at average exchange rates respectively at 31 December 2015 and 31 December 2014.

2.1.2.3 Operating segments: distribution of Core Operating Income by therapeutic area

Segment information is presented according to the Group's two operating segments, *i.e.* primary care and specialty care.

All costs allocated to these two segments are presented in the key performance indicators. Only research and development costs and corporate overhead costs are not allocated to the two operating segments.

The Group uses core operating income to measure its segment performance and to allocate resources.

Sales, revenue and Core Operating Income are presented by therapeutic area for the 2015 and 2014 financial years in the following table.

(in millions of euros)	31 December 2015	31 December 2014	Change	
			en valeur	%
Specialty care				
Sales	1,114.2	947.1	167.2	17.7%
Revenue	1,146.1	974.9	171.1	17.6%
Core Operating Income	476.9	400.5	76.4	19.1%
% of sales	*42.8%*	*42.3%*		
Primary care (*)				
Sales	329.7	327.8	1.9	0.6%
Revenue	374.1	357.5	16.6	4.6%
Core Operating Income	126.0	127.2	(1.2)	– 0.9%
% of sales	*38.2%*	*38.8%*		
Total unallocated				
Core Operating Income	(280.4)	(267.2)	(13.3)	5.0%
Group total				
Sales	1,443.9	1,274.8	169.0	13.3%
Revenue	1,520.2	1,332.4	187.8	14.1%
Core Operating Income	322.5	260.6	61.9	23.8%
% of sales	*22.3%*	*20.4%*		

(1) Including drug related sales.

Specialty care sales grew 17.7% to €1,114.2 million in 2015. Endocrinology sales were up 29.2%, urology-oncology sales up 1.5% and neurology sales up 10.0%. The relative weight of specialty care products continued to increase, reaching 77.2% of total consolidated, versus 74.3% a year earlier. In 2015, specialty care core operating income totaled €476.9 million, representing 42.8% of sales compared with €400.5 million in 2014, representing 42.3% of sales. The improvement reflects the favorable sales trend reported in the United States and Europe thanks to the launch of the new Somatuline® indication, which was offset by structuring costs for the US subsidiary and expenditure to support growth.

In 2015, sales of **primary care** products, including active ingredients and raw materials, came to €329.7 million, down 1.1% year on year. Sales were negatively impacted by a steady 7.7% decline in France that was partially offset by international market growth of 1.2%. Primary care sales in France accounted for 24.3% of the Group's total primary care sales in 2015, compared with 26.5% in the previous year. In 2015, core operating income for primary care amounted €126.0 million, representing 38.2% of sales.

In 2015, unallocated **Core Operating Income** came to (€280.4) million, compared with (€267.2) million in 2014. The expenses consisted mainly of the Group's research and development costs – which totaled €189.4 million in 2015, versus €183.4 million in 2014 – and unallocated general and administrative expenses.

2.1.3 Cash flow and financing

In 2015, the Group generated a cash flow increase of €26.3 million, down €28.1 million from the prior-year increase, bringing closing cash and cash equivalents to €214.0 million.

2.1.3.1 Analysis of the consolidated cash flow statement

(in millions of euros)	31 December 2015	31 December 2014
Cash flow from operating activities before changes in working capital requirement	304.8	240.5
(Increase) / decrease in working capital requirement for operations	(81.2)	5.3
Net cash flow from operating activities	**223.6**	**245.8**
Net investments in financial and tangible and intangible assets	(74.9)	(84.2)
Other cash flow from investments	(31.3)	(9.5)
Net cash provided (used) by investment activities	**(106.2)**	**(93.7)**
Net cash provided (used) by financing activities	**(91.2)**	**(97.7)**
CHANGES IN CASH AND CASH EQUIVALENTS (a)	**26.3**	**54.4**
Opening cash and cash equivalents (b)	180.1	125.4
Impact of exchange rate fluctuations (c)	7.6	0.4
Closing cash and cash equivalents ((a)+(b)+(c))	**214.0**	**180.1**

Net cash flow from operating activities

In 2015, cash flow from operating activities before changes in working capital requirement amounted to €304.8 million, up €64.3 million versus 2014, benefitting from the good Group's business performance throughout the year.

Working capital requirement for operating activities increased by €81.2 million at 31 December 2015, compared to a €5.3 million decrease a year earlier. The 2015 increase resulted notably from the following items:

- steady inventories during the year, with the implementation of action plans to help meeting rising demand;
- the sharp €63.8 million increase in trade receivables at 31 December 2015, compared with an increase of €8.5 million in 2014, resulting primarily from growing commercial activity, particularly in the United States, China and Brazil;
- the €10.8 million increase in trade payables at 31 December 2015, versus a €19.5 million increase in 2014, given the higher external costs to support business growth;
- the €18.9 million negative impact in the change in other operating assets and liabilities at 31 December 2015, compared to a source of funds totaling €11.6 million in the prior year, which benefited from €25.0 million in deferred income from the contract renegotiation with Galderma;
- the €9.0 million decrease in net tax liability on earnings at 31 December 2015, versus a €24.9 million decrease in 2014.

Net cash flow used by investment activities

In the 2015 financial year, net cash used by investment activities amounted to €106.2 million, compared with a €93.7 million net use of funds in 2014.

- Investments in tangible and intangible assets, net of disposals, totaled €74.9 million, versus €84.2 million at 31 December 2014. The cash outflow mainly included:
  - €50.0 million in acquisitions of property, plant and equipment, compared with €47.4 million in 2014. The higher cash outflow resulted mainly from capital spending to increase production capacity at manufacturing sites, particularly in the United Kingdom and Ireland, as well as to purchase IT assets;
  - €25.2 million in acquisitions of intangible assets, compared with €37.0 million in 2014. These assets included an additional payment as part of the partnership with Lexicon, information technology investments and the following payments:
    - in October 2015, Ipsen and Telesta Therapeutics entered into an exclusive licensing agreement for MCNA in the treatment of bladder cancer in all major territories, except the United States and Canada, in exchange for a €9.0 million payment;
    - at the end of 2015, Ipsen acquired intellectual property control over Galderma's liquid toxin in some key Asia-Pacific territories (APAC), in exchange for a future payment of €4.6 million payment, recorded as a liability at 31 December 2015;

    In 2014, this item included €18.0 million as part of a licensing agreement with Lexicon Pharmaceuticals Inc. to market telotristat etiprate outside of North America and Japan, as well as a €10.0 million payment to gain control of the intellectual property for Galderma's liquid toxin in the United States, Canada, Brazil, and Europe.
- The investment outflow for financing activities in 2015 also included the purchase of a €6.0 million option to acquire Canbex Therapeutics.
- In 2015, cash flow used by other investment activities mainly included €31.4 million in costs related to the acquisition of OctreoPharm Sciences. In 2014, cash flow used by other investment activities included €3.6 million in changes in the scope of consolidation corresponding to the change in consolidation method for Linnea, a Swiss company.

Net cash provided (used) by financing activities

In the 2015 financial year, net cash used in financing activities represented a net use of funds totaling €91.2 million, compared with €97.7 million in net use of funds in 2014. The 2015 outflow resulted primarily from a €70.5 million dividend payment and €22.4 million in own share purchases.

Reconciliation of cash and cash equivalents and net cash and cash equivalents

(in millions of euros)	31 December 2015	31 December 2014
Closing cash and cash equivalents	**214.0**	**180.1**
Other financial liabilities	(20.6)	(12.1)
Non-current liabilities	**(20.6)**	**(12.1)**
Credit lines and bank loans	(4.0)	(4.0)
Financial liabilities (excluding derivative instruments) (**)	(2.5)	(3.2)
Current liabilities	**(6.5)**	**(7.2)**
Debt	**(27.1)**	**(19.3)**
Net cash and cash equivalents (*)	**186.9**	**160.8**

(*) Net cash and cash equivalents: cash and cash equivalents less bank overdrafts, bank loans and other financial liabilities and excluding derivative financial instruments.
(**) Financial liabilities exclude €4.5 million in derivative instruments at 31 December 2015, compared with €0.8 million in derivative instruments at 31 December 2014.

2.1.3.2 Analysis of Group cash flow

On 17 October 2014, Ipsen S.A. refinanced a syndicated loan it had contracted in 2012. The total amount of the usable part increased from €400 million to €500 million for a duration of 5 years with two one-year extension options.

In 2015, the Group exercised the first extension option. The expiration date for that credit line is now 17 October 2020.

The multiple-currency credit line was established to meet the general financing needs of the Group's operations. At the initiative of the borrower, the line may be drawn down for short-term periods.

Under the terms of the contract, the Group must respect the following covenant ratios at the end of each half-year period:

- Net debt to equity: less than 1
- Net debt to EBITDA: less than 3.5

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

Commercial paper issue program

At 31 December 2015, the Group had a positive net cash position. Both covenant ratios were consequently met.

To meet the general financing needs of Ipsen S.A. and its subsidiaries, the parent company established on 2 December 2015 a program to issue commercial paper. The program has a ceiling of €300 million. The minimum unit amount of the issue is €150,000 for durations ranging from one day to one year.

A financial presentation of the commercial paper issue program may be consulted at the company's website (www.ipsen.com) and the Banque de France website (www.banque-france.fr).

2.1.4 Notes

2.1.4.1 Consolidated income statement

(in millions of euros)	31 December 2015	31 December 2014
Sales	**1,443.9**	**1,274.8**
Other revenues	76.3	57.6
Revenue	**1,520.2**	**1,332.4**
Cost of goods sold	(336.8)	(310.0)
Selling expenses	(541.4)	(464.1)
Research and development expenses	(192.6)	(186.9)
General and administrative expenses	(122.9)	(111.2)
Other core operating income	5.3	9.4
Other core operating expenses	(9.4)	(9.1)
Core Operating Income	**322.5**	**260.6**
Other operating income	2.0	0.4
Other operating expenses	(9.2)	(9.6)
Restructuring costs	(6.7)	(21.9)
Impairment losses	(64.6)	(8.0)
Operating Income	**244.0**	**221.4**
Investment income	0.7	1.7
Financing costs	(3.6)	(4.7)
Net financing costs	**(2.9)**	**(3.0)**
Other financial income and expense	(3.6)	(12.0)
Income taxes	(49.8)	(53.8)
Share of net profit (loss) from entities accounted for using the equity method	2.5	1.9
Net profit (loss) from continuing operations	**190.2**	**154.5**
Net profit (loss) from discontinued operations	0.5	(0.5)
Consolidated net profit	**190.7**	**154.0**
– Attributable to shareholders of Ipsen S.A.	189.9	153.5
– Attributable to non-controlling interests	0.9	0.5

Basic earnings per share, continuing operations (in euros)	*2.30*	*1.88*
Diluted earnings per share, continuing operations (in euros)	*2.29*	*1.87*
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*	*1.87*
Diluted earnings per share (in euros)	*2.30*	*1.87*

2.1.4.2 Consolidated balance sheet before allocation of net profit

(in millions of euros)	31 December 2015	31 December 2014
ASSETS		
Goodwill	353.3	324.4
Other intangible assets	151.5	160.9
Property, plant & equipment	348.7	309.6
Equity investments	25.6	15.0
Investments in companies accounted for using the equity method	15.9	13.7
Non-current financial assets	–	4.2
Deferred tax assets	217.7	204.6
Other non-current assets	15.5	9.3
Total non-current assets	**1,128.1**	**1,041.7**
Inventories	107.4	105.5
Trade receivables	311.0	243.5
Current tax assets	82.9	65.9
Current financial assets	6.8	0.1
Other current assets	75.6	67.8
Cash and cash equivalents	226.1	186.3
Assets of disposal group classified as held for sale	–	2.6
Total current assets	**809.9**	**671.6**
TOTAL ASSETS	**1,938.0**	**1,713.3**
EQUITY AND LIABILITIES		
Share capital	83.2	82.9
Additional paid-in capital and consolidated reserves	892.3	801.7
Net profit (loss) for the period	189.9	153.5
Exchange differences	57.0	27.1
Equity attributable to Ipsen S.A. shareholders	**1,222.5**	**1,065.2**
Equity attributable to non-controlling interests	3.1	2.7
Total shareholders' equity	**1,225.6**	**1,067.9**
Retirement benefit obligation	51.2	59.6
Non-current provisions	31.4	42.1
Other non-current financial liabilities	20.6	12.1
Deferred tax liabilities	23.1	5.6
Other non-current liabilities	124.5	115.8
Total non-current liabilities	**250.8**	**235.2**
Current provisions	29.9	26.0
Current bank loans	4.0	4.0
Current financial liabilities	7.0	4.0
Trade payables	195.1	179.8
Current tax liabilities	12.0	4.1
Other current liabilities	201.5	186.1
Bank overdrafts	12.1	6.1
Total current liabilities	**461.5**	**410.2**
TOTAL EQUITY & LIABILITIES	**1,938.0**	**1,713.3**

2.1.4.3 Consolidated statement of cash flow

(in millions of euros)	31 December 2015	31 December 2014
Consolidated net profit	**190.7**	**154.0**
Share of profit (loss) from companies accounted for using the equity method before impairment losses	(0.8)	(0.3)
Profit (loss) before share from companies accounted for using the equity method	**189.9**	**153.7**
Non-cash and non-operating items		
– Depreciation, amortization, provisions	43.7	50.2
– Impairment losses included in operating income and net financial income	64.6	8.0
– Change in fair value of financial derivatives	1.9	(2.7)
– Net gains or losses on disposals of non–current assets	0.5	2.6
– Share of government grants released to profit and loss	(0.0)	(0.0)
– Foreign exchange differences	(1.3)	9.8
– Change in deferred taxes	1.4	13.8
– Share–based payment expense	4.0	4.8
– (Gain) or loss on sales of treasury shares	0.3	0.1
– Other non-cash items	(0.1)	(0.0)
Cash flow from operating activities before changes in working capital requirement	***304.8***	***240.5***
– (Increase)/decrease in inventories	(0.2)	7.6
– (Increase)/decrease in trade receivables	(63.8)	(8.5)
– Increase/(decrease) in trade payables	10.8	19.5
– Net change in income tax liability	(9.0)	(24.9)
– Net change in other operating assets and liabilities	(18.9)	11.6
Change in working capital requirement related to operating activities	***(81.2)***	***5.3***
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**223.6**	**245.8**
Acquisition of property, plant & equipment	(50.0)	(47.4)
Acquisition of intangible assets	(25.2)	(37.0)
Proceeds from disposal of intangible assets and property, plant & equipment	0.2	0.3
Acquisition of shares in non-consolidated companies	(0.0)	(0.1)
Payments to post-employment benefit plans	(1.5)	(1.0)
Impact of changes in the consolidation scope	(31.4)	(3.6)
Deposits paid	0.2	0.3
Change in working capital related to operating activities	7.8	(2.6)
Other cash flow related to investment activities	(6.3)	(2.5)
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES	**(106.2)**	**(93.7)**
Additional long-term borrowings	1.1	2.2
Repayment of long-term borrowings	(5.6)	(5.2)
Capital increase	5.4	3.1
Treasury shares	(22.4)	(31.7)
Dividends paid by Ipsen S.A.	(70.0)	(65.5)
Dividends paid by subsidiaries to non-controlling interests	(0.5)	(0.2)
Change in working capital related to operating activities	0.8	(0.5)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**(91.2)**	**(97.7)**
CHANGE IN CASH AND CASH EQUIVALENTS	**26.3**	**54.9**
Opening cash and cash equivalents	**180.1**	**125.4**
Impact of exchange rate fluctuations	7.6	0.4
Closing cash and cash equivalents	**214.0**	**180.1**

2.1.4.4 Core consolidated net profit for 2015 and 2014

(in millions of euros)	31 December 2015	Non-core items	31 December 2015 Core	31 December 2014	Non-core items	31 December 2014 Core
Core Operating Income	**322.5**	**–**	**322.5**	**260.6**	**–**	**260.6**
Other operating income	2.0	(2.0)	–	0.4	(0.4)	–
Other operating expenses	(9.2)	9.2	–	(9.6)	9.6	–
Restructuring costs	(6.7)	6.7	–	(21.9)	21.9	–
Impairment losses	(64.6)	64.6	–	(8.0)	8.0	–
Operating Income	**244.0**	**78.5**	**322.5**	**221.4**	**39.1**	**260.6**
Investment income	0.7	–	0.7	1.7	–	1.7
Financing costs	(3.6)	–	(3.6)	(4.7)	–	(4.7)
Net financing costs	**(2.9)**	**–**	**(2.9)**	**(3.0)**	**–**	**(3.0)**
Other financial income and expense	(3.6)	(4.9)	(8.4)	(12.0)	–	(12.0)
Income taxes	(49.8)	(33.3)	(83.1)	(53.8)	(11.0)	(64.8)
Share of net profit (loss) from entities accounted for using the equity method	2.5	–	2.5	1.9	–	1.9
Net profit (loss) from continuing operations	**190.2**	**40.3**	**230.5**	**154.5**	**28.1**	**182.6**
Net profit (loss) from discontinued operations	0.5	(0.5)	–	(0.5)	0.5	–
Consolidated net profit	**190.7**	**39.8**	**230.5**	**154.0**	**28.6**	**182.6**
– Attributable to shareholders of Ipsen S.A.	189.9	39.8	229.6	153.5	28.6	182.1
– Attributable to non-controlling interests	0.9	–	0.9	0.5	–	0.5
Basic earnings per share – attributable to Ipsen S.A. shareholders (in euros)	*2.31*	–	2.79	*1.87*	–	2.22
Diluted earnings per share – attributable to Ipsen S.A. shareholders (in euros)	*2.30*	–	2.78	*1.87*	–	2.22

Core Operating Income is the key performance indicator for understanding and measuring the performance of the Group's activities. Items not included in Core Operating Income are not tabbed as "exceptional" or "extraordinary" but correspond to unusual, abnormal or infrequent items of disclosure targeted in paragraph 28 of the IASB Framework.

Similarly, Core consolidated net profit corresponds to net profit adjusted for non-core items as defined above and unusual events affecting financial income (expense) items, net of taxes, or the taxes themselves.

2.1.5 Subsequent events

2.1.5.1 Event from activities

Significant events and transactions occurring between 31 December 2015 and the Board of Directors meeting on 29 February 2016:

On 6 January 2016 – Ipsen and Galderma, a global healthcare company focused on medical solutions in dermatology and skin health, announced that they have expanded the geographical scope of their neurotoxin partnership, whereby Galderma acquires the exclusive rights to develop, promote and distribute Dysport® in the aesthetic indications in the Asia-Pacific Territory. Ipsen acquires the intellectual property for Galderma's liquid toxin in some key Asia-Pacific territories.

On 26 January 2016 – Ipsen announced publication in Pediatrics of the results of the phase III randomized study showing the efficacy and safety of Dysport® (abobotulinumtoxinA) in children with dynamic equinus foot deformity due to cerebral palsy.

2.1.5.2 Recent developments regarding the Company's governance

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 duties shall become effective on the date of entry into office of the new Chief Executive Officer. At its meeting on 15 February 2016, 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.

2.1.5.2.1 Implementation of a new governance structure

Separation of duties

At its meeting on 15 February 2016, the Board of Directors decided to separate the duties of Chairman of the Board of Directors and Chief Executive Officer in accordance with the option provided by the 3rd paragraph of Article 18.1 of the Company's articles of incorporation.

This change in governance is in line with the Group's desire to accelerate its international growth and address the challenges facing the major players in the pharmaceutical industry. The separation of duties also constitutes a good practice in terms of governance that is ever more widespread in the pharmaceutical industry.

The dissociation of duties will allow the Chief Executive Officer to focus on the business strategy, the Group's further transformation and its operations, while the Chairman of the Board of Directors will be able to fully focus on managing and leading the Board of Directors.

In this context, the duties of Chief Executive Officer shall be assigned to an officer with an international profile and experience, and who will be assisted, if required, by one or several deputy chief executive officers.

The separation of duties shall become effective on the date on which Mr. Marc de Garidel's successor will assume his or her duties as Chief Executive Officer.

Ongoing process to recruit a new Chief Executive Officer

On 16 February 2016, the Company announced that it had initiated the process to recruit a new Chief Executive Officer. Said process should reach a conclusion in the coming months.

Confirmation of Mr. Marc de Garidel's appointment as Chairman of the Board of Directors

At its meeting on 15 February 2016, the Board of Directors confirmed that, within the framework of the new governance structure of the Company, Mr. Marc de Garidel will fulfill the duties of Chairman of the Board of Directors, given his expertise in the industry, his experience within the Group and his knowledge of the institutional shareholder base of the Company.

The terms and conditions of this new corporate appointment of Mr. Marc de Garidel will be determined by the Board of Directors in parallel to the recruitment of his successor as Chief Executive Officer.

2.1.5.2.2 Departure of Mrs. Christel Bories, Deputy Chief Executive Officer until 31 March 2016

The Board of Directors of the Company, at its meeting of 15 February 2016, noted the existence of diverging strategic considerations between the General Management and the Board of Directors, on the one hand, and Mrs. Christel Bories, on the other hand, making it impossible for Mrs. Christel Bories to continue to fulfill her duties as executive director within the Group.

Within the context of the development of the pharmaceutical environment requiring quick adjustments, the parties considered it necessary to end their relationship, given the nature of their diverging strategic considerations.

In order to ensure a smooth managerial transition, the duties of Mrs. Christel Bories within the Group will be terminated as of 31 March 2016.

2.1.5.2.3 Terms and conditions of Mrs. Christel Bories' departure

At its meeting of 15 February 2016 the Board of Directors determined the terms and conditions of the departure of Mrs. Christel Bories, Deputy Chief Executive Officer until 31 March 2016.

Ongoing fixed remuneration for the 2016 financial year

During the first quarter of the 2016 financial year, Mrs. Christel Bories will continue to receive the gross monthly fixed remuneration that was paid to her in 2015 (EUR 600,000), namely a sum of EUR 150,000 from 1 January to 31 March 2016 as consideration for her Deputy Chief Executive Officer duties over this period.

This remuneration is presented in section 4.1.3.2 – Compensation of executive directors, in particular in paragraph 4.1.3.2.1 (Summary table of the compensation, options and performance shares accruing to the executive directors) and 4.1.3.2.1.B (Compensation and severance payment of the Deputy Chief Executive Officer).

Variable remuneration for the 2015 financial year

Mrs. Christel Bories shall receive a variable remuneration of EUR 860,000 for the 2015 financial year, corresponding to the percentage of achievement of quantitative criteria

(consolidated turnover, current operating income, net income per share and operational cash-flow objectives) and qualitative criteria (criteria for strategic orientation and transformation of the Group) established by the Board of Directors at its meeting of 2 March 2015. Details regarding the qualitative criteria and the level of expectations (expected and reached) of the performance criteria have not been made public for confidentiality reasons.

This remuneration is presented in section 4.1.3.2 – Compensation of executive directors, in particular in paragraph 4.1.3.2.1 (Summary table of the compensation, options and performance shares accruing to the executive directors), and the methods for calculating this variable remuneration are specified in paragraph 4.1.3.2.1.B (Compensation and severance payment of the Deputy Chief Executive Officer).

Variable remuneration for the 2016 financial year

No variable remuneration will be awarded to Mrs. Christel Bories for the 2016 financial year as a result of her departure on 31 March 2016.

Severance pay / non-compete compensation

The Board of Directors of the Company, at its meeting of 15 February 2016, established the severance pay allocated to Mrs. Christel Bories at EUR 2,920,000, corresponding to 24 months of fixed and variable remuneration, calculated on the basis of Mrs. Christel Bories' fixed and variable remuneration for the 2015 financial year.

50% of this severance pay includes the amount payable for Mrs. Christel Bories' non-compete compensation.

This compensation will be paid on 1 April 2016.

As a reminder, the principle and the terms of the severance pay of Mrs. Christel Bories have been approved by the Combined Shareholders' Meeting of 31 May 2013, within the framework of the related-party transactions regime.

The terms and conditions of this compensation are specified in section 4.1.3.2.2 – Summary of commitments issued in favor of executive officers, in the paragraph "Compensation or benefits that are payable or may be payable due to the termination or change of duties" and "Compensation relating to a non-compete clause".

Performance bonus shares granted in 2014

At its meeting of 27 March 2014, the Board of Directors of the Company approved a performance bonus shares plan and, within this framework, granted Mrs. Christel Bories 14,221 performance bonus shares.

The final acquisition of the bonus shares is subject to a condition of presence for the period running between 27 March 2014 and 27 March 2016 and to performance conditions (internal criterion based on the recurring adjusted EBIT level of the Group and 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).

The bonus shares acquired on 27 March 2016, by Mrs. Christel Bories will remain unavailable until 28 March 2018.

This remuneration is presented in section 4.1.3.2 - Compensation of executive directors, in particular in paragraph 4.1.3.2.1 (Summary table of the compensation, options and performance shares accruing to the executive directors) and the details are presented in section 4.1.3.3.2 – Performance bonus shares.

Medium term bonus granted in 2014

At its meeting of 27 March 2014, the Board of Directors of the Company approved a Medium Term Bonus Plan for a period of two years and, within this framework, granted Mrs. Christel Bories a medium term bonus based on a target amount of EUR 285,000.

The payment of this medium term bonus is subject to a presence condition for the period running between 27 March 2014 and 27 March 2016.

The final amount of the medium term bonus payable to Mrs. Christel Bories shall vary depending on (i) applicable performance criteria for the 2014 and 2015 financial years (internal criterion based on the recurring adjusted EBIT level of the Group and an external criterion based on the performance of the stock market price of the Ipsen share regarding the STOXX 600 TMI Health Care index) and (ii) the reference stock market price of the Ipsen share provided for by the plan to determine the final amount of the bonus.

This remuneration is presented in section 4.1.3.2 – Compensation of executive directors, in particular in paragraph 4.1.3.2.1 (Summary table of the compensation, options and performance shares accruing to the executive directors) and the methods for calculating this variable remuneration are specified in paragraph 4.1.3.2.1.B (Compensation and severance payment of the Deputy Chief Executive Officer).

Performance bonus shares granted in 2015

At its meeting of 1 April 2015, the Board of Directors of the Company approved a new performance bonus shares plan and, within this framework, granted Mrs. Christel Bories 10,070 performance bonus shares.

The final acquisition of the performance bonus shares is subject to a presence condition for the period running between 1 April 2015 and 1 April 2017 and performance conditions (internal criterion based on the level reached by the current operating income (excluding research tax credit) of the Group and 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). The Board of Directors of 15 February 2016, lifted the condition of presence relating to Mrs. Madame Christel Bories for the period running from 1 April 2016 to 1 April 2017.

Mrs. Christel Bories' acquisition rights shall cover 50% of the number of bonus shares initially granted (50% of 10,070 bonus shares, *i.e.* 5,035 bonus shares), calculated based on the time spent by Mrs. Christel Bories at the Company during the reference period set out in the plan.

The bonus shares acquired on 1 April 2017, by Mrs. Christel Bories will remain unavailable until 1 April 2019.

This remuneration is presented in section 4.1.3.2 – Compensation of executive directors, in particular in paragraph 4.1.3.2.1 (Summary table of the compensation, options and performance shares accruing to the executive directors), and the details are presented in section 4.1.3.3.2 – Performance bonus shares.

Medium term bonus granted in 2015

At its meeting of 1 April 2015, the Board of Directors of the Company approved a Deferred Cash plan indexed on the

Company share price for a duration of 2 years and, within this framework, granted Mrs. Christel Bories a medium term bonus based on a target amount of EUR 300,000.

The payment of the medium term bonus is subject to a presence condition for the period running between 1 April 2015, and 1 April 2017. The Board of Directors of 15 February 2016, lifted the condition of presence relating to Mrs. Christel Bories for the period running between 1 April 2015, and 1 April 2017.

The rights of Mrs. Christel Bories will therefore be calculated based on a target bonus of EUR 150,000, *i.e.* 50% of the amount of the target bonus granted in 2015 (EUR 300,000), calculated based on the time spent by Mrs. Christel Bories at the Company during the reference period set out in the plan.

The final amount of the medium term bonus of Mrs. Christel Bories will vary depending on (i) applicable performance criteria for the 2015 financial year (internal criterion based on the level reached by the current operating income (excluding research tax credit) of the Group and an external criterion based on the performance of the stock market price of the IPSEN share regarding the STOXX 600 TMI Health Care index) and (ii) the reference stock market price of the Company share provided for by the plan to determine the final amount of the bonus. This amount will be paid in 2017.

This remuneration is presented in section 4.1.3.2 – Compensation of executive directors, in particular in paragraph 4.1.3.2.1 (Summary table of the compensation, options and performance shares accruing to the executive directors), and the methods for calculating this variable remuneration are specified in paragraph 4.1.3.2.1.B (Compensation and severance payment of the Deputy Chief Executive Officer).

Additional pension scheme

As Mrs. 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.

The terms and conditions of this additional pension scheme are specified in section 4.1.3.2.2 – Summary of commitments issued in favor of executive officers, in paragraph "Additional pension scheme".

Commitments of Mrs. Christel Bories towards the Company

In consideration for these financial items, Mrs. Christel Bories has entered into non-compete, prevention of certain conflict of interests situations, non-solicitation, confidentiality and cooperation undertakings within the framework of certain judicial and administrative procedures.

2.1.6 Group outlook

The Group has set the following financial targets for 2016:

- Specialty care sales growth year-on-year in excess of 10.0%;
- Slight primary care sales growth year-on-year;
- Core operating margin of around 21%, including a negative impact of around 150 basis points resulting from the investment required to prepare the commercial launch of cabozantinib for the treatment of advanced renal cell carcinoma in Europe (in-licensing agreement announced today), and of around 100 basis points from foreign exchange rates.

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 2015	31 December 2014
Sales	4.2 & 4.3	1,443.9	1,274.8
Other revenues	4.4	76.3	57.6
Revenue		**1,520.2**	**1,332.4**
Cost of goods sold		(336.8)	(310.0)
Selling expenses		(541.4)	(464.1)
Research and development expenses		(192.6)	(186.9)
General and administrative expenses		(122.9)	(111.2)
Other core operating income	7.1	5.3	9.4
Other core operating expenses	7.1	(9.4)	(9.1)
Core Operating Income		**322.5**	**260.6**
Other operating income	7.2	2.0	0.4
Other operating expenses	7.2	(9.2)	(9.6)
Restructuring costs	8	(6.7)	(21.9)
Impairment losses	6.3	(64.6)	(8.0)
Operating Income	**4.1**	**244.0**	**221.4**
Investment income		0.7	1.7
Financing costs		(3.6)	(4.7)
Net financing costs	**9**	**(2.9)**	**(3.0)**
Other financial income and expense	9	(3.6)	(12.0)
Income taxes	10.1	(49.8)	(53.8)
Share of net profit (loss) from entities accounted for using the equity method	16	2.5	1.9
Net profit (loss) from continuing operations		**190.2**	**154.5**
Net profit (loss) from discontinued operations	11	0.5	(0.5)
Consolidated net profit		**190.7**	**154.0**
– Attributable to shareholders of Ipsen S.A.		189.9	153.5
– Attributable to non-controlling interests		0.9	0.5

Basic earnings per share, continuing operations (in euros)	20.2	2.30	1.88
Diluted earnings per share, continuing operations (in euros)	20.3	2.29	1.87
Basic earnings per share, discontinued operations (in euros)	20.2	0.01	(0.01)
Diluted earnings per share, discontinued operations (in euros)	20.3	0.01	(0.01)
Basic earnings per share (in euros)	20.2	2.31	1.87
Diluted earnings per share (in euros)	20.3	2.30	1.87

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

Comprehensive income statement

(in millions of euros)	31 December 2015	31 December 2014
Consolidated net profit	**190.7**	**154.0**
Actuarial gains and (losses) on defined benefit plans, net of taxes	9.0	(8.5)
Other items of comprehensive income that will not be reclassified to the income statement	**9.0**	**(8.5)**
Revaluation of financial derivatives for hedging, net of taxes	0.5	(1.1)
Foreign exchange differences, net of taxes	33.7	34.9
Financial assets available for sale, net of taxes	7.0	4.2
Other items of comprehensive income likely to be reclassified to the income statement	**41.2**	**38.0**
Comprehensive income: consolidated net profit (loss) and gains and (losses) recognized directly in equity	**241.0**	**183.5**
– Attributable to shareholders of Ipsen S.A.	240.0	182.9
– Attributable to non-controlling interests	1.0	0.6

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 2015	31 December 2014
ASSETS			
Goodwill	12	353.3	324.4
Other intangible assets	13	151.5	160.9
Property, plant & equipment	14	348.7	309.6
Equity investments	15	25.6	15.0
Investments in companies accounted for using the equity method	16	15.9	13.7
Non-current financial assets		–	4.2
Deferred tax assets	10.2	217.7	204.6
Other non-current assets	17	15.5	9.3
Total non-current assets		**1,128.1**	**1,041.7**
Inventories	18.2.1	107.4	105.5
Trade receivables	18.1	311.0	243.5
Current tax assets	18.1	82.9	65.9
Current financial assets	18.2.2	6.8	0.1
Other current assets	18.2.3	75.6	67.8
Cash and cash equivalents	19.2	226.1	186.3
Assets of disposal group classified as held for sale		–	2.6
Total current assets		**809.9**	**671.6**
TOTAL ASSETS		**1,938.0**	**1,713.3**
EQUITY AND LIABILITIES			
Share capital	20.1	83.2	82.9
Additional paid-in capital and consolidated reserves		892.3	801.7
Net profit (loss) for the period		189.9	153.5
Foreign exchange differences		57.0	27.1
Equity attributable to Ipsen S.A. shareholders		**1,222.5**	**1,065.2**
Equity attributable to non-controlling interests		3.1	2.7
Total shareholders' equity		**1,225.6**	**1,067.9**
Retirement benefit obligation	5.3.2.2	51.2	59.6
Non-current provisions	21	31.4	42.1
Other non-current financial liabilities	22.1	20.6	12.1
Deferred tax liabilities	10.2	23.1	5.6
Other non-current liabilities	18.2.4	124.5	115.8
Total non-current liabilities		**250.8**	**235.2**
Current provisions	21	29.9	26.0
Current bank loans	22.1	4.0	4.0
Current financial liabilities	22.1	7.0	4.0
Trade payables	18.1	195.1	179.8
Current tax liabilities	18.1	12.0	4.1
Other current liabilities	18.2.4	201.5	186.1
Bank overdrafts	19.1.2	12.1	6.1
Total current liabilities		**461.5**	**410.2**
TOTAL EQUITY & LIABILITIES		**1,938.0**	**1,713.3**

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 2015	31 December 2014
Consolidated net profit		**190.7**	**154.0**
Share of profit (loss) from companies accounted for using the equity method before impairment losses	16	(0.8)	(0.3)
Net profit (loss) before share from companies accounted for using the equity method		**189.9**	**153.7**
Non-cash and non-operating items			
– Depreciation, amortization, provisions	6.2	43.7	50.2
– Impairment losses included in operating income and net financial income	6.2	64.6	8.0
– Change in fair value of financial derivatives		1.9	(2.7)
– Net gains or losses on disposals of non–current assets		0.5	2.6
– Foreign exchange differences		(1.3)	9.8
– Change in deferred taxes	10.2	1.4	13.8
– Share–based payment expense		4.0	4.8
– Gain or (loss) on sales of treasury shares		0.3	0.1
– Other non–cash items		(0.2)	(0.1)
Cash flow from operating activities before changes in working capital requirement		***304.8***	***240.5***
– (Increase)/decrease in inventories	18.1 & 11	(0.2)	7.6
– (Increase)/decrease in trade receivables	18.1 & 11	(63.8)	(8.5)
– Increase/(decrease) in trade payables	18.1 & 11	10.8	19.5
– Net change in income tax liability	18.1 & 11	(9.0)	(24.9)
– Net change in other operating assets and liabilities	18.1 & 11	(18.9)	11.6
Change in working capital requirement related to operating activities		***(81.2)***	***5.3***
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		**223.6**	**245.8**
Acquisition of property, plant & equipment	14.1	(50.0)	(47.4)
Acquisition of intangible assets	13.1	(25.2)	(37.0)
Proceeds from disposal of intangible assets and property, plant & equipment		0.2	0.3
Acquisition of shares in non-consolidated companies		(0.0)	(0.1)
Payments to post-employment benefit plans	5.3.2.6	(1.5)	(1.0)
Impact of changes in the consolidation scope	12.2	(31.4)	(3.6)
Change in working capital related to investment activities	18.1	7.8	(2.6)
Other cash flow related to investment activities		(6.1)	(2.3)

(in millions of euros)	Notes	31 December 2015	31 December 2014
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES		**(106.2)**	**(93.7)**
Additional long-term borrowings	22.1	1.1	2.2
Repayment of long-term borrowings	22.1	(5.6)	(5.2)
Capital increase		5.4	3.1
Treasury shares		(22.4)	(31.7)
Dividends paid by Ipsen S.A.	20.5	(70.0)	(65.5)
Dividends paid by subsidiaries to non-controlling interests		(0.5)	(0.2)
Change in working capital related to operating activities	18.1	0.8	(0.5)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		**(91.2)**	**(97.7)**
CHANGE IN CASH AND CASH EQUIVALENTS		**26.3**	**54.4**
Opening cash and cash equivalents	19.1.1	**180.1**	**125.4**
Impact of exchange rate fluctuations		7.6	0.4
Closing cash and cash equivalents	19.1.2	**214.0**	**180.1**

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 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".

(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 2014	**84.2**	**711.9**	**90.3**	**(20.9)**	**1.9**	**(48.4)**	**152.5**	**971.5**	**2.2**	**973.7**
Consolidated net profit (loss)	–	–	–	–	–	–	153.5	153.5	0.5	154.0
Gains and (losses) recognized directly in equity [1]	–	–	38.9	(8.5)	(1.1)	–	–	29.3	0.2	29.5
Consolidated net profit (loss) and gains and losses recognized directly in equity	**–**	**–**	**38.9**	**(8.5)**	**(1.1)**	**–**	**153.5**	**182.9**	**0.6**	**183.5**
Allocation of net profit (loss) from the prior period	–	–	152.5	–	–	–	(152.5)	–	–	–
Capital increases (decreases)	(1.4)	3.0	(49.7)	–	–	51.2	–	3.1	–	3.1
Share-based payments	–	–	4.8	–	–	2.0	–	6.8	–	6.8
Own share purchases and disposals	–	–	0.1	–	–	(33.7)	–	(33.6)	–	(33.6)
Dividends	–	–	(65.5)	–	–	–	–	(65.5)	(0.2)	(65.7)
Other changes	–	–	(0.0)	–	–	–	–	(0.0)	–	(0.0)
Balance at 31 December 2014	**82.9**	**714.9**	**171.4**	**(29.4)**	**0.8**	**(28.8)**	**153.5**	**1,065.2**	**2.7**	**1,067.9**

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

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

2.2.5 Notes

Note 1 Significant events and transactions during the period having an impact on the consolidated financial statements at 31 December 2015

1.1 Option to acquire Canbex Therapeutics

On 24 February 2015, the Group announced that Canbex had granted an option giving Ipsen the exclusive right to purchase Canbex shares upon completion of the Phase IIa study of Canbex's lead candidate – known as VSN16R – for the treatment of spasticity in multiple sclerosis (MS) patients.

Under the financial terms of the agreement, Ipsen paid Canbex a €6.0 million option fee. If Ipsen elects to exercise its option to acquire Canbex at the end of the proof of concept Phase IIa study, Canbex shareholders will be eligible to receive up to an additional €90 million, comprising an acquisition payment and additional milestone payments contingent on clinical and regulatory achievements. In addition, Canbex shareholders will be eligible to receive royalties on worldwide annual net sales of VSN16R.

The €6.0 million option to purchase Canbex Therapeutics shares was recognized as other non-current assets in the consolidated financial statements at 31 December 2015 (see note 17).

1.2 Development of tasquinimod discontinued in prostate cancer

On 16 April 2015, the Group announced the top line results of the 10TASQ10 clinical study. Although the study showed that tasquinimod reduced the risk of radiographic cancer progression and death in a statistically significant way, compared to placebo, tasquinimod did not extend overall survival in patients with metastatic castration-resistant prostate cancer who had not received chemotherapy.

Preliminary efficacy and safety results did not support a positive benefit-risk balance among this population, prompting a decision by Ipsen and Active Biotech to discontinue all studies in prostate cancer.

At 31 December 2015, the Group recognized a €57.0 million impairment loss after writing down all intangible assets related to the tasquinimod program. As a result, the tasquinimod-related gross assets as well as the corresponding impairment losses were derecognized (see notes 6, 13, and 26). The contracts linking Ipsen and Active Biotech were unwound in their entirety, and the full €6.6 million in related costs incurred by Ipsen were recognized in "other non-core expenses" at 31 December 2015, as noted above. As a result, the overall impact of discontinuing the development of tasquinimod came to €63.6 million and €39.4 million after tax.

1.3 Acquisition of OctreoPharm Sciences GmbH

On 19 May 2015, the Group announced that it would acquire OctreoPharm Sciences GmbH ("OctreoPharm"), a private German life sciences company specialized in the development of innovative radioactive-labeled compounds for molecular imaging diagnostics and therapeutic applications. Under the terms of the agreement, which was subject to closing conditions, OctreoPharm shareholders were eligible to receive up to a total of €50 million for the purchase of 100% of the company's shares in the form of an upfront payment and downstream payments, contingent upon the completion of clinical and regulatory milestones.

On 30 June 2015, Ipsen completed the OctreoPharm acquisition with a €30 million upfront payment and €2.3 million in earnout payments. The consolidation of the company led to the recognition of €41.3 million in intangible assets (see note 13). In addition, €13.8 million in goodwill were also recognized and allocated to the specialty care CGU (see note 12).

1.4 Positive results obtained from Telestar phase 3 study, licensing rights extended to Canada

On 17 March 2015, the Group and Lexicon Pharmaceuticals Inc. amended a contract signed 17 October 2014, extending Ipsen's commercial licensing rights to Canada and giving rise to an additional USD1.5 million milestone payment, which was recognized in intangible assets at 31 December 2015.

On 3 August 2015, Ipsen announced that its partner, Lexicon Pharmaceuticals Inc., reported positive results from the pivotal phase 3 Telestar study. Telestar evaluated the efficacy and safety of telotristat etiprate in treating carcinoid syndrome arising from metastatic neuroendocrine tumors (NET) inadequately controlled by somatostatin analog, the current standard of care.

1.5 Exclusive license agreement to develop and commercialize MCNA

On 28 October 2015, Ipsen and Telesta Therapeutics Inc. announced that they had entered into an exclusive licensing agreement for Ipsen to develop and commercialize MCNA for the treatment of bladder cancer in all countries, except the United States – where Telesta is establishing commercial operations – Canada, South Africa, Mexico, South Korea and Japan.

Under the agreement's financial terms, Telesta is eligible to receive up to USD137 million, comprising a USD10 million upfront acquisition payment and additional payments contingent upon achieving regulatory and sales milestones. Further, Telesta is eligible to receive significant tiered double-digit royalties on net sales of MCNA in the licensed territories.

The upfront USD10 million payment, equivalent to €9.0 million at 31 December 2015, was recognized in intangible assets as of the date the agreement was signed (see note 13.1).

1.6 Agreement with Galderma to distribute Dysport® expanded

On 6 January 2016, Ipsen and Galderma, a global healthcare company focused on medical solutions in dermatology and skin health, announced an expansion in the geographical scope of their neurotoxin partnership, with Galderma acquiring the exclusive rights to develop, promote and distribute Dysport® in aesthetic indications in APAC territories, *i.e.* China, India, South Korea, and Indonesia. In exchange, at

end 2015 Galderma agreed to pay Ipsen €11.7 million, which was recorded as deferred income in Ipsen's consolidated financial statements at 31 December 2015.

Further to the distribution agreement, Ipsen and Galderma have extended their R&D collaboration. Ipsen is currently conducting a phase III study for Dysport® in Glabellar Lines in China, with the commercial launch of the product expected after 2020. The clinical study, which represents a cost of €13.4 million, will be funded by Galderma in exchange for the right to use the study's results to support regulatory filing and commercialize the product in China. With the first regulatory milestone for financing the study reached at end 2015, €4.0 million were recognized as research and development income.

In addition, Ipsen acquired the intellectual property for Galderma's liquid toxin in the APAC territories. In exchange, Ipsen agreed to pay Galderma €4.6 million, recognized in intangible assets at 31 December 2015.

1.7 Government measures

The governments of many countries in which the Group operates continue to introduce new measures to reduce public health spending. Some of those measures affected Group sales and profitability in 2015. In addition, certain measures introduced in 2014 continued to affect the Group's accounts year-on-year.

In France, health authorities mandated a 3.1% price cut on all Decapeptyl® formulations in February 2015.

In Algeria, against a backdrop of a sharp and lingering decline in oil prices, government authorities have sought to significantly lower the cost of imports and particularly medicines, which account for nearly €3 billion of the country's import spending. Relative to Ipsen's primary care portfolio, these efforts coincide with price declines that generally arise from renewing Marketing Authorization Applications (MAA) for drugs. As concerns Ipsen's specialty care products, the measures have resulted in a 5% cut in Somatuline® prices and a price cut of more than 20% for Decapeptyl®, with authorities systematically benchmarking prices in neighboring and European countries.

In the United Kingdom, to keep healthcare spending within the bounds of the Pharmaceutical Price Regulation Scheme (PPRS), health officials in 2015 set the reimbursement amount to be paid by PPRS members at 10.36%, versus 3.74% in 2014.

Note 2 Changes in the scope of consolidation

2.1 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 was fully consolidated as of 1 July 2015 (see note 12.2).

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

2.2 2014 financial year

In application of IFRS 11, Linnea SA was consolidated using the equity method as of 1 January 2014 (see note 16).

In May 2014, Biomeasure Inc. was renamed Ipsen Bioscience Inc.

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 29 February 2016 and will be submitted for approval at the Shareholders' Meeting scheduled for 31 May 2016.

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 2015 were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union on the date of preparation. The IFRS as adopted by the European Union differ in certain aspects with the IFRS published by the IASB. Nevertheless, the Group ensured that the financial information for the periods presented would not have been substantially different if it had applied IFRS as published by the IASB.

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

All the texts adopted by the European Union are available on the European Commission's website: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.

3.2 Changes in accounting methods and presentation

The Group decided from now on to present the re-invoicing of R&D costs as a decrease in the "Research and development expenses" line item, instead of "Other revenues". This presentation better reflects the substance of the transactions made with Group partners.

This reclassification had no impact on net profit.

As the amounts were non-material at the consolidated level, the new presentation did not warrant a restatement of the periods presented for purposes of comparison.

3.3 Standards, amendments and interpretations that became applicable as of 1 January 2015

The mandatory standards, amendments and interpretations published by the ASB and applicable as of the 2015 financial year are listed below.

- IFRIC 21 – Levies:

  This interpretation provides guidance on when to recognize a liability for a levy imposed by a government, for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

  A review of this interpretation showed that its application had a non-material impact on the Group's financial statements, which consequently were not restated.

- Other amendments of standards became applicable as of 1 January 2015, but had no impact on the Group's annual financial statements, in particular Annual Improvements IFRS – 2011-2013 Cycle.

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

The Group did not opt for early adoption of the standards, amendments and interpretations adopted by the European Union for which the application was not mandatory on 1 January 2015, namely:

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

A review of these standards was under way by the Group at the close of the 2015 consolidated financial statements.

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

3.5.1 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 9 – Financial instruments

- IFRS 15 – Revenue from contracts with customers.

The effects of these standards are currently being evaluated with a view to adopting them in the financial year beginning 1 January 2018.

A review of these standards was under way by the Group at the close of the 2015 consolidated financial statements.

3.5.2 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.

- IFRS 16 – Leases
- Amendments to IAS 12 – Recognition of deferred tax assets for unrealized losses
- Amendments to IAS 7 – Disclosure initiative

A review of these standards was under way by the Group at the close of the 2015 consolidated financial statements.

3.6 Measurement bases used in preparing the consolidated financial statements

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

3.7 Use of estimates

To prepare its financial statements, the Group is required to make certain estimates and assumptions with respect to the carrying value of assets and liabilities, income and expense items, and information given in the notes to the financial statements.

Group management has regularly made these estimates and assumptions on the basis of its past experience and other factors deemed reasonable. Amounts appearing in subsequent financial statements may differ materially from these estimates, should the assumptions change, or if actual conditions are different, particularly given the current economic and financial environment, which could weaken some of the Group's partners and make it difficult to estimate future outlook.

The estimates were made based on information available at the closing date, after taking into account post closing events, in accordance with IAS 10.

The main material estimates made by management concern employee benefits, goodwill, other intangible assets, deferred tax assets, derivatives and provisions.

3.8 Consolidation methods

Subsidiaries over which the Group exercises 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 compatible 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 fully 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.

3.9 Business combinations

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

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

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

- the total amount of the following elements:
  - the cost of acquisition at the acquisition date;
  - the total of non-controlling interests in the acquired company determined either at fair value at the acquisition date (full goodwill method), or on the basis of their share in the fair value of the identifiable net assets acquired and liabilities assumed (partial goodwill method). This option is open on a transaction-by-transaction basis;
  - and for business combinations achieved in stages, of the fair value at the acquisition date of the share held by the Group before the acquisition date;
  - and the estimated impact of any adjustments in the acquisition costs, such as earnout payments. These contingent considerations are measured by applying the criteria set out in the purchase agreement, such as sales and earnings targets, to forecasts deemed

to be highly probable. The contingent considerations are then re-measured at each closing date, with any changes recognized on the income statement after the acquisition date, including the one-year period following the acquisition date. They are discounted 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.

3.10 Operating segments

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

An operating segment is a distinct component of the Group involved in the supply of distinct products and services and exposed to risks and rewards that differ from the risks and the rewards of other operating segments.

The Group's two operating segments are primary care and specialty care. There is no allocation of general and administrative expenses between these two segments. Likewise, the Group's research and development is not allocated to the two operating segments. R&D continues to be managed on a global basis, with investment decisions made independently by the Executive Committee, even when a successful program ultimately generates revenue for just one of the two segments.

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

Core Operating Income corresponds to Operating Income before the recognition of significant non-recurring events in terms of the Group's performance. Items not included in Core Operating Income are not tabbed as "exceptional" or "extraordinary" but correspond to unusual, abnormal or infrequent items of disclosure targeted in paragraph 28 of the IASB Framework.

3.11 Translation of financial statements in foreign currencies

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

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

3.14 Other intangible assets (excluding goodwill)

"Other intangible assets" are accounted for at 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 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 forecasted 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.* primary care and specialty 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 2015 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 reminder 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 Presentation of financial assets and financial liabilities measured at fair value

In accordance with the amendments to IFRS 7, financial instruments are presented in three categories based on a hierarchical method used to determine their fair value:

- Level 1: fair value calculated using quoted prices in an active market for identical assets and liabilities;
- Level 2: fair value calculated using valuation techniques based on observable market data such as prices of similar assets and liabilities or parameters quoted in an active market;
- Level 3: fair value calculated using valuation techniques based wholly or partly on unobservable inputs such as prices in an inactive market or a valuation based on multiples for unlisted securities.

3.19.5 Determination of fair value

For investments in listed equity instruments, fair value is the quoted market price. For investments in unlisted equity instruments, fair value is determined by reference to recent market transactions or using a valuation technique that provides reliable estimates of prices in line with actual market transactions.

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

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

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

3.21 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 option plans

Stock options and bonus share plans are awarded to executive officers and some employees of the Group. As required by IFRS 2 – Share-based Payments, these options and shares are measured at their fair value on the date of grant. The fair

value is calculated with the most relevant formula regarding the settlement and the conditions of each stock options plan or share award ("Black and Scholes" or "Monte Carlo"). The fair value is recorded in personnel expenses (allocated by function in the income statement) on a straight-line basis over the vesting period (period from the date of grant to maturity of the plan) with a corresponding increase in equity.

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

3.25 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;
- 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 derivatives instruments designated as cash flow hedging instruments.

The Group buys and sells derivative financial instruments with a view to managing and reducing its exposure to the risk of exchange rate fluctuations. The Group deals only with first-class financial institutions. Under IAS 39, financial instruments 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 comprehensive income statement 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 core 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, 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.

As a general rule, 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 the product has obtained the marketing approval (Marketing Authorization Application, "MAA") from the regulatory authorities.

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 that have not yet received market authorization are recognized on the asset side of the balance sheet. As soon as market authorization has been granted, these rights are amortized on a straight-line basis for the duration of their useful lives.

3.32.3 Research and development acquired in a business combination

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

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 Core Operating Income, after the R&D expenses to which they are directly linked have been deducted.

3.33 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 an income tax expense on the income statement. Accordingly, and in line with IAS 12' requirements, the total amount of current and deferred expenses related to the CVAE is presented on the "Income Tax" line.

3.34 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 the "consolidated net profit – attributable to shareholders 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

The segment information presented was prepared on the basis of internal management data reported by the Executive Committee, which is the Group's chief operating decision maker. Operating segments are tracked separately in terms of internal reporting, using shared performance indicators.

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

4.1 Operating Income by operating segment

(in millions of euros)	Primary care	Specialty care	Other (unallocated)	31 December 2015
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, unallocated Core Operating Income (expenses) came to (€280.4) million, compared with (€267.2) million in 2014. The expenses consisted mainly of the Group's research and development costs – which totaled €189.4 million in 2015, versus €183.4 million in 2014 – and unallocated general and administrative expenses.

(in millions of euros)	Primary care	Specialty care	Other (unallocated)	31 December 2014
Sales	327.8	947.1	–	1,274.8
Other revenues	29.7	27.9	–	57.6
Revenue	**357.5**	**974.9**	**–**	**1,332.4**
Core operating income	**127.2**	**400.5**	**(267.2)**	**260.6**
Other operating income			0.4	0.4
Other operating expenses			(9.6)	(9.6)
Restructuring costs			(21.9)	(21.9)
Impairment losses			(8.0)	(8.0)
Operating income	**127.2**	**400.5**	**(306.3)**	**221.4**

4.2 Sales by geographical region

	31 December 2015		31 December 2014	
(in millions of euros)	Amounts	% share	Amounts	% share
Major Western European countries	543.8	38%	509.1	40%
Rest of Europe	321.4	22%	324.1	25%
North America	157.9	11%	79.2	6%
Rest of the World	420.8	29%	362.5	28%
Consolidated sales	**1,443.9**	**100%**	**1,274.8**	**100%**

4.3 Sales by therapeutic area and product

(in millions of euros)	31 December 2015	31 December 2014
Urology Oncology	351.2	332.7
of which Decapeptyl®	*334.0*	*316.6*
of which Hexvix®	*17.2*	*16.0*
Endocrinology	482.3	359.4
of which Somatuline®	*401.6*	*287.5*
of which Nutropin®	*60.3*	*59.0*
of which Increlex®	*20.4*	*12.9*
Neurology	280.7	255.0
of which Dysport®	*279.5*	*254.5*
Specialty care	**1,114.2**	**947.1**
Gastroenterology	227.2	219.3
of which Smecta®	*114.8*	*121.4*
of which Forlax®	*39.7*	*38.5*
Cognitive disorders	52.0	62.6
of which Tanakan®	*52.0*	*62.6*
Cardiovascular	15.8	18.7
of which Nisis® and Nisisco®	*3.9*	*6.5*
of which Ginkor®	*11.2*	*11.2*
Other pharmaceutical products	10.3	11.3
of which Adrovance®	*7.9*	*9.1*
Drug-related sales	24.3	15.9
Primary care	**329.7**	**327.8**
Consolidated sales	**1,443.9**	**1,274.8**

4.4 Other revenues

(in millions of euros)	31 December 2015	31 December 2014
Royalties received	41.5	18.6
Milestone payments – Licenses	28.5	23.0
Other (co-promotion revenues, re-billings)	6.3	16.0
Other revenues	**76.3**	**57.6**

Other revenues for the 2015 financial year totaled €76.3 million, up 32.5% over the €57.6 million reported in 2014. The growth stemmed from the following:

- Higher royalties received from Group partners, including Menarini for Adenuric® and Galderma for Dysport®, which performed well in the United States and Europe;
- The recognition of an upfront payment of €3.4 million received by Ipsen as part of its sale to Tonipharm of Ginkor Fort® licensing rights in the Group's territories;
- The new distribution model for Etiasa® in China – a reclassification which had no impact on operating margin.

4.5 Other information

(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.

(in millions of euros)	31 December 2014			Total
	Primary care	Specialty care	Other (unallocated)	
Acquisition of property, plant & equipment	(6.8)	(39.3)	(1.4)	(47.4)
Acquisition of intangible assets	(1.5)	(29.0)	(6.6)	(37.0)
Total investments	**(8.2)**	**(68.3)**	**(8.0)**	**(84.5)**
Net depreciation, amortization and provisions (excluding financial assets)	(9.6)	(23.9)	(15.4)	(48.9)
Share-based payment expenses with no impact on cash flow	–	–	(5.6)	(5.6)

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

Note 5 Employees

5.1 Headcount

At the end of 2015, the Group's headcount totaled 4,635 employees, compared with 4,531 at the end of 2014.

The average headcount for the 2015 financial year was 4,592, compared with 4,499 in 2014.

5.2 Employee expenses

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

(in millions of euros)	31 December 2015	31 December 2014
Wages and salaries	(343.1)	(286.9)
Employer's social security contributions and payroll taxes	(123.6)	(112.3)
Sub-total	**(466.7)**	**(399.3)**
Interest on employee benefits (note 5.3.2.3)	**(5.4)**	**(5.6)**
Annual accounting expenses associated with share-based payments (note 5.4)	(3.9)	(5.4)
Social security contributions on share-based payments	(0.1)	(0.2)
Share-based payment expenses sub-total	**(4.0)**	**(5.6)**
Employee profit-sharing	(7.9)	(6.6)
Total	**(483.9)**	**(416.9)**

In 2015, the average rate of employer's social security contributions and payroll taxes amounted to 36.0% of gross payroll, versus 39.1% in 2014.

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.

A three-year profit-sharing agreement was set up in 2013 to supplement the previous agreement. This profit-sharing

agreement complements the first in the event that it does not reach 12.5% of gross payroll, and its amount must be comprised between 0.0% and 4.5% of gross payroll. The total of both agreements is capped at 12.5% of gross payroll. Based on an assessment of the expected fulfillment of the objectives of this profit-sharing agreement, the impact recorded in the consolidated financial statements at 31 December 2015 came to 3.8% of gross payroll. That percentage compares to the 3.5% recorded at 31 December 2014.

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 rates of return on plan assets are based on the market rate of bonds issued by first class issuers with ceilings on the discount rate.

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

5.3.2.1 Assumptions used

The main actuarial assumptions applied as at 31 December 2015 are as follows:

	Europe (excluding UK)	United Kingdom	Asia-Oceania
Discount rate	1.9%	3.7%	3.5%
Inflation rate	1.9%	3.2%	N/A
Rate of increase in salaries, net of inflation	Varies by SSC	0.6%	5.6%
Rate of increase in pensions	1.7%	2.2%	N/A

A 1.0% increase in the discount rate would lead to decreases in employee benefit obligations of 11.2% in France, 22.0% in Ireland, 20.5% 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 2015			31 December 2014
	Post-employment benefits	Other long-term benefits	Total	Total
Breakdown of net balance sheet amount				
Present value of liabilities	98.2	4.4	102.6	106.9
Fair value of plan assets	51.4	-	51.4	47.3
Net liabilities (a)	**46.8**	**4.4**	**51.2**	**59.6**
Effect of asset ceiling (b)	–	–	–	–
Net liability (a – b)	**46.8**	**4.4**	**51.2**	**59.6**

5.3.2.3 Reconciliation of income statement expenses

(in millions of euros)	31 December 2015			31 December 2014
	Post-employment benefits	Other long-term benefits	Total	Total
Current service costs	7.4	0.4	7.8	5.7
Contributions by plan participants	(0.2)	–	(0.2)	(0.2)
Interest expense on obligations	2.4	0.1	2.5	2.9
Interest income on plan assets	(1.1)	–	(1.1)	(1.4)
Past service costs (plan amendments and curtailments)	(1.9)	–	(1.9)	(0.1)
Actuarial (gains) and loses recognized as expense	–	(0.3)	(0.3)	0.2
Total	**6.6**	**0.1**	**6.7**	**7.0**
– of which – Operating expenses	5.3	0.1	5.4	5.6
– of which – Interest expense	1.3	0.1	1.3	1.4

5.3.2.4 Movements in net liability recognized in the balance sheet

(in millions of euros)	31 December 2015			31 December 2014
	Post-employment benefits	Other long-term benefits	Total	Total
Opening net liability	**55.2**	**4.4**	**59.6**	**45.7**
Changes in consolidation scope	(0.0)	–	(0.0)	(0.4)
Charge for the year (note 5.3.2.3)	6.6	0.1	6.7	7.0
Actuarial gains and (losses) recognized in other comprehensive income	(13.2)	–	(13.2)	13.2
Employer's contributions to plan assets	(1.5)	–	(1.5)	(1.0)
Benefits paid from internal reserve	(0.7)	(0.2)	(0.9)	(5.2)
Exchange differences	0.5	–	0.5	0.4
Closing net liability	**46.8**	**4.4**	**51.2**	**59.6**

5.3.2.5 Movements in defined benefit plan obligations

(in millions of euros)	31 December 2015			31 December 2014
	Post-employment benefits	Other long-term benefits	Total	Total
Opening balance	**102.5**	**4.5**	**107.0**	**89.2**
Changes in consolidation scope	(0.0)	–	(0.0)	(0.4)
Current service costs	7.4	0.4	7.8	5.7
Interest expense on obligations	2.4	0.1	2.5	2.9
Past service costs (plan amendments and curtailments)	(1.9)	–	(1.9)	(0.1)
Benefits paid from plan assets	(1.2)	–	(1.2)	(1.0)
Benefits paid from internal reserve	(0.7)	(0.2)	(0.9)	(5.2)
Actuarial (Gains) and losses – experience adjustments	(5.9)	(0.3)	(6.2)	1.3
Actuarial (Gains) and losses – changes to discount rate	(0.8)	(0.0)	(0.8)	16.3
Actuarial (Gains) and losses – changes to other assumptions	(4.9)	(0.0)	(4.9)	(2.8)
Exchange differences	1.3	0.0	1.4	1.1
Closing balance	**98.2**	**4.4**	**102.6**	**107.0**

At 31 December 2015, defined benefit plan obligations broke down primarily among the following countries, including France 62.7%, Ireland 17.2%, and the UK 17.7%.

5.3.2.6 Movements in plan assets

(in millions of euros)	31 December 2015			31 December 2014
	Post-employment benefits	Other long-term benefits	Total	Total
Opening balance	**47.3**	**–**	**47.3**	**43.6**
Interest income on plan assets	1.1	–	1.1	1.4
Benefits paid from plan assets	(1.2)	–	(1.2)	(1.0)
Employee contributions to plan assets	0.2	–	0.2	0.2
Employer's contributions to plan assets	1.5	–	1.5	1.0
Actuarial gains and (losses)	1.6	–	1.6	1.4
Exchange differences	0.9	–	0.9	0.7
Closing balance	**51.4**	**–**	**51.4**	**47.3**

At 31 December 2015, plan assets broke down primarily among the following countries, including France 47.0%, Ireland 25.0%, and the UK 27.6%.

5.3.2.7 Allocation of plan assets

(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.

(in millions of euros)	31 December 2014			
	Equities	Bonds	Other [1]	Total
Europe (excluding UK)	9.3	21.9	3.9	35.2
United Kingdom	7.7	4.0	0.2	11.9
Asia-Oceania	0.2	0.0	–	0.2
Total (in thousands of euros)	**17.2**	**25.9**	**4.1**	**47.3**
Total (as a percentage)	**36%**	**55%**	**9%**	**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
2016	1.6	0.4	2.0
2017	1.8	0.4	2.2
2018	0.8	0.5	1.3
2019	1.5	0.5	2.1
2020	5.9	0.6	6.5
2021-2025	35.1	2.5	37.5

5.4 Share-based payments

• Mayroy S.A.

As of 1999, the Board of Directors of Mayroy S.A. (Ipsen S.A.'s parent company) had granted share options to some employees, senior executives and corporate officers of the Group at an agreed exercise price.

Holders of Mayroy S.A. share options were given a put option over the Mayroy shares they obtained when they exercised their options. Mayroy shares issued and sold back to Mayroy S.A. were exchanged for shares in Ipsen S.A. plus a cash balance.

These stock option plans ended during the 2014 financial year, following the exercise of 14,480 options and the lapsing of 480 options.

• Ipsen

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 2015.

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

(in millions of euros)	31 December 2015	31 December 2014
Share option plans granted by Ipsen (note 5.4.1.2)	0.2	0.3
Bonus shares (note 5.4.2.2)	3.7	5.1
Total	**3.9**	**5.4**

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.* 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 2015	21.6	3.8	1.5	26.9
2015 expense	–	–	0.2	0.2
2014 expense	–	0.0	0.3	0.3

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 2015	31 December 2014
Opening balance	**1,516,826**	**1,926,597**
Options granted	–	–
Options exercised	(367,419)	(174,461)
Options cancelled	(7,250)	(235,310)
Options expired	–	–
Closing balance	**1,142,157**	**1,516,826**

5.4.2 Bonus share plans

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

On **27 March 2014,** the Board of Directors granted:

- 18,712 bonus shares with a two-year vesting period and a two-year lockup period to the Chairman and Chief Executive, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 14,221 bonus shares with a two-year vesting period and a two-year lockup period to the Deputy Chief Executive, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 43,078 bonus shares with a two-year vesting period and a two-year lockup period to Executive Committee members, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 30,781 bonus shares with a two-year vesting period and a two-year lockup period to beneficiaries at the Group's American subsidiaries, subject to length of service conditions and performance conditions,
- 83,163 bonus shares with a two-year vesting period and a two-year lockup period to beneficiaries at the Group's other 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 with a two-year vesting period and a two-year lockup period to the Chairman and Chief Executive, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 10,070 bonus shares with a two-year vesting period and a two-year lockup period to the Deputy Chief Executive, 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 with a two-year vesting period and a two-year lockup period to Executive Committee members, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 39,970 bonus shares with a two-year vesting period and a two-year lockup period to beneficiaries at the Group's 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 with a two-year vesting period and a two-year lockup period to beneficiaries at the Group's other subsidiaries, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity.

5.4.2.1 Details of Ipsen bonus share plans

	Plan dated 30 June 2011				Plan dated 30 March 2012				
Tranches	1.1	1.2	1.3	1.4	1.1	1.2	1.3	1.4	1.5
Number of bonus shares	27,331	68,030 (*)	44,790 (*)	15,755 (*)	84,685	73,649	19,416	11,200 (*)	35,645
Vesting period (in years)	2 (**)	2 (**)	4 (***)	2 (***)	2 (**)	2 (**)	2 (**)	4 (***)	2 (**)
Value of shares on date granted, before reduction	€24.46	€24.46	€24.46	€24.46	€20.50	€20.50	€20.50	€20.50	€20.50
Fair value of bonus shares	**€23.14**	**€23.14**	**€23.06**	**€23.14**	**€17.75**	**€17.75**	**€17.75**	**€19.31**	**€17.75**

(*) Bonus shares free of any performance conditions specific to the Group or the stock market.
(**) Beneficiaries who are French tax residents.
(***) Beneficiaries who are not French tax residents.

Tranches	Plan dated 28 March 2013					Plan dated 27 Mars 2014				Plan dated 1 April 2015			
	1.1	1.2	1.3	1.4	1.5	1.1	1.2	1.3	1.4	1.1	1.2	1.3	1.4
Number of bonus shares	79,859	78,485	21,791	9,540	34,329	65,018	56,062	19,405	21,685	53,021	47,572	21,484	39,970
Vesting period (in years)	2	2	4	4	2	2	2	4	2	2	2	4	2
Value of shares on date granted, before reduction	€27.91	€27.91	€27.91	€27.91	€27.91	€29.75	€29.75	€29.75	€29.75	€44.99	€44.99	€44.99	€44.99
Fair value of bonus shares	**€23.47**	**€23.47**	**€26.28**	**€26.28**	**€23.47**	**€20.01**	**€20.01**	**€21.74**	**€20.01**	**€31.10**	**€31.10**	**€31.24**	**€31.24**

5.4.2.2 Valuation of Ipsen bonus share plans

(in millions of euros)	Plan dated 31 March 2010	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	Total
Opening valuation	3.2	3.6	4.0	5.3	3.1	4.4	23.6
2015 expense	–	0.1	0.0	0.7	1.4	1.5	3.7
2014 expense	0.1	0.1	0.0	2.5	2.4	–	5.1

Note 6 Depreciation, amortization, provisions and impairment losses

6.1 Reconciliation of Core Operating Income and EBITDA

(in millions of euros)	31 December 2015	31 December 2014
Core Operating Income	322.5	260.6
Net depreciation and amortization of tangible and intangible assets	(46.8)	(42.2)
EBITDA	**369.3**	**302.8**

6.2 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 2015	31 December 2014
Operating - excluding current assets	(45.1)	(48.8)
Financial	(1.4)	(1.2)
Taxes	2.8	(0.2)
Depreciation and amortization before impairment and excluding current assets	**(43.7)**	**(50.2)**
Impairment losses included in operating income (note 6.3)	(64.6)	(8.0)
Impairment losses	**(64.6)**	**(8.0)**

6.3 Impairment losses

6.3.1 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, following a decision made to discontinue clinical studies in prostate cancer (see note 1.2).

In addition, the Group recognized a €7.6 million impairment loss in 2015, resulting from the write-down in full of an Ipsen BioInnovation Ltd. intangible asset that was partially written down in 2014.

6.3.2 2014 financial year

At 31 December 2014, the Group recognized an €8.0 million impairment loss resulting from the write-down of an Ipsen Bioinnovation Ltd. intangible asset.

Note 7 Other operating income and expenses

7.1 Other core operating income and expenses

In 2015, other core operating expenses came to €4.1 million, versus other core operating income of €0.3 million in the prior year. These items primarily included amortization expense for intangible assets, higher sub-leasing revenue on the company's headquarters versus 2014 as a result of renegotiating the lease in July 2015, and the impact of the cash flow hedge policy.

7.2 Other operating income and expenses

At 31 December 2015, other non-core operating expenses amounted to €7.2 million, compared with other non-core operating expenses of €9.2 million a year earlier.

These expenses arose primarily from discontinuing the development of tasquinimod in prostate cancer, a decision announced jointly by Active Biotech and Ipsen on 16 April 2015. As a result, the full €6.6 million in expenses related to tasquinimod clinical development studies for 2015 were recognized by Ipsen as other operating income and expenses.

In 2014, other operating income and expenses arose primarily from costs related to the transfer of the Group's US-based subsidiary Ipsen Bioscience Inc.'s operations from Milford to Cambridge, and expenses related to the renegotiation of the partnership contract with Galderma.

Note 8 Restructuring costs

In 2015, restructuring-related costs totaling €6.7 million stemmed chiefly from expenses incurred by the Group to adapt its structure and to pool some R&D resources in the United Kingdom together at the Oxford site.

In 2014, restructuring costs came to €21.9 million. The expenses resulted mainly from Group efforts to accelerate the rollout of the transformation project as well as from transferring the operations of US-based subsidiary Ipsen Bioscience Inc. from Milford to Cambridge.

Note 9 Financial income/(expense)

(in millions of euros)	31 December 2015	31 December 2014
Proceeds from sales of short-term investments	0.3	0.2
Total income from loans and receivables	0.4	1.5
Investment income	**0.7**	**1.7**
Interest on debt	(1.2)	(2.7)
Interest on employee profit-sharing fund	(0.2)	(0.3)
Total expenses on financial liabilities measured at amortized cost	**(1.3)**	**(3.0)**
Financial expense on derivative instruments	(2.3)	(1.7)
Total expenses on financial assets held for trading	**(2.3)**	**(1.7)**
Financing costs	**(3.6)**	**(4.7)**
NET FINANCING COSTS	**(2.9)**	**(3.0)**
Other exchange differences	(2.6)	(10.1)
Income and expenses on financial assets and liabilities at fair value	**(2.6)**	**(10.1)**
Impairment of investments in non-consolidated companies	(0.1)	0.4
Income and expenses on available-for-sale financial assets	**(0.1)**	**0.4**
Financial income on employee benefits (note 5.3.2.3)	1.1	1.4
Interest on employee benefits (note 5.3.2.3)	(2.5)	(2.9)
Other financial elements	0.5	(0.9)
OTHER FINANCIAL INCOME AND EXPENSE	**(3.6)**	**(12.0)**
FINANCIAL INCOME (EXPENSE)	**(6.4)**	**(15.1)**
Of which total financial income	*56.8*	*39.3*
Of which total financial expense	*(63.3)*	*(54.3)*

In 2015, the Group had net financial expense of €6.4 million, versus net financial expense of €15.1 million in the previous year.

- **The "net financing costs" item** showed expense of €2.9 million, in line with the €3.0 million in expense reported a year earlier.
- In 2015, **other financial expenses** amounted to €3.6 million, including a final €4.9 million earnout payment stemming from the sale of PregLem shares in 2010. The €8.5 million improvement over 2014 arose primarily from the favorable trend in foreign exchange fluctuations.

Note 10 Income taxes

10.1 Tax expense

10.1.1 Effective tax rate

(in millions of euros)	31 December 2015	31 December 2014
Net profit (loss) from continuing operations	190.2	154.5
Share of profit (loss) from companies accounted for using the equity method	2.5	1.9
Profit from continuing operations before share of results from companies accounted for using the equity method	**187.8**	**152.6**
Current tax	(48.6)	(40.0)
Deferred tax	(1.2)	(13.8)
Income taxes	(49.8)	(53.8)
Pre-tax profit from continuing operations before share of results from companies accounted for using the equity method	**237.6**	**206.4**
Effective tax rate	**21.0%**	**26.1%**

In 2015, income tax expense of €49.8 million resulted from an effective tax rate of 21.0% 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 26.1% in 2014.

The lower effective tax rate stemmed from 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 2015	31 December 2014
Pre-tax profit from continuing operations before share of results from companies accounted for using the equity method	237.6	206.4
Group tax rate	34.43%	34.43%
Nominal tax expense	**(81.8)**	**(71.1)**
(Increase)/decrease in tax expense arising from:		
– Tax credits	9.3	11.2
– Non-recognition of tax impact on certain losses during the year	(8.6)	(5.2)
– Utilization of tax losses not recognized as deferred tax assets	0.2	0.2
– Recognition of deferred tax assets	1.6	0.5
– Other permanent differences [1]	29.6	10.6
Effective tax expense	**(49.8)**	**(53.8)**

(1) Other permanent differences in 2015 included:
- €29.5 million related to differences in tax rates applied to foreign subsidiaries,
- €5.7 million related to the reduced tax rate on royalties in France,
- €(5.7) million related to other permanent differences, notably the recognition of France's CVAE business tax (*Cotisation sur la Valeur Ajoutée des Entreprises*) as income tax for €(4.5) million, the €(3.2) million tax charge on dividend payouts in France, the €(0.8) million cost of the non-recurring increase in the corporate tax rate in France, and the non-tax deductibility of promotion-tax and sales-based contributions for €(0.4) million.

10.2 Deferred tax assets and liabilities

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**

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

The €1.4 million decrease recognized in "Income statement income / expense" includes the allocation 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 losses 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.

At 31 December 2015, the Group recognized €163.9 million in deferred tax assets on tax loss carryforwards, versus €151.5 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 under 10 years. Deferred tax assets are recognized based on results forecasts for each tax consolidation group. These forecasts are in line with Ipsen's 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 2014 can be broken down as follows:

(in millions of euros)	31 December 2013	Movements during the year					31 December 2014
		Income statement income / expense	Deferred taxes recorded directly to reserves	Changes in consolidation scope	Foreign exchange differences	Other movements	
Deferred tax assets	202.5	(11.5)	2.0	(0.0)	15.1	(3.6)	204.6
Deferred tax liabilities	(6.8)	(2.3)	(0.5)	0.7	(0.2)	3.6	(5.6)
Net assets / (liabilities)	**195.8**	**(13.8)**	**1.5**	**0.7**	**14.8**	**–**	**199.0**

The €13.8 million decrease recognized in "Income statement income / expense" includes the allocation of €8.0 million in French tax losses.

At 31 December 2014, unrecognized deferred tax assets amounted to €62.5 million. That amount corresponds primarily to the Group's unused R&D tax credits and tax losses not carried forward at 31 December 2014. 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 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 entry into the scope of consolidation during the 2015 financial year (see note 1.3).

(in millions of euros)	31 December 2013	Movements during the year					31 December 2014
		Income statement income / expense	Deferred taxes recorded directly to reserves	SoRIE	Changes in consolidation scope	Foreign exchange differences	
Inventories	32.4	(2.0)	–	–	–	0.6	31.0
Tax loss carryforwards	144.2	(7.4)	–	–	–	14.8	151.5
Provision for retirement and other benefits	10.6	1.4	–	4.2	(0.1)	0.0	16.1
Other	8.6	(5.8)	(2.7)		0.8	(0.6)	0.3
Net assets / (liabilities)	**195.8**	**(13.8)**	**(2.7)**	**4.2**	**0.7**	**14.8**	**199.0**

Note 11 Net profit (loss) from discontinued operations

In 2015, net profit from discontinued operations totaled €0.5 million, compared to a €0.5 million net loss from discontinued operations in 2014. 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 to royalties from the sales of that product received from Baxalta, a company spun off from Baxter.

Note 12 Goodwill

12.1 Net goodwill carried in the balance sheet

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**

Gross goodwill shown on the balance sheet at 31 December 2015 and at 31 December 2014 resulted from:

- €135.3 million arising on the Group's structuring operations from 1998 to 2004, as a result of acquiring SCRAS and its subsidiaries, and €53.5 million arising on the acquisition of BB et Cie;
- €10.0 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 €131.9 million at 31 December 2015;
- €31.3 million arising on the acquisition of Ipsen BioInnovation Ltd on 12 July 2013. This transaction generated residual net goodwill of €18.7 million at 31 December 2015;
- the acquisition of OctreoPharm in 2015 (see note 12.2). This transaction generated goodwill of 13.8 million at 31 December 2015.

Changes in goodwill in 2014 can be broken down as follows:

(in millions of euros)	31 December 2013	Movements during the year				31 December 2014
		Increase	Changes in consolidation scope	Decrease	Foreign exchange differences	
Gross goodwill	319.4	–	–	–	14.3	333.7
Impairment losses	(8.7)	–	–	–	(0.6)	(9.3)
Net goodwill	**310.7**	**–**	**–**	**–**	**13.7**	**324.4**

12.2 Detail of OctreoPharm's acquisition cost

On 19 May 2015, the Group announced that it would acquire OctreoPharm Sciences, a private German life sciences company focusing on the development of innovative radioactive-labeled compounds for molecular imaging diagnostics and therapeutic applications. Under the terms of the agreement, which was subject to closing conditions, OctreoPharm shareholders were eligible to receive up to some €50,0 million for the purchase of 100% of the company's shares in the form of an upfront payment and downstream payments contingent upon the completion of clinical and regulatory milestones.

On 30 June 2015, Ipsen completed this acquisition with a €30 million upfront payment and €2.3 million in earnout payments. The consolidation of the company led to the recognition of €41.3 million in intangible assets (see note 13). In addition, €13.8 million in goodwill were also recognized and allocated to the specialty care CGU.

(in millions of euros)	OctreoPharm
Cash paid for the acquisition	32.3
Fair value of deferred payments	11.1
Valuation of the acquired company (a)	**43.3**
Carrying value of acquired net assets and liabilities prior to fair value measurement (b)	0.2
Goodwill to be allocated (c) = (a) – (b)	**43.1**
Fair value measurement of the share of acquired net assets and liabilities	
– Intangible assets	40.8
– Deferred tax liabilities	(11.5)
Total (d)	**29.3**
Goodwill arising after allocation period = (c) – (d)	**13.8**

Completing the recognition of the business combination related to the OctreoPharm purchase prompted the Group:

- to measure the fair value of additional payments that could arise from achieving development milestones (advance of certain compounds to the development phase) and commercial milestones (meeting certain sales targets). The fair value of these probability measured and discounted future payments came to €11.1 million;
- to recognize a €31.8 million intangible asset corresponding to an innovative radiopharmaceutical product technology developed and owned by OctreoPharm for diagnosing neuroendocrine tumors that was not recognized in the company's assets at the transaction date;
- to recognize a €9.6 million intangible asset corresponding to an innovative radiopharmaceutical product technology developed and owned by OctreoPharm for treating neuroendocrine tumors that was not recognized in the company's assets at the transaction date;
- the Group did not recognize deferred tax assets on losses generated previously by OctreoPharm, with the only deferred taxes recognized being those related to the items described above.

The basis for recognizing goodwill arising on the OctreoPharm acquisition was determined in compliance with IFRS 3 revised. Other than the goodwill previously described and the two intangible assets presented above, no other opening balance sheet items were material.

12.3 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 primary care and specialty care. Accordingly, goodwill was reallocated in line with the Group's new organization:

- goodwill totaling €135.3 million related to the Group's 1998 structuring operations was allocated to the primary care and specialty 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 in 2015, was 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.* primary care and specialty care.

At 31 December 2015 and at 31 December 2014, no impairment losses related to goodwill were recorded.

The previously recorded impairment loss concerned solely the goodwill arising from the acquisition of Sterix Ltd.

Impairment tests are prepared by the Group as of 31 December.

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 2015			
Goodwill	268.9	84.4	353.3
Net underlying assets	554.6	130.6	685.2
Total	**823.5**	**215.0**	**1,038.5**
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 "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.

A change in the discount rate for the "specialty 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 "specialty care" cash-generating unit, representing a key assumption in these estimates, of more than 20% 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 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.

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 2014 can be broken down as follows:

(in millions of euros)	31 December 2013	Movements during the year				31 December 2014
		Increase	Decrease	Foreign exchange differences	Other movements	
Intellectual property	443.3	31.8	(0.3)	24.5	3.8	503.2
Intangible assets in progress	6.7	5.2	(1.1)	0.1	(4.1)	6.8
Gross assets	**450.1**	**37.0**	**(1.4)**	**24.6**	**(0.3)**	**510.0**
Depreciation	(112.5)	(13.2)	0.3	(7.0)	(23.1)	(155.5)
Impairment losses	(192.8)	(8.0)	–	(15.9)	23.1	(193.6)
Net assets	**144.8**	**15.8**	**(1.1)**	**1.7**	**(0.3)**	**160.9**

Movements in "intellectual property" are mainly due to the recognition of a $23.0 million upfront payment to Lexicon as part of a licensing agreement to commercialize telotristat etiprate outside of North America and Japan, and the acquisition of control by Ipsen of the intellectual property of Galderma's liquid toxin in the United States, Canada, Brazil, and Europe, in exchange for a €10 million payment.

At 31 December 2014, amortization expense for intangible assets came to €4.7 million, excluding €8.5 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 2014, the Group recognized an €8.0 million impairment loss resulting from the write-down of an Ipsen BioInnovation Ltd. intangible asset.

The reclassification of €23.1 million in "impairment losses" into "amortization" was primarily aimed at returning the carrying value of the assets, excluding impairment losses, to the carrying value that would have been calculated (net of amortization) if no impairment losses had been recognized for these assets in prior years. This reclassification had no impact on the income statement.

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 2015 financial year

At 31 December, 2015 the Group had one intangible asset with a net carrying value of €92.0 million.

The asset concerns rights acquired for proprietary oncology, endocrinology and neurology drugs that were in an advanced phase of development but had not yet obtained market approval. As a result, they were not amortized, in accordance with the Group's accounting principles (see note 3.31). For this intangible asset, the recoverable amount corresponds to the value in use based on estimated expected future cash flows.

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 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.

13.2.2 2014 financial year

At 31 December, 2014 the Group had one intangible asset with a net carrying value of €98.6 million.

The asset concerns rights acquired for proprietary oncology, endocrinology and neurology drugs that were in an advanced phase of development but had not yet obtained market approval. As a result, they were not amortized, in accordance with the Group's accounting principles (see note 3.31). For this intangible asset, the recoverable amount corresponds to the value in use based on estimated expected future cash flows.

At 31 December 2014, the Group recognized an €8.0 million impairment loss resulting from the write-down of an Ipsen BioInnovation Ltd. intangible asset.

13.3 Impairment tests of intangible assets with a definite useful life

13.3.1 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, no reversal of the impairment loss on the Increlex® active ingredient was recognized in the consolidated financial statements at 31 December 2015.

13.3.2 2014 financial year

The Group announced that the first resupplies of Increlex® got under way during the year.

However, given the uncertainty surrounding the release of additional batches by the FDA and the longer-term supply of the product in the American market, the impairment loss on the Increlex® active ingredient was not reversed in the consolidated financial statements for the year ended 31 December 2014.

13.4 Breakdown of intangible assets by asset type

(in millions of euros)	31 December 2015			31 December 2014		
	Gross value	Amortization & Impairment	Net value	Gross value	Amortization & Impairment	Net value
Brands and trademarks	21.2	(20.9)	0.4	21.1	(20.9)	0.2
Licenses	404.0	(288.7)	115.3	376.9	(251.9)	125.0
Patents	9.9	(9.9)	0.0	9.5	(9.4)	0.1
Know-how	10.1	(9.2)	1.0	10.1	(8.8)	1.3
Software	93.7	(66.9)	26.8	85.0	(57.8)	27.2
Purchased goodwill and other intangible assets	0.5	(0.3)	0.2	0.5	(0.3)	0.2
Intangible assets in progress	7.9	–	7.9	6.8	–	6.8
TOTAL	**547.3**	**(395.9)**	**151.5**	**510.0**	**(349.1)**	**160.9**
Of which impairment losses		*(210.1)*			*(193.6)*	

In 2015, the net amount of intangible assets with an indefinite useful life came to €92.0 million, versus €98.6 million in 2014. The assets were related to rights acquired for proprietary drugs in an advanced stage of development that had not yet obtained market approval, and were classified as "Licenses".

Note 14 Property, plant & equipment

14.1 Breakdown by asset type

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**

In 2015, acquisitions of property, plant and equipment totaled €50.0 million, compared with €47.4 million in 2014. The increase resulted mainly from capital spending to boost production capacity at manufacturing sites, particularly in the United Kingdom and Ireland, and to acquire IT assets.

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.

Movements in 2014 can be broken down as follows:

(in millions of euros)	31 December 2013	Movements during the year					31 December 2014
		Increase	Decrease	Changes in consolidation scope	Foreign exchange differences	Other movements	
Land	17.2	1.9	–	–	0.3	0.1	19.4
Buildings	182.6	7.6	(0.8)	(3.7)	2.6	16.0	204.2
Plant & equipment	233.1	5.1	(3.8)	(8.9)	5.9	15.0	246.4
Other assets	107.8	5.4	(4.9)	(0.6)	1.7	3.2	112.6
Assets in progress	123.6	27.5	(0.3)	–	5.1	(34.5)	121.5
Gross assets	**664.2**	**47.4**	**(9.8)**	**(13.2)**	**15.5**	**(0.2)**	**704.0**
Depreciation	(364.2)	(30.7)	8.8	11.1	(7.0)	0.0	(381.9)
Impairment losses	(12.5)	–	–	–	–	–	(12.5)
Depreciation & impairment losses	**(376.7)**	**(30.7)**	**8.8**	**11.1**	**(7.0)**	**0.0**	**(394.4)**
Net assets	**287.5**	**16.8**	**(0.9)**	**(2.1)**	**8.6**	**(0.2)**	**309.6**

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 2015	31 December 2014
Euro	184.4	173.4
U.S. dollar	25.0	15.0
Pound sterling	129.1	111.2
Chinese Yuan renminbi	8.9	8.7
Other currencies	1.3	1.3
Total	**348.7**	**309.6**

Note 15 Equity investments

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. At the 31 December 2015 share price, 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. At the 2015 share price, the change in the value of the Innobio investment amounted to €4.4 million.

Movements in 2014 can be broken down as follows:

(in millions of euros)	31 December 2013	Movements during the year				31 December 2014
		Acquisitions and increases	Disposals and decreases	Foreign exchange differences	Other movements	
Investments in non-consolidated companies	19.9	1.3	(0.9)	0.7	9.3	30.4
Write-downs & impairment losses	(13.1)	(2.7)	1.1	(0.7)	–	(15.4)
Net book value (available-for-sale financial assets)	**6.7**	**(1.4)**	**0.3**	**0.0**	**9.3**	**15.0**

Net equity investments classified as financial assets available for sale notably included the following equity investments at 31 December 2014:

- A €8.2 million interest in Radius Health Inc. based on the company's unit share price of $38.91 at that date. The main movement in total assets held for sale during the year stemmed from the reclassification of Radius shares from "convertible bonds" to "equity investments" following the conversion of bonds into shares in 2014, and the change in the fair value of the Radius investment.
- A €5.0 million investment in the InnoBio venture capital fund.

Note 16 Investments in companies accounted for using the equity method

At 31 December 2015, the Group owned a 50% interest in Linnea S.A., consolidated using the equity method.

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.

At 31 December 2014, the value of Linnea shares on the Group's balance sheet totaled €13.7 million, with Linnea contributing €1.9 million to the Group's net profit. The company paid out €1.6 million in dividends in 2014.

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%).

	At 31 December 2015			
(in millions of euros)	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**

	At 31 December 2014			
(in millions of euros)	Assets	Liabilities, excluding shareholder's equity	Sales	Net profit (loss) for the year
Linnea S.A.	36.6	9.1	33.1	3.8
Total	**36.6**	**9.1**	**33.1**	**3.8**

Note 17 Other non-current assets

(in millions of euros)	31 December 2015	31 December 2014
Liquidity agreement [1]	4.0	3.7
Deposits paid	4.7	4.7
Loans – non-consolidated companies	0.1	0.1
Other financial assets [2]	6.7	0.8
Total other non-current assets (loans, receivables and other) [3]	**15.5**	**9.3**

(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 increase stemmed primarily from the €6 million purchase of an option to acquire 100% of the shares in Canbex Therapeutics.
(3) 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). No impairment losses were recognized at 31 December 2015.

Note 18 Detail of the change in working capital requirement

18.1 Movements

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.

The changes in other non-current liabilities were due in part to the recording of "deferred income" of the payments received. Within the framework of partnership agreements, the milestone payments received by the Group for these contracts are recognized on a straight-line basis over the life of the contracts. The portion unrecognized as income is recorded as "other non-current liabilities", if due after 12 months, and as "other current liabilities" if due within one year.

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

Movements in 2014 can be broken down as follows:

(in millions of euros)	31 December 2013	Movements during the year						31 December 2014
		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.)	121.5	(7.6)	–	–	(9.1)	0.7	–	105.5
Trade receivables	243.5	8.5	–	–	(3.2)	(5.9)	0.5	243.5
Current tax assets	42.8	21.8	–	–	–	(0.1)	1.4	65.9
Other current assets (see note 18.2.3)	60.3	6.0	(0.0)	0.5	(0.1)	0.9	0.2	67.8
WCR assets (1)	**468.2**	**28.7**	**(0.0)**	**0.5**	**(12.4)**	**(4.3)**	**2.0**	**482.7**
Trade payables	(154.8)	(19.5)	–	–	3.4	(2.9)	(6.0)	(179.8)
Current tax liabilities	(5.8)	3.0	–	–	0.2	(0.1)	(1.4)	(4.1)
Other current liabilities (see note 18.2.4)	(181.7)	12.3	2.6	0.1	0.4	(1.0)	(18.9)	(186.1)
Other non-current liabilities (see note 18.2.4)	(105.6)	(30.0)	–	–	–	(5.1)	24.9	(115.8)
WCR liabilities (2)	**(448.0)**	**(34.0)**	**2.6**	**0.1**	**3.9**	**(9.2)**	**(1.4)**	**(485.9)**
Total	**20.2**	**(5.3)**	**2.6**	**0.6**	**(8.5)**	**(13.5)**	**0.6**	**(3.2)**

(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.

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

At 31 December 2014, gross trade receivables past due totaled €38.9 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	**38.9**	23.2	5.9	4.5	5.4
Trade receivables – net value	**33.0**	23.0	5.0	4.0	1.0

18.2 Breakdown

18.2.1 Inventories

(in millions of euros)	31 December 2015			31 December 2014
	Gross value	Depreciations	Net value	Net value
Raw materials and supplies	39.5	(1.1)	38.4	36.9
Work in progress	26.4	(4.5)	21.9	20.9
Finished goods	54.6	(7.5)	47.1	47.6
Total	**120.4**	**(13.1)**	**107.4**	**105.5**

18.2.2 Current financial assets

At 31 December 2015, current financial assets included derivative instruments totaling €6.8 million, versus €0.1 million at 31 December 2014.

The fair value of financial assets held for trading corresponds to the market value of the assets.

18.2.3 Other current assets

(in millions of euros)	31 December 2015	31 December 2014
Advance payments to suppliers	9.6	13.1
Receivables related to the sale of non-current assets	0.6	0.0
Recoverable VAT	28.9	25.3
Other assets	23.9	13.5
Prepayments	12.7	16.0
Total current assets (loans and receivables) (1)	**75.6**	**67.8**

(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 2015	31 December 2014
Non-current deferred income	124.5	115.8
Total other non-current liabilities (1)	**124.5**	**115.8**
VAT payable	12.4	12.2
Other current tax liabilities	6.3	7.4
Employment-related liabilities	108.4	100.5
Amounts due to non-current asset suppliers	24.8	12.7
Other liabilities	18.6	22.7
Deferred income	31.0	30.5
Total other current liabilities (1)	**201.5**	**186.1**

(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 2015	Consolidated balance sheet at 1 January 2014
Cash and cash equivalents – assets	186.3	131.0
Bank overdrafts – liabilities	(6.1)	(5.6)
Opening net cash and cash equivalents	**180.1**	**125.4**

19.1.2 Closing net cash and cash equivalents

(in millions of euros)	Consolidated balance sheet at 31 December 2015	Consolidated balance sheet at 31 December 2014
Cash and cash equivalents – assets	226.1	186.3
Bank overdrafts – liabilities	(12.1)	(6.1)
Closing net cash and cash equivalents	**214.0**	**180.1**

19.2 Cash and cash equivalents

(in millions of euros)	31 December 2015	31 December 2014
Financial assets held for trading: – French SICAV / Euro money market UCITS	–	117.1
Loans and receivables: – Interest-bearing deposits	144.2	0.1
Cash	81.9	69.1
Cash and cash equivalents – assets	**226.1**	**186.3**

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.

At 31 December 2014, cash equivalents included investments in monetary mutual funds (mostly euro-denominated money market UCITS or similar funds). At 31 December 2015, investments in these funds were unwound.

Note 20 Consolidated equity

20.1 Share capital

At 31 December 2015, Ipsen's share capital was comprised of 83,245,602 ordinary shares each with a nominal value of €1, including 47,778,755 shares with double voting rights, compared with 82,869,083 ordinary shares each with a nominal value of €1, including 47,707,470 shares with double voting rights at 31 December 2014.

The changes arose from the following: In 2015, 142,596 new shares were issued as part of the 28 March 2013 stock option plan, 39,100 new shares were issued as part of the 30 June 2011 stock option plan and 194,823 warrants were exercised.

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 2015	31 December 2014
Weighted average number of shares outstanding during the year	82,269,896	82,093,561
Earnings – attributable to Ipsen S.A. shareholders (in millions of euros)	189.9	153.5
Basic earnings per share (in € per share)	**2.31**	**1.87**
Earnings on discontinued operations – attributable to Ipsen S.A. shareholders (in millions of euros)	0.5	(0.5)
Basic earnings per share, discontinued operations (in € per share)	**0.01**	**(0.01)**
Earnings on continuing operations – attributable to Ipsen S.A. shareholders (in millions of euros)	189.3	154.0
Basic earnings per share, continuing operations (in € per share)	**2.30**	**1.88**

20.3 Diluted earnings per share

Stock option plans

At 31 December 2015, all stock option plans were dilutive.

At 31 December 2014, given Ipsen's share price, all the stock option plans were antidilutive, with the exception of the 14 November 2005, the 12 December 2006 (tranche A and tranches 2.1 to 2.4), the 29 September 2008, the 30 March 2009, the 10 November 2009 and the 30 June 2011 (tranche 1.2) plans.

Share transactions occurring after 31 December 2015 would not significantly modify the number of shares used in calculating earnings per share or diluted earnings per share.

Bonus shares

At 31 December 2015, bonus shares for the plan of 30 June 2011 (foreign tax-resident beneficiaries) – which were free of any performance conditions – were included in the calculation of the average weighted number of shares for basic earnings per share and, as a consequence, in the diluted earnings.

Bonus shares for the plan of 28 March 2013 (French tax-resident beneficiaries), for which the allocation became definitive for the business year owing to the achievement of corresponding performance conditions and/or the end of the vesting period, were included in the calculation of the average weighted number of shares for basic earnings per share and were, accordingly, included in diluted earnings.

Bonus shares for the plans of 30 March 2012 (foreign tax-resident beneficiaries) and 28 March 2013 (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 2015	31 December 2014
Weighted average number of shares outstanding during the year	82,703,617	82,220,289
Earnings – attributable to Ipsen S.A. shareholders (in millions of euros)	189.9	153.5
Diluted earnings per share (in € per share)	**2.30**	**1.87**
Earnings on discontinued operations – attributable to Ipsen S.A. shareholders (in millions of euros)	0.5	(0.5)
Diluted earnings per share, discontinued operations (in € per share)	**0.01**	**(0.01)**
Earnings on continuing operations – attributable to Ipsen S.A. shareholders (in millions of euros)	189.3	154.0
Diluted earnings per share, continuing operations (in € per share)	**2.29**	**1.87**

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 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**

20.4.1.2 Weighted average number of shares at 31 December 2014

	31 December 2014
Number of ordinary shares at 31 December 2013	**84,242,701**
Treasury shares (weighted average number)	(1,019,425)
Impact of options exercised in the 2014 financial year – Stock option plan of 14 November 2005	24,805
Impact of options exercised in the 2014 financial year – Stock option plan of 12 December 2006	13,550
Impact of options exercised in the 2014 financial year – Stock option plan of 31 March 2010	687
Impact of options exercised in the 2013 financial year – Stock option plan of 30 June 2011	4,274
Impact of options exercised in the 2013 financial year – Stock option plan of 6 December 2012	674
Impact of bonus shares – 31 March 2010 plan – Foreign tax-resident beneficiaries	10,942
Impact of bonus shares – 31 March 2010 plan – US tax-resident beneficiaries	16,719
Impact of bonus shares – 30 March 2012 plan – French tax-resident beneficiaries	87,508
Capital decrease by Ipsen	(1,288,875)
Weighted average number of shares outstanding at 31 December 2014	**82,093,561**

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

	31 December 2015	31 December 2014
Weighted average number of shares outstanding to calculate basic earnings per share	82,269,896	82,093,561
Dilutive effect of stock options	389,918	45,288
Dilutive effect of bonus shares	43,803	81,440
Weighted average number of shares outstanding to calculate diluted earnings per share	**82,703,617**	**82,220,289**

20.5 Dividends paid

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

		31 December 2015	31 December 2014
Dividend payout (in euros)	(a)	70,005,861	65,520,394
Number of shares on the payment date	(b)	82,359,836	81,900,492
Dividend per share (in euros)	**(a) / (b)**	**0.85**	**0.80**

Note 21 Provisions

21.1 Movements

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 broke 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 subsidiaries and certain additional taxes that the Group may be required to pay;
- €2.4 million for costs related to corporate 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.

Movements in 2014 can be broken down as follows:

(in millions of euros)	31 December 2013	Movements during the year					31 December 2014
		Charges	Reversals		Foreign exchange differences	Other movements	
			Applied	Released			
Business and operating risks	3.9	0.4	(0.4)	(0.0)	0.1	(2.3)	1.7
Legal risks	31.3	9.8	(3.7)	(9.4)	(0.1)	(0.1)	27.9
Restructuring costs	25.5	9.8	(12.9)	(0.8)	0.0	(0.9)	20.6
Other	5.0	13.0	(0.9)	(0.4)	0.1	1.1	17.8
Total provisions	**65.7**	**33.0**	**(18.0)**	**(10.6)**	**0.1**	**(2.2)**	**68.0**
– of which current	20.7	16.1	(15.9)	(2.1)	0.1	7.2	26.0
– of which non-current	45.0	16.9	(2.1)	(8.5)	0.0	(9.4)	42.1

At 31 December 2014, 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. The earnout clause related to the acquisition of Ipsen BioInnovation Ltd. was reclassified into financial liabilities.

Legal risks

These provisions include:

- €19.4 million for the risk of tax reassessment by local authorities at certain Group subsidiaries and certain additional taxes that the Group may be required to pay;
- €6.2 million for costs related to corporate litigation that the Group may incur;
- €2.3 million for various other legal risks.

Restructuring costs

These provisions correspond mainly to costs arising from measures taken by the Group to accelerate the execution of the transformation project, such as adapting support and sales functions, and continuing the restructuring of R&D activities.

Other

After relocating all the Paris sites to the new headquarters in Boulogne-Billancourt in 2008, a provision was recorded to cover the difference in rents between the estimated market price for floor space not used by the Group, based on the sublease actually signed, and the amounts owed by the Group under its lease contract. In addition, a provision for medium-term bonus plans approved by the Board of Directors was recorded at 31 December 2014.

21.2 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.

21.3 Impact on consolidated income in 2014

In 2014, charges totaling €32.5 million were recognized in Operating Income, while charges totaling €0.5 million were recognized in taxes.

In 2014, released reversals totaling €10.3 million were recognized in Operating Income, while €0.3 million in released reversals were recognized in taxes.

Note 22 Bank loans and financial liabilities

22.1 Movements

Movements in bank loans and other 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) [2]	**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) [2]	**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) [3]	**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 €11.1 million change in the scope of consolidation stems from accounting entries allocating the acquisition price of OctreoPharm.
(2) The carrying book amount of financial liabilities measured at amortized cost was deemed to be a reasonable estimation of fair value.
(3) Fair value corresponds to the market value.

On 17 October 2014, Ipsen S.A. refinanced a syndicated loan it had contracted in 2012. The total amount of the available loan increased from €400 million to €500 million for a duration of five years with two extension options. In 2015, Ipsen exercised the first extension option. As a result, the expiration date for that credit line is now 17 October 2020. The multiple-currency credit line was established to meet the general financing needs of the Group's operations. At the initiative of the borrower, the line may be drawn down for short-term periods.

Under the terms of the contract, the Group must respect the following covenant ratios at the close of each half-year period:

- Net debt to equity: less than 1
- Net debt to EBITDA: less than 3.5

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

At 31 December 2015, the Group had a positive net cash position. Both covenant ratios were consequently met.

To meet the general financing needs of Ipsen S.A. and its subsidiaries, the parent company on 2 December 2015 established a program to issue commercial paper. The program has a ceiling of €300 million. The minimum unit amount of the issue is €150 million for durations ranging from one day to one year.

A financial presentation of the commercial paper issue program may be consulted on the company's website (www.Ipsen.com) and the Banque de France website (www.banque-france.fr).

The Group met all its covenant ratios at 31 December 2015. Likewise, all covenant ratios were met on 31 December 2014.

Movements in bank loans and other financial liabilities between 31 December 2013 and 31 December 2014 were as follows:

(in millions of euros)	31 December 2013	Additions	Repayments	Net change in interest	Other movements	Foreign exchange differences	31 December 2014
Other financial liabilities [1]	12.3	2.2	(4.4)	0.0	1.9	0.1	12.1
Non-current financial liabilities (measured at amortized cost) [2]	**12.3**	**2.2**	**(4.4)**	**0.0**	**1.9**	**0.1**	**12.1**
Credit lines and bank loans	4.0	–	–	–	–	–	4.0
Other financial liabilities	3.3	0.0	(0.8)	0.2	0.5	0.0	3.2
Current financial liabilities (measured at amortized cost) [2]	**7.3**	**0.0**	**(0.8)**	**0.2**	**0.5**	**0.0**	**7.2**
Derivative financial instruments	0.2	–	–	–	0.6	–	0.8
Current financial liabilities (financial liabilities measured at fair value) [3]	**0.2**	**–**	**–**	**–**	**0.6**	**–**	**0.8**
Current financial liabilities	**7.5**	**0.0**	**(0.8)**	**0.2**	**1.1**	**0.0**	**8.0**
Total financial liabilities	**19.9**	**2.2**	**(5.2)**	**0.2**	**3.0**	**0.1**	**20.1**

(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.
(2) The carrying book amount of financial liabilities measured at amortized cost was deemed to be a reasonable estimation of fair value.
(3) Fair value corresponds to the market value.

22.2 Breakdown by maturity and currency

At 31 December 2015 and 2014, the Group held only lines of credit (see note 22.1).

The Group's financial debt was denominated in euros for the 2015 and 2014 financial years.

22.3 Collateralized debt

At 31 December 2015 and 2014, the Group had not provided any collateral.

Note 23 Derivative financial instruments

23.1 Interest rate risk

At 31 December 2015, 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. However, owing to its international business scope, the Group is exposed to foreign exchange rate fluctuations that can affect its results. A 10% increase or decrease in the US dollar, the pound sterling or the Russian ruble against the euro (the main currencies in which the Group operates) would impact sales by plus or minus 2.0%, and Operating Income by plus or minus 0.5%.

Several types of risks can be identified:

- transactional foreign exchange risk related to business activities: the Group has hedged its main 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 2015 and 31 December 2014, derivative financial instruments held by the Group broke down as follows:

(in millions of euros)	Fair value of financial derivatives	
	31 December 2015	31 December 2014
Put forward contracts	(2.8)	2.9
Put option contracts	0.0	0.6
Call forward contracts	3.9	0.5
Call option contracts	–	0.1
Buyer at maturity foreign exchange swaps	1.2	–
Sales transactions	**2.3**	**4.1**
Financial transactions	**(0.0)**	**(0.6)**
Total net position	**2.3**	**3.5**

23.2.2 Transactional foreign exchange risk

The Group's hedging policy is aimed at protecting Operating Income from foreign exchange rate fluctuations vis-à-vis company forecasts. Accordingly, the effective portion of the hedge is recorded in Core 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 2015 and 2014:

(in millions of euros)	31 December 2015		31 December 2014	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Market value of currency instruments	6.8	4.5	4.3	0.8
Total	**6.8**	**4.5**	**4.3**	**0.8**

Note 24 Information on proportionally consolidated entities

24.1 Balance sheet items

24.1.1 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**

24.1.2 Balance sheet at 31 December 2014

(in millions of euros)	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Companies				
Cara Partners	8.2	9.1	5.8	4.8
Garnay Inc.	1.7	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	1.1	5.1	–	0.2
Wallingstown Company Ltd	(0.0)	0.0	0.0	0.0
Total	**13.1**	**14.9**	**5.9**	**5.2**

24.2 Income statement items

24.2.1 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**

24.2.2 Income statement at 31 December 2014

(in millions of euros)	Sales	Operating expenses	Share of net profit (loss)
Companies			
Cara Partners	3.1	(0.7)	2.1
Garnay Inc.	0.1	(0.4)	(0.2)
Perechin Unlimited Company	–	(0.0)	(0.0)
Portpirie Unlimited Company	–	–	–
Saint-Jean d'Illac S.C.A.	0.1	(0.0)	0.1
Wallingstown Company	6.6	(4.9)	1.7
Wallingstown Company Ltd	–	0.0	0.0
Total	**10.0**	**(6.1)**	**3.7**

Note 25 Information on related parties

25.1 Director and Executive compensation

In 2015, the total compensation paid to Board and Executive Committee members amounted to €15.4 million, of which €3.7 million were paid to members of the Board of Directors and €11.8 million were paid to members of the Executive Committee.

Pension and similar benefits for Board members and members of the Executive Committee came to €10.8 million at 31 December 2015, with a total of €1.8 million paid to members of the Board of Directors and €9.0 million paid to Executive Committee members.

On 2 March 2015, the Board of Directors set the compensation terms and conditions for the corporate mandates of the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer, with a targeted bonus subject to performance conditions.

The Chairman and Chief Executive Officer and the Deputy Executive Officer benefit from the Company's current complementary retirement plan.

In addition, the Board is obligated – under certain conditions – to a severance-pay package equal to 24 months of the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer's fixed compensation under their corporate mandates.

25.2 Transactions with related parties

25.2.1 In the income statement at 31 December 2015

(in millions of euros)	Sales	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 [2]	–	(0.1)
Total	**4.6**	**(9.7)**

(1) The Group's relationship with Schwabe was formalized in a cooperation agreement signed on 27 July 2005 concerning:
- the sourcing and supply of *Ginkgo biloba* leaves;
- the production of *Ginkgo biloba* extract;
- patents, know-how and the EGb 761® brand name;
- research and development activities concerning the EGb 761® extract and drugs containing the EGb 761® extract.

This contract recognizes that the Group and Schwabe have joint shareholdings in the following companies, which form the production chain for EGb 761® or other plant extracts:
- 50% of the share capital in Saint-Jean d'Illac S.C.A., Garnay Inc. and Linnea S.A.;
- 50% of the partnership shares in Wallingstown Company Ltd;
- 50% of the joint rights in Cara Partners.

(2) Rent owed by a number of the Group's companies to real estate holdings owned by certain Group Directors.

25.2.2 In the income statement at 31 December 2014

(in millions of euros)	Revenues	Operating expenses
Proportionately consolidated companies [1]	3.5	(8.7)
Associated companies [1]	–	0.0
Companies over which the Group's executive officers exercise significant influence [1]	–	(0.1)
Total	**3.5**	**(8.8)**

(1) See note 25.2.1.

25.2.3 On the balance sheet at 31 December 2015

(in millions of euros)	Loans and receivables	Trade receivables	Bank loans/ Debt	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 25.2.1.

25.2.4 On the balance sheet at 31 December 2014

(in millions of euros)	Loans and receivables	Trade receivables	Bank loans/ Debt	Trade payables
Proportionately consolidated companies [1]	7.7	2.2	0.1	3.4
Total gross	**7.7**	**2.2**	**0.1**	**3.4**
Provisions for doubtful accounts receivables	–	–	–	–
Total (net of write-offs)	**7.7**	**2.2**	**0.1**	**3.4**

(1) See note 25.2.1.

25.2.5 Off-balance sheet commitments

This item includes rent commitments to companies over which executive officers of the Group exercise significant influence. The total amount of future rent payments due in respect of these rented premises amounted to €0.1 million at 31 December 2015.

Note 26 Commitments and contingent liabilities

26.1 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.

26.1.1 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 2015
Key agreements in oncology	136.9
Key agreements in endocrinology	13.6
Key agreements in neurology	233.8
Key agreements in primary care	27.1
Total	**411.4**

Following a joint decision by Active Biotech and Ipsen to end prostate cancer studies (see note 1.2), Ipsen will not be liable for the milestone payments set out in the contract.

26.1.2 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 2015
Key agreements in oncology	19.8
Key agreements in endocrinology	111.5
Key agreements in neurology	21.8
Key agreements in primary care	67.7
Key agreements in haematology	166.9
Total	**387.7**

26.1.3 Contingent operating commitments

As part of a move to outsource Data Center and Helpdesk IT activities, the company could be liable to pay indemnities of up to €0.9 million in the event it terminates the service contract with its partner earlier.

26.2 Financial commitments

The Group has subscribed to a worldwide liability insurance policy from a third-party insurer. The insurance company itself is reinsured up to the first €10.0 million for any potential claim made to the captive reinsurance company Ipsen Ré, a wholly owned subsidiary of the Group.

To cover that financial commitment and address any potential default by Ipsen Ré, on 28 May 2015 the Ipsen S.A. parent company 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.

26.3 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.

26.4 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. Furthermore, the Group monitors the credit risks associated with the financial instruments in which it invests and limits its investments according to the credit rating of its business counterparties. These funds are managed by the Group and are mainly invested in money market UCITS, 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).

26.5 Other commitments

26.5.1 Capital expenditure commitments

Future Group expenditures resulting from existing investment commitments amounted to €17.9 million at 31 December 2015, and were broken down as follows:

(in millions of euros)	Maturity			Total
	2016	2017	Beyond	
Industrial assets	15.6	–	0.1	**15.8**
Research and development assets	1.8	0.3	–	**2.1**
Other assets	–	–	–	**–**
Total	**17.4**	**0.3**	**0.1**	**17.9**

26.5.2 Commitments related to rental agreements

The total amount of future rent payments due in respect of agreements for rented premises amounted to €149,3 million at 31 December 2015, compared with €95.4 million at 31 December 2014.

Due dates are as follows:

(in millions of euros)	31 December 2015	31 December 2014
Less than one year	27.9	23.1
From one to five years	55.1	53.2
Over five years	66.3	19.1
Total	**149.3**	**95.4**

At 31 December 2015, rental lease-related commitments stemmed primarily from the Group's Boulogne headquarters, the Cambridge building rented by U.S. subsidiary Ipsen Bioscience Inc. and the new Milton Park building rented by the UK subsidiary Ipsen BioInnovation Ltd.

The total amount of future rent payments due in respect of these rented premises amounted to €3.6 million at 31 December 2015, compared with €6.0 million at 31 December 2014.

26.5.3 Risk of acceleration of borrowings

The Group's exposure to this risk is described in note 22.1.

At 31 December 2015, no commitment or contingent liability had been contracted that could significantly affect the assessment of the consolidated financial statements.

26.5.4 Endorsements, pledges and guarantees given

Total guarantees given came to €19.2 million at 31 December 2015. These commitments correspond primarily to guarantees given to government authorities to participate in calls for tender.

Note 27 Post closing events with no impact on the consolidated financial statements at 31 December 2015

On 2 February 2016, Telesta Therapeutics Inc. announced that the FDA had asked it to carry out additional phase III studies to prove MCNA's efficacy and safety. At this writing, discussions between Telesta and Ipsen are under way to define follow-up actions for the development of the product in Europe.

On 16 February 2016, the Group announced that the Board of Directors, meeting 15 February 2016, decided to adapt Ipsen's corporate governance by separating the functions of Chairman and Chief Executive Officer (CEO), under the conditions laid down in the company's bylaws and after consulting the Nominations & Governance Committee. The move, designed to accelerate the Group's international development, is in line with best practices for corporate governance.

Ipsen has initiated the process to recruit its future CEO with the goal of completing that process within the coming months. Marc de Garidel, Chairman and CEO of Ipsen, will become non-executive Chairman upon the arrival of the new CEO and will continue to share with the Board of Directors his deep knowledge of the sector. Ipsen also announced the departure of Christel Bories, Deputy CEO.

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 28 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 2015 and 31 December 2014.

28.1 Fully consolidated companies

Name and legal form	Country	Registered office	31 December 2015	31 December 2014
			% 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	–
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	–
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	–
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.	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
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.	USA	New Jersey	100	100
Ipsen Bioscience Inc.	USA	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

28.2 Proportionally consolidated companies

Name and legal form	Country	Registered office	31 December 2015	31 December 2014
			% 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.	USA	South Carolina	50	50

28.3 Companies consolidated using the equity method

Name and legal form	Country	Registered office	31 December 2015	31 December 2014
			% interest	% interest
Linnea SA	Switzerland	Riazzino	50	50

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 2015

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 2015, 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 2015 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.

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 6.3, 12.3, 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 3.33 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 29 February 2016

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 COMPANY FINANCIAL STATEMENTS

2.3.1 Summary document

Balance sheet at 31 December 2015

Assets (in thousands of euros)	31 December 2015			31 December 2014
	Gross	Depreciation, amortization & write-downs	Net	
Intangible assets				
– Concessions, patents and similar rights	183	–	183	183
– Other intangible assets	–	–	–	–
Financial assets	–	–	–	–
– Equity investments	1,214,636	47,159	1,167,477	1,129,224
– Other financial assets	13,221	–	13,221	8,913
Non-current assets	**1,228,040**	**47,159**	**1,180,881**	**1,138,320**
Receivables				
– Advances and down-payments to suppliers	–	–	–	6
– Trade and accounts receivables	10,961	–	10,961	8,937
– Other receivables	95,130	–	95,130	60,089
Other				
– Short-term investments	46,878	–	46,878	28,647
– Cash and cash equivalents	5,002	–	5,002	4
– Prepayments	5	–	5	–
Current assets	**157,976**	**–**	**157,976**	**97,683**
Loan issuance costs to be amortized	**1,602**	**–**	**1,602**	**1,834**
Unrealized losses on foreign exchange	**0**	**–**	**0**	**–**
Total assets	**1,387,618**	**47,159**	**1,340,459**	**1,237,837**

Liabilities and shareholders' equity (in thousands of euros)	31 December 2015	31 December 2014
Share capital	83,246	82,869
Paid-in capital	720,112	714,874
Legal reserve	44,686	44,686
Other reserves	98,276	98,458
Retained earnings	131,900	87,676
Net profit (loss) for the period	191,437	114,229
Regulated provisions	4	10
Equity	**1,269,661**	**1,142,802**
Provisions for contingencies	14,609	3,496
Provisions for losses	11,134	6,269
Provisions for contingencies and losses	**25,743**	**9,765**
Bank borrowings	–	1
Sundry borrowings and financial liabilities	323	459
Trade and accounts payable	1,051	937
Taxes payable and payroll and payroll on-cost amounts payable	9,711	11,068
Amounts payable to fixed asset suppliers	1,800	1,800
Other liabilities	32,170	71,005
Debts	**45,055**	**85,270**
Total equity & liabilities	**1,340,459**	**1,237,837**

Income statement at 31 December 2015

(in thousands of euros)	31 December 2015	31 December 2014
Sales of merchandise	–	–
Production sold – services	21,099	16,083
Net sales	**21,099**	**16,083**
Reversal of depreciation, amortization & provisions, expense transfers	16,796	9,369
Other revenues	–	–
Operating income	**37,895**	**25,452**
Other purchases and external charges	(2,633)	(4,051)
Taxes and duties	(1,996)	(2,327)
Wages and salaries	(25,148)	(16,558)
Payroll on-costs	(8,225)	(6,245)
Depreciation expense on fixed assets	(357)	(1,459)
Provision expense on fixed assets	–	–
Provision expense for contingencies and losses	(23,064)	(8,489)
Miscellaneous operating expenses	(955)	(950)
Operating expenses	**(62,378)**	**(40,079)**
Operating profit (loss)	**(24,483)**	**(14,627)**
Financial income from participating interests	172,536	120,946
Other interest and similar income	30	27
Reversal of provisions and transfer of financial expense	38,263	514
Foreign exchange gains	3	–
Financial income	**210,832**	**121,487**
Depreciation, amortization and provision charges	–	–
Interest and other financial expenses	(779)	(1,227)
Foreign exchange losses	(4)	(2)
Financial expense	**(783)**	**(1,229)**
Net financial income (expense)	**210,049**	**120,258**
Pre-tax profit (loss) on ordinary activities	**185,566**	**105,631**
Extraordinary income from operations	–	–
Extraordinary income from capital transactions	788	572
Reversal of provisions and transfer of extraordinary expense	5	7
Extraordinary income	**793**	**579**
Extraordinary expense from operations	–	(105)
Extraordinary expense from capital transactions	(396)	(518)
Depreciation, amortization and provision charges	–	–
Extraordinary expenses	**(396)**	**(623)**
Net extraordinary income (expense)	**397**	**(44)**
Employee profit-sharing	–	(4)
Income tax income (expense)	5,474	8,646
Net profit (loss) for the year	**191,437**	**114,229**

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 2015. The total balance sheet amount comes to €1,340,459 thousand while the income statement shows net profit of €191,437 thousand for the period. Had the Company been taxed separately, its tax result would have been a loss of €9,574 thousand.

The reporting period covers the 12-month period from 1 January to 31 December 2015.

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

Note 1 Significant events during the year

1.1 Share repurchasing program

On 3 June 2015, Ipsen announced that it had granted Natixis a buyback mandate to purchase 500,000 shares, representing some 0.60% of Ipsen's share capital. The mandate covered the period from 3 June 2015 to 31 December 2015. Under the mandate, the purchased shares were to be cancelled, mainly to compensate for the dilution resulting from the issuance of new shares as part of the company's bonus share plans.

These operations were in line with the authorizations granted by the Combined Shareholder's meeting held on 27 May 2015.

On 30 July 2015, the Board of Directors decided that the bonus share plans could also be covered by the delivery of existing shares, not just new ones. As a result, the 500,000 shares representing about 0.60% of share capital acquired under the buyback mandate announced 3 June 2015 – the initial purpose of which was to cancel the shares to compensate for dilution – would ultimately be allocated to cover the said bonus share plans. The shares already repurchased under the mandate at 30 July 2015 would effectively be cancelled.

As part of the program, at 31 December 2015, Ipsen recognized €3,913 thousand in "Other financial assets" for the 80,000 company shares slated for cancellation and recognized €24,602 thousand in "Short-term investments" for the 420,000 company shares pegged to cover the bonus share plans.

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 assets

- 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

As part of 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 for 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 classified as other financial assets.

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 Obligations to employees

Company employees may be entitled to compensation when they retire or to a pension following their retirement. The Company's liabilities arising from such post-employment benefits are calculated by using an actuary model and assumptions applicable in France.

The corresponding liabilities, based on the rights vested to the beneficiaries, are covered by contributions to independent organizations (insurance companies), which are responsible for paying the pensions and other benefits. In accordance with provisions of the French Commercial Code, the 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 thousands of euros)	31 December 2014	Increases	Decreases	31 December 2015
Brands and trademarks	183	–	–	183
Total	**183**	**–**	**–**	**183**

No amortization or provisions were recognized for these intangible assets, which had a net carrying value of €183 thousand at 31 December 2015.

3.1.2 Financial investments

- Change in gross amounts

(in thousands of euros)		31 December 2014	Increases	Decreases	31 December 2015
Equity investments – shares	**Note 3.1.3**	**1,214,636**	**–**	**–**	**1,214,636**
FPCI – Private equity professional fund		5,000	–	–	5,000
Company shares / liquidity agreement		199	29,386	(29,248)	337
Liquidity agreement		3,723	29,634	(29,386)	3,971
Company shares to be cancelled		–	3,913	–	3,913
Total other financial assets	**Note 3.1.4**	**8,922**	**62,933**	**(58,634)**	**13,221**
Total financial assets		**1,223,558**	**62,933**	**(58,634)**	**1,227,857**

- Change in write-downs

(in thousands of euros)	31 December 2014	Increases	Decreases	31 December 2015
Equity investments – shares	(85,412)	–	38,253	(47,159)
Company shares	–	–	–	–
Liquidity agreement	(9)	–	9	–
Other financial assets	–	–	–	–
Total	**(85,421)**	**–**	**38,262**	**(47,159)**

3.1.3 Equity investments

Information about subsidiaries and affiliates are presented in the subsidiaries and affiliates table (note 6).

At 31 December 2015, the Company reversed €38,253 thousand in equity investment write-downs, which broke down as follows:

- €24,572 thousand in write-down reversals for Ipsen Biopharmaceutical shares, 22.1% held directly and remaining indirectly by its subsidiaries Suraypharm and Ipsen Pharma, to reflect the short and medium-term outlook of the U.S.-based subsidiary;
- €13,682 thousand in write-down reversals for Suraypharm shares, in relation to the preceding paragraph.

3.1.4 Other financial assets

At 31 December 2015, 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 nine tranches amounting to 64% of the shares, or €3.2 million paid from 2009 to 2014, and deferred tranches totaling €1.8 million that will be gradually called by the fund management company.

  At 31 December 2015, 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 the French financial markets authority.

At 31 December 2015, the Company held 5,627 shares with a gross value of €337 thousand and provided €3,971 thousand under the liquidity agreement

- 80,000 Company shares totaling €3,913 thousand repurchased as part of the share buyback program announced 3 June 2015 and slated for cancellation (note 1.1).

3.2 Receivables by maturity

(in thousands of euros)	Gross amount 2014	Gross amount 2015	of which	
			Less than one year	More than one year
Other financial assets	3,922	8,221	8,221	–
Other trade receivables	8,937	10,961	10,961	–
Personnel and related accounts	–	–	–	–
Social security and other welfare agencies	–	–	–	–
State and other public authorities				
– Income tax	59,540	80,103	80,103	–
– Value added tax	108	128	128	–
– Other	–	118	118	–
Group and associates	–	14,549	14,549	–
Miscellaneous receivables	441	232	232	–
Prepaid expenses	–	5	5	–
TOTAL RECEIVABLES	**72,948**	**114,317**	**114,317**	**–**

3.3 Short-term investments

The Company holds short-term investments comprised of 1,033,463 of its own shares valued at €46,878 thousand.

- Change in short-term investments

(in thousands of euros)	31 December 2014	Increases	Decreases	31 December 2015
Gross value	28,647	24,602(*)	(6,371)(**)	46,878
Write-downs	–	–	–	–
Net value	**28,647**	**24,602**	**(6,371)**	**46,878**

(*) See note 1.1.
(**) Decrease in short-term investments following the allotment of 172,596 bonus shares to beneficiaries of the 12 December 2006, 12 December 2007, 29 September 2008 and 30 March 2009 plans.

3.4 Debt issuance costs

On 17 October 2014, Ipsen S.A. refinanced a syndicated loan that it had contracted in 2012. The total amount of the loan increased from €400 million to €500 million for a duration of five years with two one-year extension options. In 2015, Ipsen exercised the first extension option. As a result, the expiration date for the credit line is now 17 October 2020.

Issuance costs totaling €2,038 thousand were spread over the duration of the loan, for which the initial maturity date of 17 October 2019 was extended to 17 October 2020. An amount totaling €232 thousand was expensed for the 2015 financial year, with the €1,602 thousand balance of the spread debt issuance costs remaining on the asset side of the balance sheet at 31 December 2015.

3.5 Equity

- Share capital :
  - At 31 December 2015, Ipsen's share capital was comprised of 83,245,602 ordinary shares each with a nominal value of €1, including 47,778,755 shares with double voting rights, compared with 82,869,083 ordinary shares each with a nominal value of €1, including 47,707,470 shares with double voting rights at 31 December 2014.
  - The changes during the 2015 financial year were as follows:
    - 142,596 bonus shares were allocated as part of the 28 March 2013 plan, and 39,100 bonus shares were allocated in connection with the plan dated 30 June 2011;
    - 194,823 new shares were created as share options were exercised.

- Change in shareholders' equity :

(in thousands 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 2014, before allocation of net profit	**82,869**	**29,809**	**685,065**	**44,686**	**98,458**	**87,676**	**114,229**	**10**	**1,142,802**
Dividends	–	–	–	–	–	445(*)	(70,450)	–	**(70,005)**
Net profit (loss) for the period	–	–	–	–	–	–	191,437	–	**191,437**
Capital increase	182	–	–	–	(182)	–	–	–	**–**
Capital decrease by Ipsen	–	–	–	–	–	–	–	–	**–**
Capital increase from exercised warrants	195	–	5,238	–	–	–	–	–	**5,433**
Other movements	–	–	–	–	–	43,779	(43,779)	(6)	**(6)**
Balance at 31 December 2015, before allocation of net profit	**83,246**	**29,809**	**690,303**	**44,686**	**98,276**	**131,900**	**191,437**	**4**	**1,269,661**

(*) Dividends on treasury shares are posted to retained earnings.

3.6 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 thousands of euros)	2014	Movements during the period				2015
		Charges	Reversals		Other movements	
			Applied	Released		
Provisions for litigation	2,820	–	(2,820)	–	–	–
Other provisions for contingencies	676	14,065	–	(132)	–	14,609
– Provisions for contingencies	**3,496**	**14,065**	**(2,820)**	**(132)**	**–**	**14,609**
– Provisions for losses	**6,269**	**8,998**	**(3,996)**	**(137)**	**–**	**11,134**
Total	**9,765**	**23,063**	**(6,816)**	**(269)**	**–**	**25,743**

At 31 December 2015, 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 (Notes 1.1 and 2.1.2.4);
- Provisions to cover expenses related to long-service awards.

3.7 Borrowings and debt

3.7.1 Liabilities by maturity

(in thousands of euros)	Gross amount 2014	Gross amount 2015	of which		
			Within 1 year	1 to 5 years	Over 5 years
Bank borrowings					
– Initially up to one year	1	–	–	–	–
– Initially over one year	–	–	–	–	–
Sundry borrowings and financial liabilities	459	323	58	265	–
Trade payables	937	1,051	1,051	–	–
Taxes payable and payroll and payroll on-cost amounts payable					
Personnel and related accounts payable	5,107	5,151	5,151	–	–
Social security and other welfare agency payables	3,603	3,118	3,118	–	–
State and other public authority payables:					
– Income tax	–	–	–	–	–
– Value added tax	1,366	1,174	1,174	–	–
– Other taxes and duties	992	268	268	–	–
Total taxes payable and payroll and payroll on-cost amounts payable	**11,068**	**9,711**	**9,711**	**–**	**–**
Other liabilities					
Amounts payable to fixed asset suppliers and related accounts	1,800	1,800	1,800	–	–
Group and associates	70,694	31,774	31,774	–	–
Other payables	311	396	396	–	–
Total other liabilities	**72,805**	**33,970**	**33,970**	**–**	**–**
TOTAL LIABILITIES	**85,270**	**45,055**	**44,790**	**265**	**–**

3.7.2 Bank borrowings

On 17 October 2014, Ipsen S.A. refinanced a syndicated loan that it had contracted in 2012. The total amount of the loan increased from €400 million to €500 million for a duration of five years with two one-year extension options. In 2015, Ipsen exercised the first extension option. As a result, the expiration date for the credit line is now 17 October 2020. The multiple-currency credit line was established to meet the general financing needs of the Group's operations. At the initiative of the borrower, the line may be drawn down for short-term periods.

Under the terms of the contract, the Group must respect the following covenant ratios at the close of each half-year period:

- Net debt to equity: less than 1;
- Net debt to EBITDA: less than 3.5.

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

At 31 December 2015, the Group had a positive net cash position. Both covenant ratios were consequently met.

To meet the general financing needs of Ipsen S.A. and its subsidiaries, the parent company on 4 December 2015 established a program to issue commercial paper. The program has a ceiling of €300 million. The minimum unit amount of the issue is €150 million for durations ranging from one day to one year.

A financial presentation of the commercial paper issue program may be consulted at the company's website (www.ipsen.com) and the Banque de France website (www.banque-france.fr).

The Group met all its covenant ratios at 31 December 2015. Likewise, all covenant ratios were met at 31 December 2014.

3.8 Accrued liabilities

(in thousands of euros)	2015	2014
Sundry borrowings and financial liabilities	143	153
Suppliers – invoices not yet received	812	706
Fixed asset suppliers – invoices not yet received	1,800	1,800
Personnel		
– Accrued liabilities for paid vacation	848	924
– Accrued liabilities for bonuses	4,216	4,104
– Accrued liabilities for employee profit-sharing	–	–
– Accrued liabilities for profit-sharing	86	79
– Accrued liabilities for retirement indemnities	–	–
Accrued social welfare expenses	2,209	2,104
State – Accrued expenses	388	298
Other accrued expenses and interest on current accounts	–	56
TOTAL	**10,502**	**10,224**

Note 4 Notes to the income statement

4.1 Operating income

Operating income totaled €37,895 thousand and broke down as follows:

- €21,099 thousand in personnel expense re-invoiced to subsidiaries,
- €6,952 thousand in reversals of provisions for contingencies and losses,
- €9,586 thousand in reclassifications of provision charges for contingencies and losses into personnel expense.

4.2 Operating expenses

The change in operating expense stemmed mainly from:

- The €1,650 thousand decrease in borrowing issuance fees and expenses following the October 2014 refinancing of the syndicated loan;
- The €10,570 thousand increase in the "wages and salaries" and "payroll on-costs" items arising primarily from the reclassification of provision charges for contingencies and losses into personnel expense;
- The €1,102 thousand decrease in amortization expense related to the accelerated amortization of loan issuance costs recorded in 2014 for the syndicated loan;
- The €14,575 thousand increase in provision charges (Note 3.7).

4.3 Financial income

(in thousands of euros)	2015	2014
Income from equity investments	172,536	120,946
Reversal of provisions and expenses transferred	38,263(*)	514
Other financial income	30	27
Foreign exchange gains	3	–
Total financial income	**210,832**	**121,487**

(*) See note 3.1.3.

4.4 Financial expense

(in thousands of euros)	2015	2014
Foreign exchange differences	(4)	(2)
Interest and other financial expenses	(779)	(1,227)
Depreciation, amortization and provision charges	–	–
Total financial expense	**(783)**	**(1,229)**

4.5 Net extraordinary income (expense)

Net extraordinary income (expense) resulted mainly from the Company's own-share sales and purchases made as part of a liquidity agreement.

(in thousands of euros)	2015	2014
Gains from share buybacks	788	572
Reversal of provision for investment	5	7
Extraordinary income from capital transactions	–	–
Extraordinary income	**793**	**579**
(Losses) from share buybacks	(396)	(488)
Extraordinary expense from capital transactions	–	(30)
Miscellaneous extraordinary expenses	–	(105)
Extraordinary (expenses)	**(396)**	**(623)**
Net extraordinary income (expense)	**397**	**(44)**

4.6 Income tax breakdown

The income tax line for the 2015 financial year shows a net gain of €5,474 thousand.

(in thousands of euros)	Pre-tax	Net tax amount	After tax
Profit on ordinary activities	185,566	–	185,566
Net extraordinary income (expense) and employee profit-sharing	397	–	397
Income tax income from tax consolidation	–	(5,474)	5,474
Book profit	**185,963**	**(5,474)**	**191,437**

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 2015, the Company reported tax consolidation income of €9,396 thousand, versus to €8,611 thousand a year earlier.

The amount of tax-loss carryforwards for the tax consolidation group came to €39,033 thousand at 31 December 2015.

4.8. Increases or decreases in future tax liability

(excluding tax consolidation impact)

(in thousands of euros)	2015		2014	
	Base	Tax 34.43%	Base	Tax 38.00%
Future decreases	–	–	–	–
Non-deductible provision charges for the accounting year				
– Solidarity tax	3	1	26	10
– Provision for employee profit-sharing	–	–	–	–
TOTAL	**3**	**1**	**26**	**10**

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 2015 financial year totaled €5,784 thousand, breaking down as follows:

- €931 thousand in attendance-fees paid to members of the Board of Directors,
- €4,853 thousand in remuneration paid to executives and officers.

Retirement pensions and similar benefit obligations for executives and officers came to €2,570 thousand at 31 December 2015.

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 thousands of euros)	2015	2014
Assets		
Equity investments	1,167,477	1,129,224
Trade receivables	10,961	8,937
Group and associated companies	14,549	–
Other receivables	–	70
Total	**1,192,987**	**1,138,161**

(in thousands of euros)	2015	2014
Liabilities		
Trade payables	197	219
Group and associated companies	–	33,788
Other liabilities	31,774	36,905
Total	**31,971**	**70,912**

5.2.2 Financial income and expense

(in thousands of euros)	2015	2014
Financial expense with affiliated companies	(65)	(135)
Financial income with affiliated companies	–	13
Dividends received	172,536	120,946
TOTAL	**172,471**	**120,824**

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

	2015	2014
Top and upper management	17	16
TOTAL	**17**	**16**

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 2015, obligations arising from retirement bonuses and the supplementary pension plan amounted to €3,902 thousand and €18,779 thousand 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 1.9%,
- inflation rate of 1.9%,
- 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 2015, the fair value of these financial assets came to €1,739 thousand for the retirement bonuses and the €10,777 thousand for the supplementary pension plan, assuming a long-term rate of return of 1.9%.

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 2015. A discount rate of 1.90% was assumed to calculate the €296 thousand long-service award obligation.

5.4.2 Commitments given

The Company refinanced its €500 million syndicated loan for a duration of five years with two one-year extension options. In 2015, Ipsen exercised the first extension option (note 3.8.2).

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 28 May 2015 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.

On 19 September 2013, Ipsen S.A. provided a guarantee to Bioscience Inc.'s lessor.

5.5 Share option plans granted by the Company

5.5.1 Details of share option plans

	PLANS						
	Plan dated 31 March 2010					Plan dated 30 June 2011	
Tranches	1.1	1.2	1.3	1.4	1.5	1.1	1.2
Date granted by Board of Directors	31/03/2010	31/03/2010	31/03/2010	31/03/2010	31/03/2010	30/06/2011	30/06/2011
Vesting date	31/03/2014	31/03/2014	31/03/2014	31/03/2014	31/03/2014	30/06/2015	30/06/2013
Plan expiration date	31/03/2018	31/03/2018	31/03/2018	31/03/2018	31/03/2018	30/06/2019	30/06/2019
Number of options granted	121,180	123,280	54,330	22,570	40,710	189,703	16,005
Share entitlement per option	1	1	1	1	1	1	1
Exercise price	€36.64	€36.64	€36.64	€36.64	€36.64	€25.01	€25.01
Grant method	Monte Carlo		"Black and Scholes" revised			"Black and Scholes" revised	
Value of shares at grant date	€36.16	€36.16	€36.16	€36.16	€36.16	€24.46	€24.46
Expected volatility (*)	32%	32%	32%	32%	32%	31%	31%
Average life of option	6	6	6	6	5	6	5
Discount rate (**)	2.62%	2.62%	2.62%	2.62%	2.35%	2.90%	2.72%
Dividends (***)	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Performance condition	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 listed, *i.e.* 6 December 2005.

5.5.2 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 2015	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 2015	31 December 2014
Opening balance	**1,516,826**	**1,926,597**
Options granted	–	–
Options exercised	(367,419)	(174,461)
Options cancelled	(7,250)	(235,310)
Options expired	–	–
Closing balance	**1,142,157**	**1,516,826**

5.6 Bonus share plans

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

On 27 March 2014, the Board of Directors granted:

- 18,712 bonus shares with a two-year vesting period and a two-year lockup period to the Chairman and Chief Executive, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 14,221 bonus shares with a two-year vesting period and a two-year lockup period to the Deputy Chairman and Chief Executive, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 43,078 bonus shares with a two-year vesting period and a two-year lockup period to Executive Committee members, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 30,781 bonus shares with a two-year vesting period and a two-year lockup period to beneficiaries at the Group's American subsidiaries, subject to length of service conditions and performance conditions,
- 83,163 bonus shares with a two-year vesting period and a two-year lockup period to beneficiaries at the Group's other 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 with a two-year vesting period and a two-year lockup period to the Chairman and Chief Executive, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 10,070 bonus shares with a two-year vesting period and a two-year lockup period to the Deputy Chairman and Chief Executive, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 30,363 bonus shares with a two-year vesting period and a two-year lockup period to Executive Committee members, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity,
- 39,970 bonus shares with a two-year vesting period and a two-year lockup period to beneficiaries at the Group's 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 with a two-year vesting period and a two-year lockup period to beneficiaries at the Group's other subsidiaries, subject to length of service conditions as well as performance conditions specific to the Group, or specific to a Group entity.

Note 6 Subsidiaries and affiliates

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	
				Interest	Shares
1. SUBSIDIARIES					
Ipsen Biopharmaceuticals Inc. (1)	$747 K	$(32,765) K	22		832
Equivalent euro value (2)	*€684 K*	*€(30,016) K*			
Sutrepa	€130 K	€122,419 K	64		166,580
Ipsen Pharma	€5,708 K	€149,937 K	100		184,124
Suraypharm	€20,695 K	€2,121 K	68		41,800,000
Socapharma	€30 K	€(18) K	100		30,000
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	PLN6,176 K	0		1

(1) In U.S. GAAP.
(2) The closing exchange rate of $1.0916 for €1 was used for balance sheet items, while the average 2015 exchange rate of $1.1098 for €1 was applied to items on the income statement.

5.6.1 Details of Ipsen bonus share plans

	Plan dated 30 June 2011				Plan dated 30 March 2012				
Tranches	1.1	1.2	1.3	1.4	1.1	1.2	1.3	1.4	1.5
Number of bonus shares	27,331	68,030 (*)	44,790 (*)	15,755 (*)	84,685	73,649	19,416	11,200 (*)	35,645
Vesting period (in years)	2 (**)	2 (**)	4 (***)	2 (***)	2 (**)	2 (**)	2 (**)	4 (***)	2 (**)
Value of shares on date granted, before reduction	€24.46	€24.46	€24.46	€24.46	€20.50	€20.50	€20.50	€20.50	€20.50
Fair value of bonus shares	**€23.14**	**€23.14**	**€23.06**	**€23.14**	**€17.75**	**€17.75**	**€17.75**	**€19.31**	**€17.75**

(*) Bonus shares free of any performance conditions specific to the Group or the stock market.
(**) Beneficiaries who are French tax residents
(***) Beneficiaries who are not French tax residents.

	Plan dated 28 March 2013					Plan dated 27 March 2014				Plan dated 1 April 2015			
Tranches	1.1	1.2	1.3	1.4	1.5	1.1	1.2	1.3	1.4	1.1	1.2	1.3	1.4
Number of bonus shares	79,859	78,485	21,791	9,540	34,329	65,018	56,062	19,405	21,685	53,021	47,372	21,484	39,970
Vesting period (in years)	2	2	4	4	2	2	2	4	2	2	2	4	2
Value of shares on date granted, before reduction	€27.91	€27.91	€27.91	€27.91	€27.91	€29.75	€29.75	€29.75	€29.75	€44.99	€44.99	€44.99	€44.99
Fair value of bonus shares	**€23.47**	**€23.47**	**€26.28**	**€26.28**	**€23.47**	**€20.01**	**€20.01**	**€21.74**	**€20.01**	**€31.10**	**€31.10**	**€31.24**	**€31.24**

5.6.2 Valuation of Ipsen bonus share plans

(in millions of euros)	Plan dated 31 March 2010	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	TOTAL
Opening valuation	3.2	3.6	4.0	5.3	3.1	4.4	23.6

	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 received by the Company in the last year, net of ESOP
	Gross amounts	Provisions					
€90,118 K	€33,290 K	–	–	$153,301 K	$(21,821) K	–	
				€138,134 K	*€(19,662) K*	–	
€88,816 K	–	–	–	–	€87,475 K	€37,523 K	
€993,857 K	–	–	–	€1,038,847 K	€185,808 K	€135,012 K	
€41,800 K	€13,869 K	–	–	–	€20,613 K	–	
€30 K	–	–	–	–	€(5) K	–	
€15 K	–	–	–	–	PLN980 K	–	

Note 7 Cash flow statement

(in thousands of euros)	31 December 2015	31 December 2014
Opening cash and cash equivalents	**3**	**(5)**
Net profit (loss)	191,437	114,229
Elimination of income and expense with no impact on cash flow or not used in operating activities	–	–
– Net depreciation, amortization and provision charges	(21,933)	7,740
Cash flow	**169,504**	**121,969**
Change in working capital requirement related to operating activities	(28,985)	(26,141)
Net cash flow from operating activities	**140,519**	**95,828**
Acquisition of equity investments	–	–
Acquisition of intangible assets	–	–
Acquisition of property, plant & equipment	–	–
Disposal of property, plant & equipment	–	–
Disposal of equity investments	–	–
Other cash flows related to financing activities	(386)	(169)
Change in working capital related to investment activities	–	–
Net cash provided (used) by investment activities	**(386)**	**(169)**
Repayment of borrowings	(281)	(250)
Debt issues	146	219
Change in share capital	5,433	3,140
Share repurchasing agreement	(22,143)	(32,005)
Dividends paid	(70,006)	(65,520)
Change in working capital related to financing activities	(48,283)	(1,235)
Net cash provided (used) by financing activities	**(135,134)**	**(95,651)**
Changes in cash and cash equivalents	**4,999**	**8**
Closing cash and cash equivalents	**5,002**	**3**

Note 8 Subsequent events

On **16 February 2016,** the Group announced that the Board of Directors, meeting 15 February 2016, decided to adapt its corporate governance by separating the functions of Chairman and Chief Executive Officer (CEO), under the conditions laid down in the company's bylaws and after consulting the Nominations & Governance Committee. The move, designed to accelerate the Group's international development, is in line with best practices for corporate governance.

Ipsen has initiated the process to recruit its future CEO with the goal of completing that process within the coming months. Marc de Garidel, Chairman and CEO of Ipsen, will become non-executive Chairman upon the arrival of the new CEO and will continue to share with the Board of Directors his deep understanding of the sector. Ipsen also announced the departure of Christel Bories, Deputy CEO.

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 2015

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 2015, 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 2015 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 29 February 2016

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 presented in the first part of the notes to the annual financial statements.

2.3.4.2 Business activity

Breakdown of sales and other income:

(in thousands of euros)	2015	2014
Services	21,099	16,083
Operating income	**21,099**	**16,083**

Services correspond primarily to personnel-related expenses billed back to the subsidiaries.

2.3.4.3 Net profit

The following table provides a summary of the main aggregate items on the income statement:

(in thousands of euros)	2015	2014
Net sales	21,099	16,083
Operating losses	(24,483)	(14,627)
Net financial income	210,049	120,258
Profit on ordinary activities	**185,566**	**105,631**
Net extraordinary income (expense)	397	(44)
Employee profit-sharing	–	(4)
Pre-tax profit	**185,963**	**105,583**
Income tax – Gain	5,474	8,646
Net profit	**191,437**	**114,229**

Operating losses increased by €9,856 thousand over the performance in the 2014 financial year. The main impacts were as follows:

- A €5,016 thousand increase in re-invoices to the subsidiaries,
- The €14,872 thousand increase in operating expenses, net of provision reversals and expense transfers, was due primarily to:
  - The €1,102 thousand decrease in amortization expense related to the accelerated amortization of loan issuance costs booked in 2014 for the syndicated loan;
  - The €14,575 thousand increase in provision charges (note 3.7);
  - The €10,570 thousand increase in the "wages and salaries" and "payroll on-costs" items arising primarily from the reclassification of provision charges for contingencies and losses, and personnel expense;
  - The €7,427 thousand increase from reversed depreciation, amortization and provisions and transferred expenses (note 3.7).
- In 2015, financial income increased by €89,791 thousand, primarily following the collection of €172,536 thousand in dividends, versus €120,946 thousand received in 2014, and the change in write-down reversals of equity investments in the Ipsen Biopharmaceuticals and Suraypharm subsidiaries (note 3.1.3).

2.3.4.4 Income tax

At 31 December 2015, the Company reported income tax income of €9,396 thousand, versus income tax income of €8,611 thousand a year earlier. That result corresponds to the tax consolidation income.

2.3.4.5 Funding

The cash flow statement presented in the notes shows an increase in cash and cash equivalents at the close of 2015, arising mainly from interest-bearing deposits.

2.3.4.6 Net cash flow from operating activities

The increase observed in net cash flow from operating activities in 2015 stemmed notably form the growth of net profit.

2.3.4.7 Net cash provided (used) by investment activities

Net cash flow used by investment activities resulted primarily from the Company's own-share purchases and sales made under the liquidity agreement in 2015, resulting in a net use of funds totaling €386 thousand.

2.3.4.8 Net cash provided (used) by financing activities

At 31 December 2015, the net use of funds grew to €135,134 thousand, from a net use of funds totaling €95,951 thousand a year earlier.

- The €5,433 thousand increase in shareholders' equity stemmed from the following items:
  - The €195 thousand increase in share capital as described in note 3.6 of the notes to Company financial statements;
  - The €5,238 thousand increase in issue premiums arising from the creation of new shares following the exercise of stock options.
- The €22,143 thousand decline in share buybacks stemmed from the following transactions:
  - The repurchase by the Company in the 2015 financial year of 500,000 shares totaling €28,515 thousand, of which 80,000 shares representing €3,913 thousand were slated for cancellation (see note 1.1);
  - The €6,371 thousand decrease in short-term investments following the exercise of options on 172,596 shares by beneficiaries of the 12 December 2006, 12 December 2007, 29 September 2008, and 30 March 2008 stock option plans.
- In 2015, the Company paid out €70,006 thousand in dividends, compared with €65,520 thousand in 2014.
- The Company primarily had recourse to the Group's Treasury to finance its operations. At 31 December 2015, the Company's current account balance with Group companies showed a debit of €14,549 thousand, compared to a credit of €33,734 thousand at 31 December 2014.

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 2015, 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 (and for most of them reimbursed by national health programs).

(in thousands of euros)	2015		2014	
	Sales	Net profit (loss)	Sales	Net profit (loss)
Ipsen Pharma	1,038,847	185,808	961,815	135,012
Ipsen Biopharmaceuticals Inc. (*)	138,134	(19,662)	63,706	(12,876)
Sutrepa	–	87,475	–	58,411
Suraypharm	–	20,613	–	(14)
Socapharma	–	(5)	–	(3)

(*) In U.S. GAAP, converted into euros at the average exchange rate for the year in question.

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 2015, the "Trade and accounts payable" line item totaled €1,051,000 and broke down as follows:

- 18.77% payables to Group suppliers;
- 77.24% invoices not yet received in 2015;
- 3.99% balance consisting of invoices due.

At 31 December 2014, the "Trade and accounts payable" line item came to €937,000 and broke down as follows:

- 23.37% Group payables to suppliers;
- 75.35% invoices not yet received in 2014;
- 1.28% balance consisting of invoices due.

Trade and accounts receivable

At 31 December 2015, the "Trade and accounts receivable" line item totaled €10,961,000 and consisted of Group trade receivables.

At 31 December 2014, the "Trade and accounts receivable" line item came to €8,937,000 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

Net profit came to €191,437 thousand for the 2015 financial year.

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
2013	66,600,754	0.80
2014	65,520,394	0.80
2015	70,005,861	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

Item (in thousands of euros)	2011	2012	2013	2014	2015
Share capital at year-end					
– Share capital	84,227	84,255	84,243	82,869	83,246
– Number of shares	*84,226,573*	*84,255,373*	*84,242,701*	*82,869,083*	*83,245,602*
– Number of outstanding preferred shares without voting rights	–	–	–	–	–
– Maximum number of shares to be created	–	–	–	–	–
Transactions and results for the year					
– Net sales	19,531	19,692	10,197	16,083	21,099
– Profits before income tax, employee profit-sharing, amortization, depreciation and provisions	*49,369*	*70,884*	*57,051*	*113,297*	*164,031*
– Income tax – Gain (losses)	3,296	22,532	4,966	8,646	5,474
– Employee profit-sharing for the year	*(318)*	*(78)*	*(38)*	*(4)*	–
– Earnings after income tax, employee profit-sharing, amortization, depreciation and provisions	*53,366*	*91,730*	*62,106*	*114,229*	*191,437*
– Dividends paid out(**)	66,518	66,458	66,601	65,520	70,006
Earnings per share					
– Earnings after income tax and employee profit-sharing, but before amortization, depreciation and provisions	1	1	1	1	2
– Earnings after income tax, employee profit-sharing, amortization, depreciation and provisions	1	1	1	1	2
– Dividend per share	0.80	0.80	0.80	0.80	0.85
Personnel					
– Average number of employees during the year(*)	20	18	17	16	17
– Total payroll for the year	13,247	10,070	10,122	16,558	25,148
– Total payroll on-costs for the year (social security, welfare, etc.)	4,492	5,620	4,236	6,245	8,226

(*) Including Management bodies.
(**)Dividends on treasury shares are posted to retained earnings.

3 GROUP'S EMPLOYEES AND ENVIRONMENTAL ISSUES

3.1 HUMAN RESOURCES

3.1.1 Group workforce

At 31 December 2015, 44% of the Group's 4,635 employees and notably 74% of the sales force were employed outside the major Western European countries.

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

Split

	Sales and marketing	Manufacturing and supply	Research and Development	Administration and other	Total
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**
At 31 December 2014					
Major Western European countries (1)	708	780	642	467	**2,597**
Other European countries	232	96	73	48	**449**
North America	126	10	77	35	**248**
Rest of the world (2)	981	75	66	116	**1,238**
Total	**2,047**	**961**	**858**	**666**	**4,531**

(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 2015	31 December 2014
Major Western European countries (1)	2,587	2,597
Other European countries	440	449
North America	296	248
Rest of the world (2)	1,312	1,238
Total	**4,635**	**4,531**

(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 2015	31 December 2014
Permanent	86%	96%
Non-permanent	14% (1)	4%

(1) Increase corresponds to the data impact from China.

Part-time

(As a percentage)	31 December 2015	31 December 2014
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 2015	1,408	1,630	1,138	409
At 31 December 2014	1,432	1,653	994	403

(1) "Field" sales force.

Recruitments (joint ventures non included)

	31 December 2015			31 December 2014		
	Total	Of which		Total	Of which	
		Perm	Fixed term		Perm	Fixed term
Major Western European countries [1]	**402**	283	119	**282**	145	137
Other European countries	**86**	50	36	**52**	29	23
North America	**106**	106	–	**133**	133	–
Rest of the world [2]	**291**	108	183	**266**	242	24
Total	**885**	**547**	**338**	**733**	**549**	**184**

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

The high number of recruitments in North America is related to the launch of Somatuline NET in the United States.

Termination of employees (joint ventures non included)

	Redundancies, dismissals	Mutual agreement	Resignations, end of fixed-term contracts, seasonal contracts	Retirements, deaths	Other motive	Total
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 [3]	156	1	–	232
Total	**253**	**48**	**468**	**31**	**0**	**800**
2014 financial year						
Major Western European countries [1]	154	8	171	28	–	361
Other European countries	15	4	45	1	–	65
North America	30	–	40	–	–	70
Rest of the world [2]	66	–	154	2	41 [4]	263
Total	**265**	**12**	**410**	**31**	**41**	**759**

(1) *i.e.*: Germany, Spain, France, Italy and the United Kingdom.
(2) Including Asia.
(3) Special case of China: increase corresponds to the reallocation of the category "Others".
(4) Special case of China: not formalized departures (2014)

Absenteeism

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

The following table shows the absenteeism rates by function during the 2014 and 2015 financial years:

	2015 financial year	2014 financial year
Manufacturing and supply chain	4.1%	3.6%
Sales and marketing	1.3%	1.8%
Administration and other	3.6%	3.0%
Research and Development	2.9%	2.7%
Total	**2.5%**	**2.5%**

3.1.2 The Group's Human Resources policy

Ipsen's Human Resources policy is dedicated to supporting the Group's dynamic and strategy. The Human Resources professionals aim to create the right framework:

- to foster the growth and development of all employees through continuous dialogue about their needs and motivations, while offering access to training and mobility,
- to promote a culture of agility, results orientation, team spirit and accountability,
- to involve all employees, thanks to a receptive environment where colleagues listen to each other and a culture of continuous improvement and a fair, competitive compensation policy which rewards the performance.

Individual performance appraisal

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

The IPAP provides managers with the means to motivate and encourage their team members to achieve challenging but realistic objectives. The outcome of the start-of-year interview should allow alignment and agreement on the performance to achieve – main duties, annual objectives and behavior – and the definition of the means to enable the employee to reach them. At year end, it is an opportunity for the employee to have a constructive dialogue with their Manager so that they may voice their view on their performance and the difficulties they may have encountered.

Recruitment and mobility

In 2015, the Group pursued the recruitment policy which had been initiated last year to support the execution of the strategy and accelerate the transformation with a particular emphasis put on 10 key competences, in line with the four principles of action: agility, results orientation, team spirit and accountability. Expectations were higher concerning these two competencies both for internal and external candidates.

Recruitment

Ipsen's commitment to ensure diversity within its workforce starts with a call to recruit a wide panel of profiles and competencies (cf. "Equal opportunities and diversity within the Group"). In 2015, the Group recruited a total of 885 new employees, which split as follows: 14% in Manufacturing and supply, 10% in Research and Development, 16% in Administration and other, and 60% in Sales and Marketing.

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

Internal mobility

Ipsen actively promotes internal mobility. Indeed, whether it be geographical or functional, mobility is essential to employees' development and to the company's dynamism. It enables to offer new career opportunities and contributes to the company's performance overall.

Since 2010, an internal mobility Charter was circulated to all employees and job vacancies are systematically advertised on the Group's intranet portal which was upgraded and simplified in 2015. Mobility Committees are organized every month; they bring together Human Resources teams who review job opportunities within the Group and identify potential candidates in order to place the right profile at the right place in the organization.

Development and training

The Group consistently aims at providing its employees with high-quality learning and development opportunities tailored to the overall Group requirements and the specific features of each business. Training can be broken down into two types: training programs organized to promote the development of managerial expertise and the cohesion of the Group (in particular Ipsen Management Academy which proposes e-learning on the basis of ten key competencies), and technical training linked to business expertise. Furthermore, the Group has modernized and developed its offer thanks to the platform (Ipsen Learning Platform) which centralizes in the same tool all the training courses in the world.

Development

In 2015, through the whole Group the work of key positions identification was continued and succession plans were developed to ensure the continuity of Ipsen's strategy implementation.

Launched in 2015, the Personal Development Meeting (PMD) allows each employee to make an update with his/her manager on employee's professional experience, skills, motivation, and to identify employee's development areas and professional desires. The PDM is the interview between the employee and the manager and it leads to the formalization of an action plan whose implementation is accompanied by Human Resources. An online training is available on Ipsen Management Academy to prepare this interview.

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 guarantee a consistent approach to management and support the Group's transformation and the execution of its strategy. These ten key competencies are based on four principles of action of the Group.

Furthermore, the mentoring, on-boarding and coaching launched in 2011 continues to be offered to support top executives taking on new roles.

Training and development investment

The investment of the Group in training and development in 2015 was in support of both the strategic needs of the company and of individual performance; employee's needs are identified through the performance management (short-term needs) and through the Personal Development Meeting (long-term needs). The stability of the number of training's

hours between 2014 and 2015 is notably linked to the growing use of e-learning.

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

Number of hours of training(*)	2015	2014
TOTAL	112,071	110,687

(*) Scope reflecting 90% of Group workforce (at 31 December 2015).

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)

	2015	2014
Under 30 years old	10%	11%
30-50 years old	72%	72%
Over 50 years old	18%	17%

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".

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 2015		31 December 2014	
		Male	Female	Male	Female
Non-field sales force	Exempt staff	13.6%	17.1%	14.7%	17.2%
	Non-exempt staff	13.2%	22.3%	13.5%	23.4%
Field sales force	Exempt staff	11.2%	13.6%	9.5%	12.7%
	Non-exempt staff	2.9%	6.0%	3.0%	6.0%
Total		**40.9%**	**59.0%**	**40.7%**	**59.3%**

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

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

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

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

Group's compensation and benefits policy

Compensation and benefits

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

- Internal equity.
- External competitivene;
- Performance rewarding;

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

Since 2006, annual pay increases are implemented using identical frameworks, tools and schedules for the entire Group. Trends in compensation and benefits paid by Group companies depend on local circumstances. Based on their level of responsibility, employees are eligible to a Individual 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.

Based on the 2015 salary review, the Group's salary mass increased by 2.3% on 1 March 2015 due to merit increases (not including Brazil since their salary review occurs in September).

3.2 ENVIRONMENT, HEALTH AND SAFETY

The Environment, Health and Safety (EHS) data presented in this document and originating from the implementation of the Group's EHS policy stem from the consolidation of EHS data from all 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 list is detailed in the methodological note.

3.2.1 Regulatory Issues

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

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

Regarding environmental legislation, sites are covered in 2014 by EU Directive No. 2008/1/CE of 15 January 2008 (Text abrogated by Article 81 of Directive No. 2010/75/EU of the European Parliament and of the Council of 24 November 2010 as of 7 January 2014 => Official Bulletin of European Union L.334 of 17 December 2010) and n° 2010/75/UE of 24 November 2010 related to integrated pollution prevention and control and industrial emissions. These directives define a system introducing specific operating procedures (declaration or filing for authorization to operate) and cover all environmental issues potentially facing an industrial site (waste management, environmental discharges, use, handling and storage of toxic and/or hazardous substances, etc.). These directives have been and will be enacted progressively in national legislation in every EU member state and their provisions must be observed at each of the Group's facilities located in these countries. Furthermore, the European Parliament adopted directive 2004/35 on 24 April 2004 on environmental liability related to the prevention and remediation of environmental damage. The Directive, now enacted in EU member states and in France since August 2008, established "the polluter pays principle" in the case of environmental damages caused by the user's activities.

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

The REACH regulation (Registration, Evaluation, Authorization and Restriction of Chemicals) was formally adopted on 1 June 2007. Its aim is to improve the protection of human health

and the environment and has been the subject of a detailed analysis by the Group. This analysis has enabled the Group to control the impact on Group activities. In 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, the Group continues to watch over successive amendments to the regulations, in particular concerning the evolution of the substance classification that may impact its business or products in the medium or long term.

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

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

In the light of these important European regulatory issues, the Group proactively monitors new information concerning EU directives. The Group is currently analysing the impact of regulations with special attention 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 the Group in China is thus subject to a set of regulations in this area. The highest Chinese authority for environmental issues is the Ministry of Environmental Protection (EPM) which is leading its local branch organized in Environmental Protection Bureau (EPB) in each province. Each EPB reports directly to the Ministry as well as to local authorities. The EPB supervises each company according to its relative size, as such; the site in Tianjin is controlled by the Tianjin Huayuan industrial zone EPB. In parallel, the highest authority for safety is the State Administration of Work Safety of the People's Republic of China who has the same organizational system of various Branches. Thus, the Huanyuan Industrial Zone branch supervises the Tianjin site. For health, it is the 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, the Group watches carefully for events that could have a direct or indirect impact on the various business activities of the Group regarding EHS, and monitors with particular attention the guidance given at international meetings.

3.2.2 EHS Policy

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

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

By empowering our people we commit to:

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

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

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

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

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

From an operational perspective, the Group's EHS policy is implemented through a 3-year strategic plan for EHS. This plan thus permits the definition of annual targets which are applicable to all of the Group's sites. A new EHS strategic plan has been approved by the Executive Committee of Ipsen in August 2014 and with a 2017 vision, relies in particular on the establishment of a new EHS governance 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 for internal communication. The "Group EHS Council" in which all members of the Executive Committee take part, take in charge this policy implementation and follow up. Note that this policy is under review and that a new version will be produced in 2016.

The focus since 2008 has been to put in place an EHS management system for the Group to ensure site compliance and the operational control of activities. The strategic plan sets 2017 ISO 14001 and OHSAS18001 certification for all R&D and manufacturing sites (Perimeter 1). In addition, integrating these various EHS elements into the business allows the Group to ensure a better product management (see paragraph 1.2.8.5.1) as well as a better control of its production equipment (see paragraph 1.2.8.5.3). Our flagship project named "People Based safety" and based on our S3 principles is to focus on individual responsibilities to raise awareness that ALL accidents are preventable and that each and every one of us has an important role to play in preventing them. We want to inspire everyone in the Ipsen community to make a personal commitment to being proactive and react to all unsafe situations before an accident occurs. We encourage open dialog and individual empowerment with a challenge to all to consider how we can all perform our work more safely.

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

3.2.3 EHS 2015 Performance

3.2.3.1 Compliance and external reward

In this highly regulated environment, the Group's main concern is regulatory compliance. As such, the Corporate EHS is particularly focused on the establishment of global standards in Environment, Health and Safety (EHS). Thus, each site ensures the compliance of its activities and facilities in relation to applicable legal requirements in order to better control health and safety risks and environmental issues raised in paragraphs 1.2.8.5.1 and 1.2.8.5.2 of this document.

Since 2009, a set of requirements and good practices for the Group was established through global EHS standards. At the end of 2015, this internal set of requirements was made of 6 standards concerning the elements of the management system for the Group and 16 standards of operational control. It is important to notice that the standards defining the management system for the Group are aligned with the occupational health-safety standard OHSAS 18001 on one hand, and the environmental standard ISO 14001 on the other hand.

The sites of the Group have moved forward with the implementation of these global standards through action plans and have reached a satisfactory level of compliance with regard to internal requirements. Note that these standards are being revised in order; in particular, to better take into account current developments and future international standards.

Legal and regulatory intelligence

Legal and regulatory intelligence in the areas of environment and health and safety has been put into place at each Group site (Perimeter 1). This allows them to keep track and update evolution of applicable regulatory developments and periodically assess their level of compliance and associated action plans to potential gaps.

Regulatory compliance assessment and other requirements

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

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

To assess compliance with applicable requirements and global standards, since 2010, the Global Internal Audit department performs internal audit on all the Group sites.

Certifications

The Group follows a voluntary approach to certification in terms of environment with ISO 14001 and in terms of safety with OHSAS 18001 and decided in 2014 to lead a project regarding these two certification standards for all sites within the Perimeter 1 by 2017.

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

Two sites are certified regarding OHSAS 18001: the site of Dreux in 2011 and the site of Cork in 2010 demonstrating a

developed culture for the management of the occupational health and safety.

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

3.2.3.2 Assuring the health and safety of employees

Reduce accidents

The Work accidents indicators for the Perimeter 1 are as following:

	2015	2014	2013	2012	2011	2010
Frequency Rate 1 (1)	2.12	2.84	3.39	6.29	3.85	5.31
Frequency Rate 2 (2)	4.59	5.67	8.81			
Severity Rate (3)	0.03	0.06	0.04	0.04	0.07	0.13

(1) The frequency rate 1 is the number of disabling injuries due to the work needing an external medicalized assistance, with work loss 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 loss 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 loss time exceeding one day and without work loss 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 loss time x 1,000,000 / number of hours worked).
(3) 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 Work accidents indicators for the Perimeter 2 are as following:

	2015	2014	2013	2012
Frequency Rate 1 (1)	1.71	2.53	4.01	4.15
Frequency Rate 2 (2)	2.90	4.50		
Severity rate (3)	0.02	0.06	0.12	0.07

(1) The frequency rate 1 is the number of disabling injuries due to the work needing an external medicalized assistance, with work loss 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 loss 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 loss time exceeding one day and without work loss 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 loss time x 1,000,000 / number of hours worked).
(3) 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 frequency rate has decreased by 25% on the Perimeter 1 and by 32% on the Perimeter 2 between 2014 and 2015. This is explained by a significant decrease in the number of injuries with days lost and the implementation of a ''People Based Safety'' approach resulting in managerial safety visits on all sites belonging to Perimeter 1 and a specific tyraining session for Comex members. Hence, the number of accidents with days lost has decreased from 19 accidents in 2012 to 10 in 2013, 8 in 2014 and 6 accidents in 2015 on production and R&D sites. The number of days lost due to injury has also decreased from 175 days in 2014 to 79 days in 2015 on production and R&D sites.

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, hence even if the number of accident has increased, the days lost has significantly decreased since 2010. After a risk reduction campaign related to slips, trips and falls launched by end of 2014, three new campaigns were produced in 2015, namely, the policy of "flying Phone", road safety and the prevention of manual handling and desk screen activities accident. Indeed, all these sujes constitutes the main categories of accidents represented at Ipsen recent years.

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

In addition, in 2015 the Group continued its project of profit-sharing launched in 2010 for its French employees based on various criteria of which two are EHS data. Indeed, one of the criteria corresponds to the frequency rate and a second criteria corresponds to the participation rate at EHS trainings.

No occupational diseases were reported and declared to the Authorities in 2015 on the Perimeter 1 (none on the Perimeter 2).

Road Safety

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

In 2014, the action plan aiming at reducing frequency and severity of accidents is being deployed on the French perimeter. A communication is regularly done to employee representative. The year 2015 showed a number of action and communication relating to road safety and this, at the group level.

Industrial Hygiene

The risks related to the use of hazardous materials such as those mentioned in paragraph 1.2.8.5.1 of this registration document, has led the Group to put into place a policy of prevention and protection of the health and safety of employees.

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

The follow-up to the industrial hygiene strategy of the Group results in the provision of updated safety data sheets for proprietary products in accordance with the requirements of

the CLP regulation, incorporating any new information that has an impact on the classification. In addition, the Group has continued its work on the risk profiling of the Group's products regarding health, safety and the environment, in order to implement recommendations for product handling and for the selection of associated equipment. The industrial hygiene issues concerning the Group compounds and commercial products are integrated in the site master plans of the facilities. This has led to the development of significant investments to comply with general precautionary principles through the elimination, as well as possible, of personal protective respiratory equipment at the sites which use substances identified as hazardous to health and safety, by addressing the risks at their source and acting in priority on more effective and reliable collective protection.

The multi-year investment program in regards to the implementation of the industrial hygiene program will be continued at affected sites in 2016.

Psychological risks

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

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

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

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 have answered the survey. This study allowed drawing up an inventory to establish preventive and/or corrective action plans. These were defined at each division and site in order to be most suited to the results and the local context. Thus, results and action plans were communicated in 2015 to each entity and their implementation was monitored. A new update of the "Single Document" in 2016 will measure the effectiveness and relevance of the set plans.

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 strain at work and listing exhaustively ten risk factors such as night work, the activities in hyperbaric environment, working in alternating successive team and the repetitive work that apply from 1 January 2015. Six other factors (manual load handling, painful posture, mechanical vibration, dangerous chemicals, extreme temperatures and noise) will apply only from 1 January 2016.

Two decrees published 30December 2015 and several implementing regulations published 29 and 30 December 2015 bring modification of several factors of strenuous labour conditions and suppression of the individual record of monitoring exposure to strenuous labour conditions.

The Group will stay vigilant and continue its preventive action to preserve the health of employees by implementing the associated action plans.

3.2.3.3 Reduce the environmental footprint

Soil, Subsoil & Pollution Prevention

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

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

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

All environmental incidents are recorded in the EHS management system framework in place at manufacturing and research and development sites. The most significant incidents are systematically reported to the appropriate administrative authorities, if applicable, and the Corporate EHS. In 2015, a total of 22 environmental incidents were reported to local authorities and were subject to action plans defined in relation with the local authorities.

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.

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

Fight against climate change, reduction of CO_2 emissions

For several years, deploying an "Ipsen Carbon Roadbook", the group is now aware to climate change issues and engaged to take part of the global industry contribution to limit carbon emissions. Reduce carbon footprint and promote a responsible use of energy allows human life protection and contribute to the collective effort to reduce the greenhouse gas (GHG) in Europe. Besides, convinced that climate change solutions have sectorial specificities, Ipsen carbon management complies with the 10 voluntary commitments of LEEM (voluntary agreement with the ministry).

In order to pilot and implement reduction measures, the Group quantifies GHG emissions on a significant scope. Indeed, the impacts are assessed annually on Scopes 1 and 2 (direct and indirect energy emissions needed for its activities) but also periodically, in the framework of the greenhouse gases emissions report, on Scope 3 (emissions from people travel, materials – solvent, chemical products service, freight, depreciation of the equipment and waste processing) which represent two-third of the total emissions of the Group. Those emissions are difficult to evaluate (depending on many factors: the availability of datas, the reliability of information systems, the disparity data sources, changes in emission factors...). An update is planned for 2016.

In 2015, the Group pursed its efforts in order to reduce its emissions through two strategic focuses:

The achievement of the carbon dioxide balance sheet study, in accordance with French regulation (Grenelle II law) which includes the obligation every four years. The last declaration was published on 2012.

Working Group about energy transition, related to key events of the year: enforcement of the law on energy transition and the CMP21.

Since 2013 and still this year, emissions are allocated between two scopes:

- "manufacturing and R&D" allowing to identify the impacts, the risks and opportunities of the Group activities,
- "global Ipsen" which includes offices emissions.

This distinction allows to direct actions on priorities, mainly on operational sites (more than 92% of emissions).

The CO_2 emission estimation of the scope "manufacturing and R&D" represents 26,245 tons CO_2 equivalent. On this scope, between 2014 and 2015, the Group notes a reduction of 3.7% of its emissions. Overall, the Group emissions are estimated at 28,424 tons of $eqCO_2$ in 2015, which represents a reduction of 3.6% versus 2014.

GHG emission in Tons $eqCO_2$ "Manufacturing et R&D"	2015	2014	2013
Scope 1 : direct energy	12,675	13,072	13,371
Scope 2 : indirect energy	13,570	14,176	13,400
Total Scope 1 + 2	**26,245**	**27,247**	**26,771**

"Global Ipsen"	2015	2014	2013
Scope 1 : direct energy	13,024	13,421	13,693
Scope 2 : indirect energy	15,399	16,056	15,119
Total Scope 1 + 2	**28,424**	**29,477**	**28,812**

Two major facts explain the better carbon performance, on one hand the update of electricity emission factors (nearly 60% of the reduction) and on the other hand the energy consumption reductions. The Group benefits from the energy transition of the different countries where it is established. The electricity emission factors of France and Ireland had a important impact on reductions (Source: International Energy Agency).

The other part of the reduction is due to the reduction of the electricity, natural gas and domestic fuel consumption in 2015. This reduction is mostly related to deployment of action plan.

Milford site, formerly heated with natural gas, has been replaced by a more powerful site in Cambridge, using a network of heat; in Dreux the closure of a building and the shutdown of a boiler have allowed pursuing activities without fossil energies consumptions. In the site of Cork, natural gas consumption increases because of the higher activity (ginkgo leaf treatment). However, in the site of Wrexham, the consumption reduction activity is due the reduction of the activity.

According to electricity consumption, a global reduction is noticed despite the activity increase in some countries: in China (there is a new storage building – road project) and in Ireland (there is a new production zone).

Over the years, the Group has proven its capacity to decrease its emissions thanks to different actions (replacement, energetic audits, system optimization...). It makes the commitment to take into account its reduction potential, especially on Scope 3.

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 2015 were quantified to a little more than 10 tons and 1 ton more than in 2014 (+12.0%), mainly related to the sites of Signes and Cork (near from 80% of global emissions). Emissions from the research and development centres, given their activities, do not contribute much to these emissions.

Energy consumption

The Group's energy consumption on Perimeter 1 totalled 126,222,078 kWh in 2015 compared to 128,737,691 in 2014, 130,673,788 kWh in 2013 and 132,806,588 kWh in 2012, which corresponds to a decrease of 1.9% between 2014 and 2015. On Perimeter 2, the global consumption in energy is 134,801,683 in 2015, compared to 136,696,395 in 2014, 139,038,341 kWh in 2013 and to 140,160,770 kWh in 2012, which corresponds to a diminution of 1.4% between 2014 and 2015, the commercial offices representing around 6.4% of the global consumption.

This energy efficiency is the result of deliberate efforts to reduce consumption at most sites. The five sites of Cork, Dreux, L'Isle-sur-la-Sorgue, Signes and Wrexham represent more than three quarts (78.7%) of the energy consumption of the manufacturing and R&D activities.

The production site of Dreux, representing about 20% of the Group energy consumption, has seen its global consumption decrease by 8.5%, notably through the establishment of an energy consumption reduction program, stopping a boiler and building insulation. The consumption by energy source is as follows:

Group energy consumption (percentage of total) – Perimeter 1	2015	2014	2013	2012	2011	2010
Electricity	45.0% of wich 3.5% is renewable	45.0% of which 4.7% is renewable	44.9% of which 5.6% is renewable	45.7% of which 4.7% is renewable	47.4% of which 5.0% is renewable	48.3% of which 2.5% is renewable
Gas	52.9%	53.5%	53.8%	53.2%	51.6%	51.4%
Fuel oil	1.2%	1.2%	1.3%	1.1%	1.0%	0.3%
Other source	0.9%	0.3%				

The split between energy sources has been maintained at the same level since 2012. In 2015, fuel oil consumption remained relatively small with a share of 1.2% in the global energy consumption and which is stable compared to 2014. Note that in 2014 and 2015, a new energy source (steam produced by a cogeneration factory in Boston) was sed by the Cambridge site (thus, energetic data for 2014 have been recalculated).

Waste Management

The Group produced 9,756 tonnes of waste in 2015 compared to 46,920 tons in 2014 (increase mainly due to Dublin site for which an exceptional removal of spoil heap generated 36,928 tons of waste but but finally at 9,992 tons without considering this category) and 9,243 tons in 2013. This decrease of 2.4% is significant if we consider the increase in production volumes on the same period and on the site of Cork, first generator of waste in the group (45.8%). This diminution is explained by specific reduction and optimization targets in place at several sites.

The Group waste profile in terms of hazardous / non-hazardous category and in terms of treatment mix percentage has remained rather stable since 2010. Note that for annual comparative purposes, the spoil heap waste of the Dublin site alone accounted for 78.7% (36,928 tons) of the total waste potential of the group in 2014 and was voluntarily not taken into account in the tables and information below. The split of waste into the hazardous and non-hazardous waste categories is as follows for the manufacturing and R&D sites:

Total waste by category	2015	2014	2013	2012	2011	2010
Total hazardous 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	21.0% of which 0.5% is biological waste	24.9% of which 0.6% is biological waste
Total non-hazardous waste	72.9%	76.9%	78.8%	75.1%	79.0%	75.1%

Group waste treatment mix was as follows:

Types of treatment	2015	2014	2013	2012	2011	2010
Recycling	67.3%	69.7%	73.7%	70.1%	73.7%	72.4%
Incineration	31.6% of which 26.6% is with heat recovery	27.3% of which 15.3% is with heat recovery	24.4% of which 13.4% is with heat recovery	27.4% of which 14.3% is with heat recovery	24.3% of which 12.0% is with heat recovery	25.8% of which 22.7% is with heat recovery
Landfills	0.9%	2.6%	1.8%	2.1%	1.9%	1.8%
Other	0.2%	0.3%	0.1%	0.4%	0.1%	0.0%

The proportion of recycled waste remains dominant with a percentage of 67.3% compared to incineration and landfilling. It should be noted that the two largest producers of waste, the sites of Cork and L'Isle-sur-la-Sorgue, recycle their waste, respectively up to 77.4% and 98.9%.

Finally, sites are in the process of implementing waste optimization programs by searching for new technologies to ultimately increase the percentage of recycled waste. This allowed to meet a small percentage of wastes in landfills, never seen in the past.

Water Consumption

The Group's water consumption totalled 485,554 m^3 in 2015 compared to 558,301 m^3 in 2014, 529,882 m^3 in 2013 and 532,470 m^3 in 2012, hence an decrease of 13.0% between 2014 and 2015. The supply of water for 2015 is 66.2% from well water origin. Note, that some sites are subject by regulation to specific local conditions in terms of water use (surface water consumption, volume limitation, etc.). To date, no punctual or additional event regarding this normal regulatory situation has been identified imposing further restrictions on use.

The L'Isle-sur-la-Sorgue site alone consumes 57.4% of total 2015 water consumption of which 99.7% is well water. This site's water consumption has decreased by 17.2% (to be linked with the decrease in production volumes of 7.8%) compared to 2014 results in a general toward trend. Without considering this site, water consumption decreased by 3.6% for the Perimeter 1.

Water treatment

The Group has five sites with on-site sewage treatment plants that treat all or part of liquid wastes. Those are the sites of Cork, Cambridge, L'Isle-sur-la-Sorgue, Signes for neutralisation, and Tianjin for manufacturing.

The volume of water treated on sites was 363,362 m^3 in 2015 compared to 442,456 m^3 in 2014 and 411,533 m^3 in 2013, hence a 17.9% decrease even though the volume of water consumed decreased by13.0%. This is due in part to L'Isle-sur-la-Sorgue site, first water consumer in the group, for which the volume of water consumed, and therefore treated, decreased.

Green Chemistry or solvent usage optimization

The Group 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 processes required the use of 18,571 tons of solvents in 2015, of which 95.7% coming from the regeneration of this solvent;
- At the Signes site, near 74.3% of solvents used are recycled.

The Group has increased its solvent usage by 28.0% between 2014 and 2015, from 14,988 tons in 2014 to 19,182 in 2015, and compared to 15,199 in 2013 and 16,292 tons in 2012. This result is mainly explained by solvent use increase at Cork which is dependent of the production volume (+26.9% in 2015 vs 2014).

Stakeholders Relations

The Group is concerned about the potential impact of its activities on the areas surroundings its sites. Also, as part of its overall EHS policy and in the context of its implementation at the sites, the Group integrated stakeholder requests and opinions. As such, meetings and partnership activities were organized.

For 2015, the Group can highlight the communication campaigns by the sites of Cork and Cambridge. In Cork, the site participated in communication activities and support for resident associations and other companies in their area. In Cambridge, the site was regularly in relation with the Authorities for the renewal of needed EHS licences and permits in the framework of the remocation.

Biodiversity: biological equilibrium, natural habitats and protected species

The Group's policy is to provide a safe workplace that protects the environment and does not harm the health of its employees or that of neighbouring communities. The preservation of ecological equilibrium, conservation of natural habitats and protection of protected species are followed closely.

The measures taken to curb impacts on biological equilibrium, natural habitats and protected plant and animal species are integrated into the Group's general environmental protection program. Some initiatives were implemented at Signes, the site has followed its collaboration with the GEPS (*Groupement des Entreprises du Plateau de Signes*) on the draft "APIVIGILANCE". It is a system of environmental bio monitoring using bees as markers of environmental quality: the bees will carry out an ecotoxicological assessment of the immediate environment, thanks to several parameters such as the observation of their activity, behaviour and analysis of samples. 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. For the first time in 2015, the site of Les Ulis also installed two hives. At the Cork facility, awareness campaigns to promote land conservation were conducted. Additionally, a maintenance programme 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 operation of dislodgement of nutria to preserve the banks and biodiversity of the River named 'Les Châtelets'.

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's master plans.

Eco-design

Some sites of the Group carried out 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 9 µm to 7 µm 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. Other projects for the reduction in the size of the sachets of Smecta® and Forlax® have been finalized at Dreux and Tianjin. Forlax®, made at Dreux and dedicated to the French market, now has smaller sachets.

In parallel, actions for recycling / regenerated solvents (detailed in the green chemistry paragraph) are developed on the sites of Cork and Signes for several years.

Training

As the cornerstones of the prevention program, awareness campaigns and training on environment, health and safety continued in 2015. Each site has defined its training program as a function of its own risks and impacts. As such, all employees are trained for the inherent risks and associated environmental impact of their workstation. Employees, therefore, develop a professional and responsible attitude in going about their daily work.

General training on EHS awareness for newcomers, as well as training on fire prevention, evacuation tests and protective equipment or first aids training was performed on all industrial sites and R&D.

Some more specific training related to the proper activities of the Group and to the workplace such as training courses on prevention of manual handling activities, explosive atmosphere, management systems and training relating to the managerial safety visit were deployed.

3.2.4 Internal resources

3.2.4.1 Internal management resources for EHS issues

Group 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 guidelines. As such, everyone in his actions and behaviour contributes to the success of EHS policy.

In addition, to reinforce its policy of prevention, the Group EHS Committee which comprises one or more representatives from each manufacturing site, R&D centre and Corporate, meets regularly to share experiences and reflect on best practices for managing EHS.

EHS management at each site is coordinated by an EHS manager under the authority of the site director. A total of 22 people make up the Group's EHS organization. They report to the Corporate Department of Environment, Health and Safety (2 people). The latter reports to Technical Operations.

The Committees of Health, Safety and Work Conditions 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 the Group, the latter regularly makes investments in these areas. In 2015, with the implementation of master plans on the sites of Cambridge, Dublin, Dreux, Wrexham and Signes, which includes the setting of new concepts for EHS prevention, the amount of investment in secondary EHS totalled just over €5 million.

Of the investments, in particular we can highlight:

- Projects linked to REACH conompliance, anti-corrosion protection and actions in relation with EPA (Environmental Protection Agency) licence at Cork;
- Site securisation, dust reduction and acquisition of "aspirateurs" as well as the improvement of automatic door systems and machine access and guarding at Dreux;
- Steam boiler replacement, fire compliance, drainage reconfiguration, Rotary evaporator replacement at Dublin;
- Protection against falls (on the same level, falls from height), noise pollution diminution, forklift truck acquisition for packaging area, compressed air system optimization, replacement of a exchanger and modification of Sprinkler loop at L'Isle-sur-la-Sorgue;
- Explosive atmosphere improvements, falls from height improvements, material for fighting emergency situation and collective equipment implementation on QC laboratories and new production area at Signes;
- BPS2 enabling works, new cold rrom storage, fire protection programme (including electrical infrastructure improvements, new Roof, fire interity, fire detection, fre suppression), scissor lift for despatch at Wrexham.

3.2.4.3 Provisions and guarantees for EHS, compensation and remediation

Regular surveys on environmental risks, work-related health and safety risks and the implementation of proactive policies for mitigation of these risks, enable the Group to limit its exposure and liability or, more generally, to remediate to the environmental damage caused by its operations. However, the Group does not have environmental provisions.

In addition, since 2004, no ruling or compensation payments related to environmental damages caused by one of the Group's manufacturing facilities were brought to the Group's attention.

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. A new ordinary meeting was held 26 June 2015 in order to present the progress in the 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 3.2.3.2 "Assuring the health and safety of employees" and 3.1.2 "The Group's Human Resources policy" (paragraphs: "Equal opportunities and diversity within the Group", "Integration of disabled workers").

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 in specialty healthcare solutions for targeted debilitating diseases by:

- Rapidly translating understanding of disease biology into therapies for unmet patient needs;
- Creating differentiated solutions capitalizing on our own expertise in peptides and toxins;
- Swiftly growing and evolving in our targeted areas (neurology, endocrinology and urology-oncology) to allow global access to therapeutic solutions;
- Foster a culture of excellence, responsibility, agility and teamwork.

Ipsen's large and diversified geographic footprint is a paramount strength. Thanks to its presence in more than 100 countries, and besides its European footprint, Ipsen benefits from a solid presence in North America and fast growing markets such as China and Russia.

Ipsen pursues an active policy of partnerships, either for research or commercial purposes, in countries where the Group operates. Partnerships have the following objectives:

- Access new technologies or competencies for research & development programs;
- Investigate new or complementary research areas;
- Enhance Ipsen's distribution network through the acquisition of commercial rights for products from third parties, in countries where Ipsen operates;
- Optimize the value of products issued from Ipsen's research that do not fit into its targeted therapeutic areas, by out-licensing them to partners that will develop and market them in specific territories.

Several strategic partnerships are ongoing for:

- Early stage development & technology: Rhythm, Dicerna Pharmaceuticals, Pharnext, bioMérieux, Oncodesign, CEA, CNRS, Inserm, Johns Hopkins, Salk Institute, Institut Gustave Roussy, Harvard Medical School, Peptidream, etc;
- Late stage development & marketing: Galderma, Active Biotech, Debiopharm, Photocure, Teijin, GW Pharmaceuticals, Lexicon, 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. Thus, for any new drug, the modelling of packaging, the optimization of the cases weight and the realization of studies for having a single blister and considering the solution for recycled cardboard packaging are taken into account. It has enabled the reduction of aluminium grammage and need for blisters.

The "Apivigilance" project in Signes (France) (see paragraph 3.2.3.3 "Stakeholders Relations") was pursued in 2015.

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 FarmaIndustria in Spain, *Les Entreprises du Médicament* (Leem) in France, APIPHARMA in Portugal, Association of the British Pharmaceutical Industry (ABPI) in United Kingdom, Research and Development Pharmaceutical Association of China (RDPAC), PhRMA (Pharmaceutical Research and Manufacturers of America) in the United States.

The Group has also interactions and relationships with scientific groups or clusters in order to set up public / private partnerships (universities, research centers) such as ARIIS in France or industry/trade groups (*e.g.* Polepharma in France).

In France, the Group is member of "G5 Health", a think-tank that gathers CEOs of the main French healthcare companies acting in life sciences (bioMérieux, Guerbet, LFB, Pierre Fabre, Sanofi, Stallergenes, Servier, 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), the Medicines & Healthcare Products Regulatory Agency (MHRA) in the United Kingdom and the Food and Drug Administration (FDA) in the United States, as well as various other regulatory bodies, depending on the relevant market.

Patients / civil society

Communication to patients and civil society must comply with the standards laid down by the local regulatory authorities where the Group operates. Its aim is to deliver information through prevention campaigns, educational or public health programs about certain pathologies, the proper use of products or clinical trials.

Projects carried out by patient associations supported by Ipsen in Europe are made public on Ipsen's internet website (section Commitment).

In France, Ipsen has been donating drugs for many years to Tulipe, an organization that federates donations made by health companies to provide an emergency response to the needs of populations in distress.

Healthcare professionals and scientists

Relationships with healthcare professionals must comply with the standards laid down by the local regulatory authorities where the Group operates. They can take the form of dedicated internet sites, scientific publications, communication materials regarding the safety and efficacy of drugs, or clinical trials. Collaborations are effective also during clinical trials or training programs.

In compliance with current regulations, Ipsen is committed to total transparency of its links of interests with healthcare professionals and health organizations. For example, in France, reports disclosing such links of interest were published in accordance with the requirements of the Bertrand Law; in the USA, similar reports were disclosed in compliance

with the Sunshine Act. Ipsen is committed to the continued disclosure of its links of interest, as required by current or future regulations or Industry Code requirements such as EFPIA's Disclosure 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 speading of scientific knowledge. The long-standing action of the *Fondation Ipsen* is to foster the interaction between scientists and clinical practitioners, which is essential due to the extreme specialisation of these professions.

Because improving understanding is key to tackling current challenges in biomedicine, the *Fondation Ipsen* has set for itself the goal of identifying emerging themes and acting as an intellectual catalyst to push forward the frontiers of knowledge.

In 2015, the *Fondation Ipsen* has endeavored to present aspects of biological and medical research illustrating a wide range of approaches from neuroendocrinology to neurotechnology, stem cells and translational science.

The *Fondation Ipsen* continues to hold its scientific meetings in series known as *Colloques Médecine et Recherche* (CMR):

- The 11th annual CMR in the Cancer Science series, was held in Mysore (India) from 28 February to 4 March 2015 and was co-organized with Inder Verma (Salk Institute for Biological Studies, USA). The meeting tackled the theme "Tumor Heterogeneity & Microenvironment" in presence of the Nobel Prize laureate David Baltimore.
- The 23rd CMR in the Neuroscience series "Micro-, meso- and macro-dynamics of the brain" was held in Paris on 13 April 2015 was co-organized with Gyorgy Buzsáki (New York University School of Medicine, USA). This year's meeting focused on the functional dynamics of the brain vehicle operates on scales ranging from the microscopic exchange at synapses, through the interplay in the circuits that underpin perception, memory, cognition, and decision-making to the properties of the system as a whole, the most challenging of which is consciousness. Edvard Moser, laureate of the Nobel Prize of Medicine in 2014 was among the speakers.
- The 15th CMR in the Endocrinology series on 7 December 2015 in Paris, was dedicated to "Stem Cells in Neuroendocrinology" and was co-organized by Donald Pfaff (The Rockefeller University, USA). An international panel of speakers reviewed the recently developed techniques for producing large numbers of stem cells in the laboratory and their use for the creation of *in vitro* models of diseases. Cells are being prepared for transplantation into the body and the relationship between healthy and cancer-forming stem cells is being examined.

Besides its core activities, the *Fondation Ipsen* pursued its prestigious partnerships. As part of its collaboration with Cell Press, the *Fondation Ipsen* organized the 9th annual meeting in the Exciting Biologies series: "Biology of plasticity", which was held in La Jolla (USA) on 11 to 13 October 2015.

The *Fondation Ipsen* also organized in Stockholm (Sweden) the 3rd annual meeting of the series "Days of Molecular Medicine" in partnership with the Karolinska Institute and the DMMGF (Days of Molecular Medicine Global Foundation) and tacled the theme "Emerging partnerships in Translational Science".

In the Biological Complexity series, jointly developed with the Salk Institute for Biological Studies, AAAS Science and Science Translational Medicine, the 9th meeting focused on neurodegenerative diseases took place in La Jolla (USA), from 21 to 23 January 2015.

As international collaborations in new and exciting research fields are forged between the East and the West, it seemed fitting for the *Fondation Ipsen* to initiate a new series of meetings. In 2014, a new "Bridging Biomedical Worlds" conferences series was set up in partnership with AAAS/Science and AAAS/Science Translational Medicine. With these annual international conferences, to be held in different countries in Asia, they aim to not only facilitate the exchange of knowledge about important advances in key research areas but also to boost communication and cooperation among researchers, clinicians, and industry scientists from the East and the West. The 2nd meeting of this new series took place in Tokyo (Japan) on 11 and 12 May 2015 and addressed the topic "From neural circuitry to neurotechnology". It was dedicated to promoting basic research into the form and function of neural circuits and the translation of this research into neurotechnologies for both studying the brain and for treating different diseases and injuries. It was jointly organized by the RIKEN Brain Science Institute and AAAS/Science and AAAS/Science Translational Medicine. This meeting was organized with the Nobel laureate Susumu Tonegawa in charge of the RIKEN Brain Science Institute. Thomas Südhof (Stanford Schoolf of Medicine, USA), another Nobel laureate gave one of the major lectures.

The *Fondation Ipsen* also awarded annual prizes to reward outstanding research, within the framework of international conferences.

- The 26th Neuronal Plasticity Prize was jointly awarded to three scientists for their pioneering work in the domain of genes, synapses and psychiatric disorders: Mark F. Bear (Massachusetts Institute of Technology, USA), David J. Porteous (University of Edinburgh, UK) and Thomas Bourgeron (Institut Pasteur, France). The prize has been awarded on 8 July 2015 at the IBRO World Congress (International Brain Research Organisation) in Rio de Janeiro (Brazil).
- The 20th Longevity Prize has been awarded to Steven N. Austad (University of Alabama at Birmingham, USA), in recognition of his outstanding leadership in the domain of the comparative biology of aging (especially the study of species resisting to aging). The awarding lecture took place on 21 November 2015 at the Gerontology Society of America (GSA) in Orlando (USA).
- The 14th Endocrine Regulation Prize was awarded at the ECE (European Congress of Endocrinology) in Dublin (Ireland) on 19 May 2015 to C. Ronald Kahn (Joslin Diabetes Center & Harvard Medical School, USA) for his pioneering work on diabetes.

Support, sponsorship or partnering activities

Ipsen has put in place a company policy to provide grants or donations in line with its mission, its values and according to local regulations:

- Research and scientific grants to support projects, programs, events from organizations or groups of healthcare professionals or patients;
- Awards and prizes distributed to researchers or students;
- Educational grants provided to healthcare professionals (HCP) associations;
- Charitable and cultural activities.

3.3.2.4 Subcontracts and suppliers

We subcontract a significant part of our Research and Development to CROs (Contract Research Organizations), including toxicology studies, phase I to IV clinical study monitoring and management, as well as part of drug development and manufacturing to CDMOs (Contract Development and Manufacturing Organizations).

More generally, purchasing value representing a high percentage of Ipsen sales, involving suppliers in Corporate Social Responsibility progress is essential to deliver a sustainable business.

This is well translated into the nine governing principles introducing the global purchasing policy, which are:

1. quality, efficiency and effectiveness;
2. probity and equity;
3. transparency;
4. effective competition, including fair dealing;
5. objective practices related to pricing and contracting;
6. respect and protection of intellectual property and information;
7. strong focus on building mutually beneficial relationships;
8. environment and sustainability considerations;
9. and other risk management considerations.

Moreover, a specific paragraph of this policy focuses on ethical standards, for which purchasing team members ought to be a model.

In France, Ipsen signed in 2013 the *"Charte des Relations Inter-Entreprises"*. The objective of this Charter is to build a balanced and sustainable relationship between large companies and their suppliers in knowledge and respect of the rights and duties of each party.

How does the purchasing community translate these principles into action?

Firstly, Corporate Social Responsibility (CSR) criteria are considered as part of the supplier selection and evaluation process.

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…).

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 palets 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 potected 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®.

3.3.2.5 Loyalty of practices

Ipsen's continued commitment to the highest ethical standards has been communicated through the Company's new Code for Ethical Conduct published in January 2014. All Ipsen employees and close collaborators have received, signed, and accepted the terms of the Code, and all new hires are now requested to do the same when joining Ipsen.

Anti-bribery actions

Further to the publication of the UK Bribery Act, Ipsen has made a commitment to strengthen its Anti-Corruption program such as already defined in the Code for Ethical Conduct. Moreover, since 2012, Ipsen adheres to the Global Compact program of the United Nations and confirms the will of the Group to fight against corruption by all means. In this context, Ipsen has identified a set of adequate measures, concerning its employees but also its partners that will continue to be implemented in 2015 and 2016.

In 2013, the Global Policy on anti-corruption has been communicated to all Ipsen affiliates, representative offices and sites for an immediate implementation in order to help Ipsen employees and partners to identify and understand the risks of corruption and to remind the Ipsen rules to prevent it. Close to 2,800 employees have received a specific training on anti-corruption since 2014, and end of 2016 all of Ipsen's employees, including new comers, will have been trained. A specific Elearning has also been developed on Anti-Corruption for partners.In addition, our due diligence process for assessing Third Parties has been reviewed in order to reinforce the Ipsen commitment to mitigate the corruption risk.

Moreover, as a pharmaceutical company, we work with Healthcare Professionals and Organizations that are providing us with their expertise. Collaboration between industry and HCPs/HCOs benefit patients. It is a relationship that has delivered numerous innovative medicines and changed the way many diseases impact on our lives. Industry and HCPs/HCOs collaborate in a range of activities from clinical research, sharing best clinical practice and exchanging information on how new medicines fit in to the patient pathway. Bringing greater transparency to this collaboration, already well-regulated, vital relationship is about strengthening the basis for a trustful and transparent collaboration.Ipsen, as all Pharmaceutical companies will disclose payements to HCPs/HCOs to ensure such Tranparency as of July 2016. A Code of Conduct especially developped for our partners will be integrated as a specific obligation in the contracts established with any agent, intermediary, business finder, promoter, or third party acting in the name and on behalf of Ipsen, as well as our most significant suppliers.

Finally, Ipsen encourages all employees to report any malpractice or violation concerning, among others, corruption practices, and has made available 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 function within Ipsen with both ethical and legal aspects. As part of the Research and Development Division, the Central Department of Pharmacovigilance (CDP) is headed by the Senior Vice President, Global Pharmacovigilance and European Union Qualified Person (EU-QPPV) who reports to the Senior Vice President, Chief Medical Officer. The mission of the Central Department of Pharmacovigilance within Ipsen is to ensure:

- the safety of patients receiving Ipsen products (being developed and marketed);
- compliance with international regulatory requirements.

To achieve this mission, CDP collates, assesses and maintains a database of all adverse events reported to the Company from its worldwide markets and development programs. This database provides information for ensuring ongoing assessment of the benefit-risk profiles of all Ipsen products authorized for marketing, and those molecules which are in clinical development. This ongoing assessment is performed by examining data for safety signals requiring further evaluation using state of the art software and statistical analyses, and the preparation of regular aggregate reports (*e.g.*, Periodic Safety Update Reports) for submission to regulatory authorities.

Ipsen's safety culture is based on integration of safety sciences bringing together of safety data and information from clinical research studies, during and troughout life cycle management once a product reaches the market place. The sources of safety data include spontaneous case reports from healthcare professionals and consumers, clinical trials, pre-clinical and toxiciology information, solicited case reports from organised patient data collection systems (*e.g.* patient support prgrammes, registries, etc.), published articles in the scientific and medical literature and communications from health authorities.

Thus CDP staff work closely with their colleagues within other functions to develop clinical trial programs, clinical study reports, Marketing Authorization Applications, responses to questions from Regulatory Authorities, and maintenance of product labelling to assist the physicians and patients in the safe use of Ipsen products. Such collaborative working may also involve Ipsen partners when the product is the subject of a licensing venture.

A collaborative teamwork

CDP recognizes that team work is vital to achieve its missions. This team work operates at four levels:

- Within CDP, the staff works effectively together to achieve their mission;
- The larger pharmacovigilance community: CDP works together with the pharmacovigilance-responsible staff in all local affiliates or subsidiaries which interfaces with local customers and local regulatory agencies to ensure patient safety, regulatory compliance and company success;
- Other functions within the Group and Ipsen's partners and third party vendors: collaboration with other functional experts through a culture of integrated safety sciences so as to ensure that the interpretation of all new data concerning Ipsen products is considered to guarantee their proper use.

Since 2013, a process has been implemented to ensure the continuous evaluation of the benefit-risk profile of Ipsen's products. The Core Company Data Sheet Committee, which includes all relevant experts, takes decisions regarding changes in the Summary of Product Characteristics for each product that could be deemed necessary.

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). Ipsen has put in place a comprehensive programme to further enhance the quality of its pharmacovigilance system.

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 Compensation and Benefits Department 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 2015, this perimeter represents about 92% 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. All data are centralized by Payroll Department and consolidated by the Compensation and Benefits Department.

- **Training**

As far as training is concerned, data are collected through every country/site with a Human Resources Manager and where a training reporting is present. The scope reflects about 90% of Ipsen's population at the end of 2015 (excluding joint-ventures): Algeria, Australia, Brazil, China, France, Germany, Ireland, Italy, Korea, Spain, UK, Russia, USA, and Vietnam.

Training data are collected from Ipsen sites using an Excel template. Data covering training related to divisional initiatives are collected *via* a separate Excel table and completed by those who are in charge of these projects. All the collected data is consolidated into a common Excel file.

Environment, Health and Safety (EHS)

The Perimeter 1 of the reporting includes 7 manufacturing or production sites: Dreux (France), Dublin (Ireland), 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 Abingdon (United Kingdom). The joint venture of Cork is included in the perimeter of this reporting as this site follows the Group 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, U.S. (Basking Ridge), France (Boulogne-Billancourt), Brazil, China, Korea, Spain, Italy, Russia, UK (Slough) and Vietnam. This perimeter covers 90% of headcount at end 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 the Group's main environmental impacts related to the activities of production and research and development. The choice of extending to Perimeter 2 has been made to include the energy consumption of international offices as well as accident data, which have a non-negligible impact at Group level. The Perimeter 1 will be taken as a reference except where the Perimeter 2 is specifically mentioned.

Data consolidation is performed using an internal reporting file, which also defines EHS monitoring indicators. The data are controlled and compiled using this central file, which possesses means of control and alert (absurd data, problems of units, 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 the Group.

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.

Attestation of completeness and limited assurance report of one of the Statutory Auditors

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 2015

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 2015 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.

(1) The scope of which is available at www.cofrac.fr

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 2015 and February 2016 during a three week period. We were assisted in our work by our sustainability experts.

We performed our work in accordance with the French professional standards and with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement 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 programmes 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.

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

(1) Social indicators: Group workforce at 31 December 2015; 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 eqCO_2; 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; Assuring the health and safety of employees; Reduce the environmental footprint/Fight against climate change, reduction of CO_2 emissions; Reduce the environmental footprint/Green chemistry; EHS Culture/Eco-design; Subcontractors and suppliers; Loyalty of practices/Anti-bribery actions; Loyalty of practices/Measures taken in favor of the safety and health of customers.

(2) Entities covered by testing: Beaufour Ipsen Industrie in L'Isle-sur-la-Sorgue (Total waste; Water consumption), Ipsen Pharma Biotech in Signes (Fuel consumption; Emissions of VOC to the atmosphere; Accidents), Carapartners in Cork (Solvent usage), Beaufour IPSEN Industrie S.A.S. in Dreux (HR and EHS indicators), Ipsen OOO in Moscow (HR indicators), Beaufour Ipsen Tianjin Pharmaceutical Co in Tianjin (HR indicators), Ipsen Biopharm in Wrexham (HR and EHS indicators).

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 on average of 38% of headcount 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, 29 February 2016.

One of the Statutory Auditors

Deloitte & Associés

Jean-Marie Le Guiner
Partner

Julien Rivals
Partner, Sustainability Services

4 CORPORATE GOVERNANCE AND LEGAL INFORMATION

4.1 CORPORATE GOVERNANCE

4.1.1 Presentation of the Board of Directors and Executive Committee

The Company is governed by a Board of Directors. The Board of Directors determines the Company's business 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, through its deliberations, guides the Company's affairs.

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. For further information, see section 2.1.5.2.1 – Implementation of a new governance structure.

4.1.1.1 Rules of functioning

Members of the Board of Directors

Subject to the derogations provided for by law, the Board of Directors is comprised of a minimum of three and a maximum of eighteen members, appointed by Ordinary Meetings of Shareholders.

Statutorily, Directors must each own at least one share in the Company. If, on the day of appointment, a director does not own the minimum number of shares required, or if, during his or her term of office, he or she ceases to own the required number, the director shall be deemed to have resigned from his or her position unless the situation is remedied within the legal limit of six months.

In the event of a vacancy due to death or resignation of one or several directors, the Board of Directors may decide, subject to legal provisions, provisional appointments between two General Meetings. However, if the number of directors in office falls below the legal minimum, the remaining directors in office or, failing them, the Statutory Auditors, shall immediately convene an Ordinary Shareholders' Meeting to appoint a sufficient number of Board members. Temporary appointments decided by the Board of Directors are subject to ratification by the upcoming Shareholders' Meeting. If the temporary appointments are not ratified by the Shareholders' Meeting, the decisions adopted and acts performed by the directors appointed temporarily, or to which they have contributed, shall nonetheless remain valid. A director appointed to replace another director shall hold his or her position for the remaining term of his or predecessor.

Directors are appointed for a four-year term. In order exclusively and solely, to enable the staggered renewal of Directors' terms of office to be implemented and maintained, Ordinary Shareholders' Meetings shall be able to elect one or several directors for terms of office of one year, two years or three years.

The number of Directors who have reached the age of 70 years old shall not be more than one-third of the total number of directors in office. When this age limit is exceeded, the oldest Director shall be deemed to have resigned at the end of the first upcoming Ordinary Shareholders' Meeting.

A director's appointment ends after the Ordinary Shareholders' Meeting ruling on the financial statements for the previous financial year and held in the year in which the term of that director expires. Outgoing Directors remain eligible for re-election.

Chairman of the Board of Directors

The Board of Directors shall elect a Chairman from among its members but exclusively from individuals. The term of appointment cannot exceed the term as director. The Chairman may be re-elected and may be dismissed by the Board of Directors at any time.

In the event of temporary incapacity or death of the Chairman, the Board of Directors may delegate the duties of Chairman to another director, for a limited but renewable period in the event of temporary incapacity, or until the election of a new Chairman in the event of death.

The Chairman chairs the Board's meetings and organizes and manages its works, on which he or she reports to the Shareholders' Meeting and implements its decisions. The Chairman also oversees the operations of the Company's internal bodies to ensure that they function properly and that the Directors are able to fulfill their duties.

The Board of Directors will determine the scope of the Chairman's duties within the framework of the new governance structure announced on 16 February 2016, at the date of the implementation of the duties' separation (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, signed by all directors participating in the meetings, is kept.

Quorum and majority

The Board of Directors shall only validly deliberate if, at least, half of its members are present. Decisions are adopted by a majority vote of the Directors present or represented. In the event of a split, the Chairman has a casting vote.

Directors attending meetings *via* videoconferencing or other telecommunications means are deemed to be present for the purposes of calculating the quorum and majority, within the limits and under the conditions provided for by law. This option cannot be used in the case of the decisions provided for by Articles L.232-1 and L.233-16 of the French Commercial Code.

Powers of the Board of Directors

The Board is responsible for defining and implementing the Company's business orientations.

Subject to the powers expressly conferred to Shareholders' Meetings and within the limits of the Company's corporate purpose, the Board of Directors is competent to consider any issues concerning the proper running and operation of the Company, and may take any deliberations.

With respect to third parties, the Company is bound by the Board of Directors' acts even where these are ultra vires the Company's corporate object, unless the Company proves that the third party knew or should have known that the act was *ultra vires* given the circumstances. It being specified that the sole publication of the Company's Articles of association is not sufficient to constitute such proof.

The Board of Directors shall carry out such controls and verifications.

All Directors shall receive proper information to fulfill their duties, and may obtain any documents they consider necessary from the Company's Executive Management.

Internal Regulations

The Internal Regulations are subjected to a regular review by the Board of Directors.

By decision dated 27 May 2015, the Board of Directors has decided to amend its Internal Regulations 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 Regulations are described below.

The Internal Regulations will be modified the same date as the separation of Chairman's duties and Chief Executive Officer's duties in order to reflect changes linked to the implementation of this new governance structure (for further information see section 2.1.5.2.1 – Implementation of a new governance structure).

Role of the Board of Directors

Responsible for governing the Company, in accordance with legal provisions and the Articles of association, the Board of Directors:

- regularly reviews the strategic 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, 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) they are a member of. 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 in a listed company.

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 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 at a meeting of the Appointments 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;
- 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;
- 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.

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, its business line(s) and industrial sector, arranged on the Company's own initiative or at the request of the Board of Directors.

Before accepting office, Directors should familiarize themselves with any general or specific obligations or duties 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 bylaws 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 as regards the deliberations of the Board and its committees. The same applies to all non-public information and documents provided to them at meetings or otherwise in connection with their functions as Board or committees members, or their participation in their deliberations. This duty of discretion and confidentiality shall survive to the end of terms of office.

Directors undertake to comply with all stock market regulations designed to prevent any market abuse prejudicial to the interests or image of the Company or the Group.

Directors shall not engage in transactions on any shares of companies in respect of which they hold insider information, owing to their position, which is likely to have a significant influence on the price of such shares.

Without prejudice to the applicable statutory provisions, every Director must be a Company shareholder in a personal capacity, and own directly or indirectly, a relatively significant number of shares.

Any Director whether 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, on 2 March 2015, 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 of organizing and supervising the Board's work. He takes part in the preparation of Board meetings in coordination with the Chairman and, in that capacity, is consulted by the Chairman with regard to setting a meeting's agenda. With the Chairman, he reviews the documents and information put at the Directors' disposal before the notice of meeting is sent out.

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 Appointments and Governance Committee, in cooperation with the Deputy Chairman of the Board or a Director 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 audition the Group's main senior managers, whether executive officers or not. It may request all the reports, documents and studies drafted by the Group and ask for, provided this does not breach any confidentiality rules, any external technical studies at the Company's expense. For this purpose, and without prejudice to the individual directors' information right provided for by 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, likewise, collectively or individually, during meetings or outside meetings, ask the Chairman for information they deem useful, if disclosing said information is not prohibited by prudence rules with respect to confidentiality.

Directors are provided with relevant information and, in particular, monthly reports, press reviews and financial analysts' reports.

They 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 separation of said duties shall become effective on the date of entry into office of the new Chief Executive Officer. (For further information, see section 2.1.5.2.1 – Implementation of a new governance structure).

The Chief Executive Officer

Appointment and removal

Where the Board of Directors decides to split the roles of Chairman of the Board and Chief Executive Officer, it shall appoint the Chief Executive Officer, fix his or her term of office and determine any restrictions on his or her powers.

The Chief Executive Officer may be dismissed at any time by the Board of Directors. If the Chief Executive Officer is not the Chairman, his or her dismissal may give rise to damages if unjustified.

The Chief Executive Officer is subject to the provisions of Article L.225-94-1 of the French Commercial Code on simultaneous holding of terms of office as Chief Executive Officer, member of Management Board, sole managing Director, Director or member of the Supervisory Board of *sociétés anonymes* having their registered offices in France.

If the Chairman is also the Chief Executive Officer, the provisions concerning the Chief Executive Officer also apply to him.

Powers

The Chief Executive Officer has the broadest powers to act at any times and in any circumstances in the name and on behalf of the Company, within the limits of the Company's corporate purpose and subject to those powers expressly conferred by law to Shareholders' Meetings and to the Board of Directors.

The Chief Executive Officer represents the Company with respect to third parties. The Company is bound by the Chief Executive Officer's acts even if the acts are *ultra vires* the corporate purpose, unless the Company can prove that the third party knew the act was *ultra vires* or could not fail to have known this given the circumstances, on the understanding that the sole publication of the Company's Articles of Association is not sufficient to constitute such proof.

Deputy Chief Executive Officers

Upon proposal of the Chief Executive Officer, the Board of Directors may appoint one or more persons to assist him, who shall have the title of Deputy Chief Executive Officer.

The maximum number of Deputy Chief Executive Officers is set at five.

The scope and term of the powers granted to Deputy Chief Executive Officers are determined by the Board of Directors and the Chief Executive Officer.

With respect to third parties, Deputy Chief Executive Officers have the same powers as the Chief Executive Officer.

Deputy Chief Executive Officers may be dismissed by the Board of Directors at any time upon proposal of the Chief Executive Officer.

If the Chief Executive Officer ceases to exercise or is prevented from exercising his duties, the Deputy Chief Executive Officers will remain in office until a new Chief Executive Officer is appointed, unless the Board of Directors decides otherwise.

Board Committees

Common rules to all committees

In accordance with its Internal Regulations, 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, 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, it 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.

Each Committee decides, if need be, on its other operating procedures. It 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 bylaws.

The Board of Directors has set up five permanent committees: a Strategic Committee, an Audit Committee, a Compensation Committee, an Appointments and Governance Committee and an Ethics Committee.

The Strategic Committee

The Strategic Committee comprises at least three Directors and no more than six Directors. The role of the Strategic Committee is to:

- 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.

The Audit Committee

The Audit Committee comprises at least three Directors and no more than six Directors, including a majority 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 or accounting 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 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 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;
- conduct an annual review of 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 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.

The Appointments and Governance Committee

The Appointments 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, none of whom may be the Chairman of the Board of Directors. The Board appoints the Chairman of the Committee from among its members.

The role of the Appointments 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 support of the Board's Chairman, on the list of independent members of the Board of Directors.

The Appointments and Governance Committee meets at least twice a year when convened by its Chairman or at the request of the Chairman of the Board.

The Compensation Committee

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 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 deem this is useful, the Compensation Committee may ask the Chairman of the Board to help in its deliberations and work, except when it is discussing the Chairman's compensation.

The Compensation Committee meets at least twice a year when convened by its Chairman, or at the request of the Chairman of the Board.

The Ethics Committee

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 role of the Ethics Committee is to:

- review the definition of the Group's fundamental values as well as of its ethics and compliance policies;
- submit recommendations on ethics and compliance to the Board of Directors; discuss all issues related to ethics and compliance referred to it by the Board;
- ensure the dissemination throughout the Group of the Code of Ethics and general ethics policies defined by the Group and their updates;
- monitor the implementation and efficiency of procedures used to disseminate the Code of Ethics and overall policies and make sure they are bought into by employees and complied with throughout the Company;
- study the Group's risks mapping from an ethics and compliance standpoint;
- review the ethics and compliance activity report within the Group;
- study the organization of the ethics and compliance function and make recommendations, when relevant;
- receive any information concerning possible breaches of the ethics and compliance policy and review action plans implemented after such breaches are detected.

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.

4.1.1.2 Composition of the Board of Directors and of the Executive Management

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 2015, the Board of Directors met twelve times. The attendance rate amounted to 91%.

During 2015 financial year, the changes that occurred within the Board of Directors are as follows:

	Nature of the change	Consequences in term of diversification
The Shareholders' Meeting held on 27 May 2015	Renewal of Mr. Marc de Garidel, Mr. Henri Beaufour and Mr. Christophe Verot as Directors	N/A
	Appointment of Mrs. Michèle Ollier as Director	Independent Director Swiss and French nationalities
The Board of Directors held on 27 May 2015	Resignation of Mrs. Martha Crawford, with effect as at 27 May 2015	Independent Director American and French nationalities
	Renewal of Marc de Garidel as Chairman	N/A

List of the Directors in function as at 31 December 2015

Name	Function	Age	Date of first appointment and last renewal	End of term of office(*)	Member of a Committee
Marc de Garidel	Chairman and Chief Executive Officer (**)	58	11/10/2010 with effect as at 22/11/2010 27/05/2015	ASM 2019	Strategic Committee (Chairman)
Antoine Flochel	Vice-Chairman and Director	51	30/08/2005 31/05/2013	ASM 2017	Compensation Committee (Chairman) Strategic Committee
Hélène Auriol-Potier (a)	Director	53	04/06/2014	ASM 2018	Ethics Committee (Chairperson) Compensation Committee
Anne Beaufour	Director	52	30/08/2005 04/06/2014	ASM 2018	Appointments and Governance Committee (Chairperson) Strategic Committee
Henri Beaufour	Director	51	30/08/2005 27/05/2015	ASM 2019	Strategic Committee
Hervé Couffin (a)	Director	64	30/08/2005 04/06/2014	ASM 2018	Appointments and Governance Committee Audit Committee
Michèle Ollier (a) (b)	Director	58	27/05/2015	ASM 2019	Appointments and Governance Committee Strategic Committee
Mayroy SA (représentée par Philippe Bonhomme)	Director	46	01/06/2012	ASM 2016	Ethics Committee
Pierre Martinet (a)	Director	66	19/09/2005 04/06/2014	ASM 2018	Audit Committee (Chairman) Compensation Committee
Christophe Vérot	Director	55	27/05/2011 27/05/2015	ASM 2019	Audit Committee Appointments and Governance Committee
Carol Xueref (b)	Director	60	01/06/2012	ASM 2016	Strategic Committee Ethics Committee

(*) The Company has implemented staggered terms of office in 2011, which explains the different maturity dates.
(**) On 16 February 2016, the Company announced that it had initiated the process to recruit a new Chief Executive Officer and the separation of the duties of Chairman of the Board of Directors and Chief Executive Officer. Mr. Marc de Garidel shall fulfill the duties of Chairman of the Board of Directors within the framework of this new governance structure which shall become effective on the date of entry into office of the new Chief Executive Officer. For further information, see section 2.1.5.2.1 – Implementation of a new governance structure.
(a) Independent Director.
(b) Director of non-French nationality.

The Board of Directors, at its meeting held on 27 May 2015, 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 separation of said duties shall become effective on the date of entry into office of the new Chief Executive Officer. The Board of Directors also confirmed that the duties of Chairman of the Board of Directors will be exercised by Mr. Marc de Garidel within the framework of this new governance structure. For further details, see section 2.1.5.2.1 – Implementation of a new governance.

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 Appointments and Governance Committee, the Board of Directors, at its meeting held on 29 February 2016, considered that **Hélène Auriol-Potier, Michèle Ollier, Hervé Couffin** and **Pierre Martinet** are independent Directors within the meaning of the Board Internal Regulations described in section 4.1.1.1 of the present registration document. The other Directors are related to an entity which controls 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 is the Chairman and Chief Executive Officer of the Company(*)	–	–	–	–	–
Antoine Flochel	–	–	–	Antoine Flochel is Vice-President of the Board and Managing Director of Mayroy SA, the company controlling Ipsen SA	–	–

(*) On 16 February 2016, the Company announced the launching of the recruitment process of a new Chief Executive Officer and the separation of the duties of Chairman of the Board of Directors and Chief Executive Officer. Mr. Marc de Garidel will be Chairman of the Board of Directors within the framework of this new governance structure which shall become effective the date of entry into office of the new Chief Executive Officer . For further details, see the section 2.1.5.2.1 – implementation of a new governance structure.

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	–	–	–	–	

Once a year the Appointments and Governance Committee estimates, during the annual evaluation of the Director's independence qualification, 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 that the transactions' amounts between the Company and the concerned Directors, or the company to which he is associated (as a client, provider, investment or as a business banker) do not exceed certain Group's turnover, stockholder's equity, Company's assets or stockholder's debt thresholds.

Upon recommendation of the Appointments 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.

Members of the Executive Management on 31 December 2015

Name	Function	Age	Date of first appointment and last renewal	End of term of office	Member of a Committee
Marc de Garidel	Chairman and Chief Executive Officer(*)	58	11/10/2010 with effect as at 22/11/2010 27/05/2015	ASM 2019	Strategic Committee (Chairman)
Christel Bories	Deputy Chief Executive Officer(**)	52	01/03/2013	Unlimited	Executive Committee (Chairman)

(*) On 16 February 2016, the Company announced the launching of the recruitment process of a new Chief Executive Officer and the separation of the duties of Chairman of the Board of Directors and Chief Executive Officer. Mr. Marc de Garidel will be Chairman of the Board of Directors within the framework of this new governance structure which shall become effective the date of entry into office of the new Chief Executive Officer. For further details, see the section 2.1.5.2.1 – Implementation of a new governance structure.

(**) On 16 February 2016, the Company announced the departure of Mrs. Christel Bories. The duties of Mrs. Christel Bories within the Group will be terminated as of 31 March 2016. For further details, see section 2.1.5.2.2 – Departure of Mrs. Christel Bories, Deputy Chief Executive Officer until 31 March 2016.

For the purposes of their office, Directors and member of the Executive Management are domiciled at the Company's registered office.

To the Company's best knowledge and as at the date of the present registration document, during the past five years, none of the Directors of the Company has been:

- convicted of fraud, charged with any other offence or had any official public disciplinary action taken against them by statutory or regulatory authorities;
- implicated in a bankruptcy, receivership or liquidation as an executive officer or director;
- disqualified from acting as a board member, senior executive or supervisory board member or from participating in the management of a listed company.

4.1.1.3 Main activities of the Board members on 31 December 2015

Marc de Garidel

Chairman and Chief Executive Officer

Chairman of the Strategic Committee

Born on 16 March 1958, French nationality

Since November 2010, Marc de Garidel holds the position of Chairman and Chief Executive Officer of Ipsen SA. Mr. Marc de Garidel shall fulfill the duties of Chairman of the Board of Directors within the framework of the new governance structure announced by the Company on 16 February 2016. For further details, see section 2.1.5.2.1 – Implementation of a new governance structure.

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 Pharnext (France) and Galenica (Suisse).

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).

As at 31 December 2015, Marc de Garidel directly owned 42,076 shares and 46,217 voting rights of the Company.

Positions and functions currently held:

Ipsen Group:

- Ipsen Pharma SAS (France), Chairman
- Suraypharm SAS (France), Chairman

Others:

- G5 Santé (France), Chairman
- EFPIA, Director and Vice-President
- Pharnext (France), Director
- Healthcare Industries and Technologies (France), Vice-President of the Strategic Committee
- Galenica (listed company in Switzerland), Director

Positions and functions previously held that expired during the last five years:

- Comité Biotech du Leem (Les Entreprises de Médicament)
- European Biopharmaceutical Enterprises, Chairman
- Promethera (Belgium), Non-Executive Chairman
- Inserm Transfer (France), Vice-President of the Advisory Board

Antoine Flochel

Director and Vice-Chairman of the Board of Directors

Chairman of the Compensation Committee and member of the Strategic Committee

Born on 23 January 1965, French nationality

Antoine Flochel is currently legal manager of Financière de Catalogne (Luxembourg) and Vice-Chairman of 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.

Antoine Flochel is Chairman of Vicjen Finance SA which held 2,000 shares of the Company and 4,000 voting rights as at 31 December 2015. 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.

Positions and functions currently held:

- 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) (ex-VicJen Investissements), Legal Manager
- VicJen Finance SA (France), Chairman
- Financière de Catalogne SPRL (Luxembourg), Legal Manager

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

Anne Beaufour

Director

Chairperson of the Appointments and Governance Committee and member of the Strategic Committee

Born on 8 August 1963, French nationality

Anne Beaufour holds a bachelor's degree in geology (University of Paris Orsay).

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.

As at 31 December 2015, Mrs. Anne Beaufour held directly 1 share and 2 voting rights of the Company.

Positions and functions currently held:

- Mayroy SA (Luxembourg), Vice Chairperson of the Board of Directors and Managing Director
- Beech Tree SA (Luxembourg), Director and Chairperson of the Board of Directors
- Highrock S.à.r.l. (Luxembourg), Legal Manager
- Bluehill Participations S.à.r.l. (Luxembourg), Legal Manager
- 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

Member of the Strategic Committee

Born on 6 January 1965, French nationality

Henri Beaufour holds a bachelor of arts degree (Georgetown University, Washington DC, United States).

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.

As at 31 December 2015, Henri Beaufour held directly 1 share and 2 voting rights of the Company.

Positions and functions currently held:

- Mayroy SA (Luxembourg), Director
- Beech Tree SA (Luxembourg), Director

Positions and functions previously held that expired during the last five years:

- FinHestia S.à.r.l. (Luxembourg), Legal Manager
- Bluehill Participations & Cie S.C.A (Luxembourg), Member of the Advisory Board

Hervé Couffin

Director

Member of the Appointments and Governance Committee and member of the Audit Committee

Born on 26 October 1951, French nationality

Hervé Couffin is Chairman of Callisto, a consultancy advising management teams on LBOs.

He is Chairman of the Supervisory Board of Mersen and sits on the board of directors of Antargaz as well as in 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 a period of 15 years.

Hervé Couffin is a graduate of the École Polytechnique and a member of the Corps des Mines.

As at 31 December 2015, Hervé Couffin directly held 1,200 shares and 2,400 voting rights of the Company.

Positions and functions currently held:

- Callisto SAS (France), Chairman
- 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
- Mersen (listed on Euronext) (France), Chairman of the Supervisory Board

Positions and functions previously held that expired during the last five years:

- French-Tunisian Oil Company (Tunisia), Director

Hélène Auriol-Potier

Director

Chairman of the Ethics Committee and member of the Compensation Committee

Born on 26 November 1962, French nationality

Since the end of 2013, Hélène Auriol-Potier is Managing Director, Microsoft Dynamics Europe.

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 the company Dell as Managing Director, in charge of Africa and Mediterranean Area and as member of the Executive Committee, 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 of 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.

As at 31 December 2015, Hélène Auriol-Potier directly held 600 shares and 600 voting rights of the Company.

Positions and functions currently held:

- Faively Transport (France) (listed on Euronext), Independent Director

Positions and functions previously held that expired during the last five years:

None.

Mayroy SA (represented by Mr. Philippe Bonhomme)

Director

Member of the Ethics Committee

Registered office: 11 boulevard Royal, L-2449 Luxembourg

Number B48865 RCS Luxembourg

The company Mayroy SA is a *société anonyme* incorporated under the laws of Luxembourg in 1994. The company Mayroy SA is a shareholder of Ipsen SA.

As at 31 December 2015, Mayroy SA held 47,269,813 shares, *i.e.*, 56,78% of the share capital and 94,539,617 voting rights, *i.e.*, 72.78% of net voting rights.

Philippe Bonhomme (permanent representative of Mayroy SA)

Permanent representative of Mayroy SA in the Board of Directors

Member of the Ethics Committee

Born on 5 November 1969, French nationality

Since 2005, Phillippe Bonhomme is a Managing Director and a member of the management committee of Hottinguer Corporate Finance, 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 had been acting as auditor and, subsequently, as 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).

As at 31 December 2015, Philippe Bonhomme directly held 500 shares of the society and 500 voting rights.

Positions and functions currently held:

- Hottinguer Corporate Finance SA (France), Director
- Mayroy SA (Luxembourg), Director

Positions and functions previously held that expired during the last five years:

None.

Pierre Martinet

Director

Chairman of the Audit Committee and member of the Compensation Committee

Born on 2 December 1949, French nationality

Pierre Martinet is the Chairman of Almancantar (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, of which he was a co-founder. Previously, he worked at Cartier as General Secretary from 1977 to 1985. In 1974, Pierre Martinet started his career in Rothschild Bank.

Pierre Martinet is a graduate of the Paris ESC business school and of the Columbia Graduate School of Business.

As at 31 December 2015, Pierre Martinet directly held 2,132 shares and 4,264 voting rights of the Company.

Positions and functions currently held:

- Almacantar (Luxembourg), Chairman

Positions and functions previously held that expired during the last five years:

- Banijay Entertainment (France), Member of the Supervisory Board
- Cushman & Wakefield (USA), Director
- Cartier SA (France), Member of the Supervisory Board
- Greysac SAS (France), Director
- IFIL France SAS (France), Chairman
- Old Town SA (Luxembourg), Managing Director
- Sequana (France), Director

Michèle Ollier

Director

Member of the Strategic Committee and the Appointments and Governance Committee

Born on 2 June 1958, French and Swiss nationalities

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 about strategy, development and commercialization in the pharmaceutical societies Sanofi International and Bristol-Myers Squibb France.

Michèle Ollier is a graduate of the medicine faculty of Paris-Ouest.

As at 31 December 2015, Michèle Ollier holds directly 500 shares of the Company and 500 voting rights.

Positions and functions currently held :

- 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)
- Encare Biotech BV (Netherlands)
- AbTco BV (Netherlands)
- Human Antibody Factory (United Kingdom)

Positions and functions held that expired during the last five years:

- 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

Member of the Audit Committee and the Appointments and Governance Committee

Born on 23 July 1960, French nationality

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.

As at 31 December 2015, Christophe Vérot directly held 1,500 shares and 3,000 voting rights of the Company.

Positions and functions currently held:

- PwC Investissements SAS, Chairman and Member of the Management Committee
- PwC Corporate Finance SAS, Permanent Representative of PwC Investments in the Board of Directors
- PwC Holdings France, Member of the Management Committee and Chairman
- PricewaterhouseCoopers Corporate Finance, Permanent Representative of PwC Corporate Finance in the Management Committee

Positions and functions previously held that expired during the last five years:

None.

Carol Xueref

Director

Member of the Strategic Committee and member of the Ethics Committee

Born on 9 December 1955, British nationality

Carol Xueref is the Company Secretary and member of the Executive Committee of Essilor International.

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, 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).

As at 31 December 2015, Carol Xueref directly held 500 shares and 700 voting rights of the Company.

Positions and functions currently held:

- Essilor International (listed on Euronext) (France), Director of several non-French subsidiaries of the Group
- Eiffage (listed on Euronext) (France), Director and member of the Compensation and Appointments Committee and member of the Strategic Committee

Positions and functions previously held that expired during the last five years:

- Essilor International, Director of several subsidiaries of the Group (France and abroad)

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 at the date of publication of the present registration document:

- there is no conflict of interest between the duties of the members of the Board of Directors and of the Executive Management, 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.

Service contracts with members of the Company's governing bodies

To the Company's best knowledge no services contracts involving Directors or any member of the Executive Board and the issuing company or its subsidiaries likely to provide such benefits, has been signed.

Loans and guarantees granted to members of the Board

No loan or guarantee has been granted by the Company to any member of its Board of Directors or its executive management.

4.1.1.5 Assessment of the functioning of the Board

The Internal Regulations 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, the Chief Executive Officer and senior executives. This executive session meeting is prepared by the Appointments and Governance Committee, in cooperation with the Vice-Chairman of the Board or a Director specifically appointed for this purpose. The Committee may, on this occasion, request that an assessment be carried out by an external consultant.

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 Mr. Pierre Martinet, independent Director, under the aegis of the Appointments and Governance Committee. This assessment was conducted by Mr. Pierre Martinet on the basis of individual interviews. The conclusions of this assessment were presented and debated during the Board of Directors meeting held on 27 May 2015. The Directors emphasized the effectiveness of the Board of Directors. They also noted improvements made especially regarding the quality of documents provided, steadily improving. Proposals were suggested with regard to the preparation of Board meetings and their progress. During those interviews, the Directors had the possibility to express freely their appreciation about the effectiveness of individual contributions in the general comments.

4.1.1.6 Executive Committee

The Group has an Executive Committee which is responsible for managing the Company's day-to-day operations and for coordinating the Group's various scientific, legal, financial, commercial and strategic actions.

The Executive Committee is also responsible for establishing consistent management policies throughout the Group and for assisting the Chairman of the Board of Directors in implementing the Board's decisions.

4.1.1.6.1 Composition

At the date of this registration document, the current members of the Executive Committee are:

Name	Function	Date of entry in the Group
Marc de Garidel	Chairman and Chief Executive Officer(*)	2010
Jonathan Barnsley	Executive Vice-President, Technical Operations	2014
Claude Bertrand	Executive Vice-President, Research and Development, Chief Scientific Officer	2009
Stéphane Bessette	Executive Vice-President, Human Resources	2015
Pierre Boulud	Executive Vice-President, Specialty Care Commercial Operations	2002
Aymeric Le Chatelier	Executive Vice-President, Finance	2014
Jean Fabre	Executive Vice-President, Primary Care Global Business Unit	2008
François Garnier	Executive Vice-President, General Counsel	2015
Christophe Jean	Executive Vice-President, Strategy and Business Development	2002
Philippe Robert-Gorsse	Executive Vice-President, Specialty Care Franchises	2005

(*) From 15 February 2016, Mr. Marc de Garidel replaced Mrs. Christel Bories as Chairman of the Executive Committee following the announcement of her departure. For further details, see section 2.1.5.2.1 – Departure of Christel Bories, Deputy Chief Executive Officer until 31 March 2016.

On 5 January 2015, Mr. François Garnier joined the Executive Committee as Executive Vice-President, General Counsel, replacing Mrs. Natalie Joannes who wishes to give a new direction to her career.

On 1 October 2015, Mr. Stéphane Bessette joined the Executive Committee as Executive Vice-President, Human Resources, replacing Mrs. Dominique Brard who wishes to give a new direction to her career.

On 15 February 2016, Mr. Marc de Garidel replaced Mrs. Christel Bories as Chairman of the Executive Committee following the announcement of her departure.

There are no family relationships between the members of the Executive Committee, 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 at the date of publication of the present registration document, over the last five years, none of the members of the Executive Committee have been:

- convicted of fraud, charged with any other offence or had any official public disciplinary action taken against them by statutory or regulatory authorities;
- implicated in a bankruptcy, receivership or liquidation as an executive officer or director;
- disqualified from acting as a board member, senior executive or supervisory board member or from participating in the management of a listed company.

The members of the Executive Committee, except for Mr. Marc de Garidel, 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 Committee.

4.1.1.6.2 Presentation of members of the Executive Committee

Marc de Garidel

On 15 February 2016, Mr. Marc de Garidel, Chairman and Chief Executive Officer of IPSEN SA since November 2010, replaced Mrs Christel Bories as Chairman of the Executive Committee, following the announcement of her departure from the Group. For further details about the biography of Mr. Marc de Garidel, see section 4.1.1.3 – Main activities exercised by the Directors on 31 December 2015 – Marc de Garidel.

Christel Bories

Deputy Chief Executive Officer until 31 March 2016

Born on 20 May 1964, french nationality

From March 2013, Christel Bories exercised duties of Deputy Chief Executive Officer of Ipsen SA. On 16 February 2016, the Company announced the departure of Mrs Christel Bories who will terminate her duties within the Group on 31 March 2016.

Since 2012, she is both Chairperson of the Strategy Committee of Legrand and member of the Board of Directors of Smurfit Kappa. From 2011 to 2014, she was a member of the Board of Directors of Natixis.

A graduate of the French business school HEC, Christel Bories spent most of her career in the industrial sector, where she gained solid experience in global renowned groups. From 1995 to 2003 at Pechiney, she was Director of Strategy and Management Control, prior to becoming Director of Pechiney Packaging. In 2004, at the time of the merged with Alcan, she took over as Chairwoman of Alcan Packaging, and then, in 2007, of Alcan Engineered Products. Finally, in 2008, she was appointed to the helm of Rio Tinto Engineered Products after the acquisition of Alcan. In 2011, Mrs.Christel Bories was Chief Executive Officer of Constellium (formerly Alcan).

As at 31 December 2015, Christel Bories held 16,456 shares of the Company and 16,456 voting rights.

Positions and functions currently held:

- Legrand (listed on Euronext) (France), independent Director, Chairperson of the Strategic Committee and member of the Audit Committee
- Smurfit Kappa (listed on the London Stock Exchange) (Ireland), independent Director and member of the Audit and Compensation Committees

Positions and functions previously held that expired during the last five years:

- Natixis (listed on Euronext) (France), independent Director, Chairperson of the Compensation Committee and member of the Strategic Committee
- Constellium (France), Managing Director
- Atlas COPCO AB (Sweden), Director
- Cercle de l'Industrie (France), Director

Jonathan Barnsley

Executive Vice-President, Technical Operations

Born on 26 January 1957, English and Swiss nationalities.

Since 1 April 2014, Jonathan Barnsley is responsible for the Specialty Care's manufacturing sites, development of processes for our peptides and toxins platforms and has a functional link to Primary Care's manufacturing sites. In addition, Jonathan Barnsley has direct responsibility for the Global Support functions: Purchasing, Quality, EHS, Supply Chain and Technical Services.

He 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 Senior Vice-President of biotech development covering the development of processes for transfer to manufacturing.

Positions and functions currently held:

Ipsen Group:

- Ipsen Biopharm Limited (United Kingdom), Chairman and Director
- Ipsen Development 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

Other:

None.

Claude Bertrand

Executive Vice-President, Research and Development, Chief Scientific Officer

Born on 2 June 1962, French nationality

Claude Bertrand is Executive Vice-President, Research and Development, Chief Scientific Officer since November 2009.

Claude Bertrand has a PhD in pharmacy, a Master in Pharmacology, a PhD from the Louis Pasteur University of Strasbourg. Then, Claude Bertrand obtained a post doc from the University of California, San Francisco, USA, under the supervision of Pr. Jay A. Nadel.

He started his career in the pharmaceutical industry as researcher in Novartis (previously Ciba-Ceigy) in Basel (Switzerland). Then, Claude Bertrand moved to the Inflammatory Disease Unit at Roche (Palo Alto, California, USA). In 1999, he was recruited as Director of Biology R&D of Pfizer in France and member of the management team of Pfizer Global R&D. From 2004 to 2009, Claude Bertrand was R&D Vice-President, then R&D Senior Vice-President of AstraZeneca where he was responsible of Respiratory and Inflammation diseases therapeutic area.

Positions and functions currently held:

Ipsen Group:

- Ipsen Innovation SAS (France), Managing Director

Other:

- ABIVAX, Director
- ARIIS (Alliance pour la Recherche et l'Innovation des Industries de Santé), Chairman
- INSERM, Director
- MEDIALIS, Scientific Advisory Board
- ECLOISION 2, Director

Stéphane Bessette

Executive Vice-President, Human Resources

Born on 18 May 1966, French nationality

Stéphane Bessette is Executive Vice-President, Human Resources since October 2015.

He is graduated from the ECAM (Lyon), IGS (Paris) and INSEAD (Fontainebleau).

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.

Positions and functions currently held:

Ipsen Group:

None

Others:

None

Pierre Boulud

Executive Vice-President, Specialty Care Commercial Operations

Born on 24 November 1971, French nationality

Pierre Boulud is Executive Vice-President, Specialty Care Commercial Operations since November 2013.

Pierre Boulud is graduated from the École Supérieure des Sciences Économiques et Commerciales (ESSEC).

Pierre Boulud started his career with 7 years of Strategy consulting, out of which 5 years at the Boston Consulting Group.

Pierre Boulud joined Ipsen Group in 2002 and has held several senior positions within the Ipsen Group, particularly the management of the Group's Spanish subsidiary and the management of the Strategic Marketing at the headquarters. From 2011 to 2013, he was the Executive Vice-President Corporate Strategy in charge of Business Development, Alliance Management, Market Access, Competitive Intelligence and Scientific Information and Strategic Planning.

Positions and functions currently held:

Ipsen Group:

- Beaufour Ipsen Farmaceutica Ltda (Brazil), Director

Other:

None.

Aymeric Le Chatelier

Executive Vice-President, Finances

Born on 26 May 1969, French nationality

Aymeric Le Chatelier is Executive Vice-President, Finances since November 2014.

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.

Positions and functions currently held:

Ipsen Group:

None.

Other:

None.

Jean Fabre

Executive Vice-President, Primary Care Global Business Unit

Born on 27 March 1959, French nationality

Jean Fabre is Executive Vice-President, Primary Care Global Business Unit since November 2013.

Jean Fabre holds a PhD in Pharmacy and holds a Master in Pharmacology and a Master in Pharmaceutical Marketing from leading French business school ESCP.

Jean Fabre began his career in the pharmaceutical industry in 1985 at Rhône-Poulenc where he held various positions spanning sales and marketing. In 1997, he was appointed General Manager of Rhône-Poulenc's Swiss affiliate.

In 2000, Jean Fabre was appointed Vice-President of Aventis International Eastern European and Turkish operations then, he became Senior Vice-President of Sanofi-Aventis' Latin American operations in 2003.

In 2005, Jean Fabre joined the Pierre Fabre Group in Castres (France) where he headed the company's global pharma operations.

Jean Fabre joined Ipsen in 2008 as Senior Vice-President Intercontinental Operations (Latin America, Eastern Europe, Africa, Middle East, and Asia). He has been leading the Primary Care global business since 2011.

Positions and functions currently held:

Ipsen Group :

- Beaufour Ipsen International (Hong Kong) Ltd (Hong Kong), Director
- Beaufour Ipsen (Tianjin) Pharmaceutical Co Ltd (China), Director
- Ipsen OOO (Russia), Chairman
- Ipsen (Beijing) Pharmaceutical Science and Technology Development Co Ltd (China), Director

Others:

None.

François Garnier

Executive Vice-President, General Counsel

Born on 4 May 1962, French nationality

François Garnier is Executive Vice-President, General Counsel since January 2015.

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) of Pfizer Inc. since January 2014. He joined Pfizer France in April 2003 as Vice-President, 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.

Positions and functions currently held:

Ipsen Group:

None.

Other:

None.

Christophe Jean

Executive Vice-President, Strategy and Business Development

Born on 22 December 1955, French nationality

Christophe Jean is Executive Vice-President, Strategy, Business Development and Alliances since November 2013.

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, both in Europe and Latin America. He was then appointed Vice-President, Finance and Information Technology and a member of the Pharmaceutical Executive Committee in Basel, 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.

Positions and functions currently held:

Ipsen Group:

None.

Others:

- Exonhit Therapeutics (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

Philippe Robert-Gorsse

Executive Vice-President, Specialty Care Franchises

Born on 30 October 1960, French nationality

Philippe Robert-Gorsse was appointed Executive Vice-President, Specialty Care Franchises in November 2013.

Philippe Robert-Gorsse is a graduate of leading French engineering school École Centrale Paris.

Philippe Robert-Gorsse began his career at Roussel-Uclaf where he held various positions in both controlling and marketing. Between 1989 and 2003, he was successively Finance Manager and General Manager of the company's South African affiliate, Director of Roussel's Operations in France, and Infectiology Business Unit Head of Aventis France. In 2003, Philippe Robert-Gorsse was appointed Vice-President of Eastern Europe and other markets at Aventis.

Philippe Robert-Gorsse joined Ipsen in 2005 as Vice-President Eurasia Operations (Europe excluding G5, Russia, Ukraine, Central Asia, China and South Korea). In 2008, he took responsibility for leading Ipsen's European Operations.

Positions and functions currently held:

Ipsen Group:

- Ipsen Innovation SAS (France), Managing Director

Others:

None.

4.1.1.7 Transactions on Company's shares

Definition of blackout periods

The Company complies with the recommendations of the *Autorité des marchés financiers* of 3 November 2010 and the AFEP-MEDEF Code. Accordingly, purchases and sales of Company securities, or financial instruments, are prohibited during the periods running from the date on which executive officers and other persons with a similar status as well as any other person who has access to privileged information on a regular or occasional basis have knowledge of precise information about business conditions or prospects, which, if it were disclosed, could have a material impact on the share price to the date on which this information is disclosed. Moreover, such trades are also banned during a period of:

- 30 calendar days prior to the publication of the annual and half-year financial statements and the day of publication included, and
- 30 calendar days prior to the publication of quarterly information and the day of publication included.

The Company draws up and releases, at the beginning of every year, a timetable that defines the periods during which trading in Company securities is prohibited and stipulating that the indicated periods do not anticipate the existence of other blackout periods resulting from knowledge of precise information that directly or indirectly concerns Ipsen, which, if it were disclosed, could have a significant influence on Ipsen's share price.In accordance with the recommendations of the AFEP-MEDEF Code (section 23.2.4) and the recommendation n°2010-07 dated 3 November 2010 of the *Autorité des marchés financiers*, hedging of any kind on securities of the Company, in case of exercises of stock options, is prohibited.

Mr. Marc de Garidel, Chairman and Chief Executive Officer, and Mrs. Christel Bories, Deputy Chief Executive Officer, undertook a formal commitment not to engage in hedging transactions either on their options or on shares issued following the exercise of options or on performance bonus shares granted until the end of the holding period that has been decided by the Board of Directors.

Transactions on Company's securities carried out in 2015

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 2015 and as at the date of this registration document by directors and senior executives, and any person related to them, as such transactions were notified to the Company and the *Autorité des marchés financiers*:

	Purchases			Sales			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]	–	–	–	–	–	–	6 March 2015	21,000	22.20
Christophe Jean, Executive Vice-President Strategy, Business Development and Alliances[1]	–	–	–	–	–	–	6 March 2015	14,568	33.21
Hélène Auriol-Potier, Director	9 March 2015	200	44.90	–	–	–	–	–	–
Philippe Bonhomme, Director	7 May 2015	500	50.6	–	–	–	–	–	–
Pierre Boulud, Executive Vice-President, Specialty Care Commercial Operations	–	–	–	–	–	–	4 May 2015	1,300	34.68
Pierre Boulud, Executive Vice-President, Specialty Care Commercial Operations[2]	–	–	–	4 May 2015	1,300	51.54	–	–	–
Pierre Boulud, Executive Vice-President, Specialty Care Commercial Operations	–	–	–	–	–	–	4 May 2015	700	34.64
Pierre Boulud, Executive Vice-President, Specialty Care Commercial Operations[2]	–	–	–	4 May 2015	700	51.79	–	–	–
Pierre Boulud, Executive Vice-President, Specialty Care Commercial Operations	–	–	–	4 May 2015	1,030	51.29	–	–	–
Antoine Flochel, Director	–	–	–	20 May 2015	3,000	51.5	–	–	–
Christophe Jean, Executive Vice-President Strategy, Business Development and Alliances	–	–	–	–	–	–	3 August 2015	17,100	25.01
Christophe Jean, Executive Vice-President Strategy, Business Development and Alliances[2]	–	–	–	3 August 2015	17,100	59.82	–	–	–

	Purchases			Sales			Exercice of stock-options		
	Date	Number	Price per unite	Date	Number	Price per unite	Date	Number	Price per unite
Pierre Boulud, Executive Vice-President, Specialty Care Commercial Operations	–	–	–	–	–	–	5 August 2015	5,000	25.01
Pierre Boulud, Executive Vice-President, Specialty Care Commercial Operations(2)	–	–	–	5 August 2015	5,000	59.76	–	–	–
Pierre Boulud, Executive Vice-President, Specialty Care Commercial Operations	–	–	–	–	–	–	6 August 2015	1,632	25.01
Pierre Boulud, Executive Vice-President, Specialty Care Commercial Operations(2)	–	–	–	6 August 2015	1,632	60.05	–	–	–
Pierre Boulud, Executive Vice-President, Specialty Care Commercial Operations	–	–	–	–	–	–	7 August 2015	3,694	25.01
Pierre Boulud, Executive Vice-President, Specialty Care Commercial Operations(2)	–	–	–	7 August 2015	3,694	60.55	–	–	–
Pierre Boulud, Executive Vice-President, Specialty Care Commercial Operations	–	–	–	7 August 2015	3,098	60.80	–	–	–
Claude Bertrand, Executive Vice-President, Research and Development, Chief Scientific Officer	–	–	–	–	–	–	9 September 2015	15,696	25.01
Claude Bertrand, Executive Vice-President, Research and Development, Chief Scientific Officer	–	–	–	9 September 2015	15,696	58.65	–	–	–
Christophe Jean, Executive Vice-President Strategy, Business Development and Alliances(1)	–	–	–	–	–	–	15 September 2015	25,432	33.21
Christophe Jean, Executive Vice-President Strategy, Business Development and Alliances(1)	–	–	–	–	–	–	15 September 2015	27,568	35.86
Michèle Ollier, Director	20 November 2015	500	58.23	–	–	–	–	–	–

(1) Options exercises followed by a donation.
(2) Purchase following options exercise.

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 held on 31 May 2016, 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 29 February 2016 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 2015.

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 not separated at the date of this Registration Document.

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.

This evolution about the governance reflects the determination of the Group to accelerate his international development and to be prepared for the challenges that the pharmaceutical industry is currently facing. The separation of said duties is also governance's good practice, more and more applied in the pharmaceutical industry.

The separation of duties 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.

In this perspective, the general management will be entrusted to an executive officer with an international profile and experience. The Chief Executive Officer could be assisted by one or several Deputy Chief Executive Officers.

The separation of duties shall become effective on the date of entry into office of the new Chief Executive Officer, replacing Mr. Marc de Garidel.

For further information, see section 2.1.5.2.1 – Implementation of a new governance structure.

Corporate governance Code

The Company refers to the AFEP-MEDEF corporate governance Code of April 2010, revised on November 2015, 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 6.3 The Board of Directors must be composed at least by 40% of women	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. In 2017, the Article L.225-18-1 of the French commercial code – regarding the equal representation of men and women within the Board of Directors – will be respected.
Article 9 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. The Board of Directors considers that the experience gained within the Board combined with a good knowledge of the Company is an advantage in a Group characterized by long-term investment cycles. 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 17.1 The Appointments Committee should have a majority of independent directors	This provision is not applied because the Company is controlled by a majority shareholder. Furthermore, the Board has considered that the current proportion of independent members within the Appointments and Governance Committee does not affect its normal functioning (2 out of 4 Directors are independent).
Article 18.1 The Compensation Committee should be chaired by an independent director	This provision is not applied because the Company is controlled by a majority shareholder. Moreover, two out of three members of the Compensation Committee are independent which is enough to ensure the proper functioning of the Committee. Furthermore, it is specified, that the Chairman and Chief Executive Officer is not 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 21.1 Directors' compensation should take into account the directors' attendance at meetings of the Board and committees, and therefore include a major variable portion	Due to the strong involvement of Directors, the high attendance rate (94% of global attendance rate in 2015 for the Committees and Board meetings) and number of meetings of the Board and its Committees (35 meetings in 2015 including 12 Boards meetings and 23 Committees meetings), the Board of Directors has decided not to establish a variable part based on attendance in the Directors' fees. However, the allocation of the attendance fees takes into account the time dedicated to their functions, especially as a result of their belonging to Committees.

The Board of Directors

Composition

The Board of Directors is currently comprised of eleven members, including four women, Mrs. Hélène Auriol-Potier, Mrs. Anne Beaufour, Mrs. Michèle Ollier and Mrs. Carol Xueref. Two of its members are non-French nationals: Mrs. Carol Xueref of British nationality and Mrs. Michèle Ollier of French and Swiss nationalities.

Among the members of the Board, four Directors, Mrs. Hélène Auriol-Potier and Mrs. 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 Appointments 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 changes that have occurred in the composition of the Board of Directors and the table with the detail of the independence criteria appear in section 4.1.1.2 of the registration document.

Meetings of the Board of Directors

During financial year 2015, the Board of Directors of the Company met 12 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 2015

In 2015, the Board of Directors discussed, among other things, the following matters:

- concerning financial statements and financial situation: review and approval of the 2014 annual and consolidated financial statements, the 2015 half-year financial statements, examination of the management forecast documents, and 2016 budget;
- concerning strategy and development: examination and follow-up of the Group partnership and development projects;
- concerning compensation: examination of the compensation of the Chairman and Chief Executive Officer and of the Deputy Chief Executive Officer, modification of subscription bonus shares plans (plans of 30 March 2012, 28 March 2013, 27 March 2014 and 1 April 2015) to purchase bonus shares plan, grant of performance shares, mid-term bonus to the Chairman and Chief Executive Officer, the Deputy Chief Executive Officer and certain Group employees;
- concerning organization and functioning of the Board of Directors: discussion on the functioning of the Board of Directors (self-assessment), proposal of the appointment of a new director, nomination of Marc de Garidel as chairman of the Strategic Committee, report on the independence of the Directors, assessment of Chairman and Chief Executive Officer and Deputy Chief Executive Officer's performance, without their presence;
- 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 27 May 2015;
- share capital: capital increase linked to exercises of subscription options.

Conditions of preparation of the works of the Board – Confidentiality

Members of the Board of Directors receive all appropriate information and necessary documents required for them to perform their duties and responsibilities and prepare their deliberations. Prior to any meeting, they may request any reports, documents and research prepared by the Group and may commission any external technical reports at the Company's expense.

To this respect, and together with the individual directors' information right provided for by legal provisions and the Articles of association, the Vice-Chairman of the Board, acting on behalf of all Directors, may request from the Chairman of the Board, where this person also acts as Chief Executive Officer, any information, document which communication would be necessary in order for the other Directors to accomplish their duties in accordance with the laws and regulations.

The Board of Directors is informed of any significant event or transaction concerning the company by its Chairman on an ongoing basis and by the use of any necessary means.

The Board of Directors may have access to the Group's main senior executives, whether directors or not. The Directors may, together or individually, consult the Group's senior executives for advice on any matters, after advising the Chairman of the Board, and may meet senior executives without the Chairman being present.

The Board of Directors is a collective body; its deliberations bind all of its members. Members of the Board of Directors, as well as any other person participating to its meetings, are bound by strict obligations of confidentiality and discretion with respect to any information disclosed to them by the Company in connection with the Board and Committee deliberations which are of a confidential nature or which are presented as such by the Chairman of the Board of Directors.

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, involving him 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, it 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 Appointments and Governance Committee and an Ethics Committee.

At every meeting of the Board of Directors, Chairpeople of Committees makes an oral report on the meetings that have been held.

The Strategic Committee

The Strategic Committee 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 having regards 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 2015, the Strategic Committee met seven times and had an attendance rate of 88%. Its activities particularly involved the examination and review of the Group's partnership and development strategy.

The Audit Committee

The Audit Committee comprises at least three Directors and no more than six Directors, including a majority 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 or accounting 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 or accounting expertise. Messrs. Pierre Martinet and Hervé Couffin fulfill the independence and financial and accounting 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;
- 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 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 at least 2 days 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 2015, the Audit Committee met six times and had an attendance rate of 94%. 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 2014 annual and consolidated financial statements, the 2015 half-year financial statements, 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 2014 internal audit report, the 2015 and 2016 internal audit plan and the work review of the Group's internal audit and of the internal control procedures.

The Appointments and Governance Committee

The Appointments 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, none of whom may be the Chairman of the Board of Directors. The Board appoints the Chairman of the Committee from among its members.

The Appointments and Governance Committee is currently comprised of four 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), Hervé Couffin (independent member), Michèle Ollier (independent member) and Christophe Vérot.

The role of the Appointments 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.

The Appointments 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 2015, the Appointments and Governance Committee met four times and had an attendance rate of 100%. Its activities primarily involved the assessment of the organization and functioning of the Board of Directors, the determination of independent members and the selection of a new Director.

The Compensation Committee

The Compensation Committee 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 2015, the Compensation Committee met three times and had an attendance rate of 100%. Its activities primarily involved the examination of the compensation of the Chairman and Chief Executive Officer, the Deputy Chief Executive Officer and members of the Executive Committee, the performance shares grants policy, performance shares, mid-term bonus and Stock Appreciation Rights granted to the Chairman and Chief Executive Officer, the Deputy Chief Executive Officer and certain Group's employees.

The Ethics Committee

The Ethics Committee 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 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.

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).

During the course 2015, 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, the Code of Ethics applicable within the Group and the renewal of the Ethic Charter of 2005.

Assessment of the works of the Board of Directors

The Internal Regulations of the Board of Directors provides for an annual debate regarding its functioning, composition and organization, through an executive session without the presence of the Chairman of the Board, the Chief Executive Officer and senior executives. This executive session meeting is prepared by the Appointments and Governance

Committee, in cooperation with the Vice-Chairman of the Board or a Director specifically appointed for this purpose. The Committee may, on this occasion, request that an assessment be carried out by an external consultant.

At least every three years, the Board conducts a formalized assessment.

A formal assessment of the Board of Directors' functioning was carried out, by Mr. Pierre Martinet, independent Director, under the aegis of the Appointments and Governance Committee. This assessment was conducted by Mr. Pierre Martinet on the basis of individual interviews. The conclusions of this assessment were presented and debated during the Board of Directors meeting held on 27 May 2015. The Directors emphasized the effectiveness of the Board of Directors. They also noted improvements made especially regarding the quality of documents provided, steadily improving. Proposals were suggested with regard to the preparation of Board meetings and their progress. During those interviews, the Directors had the possibility to express freely their appreciation about the effectiveness of individual contributions in the general comments.

Internal Regulations of the Board of Directors

The Board of Directors adopted its Internal Regulations, which mainly provides for the following:

- role, functioning and means of the Board of Directors,
- independence criteria of the Directors,
- duties of the Directors, in particular in terms of conflicts of interest including 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 Regulations of the Board of Directors are presented in section 4.1.1.1 of the registration document for 2015.

4.1.2.1.2 Company's executive management

The Chairman and Chief Executive Officer has the widest powers to act in the name of the Company in any circumstances. No power restrictions were placed by the Board of Directors. 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 Regulations 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.

This balance of powers has also been safeguarded by the presence of a Deputy Chief Executive Officer who assisted the Chairman of the Board and Chief Executive Officer with the Company's executive management and the acceleration of the execution of the Group's strategy. On 16 February 2016, the Company announced the departure from the Group of Mrs Christel Bories. For further information, see section 2.1.5.2.2 – Departure of Mrs Christel Bories, Deputy Chief Executive Officer until 31 March 2016.

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 governance's good practice, more and more applied in the pharmaceutical industry.

The separation of duties 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.

In this perspective, the general management will be entrusted to an executive officer with an international profile and experience. The Chief Executive Officer could be assisted by one or several Deputy Chief Executive Officers.

The separation of duties shall become effective on the date of entry into office of the new Chief Executive Officer, replacing Mr. Marc de Garidel. .

For further information, see section 2.1.5.2.1 – Implementation of a new governance structure.

4.1.2.1.3 Principles and rules governing the compensation of Directors and Company officers

Directors' fees

In accordance with the terms and provisions of the Articles of association and the internal regulations, the Board of Directors distributes this compensation between its members in its discretion taking into account, in particular, the membership of the Board, the Committees and any mission that may be entrusted to the Directors.

Within the global limit of €990,000 approved by the Combined Shareholders' Meeting held on 1 June 2012 (until new decision), the directors' fees are allocated as follows: each member of the Board of Directors receives a director's fee of €35,000 for a full year of service. The Vice-Chairman of the Board of Directors receives an additional fee of €50,000 for a full year of service. The members of Committees of the Board receive a director's fee of €15,000 for a full year of service. The Chairmen of the Appointments and Governance Committee, the Strategic Committee and the Ethics Committee receive an additional director's fee of €20,000 for a full year of service. The Chairmen of the Audit Committee and Compensation Committee receive, for a full year of service, an additional director's fee of €35,000. The Board of Directors at its meeting held on 10 November 2009 decided, as of 2010, an increase of €5,000 of the director's fee of Board member and of €5,000 per director member of a committee. Directors' fees are paid on a half-year basis.

The amounts of directors' fees paid for 2015 to each Director are presented in section 4.1.3 of the registration document.

Compensation of executive directors

The compensation policy with regard to company officers and their individual compensation are decided by the Board of Directors upon proposal of the Compensation Committee, in the absence of the company officers concerned. The Board

of Directors also refers to the AFEP-MEDEF recommendations on the compensation paid to executive officers of listed companies.

This policy covers all aspects of the fixed, variable and exceptional compensation, and of the benefits of any nature, paid by the Company.

It is decided not only on the basis of the work carried out, the results obtained and the responsibility assumed, but also having regard to the practices of comparable companies and the compensation of the Company's other senior executives.

The compensation paid to Company officers is structured as follows:

- fixed compensation, subject to re-evaluation by the Board of Directors according to the Company's market position;
- variable compensation, linked to the Group's overall performance and to the achievement of Company officers' personal targets. This variable part is adjusted so as to represent about half of total compensation;
- the benefit of the additional pension plan existing within the Group;
- benefits in kind (only for the Chairman and Chief Executive Officer).

The individual elements of Marc de Garidel's compensation, Chairman and Chief Executive Officer, and Christel Bories' compensation, Deputy Chief Executive Officer until 31 March 2016, as well as the criteria decided for the variable compensation are described in section 4.1.3.2 of the registration document.

In accordance with the Code AFEP-MEDEF (§24.3), the compensation elements due or allocated to Marc de Garidel, Chairman and Chief Executive Officer, and Christel Bories, Deputy Chief Executive Officer until 31 March 2016, for the 2015 financial year, shall be submitted to the advisory vote of the Shareholders at the Annual Combined General Meeting to be held on 31 May 2016, following a specific resolution for each of them.

Stock options and performance shares/Mid-Term Bonus

Grant policy

Company officers as well as certain senior executive officers of the Group, benefit from stock option plans and bonus shares under plans approved by the Board of Directors upon proposal of the Compensation Committee, the characteristics of which are described in 4.1.3.3 of the registration document. Each year, during the second quarter, the Board of Directors approves the stock options and/or performance shares and/or Mid-Term Bonus plans.

All these plans are subject to an attendance and, if so, performance conditions, which must be fulfilled during an acquisition period of two or four years depending on the country of tax residence of the beneficiaries. The beneficiaries submit to an acquisition period of two years must also respect another 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.

At its meeting held on 2 March 2015, the Board of Directors set the maximum number of options and performance shares that may be granted to both the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer at 20% of the global grant volume.

At its meeting held on 1 April 2015, the Board of Directors, upon proposal of the Compensation committee, approved the implementation of a bonus shares plan granted to 138 beneficiaries for 162,047 shares, representing 0.20% of the share capital, all subject to attendance and performance conditions.

The Board of Directors, at its meeting held on 1 April 2015, upon recommendation of the Compensation Committee, decided to allocate, under this plan, 12,588 performance shares to the Chairman and Chief Executive Officer (see section 4.1.3.3.2.), representing 0.02% of the share capital, and 10,070 performance shares to the Deputy Chief Executive Officer (see section 4.1.3.3.2.), representing 0.01% of the share capital.

The performance conditions are based on an internal criterion based on the level reached by the current operating income (excluding research tax credit) of the Group (50%) and 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 (50%). The levels of completion expected and realized are not disclosed for confidentiality reasons.

Mr. Marc de Garidel, Chairman and Chief Executive Officer, and Mrs. Christel Bories, Deputy Chief Executive Officer until 31 March 2016, undertook a formal commitment not to engage in hedging transactions either on their options or on shares issued following the exercise of options or on performance bonus shares granted until the end of the holding period that has been decided by the Board of Directors.

The stock options and bonus shares plans are described in sections 4.1.3.3 and 4.2.2.3 of the registration document.

At its meeting held on 1 April 2015, the Board of Directors, upon recommendation of the Compensation Committee, decided the implementation of the mid-term bonus, subject to performance conditions for the financial years 2015 and 2016, for the benefit of 168 beneficiaries, including a gross amount of €375,000 to the Chairman and Chief Executive Officer and €300,000 to the Deputy Chief Executive Officer.

This bonus will be paid in 2017, subject to the assessment by the Board of Directors of the achievement of performance conditions, which are based on an internal criterion based on the level reached by the current operating income (excluding research tax credit) of the Group (50%) and 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 (50%).The levels of completion expected and realized are not disclosed for confidentiality reasons.

Within the framework of the departure of Mrs 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 Mrs. Christel Bories for the period running from 1 April 2016 to 1 April 2017. The Board of Directors also decided that Mrs. Christel Bories' 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 euros, *i.e.* 50% of the amount of the targert bonus

initially granted (300,000 euros), corresponding to the time spent by Mrs. Christel Bories at the Company during the reference period set out in the plan, depending on the relevant performance criteria for 2015 only.

Retention policy

In accordance with the provisions of Article L.225-185 and L.225-197-1 of the French Commercial Code, the Board of Directors, at its meeting held on 12 December 2007, set the retention policy for the Chairman and Chief Executive Officer for stock options and bonus shares granted since 2007. This policy has been confirmed by the Board of Directors held on 28 March 2013 and broadened to the Deputy Chief Executive Officer. The Board decided that the Executive Officers must retain, until the end of their term of office, a number of shares equivalent to 20% of the net capital gain that would be realized upon the sale of the shares resulting from the exercise of his stock options or from the bonus shares.

Particular terms governing the exercise of options

The Board has set the periods preceding the publication of interim and annual financial statements and sales figures during which it is not permitted to exercise options, and has established the following procedure:

- the dates of the closed periods for each financial year are communicated at the beginning of each year;
- outside closed periods, the Group appoints an officer who must be consulted to ensure that no insider information is held.

Payments, benefits and compensation granted to Company officers upon termination or change of their functions

Marc de Garidel, Chairman and Chief Executive Officer, benefits from a severance payment clause, due in the event of the termination of his term of office which the terms have been decided by the Board of Directors held on 11 October 2010 and compliant with the recommendations of the AFEP-MEDEF Code:

- a payment due only in the event of a forced departure associated with a change of control or strategy,
- in an amount equal to 24 months' fixed and variable remuneration in respect of his term of office,
- which includes the amount due in respect of any non-compete obligation, if applicable, and
- payment of which is subject to a performance condition (maintenance of the Group's recurring operational profit margin) over the 3 years preceding the departure, with a minimum threshold (12.5% for 2011)).

Christel Bories, Deputy Chief Executive Officer until 31 March 2016, benefited from a severance payment clause, due in the event of the termination of her term of office which the terms have been decided by the Board held on 26 February 2013 and compliant with the recommendations of the AFEP-MEDEF Code:

- a payment due only in the event of a forced departure associated with a change of control or strategy decided by the Board,
- in an amount equal to 24 months' fixed and variable remuneration in respect of her term of office,
- which includes the amount due in respect of any non-compete obligation, if applicable, and
- payment of which is subject to a performance condition (maintenance of the Group's recurring operational profit margin) over the 3 years preceding the departure, with a minimum threshold (12.5% for 2013)).

As its meeting held on 15 February 2016, the Board of Directors of the Company decided the departure of Mrs 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 Mrs Christel Bories during the financial year 2015 and including the non-compete compensation which she benefits representing 50% of the granted amount. This amount was subject to for the approval of the 2015 financial statements 2015 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.

Pension commitment

The Chairman and Chief Executive Officer potentially benefit from the defined benefit additional pension commitment existing within the Company according to the decision of the Board of Directors held on 11 October 2010. 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 2th 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.

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.

For the Chairman and Chief Executive Officer, the estimated amount of the annual pension, at the end of the 2015 financial year, calculated according to the modalities precised by the decree n°2016-182 of 23 February 2016, is €88,239.

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%.

Because of her departure on 31 March 2016, Mrs Christel Bories will not benefit of this commitment because she doesn't have the seniority required to benefit from it.

Non-competition payment

In case of departure of the Group (for a reason other than a change of control), Marc de Garidel and Christel Bories undertook, for a 24-month duration after their effective departure, not to exercise or participate, from an operational point of view (including as a consultant), in the territories of the European Economic Union and/or in Northern America, to an activity of development and/or commercialization of products of the same therapeutic class (source IMS-Health) than the 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.

At this title, the severance pay of Mrs Christel Bories, Deputy Chief Executive Officer until 31 March 2016, includes a non-compete compensation representing 50% of the granted amount.

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 and Risk management

The following describes the framework established by Ipsen in terms of Group Internal Control and Risk Management. Ipsen aims to continuously improve its internal control and risk management environment to be complaint 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;
- Secure decisions and processes 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 Committee;
- 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 standards IFRS. The main internal control components that are further developed in this report are as follows:

- An **organization** that gives a clear definition of responsibilities, with competent and adequate resources using appropriate information systems, procedures, processes, tools and rules;
- Reliable and relevant **information management** enabling every employee, whatever his/her level to fulfil his/her responsibilities;
- A **risk management** framework;
- **Control activities** aiming at monitoring risks and securing objectives;
- A regular r**eview and assessment of the internal control framework.**

4.1.2.1.6.1 Organization

General framework

Local management is in charge of applying, adapting and supplementing, if necessary, 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

Chairman Committee

Following the departure from the Group of Mrs. Christel Bories, decided by the Board of Directors held on 15 February 2016, Mr. Marc de Garidel took over the functions of Chairman of the Executive Committee and the Chairman Committee has been dissolved. The scope of responsibility of the Chairman Committee are now the responsibility of the Executive Committee.

The Chairman Committee was chaired by the Chairman and Chief Executive Officer. The members were permanent and met once a month.

For the General sessions, the permanent members were the Deputy Chief Executive Officer, the Executive Vice-President Finance, the Executive Vice-President General Counsel, the Executive Vice-President Corporate Strategy & Business Development, the Senior Vice-President Chief Ethics & Compliance Officer, the Vice-President Global Internal Audit and the Senior Vice-President Public Affairs and Communication.

For the Corporate Strategy & Business Development sessions, the permanent members were the Deputy Chief Executive Officer, the Executive Vice- President Finance, the Executive Vice-President General Counsel and the Executive Vice-President Corporate Strategy & Business Development.

During General session, the scope of responsibility of the Chairman Committee was:

- Ensuring consistency in implementation of decisions made by the Board of Directors;
- Promoting good corporate governance;
- Overseeing and reviewing internal audit, risk management, legal and compliance key subjects and priorities;
- Approving financial and external Group communications;
- Approving Group financing solutions;
- Ensuring efficient and transparent investor and shareholder relations.

During Corporate Strategy and Business Development session, the scope of responsibility of the Chairman Committee was:

- Validating the 10 year strategic plan, 5 year business plan and target settings for budget;
- Serving as a decision body for M&A and Corporate Business Development activities;
- Preparing recommendations for the Board Strategic Committee and/or the Board of Directors.

Executive Committee

The Executive Committee, in order to fulfil its mission as stated in section 4.1.1.6, has the following range of responsibilities:

- Set the Group Strategy;
- Create the conditions for sustainable results;
- Monitor Group performance;
- Manage and coordinate key scientific, commercial, industrial, and financial actions of the Group;
- Arbitrate/decide on high level resource allocation in line with Group decision-making framework;
- Arbitrate/decide at the request of other operational committees (Investment Committee,Portfolio Management Board, etc.) on key projects or major deviations;
- Set targets for divisions and functions;
- Coordinate with Risk Management, Global Ethics & Compliance and Global Internal Audit functions to ensure adequate level of risk mitigation;
- Provide information and recommendations on subjects concerning the Group Strategy and business activities to the Board of Directors;
- Assess key talents of the Group and ensure succession planning;
- Ensure consistency in Group management and implementation of decisions made by the Board of Directors.

The Executive Committee's functioning has also been defined. An annual self-assessment session is held to ensure continuous improvement. Each Executive Committee member has set up his/her own leadership team.

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, it 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 and Procedures. The Company's Ethics and Compliance department, reports directly to the Chairman and 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 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 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 managment of the Group major risks is in place. Its main objectives are:

- The distribution of a culture of risk ensuring within the Group an homogeneous approach to risk management, in compliance with the 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 crisis management process.

Risk Committee

The Risk Committee includes inviduals representing transversal Group functions with its members connected to either a member of the Executive Committee or directly to the Chairman and 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 reporting to the Executive Vice-President, Technical Operations, with a functional reporting to the Chairman and 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, 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-annnual basis to discuss quality vision and strategy for the Company. It includes the Chairman and Chief Executive Officer, Deputy Chief Executive Officer, Executive Committee members and the Senior Vice-President, Quality.

Quality Management system

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

- Gives an overview of the Company's Quality Management System;
- Defines the GXP policies and procedures used to ensure that the Company's products and services meet GXP regulatory requirements and business objectives in a consistent, compliant and reliable manner;
- Defines the Quality governance structure, which includes a Quality Council, a Quality Leadership Team and manufacturing site 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 Chairman and Chief Executive Officer and Senior Vice-President, Quality.

Pharmacovigilance

The Global Patient Safety (pharmacovigilance) department is part of the Research and Development Division reporting into 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, 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, particularly, but not limited to, those with direct pharmacovigilance responsibilities.

Quality & Safety Evaluation Board (QSEB)

The QSEB is co-chaired by the Senior Vice-President Chief Medical Officer and the Senior Vice-President Global Quality. 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 escalation beyond the site level. The QSEB:

- Acts as a decision-making body for Safety and Quality issues;
- Provides a forum to align global safety and quality issues, including assessing potential product recalls and market corrections;
- Assures appropriate corrective and preventive actions are implemented for issues impacting the QSEB;
- Ensures that appropriate issues are escalated to the Executive Committee to assure executive management is aware of quality and safety issues, the risks involved and the plans established to correct them;

- Promotes a culture of Quality and Safety within the Company.

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 its 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 Executive Committee.

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 mapping of the major risks for the Company validated by the Executive Committee is reported once a year for approval by the Chairman Committee and 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 Executive Committee 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 Controlling 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 Controlling Department.

As part of its responsibility for producing consolidated financial statements, the Group Controlling Department draws up accounting manuals, management reporting packages and the chart of accounts to be used for preparing the consolidated financial statements, to ensure 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 Controlling 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 with continuing deployment planned to extend ERP's geographical coverage in the years to come.

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 Chairman and Chief Executive Officer, are both responsible for preparing external communications documents for the approval of the Chairman and Chief Executive Officer, Executive Committee 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 President and Head of US for US-related press releases;
3. Draft to be validated by Chairman and Chief Executive Officer, Executive Committee and Chief Medical Officer.

Financial controlling

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

The Group Controlling department analyses the Group actual performance and variances against forecasts and identifies and quantifies the risks and opportunities involved in budget and forecast information. It also advises the operational managers on financial matters.

4.1.2.1.6.3 Risk Management framework

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

Risk Management Components

The Group 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 documenting the main risks of the group divisions, and prioritizing 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 Executive Committee and submitted for approval by the Chairman Committee 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 2015 the Group hedged the budgeted amount of foreign currencies cash-flow to mitigate the effect of currency rate changes.

  In 2015, 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 Deputy Chief Executive Officer, the Chief Financial Officer, 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 2015.

- 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 2015 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 which 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 beforehand potential risks being supported by Company entity financial managers and the Group 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-yearly and year end 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, from research and development, the manufacture of active substances and drugs through to their promotion and distribution into the global market, and financial reporting and business ethics and compliance requirements.

The Company audit programs provide independent and objective evaluations of controls, risks, and operations resulting in specific recommendations. Audit plans are developed and reports are generated and distributed to relevant management with copies to Executive Committee members. Key findings and main conclusions are communicated to the Board of Directors Audit Committee (the "Audit Committee"). Critical audit observations are escalated within the Company for prompt attention. Corrective and Preventative Action plans are developed and owned by management in response to audit observations and the status of all action plans are tracked by the relevant audit department.

Global Internal Audit

Global Internal Audit through its corporate audit programme 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 directly to the Chairman and Chief Executive Officer, with a functional reporting line to the Chief Financial Officer. Global Internal Audit also has direct and regular access to the Audit Committee. As part of Global Internal Audit governance, an Audit Charter is in effect.

The corporate audit programme covers all areas of Group business including finance and business process controls, environmental, health and safety, information technology and ethics and compliance. The GXP good practices audits are covered under the GXP Quality Audit programme as described below. Global Internal Audit, however, performs periodic audits on the Group Quality Management System to provide Executive Management the independent assurance of their overall effectiveness.

The 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 Executive Committee. The audit plan is approved by the Audit Committee on an annual basis.

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

The GXP Quality Audit group reports into the SVP, Quality with a functional reporting line into the Vice-President, Global Internal Audit. GXP Quality Audit assures audits of all GXP (good practices) areas and performs the audits of many Group sites as well as service providers and suppliers. Audit frequencies are proceduralized, using a risk-based approach. Annual audit schedules are determined at the start of the year. Audit compliance to targets is measured routinely and Global Internal Audit is provided with regular status updates from the Quality Audit programme.

The GXP Quality Audit group 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 periodicially by the Company's partners.

4.1.2.1.6.5 Review and assessment of internal control

Global Internal Audit presents to the Chairman and Chief Executive Officer and the Executive Committee, a summary of key observations and trend analysis resulting from their internal audit assignments.

Global Internal Audit met with the Audit Committee twice in 2015 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 2015 as part of the Audit Committee updates.

The Chairman of the Board of Directors
February 2016

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 2015

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 2015.

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, 29 February 2016

The Statutory Auditors

KPMG Audit
Division of KPMG S.A.

Philippe Grandclerc
Partner

Deloitte & Associés

Jean-Marie Le Guiner
Partner

4.1.3 Global amount of 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

Within the global limit of €990,000 approved by the Combined Shareholders' Meeting held on 1 June 2012 (until further decision), the directors' fees are allocated as follows: each member of the Board of Directors receives a director's fee of €35,000 for a full year of service. The Vice-Chairman of the Board of Directors receives an additional fee of €50,000 for a full year of service. The members of Committees of the Board receive a director's fee of €15,000 for a full-year of service. The Chairman of the Appointments and Governance Committee, the Strategic Committee and the Ethics Committee receive an additional director's fee of €20,000 for a full year of service. The Chairmen of the Audit Committee and Compensation Committee receive, for a full year of service, an additional director's fee of €35,000. Directors' fees are paid on a half-year basis.

The Board of Directors at its meeting held on 10 November 2009 decided, as of 2010, an increase of €5,000 of the director's fee of Board member and of €5,000 per director member of a committee.

The gross amount of directors' fees paid for 2015 was €931,250.

Individual amounts of fees and other compensation paid to directors (gross amounts – rounded) (Table 3 of AMF recommendations)

Directors	Amounts paid in 2014	Amounts paid in 2015
Marc de Garidel (**) – Director's fees – Other compensation	€60 000 cf. section 4.1.3.2	€60 000 cf. section 4.1.3.2
Hélène Auriol-Potier (1) – Director's fees – Other compensation	€3,333 –	€80,000 –
Anne Beaufour – Director's fees – Other compensation	€95,000 –	€95,000 –
Henri Beaufour – Director's fees – Other compensation	€80,000 –	€80,000 –
Hervé Couffin – Director's fees – Other compensation	€75,000 –	€75,000 –
Martha Crawford (2) – Director's fees – Other compensation	€56,667 –	€55,000 –
Antoine Flochel – Director's fees – Other compensation	€160,000 €60,000 (**)	€160 000 –
Gérard Hauser (3) – Director's fees – Other compensation	€95,000 –	– –
Pierre Martinet – Director's fees – Other compensation	€110,000 –	€110,000 –
Mayroy SA – Director's fees – Other compensation	€60,000 –	€60,000 –
Michèle Ollier (4) – Director's fees – Other compensation	– –	€6,250 –
Christophe Vérot – Director's fees – Other compensation	€75,000 –	€75,000 –

Directors	Amounts paid in 2014	Amounts paid in 2015
Carol Xueref – Director's fees – Other compensation	€75,000 –	€75,000 –
Total **– Director's fees** **– Other compensation**	**€945,000** **€60,000** (*)	**€931,250** **–**

(1) Director since 4 June 2014.
(2) Director until 27 May 2015.
(3) Director until 4 July 2014.
(4) Director since 27 May 2015.
(*) At its meeting held on 28 August 2014, the Board of Directors, according to the provisions of Articles L.225-46 and L.225-38 *et seq.* of the Commercial Code, decided to grant Mr. Antoine Flochel (Board Chairman of VicJen Finance) a compensation of €60,000 (excluding taxes) in connection with a special mandate conferred to him by the Board of Directors in its meeting held on 4 June 2014, in order to assist the Company in the negotiation of the Galderma strategic case, and bring all his experience on the subject.
(**) The elements of compensation of Marc de Garidel, Chairman and Chief Executive Officer, described in section 4.1.3.2 are to be added.

4.1.3.2 Compensation of executive directors

4.1.3.2.1 Summary of compensation, options and shares granted to executive directors

For financial year 2015, the basis of compensation of Mr. Marc de Garidel, Chairman and Chief Executive Officer was determined by the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 2 March 2015. The basis of compensation for financial year 2016 was determined by the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 29 February 2016.

The compensation for Mrs. Christel Bories, Deputy Chief Executive Officer until 31 March, was determined, for financial year 2015, by the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 2 March 2015. The basis of compensation from 1 January to 31 March 2016 and the conditions of her departure were determined by the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 15 February 2016.

Summary table of the compensation, options and performance shares accruing to the Chairman and Chief Executive Officer (Table 1 of AMF recommendations)

(in euros)	2014 Financial Year	2015 Financial Year
Marc de Garidel **Chairman and Chief Executive Officer**		
Compensation due for the year (see details below)	2,115,584.56	2,828,800.15
Book value of multi-yearly variable compensations granted during the year (*)	375,000 (1)	375,000 (1)
Book value of the options granted during the year	–	–
Book value of the performance bonus shares granted during the year (***)	374,427	391,486.80
Total	**2,865,011.56**	**3,595,286.95**
Christel Bories **Deputy Chief Executive Officer**		
Compensation due for the year (see details below)	1,392,400	2,167,802
Book value of multi-yearly variable compensations granted during the year (***)	285,000 (1)	300,000 (1) (2)
Book value of the options granted during the year	–	–
Book value of the performance bonus shares granted during the year (***)	284,562	313,177 (2)
Total	**1,961,962**	**2,780,979**

(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 that Mrs. Christel Bories' 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 euros, *i.e.* 50% of the amount of the targert bonus initially granted (300,000 euros), corresponding to the time spent by Mrs. Christel Bories at the Company during the reference period set out in the plan, depending on the relevant performance criteria for 2015 only.
(*) See 4.1.3.2.1. Paragraph A below.
(**) See 4.1.3.2.1. Paragraph B below.
(***) See 4.1.3.3.2.

Summary table of the compensation (Table 2 of the AMF recommendations)

(in euros)	2014 Amounts due	2014 Amounts paid	2015 Amounts due	2015 Amounts paid
Marc de Garidel Chairman and Chief Executive Officer				
Fixed compensation	750,000	750,000	750,000	750,000
Annual variable compensation	1,033,000 (1)	675,000 (2)	1,075,000 (3)	1,033,000 (1)
Multi-yearly variable compensation	263,400 (4)	263,400	931,318 (4)	931,318
Exceptional compensation	–	–	–	–
Directors' fees	60,000	60,000	60,000	60,000
Benefits in kinds (5)	9,184.56	9,184.56	12,482.15	12,482.15
Total	**2,115,584.56**	**1,757,584.56**	**2,828,800.15**	**2,786,800.15**
Christel Bories Deputy Chief Executive Officer until 31 March 2016				
Fixed compensation: – Under the corporate mandate – Car allowance	573,400 570,000 3,400	573,400 570,000 3,400	600,000 600,000 –	600,000 600,000 –
Annual variable compensation	819,000 (6)	600,000 (7)	860,000 (8)	819,000 (6)
Multi-yearly variable compensation	– (4)	–	707,802 (4)	707,802
Exceptional compensation	–	–	–	–
Directors' fees	–	–	–	–
Benefits in kinds	–	–	–	–
Total	**1,392,400**	**1,173,400**	**2,167,802**	**2,126,802**

(1) 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 variable compensation for 2014 of the Chairman and Chief Executive Officer at €1,033,000. This amount was paid in 2015.
(2) The Board of Directors, at its meeting held on 27 February 2014, upon proposal of the Compensation Committee, fixed, in view of the realization of the pre-established criteria, the amount of the variable compensation for 2013 for the Chairman and Chief Executive Officer at €675,000. This amount was paid in 2014.
(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 will be paid in 2016.
(4) See 4.1.3.2.1. Paragraphs A and B.
(5) Benefits in kinds are comprised of a company car and of an accommodation made temporarily available.
(6) 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 variable compensation for 2014 for the Deputy Chief Executive Officer at €819,000. This amount was paid in 2015.
(7) The Board of Directors, at its meeting held on 27 February 2014, upon proposal of the Compensation Committee, fixed, in view of the realization of the pre-established criteria, the variable compensation for 2013 for the Deputy Chief Executive Officer at €600,000. This amount was paid in 2014.
(8) 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 variable compensation for 2015 for the Chairman and Chief Executive Officer at €860,000. This amount will be paid in 2016.

A. Compensation and severance payment of the Chairman and Chief Executive Officer

The compensation of the Chairman and Chief Executive Officer is determined by the Board of Directors upon proposal of the Compensation Committee.

For the financial year 2015, the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 2 March 2015, set the following elements relating to the compensation and benefits in kind of the Chairman and Chief Executive Officer:

- gross fixed compensation for 2015: €750,000. This amount has not varied since 1 January 2013;
- target bonus at €750,000 (corresponding to 100% of reached objectives) within a range between 0 and €1,125,000 (from 0 to 150%), based on quantitative and qualitative criteria decided by the Board of Directors. Thus, the proportion of the maximum amount of the variable part (excepting multiannual variable), with regard to the fixed compensation, amounts to 150%. The Board of Directors set the following performance criteria for the determination of the variable compensation: two-thirds of this bonus is based quantitative criteria of equal weighting based on the achievement of levels regarding consolidated revenues, operating profit, net profit per share and cash flow from operations. The third of this bonus is based on qualitative criteria in terms of, in particular, strategic orientations. For confidentiality reasons, the quality criteria details and level of achievement expected by the quantity criteria, is not made public;
- a severance payment described in section 4.1.3.2.2 below;
- eligibility to directors' fees paid to Directors of Ipsen SA;
- eligibility to the grant of stock options and performance bonus shares subject to the completion of performance conditions linked to Ipsen Group's performance;

- benefit in kinds (company car and an accommodation made temporarily available);
- benefit of an agreement for the drafting of his personal tax statements;
- eligibility to the additional pension scheme existing within the Company and described in section 4.1.3.2.2 below;
- eligibility to Company's insurance policy (mutual and life-illness schemes);
- payment by the Company of his expenses incurred with the exercise of his corporate duties;
- eligibility to directors and officers insurance policy.

The Board of Directors, at its meeting held on 30 March 2012, decided the implementation of a Stock Appreciation Rights (SAR) plan, instrument that settles in cash after a two-year period and do not themselves represent shares and therefore do not result in a share capital increase, for the benefit of 8 beneficiaries. 166,000 SARs, subject to performance conditions based on qualitative and quantitative criteria assessed regarding the evolution of the company Inspiration Biopharmaceuticals Inc., whose detail, is not made public for confidentiality reasons have been granted to the Chairman and Chief Executive Officer. The allocation of these SARs is also subject to a presence condition. The outcome in cash is to be settled in, according to the assessment by the Board of Directors of the achievement of performance conditions upon recommendation of the Compensation Committee.

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 is to be 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 is subject to a presence condition during the period from 27 March 2014 to 27 March 2016. The Board of Directors will consider in 2016 the achievement of the performance conditions and the amount to be paid to the Chairman and Chief Executive Officer on this basis.

The Board of Directors, at its meeting held on 1 April 2015, upon recommendation of the Compensation Committee, decided to grant to the Chairman and Chief Executive Officer, subject to performance and presence conditions, 12,588 performance bonus shares (see section 4.1.3.3.2). Mr. Marc de Garidel was granted 7,8% of the total amount of performance bonus shares decided by the Board, at its meeting held on 1 April 2015.

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 bonus shares plan and the mid-term bonus plan decided by the Board of Directors on 1 April 2015 are 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.

For the financial year 2016, the Board of Directors, at its meeting held on 29 February 2016, upon recommendation of the Compensation Committee, set the following elements relating to the compensation and the benefits in kind to the Chairman and Chief Executive Officer:

- gross fixed compensation for 2016: €750,000 (unchanged);
- target bonus at €750,000 (gross amount) (corresponding to 100% of achieved goals), within a range between 0 and 150% (*i.e.* between 0 and €1,125,000) based on quantitative and qualitative performance criteria decided by the Board of Directors. Thus, the proportion of the maximum amount of the variable part (excepting multiannual variable), with regard to the fixed compensation, amounts to 150%. The Board of Directors set the following performance

criteria relating to the determination of the bonus: two-thirds of this bonus are based on quantitative criteria of equal weighting based on the achievement of levels of consolidated revenues, current operating income (including tax research credit), net profit per share and cash flow from operations. The third of this target bonus is based on qualitative criteria in terms of, in particular, strategic orientations. For confidentiality reasons, the details of the qualitative criteria and the level of achievement expected for the quantitative criteria, are not made public.

On 16 February 2016, the Company announced the implementation of a new governance structure which is based on the separation of the duties of Chairman of the Board of Directors and Chief Executive Officer in which, Mr. Marc de Garidel will exercise the duties of Chairman of the Board of Directors. Terms and conditions of this new mandate will be organized by the Board of Directors when the successor of Mr. Marc de Garidel as Chief Executive Officer will be recruited. For more details, see section 2.1.5.2.1 – Implementation of a new governance structure.

B. Compensation and severance payment of the Deputy Chief Executive Officer

The compensation of the Deputy Chief Executive Officer is determined by the Board of Directors upon proposal of the Compensation Committee.

For financial year 2015, the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 2 March 2015, set the following elements relating to the compensation and benefits in kind of the Deputy Chief Executive Officer:

- gross fixed compensation for 2015: €600,000. The Board of Directors decided to bring the annual compensation of Mrs Christel Bories, Deputy Chief Executive Officer, from €570,000 to €600,000, (*i.e.* 5.26% increase) to take into account the extension of her operational responsibilities with effect from 1 January 2015;
- target bonus at €600,000 (gross amount) (corresponding to 100% of achieved goals) within a range between 0 and €900,000 (*i.e.* between 0 and 150%) based on quantitative and qualitative criteria decided by the Board of Directors. Thus, the proportion of the maximum amount of the variable part (excepting multiannual variable) with regard to the fixed compensation amounts to 150%. The Board of Directors set the following performance criteria relating to the determination of the variable compensation: the two-thirds of this bonus are based on quantitative criteria of equal weighting based on the achievement of levels regarding consolidated revenues, operating profit, net profit per share and cash flow from operations. The third of this bonus is based on qualitative criteria in terms of strategic orientations and Group transformation. For confidentiality reasons, the qualitative criteria details and the level of achievement expected for quantitative criteria, are not made public;
- a severance payment described in section 4.1.3.2.2 below;
- eligibility to the grant of stock options and performance bonus shares subject to the completion of performance conditions, linked to Ipsen Group's performance;
- eligibility to the additional pension scheme existing within the Company and described in section 4.1.3.2.2 below;
- benefit of an agreement for the drafting of her personal tax statements;
- eligibility to Company's insurance policy (mutual and life-illness schemes);
- payment by the Company of expenses incurred with the finalization of the term of office and travel expenses to be paid in connection with the exercise of her corporate duties;
- eligibility to directors and officers insurance policy compliant with those undertaken by the Group for the Chairman and Chief Executive Officer.

The Board of Directors, at its meeting held on 28 March 2013, 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 is 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 is subject to a presence condition for the period running between 27 March 2014 and 27 March 2016. The Board of Directors will consider in 2016 the achievement of performance conditions and the amount to be paid to the Deputy Chief Executive Officer.

The Board of Directors, at its meeting held on 1 April 2015, upon recommendation of the Compensation Committee, decided to grant to the Deputy Chief Executive Officer, subject to performance and presence conditions, 10,070 performance bonus shares (see section 4.1.3.3.2). Mrs. Christel Bories was granted 6.2% of the total amount of performance bonus shares decided by the Board, at its meeting held on 1 April 2015.

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 2014 and 2015 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.

Those attributions of performance shares and mid-term bonus are subject to a presence condition for the period running between 1 April 2015 and 1 April 2017.

Within the framework of the departure of Mrs 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 Mrs. Madame Christel Bories for the period running from 1 April 2016 to 1 April 2017. The Board of Directors also decided that Mrs. Christel Bories' 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 euros, *i.e.* 50% of the amount of the target bonus initially granted (300,000 euros), corresponding to the time spent by Mrs. Christel Bories at the Company during the reference period set out in the plan, depending on the relevant performance criteria for 2015 only. This bonus is to be paid in 2017. For financial year 2016, the Board of Directors, upon recommendation of the Compensation Committee, decided, at its meeting held on 15 February 2016, set the following elements relating to the compensation and benefit in kinds to the Deputy Chief Executive Officer :

- Gross fixed compensation for 2016 : €600,000 on an annual basis, namely a sum of €150,000 from 1 January to 31 March 2016 as consideration for her Deputy Chief Executive Officer duties over this period. This amount remains unchanged since 1 January 2015.
- No target bonus for the financial year 2016 because of her departure on 31 March 2016.

4.1.3.2.2 Summary of commitments issued in favor of executives officers (Table 11 of the AMF recommendations)

	Employment contract		Additional pension scheme		Payments or benefits due or to be due in connection with the termination of change of function		Compensation under a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
M. Marc de Garidel Chairman and Chief Executive Officer Date of cooptation: Board of Directors of 11 October 2010 with effect as at 22 November 2010 Date of renewal: ASM 2015 End of term: ASM 2019		X	X		X		X	
Mme Christel Bories Deputy Chief Executive Officer Date of appointment: 26 February 2013 with effect as of 1 March 2013 End of term of office : 31/03/2016		X	X(*)		X		X	

(*) Because of her departure on 31 March 2016, Mrs Christel Bories will not have the seniority required by the additional pension scheme of the Company (at least 5 years) and will not benefit of this scheme. For further information, see section 2.1.5.2.1.

Employment contract

Mr. Marc de Garidel, Chairman and Chief Executive Officer, and Mrs. Christel Bories, Deputy Chief Executive Officer until 31 March 2016, do not hold employment agreements.

Additional pension scheme (article L.137-11 of the French social security code)

The Chairman and Chief Executive Officer potentially benefit from the defined benefit additional pension commitment existing within the Company according to the decision of the Board of Directors held on 11 October 2010. 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 2th 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.

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.

For the Chairman and Chief Executive Officer, the estimated amount of the annual pension, at the end of the 2015 financial year, calculated according to the modalities precised by the decree n°2016-182 of 23 February 2016, is €88,239.

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%.

Because of her departure, Mrs 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 change of function

At its meeting held on 11 October 2010, the Board of Directors decided to grant Mr. Marc de Garidel, Chairman and Chief Executive Officer, the benefit of a severance payment on the following terms, in accordance with the recommendations of the AFEP-MEDEF Code:

- a payment due only in the event of a forced departure associated with a change of control or strategy,
- in an amount equal to 24-months' remuneration (fixed and variable) in respect of his term of office,
- payment of which is subject to a performance condition (maintenance of the Group's recurring operational profit margin) over the 3 years preceding the departure, with a minimum threshold (12.5% for 2011)), and
- which includes the amount due in respect of any non-compete obligation, if applicable.

At its meetings held on 26 February 2013, the Board of Directors decided to grant Mrs. Christel Bories, Deputy Chief Executive Officer until 31 March 2016, with the benefit of a severance payment on the following terms, in accordance with the recommendations of the AFEP-MEDEF Code:

- a payment due only in the event of a forced departure associated with a change of control or strategy decided by the Board of Directors,
- in an amount equal to 24-months' remuneration (fixed and variable) in respect of the term of office,
- payment of which is subject to a performance condition (maintenance of the Group's recurring operational profit margin) over the 3 years preceding the departure, with a minimum threshold (12.5% for 2013)), and
- which includes the amount due in respect of any non-compete obligation, if applicable.

As its meeting held on 15 February 2016, the Board of Directors of the Company decided the departure of Mrs 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 Mrs 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 will occur on 1 April 2016.

Compensation under a non-compete clause

In case of departure from the Group (for a reason other than a change of control), Marc de Garidel and Christel Bories undertook, for a 24-month duration after their effective departure, not to exercise or participate, from an operational point of view (including as a consultant), in the territories of the European Economic Union and/or in Northern America, to an activity of development and/or commercialization of products of the same therapeutic class (source IMS-Health) than the 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 Mrs Christel Bories, Deputy Chief Executive Officer until 31 March 2016, includes a non-compete compensation representing 50% of the granted amount.

4.1.3.3 Stock subscription and/or purchase options and performance bonus shares granted to executive officers

4.1.3.3.1 Stock subscription and/or purchase options

Subscription or purchase options granted to the Chairman and Chief Executive Officer during the 2015 financial year (Table 4 of the AMF recommendations)

During the 2015 financial year, no options were granted to the Chairman and Chief Executive Officer.

Subscription or purchase options granted to the Deputy Chief Executive Officer during the 2015 financial year (Table 4 of the AMF recommendations)

During the 2015 financial year, no options were granted to the Deputy Chief Executive Officer.

Synthesis of the Ipsen subscription and/or purchase options granted to the Chairman and Chief Executive Officer

	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 CEO since 22 November 2010	30/06/2011	121,180 (1)	Subscription options	€25.01	01/07/2015	30/06/2019	0
Total		**121,180**					

(1) Allocation subject to performance conditions.

In accordance with the provisions of Article L.225-185 of the French Commercial Code, the Board of Directors at its meeting held on 30 June 2011, set the number of shares that the Chairman and Chief Executive Officer must retain, until the end of his term of office, at the equivalent of 20% of the net capital gain that would be realized upon the sale of the shares resulting from the exercise of his stock options.

Synthesis of the Ipsen subscription and/or purchase options granted to the Deputy Chief Executive Officer

The Deputy Chief Executive Officer owns no Ipsen options.

Subscription or purchase options exercised during 2015 by the Chairman and Chief Executive Officer (Table 5 of the AMF recommendations)

During the financial year 2015, no subscription or purchase options were exercised by the Chairman and Chief Executive Officer.

4.1.3.3.2 Performance bonus shares

Performance bonus shares granted to executive officers during the 2015 financial year (Table 6 of the 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
Marc de Garidel	01/04/2015	12,588 (2)	€31.10	€391,486.80	02/04/2017	02/04/2019
Christel Bories	01/04/2015	10,070 (2) (3)	€31.10	€313,177	02/04/2017	02/04/2019

(1) Under the method used for the consolidated financial statements. The shares' book value amounted to €44.99, 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) Allocation subject to performance conditions.
(3) At its meeting held on 15 February 2016, the Board o Directors decided that Mrs. Christel Bories' acquisition rights shall cover 50% of the number of performance shares initially granted (50% of 10,070 performance shares, *i.e.* 5,035 performance shares), calculated based on the time spent by Mrs. Christel Bories at the Company during the reference period set out in the plan (from 1 April 2015 to 1 April 2017 included).

On 1 April 2015, the Board of Directors decided the implementation of a performance shares plan to the benefit of 138 beneficiaries for a total of 162,047 shares. These performance shares represent 0.20% of share capital at the day of the allocation among which 0.02% allocated to the Chairman and Chief Executive Officer and 0.01% to the Deputy Chief Executive Officer.

At its meeting held on 1 April 2015, the Board of Directors upon recommendation of the Compensation Committee, decided to grant 12,588 performance bonus shares to the Chairman and Chief Executive Officer, meaning 0.02% of share capital, and 10,070 performance bonus shares to the Deputy Chief Executive Officer, meaning 0.01% of share capital.

The 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 (excluding research tax credit) of the Group and for the other half, on 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. If the performance expected is exceeded (*i.e.* 100%), the number of performance bonus shares given will be equal at the number of shares granted and a monetary compensation will be organized. This compensation will be calculated based on the share price adopted by the Board of Directors held on 1 April 2015.

Within the framework of the departure of Mrs. 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 Mrs. Christel Bories for the period running from 1 April 2016 to 1 April 2017. The Board of Directors also decided that Mrs. Christel Bories' 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), corresponding to the time spent by Mrs. Christel Bories at the Company during the reference period set out in the plan. The number of bonus shares definitely acquired *i.e.* 5,035 shares, by Mrs Christel Bories within this plan, has been decided regarding performance criteria for 2015 by the Board of Directors, at its meeting held on 29 February 2016 approving the 2015 financial statements.

Synthesis of the performance bonus shares granted to the Chairman and Chief Executive Officer

The following table presents, as at 31 December 2015, the performance bonus shares granted to the Chairman and Chief Executive Officer:

	Grant date	Number of shares granted	Date of final acquisition	Date of availability	Number of shares to be retained
Marc de Garidel Chairman and CEO	30/06/2011	4,490 (1)	01/07/2013	01/07/2015	20% of net gain of acquisition
	30/03/2012	23,940 (1)	31/03/2014	31/03/2016	
	28/03/2013	22,590 (1)	29/03/2015	29/03/2017	
	27/03/2014	18,712 (1)	28/03/2016	28/03/2018	
	01/04/2015	12,588 (1)	02/04/2017	02/04/2019	
Total		**82,320** (2)			

(1) Grant subject to performance conditions.
(2) Representing 0.10% of the share capital on 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 30 June 2011, 30 March 2012, 28 March 2013, 27 March 2014 and 1 April 2015, set the number of shares that the Chairman and Chief Executive Officer must retain, until the end of his term of office, at the equivalent of 20% of the net capital gain that would be realized upon the sale of the shares.

Mr. Marc de Garidel, Chairman and Chief Executive Officer 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.

Synthesis of the performance bonus shares granted to the Deputy Chief Executive Officer

The following table presents, as at 31 December 2015, the performance bonus shares granted to the Deputy Chief Executive Officer.

	Grant date	Number of shares granted	Date of final acquisition	Date of availability	Number of shares to be retained
Christel Bories Deputy Chief Executive Officer until 31 March 2016	28/03/2013	17,169 (1)	29/03/2015	29/03/2017	20% of net gain of acquisition
	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.
(2) At its meeting held on 15 February 2016, the Board of Directors decided that that Mrs. Christel Bories' 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), corresponding to the time spent by Mrs. Christel Bories at the Company during the reference period set out in the plan (from 1 April 2015 to 1 April 2017 included).
(3) Representing 0.05% of the share capital on 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 2013, 27 march 2014 and on 1 April 2015, set the number of shares that the Deputy Chief Executive Officer must retain, until the end of her term of office, at the equivalent of 20% of the net capital gain that would be realized upon the sale of the shares.

Mrs. 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 for the Chairman and Chief Executive Officer during the 2015 financial year (Table 7 of AMF recommendations)

The following table described all the performance bonus shares become available during the financial year 2015 for the Chairman and Chief Executive Officer:

Executive directors	Grant date	Number of shares become available
Marc de Garidel Chairman and CEO	30/06/2011	4,490 (1)

(1) Grant subject to performance conditions.

Performance bonus shares that have become available for the Deputy Chief Executive Officer during the 2015 financial year (Table 7 of AMF recommendations)

During the 2015 financial year, no performance bonus shares granted to the Deputy Chief Executive Officer became available.

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 2015

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 UNDER APPROVAL BY THE GENERAL MEETING OF SHAREHOLDERS

Agreements and commitments entered into by the Company in 2015

We inform you that we have been advised of any agreement or any commitment authorized in 2015 by the General Meeting of Shareholders pursuant to Article L.225-38 of the French Commercial code.

Agreements and commitments entered into by the Company since the end of the 2015 financial year

We have been advised of the following agreements and commitments authorized since the end of the 2015 financial year by your Board of Directors.

Benefit from performance bonus shares and mid-term bonus granted to Mrs. Christel Bories, Deputy Chief Executive Officer, in connection with her departure

Your Board of Directors, at its meeting held on 15 February 2016, noted the departure of Mrs. 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 Mrs. 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 euros;
- The benefit of 50% of the number of performance bonus shares and of the target mid-term bonus initially granted to Mrs. 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 euros.

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 Mrs. Christel Bories to keep the benefit of 50% of these elements of remuneration, corresponding to the time spent by Mrs. Christel Bories at the Company during the reference period set out in the plan (from 1 April 2015 to 1 April 2017).

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING

Agreements and commitments approved in prior years that were not implemented in 2015

We have been informed of the continuation of the following agreements and commitments, already approved by the General Meeting in prior years, which were not implemented in 2015.

Commitments granted to Mr. Marc de Garidel, Chairman of the Board and Chief Executive Officer, in the case of termination of employment

Your Board of Directors at its meeting of 11 October 2010 authorized granting to Mr. Marc de Garidel:

- the benefit of membership of the supplementary pension plan in force at Ipsen S.A., giving right to, on retirement and subject to seniority of at least 5 years, the payment of an 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 that is higher than eight times the annual social security ceiling. Total gross compensation corresponds to the average compensation of the last 36 months of office;
- a severance payment due under his position as CEO of the Company, 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,
  - a sum amounting to 24 months' compensation due under his position as CEO of the Company,
  - payment of which is subject to a performance-related condition: the Group's recurring operating margin needs to remain above a minimum threshold (12.5% for 2011) during the three years preceding his departure,
  - including the amount due, if applicable, in respect of any non-compete commitment mentioned above.

Non-compete commitments taken by Mr Marc de Garidel, Chairman of the Board and Chief Executive Officer

Your Board of Directors approved at its meeting of 11 October 2010 the commitment taken by Mr .Marc de Garidel, if he were to leave the Group for any other reason than a change in control, not to carry out or participate in any activity related to the development and/or marketing of products belonging to the same therapeutic class (source: IMS-Health) as the two best selling products of the Ipsen Group, during the twenty-four months after his effective departure, in an operational capacity (including as a consultant), in the European Economic Area (EEA) and/or in Northern America.

The compensation due by your Company to Mr. Marc de Garidel in consideration of these non-compete commitments is included in the severance payment due in the case of termination of employment, described above.

Agreements and commitments approved in prior years that were implemented since the end of the 2015 financial year

As indicated in the first part of this report, your Board of Directors, at its meeting held on 15 February 2016, noted the departure of Mrs. Christel Bories, Deputy Chief Executive Officer, due to diverging strategic considerations, and, upon proposal of the Compensation Committee, determined the following elements of compensation payable in connection with the termination of her duties:

Commitments granted to Mrs. Christel Bories, Deputy Chief Executive Officer, in the case of termination of employment

Your Board of Directors authorized at its 26 February 2013 meeting granting to Mrs. Christel Bories:

- the benefit of membership of the supplementary pension plan in force at Ipsen S.A., giving right to, on retirement and subject to seniority of at least 5 years, the payment of an 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 Mrs. Christel Bories' departure, your Board of Director, 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 euros, corresponding to 24 months of fixed and variable remuneration for the 2015 financial year.

As Mrs. 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 commitments taken by Mrs. Christel Bories, Deputy Chief Executive Officer

Your Board of Directors approved at its 26 February 2013 meeting the commitments taken by Mrs. Christel Bories, in the event she should leave the Group for any other reason than a change in control, not to carry out or participate in any activity related to the development and/or marketing of products belonging to the same therapeutic class (source: IMS-Health) as the two best selling products 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 Mrs. Christel Bories in consideration of these non-compete commitments is included in the severance payment due in the case of termination of employment, described above.

In the framework of Mrs. Christel Bories' departure, your Board of Director, at its meeting held on 15 February 2016, noticed that the amount payable for Mrs. Christel Bories' non-compete compensation is included for 50% of this severance pay.

Paris La Défense and Neuilly-sur-Seine, March 18, 2016

The Statutory Auditors

KPMG AUDIT *A division of KPMG S.A.*	Deloitte & Associés
Philippe Grandclerc	Jean-Marie Le Guiner

4.2 INFORMATION RELATING 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 duties shall become effective on the date of entry into office of the new Chief Executive Officer. For further details, see section 2.1.5.2.1 – implementation of a new governance structure.

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.

Only the Extraordinary Shareholders' Meeting has jurisdiction to decide any contributions in kinds or special benefits made to the Company.

Notice and Meeting of Shareholders' Meetings

General Shareholders' Meetings are called by the Board of Directors or, if applicable, by the Statutory Auditors or any other person duly empowered by law. The meetings take place at the registered office or any other place indicated in the notice of meeting.

The agenda is set by the person who convenes the meeting. However, one or several shareholders may request, under the terms and conditions set forth by legal and regulatory provisions in force, the inclusion of items or draft resolutions in the agenda. The works council may also require the inclusion of proposed resolutions in the agenda in accordance with the regulation in force. The Shareholders' Meeting may not resolve on items which are not on the agenda, in accordance with the current regulation. However, it may in any event remove one or more Directors from office and appoints new directors in replacement. The agenda may not be revised for an adjourned meeting.

Any shareholder has the right to attend Shareholders' Meetings and take part in the vote either in person or by proxy, regardless of the number of shares owned, by providing evidence of his/her status as shareholder.

The 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.

4.2.2 Share capital

4.2.2.1 Amount of share capital

As at 31 December 2015, the share capital of the Company amounted to €83,245,602 divided into 83,245,602 shares fully subscribed and paid-up of same class, each with a par value of €1.

As at 29 February 2016, the share capital of the Company amounted to €83,246,502 divided into 83,246,502 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
24/04/2001	Share capital increase by capitalization of reserves	15.25	0	149,392.24	0	0	446,863,125	29,302,500
30/06/2005	Share capital increase by contribution in kinds	15.25	4,688,400	71,498,100	17,500,825.14	17,500,825.14	518,361,225	33,990,900
30/06/2005	Share capital increase by contribution in cash	15.25	3,477,345	53,029,511.25	12,970,496.85	30,471,321.99	571,390,736.25	37,468,245
18/07/2005	Decreasing of the shares par value	7.625	37,468,245	0	0	30,471,321.99	571,390,736.25	74,936,490
18/07/2005	Share capital decrease by reduction of par value and transfer to share premium account	1	0	496,454,245.25	496,454,245.25	526,925,568.24	74,936,490	74,936,490
07/12/2005	Share capital increase by contribution in cash	1	7,699,507	7,699,507	163,229,548.40	690,155,116.64	82,635,997	82,635,997
14/12/2005	Share capital increase by additional contribution in cash	1	1,139,008	1,139,008	24,146,969.60	714,302,086.24	83,775,005	83,775,005
28/12/2005	Share capital increase by contribution in cash reserved for Group's employees	1	249,678	249,678	4,184,603.28	718,486,689.52 / 708,994,538 (1)	84,024,683	84,024,683
12/12/2007	Bonus shares grant (Plan dated 06/12/2005)	1	18,500	18,500	–	708,994,538	84,043,183	84,043,183
12/12/2008	Bonus shares grant (Plan dated 06/12/2005)	1	16,500	16,500	–	708,994,538	84,059,683	84,059,683
04/06/2009	Bonus shares grant (Plan dated 30/05/2007)	1	8,000	8,000	–	708,994,538	84,067,683,	84,067,683
14/12/2009	Bonus shares grant (Plans dated 06/12/2005 and 12/12/2007)	1	12,500	12,500	–	708,994,538	84,080,183	84,080,183

Date	Transaction	Par value per share (in euros)	Number of shares	Nominal amount of share capital (in euros)	Share or contribution premium (in euros)	Cumulative share or contribution premiums (in euros)	Cumulated amount of share capital (in euros)	Cumulated number of outstanding shares
14/12/2009	Options exercises	1	25,450	25,450	539,540	709,534,078	84,105,633,	84,105,633
26/02/2010	Options exercises	1	45,750	45,750	969,900	710,503,978	84,151,383	84,151,383
28/05/2010	Options exercises	1	23,500	23,500	498,200	711,002,178	84,174,883	84,174,883
30/08/2010	Options exercises	1	1,200	1,200	25,440	711,027,618	84,176,083	84,176,083
10/11/2010	Bonus shares grant (Plan dated 29/09/2008)	1	18,600	18,600	–	711,027,618	84,194,683	84,194,683
10/11/2010	Bonus shares grant (Plan dated 22/01/2009)	1	30	30	–	711,027,618	84,194,713	84,194,713
13/12/2010	Bonus shares grant (Plan dated 12/12/2006)	1	1,500	1,500	–	711,027,618	84,196,213	84,196,213
24/01/2011	Bonus shares grant (Plan dated 22/01/2009)	1	22,860	22,860	–	711,027,618	84,219,073	84,219,073
31/03/2011	Options exercises	1	1,000	1,000	21,200	711,048,818	84,220,073	84,220,073
30/06/2011	Options exercises	1	3,000	3,000	63,600	711,112,418	84,223,073	84,223,073
15/12/2011	Bonus shares grant (Plans dated 10/11/2009 and 12/12/2007)	1	3,500	3,500	–	711,112,418	84,226,573	84,226,573
02/04/2012	Bonus shares grant (Plan dated 31/03/2010)	1	26,000	26,000	–	711,112,418	84,252,573	84,252,573
01/10/2012	Bonus shares grant (Plan dated 29/09/2008)	1	2,800	2,800	–	711,112,418	84,255,373	84,255,373
26/02/2013	Cancellation – shares	1	(155,120)	(155,120)	–	711,112,418	84,100,253	84,100,253
28/03/2013	Options exercises	1	9,300	9,300	197,160	711,309,578	84,109,553	84,109,553
02/04/2013	Bonus shares grant (Plan dated 30/03/2009)	1	8,870	8,870	–	711,309,578	84,118,423	84,118,423
31/05/2013	Options exercises	1	1,000	1,000	21,200	711,330,778	84,119,423	84,119,423
27/06/2013	Options exercises	1	3,500	3,500	74,200	711,404,978	84,122,923	84,122,923
01/07/2013	Bonus shares grant (Plan dated 30/06/2011)	1	98,968	98,968	–	711,404,978	84,221,891	84,221,891
29/08/2013	Options exercises	1	1,200	1,200	25,440	711,430,418	84,223,091	84,223,091
11/12/2013	Options exercises	1	11,900	11,900	252,280	711,682,698	84,234,991	84,234,991
31/12/2013	Options exercises	1	7,710	7,710	167,835	711,850,533	84,242,701	84,242,701
27/02/2014	Options exercises	1	11,500	11,500	243,800	712,094,333	84,254,201	84,254,201
17/03/2014	Cancellation – shares	1	(800,000)	(800,000)	–	712,094,333	83,454,201	83,454,201
24/03/2014	Cancellation – shares	1	(842,542)	(842,542)	–	712,094,333	82,611,659	82,611,659
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

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
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
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

(1) Amount after imputation of the tax-free expenses on premiums.

4.2.2.3 Potential share capital

As at 31 December 2015 the potential share capital represents a maximum potential dilution of 0.64% 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 at 31 December 2015, with respect to all Ipsen plans, there were 1,142,157 outstanding options (after deduction of the number of options exercised or cancelled to take into account the departure of certain beneficiaries), of which 612,443 purchase options and 529,714 subscription options, representing a potential increase of the share capital up to €529,714 and a maximum potential dilution of 0.64%.

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 to executive directors						Exercised as at 31/12/2015	Cancelled or expired as at 31/12/2015	Outstanding as at 31/12/2015
			Of beneficiaries	Of options	Number of beneficiaries	Of options							
19/09/2005	14/11/2005	06/12/2005	93	329,000	–	–	Subscription	06/12/2009	07/12/2015	22.2	264,650	64,350	0
02/06/2006	12/12/2006	12/12/2006	18	23,000	–	–	Subscription	12/12/2010	13/12/2016	29.88	5,400	6,000	11,600
02/06/2006	12/12/2006	12/12/2006	31	42,000	–	–	Subscription	12/12/2010	13/12/2018	29.88	5,500	15,500	21,000
02/06/2006	12/12/2006	12/12/2006	20	28,500	–	–	Subscription	12/12/2010	13/12/2018	33.21	8,500	9,500	10,500
02/06/2006	12/12/2006	12/12/2006	5	266,668	–	–	Purchase	12/12/2012	13/12/2018	38.73	33,334	20,000	213,334
02/06/2006	12/12/2006	12/12/2006	5	266,666	–	–	Purchase	12/12/2011	13/12/2018	35.86	60,901	20,000	185,765
02/06/2006	12/12/2006	12/12/2006	5	266,666	–	–	Subscription	12/12/2010	13/12/2018	33.21	73,333	20,000	173,333
02/06/2006	30/05/2007	30/05/2007	3	55,000	–	–	Subscription	30/05/2011	31/05/2017	39.06	6,666	5,000	43,334
02/06/2006	12/12/2007	12/12/2007	2	53,334	–	–	Purchase	12/12/2012	13/12/2017	41.33	26,667	–	26,667
02/06/2006	12/12/2007	12/12/2007	2	26,666	–	–	Subscription	12/12/2012	13/12/2017	41.33	–	–	26,666

Date of Shareholders' Meeting	Date of Board of Directors	Grant date	Number of options granted				Nature of the options granted	Date of exercise	Date of expiry	Exercise price (in euros)	Number of options		
			Total number		Of which number granted to executive directors								
			Of beneficiaries	Of options	Number of beneficiaries	Of options					Exercised as at 31/12/2015	Cancelled or expired as at 31/12/2015	Outstanding as at 31/12/2015
02/06/2006	12/12/2007	12/12/2007	2	53,334	–	–	Purchase	12/12/2011	13/12/2017	38.27	26,667	–	26,667
02/06/2006	12/12/2007	12/12/2007	2	26,666	–	–	Subscription	12/12/2011	13/12/2017	38.27	–	–	26,666
02/06/2006	29/09/2008	29/09/2008	1	10,000	–	–	Subscription	29/09/2012	29/09/2018	34.68	–	–	10,000
02/06/2006	29/09/2008	29/09/2008	201	216,200	–	–	Purchase	29/09/2012	29/09/2018	34.68	67,950	39,450	108,800
02/06/2006	20/03/2009	30/03/2009	41	148,300	–	–	Purchase	30/03/2013	30/03/2019	26.39	21,410	75,680	51,210
04/06/2009	10/11/2009	10/11/2009	1	12,000	–	–	Subscription	10/11/2013	10/11/2019	34.74	–	–	12,000
04/06/2009	31/03/2010	31/03/2010	22	40,710	–	–	Subscription	01/04/2012	01/04/2018	36.64	7,310	14,900	18,500
04/06/2009	31/03/2010	31/03/2010	105	321,360 (*)	–	–	Subscription	31/03/2014	01/04/2018	36.64	21,610	259,750	40,000
27/05/2011	30/06/2011	30/06/2011	10	16,005	–	–	Subscription	30/06/2013	01/07/2019	25.01	9,860	2,775	3,370
27/05/2011	30/06/2011	30/06/2011	6	189,703 (*)	1	121 180	Subscription	30/06/2015	01/07/2019	25.01	43,122	13,836	132,745 (1)
Total				**2,391,778**							**682,880**	**566,741**	**1,142,157**

(*) 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 4.1.3.3.

Grant of stock options during 2015 financial year to ten employees of the Group receiving the highest number (Table 9 of AMF recommendations)

During the 2015 financial year, no options were granted.

Exercise of stock options during 2015 financial year by employees of the Group exercising the highest number (Table 9 of AMF recommendations)

During the 2015 financial year, the options exercised by the ten Group employees that have exercised the highest number reached a total of 179,275 options at a weighted average price of €29.52. These exercises resulted in the attribution of 179,275 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 at 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 2015 financial year, 181,696 shares were transferred to beneficiaries at the end of the acquisition period for bonus shares granted under the 30 June 2011 and 28 March 2013 plans, under the form of new shares.

The Board of Directors, at its meeting held on 30 July 2015, decided to modify subscription bonus shares plans (plans of 30 March 2012, 28 March 2013, 27 March 2014 and 1 April 2015) to purchase bonus shares plan, to limit the potential dilution.

As at 31 December 2015, with respect to all Ipsen plans, 390,137 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 2015, 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 31/12/2015	Number of shares transferred or created at the end of the acquisition period	Outstanding as at 31/12/2015
			Of beneficiaries	Of Bonus shares	Number of beneficiaries	Of Bonus shares						
27/05/2011	30/06/2011	30/06/2011	6	27,331 (4)	1	4,490	New shares	01/07/2013	01/07/2015	2,733 (1)	24,598	–
27/05/2011	30/06/2011	30/06/2011	39	33,830	–	–	New shares	01/07/2015	01/07/2015	7,710	26,120	–
27/05/2011	30/06/2011	30/06/2011	9	15,755	–	–	New shares	01/07/2013	01/07/2015	2,775	12,980 (*)	–
27/05/2011	30/06/2011	30/06/2011	80	78,990	–	–	New shares	01/07/2013	01/07/2015	4,620	74,370	–
27/05/2011	30/03/2012	30/03/2012	8	84,685 (4)	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 (4)	–	–	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 (4)	–	–	New 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 (4)	–	–	Existing shares	31/03/2016	31/03/2016	4,160	–	15,256
27/05/2011	30/03/2012	30/03/2012	16	11,200	–	–	Existing shares	31/03/2016	31/03/2016	2,100	–	9,100
27/05/2011	28/03/2013	28/03/2013	9	79,859 (4)	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 (4)	–	–	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 (4)	–	–	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 (4)	–	–	Existing shares	29/03/2017	29/03/2017	2,454	–	19,337
27/05/2011	28/03/2013	28/03/2013	18	9,540	–	–	Existing shares	29/03/2017	29/03/2017	2,650	–	6,890
31/05/2013	27/03/2014	27/03/2014	103	62,368 (4)	–	–	Existing shares	28/03/2016	28/03/2018	9,980	–	52,388
31/05/2013	27/03/2014	27/03/2014	10	76,011 (4)	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 (4)	–	–	Existing shares	28/03/2016	28/03/2018	12,322	–	18,459 (*)
31/05/2013	27/03/2014	27/03/2014	33	20,795 (4)	–	–	Existing shares	28/03/2018	28/03/2018	1,727	–	19,068
31/05/2013	01/04/2015	01/04/2015	10	53,021 (4)	2	22,658	Existing shares	02/04/2017	02/04/2019	–	–	53,021
31/05/2013	01/04/2015	01/04/2015	80	47,572 (4)	–	–	Existing shares	02/04/2017	02/04/2019	–	–	47,572
31/05/2013	01/04/2015	01/04/2015	17	39,970 (4)	–	–	Existing shares	02/04/2017	02/04/2019	–	–	39,970 (*)
31/05/2013	01/04/2015	01/04/2015	31	21,484 (4)	–	–	Existing shares	02/04/2019	02/04/2019	–	–	21,484
Total				**956,507**						**169,980**	**396,390**	**390,137**

(*) 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) Bonus shares granted under performance conditions.

Grants of Ipsen performance Bonus Shares to the employees during financial year 2015

During the 2015 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 36,698 bonus shares.

4.2.2.4 Authorized and non-issued share capital

The Combined Shareholders' Meeting held on 27 May 2015 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 2015:

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)
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)

As at the date of the present registration document, these delegations have not been used.

Issues without preferential subscription rights for shareholders

	Ongoing authorizations		
	Date of the Shareholders' Meeting (resolution number)	Duration (expiry)	Maximum nominal amount of the share capital increase authorized
Share capital increase by issues of ordinary shares or securities without preferential subscription rights for shareholders by offer to the public	27 May 2015 (16th)	26 months (26 July 2017)	10% of the share capital (a, b, c)
Share capital increase by issues of ordinary shares or securities without preferential subscription rights for shareholders by private placement	27 May 2015 (17th)	26 months (26 July 2017)	10% of the share capital (a, b, c)
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)

As at the date of the present registration document, these delegations have not been used.

Issues reserved to employees (and, if applicable, to executive directors)

	Autorisations en cours		
	Date of the Shareholders' Meeting (resolution number)	Duration (expiry)	Maximum nominal amount of the share capital increase authorized
Share capital increase reserved for members of a company savings plan	27 May 2015 (22rd)	26 months (26 July 2017)	5% of the share capital (a)
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)
Bonus Shares granted to employees and/or certain executive directors	27 May 2015 (21st)	26 months (26 July 2017)	3% of the share capital (e, f, g)
Preferential bonus shares granted to employees and/or certain executive directors	27 May 2015 (23rd)	26 months (26 July 2017)	3% of the share capital (e, g)

(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) 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) Used in 2015 up to 162,047 shares, *i.e.*, 0.20% 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).

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	27 May 2015 (12th resolution)	18 months (26 November 2016)	Maximum repurchase price per share: €70 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 at the date of decision of cancellation

Treasury shares (excluding liquidity agreement and repurchase of shares for cancellation)

As at 31 December 2015, the Company held 1,033,463 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 at 1 March 2016, the Company held 1,030,603 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 27 May 2015 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 4 June 2014. Pursuant to this decision, the Board of Directors decided on 27 May 2015 to set up a new share repurchase program with a limit of 10% of the share capital and a maximum repurchase price of €70 per share.

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 3 June 2015, the Company had mandated Natixis to repurchase 500,000 shares, representing 0.60% of the share capital. The mandate ended earlier on 28 December 2015 since all shares were acquired at this date.

Finally, 172,596 treasury shares have been used 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 2015 financial year:

Number of shares purchased:	1,084,225
Average purchase price:	€51.93
Number of shares sold:	583,255
Average sale price:	€52.20
Total amount of dealing and brokerage expenses:	€56,015.74
Number of shares used in 2015:	172,596
Number of shares registered in the name of the Company at the end of the financial year:	1,119,000 shares (of which 5,627 shares within the liquidity contract and 500,000 within the repurchase program)
Estimated value at the average purchase price:	€58,114,343.70
Nominal value:	€1,119,090 including: – €1,033,463 dedicated to the coverage of options and shares plans – €5,627 within the liquidity contract for the purposes of the animation of shares price – €80,000 for the purpose of cancellation

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	1.24%
Securities giving right to shares	–
Acquisitions	–
Cancellation	0.10%

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.

This program shows the following characteristics:

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).

4.2.3 Shareholding

4.2.3.1 Share ownership and voting rights

As at 31 December 2015, the Company's share capital amounted to €83,245,602, divided into 83,245,602 shares, each with a par value of €1. The corresponding theoretical number of voting rights amounted to 131,024,357 and the number of net voting rights amounts to 129,905,267.

As at 29 February 2016, the Company's share capital amounts to €83,246,502, divided into 83,246,502 shares, each with a par value of €1. The corresponding theoretical number of voting rights amounts to 131,023,427 and the number of net voting rights amounts to 129,903,106.

The difference between the number of theoretical voting rights and the number of real voting rights corresponds to the number of treasury shares.

As at 31 December 2015, 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	56.78%	94,539,617	72.15%	94,539,617	72.78%
Free Float	34,026,745	40.88%	34,026,745	25.97%	34,026,745	26.19%
Treasury shares	1,119,090	1.34%	1,119,090	0.85%	0	0
Other registered shareholders	689,809	0.83%	1,098,450	0.84%	1,098,450	0.85%
FCP Ipsen Actions (1)	91,135	0.11%	182,270	0.14%	182,270	0.14%
Board of Directors (excluding Mayroy SA) (2)	49,010	0.06%	58,185	0.04%	58,185	0.04%
Total	**83,245,602**	**100%**	**131,024,357**	**100%**	**129,905,267**	**100%**

(1) FCP Ipsen Actions is the only mutual fund for employees.
(2) Certain Directors of the Company are presumed to act in concert: Anne Beaufour, who owns 1 share and 2 voting rights, Henri Beaufour, who owns 1 share and 2 voting rights, Carol Xueref, who owns 500 shares and 700 voting rights, Christophe Vérot, who owns 1,500 shares and 3,000 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 2015, 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 2015. Subsequently the concert participation amounts to 56.80% of the share capital and 72.78% of the voting rights.

In accordance with the provisions of its bylaws providing the disclosing of any detention of more than 1% of the share capital or voting rights, the Company has been informed of the following thresholds:

- the company Natixis Asset Management declared to the Company that it crossed upwards, on 23 May 2012, the 1% of the share capital threshold;
- the company OppenheimerFunds Inc. declared to the Company that it crossed:
  - downwards, on 29 May 2013, the 1% of the share capital threshold;
- the company AXA Investment Managers, acting on its own account and the account of its affiliates, declared to the Company that it crossed:
  - downwards, on 24 April 2013, the 3% of the share capital threshold and the 2% of the voting rights threshold;
  - 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.

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 2015.

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 at 31 December)

	2015					
	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
Board of Directors (*)	49,010	0.06	58,185	0.04	58,185	0.04
FCP Ipsen Actions	91,135	0.11	182,270	0.14	182,270	0.14
Treasury Shares	1,119,090	1.34	1,119,090	0.85	0	0
Other registred shareholders	689,809	0.83	1,098,450	0.84	1,098,450	0.85
Public	34,026,745	40.88	34,026,745	25.97	34,026,745	26.19
Total	**83,245,602**	**100**	**131,024,357**	**100**	**129,905,267**	**100**

	2014						2013					
	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	47,269,807	57.04	94,539,611	72.40	94,539,611	72.84	57,099,528	67.78	114,033,559	80.52	114,033,559	81.31
Board of Directors (*)	29,258	0.04	37,393	0.03	37,393	0.03	15,456	0.02	25,972	0.02	25,972	0.02
FCP Ipsen Actions	100,400	0.12	200,800	0.15	200,800	0.15	123,200	0.15	246,400	0.17	246,400	0.18
Treasury Shares	790,716	0.95	790,716	0.61	0	0	1,375,074	1.63	1,375,074	0.97	0	0
Other registred shareholders	580,786	0.70	909,917	0.70	909,917	0.70	473,931	0.56	785,810	0.56	785,810	0.56
Public	34,098,116	41.15	34,098,116	26.11	34,098,116	26.27	25,155,512	29.86	25,155,512	17.76	25,155,512	17.93
Total	**82,869,083**	**100**	**130,576,553**	**100**	**129,785,837**	**100**	**84,242,701**	**100**	**141,622,327**	**100**	**140,247,253**	**100**

(*) Excluding Mayroy SA.

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 and Christophe Vérot) 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:

- 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 Appointments and Governance Committee;
- presence of two independent Directors of three members in the Audit Committee;
- presence of two independent Directors of three members in the Compensation Committee;
- presence of an independent Director of three members in the Ethics Committee.

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 actions Ipsen, the only mutual fund for employees, are exercised by a person empowered by the supervisory board of the mutual fund in order to be represented in shareholders' meeting (see section 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, 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				
	2015	2014	2013	2012	2011
Total number of shares giving rights to dividend	82,882,958	82,611,659	84,100,253	84,226,573	84,219,073
Distribution (in euros, excluding tax credit)	70,450,514.30 (*)	66,089,327.20 (*)	67,280,202.40 (*)	67,381,258.40 (*)	67,375,258.40 (*)
Gross dividend amount per share (in euros, excluding tax credit)	0.85	0.80	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 amortisation of its intangible assets arising from the allocation of the purchase price of its acquisitions). However, this is not an undertaking on the Company's part, and the Company may decide to change for each fiscal year its distribution policy or not pay a dividend at all based on its financial performance, investment needs and debt management imperatives.

Statute of limitations

Dividends which are not claimed within five years of their payment date shall lapse and become the property of the State.

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.

5 ANNEXES

5.1 PERSON RESPONSIBLE

5.1.1 Attestation of the person responsible for the registration document

Mr. Marc de Garidel, Chairman and Chief Executive Officer of Ipsen

"I affirm that having taken all reasonable care to ensure that such is the case, the information contained in this registration document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I hereby declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and all the other companies included in the scope of consolidation, and that the Management Report presented in 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.

The historical financial information presented in this registration document has been the object of report from the Statutory Auditors presented from pages 114 to 115, 133 and 205 to 207 of the present registration document."

Marc de Garidel,
Chairman and Chief Executive Officer

5.1.2 Person responsible for financial information

Aymeric Le Chatelier
Chief Financial Officer

Stéphane Durant des Aulnois
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 28 May 2010.

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 28 May 2010.

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.

5.1.3.3 Fees paid by the Group to the Statutory Auditors and members of their networks

	Deloitte & Associés						KPMG Audit					
	Amount (excl. VAT)			%			Amount (excl. VAT)			%		
(in thousand euros)	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013
Audit												
Statutory audit, certification, review of separate and consolidated financial statements												
Issuer	*177*	*204*	*157*	*20%*	*22%*	*15%*	*209*	*199*	*196*	*22%*	*23%*	*25%*
Fully consolidated subsidiaries	*646*	*655*	*638*	*75%*	*71%*	*61%*	*566*	*524*	*489*	*61%*	*61%*	*61%*
Other work and services directly related to the statutory audit												
Issuer	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*
Fully consolidated subsidiaries	*43*	*4*	*249*	*5%*	*0%*	*24%*	*71*	*59*	*107*	*8%*	*7%*	*13%*
Sub-total	**866**	**863**	**1,044**	**100%**	**94%**	**100%**	**846**	**782**	**792**	**91%**	**91%**	**99%**
Other services provided by the network to fully consolidated subsidiaries												
Legal, fiscal and payroll	*–*	*59*	*–*	*–*	*6%*	*–*	*81*	*82*	*10*	*9%*	*9%*	*1%*
Other	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*
Sub-total	**–**	**59**	**–**	**–**	**6%**	**–**	**81**	**82**	**10**	**9%**	**9%**	**1%**
Total	**866**	**922**	**1,044**	**100%**	**100%**	**100%**	**927**	**864**	**802**	**100%**	**100%**	**100%**

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 2015 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 2015 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 Management Report pursuant to article 222-3-3 of the General Regulations of the AMF

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 Statutory Auditor's moderate assurance report on the review of selected environmental and social indicators

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.

INFORMATIONS	Sections	Pages
1. PERSONS RESPONSIBLE		
1.1 Persons responsible for the registration document	5.1.1 – 5.1.2	224
1.2 Declaration of the person responsible for the registration document	5.1.1	224
2. STATUTORY AUDITORS		
2.1 Identities and addresses	5.1.3	224
2.2 Changes	NA	
3. SELECTED FINANCIAL INFORMATION		
3.1 Historical financial information	Introduction	3
3.2 Financial information for interim periods	NA	
4. RISK FACTORS	1.2.8	29

INFORMATIONS	Sections	Pages
5. INFORMATION ABOUT THE ISSUER		
5.1 History and development		
5.1.1 Legal and commercial name	1.1.1.1	6
5.1.2 Place of registration	1.1.1.1	6
5.1.3 Date of incorporation and duration	1.1.1.1	6
5.1.4 Headquarters – legal form – applicable law	1.1.1.1	6
5.1.5 Important events in the development of the company	2.1.1	40
5.2 Investments		
5.2.1 Investments achieved	1.2.7.2 – 2.1.3	28 – 47
5.2.2 In progress	1.2.7.2	28
5.2.3 Scheduled	NA	
6. BUSINESS OVERVIEW		
6.1 Principal activities		
6.1.1 Operations and principal activities	1.1.1.2 – 1.2.1	6 – 9
6.1.2 New products	1.2.1	9
6.2 Principal markets	1.2.1 – 1.2.5	9 – 25
6.3 Exceptions factors	2.1.1	40
6.4 Extent to which the issuer is dependent	1.2.8	29
6.5 Competitive position	1.2.5.2	25
7. ORGANIZATIONAL STRUCTURE		
7.1 Brief description of the Group	1.2.7.1	27
7.2 List of significant subsidiaries	2.2.5 note 28	112
8. PROPERTY, PLANTS AND EQUIPMENT		
8.1 Information regarding any existing or planned material tangible fixed assets	3.2	142
8.2 Any environmental issues that may affect the utilisation of the tangible fixed assets	3.2	142
9. OPERATING AND FINANCIAL REVIEW		
9.1 Financial condition	Introduction – 2	3 – 40
9.2 Operating results		
9.2.1 Significant factors	2	40
9.2.2 Material changes in net sales or revenues	2	40
9.2.3 Any factors that have materially affected, or could affect, directly or indirectly, the issuer's operations	1.2.6 – 2	26 – 40
10. CAPITAL RESOURCES		
10.1 Capital resources (short and long term)	2.1.3	47
10.2 Cash flows	2.1.3	47
10.3 Borrowing requirements and funding structure	2.1.3	47
10.4 Restrictions on the use of capital resources	2.1.3	47
10.5 Anticipated sources of funds needed	NA	
11. RESERCH AND DEVELOPMENT, PATENTS AND LICENCES	1.1.1 – 1.2.3	6 – 17
12. TREND INFORMATIONS		
12.1 Recent trends production	1.2.6 – 2.1.6	26 – 56
12.2 Events that are reasonably likely to have a material effect on prospects	1.2.6	26

INFORMATIONS	Sections	Pages
13. PROFIT FORECAST OR ESTIMATES		
13.1 Principal assumptions	NA	
13.2 Report prepared by auditors	NA	
13.3 Forecast basis	NA	
13.4 Disclose of forecast approval	NA	
14. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND SENIOR MANAGEMENT		
14.1 Name, business address, and functions of the corporate officers in the issuing company	4.1.1.2 – 4.1.1.3 – 4.1.1.6	168 – 171 – 175
14.2 Administrative, management and supervisory bodies and senior management conflicts of interest	4.1.1.4	175
15. REMUNERATION AND BENEFITS		
15.1 Remuneration paid	4.1.3	196
15.2 Amounts set aside to provide pension, retirement or similar benefits	4.1.3	196
16. BOARD PRACTICES		
16.1 Date of expiration of the current term of office	4.1.1.1 – 4.1.1.2	162 – 168
16.2 Service contracts	4.1.1.4	175
16.3 Committees	4.1.1.1 – 4.1.2.1.1	162 – 180
16.4 Compliance with principles of corporate governance	4.1.2.1	180
17. EMPLOYEES		
17.1 Breakdown of employees	3.1	138
17.2 Shareholding and stock options	4.1.3.3 – 4.2.2.3	202 – 212
17.3 Description of any arrangements for involving the employees in the capital	3.1.2	140
18. MAJOR SHAREHOLDERS		
18.1 Interests in capital	4.2.3.1	217
18.2 Different voting rights	4.2.1.3 – 4.2.3.1	208 – 217
18.3 Control of the issuer	4.2.3.1 – 4.2.3.4	217 – 219
18.4 Description of any arrangements	4.2.3.3 – 4.2.3.5	219 – 220
19. RELATED PARTY TRANSACTIONS	4.2.3.7	221
20. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES		
20.1 Historical financial information	Introduction – 2	3 – 40
20.2 Pro forma financial information	NA	
20.3 Financial statements	2.2 – 2.3	57 – 116
20.4 Auditing of historical annual financial information		
20.4.1 Statement that the historical financial information has been audited	2.2.6 – 2.3.3	114 – 133
20.4.2 Indication of other information audited	4.1.2.2 – 4.1.4	195 – 205
20.4.3 Indication of other information unaudited	NA	
20.5 Age of latest financial information	2.2.5 note 4	77
20.6 Interim and other financial information	NA	
20.7 Dividend policy	4.2.3.6	220
20.8 Legal and arbitration proceedings	1.2.8.3.2.2	33
20.9 Significant change in the issuer's financial or trading position	2.2.5 note 1 and note 2	66 – 67

INFORMATIONS	Sections	Pages
21. ADDITIONAL INFORMATION		
21.1 Share capital		
21.1.1 Amount of issued and fully paid capital	4.2.2.1 – 4.2.2.4 – 4.2.2.5	210 – 215 – 216
21.1.2 Shares not representing the capital	NA	
21.1.3 Treasury shares or shares held by subsidiaries	4.2.2.5	216
21.1.4 Securities	4.2.2.3	212
21.1.5 Terms of any acquisition	NA	
21.1.6 Options or understanding	NA	
21.1.7 History of share capital	4.2.2.2	210
21.2 Memorandum and articles of association		
21.2.1 Corporate purpose	4.2.1.1	208
21.2.2 Regulations of administrative, management and supervisory bodies	4.1.1.1 – 4.1.2.1.1	162 – 180
21.2.3 Rights and preferences attached to shares	4.2.1.3	208
21.2.4 Modification of the rights of shareholders	4.2.1.3	208
21.2.5 Shareholders' meetings	4.1.2.1.4 – 4.2.1.4	189 – 208
21.2.6 Change of control	4.2.3.5	220
21.2.7 Shareholding thresholds	4.2.1.5	209
21.2.8 Conditions governing modifications to articles of Association	4.2.1.7	210
22. MATERIAL CONTRACTS	1.2.2	13
23. THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST		
23.1 Statement of an expert	5.2	225
23.2 Other statements	NA	
24. DOCUMENTS ON DISPLAY	5.3	225
25. INFORMATION ON HOLDINGS	1.2.7 – 2.2.5 note 28	27 – 112

6 INDEX

6 INDEX

Contacts
Readers can address any comments and questions on this document to:

Ipsen
65, quai Georges Gorse
92650 Boulogne-Billancourt Cedex

Phone: +33 1 58 33 50 00
Fax: +33 1 58 33 50 01

www.ipsen.com

Realization
DESIGN MEDIA – 01 40 55 16 66

2015 Registration document
This Annual Report is also available on the Company's website at www.ipsen.com.

* Innover pour mieux soigner.

IPSEN
Innovation for patient care

www.ipsen.com