IPSEN Innovation for patient care

PRESS RELEASE

Ipsen presents its 2019 results, provides 2020 guidance and updates 2022 financial outlook

Paris (France), 13 February 2020 – Ipsen (Euronext: IPN; ADR: IPSEY), a global specialty-driven biopharmaceutical group, today announced its financial results for the full year 2019.

- **Group sales growth** of 15.8% as reported or 14.8% at constant currency and scope of consolidation[1] , driven by Specialty Care sales growth of 17.2%[1], reflecting strong performance across all major products and geographies, while Consumer Healthcare sales were down -1.2%[1]
- **Core Operating margin** at 30.4% of net sales, up 0.7 points. **IFRS Operating margin** at -1.3% of net sales, down 24.6 points
- **Setback in the palovarotene program** of partial clinical hold for all patients under 14 years of age and reaching pre-specified second interim analysis futility criteria in the Phase 3 MOVE trial for fibrodysplasia ossificans progressiva (FOP), leading to a partial impairment of €669 million before tax
- **Core consolidated net profit** of €563 million (+14.6% vs. 2018), with fully diluted Core EPS growing by 14.1% to reach €6.74. **IFRS Consolidated net profit** showing a loss of €50 million, with an IFRS net loss per share of €0.61
- **Sound financial structure,** with a closing Net Debt of €1,116 million and a Net Debt to EBITDA ratio at 1.3x. Strong Free Cash Flow at €468 million, up 2%, mainly driven by higher Operating Cash Flow.
- **Continued commitment to disciplined execution of business development strategy** for long-term sustainability focusing on the Group's core therapeutic areas (Oncology, Neuroscience, Rare Diseases) and across different transaction structures and various phases of drug development
- **Advancing solid pipeline** with several significant new chemical entities and Phase 3 / registrational trials, including the initiation of pivotal Phase 3 trials for Onivyde® in 1L Pancreatic Ductal Adenocarcinoma (PDAC) and 2L Small Cell Lung Cancer (SCLC) and upcoming top-line results for the Phase 3 trial of Cabometyx® in combination with nivolumab in 1L Renal Cell Carcinoma (RCC)
- **Proposed distribution** of €1.00 per share[2] for the 2019 financial year, consistent with the prior year
- **2020 guidance**[3] of Group sales growth greater than +6.0% at constant currency and Core Operating margin around 30.0% of net sales
- **Updated 2022 outlook**[3] with Group sales greater than €2.8 billion and Core Operating margin greater than 28.0% of net sales

Aymeric Le Chatelier, Chief Executive Officer and Chief Financial Officer of Ipsen, stated: *"2019 was another excellent year of operating performance for Ipsen with continued double-digit top-line growth and core operating margin expansion. Despite the recent palovarotene setback, the fundamentals of our business remain strong with a growing Specialty Care franchise and a sound financial structure including attractive cash flow generation. We are committed to the disciplined execution of our strategy, delivering solid mid-single digit growth in 2020 and further advancing our R&D pipeline programs. We have also updated our 2022 outlook taking into account the latest developments in the current business. We remain focused on executing our internal and external R&D strategy to strengthen our pipeline and deliver sustainable growth for years to come."*

[1] Year-on-year growth excluding foreign exchange impact established by recalculating net sales for the relevant period at the rate used for the previous period. Sales growth adjusted for consolidation scope including: subsidiaries involved in the partnership between Ipsen and Schwabe Group consolidated in accordance with the equity method since 1 January 2019; and 2018 Etiasa® (mesalazine) sales adjusted for the new contractual set up.
[2] Decided by the Ipsen S.A. Board of Directors, which met on 12 February 2020, to propose at the Annual Shareholders' meeting on 29 May 2020.
[3] Assuming no impact of new somatostatin analog (SSA) generic entry in 2020 and excluding impact of incremental investments in pipeline expansion initiatives

Review of full year 2019 results

Extract of audited consolidated results for the full year 2019 and 2018

(in million euros)	**FY 2019**	**FY 2018**	***% change***	***% change at constant currency and scope[1]***
Group net sales	**2,576.2**	**2,224.8**	***+15.8%***	***+14.8%***
Specialty Care sales	2,299.4	1,924.5	*+19.5%*	*+17.2%*
Consumer Healthcare sales	276.8	300.3	*-7.8%*	*-1.2%*
CORE				
Core Operating Income	**782.6**	**659.9**	***+18.6%***	
Core Operating margin (as a % net sales)	*30.4%*	*29.7%*	*+0.7 pts*	
Core consolidated net profit	**563.4**	**491.6**	***+14.6%***	
Core EPS – fully diluted (€)	6.74	5.91	*+14.1%*	
IFRS				
Operating Income	**(33.4)**	**519.4**	***-106.4%***	
Operating margin (as a % net sales)	-1.3%	23.3%	*-24.6 pts*	
Consolidated net profit	**(50.2)**	**389.1**	***-112.9%***	
EPS – fully diluted (€)	(0.61)	4.68	*-113.0%*	

Group net sales reached €2,576.2 million, up 14.8% [1] year-on-year.

Specialty Care sales reached €2,299.4 million, up 17.2%[1], driven by the continued strong growth of Somatuline® (lanreotide) and the €376.9 million contribution from the key Oncology launches of Cabometyx® (*cabozantinib*) and Onivyde® (*irinotecan liposome injection*). Somatuline growth of 18.3%[1] was driven by continued positive momentum in North America (21.3%) and solid performance throughout Europe, including Germany. Dysport® (*botulinum toxin type A*) growth was fueled by good performance in the therapeutics and in the aesthetics markets. Decapeptyl® (*triptorelin*) sales reflect good volume growth across Major European countries and in Southeast Asia.

Consumer Healthcare sales reached €276.8 million, down -1.2%[1], due to a decline in Smecta® (*diosmectite*) sales, especially in China.

Core Operating Income reached €782.6 million in 2019, compared to €659.9 million in 2018, a growth of 18.6%, driven by the sales growth and after increased R&D investments to support the development of the growing pipeline.

Core Operating margin reached 30.4% of net sales, up 0.7 points compared to 2018.

Core consolidated net profit was €563.4 million in 2019, an increase of 14.6% versus €491.6 million in 2018, driven by higher Core Operating Income compensated by increased net financial costs, notably related to higher net debt from the Clementia acquisition.

Fully diluted Core earnings per share grew by 14.1% to reach €6.74, compared to €5.91 in 2018.

IFRS Operating Income was a loss of €33.4 million, mainly due to an impairment charge of €668.8 million on the intangible assets of palovarotene. IFRS operating margin of -1.3% was down 24.6 points compared to 2018.

[1] Year-on-year growth excluding foreign exchange impact established by recalculating net sales for the relevant period at the rate used for the previous period. Sales growth adjusted for consolidation scope including: subsidiaries involved in the partnership between Ipsen and Schwabe Group consolidated in accordance with the equity method since 1 January 2019; and 2018 Etiasa® (mesalazine) sales adjusted for the new contractual set up.

IFRS Consolidated net profit was a loss of €50.2 million due to financial expenses resulting from the Onivyde contingent payment reevaluation, financing costs and income tax for a total of €244.8 million, offset by the positive impact on financial result of the revaluation of the Clementia Contingent Value Rights (CVR) and milestones, and on income tax of the tax effect from the palovarotene intangible asset impairment for a total of €220.0 million.

IFRS Fully diluted EPS (Earnings per share) was a net loss per share amounting to €0.61 versus a net profit of €4.68 in 2018.

Free Cash Flow reached €467.7 million, up by €9.3 million, mainly driven by higher Operating Cash Flow partly offset by higher cash out from restructuring costs, financial result and current income tax.

Closing net debt reached €1,115.6 million at the end of 2019, as compared to closing net debt in 2018 of €242.5 million. This reflects the acquisition of Clementia, other business development and milestones, the impact of the application of IFRS16, and the payment of the dividend.

Impairment loss related to palovarotene program

Ipsen recorded a €668.8 million partial impairment, before tax, on the palovarotene intangible assets at December 31, 2019 as a result of the recent developments in the palovarotene development program. This takes into account:

- 6 December 2019: Following discussions with the U.S. Food and Drug Administration (FDA), a partial clinical hold was issued for patients under the age of 14 for studies evaluating palovarotene for the chronic treatment of fibrodysplasia ossificans progressiva (FOP) and multiple osteochondromas (MO).
- 24 January 2020: Palovarotene Phase 3 MOVE trial for fibrodysplasia ossificans progressiva (FOP) reached pre-specified second interim analysis futility criteria. Ipsen paused dosing patients in FOP trials taking into consideration IDMC's recommendation to not discontinue trials based on encouraging therapeutic activity observed in preliminary post-hoc analyses.

Ipsen will continue the development of palovarotene, conduct further assessment of the MOVE dataset, address the FDA questions and define next steps for the clinical program to bring palovarotene to patients as quickly as possible.

Strategy update

During 2019, Ipsen made progress on its journey to being a leading global biopharmaceutical company focused on innovation and Specialty Care.

The three Specialty Care franchises all saw significant progress. The Oncology and Neuroscience franchises continued to demonstrate strong double-digit momentum and despite recent developments with palovarotene, Ipsen remains committed to building a successful Rare Diseases franchise and supporting patients living with FOP. In October 2019, Ipsen in-licensed BLU-782 from Blueprint Medicines, a highly selective ALK2 inhibitor in Phase 1 development for the treatment of FOP.

Ipsen is committed to continuing its business development strategy for long-term sustainability. The strategy will focus on the Group's core therapeutic areas (Oncology, Neuroscience, Rare Diseases) and across different transactions structures and various phases of drug development. The disciplined execution of this strategy will be supported by the Group's strong Free Cash Flow generation and close internal collaboration across Ipsen's teams.

In 2020 and beyond, the Group's mission to bring innovation to patients remains the same. The priorities and roadmap are clear, and Ipsen continues to execute against its objectives to maximize the portfolio while increasing the value of the pipeline.

Comparison of 2019 performance with financial objectives

The Group exceeded its upgraded guidance provided on 25 July 2019 as shown in the table below:

	2019 Financial objectives	2019 Actuals
Group sales growth (at constant exchange rate)	> +14.0% [1]	+14.8%[1]
Core Operating margin (as a percentage of sales)	around 30.0%	30.4%

Distribution for the 2019 financial year proposed for the approval of Ipsen's shareholders

The Ipsen S.A. Board of Directors, which met on 12 February 2020, decided to propose at the Annual Shareholders' meeting on 29 May 2020 the distribution of €1.00 per share for the 2019 financial year, consistent with the prior year.

2020 Financial guidance

The Group has set the following financial targets for the current year, assuming no impact in 2020 of new somatostatin analog (SSA) generic entry:

– **Group sales growth** year-on-year **greater than +6.0% at constant currency;** no impact of currency expected based on the current level of exchange rates.

– **Core Operating margin** around **30.0%** of net sales, excluding incremental investments in pipeline expansion initiatives.

Updated 2022 Outlook: The Group has updated its 2022 outlook taking into account the latest developments in its current business, mainly in the palovarotene development program:

- **Group net sales greater than €2.8 billion,** assuming current level of exchange rates;

- **Core Operating margin greater than 28.0% of net sales**

The outlook has been updated assuming no approval of additional meaningful products or indications (including no contribution from palovarotene), progressive entry of additional octreotide and lanreotide generics globally from 2021 and excluding the impact of incremental investments in pipeline expansion initiatives.

Conference call

Ipsen will hold a conference call Thursday, 13 February 2020 at 2:30 p.m. (Paris time, GMT+1). Participants should dial in to the call approximately five to ten minutes prior to its start. No reservation is required to participate in the conference call.

Standard International: +44 (0) 2071 928 000
France and continental Europe: +33 (0) 1 76 70 07 94
UK: 08445 718 892
U.S.: (631) 510-7495

Conference ID: 8178467

A recording will be available for seven days on Ipsen's website.

[1] Year-on-year growth excluding foreign exchange impact established by recalculating net sales for the relevant period at the rate used for the previous period. Sales growth adjusted for consolidation scope including: subsidiaries involved in the partnership between Ipsen and Schwabe Group consolidated in accordance with the equity method since 1 January 2019; and 2018 Etiasa® (mesalazine) sales adjusted for the new contractual set up.

About Ipsen

Ipsen is a global specialty-driven biopharmaceutical group focused on innovation and Specialty Care. The Group develops and commercializes innovative medicines in three key therapeutic areas – Oncology, Neuroscience and Rare Diseases. Its commitment to oncology is exemplified through its growing portfolio of key therapies for prostate cancer, neuroendocrine tumors, renal cell carcinoma and pancreatic cancer. Ipsen also has a well-established Consumer Healthcare business. With total sales over €2.5 billion in 2019, Ipsen sells more than 20 drugs in over 115 countries, with a direct commercial presence in more than 30 countries. Ipsen's R&D is focused on its innovative and differentiated technological platforms located in the heart of the leading biotechnological and life sciences hubs (Paris-Saclay, France; Oxford, UK; Cambridge, US). The Group has about 5,800 employees worldwide. Ipsen is listed in Paris (Euronext: IPN) and in the United States through a Sponsored Level I American Depositary Receipt program (ADR: IPSEY). For more information on Ipsen, visit www.ipsen.com.fr

Forward Looking Statement

The forward-looking statements, objectives and targets contained herein are based on the Group's management strategy, current views and assumptions. Such statements involve known and unknown risks and uncertainties that may cause actual results, performance or events to differ materially from those anticipated herein. All of the above risks could affect the Group's future ability to achieve its financial targets, which were set assuming reasonable macroeconomic conditions based on the information available today. Use of the words "believes", "anticipates" and "expects" and similar expressions are intended to identify forward-looking statements, including the Group's expectations regarding future events, including regulatory filings and determinations. Moreover, the targets described in this document were prepared without taking into account external growth assumptions and potential future acquisitions, which may alter these parameters. These objectives are based on data and assumptions regarded as reasonable by the Group. These targets depend on conditions or facts likely to happen in the future, and not exclusively on historical data. Actual results may depart significantly from these targets given the occurrence of certain risks and uncertainties, notably the fact that a promising product in early development phase or clinical trial may end up never being launched on the market or reaching its commercial targets, notably for regulatory or competition reasons. The Group must face or might face competition from generic products that might translate into a loss of market share. Furthermore, the Research and Development process involves several stages each of which involves the substantial risk that the Group may fail to achieve its objectives and be forced to abandon its efforts with regards to a product in which it has invested significant sums. Therefore, the Group cannot be certain that favorable results obtained during pre-clinical trials will be confirmed subsequently during clinical trials, or that the results of clinical trials will be sufficient to demonstrate the safe and effective nature of the product concerned. There can be no guarantees a product will receive the necessary regulatory approvals or that the product will prove to be commercially successful. If underlying assumptions prove inaccurate or risks or uncertainties materialize, actual results may differ materially from those set forth in the forward-looking statements. Other risks and uncertainties include but are not limited to, general industry conditions and competition; general economic factors, including interest rate and currency exchange rate fluctuations; the impact of pharmaceutical industry regulation and health care legislation; global trends toward health care cost containment; technological advances, new products and patents attained by competitors; challenges inherent in new product development, including obtaining regulatory approval; the Group's ability to accurately predict future market conditions; manufacturing difficulties or delays; financial instability of international economies and sovereign risk; dependence on the effectiveness of the Group's patents and other protections for innovative products; and the exposure to litigation, including patent litigation, and/or regulatory actions. The Group also depends on third parties to develop and market some of its products which could potentially generate substantial royalties; these partners could behave in such ways which could cause damage to the Group's activities and financial results. The Group cannot be certain that its partners will fulfil their obligations. It might be unable to obtain any benefit from those agreements. A default by any of the Group's partners could generate lower revenues than expected. Such situations could have a negative impact on the Group's business, financial position or performance. The Group expressly disclaims any obligation or undertaking to update or revise any forward-looking statements, targets or estimates contained in this press release to reflect any change in events, conditions, assumptions or circumstances on which any such statements are based, unless so required by applicable law. The Group's business is subject to the risk factors outlined in its registration documents filed with the French Autorité des Marchés Financiers. The risks and uncertainties set out are not exhaustive and the reader is advised to refer to the Group's 2018 Registration Document available on its website (www.ipsen.com).

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Comparison of Consolidated Sales for the Fourth Quarter and Full Year 2019 and 2018:

Sales by therapeutic area and by product

(in million euros)	4th Quarter 2019	4th Quarter 2018	% Variation	% Variation at constant currency and consolidation scope [1]	Full Year 2019	Full Year 2018	% Variation	% Variation at constant currency and consolidation scope[1]
Oncology	**505.2**	**414.6**	**21.8%**	**19.8%**	**1,844.4**	**1,503.0**	**22.7%**	**20.2%**
Somatuline®	288.7	227.2	27.1%	24.2%	1,031.6	846.7	21.8%	18.3%
Decapeptyl®	110.1	100.2	9.9%	9.1%	407.4	372.6	9.3%	8.8%
Cabometyx®	65.9	47.4	39.0%	39.2%	242.2	148.2	63.5%	63.5%
Onivyde®	34.2	33.7	1.7%	-1.4%	134.7	109.4	23.1%	16.9%
Other Oncology	6.3	6.2	2.0%	2.0%	28.5	26.0	9.5%	9.3%
Neuroscience	**105.5**	**88.7**	**18.9%**	**17.4%**	**391.3**	**351.5**	**11.3%**	**9.9%**
Dysport®	104.6	87.3	19.8%	18.4%	388.3	347.8	11.6%	10.2%
Rare Diseases	**14.6**	**16.9**	**-13.8%**	**-14.5%**	**63.7**	**70.0**	**-8.9%**	**-10.1%**
NutropinAq®	9.7	10.5	-7.4%	-7.4%	41.8	45.9	-8.9%	-8.8%
Increlex®	4.9	6.4	-24.4%	-26.4%	21.9	24.1	-9.0%	-12.5%
Specialty Care	**625.3**	**520.3**	**20.2%**	**18.3%**	**2,299.4**	**1,924.5**	**19.5%**	**17.2%**
Smecta®	33.6	31.3	7.2%	5.2%	125.6	126.5	-0.8%	-1.8%
Forlax®	12.6	11.2	12.6%	11.5%	42.1	39.8	5.9%	5.4%
Tanakan®	10.3	12.1	-14.8%	-16.1%	36.7	37.7	-2.5%	-3.2%
Fortrans/Eziclen®	11.7	9.3	25.6%	23.4%	36.8	31.4	17.2%	16.0%
Other Consumer Healthcare	8.4	20.1	-58.2%	-41.8%	35.6	64.9	-27.6%	-17.5%
Consumer Healthcare	**76.6**	**84.1**	**-8.9%**	**1.7%**	**276.8**	**300.3**	**-7.8%**	**-1.2%**
Group Sales	**701.9**	**604.4**	**16.1%**	**16.2%**	**2,576.2**	**2,224.8**	**15.8%**	**14.8%**

Full year 2019 sales highlights

Group sales reached €2,576.2 million, up 14.8%[1], driven by Specialty Care sales growth of 17.2%[1], while Consumer Healthcare sales decreased by 1.2%[1].

Specialty Care sales amounted to €2,299.4 million, up 17.2%[1]. Oncology and Neuroscience sales grew by 20.2%[1] and 9.9%[1], respectively, while Rare Diseases sales decreased by 10.1%[1]. Over the period, the relative weight of Specialty Care continued to increase to reach 89.3% of total Group sales, compared to 86.5% in 2018.

In **Oncology,** sales reached €1,844.4 million, up 20.2%[1] year-on-year, driven by continued strong performance across all major products and geographies. Over the period, Oncology sales represented 71.6% of total Group sales, compared to 67.6% in 2018.

> **Somatuline** – Sales reached €1,031.6 million, up 18.3%[1] year-on-year, driven by 21.3%[1] growth in North America primarily from volume growth, as well as continued double-digit growth in Europe with limited impact from the octreotide generic launch since Q3 2019.

[1]Year-on-year growth excluding foreign exchange impact established by recalculating net sales for the relevant period at the rate used for the previous period. Sales growth adjusted for consolidation scope including: subsidiaries involved in the partnership between Ipsen and Schwabe Group consolidated in accordance with the equity method since 1 January 2019; and 2018 Etiasa® (mesalazine) sales adjusted for the new contractual set up.

Decapeptyl – Sales reached €407.4 million, up 8.8%[1] year-on-year, driven mainly by steady growth in China, volume growth in Major Western Europe countries and in Algeria as well as solid sales performance in southeast Asia.

Cabometyx – Sales reached €242.2 million, up 63.5%[1] year-on-year, driven by good performance in all European countries, as well as launches in Canada and in several countries in Asia and Oceania.

Onivyde – Sales reached €134.7 million, up 16.9%[1] year on year, including growing demand in the U.S. and growing sales to Ipsen's ex-U.S. partner.

In **Neuroscience**, sales of **Dysport** reached €388.3 million, up 10.2%[1], driven by good performance in the U.S. in the therapeutics and aesthetics markets, solid performance of Galderma in the aesthetics market in Brazil, as well as higher sales in Russia and in the Middle East. Over the period, Neuroscience sales represented 15.2% of total Group sales, compared to 15.8% in 2018.

In **Rare Diseases**, sales of **NutropinAq** reached €41.8 million, down 8.8%[1] year-on-year, impacted by the market slowdown across Europe. Sales of **Increlex** reached €21.9 million, down 12.5%[1] year-on-year mainly due to lower demand in the U.S. Over the period, Rare Diseases sales represented 2.5% of total Group sales, compared to 3.1% in 2018.

Consumer Healthcare sales reached €276.8 million, down 1.2%[1], impacted by a decline in Smecta sales of 1.8%[1] year-on-year mainly due to the new hospital competitive environment in China and lower sales in Algeria. Fortrans/Eziclen sales were up 16.0%[1] year-on-year driven by China. Tanakan year-on-year sales were down 3.2%[1], due to lower demand in China. Over the period, Consumer Healthcare sales represented 10.7% of total Group sales, compared to 13.5% in 2018.

[1]Year-on-year growth excluding foreign exchange impact established by recalculating net sales for the relevant period at the rate used for the previous period. Sales growth adjusted for consolidation scope including: subsidiaries involved in the partnership between Ipsen and Schwabe Group consolidated in accordance with the equity method since 1 January 2019; and 2018 Etiasa® (mesalazine) sales adjusted for the new contractual set up.

Sales by geographical area

(in million euros)	4th Quarter 2019	4th Quarter 2018	4th Quarter % Variation	4th Quarter % Variation at constant currency and consolidation scope[1]	Full Year 2019	Full Year 2018	Full Year % Variation	Full Year % Variation at constant currency and consolidation scope[1]
France	80.7	80.8	-0.1%	-0.2%	320.8	282.0	13.7%	13.3%
Germany	46.3	51.1	-9.3%	1.7%	188.0	184.1	2.1%	13.1%
Italy	27.8	22.9	21.4%	21.4%	115.6	101.5	13.9%	13.9%
Spain	28.9	24.8	16.6%	16.6%	106.0	91.1	16.3%	16.3%
United Kingdom	29.4	24.5	20.0%	17.1%	105.3	95.0	10.8%	10.0%
Major Western EU countries	**213.2**	**204.1**	**4.4%**	**7.0%**	**835.7**	**753.8**	**10.9%**	**13.3%**
Eastern Europe	73.1	57.0	28.3%	24.8%	229.3	198.0	15.8%	14.7%
Others Europe	72.8	60.2	21.0%	22.7%	271.3	245.7	10.4%	11.3%
Other EU Countries	**145.9**	**117.2**	**24.5%**	**23.8%**	**500.6**	**443.7**	**12.8%**	**12.9%**
North America	**219.1**	**176.3**	**24.3%**	**19.8%**	**776.3**	**615.6**	**26.1%**	**19.5%**
Asia	59.7	56.5	5.5%	12.1%	230.2	207.3	11.0%	11.9%
Other countries in Rest of the world	64.1	50.3	27.5%	27.0%	233.4	204.3	14.2%	13.7%
Rest of the World	**123.7**	**106.8**	**15.8%**	**19.4%**	**463.6**	**411.7**	**12.6%**	**12.8%**
Group Sales	**701.9**	**604.4**	**16.1%**	**16.2%**	**2,576.2**	**2,224.8**	**15.8%**	**14.8%**

Sales in **Major Western European countries** reached €835.7 million, up 13.3%[1] year-on-year. Over the period, sales in Major Western European countries represented 32.4% of total Group sales, compared to 33.9% in 2018.

France – Sales reached €320.8 million, up 13.3%[1] year-on-year, driven by the Cabometyx ramp-up, continued growth of Somatuline and Decapeptyl as well as the contribution of Onivyde sales to Ipsen's ex-U.S. partner since September 2018.

Germany – Sales reached €188.0 million, up 13.1%[1] year-on-year, driven by Cabometyx, supported by the launch in first-line renal cell carcinoma (RCC) and second-line hepatocellular cell carcinoma (HCC) and the continued solid volume growth of Somatuline.

Italy – Sales reached €115.6 million, up 13.9%[1] year-on-year, driven by the increasing contribution from Cabometyx, as well as the solid volume growth of Somatuline and strong performance of Decapeptyl.

Spain – Sales reached €106.0 million, up 16.3%[1] year-on-year, driven by the increasing contribution of Cabometyx and the strong growth of Somatuline supported by the new delivery system launch.

United Kingdom – Sales reached €105.3 million, up 10.0%[1] year-on-year, driven by the solid performance of Somatuline and Decapeptyl.

Sales in **Other European countries** reached €500.6 million, up 12.9%[1] year-on-year, driven by the launch of Cabometyx in certain countries, and the continued strong growth of Somatuline and Dysport. Over the period, sales in the region represented 19.4% of total Group sales, compared to 19.9% in 2018.

Sales in **North America** reached €776.3 million, up 19.5%[1] year-on-year driven by continued strong demand growth of Somatuline, steady growth of Onivyde and Dysport and the increasing contribution of Cabometyx in Canada. Sales in 2019 in North America represented 30.1% of total Group sales, compared to 27.7% in 2018.

Sales in the **Rest of the World** reached €463.6 million, up 12.8%[1] year-on-year, driven by Cabometyx launches in some countries and the good performance of Decapeptyl and Somatuline, partly offset by lower Smecta sales in China. Over the period, sales in the Rest of the World represented 18.0% of total Group sales, compared to 18.5% in 2018.

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[1]Year-on-year growth excluding foreign exchange impact established by recalculating net sales for the relevant period at the rate used for the previous period. Sales growth adjusted for consolidation scope including: subsidiaries involved in the partnership between Ipsen and Schwabe Group consolidated in accordance with the equity method since 1 January 2019; and 2018 Etiasa® (mesalazine) sales adjusted for the new contractual set up.

Comparison of Core consolidated income statement for 2019 and 2018

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

(in million euros)	31 December 2019	% of sales	31 December 2018	% of sales	% change
Sales	2 576,2	*100%*	2 224,8	*100%*	*15,8%*
Other revenues	116,5	*4,5%*	123,6	*5,6%*	*-5,7%*
Revenue	**2 692,8**	***104,5%***	**2 348,4**	***105,6%***	***14,7%***
Cost of goods sold	(488,0)	*-18,9%*	(454,2)	*-20,4%*	*7,4%*
Selling expenses	(838,6)	*-32,6%*	(787,4)	*-35,4%*	*6,5%*
Research and development expenses	(388,8)	*-15,1%*	(302,1)	*-13,6%*	*28,7%*
General and administrative expenses	(181,4)	*-7,0%*	(165,7)	*-7,4%*	*9,5%*
Other core operating income	0,7	*0,0%*	21,1	*0,9%*	*N.A.*
Other core operating expenses	(14,0)	*-0,5%*	(0,3)	*0,0%*	*N.A.*
Core Operating Income	**782,6**	***30,4%***	**659,9**	***29,7%***	***18,6%***
Net financing costs	(28,0)	*-1,1%*	(5,3)	*-0,2%*	*N.A.*
Other financial income and expense	(28,8)	*-1,1%*	(20,1)	*-0,9%*	*43,5%*
Core income taxes	(166,2)	*-6,5%*	(144,1)	*-6,5%*	*15,4%*
Share of net profit (loss) from entities accounted for using the equity method	3,7	*0,1%*	1,1	*0,0%*	*243,6%*
Core consolidated net profit	**563,4**	***21,9%***	**491,6**	***22,1%***	***14,6%***
- Attributable to shareholders of Ipsen S.A.	562,9	*21,9%*	491,9	*22,1%*	*14,4%*
- Attributable to non-controlling interests	0,5	*0,0%*	(0,4)	*0,0%*	*N.A.*
Core EPS fully diluted - attributable to Ipsen S.A. shareholders (in € per share)	**6,74**		**5,91**		***14,1%***

Reconciliation from Core consolidated net profit to IFRS consolidated net profit

	2019	2018
Core consolidated net profit	**563,4**	**491,6**
Amortization of intangible assets (excl software)	(60,2)	(53,2)
Other operating income or expenses	(25,1)	(25,5)
Restructuring	(20,7)	(16,0)
Impairment losses	(668,8)	(15,0)
Other	161,2	7,2
IFRS consolidated net profit	**(50,2)**	**389,1**
IFRS EPS fully diluted - attributable to Ipsen S.A. shareholders (in € per share)	**(0,61)**	**4,68**

- **Sales**

At the end of December 2019, the Group Net Sales reached €2,576.2 million, up 15.8% year-on-year or up 14.8% [1] at constant currency rate and scope of consolidation.

- **Other revenues**

Other revenues for the financial year 2019 totaled €116.5 million, down 5.7% versus €123.6 million at the end of December 2018. The evolution was attributable to lower royalties paid by Menarini for Adenuric® partially compensated by higher royalties received from partners, mainly Galderma for Dysport® and Servier for Onivyde®.

- **Cost of goods sold**

At the end of December 2019, Cost of goods sold amounted to €488.0 million, representing 18.9% of Net sales, compared to €454.2 million or 20.4% of Net sales at the end of December 2018. The favorable impact of Specialty Care growth on the product mix continued to drive a decrease in the cost of goods sold as a percentage of sales, partly offset by the increase of royalties paid to partners.

- **Selling expenses**

In 2019, Selling expenses amounted to €838.6 million, up 6.5% versus 2018, representing 32.6% of Net sales vs. 35.4% in 2018, an improvement of 2.8 pts year on year. The increase in expenses reflects the commercial efforts deployed to support the Cabometyx® growth in Europe, the growth of Somatuline® in the United States and in Europe, as well as commercial investments for Onivyde® in the United States.

- **Research and development expenses**

For the financial year 2019, Research and development expenses totaled €388.8 million, compared to €302.1 million in 2018. The Group continued to invest in Research and development in Oncology, especially for Cabometyx®, Onivyde® and the systemic radiation therapy (SRT) programs, in Neuroscience, mainly for Dysport® life cycle management and the new neurotoxin programs, but also in Rare Diseases with the acquisition and integration of Clementia since April 2019.

- **General and administrative expenses**

In 2019, General and administrative expenses amounted to €181.4 million, compared to €165.7 million at the end of December 2018, with a stable ratio of sales year on year. The increase resulted primarily from the reinforcement of corporate functions, the impact of the Group's positive performance on variable compensation and some additional expenses from Clementia.

- **Other core operating income and expenses**

At year-end 2019, Other core operating income and expenses amounted to an expense of €13.3 million versus an income of €20.8 million in 2018. This evolution is due to the impact of the currency hedging policy.

- **Core Operating Income**

Core Operating Income in 2019 reached €782.6 million, representing 30.4% of sales, compared to €659.9 million in 2018, representing 29.7% of sales, a growth of 18.6% and an increase in profitability of 0.7 points.

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[1] Year-on-year growth excluding foreign exchange impact established by recalculating net sales for the relevant period at the rate used for the previous period. Sales growth adjusted for consolidation scope including: subsidiaries involved in the partnership between Ipsen and Schwabe Group consolidated in accordance with the equity method since 1 January 2019; and 2018 Etiasa® (mesalazine) sales adjusted for the new contractual set up.

- **Net financing costs and Other financial income and expense**

In 2019, the Group incurred Net financial expenses of €56.8 million, versus €25.3 million in 2018.

Net financing costs increased by €22.7 million, driven by financing costs linked to the Clementia acquisition and to IFRS16 - Leases standard implemented on 1 January 2019.

Other financial income and expense increased by €8.7 million, mainly attributable to the re-evaluation, of the future payments related to acquisitions as well as depreciation of financial assets.

- **Core income taxes**

In 2019, Core income tax expense of €166.2 million resulted from a core effective tax rate of 22.9% on core profit before tax compared to a core effective tax rate of 22.7% in 2018.

- **Core consolidated net profit**

In 2019, Core consolidated net profit increased by 14.6% to €563.4 million, with €562.9 million fully attributable to Ipsen S.A. shareholders. This compares to Core consolidated net profit of €491.6 million, with €491.9 million fully attributable to Ipsen S.A. shareholders in 2018.

- **Core Earning per share**

In 2019, Core EPS fully diluted came to €6.74, up 14.1% versus €5.91 per share in 2018.

From Core financial measures to IFRS reported figures

Reconciliations between IFRS 2018 / 2019 results and the Core financial measures are presented in Appendix 4.

In 2019, the main reconciling items between Core consolidated net income and IFRS consolidated net income were:

- **Amortization of intangible assets (excluding software)**

Amortization of intangible assets (excluding software) in 2019 amounted to €83.8 million before tax, compared to €73.1 million before tax in 2018. The variation mainly relates to the amortization of Cabometyx® and Onivyde® intangible assets.

- **Other operating income and expenses**

Other non-core operating income and expenses for 2019 amounted to an expense of €35.8 million before tax, mainly related to Clementia integration costs and costs arising from the Group's transformation programs.

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

- **Restructuring costs**

In 2019, restructuring costs came to €27.7 million before tax, mainly impacted by the costs related to the relocation of the Onivyde manufacturing site from Cambridge, Massachusetts, to Signes in France and the remaining costs for the U.S. commercial affiliate relocation.

In 2018, restructuring costs came to €21.9 million before tax, impacted by the relocation of the U.S. commercial affiliate to Cambridge, Massachusetts.

- **Impairment losses**

In 2019, the Group recognized an impairment loss of €668.8 million before tax on the intangible asset of palovarotene.

To appreciate the recoverable value of the intangible asset palovarotene, the Group has considered various scenarios to which a probability of occurrence has been allocated. The recoverable value has also been determined taking into consideration the discounted value of the expected future cash flows resulting from the different scenarios over the product expected lifetime. The calculation integrates the new clinical data, the potential sales developments as well as estimated approval dates for the different indications.

In 2018, the Group recognized an impairment loss of €15.0 million before tax on the intangible asset of Xermelo®.

- **Other (Financial income and expenses, Income taxes and net profit from discontinued operations)**

2019 other financial income and expenses included a financial income of €114.6 million related to the Contingent Value Rights (CVR) and milestones revaluation on Clementia, partially offset by a financial expense of €59.7 million related to Onivyde® earn out revaluation resulting from the update of probabilities of success of certain R&D studies.

2019 Income taxes included an expense of €71.9 million corresponding to the write-off of deferred tax assets related to Clementia given the limited probability of recoverability within 5 years; and an income of €177.2 million related to the revaluation of the deferred tax liabilities along with the impairment of the intangible assets of palovarotene.

In 2019, net profit from discontinued operations amounts to €4.2 million, compared to €2.0 million in 2018.

As a consequence, IFRS reported indicators are:

- **Operating income**

In 2019, a €33.4 million operating loss was recorded versus a €519.4 million net income in 2018. This decrease mainly results from the impairment recorded on the intangible asset of palovarotene.

- **Consolidated net profit**

The Consolidated net loss was €50.2 million in 2019, compared to a €389.1 million net profit in 2018.

- **Earnings per share**

Fully diluted EPS was a net loss per share amounting to €0.61 net loss per share in 2019 versus €4.68 net profit per share in 2018.

Operating segments: Core Operating Income by therapeutic area

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

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

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

Sales, Revenue and Core Operating Income are presented by therapeutic area for the 2019 and 2018 financial years in the following table:

(in million euros)		31 December 2019	31 December 2018	Change	%
Specialty Care					
Sales		2,299.4	1,924.5	374.9	*19.5%*
Revenue		2,373.9	1,987.1	386.8	*19.5%*
Core Operating Income		938.6	740.4	198.2	*26.8%*
	% of sales	*40.8%*	*38.5%*		
Consumer Healthcare					
Sales		276.8	300.3	(23.5)	*-7.8%*
Revenue		318.9	361.3	(42.4)	*-11.7%*
Core Operating Income		55.1	83.9	(28.8)	*-34.3%*
	% of sales	*19.9%*	*27.9%*		
Total Unallocated					
Core Operating Income		(211.1)	(164.5)	(46.6)	*28.3%*
Group total					
Sales		2,576.2	2,224.8	351.4	*15.8%*
Revenue		2,692.8	2,348.4	344.4	*14.7%*
Core Operating Income		782.6	659.9	122.8	*18.6%*
	% of sales	*30.4%*	*29.7%*		

In 2019, **Specialty Care** sales grew to €2,299.4 million, up 19.5% over 2018, reaching 89.3% of total consolidated sales at 31 December 2019, versus 86.5% a year earlier. In 2019, **Core Operating Income** for Specialty Care amounted to €938.6 million, representing 40.8% of sales. The improvement reflects the continued growth of Somatuline® in the United States and Europe, the contribution of Cabometyx® and Onivyde® as well as the performance of Dysport®, after increased Research & Development investments to support the development of the growing pipeline including palovarotene.

In 2019, **Consumer Healthcare** sales came to €276.8 million, down 7.8% year-on-year. **Core Operating Income** for Consumer Healthcare amounted to €55.1 million, representing 19.9% of sales, compared to 27.9% in 2018, reflecting lower sales and commercial investments to support the transformation and the strategy.

In 2019, **Unallocated Core Operating Income** came to a negative €211.1 million, compared to a negative €164.5 million in the year-earlier period. The evolution is mainly attributable to the positive impact from the currency hedging policy in 2018, as well as the reinforcement of the corporate infrastructure and the impact of the Group's positive performance on variable compensation.

Net cash flow and financing

The implementation of IFRS 16 - Leases standard has led to an increase in financial liabilities of €188.2 million as of 1 January 2019 bringing the opening net debt to €430.7 million.

The Group had a net debt increase of €684.9 million over 2019 after Clementia acquisition, bringing closing net debt to €1,115.6 million.

- **Analysis of the consolidated net cash flow statement**

(in million euros)	31 December 2019	31 December 2018
Opening net cash / (debt)	**(430.7)**	**(463.3)**
Core Operating Income	**782.6**	**659.9**
Non-cash items	76.4	41.2
Change in operating working capital requirement	(7.2)	3.6
(Increases) decreases in other working capital requirement	38.5	5.3
Net capex (excluding milestones paid)	(172.5)	(120.4)
Dividends received from entities accounted for using the equity method	0.9	0.9
Operating Cash Flow	**718.7**	**590.5**
Other non-core operating income and expenses and restructuring costs (cash)	(45.5)	(31.7)
Financial income (cash)	(53.3)	(25.9)
Current income tax (P&L, excluding provisions for tax contingencies)	(150.2)	(89.3)
Other operating cash flow	(2.0)	14.9
Free Cash Flow	**467.7**	**458.4**
Dividends paid	(83.5)	(83.5)
Net investments (Business Development and milestones)	(1,127.4)	(120.2)
Share buyback	(16.8)	(24.6)
FX on net indebtedness	72.6	(10.2)
Other (discontinued operations and financial instruments)	2.4	0.9
Shareholders return and external growth operations	**(1,152.6)**	**(237.6)**
CHANGE IN NET CASH / (DEBT)	**(684.9)**	**220.8**
Closing net cash / (debt)	**(1,115.6)**	**(242.5)**

- **Operating Cash Flow**

At the end of 2019, Operating Cash Flow totaled €718.7 million, up €128.2 million (+21.7%) versus 2018, mainly driven by higher Core Operating Income (up €122.8 million) and favorable working capital requirements compensated by higher capital investments.

Non-cash items increased, in 2019, by €76.4 million versus an increase of €41.2 million in 2018, impacted by €30.8 million as a result of IFRS16 – Leases standard implementation on 1 January 2019.

Working capital requirement for operating activities increased by €7.2 million at the end of 2019, compared to a decrease of €3.6 million at the end of 2018. The increase in 2019 stemmed mainly from:

- a €25.6 million increase in inventories during the year, to support business growth;
- a €79.9 million increase in trade receivables, in-line with the phasing of sales and impacted by longer payment terms in some countries;

- a €98.4 million increase in trade payables as of December 2019, as compared to an increase of €62.4 million in 2018 and in line with the phasing of operating expenses.

At the end of 2019, other working capital requirement needs decreased by €38.5 million, mainly driven by an increase in tax liabilities.

Net capital expenditure amounted to €172.5 million at the end of 2019, €14.9 million of which was due to IFRS16 - Leases implementation, compared to €120.4 million in 2018, and mainly included projects to support increased production capacity at industrial sites in the United Kingdom and France, investments related to the U.S. affiliate relocation as well as corporate investments in information technology and digital projects.

- **Free Cash Flow**

Free Cash Flow at the end of 2019 came to €467.7 million, up €9.3 million versus 2018, mainly driven by higher Operating Cash Flow combined with higher cash out from restructuring costs, financial result and current income tax.

Other non-core operating income and expenses and restructuring costs of €45.5 million mainly included the integration costs related to Clementia acquisition as well as cash out from the U.S. relocation and from the Group's transformation programs.

The €53.3 million in financial expenses paid in 2019, increasing by €27.4 million compared to 2018, due to higher financing costs related to the Clementia acquisition and hedging costs.

The change in current income tax stemmed mainly from the increase in Operating Income combined with higher financial expenses and the end of the use of U.S. tax losses.

- **Shareholders return and external growth operations**

In 2019, the dividend payout to Ipsen S.A. shareholders amounted to €83.2 million.

Net investments in 2019 amounted to €1,127.4 million, including the acquisition of Clementia for €986 million (including transaction fees), the in-licensing of BLU-782 from Blueprint Medicines Corporation for €22 million and additional milestones of €101 million paid to Exelixis and of €13 million to MD Anderson Cancer Center.

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

Reconciliation of cash and cash equivalents and net cash

(in million euros)	31 December 2019	31 December 2018
Current financial assets (derivative instruments on financial operations)	**0.1**	**0.7**
Closing cash and cash equivalents	**339.0**	**310.9**
Non-current loans	(568.2)	(297.9)
Other financial liabilities (excluding derivative instruments) (**)	(286.6)	(88.1)
Non-current financial liabilities	**(854.7)**	**(386.0)**
Credit lines and bank loans	(270.8)	(4.0)
Financial liabilities (excluding derivative instruments) (**)	(329.3)	(164.1)
Current financial liabilities	**(600.0)**	**(168.1)**
Debt	**(1,454.7)**	**(554.1)**
Net cash / (debt) (*)	**(1,115.6)**	**(242.5)**

(*) Net cash / (debt): derivative instruments booked in financial assets and related to financial operations, cash and cash equivalents, less bank overdrafts, bank loans and other financial liabilities and excluding financial derivative instruments on commercial operations.

(**) Financial liabilities mainly exclude €7.2 million in derivative instruments related to commercial operations in 2019, compared with €15.8 million one year earlier.

- **Analysis of Group cash**

On 16 June 2016, Ipsen S.A. issued €300 million in unsecured, seven-year public bonds. The bonds mature on 16 June 2023 with a coupon at an annual interest rate of 1.875%.

On 23 July 2019, Ipsen S.A. issued $300 million through a U.S. Private Placement (“USPP”) in two tranches of 7 and 10- year maturities.

Ipsen S.A. has refinanced its Revolving Credit Facility (“RCF”) and existing bilateral bank facilities. The new Revolving Credit Facility of €1,500 million signed on 24 May 2019 has a five-year maturity and includes two one-year extension options. The previous RCF was fully terminated on 28 June 2019.

In both the new RCF and the USPP, the Group has to comply with a Net Debt / EBITDA covenant to remain below 3.5 times at each financial closing and the facility includes specific indicators linked to Corporate Social Responsibility (“CSR”) to be assessed annually.

On 31 December 2019, the RCF was drawn for €271 million and the Group was complying with its covenant ratio.

The Ipsen S.A. program of emission of NEU CP - Negotiable EUropean Commercial Paper of €600 million was drawn for €260 million on 31 December 2019.

- **Impact of IFRS 16 - Leases**

The application of IFRS 16 – Leases has led to an increase in tangible assets of €169.4 million and financial liabilities of €188.2 million as of 1 January 2019.

The impact on the Operating Income reached a profit of €4.3 million as of 31 December 2019; the impact on the Consolidated Net profit reached a loss of €1.4 million.

APPENDICES

▪ Appendix 1 – Consolidated income statement

(in million euros)	31 December 2019	31 December 2018
Sales	**2,576.2**	**2,224.8**
Other revenues	116.5	123.6
Revenue	**2,692.8**	**2,348.4**
Cost of goods sold	(488.0)	(454.2)
Selling expenses	(838.6)	(787.4)
Research and development expenses	(388.8)	(302.1)
General and administrative expenses	(181.4)	(165.7)
Other operating income	15.6	39.0
Other operating expenses	(148.5)	(121.7)
Restructuring costs	(27.7)	(21.9)
Impairment losses	(668.8)	(15.0)
Operating Income	**(33.4)**	**519.4**
Investment income	*2.0*	*3.1*
Financing costs	*(30.0)*	*(8.4)*
Net financing costs	(28.0)	(5.3)
Other financial income and expense	22.8	(20.1)
Income taxes	(19.6)	(108.1)
Share of net profit (loss) from entities accounted for using the equity method	3.7	1.1
Net profit (loss) from continuing operations	**(54.4)**	**387.0**
Net profit (loss) from discontinued operations	4.2	2.0
Consolidated net profit (loss)	**(50.2)**	**389.1**
- Attributable to shareholders of Ipsen S.A.	(50.7)	389.5
- Attributable to non-controlling interests	0.5	(0.4)

Basic earnings per share, continuing operations (in euros)	(0.66)	4.67
Diluted earnings per share, continuing operations (in euros)	(0.66)	4.65
Basic earnings per share, discontinued operations (in euros)	0.05	0.02
Diluted earnings per share, discontinued operations (in euros)	0.05	0.02
Basic earnings per share (in euros)	(0.61)	4.70
Diluted earnings per share (in euros)	(0.61)	4.68

▪ Appendix 2 – Consolidated balance sheet before allocation of net profit

(in million euros)	31 December 2019	31 December 2018
ASSETS		
Goodwill	632.6	395.6
Other intangible assets	1,383.2	1,011.9
Property, plant & equipment	679.3	474.5
Equity investments	64.9	65.2
Investments in companies accounted for using the equity method	18.8	15.5
Non-current financial assets	27.7	92.9
Deferred tax assets	149.4	131.9
Other non-current assets	4.5	4.4
Total non-current assets	**2,960.4**	**2,191.8**
Inventories	214.0	198.5
Trade receivables	565.0	463.0
Current tax assets	22.8	47.7
Current financial assets	59.3	5.5
Other current assets	132.2	126.4
Cash and cash equivalents	353.3	344.5
Total current assets	**1,346.5**	**1,185.6**
TOTAL ASSETS	**4,306.9**	**3,377.4**

EQUITY AND LIABILITIES		
Share capital	83.8	83.8
Additional paid-in capital and consolidated reserves	1,656.1	1,366.0
Net profit (loss) for the period	(50.7)	389.5
Foreign exchange differences	61.8	1.8
Equity attributable to Ipsen S.A. shareholders	**1,751.0**	**1,841.1**
Equity attributable to non-controlling interests	2.0	2.3
Total shareholders' equity	**1,753.1**	**1,843.4**
Retirement benefit obligation	60.7	63.8
Non-current provisions	30.5	44.5
Other non-current financial liabilities	854.7	386.0
Deferred tax liabilities	107.7	19.7
Other non-current liabilities	47.8	61.0
Total non-current liabilities	**1,101.4**	**574.9**
Current provisions	9.1	21.1
Current financial liabilities	609.5	184.2
Trade payables	508.5	379.8
Current tax liabilities	13.7	11.4
Other current liabilities	297.4	329.0
Bank overdrafts	14.3	33.6
Total current liabilities	**1,452.5**	**959.2**
TOTAL EQUITY & LIABILITIES	**4,306.9**	**3,377.4**

- **Appendix 3 – Cash flow statements**
- **Appendix 3.1 – Consolidated statement of cash flow**

(in million euros)	31 December 2019	31 December 2018
Consolidated net profit (loss)	**(50.2)**	**389.1**
Share of profit (loss) from entities accounted for using the equity method	0.9	(0.2)
Net profit (loss) before share from entities accounted for using the equity method	**(49.3)**	**388.9**
Non-cash and non-operating items		
- Depreciation, amortization, provisions	161.2	142.6
- Impairment losses included in operating income and net financial income	670.7	15.0
- Change in fair value of financial derivatives	(11.0)	(2.0)
- Net gains or losses on disposals of non-current assets	3.7	4.8
- Unrealized foreign exchange differences	(7.2)	(6.5)
- Change in deferred taxes	(130.6)	19.2
- Share-based payment expense	15.8	12.8
- Other non-cash items	(46.0)	(1.1)
Cash flow from operating activities before changes in working capital requirement	***607.3***	***573.8***
- (Increase) / decrease in inventories	(25.6)	(29.8)
- (Increase) / decrease in trade receivables	(79.9)	(29.0)
- Increase / (decrease) in trade payables	98.4	62.4
- Net change in income tax liability	30.4	26.5
- Net change in other operating assets and liabilities	(2.8)	(33.0)
Change in working capital requirement related to operating activities	***20.4***	***(2.9)***
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**627.7**	**570.9**
Acquisition of property, plant & equipment	(144.5)	(107.4)
Acquisition of intangible assets	(136.1)	(180.1)
Proceeds from disposal of intangible assets and property, plant & equipment	0.6	3.2
Acquisition of shares in non-consolidated companies	(10.6)	(30.2)
Payments to post-employment benefit plans	(10.0)	(1.2)
Impact of changes in the consolidation scope	(817.2)	(7.4)
Change in working capital related to investment activities	(36.8)	49.6
Other cash flow related to investment activities	(2.7)	(0.8)
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES	**(1,157.3)**	**(274.3)**
Additional long-term borrowings	286.3	0.9
Repayment of long-term borrowings	(0.6)	(3.9)
Net change in short-term borrowings	357.7	(107.3)
Capital increase	0.1	2.6
Treasury shares	(16.8)	(10.3)
Dividends paid by Ipsen S.A.	(83.2)	(83.0)
Dividends paid by subsidiaries to non-controlling interests	(0.3)	(0.5)
Change in working capital related to financing activities	6.7	(0.7)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**550.0**	**(202.2)**
CHANGE IN CASH AND CASH EQUIVALENTS	**20.4**	**94.4**
Opening cash and cash equivalents	**310.9**	**209.3**
Impact of exchange rate fluctuations	7.7	7.3
Closing cash and cash equivalents	**339.0**	**310.9**

▪ Appendix 3.2 – Consolidated net cash flow statement

(in million euros)	31 December 2019	31 December 2018
Opening net cash / (debt) [1]	**(430.7)**	**(463.3)**
CORE OPERATING INCOME	**782.6**	**659.9**
Non-cash items	**45.6**	**41.2**
(Increase) /decrease in inventories	(25.6)	(29.8)
(Increase) / decrease in trade receivables	(79.9)	(29.0)
Increase / (decrease) in trade payables	98.4	62.4
Change in operating working capital requirement	**(7.2)**	**3.6**
Change in income tax liability	30.4	26.5
Change in other operating assets and liabilities (excluding milestones received)	8.2	(21.2)
Other changes in working capital requirement	**38.5**	**5.3**
Acquisition of property, plant & equipment	(129.6)	(107.4)
Acquisition of intangible assets (excluding milestones paid)	(29.8)	(26.7)
Disposal of fixed assets	0.6	3.2
Change in working capital related to investment activities	1.1	10.5
Net capex (excluding milestones paid)	**(157.6)**	**(120.4)**
Dividends received from entities accounted for using the equity method	**0.9**	**0.9**
Operating Cash Flow	**718.7**	**590.5**
Other non-core operating income and expenses and restructuring costs (cash)	(45.5)	(31.7)
Financial income (cash)	(47.6)	(25.9)
Current income tax (P&L, excluding provisions for tax contingencies)	(150.2)	(89.3)
Other operating cash flow	(2.0)	14.9
Free Cash Flow	**467.7**	**458.4**
Dividends paid (including payout to non-controlling interests)	**(83.5)**	**(83.5)**
Acquisition of shares in non-consolidated companies [2]	(11.1)	(25.3)
Acquisition of other financial assets	-	0.0
Impact of changes in consolidation scope [3]	(984.8)	(8.0)
Milestones paid [4]	(143.7)	(117.2)
Milestones received [5]	7.5	36.0
Other Business Development operations	4.8	(5.7)
Net investments (Business Development and milestones)	**(1,127.4)**	**(120.2)**
Share buyback	**(16.8)**	**(24.6)**
FX on net indebtedness and change in earn out	72.6	(10.2)
Other (discontinued operations and financial instrument)	**4.2**	**0.9**
Shareholders return and external growth operations	**(1,152.6)**	**(237.6)**
CHANGE IN NET CASH / (DEBT)	**(684.9)**	**220.8**
Closing net cash / (debt)	**(1,115.6)**	**(242.5)**

[1] The opening net cash / (debt) includes the impact of the application of IFRS 16 – Leases for an amount of €188.2m.

[2] Acquisition of shares in non-consolidated companies mainly reflected investments in external innovation funds.

[3] Impact of change in consolidation scope notably reflects Clementia acquisition.

[4] Milestones paid in 2019 correspond to payments subject to the terms and conditions set out in the Group's partnership agreements including €101 million milestone paid to Exelixis and €13 million paid to MD Anderson as well as €22m upfront paid to Blueprint Medicines Corporation for the in-licensing of BLU-782. The amounts paid were recorded as an increase in intangible assets on the consolidated balance sheet. The transactions were included in the "Acquisition of intangible assets" line item in the consolidated statement of cash flow (see Appendix 4.1).

[5] Milestones received are amounts collected by Ipsen from its partners including €7m from Galderma related to Mexico territory received in 2019, while the Group received €21 million from Servier, in 2018, related to the Onivyde® acquisition closed in 2017. The milestones amounts (except for Servier) are recorded as “Deferred income” in the consolidated balance sheet and then recognized in the income statement as "Other revenues" in case of dynamic license or directly in "Other revenues" in case of static license. In the consolidated balance sheet, the Servier milestones not yet received are booked in “Current financial assets” and in “Non-current financial assets”, depending on the forecasted cash-in timing. Servier milestones received are included in the "Other cash flow related to investment activities" line item in the consolidated statement of cash flow (see Appendix 3.1).

▪ Appendix 4 – Bridges from IFRS consolidated net profit to Core consolidated net profit

	IFRS						CORE
(in million euros)	31 December 2019	Amortization of intangible assets (excl software)	Other operating income or expenses	Restructuring	Impairment losses	Other	31 December 2019
Sales	2,576.2						2,576.2
Other revenues	116.5						116.5
Revenue	**2,692.8**	**-**	**-**	**-**	**-**	**-**	**2,692.8**
Cost of goods sold	(488.0)						(488.0)
Selling expenses	(838.6)						(838.6)
Research and development expenses	(388.8)						(388.8)
General and administrative expenses	(181.4)						(181.4)
Other operating income	15.6		(14.9)				0.7
Other operating expenses	(148.5)	83.8	50.7				(14.0)
Restructuring costs	(27.7)			27.7			-
Impairment losses	(668.8)				668.8		-
Operating Income	**(33.4)**	**83.8**	**35.8**	**27.7**	**668.8**	**-**	**782.6**
Net financing costs	(28.0)						(28.0)
Other financial income and expense	22.8					(51.6)	(28.8)
Income taxes	(19.6)	(23.6)	(10.6)	(7.0)	-	(105.4)	(166.2)
Share of net profit (loss) from entities accounted for using the equity method	3.7						3.7
Net profit (loss) from continuing operations	**(54.4)**	**60.2**	**25.1**	**20.7**	**668.8**	**(157.0)**	**563.4**
Net profit (loss) from discontinued operations	4.2					(4.2)	-
Consolidated net profit	**(50.2)**	**60.2**	**25.1**	**20.7**	**668.8**	**(161.2)**	**563.4**
- Attributable to shareholders of Ipsen S.A.	(50.7)	60.2	25.1	20.7	668.8	(161.2)	562.9
- Attributable to non-controlling interests	0.5						0.5

Earnings per share fully diluted - attributable to Ipsen S.A. shareholders (in € per share)	(0.61)	0.72	0.30	0.25	8.01	(1.93)	6.74

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

	IFRS						CORE
(in million euros)	31 December 2018	Amortization of intangible assets (excl software)	Other operating income or expenses	Restructuring	Impairment losses	Other	31 December 2018
Sales	2,224.8						2,224.8
Other revenues	123.6						123.6
Revenue	**2,348.4**	**-**	**-**	**-**	**-**	**-**	**2,348.4**
Cost of goods sold	(454.2)						(454.2)
Selling expenses	(787.4)						(787.4)
Research and development expenses	(302.1)						(302.1)
General and administrative expenses	(165.7)						(165.7)
Other operating income	39.0		(17.9)				21.1
Other operating expenses	(121.7)	73.1	48.3				(0.3)
Restructuring costs	(21.9)			21.9			-
Impairment losses	(15.0)				15.0		-
Operating Income	**519.4**	**73.1**	**30.4**	**21.9**	**15.0**	**-**	**659.9**
Net financing costs	(5.3)						(5.3)
Other financial income and expense	(20.1)						(20.1)
Income taxes	(108.1)	(20.0)	(4.9)	(6.0)	-	(5.2)	(144.1)
Share of net profit (loss) from entities accounted for using the equity method	1.1						1.1
Net profit (loss) from continuing operations	**387.0**	**53.2**	**25.5**	**16.0**	**15.0**	**(5.2)**	**491.6**
Net profit (loss) from discontinued operations	2.0					(2.0)	-
Consolidated net profit	**389.1**	**53.2**	**25.5**	**16.0**	**15.0**	**(7.2)**	**491.6**
- Attributable to shareholders of Ipsen S.A.	389.5	53.2	25.5	16.0	15.0	(7.2)	491.9
- Attributable to non-controlling interests	(0.4)						(0.4)

Earnings per share fully diluted - attributable to Ipsen S.A. shareholders (in € per share)	4.68	0.64	0.31	0.19	0.18	(0.09)	5.91