IPSEN - CONSOLIDATED FINANCIAL STATEMENTS 2021

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1. Consolidated income statement

(in millions of euros)	Notes	2021	2020
Sales	**4.2 & 4.3**	**2,868.9**	**2,591.6**
Other revenues	4.4	130.2	94.5
Revenue		**2,999.1**	**2,686.2**
Cost of goods sold		(538.0)	(490.6)
Selling expenses		(835.7)	(784.0)
Research and development expenses		(428.4)	(405.6)
General and administrative expenses		(199.6)	(187.8)
Other operating income [1]	6	53.1	34.0
Other operating expenses	6	(172.2)	(127.9)
Restructuring costs	7	(19.8)	(45.6)
Impairment losses		(9.1)	(153.9)
Operating Income		**849.5**	**524.8**
Investment income	*8*	*2.4*	*2.3*
Financing costs	*8*	*(23.7)*	*(27.1)*
Net financing costs	8	(21.3)	(24.7)
Other financial income and expenses	8	(13.6)	32.5
Income taxes	9.1	(168.2)	17.8
Share of net profit/(loss) from equity-accounted companies	14	0.4	(1.5)
Net profit/(loss) from continuing operations		**646.7**	**548.9**
Net profit/(loss) from discontinued operations [1]		—	—
Consolidated net profit		**646.7**	**548.9**
- Attributable to shareholders of Ipsen S.A.		646.6	548.0
- Attributable to non-controlling interests		0.1	0.9
Basic earnings per share, continuing operations (in euros)	18.2	7.82	6.61
Diluted earnings per share, continuing operations (in euros)	18.2	7.76	6.57
Basic earnings per share, discontinued operations (in euros) [1]	18.2	—	—
Diluted earnings per share, discontinued operations (in euros) [1]	18.2	—	—
Basic earnings per share (in euros)	18.2	7.82	6.61
Diluted earnings per share (in euros)	18.2	7.76	6.57

(1) Proceeds received in 2020 from businesses sold before 2020 were reclassified from "Profit from discontinued operations" to the “Other operating income” line item for €3.8 million.

Comprehensive income statement

(in millions of euros)	2021	2020
Consolidated net profit	**646.7**	**548.9**
Actuarial gains and (losses) on defined benefit plans, net of taxes	5.5	(1.7)
Financial assets at fair value through other items of comprehensive income (OCI), net of taxes	(15.8)	7.3
Other items of comprehensive income that will not be reclassified to the income statement	**(10.2)**	**5.7**
Revaluation of financial derivatives for hedging, net of taxes	(23.1)	30.0
Foreign exchange differences, net of taxes	98.8	(118.4)
Other items of comprehensive income likely to be reclassified to the income statement	**75.8**	**(88.4)**
Comprehensive income: consolidated net profit (loss) and gains and (losses) recognized directly in equity	**65.5**	**(82.7)**
Comprehensive income	**712.2**	**466.2**
- Attributable to shareholders of Ipsen S.A.	711.9	465.3
- Attributable to non-controlling interests	0.3	1.0

2. Consolidated balance sheet before allocation of net profit

(in millions of euros)	Notes	31 December 2021	31 December 2020 (1)
ASSETS			
Goodwill	10	623.2	592.8
Other intangible assets	11	1,392.0	1,121.1
Property, plant & equipment	12	647.5	646.6
Equity investments	13	106.9	84.5
Investments in equity-accounted companies	14	26.2	19.1
Non-current financial assets	15	0.1	23.1
Deferred tax assets	9.2	253.1	243.2
Other non-current assets	15	4.3	3.8
Total non-current assets		**3,053.0**	**2,734.2**
Inventories	16.1	219.4	213.9
Trade receivables	16.2	564.3	476.2
Current tax assets		122.8	83.6
Current financial assets	16.4	54.1	48.9
Other current assets	16.4	178.6	113.7
Cash and cash equivalents	17	814.7	642.5
Total current assets		**1,953.8**	**1,578.8**
TOTAL ASSETS		**5,006.8**	**4,313.0**

EQUITY AND LIABILITIES			
Share capital	18.1	83.8	83.8
Additional paid-in capital and consolidated reserves		1,983.9	1,558.9
Net profit/(loss) for the period		646.6	548.0
Foreign exchange differences		37.2	(59.6)
Equity attributable to Ipsen S.A. shareholders		**2,751.5**	**2,131.2**
Equity attributable to non-controlling interests		2.5	2.7
Total shareholders' equity		**2,754.0**	**2,133.8**
Retirement benefit obligation	5.3.2.2	40.7	47.4
Non-current provisions	19	64.0	32.0
Non-current financial liabilities	20	772.2	761.6
Deferred tax liabilities	9.2	101.8	79.9
Other non-current liabilities	16.5	45.8	45.1
Total non-current liabilities		**1,024.4**	**966.0**
Current provisions	19	41.6	45.7
Current financial liabilities	20	174.8	408.6
Trade payables	16.3	594.7	495.2
Current tax liabilities		10.0	10.8
Other current liabilities	16.5	401.7	250.0
Bank overdrafts	17	5.5	2.8
Total current liabilities		**1,228.4**	**1,213.1**
TOTAL EQUITY & LIABILITIES		**5,006.8**	**4,313.0**

(1) The financial statements as of 31 December 2020 were restated with retroactive application of the IFRIC agenda decision on *Employee Benefits* starting on 1 January 2020 (see note 5.3.2.5).

3. Consolidated statement of cash flow

(in millions of euros)	Notes	2021	2020
Consolidated net profit		**646.7**	**548.9**
Share of net profit/(loss) from equity-accounted companies	14	(0.4)	—
Net profit/(loss) before share from equity-accounted companies		**646.3**	**548.9**
Non-cash and non-operating items:			
- Depreciation, amortization, provisions	11.1, 12.1, 19	237.0	234.7
- Impairment losses	11.2	9.1	153.9
- Change in fair value of financial derivatives		0.8	(5.0)
- Net gains or losses on disposals of non-current assets		5.8	(5.7)
- Unrealized foreign exchange differences		1.1	4.6
- Change in deferred taxes	9.2	16.2	(136.3)
- Share-based payment expense		28.7	22.5
- Other non-cash items	8	(3.6)	(36.3)
Cash flow from operating activities before changes in working capital requirement		***941.4***	***781.4***
- (Increase)/decrease in inventories	16	(0.5)	(7.1)
- (Increase)/decrease in trade receivables	16	(67.3)	56.3
- Increase/(decrease) in trade payables	16	83.5	4.5
- Net change in income tax liability		(32.8)	(66.9)
- Net change in other operating assets and liabilities	16	(15.1)	3.0
Change in working capital requirement related to operating activities		***(32.2)***	***(10.1)***
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		**909.2**	**771.3**
Acquisition of property, plant & equipment	12.1	(96.0)	(81.4)
Acquisition of intangible assets	11	(331.7)	(59.3)
Proceeds from disposal of intangible assets and property, plant & equipment		1.1	15.0
Acquisition of shares in non-consolidated companies		(28.4)	(5.9)
Payments to post-employment benefit plans		(2.5)	(2.3)
Impact of changes in the consolidation scope		14.7	—
Change in working capital related to investment activities	16	96.1	(29.8)
Other cash flow related to investment activities		2.4	—
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES		**(344.2)**	**(163.7)**
Additional long-term borrowings	20	30.8	11.8
Repayment of long-term borrowings	20	(0.9)	(0.9)
Net change in short-term borrowings	20	(310.6)	(194.9)
Capital increase		—	—
Treasury shares		(36.7)	(36.4)
Distributions	18.3	(82.9)	(83.2)
Dividends paid by subsidiaries to non-controlling interests		(0.2)	(0.3)
Change in working capital related to financing activities		(0.7)	(3.6)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		**(401.2)**	**(307.5)**
CHANGE IN CASH AND CASH EQUIVALENTS		**163.7**	**300.1**
OPENING CASH AND CASH EQUIVALENTS	**17**	**639.6**	**339.0**
Impact of exchange rate fluctuations		5.8	0.5
CLOSING CASH AND CASH EQUIVALENTS	**17**	**809.1**	**639.6**

4. Statement of change in consolidated shareholders' equity

(in millions of euros)	Share capital	Share premiums or contributions	Consolidated reserves (2)	Foreign exchange differences	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 01 January 2021	**83.8**	**122.3**	**1,547.6**	**(59.6)**	**(34.4)**	**25.5**	**(102.1)**	**548.0**	**2,131.2**	**2.7**	**2,133.8**
Consolidated net profit/(loss) for the period	—	—	—	—	—	—	—	646.6	**646.6**	0.1	**646.7**
Gains and (losses) recognized directly in equity (1)	—	—	(15.8)	98.6	5.5	(23.1)	—	—	**65.3**	0.2	**65.5**
Consolidated net profit/(loss) and gains and losses recognized directly in equity	**—**	**—**	**(15.8)**	**98.6**	**5.5**	**(23.1)**	**—**	**646.6**	**711.9**	**0.3**	**712.2**
Allocation of net profit (loss) from the prior period	—	—	549.0	(1.0)	—	—	—	(548.0)	**—**	—	**—**
Capital increases/ (decreases)	—	—	—	—	—	—	—	—	**—**	—	**—**
Share-based payments	—	—	13.0	—	—	—	21.8	—	**34.8**	—	**34.8**
Own share purchases and disposals	—	—	—	—	—	—	(42.8)	—	**(42.8)**	—	**(42.8)**
Distributions	—	—	(82.9)	—	—	—	—	—	**(82.9)**	(0.2)	**(83.1)**
Change of consolidation scope	—	—	(5.5)	—	5.8	—	—	—	**0.3**	(0.3)	**—**
Other changes	—	—	—	(0.8)	(0.1)	—	—	—	**(0.9)**	(0.1)	**(1.0)**
Balance at 31 December 2021	**83.8**	**122.3**	**2,005.4**	**37.2**	**(23.2)**	**2.4**	**(123.1)**	**646.6**	**2,751.5**	**2.5**	**2,754.0**

(1) Detailed items the note "Comprehensive income statement".
(2) The main sources of consolidated reserves were as follows:
- Reserves on financial assets at fair value through other items of comprehensive income;
- Retained earnings.

(in millions of euros)	Share capital	Share premiums or contributions	Consolidated reserves (2)	Foreign exchange differences	Reserves related to retirement benefit obligations	Cash flow hedge reserves	Treasury shares	Net profit/ (loss) for the period	Total Group equity	Equity attributable to non-controlling interests	Total equity
Balance at 31 December 2019	**83.8**	**741.9**	**1,024.0**	**61.8**	**(32.8)**	**(4.5)**	**(72.5)**	**(50.7)**	**1,751.0**	**2.0**	**1,753.1**
Application of IFRIC's decision related to IAS19 Employee benefits (4)	—	—	12.1	—	—	—	—	—	**12.1**	—	**12.1**
Balance at 01 January 2020	**83.8**	**741.9**	**1,036.1**	**61.8**	**(32.8)**	**(4.5)**	**(72.5)**	**(50.7)**	**1,763.1**	**2.0**	**1,765.2**
Consolidated net profit/(loss) for the period	—	—	—	—	—	—	—	548.0	**548.0**	0.9	**548.9**
Gains and (losses) recognized directly in equity (1)	—	—	7.3	(118.4)	(1.7)	30.0	—	—	**(82.7)**	—	**(82.7)**
Consolidated net profit/(loss) and gains and losses recognized directly in equity	**—**	**—**	**7.3**	**(118.4)**	**(1.7)**	**30.0**	**—**	**548.0**	**465.3**	**1.0**	**466.2**
Allocation of net profit (loss) from the prior period (3)	—	(536.4)	485.7	—	—	—	—	50.7	**—**	—	**—**
Capital increases/ (decreases)	—	—	—	—	—	—	—	—	**—**	—	**—**
Share-based payments	—	—	15.1	—	—	—	7.4	—	**22.5**	—	**22.5**
Own share purchases and disposals	—	—	—	—	—	—	(37.0)	—	**(37.0)**	—	**(37.0)**
Distributions	—	(83.2)	—	—	—	—	—	—	**(83.2)**	(0.3)	**(83.5)**
Other changes	—	—	3.5	(3.0)	—	—	—	—	**0.5**	—	**0.5**
Balance at 31 December 2020	**83.8**	**122.3**	**1,547.6**	**(59.6)**	**(34.4)**	**25.5**	**(102.1)**	**548.0**	**2,131.2**	**2.7**	**2,133.8**

(1) Detailed in the note "Comprehensive income statement".
(2) The main sources of consolidated reserves were as follows:
- Reserves on financial assets at fair value through other comprehensive income;
- Retained earnings.

(3) On 29 May 2020, Ipsen S.A.'s Shareholders' Meeting voted to allocate 2019 earnings, particularly by allocating share premiums and contributions as follows:
- Allocating the loss to the Share contributions line item for an amount of €29,809,299.76;
- Allocating the loss to the Share premiums line item for an amount of €506,522,631.95.

(4) The financial statements as of 31 December 2021 were prepared with application of the IFRIC agenda decision on IAS 19 – *Employee Benefits* starting on 1 January 2020 (see note 5.3 of the Notes to the Consolidated Financial Statements for the year ended 31 December 2021).

5. Notes

Introduction

- Ipsen is a global biopharmaceutical group focused on innovation and Specialty Care.
- Its registered office is 65 Quai Georges Gorse, 92650 Boulogne-Billancourt, France
- These notes form an integral part of Ipsen Group's consolidated financial statements (hereafter the "consolidated financial statements").
- All amounts are expressed in millions of euros unless otherwise specified.
- The consolidated financial statements are closed on 31 December every year. Individual statements included in the consolidated financial statements are prepared on the closing date of the consolidated financial statements, 31 December, and cover the same period.
- The Group's Board of Directors approved the consolidated financial statements on 10 February 2022. They will be submitted to the Shareholders' Meeting for approval on 24 May 2022.

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Note 1 Significant events and transactions during the period that had an impact on the consolidated financial statements as of 31 December 2021

1.1 New collaboration and license agreements signed in 2021

On 11 May 2021, Ipsen opted in to join Exelixis to develop Cabometyx for patients living with a form of thyroid cancer, based on promising results of the pivotal interim phase III COSMIC-311 clinical trial.

On 15 July 2021, Ipsen and Irlab entered into an exclusive worldwide licensing agreement to improve the everyday lives of people living with Parkinson's disease. Ipsen obtained exclusive worldwide rights to develop and market mesdopetam, an experimental treatment based on a novel mechanism of action. Under the agreement, Ipsen paid an upfront payment of $28 million—including development, regulatory and commercial milestones payments—the total amount could go up to $363 million.

On 27 July 2021, Ipsen added to its clinical trial Oncology pipeline through an exclusive worldwide collaboration with BAKX Therapeutics Inc. for BKX-001, a small-molecule targeting the apoptosis pathway. Ipsen paid US $14.5 million upon closing, comprising an equity investment and an upfront payment, followed by up to US $837.5 million in milestone payments

On 2 August 2021, Ipsen launched an exclusive collaboration with Exicure targeting rare neurodegenerative disorders by obtaining an exclusive license for Spherical Nucleic Acids (SNAs™) currently under evaluation for Huntington's disease and Angelman syndrome. Exicure received a US $20 million upfront payment for this option.

On 18 October 2021, Ipsen added another program into its pre-clinical R&D Oncology pipeline through an exclusive worldwide collaboration with Accent Therapeutics, targeting the RNA modifying protein, METTL3. This collaboration with Accent Therapeutics rounds out the partnerships Ipsen recently announced and builds on Ipsen's expansion into hematological malignancies, with a focus on acute myeloid leukemia. Under the agreement, Ipsen paid an upfront payment of US $12.5 million. Including pre-clinical, clinical, regulatory, and sales-based milestone payments, the total amount could go up to US $446 million.

On 17 December 2021, Ipsen and Genfit entered into an exclusive licensing agreement for elafibranor, a Phase III asset evaluated in Primary Biliary Cholangitis, as part of a long-term global partnership. The agreement gives Ipsen global rights to develop and market elafibranor, Genfit's first-in-class PPAR alpha and delta agonist drug candidate, elafibranor, to treat Primary Biliary Cholangitis (PBC).
Ipsen paid an upfront cash payment of €120 million. Regulatory, commercial, and sales-based milestone payments could go up to €360 million. Ipsen also became a shareholder of Genfit through the purchase of 8% of Genfit S.A after issuance, via a €28 million investment.

1.2 Palovarotene

On 28 May 2021, Ipsen announced that the U.S. Food and Drug Administration (U.S. FDA) approved its new drug application for palovarotene as the first potential treatment worldwide for fibrodysplasia ossificans progressiva (FOP).

On 13 August 2021, Ipsen announced it withdrew its new drug application for palovarotene, and confirmed it intends to re-submit it following additional data analyses. The Group made this decision following discussions with the U.S. FDA as part of their review of the new drug application for palovarotene which began in May 2021.

Upon successful completion of the additional data analyses, Ipsen currently anticipates regulatory resubmission in the U.S. during H1 2022. A 'clock-stop' was also granted by the European Medicines Agency.

1.3 Disposal of some entities co-owned with Schwabe group

On 30 April 2021, the Group signed an agreement to sell the stake it held in several entities it co-owned with Schwabe group. The sale totaled €32.0 million. The gain on disposal had no material impact within the Group.

1.4 Strategic review of the Consumer Healthcare Business

A strategic review of the Consumer Healthcare business (CHC), which was declared as non-core in December 2020, was conducted during the course of 2021 to define the most optimal setup to maximize its value. A process was launched in the second half of 2021 to assess a potential divestiture of the CHC business.
As of December 31, 2021, the management did not consider the sale as highly probable within 12 months. Therefore, the CHC business has not been presented as discontinued operations, in 2021 Financial Statements in accordance with IFRS 5.

Note 2 Changes in the scope of consolidation

2.1 2021

In 2021, the Group created the following subsidiaries: Ipsen Consumer Healthcare LLC (Russia), IPSEN K.K. (Japan), which are wholly-owned and fully consolidated into the scope of consolidation, as well as Sullypharm S.A.S. (France) and Ipsen Colombia S.A.S., which have not been consolidated into the scope of consolidation as of 31 December 2021, considering they are non-material.

On 22 December 2021, Beaufour Ipsen (Tianjin) Pharmaceutical Co. (China) sold its 100% stake in Ipsen (Tianjin) Pharmaceutical Trade Co. (China) to Ipsen Pharma S.A.S., increasing the Group's stake in Ipsen (Tianjin) Pharmaceutical Trade Co. (China) from 96% to 100%, without changing control.

On 27 July 2021, Ipsen purchased an interest in Bakx Therapeutics, Inc., 14.9% of which is consolidated into the scope of consolidation. As of 31 December 2021, 13.7% of the entity is consolidated using the equity method.

On 30 April 2021, Ipsen finalized the sale of its stake in the following entities: Garnay Inc., Cara Partners, Perechin Company, Portpirie Company, Wallingstown Company, Wallingstown Company Limited and Saint-Jean d'Illac S.C.A.. Ipsen recognized its stake in these entities using the equity method until 30 April 2021, except for Saint-Jean d'Illac S.C.A., which was removed from the scope of consolidation on 31 July 2021.

2.2 2020

In 2020, the Group created the wholly-owned subsidiary Ipsen Shanghai Innovation Pharmaceutical Co. Ltd. The Group used the full consolidation method to include it into the scope of consolidation.

The Group also created two new subsidiaries in France: Naripharm S.A.S. and Leripharm S.A.S. As of 31 December 2020, these new entities were not included in the scope of consolidation given their non-material impact.

On 9 September 2020, Ipsen S.A. absorbed company 11188291 Canada Inc. after it was dissolved. Consequently, 11188291 Canada Inc. no longer part of the scope of consolidation as of 31 December 2020.

Note 3 Accounting principles and methods, and compliance statement

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 consistently 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 2021 were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union as of the date the Group prepared these consolidated financial statements. The IFRS as endorsed by the European Union differ in certain aspects from the IFRS published by the IASB. Nevertheless, the Group has verified 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 Standards Interpretations Committee (IFRS IC).

All the standards adopted by the European Union are available on the European Commission’s website:

https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-endorsement-process.

3.2 Standards and interpretations that entered into force as of 1 January 2021

The mandatory standards, amendments and interpretations published by the IASB and applicable as of the 2021 financial year are listed below:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 – *Phase 2 of Interest Rate Benchmark Reform*
- Amendments to IFRS 4 – *Insurance Contracts:* Extension of the Temporary Exemption from Applying IFRS 9 – *Financial Instruments*
- Amendments to IFRS 16 - *Leases - Covid-19-Related Rent Concessions beyond 30 June 2021*

A review of legislation that entered into force as of 1 January 2021 or as of 1 April 2021 pertaining to the amendment to IFRS 16 showed that their application had a non-material impact on the Group’s financial statements. Details are presented below.

3.2.1 Application of amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – *Phase 2 of Interest Rate Benchmark Reform*

Ipsen reviewed contracts affected by the change in interest rate benchmarks and concluded that contracts did not suffer a material change in effective interest rate.

3.2.2 Application of amendments to IFRS 4 – Insurance Contracts: Extension of the Temporary Exemption from Applying IFRS 9 – Financial Instruments

These amendments did not have an impact on the Group’s consolidated financial statements for financial year ended 31 December 2021.

3.2.3 IFRIC decision on attributing retirement benefits based on length of service

The IFRIC's agenda decision in May 2021 led the Group to review how it calculates retirement benefits for certain retirement plans:

- plans where you have to be employed at the company when you retire to receive the benefits (and all benefits are lost if you leave early);
- plans where benefits depend on seniority, but are capped starting at a certain number of years seniority. The ceiling usually applies before the retirement date.

The IFRIC believes that provided that no benefits are granted for employees who leave before retirement age, and benefits are capped after a certain number of years at the company (N), employees will receive the last (N) number of years worth of retirement benefits upon retirement.

This change in method resulted in a €16.3 million reduction in the retirement benefits provision and a €12.1 million net tax effect on the Group's shareholders' equity as of 1 January 2020.

3.2.4 IFRIC decision on Configuration or Customization Costs in a Cloud Computing Arrangement

The IFRIC's agenda decision in April 2021 led the Group to review how it recognizes the Configuration or Customization Costs in a Cloud Computing Arrangement. The Group is still reviewing the potential impact of this decision that will be finalized in the course of the half year.

The potential changes resulting from this decision will be recognized retrospectively, according to IAS 8.

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

The Group did not opt for early adoption of the standards, amendments and interpretations endorsed by the European Union for which the application was not mandatory on 1 January 2021, namely:

- Amendments to IFRS 16 – *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to IAS 37 – *Provisions, Contingent Liabilities, and Contingent Assets – Onerous Contracts — Cost of Fulfilling a Contract*
- Amendments to IFRS 3 – *Business Combinations – Reference to the Conceptual Framework*
- IFRS 17 – *Insurance Contracts* and amendments to IFRS 17
- Annual improvements for the 2018-2020 cycle

The Group was still reviewing these standards, amendments, and interpretations as of the date these consolidated financial statements were approved.

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

3.4.1 IASB publications not yet endorsed by the European Union

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

- Amendments to IAS 1 – *Presentation of the Financial Statements – Classification of Liabilities as Current or Non-Current*
- Amendments to IAS 1 – *Presentation of the Financial Statements – Disclosure of Accounting Policies*
- IAS 8 – *Accounting Policies – Definition of Accounting Estimates*
- IAS 12 – *Income Taxes – Deferred tax related to assets and liabilities arising from a single transaction*
- IFRS 17 – *Insurance Contracts – Initial Application of IFRS 17 and IFRS 9 – Comparative Information*

The Group was still reviewing the impacts of these standards and/or amendments as of the date these consolidated financial statements were approved.

3.4.2 IASB Publications following the closing date

No standard or interpretation was published by the IASB since the closing date or up to the date these consolidated financial statements were approved.

3.5 Measurement bases used to prepare the consolidated financial statements

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

3.6 Use of estimates

Preparing financial statements in accordance with international financial reporting standards requires Group management to make estimates and use certain assumptions that are likely to impact the carrying value of assets and liabilities, shareholders' equity, income and expense items, and information provided in the notes to the financial statements.

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

The estimates were made based on information available at the closing date, after taking into account subsequent events.

The main material estimates made by management concern changes to employee benefits (see note 5), any impairment of goodwill (see note 10) or intangible assets (see note 11), deferred tax asset assessments (see note 10), and provisions (see note 19).

3.7 Consolidation methods

Subsidiaries controlled by the Group are fully consolidated.

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

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

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

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

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

3.8 Business combinations

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

When an exclusively controlled company is consolidated for the first time, identifiable assets and liabilities are valued at their fair value, apart from exceptions specifically provided for in IFRS 3 – *Business Combinations*.

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

- the total amount of the following items:
  - the acquisition cost on the date when control is obtained;
  - the total non-controlling interests in the acquired company determined either at fair value on the acquisition date (full goodwill method), or based on their share in the fair value of the identifiable net assets acquired and liabilities assumed (partial goodwill method). The Group reviews this option on a transaction-by-transaction basis;
  - for business combinations achieved in stages, the fair value of the share held by the Group on the acquisition date, but before the date when control is obtained;
  - and the estimated impact of any adjustments in the acquisition cost, such as earnouts. These contingent earnouts 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 earnouts are then re-measured at each closing date, with any changes recognized on the income statement after the acquisition date (including the one-year period following the acquisition date, as long as they do not result from existing facts and circumstances as of the transaction date). They are discounted over their useful life if the impact is material. Any discounting adjustments to the carrying amount of the liability are recognized in *Other financial income and expenses;*
- and the net amount of identifiable assets acquired and identifiable liabilities assumed, measured at their fair value as of the acquisition date.

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

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

For equity-accounted companies, goodwill is included in the amount invested in the equity-accounted company. The costs directly related to the combination are included in the measurement of the investment acquisition price.

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

3.9 Operating segments

In accordance with IFRS 8 – *Operating Segments*, reported segment information is built based on management data the "chief operating decision maker", *i.e.* the Executive Leadership Team, uses to analyze business performance and allocate resources.

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

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

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

These performance indicators do not replace IFRS indicators and should not be viewed as doing so. The Group uses them in addition to IFRS indicators. Although used by the Executive Leadership Team as important factors for setting targets and measuring the Group's performance, these indicators are not required nor defined by IFRS.

As internal performance measures, these operational indicators have limitations. As a result, the Group uses additional benchmarks to manage performance.

3.10 Translation of financial statements in foreign currencies

The Group's consolidated financial statements are denominated in euros. In accordance with IAS 21, the assets and liabilities of subsidiaries whose functional currency is not the euro are translated at the exchange rates prevailing on the closing date. No Group entity operates in a hyper-inflationary economy. Their income statements and the items in their cash flow statement are translated at the average rate for the year, which comes close to the prevailing exchange rate as of the date of the different transactions, as long as there are no significant fluctuations.

Exchange differences from translating balance sheets and income statements are recorded under the "Cumulative translation reserves" line item, which forms an integral part of shareholders' equity, and under "Non-controlling interests" for the share attributable to third parties. These differences arise from:

- any difference between the exchange rates used for the opening and closing balance sheets found when translating balance sheet items;
- any difference between the year's average rate and closing rate.

Goodwill and fair value adjustments arising when a foreign entity is acquired are treated as the foreign entity's assets and liabilities. As such, they are expressed in the entity's functional currency and translated at the exchange rate prevailing on the closing date.

During consolidation, exchange differences due to the translation 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 translation differences, initially recognized as equity, are recorded in profits or losses on disposals.

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

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.

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

Exchange differences arising from eliminating foreign currency transactions between fully consolidated companies are recorded in cumulative translation reserves under shareholders' equity and under non-controlling interests for the share attributable to third parties, to eliminate their impact on consolidated results. Exchange differences arising from foreign currency cash flow movements between fully-consolidated companies are accounted for under a separate line item in the consolidated statement of cash flows.

3.12 Other intangible assets (excluding goodwill)

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

Impairment related to intangible assets is presented with property, plant and equipment impairment and goodwill on a separate line item on the income statement.

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

3.12.1 Assets with a finite useful life

An asset's useful life is the period of time the Group expects to use that asset. Intangible assets with a defined useful life are amortized over a period corresponding to useful lives estimated by the Group. Amortization periods are determined on a case-by-case basis depending on the type of asset concerned. Rights on products marketed 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. Acquired patents are recognized as intangible assets at acquisition price, or at fair value for business combinations.

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

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

Software and application licenses acquired under a SaaS distribution model (Software as a Service) are recognized in the Income Statement and are not recognized as an intangible asset or a lease contract. Development costs related to these applications and software are accounted for the same way and are recognized in the Income Statement.

Acquired software licenses are amortized on a straight-line basis over the duration of their useful lives (from 1 to 10 years).

3.12.2 Assets with an indefinite useful life

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

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

3.13 Property, plant & equipment

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

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

Depreciation is usually calculated on a straight-line basis over the assets' estimated useful lives. Fixtures and fittings related to lease assets have their lease term is determined in line with the term of the leases themselves. Some industrial assets are depreciated based on production volumes.

Estimated useful lives are as follows:

- buildings, fixtures and fittings 5 to 30 years
- industrial plant & equipment 5 to 10 years
- other property, plant and equipment 3 to 10 years

Land is not depreciated.

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

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

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

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

3.14 Leases

Leases are accounted for using a single recognition model that leads to a right of use being recognized for an asset under property, plant and equipment and lease liabilities recorded in "Current financial liabilities" or "Non-current financial liabilities". The Group recognizes leases in the balance sheet as soon as the lease is created for the discounted value of future cash outflows. They are amortized according to the lease term of the agreement, which corresponds to the economic life of similar tangible assets.

Amortization expenses are accounted for in the income statement under each line of Operating income that involves leases "Cost of goods sold", "Selling expenses", "Research and development expenses", etc.) and interest expenses in "Net financing costs".

The Group has two main types of leases — property leases and vehicle leases. In accordance with options authorized by the standard, lease agreements with a term of less than 12 months or leases with an asset value totaling less than 5 thousand U.S. dollars are not recognized under assets in the balance sheet.

Commercial lease reviews rely on contractual provisions to determine which assumptions to use to estimate rights-of-use assets or lease liabilities.

- The term of the lease used corresponds to the non-cancellable period defined in the agreement, unless the Group is reasonably sure it will renew the lease.
- The Group has assessed the term of the lease used for properties in line with the term used for depreciating fixtures and fittings recognized as an asset for these properties.
- The Group measures lease liabilities from lease agreements at the present value of remaining lease payments and discounts using each lease agreement's incremental borrowing rate and taking into account the remaining term of the lease commitment. The Group applies the marginal incremental interest rate and uses a swap curve adjusted for Ipsen's financing spread depending on the currency zone where the lease operates.
- Pending IFRS IC conclusions, Ipsen considered that the IAS 12 exemption for the initial recognition of deferred taxes applied to the recognition of rights of use and lease liabilities during the transition to IFRS 16. As a result, the Group did not recognize any deferred tax.

  The Group uses the same method to conduct impairment tests as the one used in 2019.
- Rights of use and lease liabilities have been respectively included in and excluded from the net carrying amount of the cash generating units.
- The Group has taken into account impacts from the initial application of IFRS 16 on future cash flow projections and in calculating the weighted average cost of capital (WACC).

In accordance with the standard, Ipsen applies IFRS 16 provisions to all lease agreements except low value (less than 5 thousand U.S. dollars) and/or short-term (less than twelve months) agreements. Payments related to lease agreements (rent) receiving the exemption are recognized as operating expenses.

3.15 Impairment of assets

3.15.1 Type of asset tested

Goodwill and intangible assets with an indefinite useful life (such as intangible rights acquired from a third party for drugs not yet marketed) 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 particularly to the success of successive phases of clinical trials, to pharmacovigilance, to patent protection, to the arrival of competing products and/or generics and the comparison between actual and forecast sales. These impairment indices are applied to all intangible assets with both finite and indefinite useful lives as soon as required by IAS 36.

3.15.1.1 Goodwill

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

Goodwill arising from the acquisition of an equity-accounted company is included in the carrying amount of the investment and is not recognized separately, in accordance with IAS 28 – *Investments in Associates and Joint Ventures*. As a result, 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 accordance 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 acquiring equity-accounted companies are made for impairment losses related to goodwill and intangible assets.

3.15.1.2 Intangible assets with an indefinite useful life

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

3.15.1.3 Intangible assets with a finite useful life

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

3.15.1.4 Tangible fixed assets and long-term financial assets

Other non-current assets, including tangible fixed assets and long-term financial assets, are also tested for impairment when events or changed circumstances indicate that an asset may be impaired, in line with IAS 36 – *Impairment* and IFRS 9 – *Financial Instruments*.

3.15.2 Impairment tests – methods used by the Group

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

Value-in-use is the net present value of 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 selling costs.

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

An impairment loss is recorded on a separate line in the income statement for the difference when the recoverable amount is less than the asset's, the group of assets,' or the cash generating unit's net carrying amount, If the Group identifies impairment on a cash generating unit, it is deducted from goodwill. Goodwill impairment cannot be reversed.

3.15.2.1 Goodwill

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

3.15.2.2 Intangible assets with an indefinite useful life

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

3.15.2.3 Intangible assets with a finite useful life

For other intangible assets, the period taken into account for estimating anticipated cash flows is based on the economic life intrinsic to each intangible asset. When the economic life exceeds Group forecasts, the terminal value may be used. Tests are also performed to assess the sensitivity of the recoverable amount to changes in certain assumptions, primarily to the discount rate (+/- 1% range) and to sales growth (-1% to -2% range) and the long-term growth rate (+/- 1% range).

Estimated cash flows are discounted to present value using the weighted average cost of capital of each cash-generating unit (Specialty Care and Consumer Healthcare), except in specific cases when additional risk premiums are taken into account based on the asset tested.

3.16 Government grants

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

3.17 Financial assets

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

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

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

The Group classifies financial assets upon initial recognition based on the characteristics of their contractual cash flows and the Group's management model.

3.17.1 Financial assets at amortized cost

Financial assets at amortized costs primarily comprise Group-issued loans and receivables. The Group measures financial assets at amortized cost:

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

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

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

3.17.2 Financial assets at fair value through other comprehensive income

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

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

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

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

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

3.17.3 Financial assets at fair value through profit or loss

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

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

- short-term investments. These investments are held for trading and do not meet the definition of cash equivalents (as per IAS 7 – *Statement of Cash Flows*), but which nonetheless show limited volatility;
- interests the Group owns in investment funds. The interests held in these funds do not meet the definition of equity instruments but do meet the definition of debt instruments instead;
- contingent milestone payments already recognized in the financial statements of an acquired entity or resulting from a business combination.

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

3.17.4 Fair value of financial instruments

The Group measures their financial instruments at fair value. These instruments include derivative instruments, listed and unlisted financial assets and variable payments recognized as part of business combinations.

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

3.18 Non-current assets held for sale and discontinued operations

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

For the sale to be highly likely, 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 the Group has sold or is classified as held for sale, and:

- it represents a principal and distinct business line or geographic region;
- it is part of a specific and coordinated plan to dispose of a principal and distinct business line or geographic region;
- it is a subsidiary acquired exclusively for resale.

3.19 Inventories

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

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

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

3.20 Cash and cash equivalents

Cash includes cash on hand in demand deposits with banks.

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

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

3.21 Stock option plans

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

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

3.22 Retirement benefit obligations

3.22.1 Post-employment benefits

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

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

- contributions to independent organizations (insurance companies) responsible for paying the pensions or other benefits; or
- 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 determined by external actuaries using the projected unit credit method. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each unit is valued separately to obtain the final obligation.

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

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

3.22.2 Other employee benefits

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

3.23 Provisions

Provisions are recognized in accordance with IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* to cover all liabilities to third parties that are neither financial guarantees nor commitments but are likely or certain to cause an outflow of resources embodying economic benefits, provided the amount of the provision can be reliably estimated. These provisions are estimated based on 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 used to determine the present value reflects current market assessments of the time value of money and the risks inherent to the liability. The provision increase resulting from the restatement at historical value is recorded as a financial expense.

3.24 Financial liabilities

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

3.25 Derivative financial instruments and hedge accounting

3.25.1 Hedge accounting

As part of its overall strategy for managing foreign exchange risks, the Group completed a number of transactions involving the use of derivative financial instruments. The Group uses derivatives instruments designated as cash flow hedge instruments. The Group has also set-up net investment hedge transactions in foreign countries and have accounted for them in a similar way as cash flow hedges. Exchange rate exposure in foreign subsidiaries has been hedged with debt instruments.

The Group has not designated any derivative instruments as fair value hedge.

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

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

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

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

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

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

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

The Group has carried out foreign net investment hedge transactions. Changes in the fair value of the hedging instrument are directly recognized in equity regarding the effective portion. Change in the fair value related to the ineffective portion of the hedge is recognized in the Income Statement.

If an investment that qualifies for foreign net investment hedge is disposed of, amounts previously booked in equity are recycled to the Income Statement.

3.25.2 Other derivative instruments

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

3.26 Sales

The Group’s revenues are mainly generated by pharmaceutical product sales. Sales are recognized when control of the goods or services has been transferred to the customer. Sales are recognized for the amounts the Group expects to collect. Revenue from pharmaceutical product sales is recognized when control has been transferred (generally upon delivery), in accordance with the delivery and acceptance clauses provided in the customer contract. Note 4 – *Operating Segments*, includes a breakdown of sales by cash generating unit, by geographic area, and by therapeutic area, showing the portion of sales each product marketed by the Group represents.

Revenue from product sales comprises pharmaceutical product sales net of returns, rebates, and discounts granted to customers, as well as certain payments payable to health authorities and determined based on sales. Rebates and discounts are recognized at the same time as the accompanying sales they belong to. They are identified as being variable price components, in accordance with IFRS 15.

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

3.27 Other revenues

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

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

Licensing Agreements are recognized in “Other revenues” and can be broken down into two distinct types, as follows:

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

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

Off balance-sheet commitments corresponding to milestone payments to be received and arising from the Group’s main agreements are presented in note 24.1.2. Payments received for these milestones are recognized on the date when the regulatory triggering event occurs and after both parties give their approval.

3.28 Cost of sales

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

3.29 Research and Development

3.29.1 Internal Research and Development

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

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

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

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

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

Some industrial development costs are generated after the MAA has been approved to improve the process for manufacturing an active ingredient. If the six IAS 38 criteria are deemed to have been met, these costs are included in the measurement of the project's costs and recorded as "Other intangible assets" under assets in the balance sheet, as soon as they are incurred (see note 11.3). Likewise, some clinical study costs, such as those arising from efforts to extend the geographical access of a molecule that has already obtained MAA approval in a major market, may in certain cases meet the six intangible asset recognition criteria under IAS 38 – *Intangible Assets*. In such cases, those costs are recorded as other intangible assets under the asset in the balance sheet as soon as they are incurred.

3.29.2 Research and Development acquired separately

Payments made to acquire research and development work separately 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 for the Group that are identifiable, either being separable or arising from contractual or other legal rights. In accordance with 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 as an upfront payment or as milestone payments for proprietary drugs are recognized under assets in the balance sheet. These rights are amortized on a straight-line basis over the duration of their useful lives beginning on the date the products are marketed.

3.29.3 Research and Development acquired in a business combination

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

3.29.4 Research tax credits

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

3.30 Other operating income and expenses

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

3.31 Taxes

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

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

The Group only recognizes deferred tax assets for deductible temporary differences when it is likely that taxable profits will be available for the temporary differences to be offset.

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, based on the tax rates enacted or virtually enacted as of the balance sheet date. Deferred tax assets undergo a recoverability analysis based on Group forecasts.

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

The Group calculates the amount of deferred taxes to recognize in the Group's consolidated financial statements per entity included in the scope of consolidation.

The Group elected to recognize the CVAE business tax *(Cotisation sur la Valeur Ajoutée des Entreprises)* as an income tax expense in the income statement. In accordance with IAS 12, the total amount of current and deferred expenses related to the CVAE is presented on the "Income Tax" line item.

3.32 Earnings per share

Basic earnings per share is calculated by dividing consolidated net profit for the year attributable to Ipsen S.A. shareholders by the weighted average number of shares outstanding during the period.

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

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

Note 4 Operating segments

The Group's business is organized into two operating segments—Specialty Care and Consumer Healthcare.

All costs are allocated to these two segments except for Corporate overhead costs and the impact of currency hedging.

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

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

These performance indicators do not replace IFRS indicators and should not be viewed as such. They are used in addition to IFRS indicators.

4.1 Core Operating Income by operating segment

(in millions of euros)	2021	2020
Specialty Care		
Sales	2,643.3	2,381.1
Revenue	2,748.6	2,453.6
Core Operating Income	1,186.6	1,014.3
% of net sales	*44.9%*	*42.6%*
Consumer Healthcare		
Sales	225.6	210.6
Revenue	250.5	232.6
Core Operating Income	31.7	15.6
% of net sales	*14.1%*	*7.4%*
Other (unallocated)		
Core Operating Income	(207.1)	(200.6)
Total Group		
Sales	2,868.9	2,591.6
Revenue	2,999.1	2,686.2
Core Operating Income	1,011.3	829.3
% of net sales	*35.2%*	*32.0%*

A reconciliation between Core Operating Income and Operating Income is presented in the table below:

(in millions of euros)	2021	2020
Core Operating Income	**1,011.3**	**829.3**
Amortization of intangible assets, excluding software	(82.3)	(86.5)
Other operating income and expenses (1)	(50.6)	(18.6)
Restructuring costs	(19.8)	(45.6)
Impairment losses	(9.1)	(153.9)
Operating Income	**849.5**	**524.8**

(1) Proceeds received in 2020 from businesses sold before 2020 were reclassified from "Profit from discontinued operations" to the "Other operating income" line item for €3.8 million.

4.2 Sales by geographical region

(in millions of euros)	2021		2020	
	Amounts	% share	Amounts	% share
Major Western European countries	883.8	31 %	824.5	32 %
Rest of Europe	556.1	19 %	500.9	19 %
North America	916.3	32 %	857.6	33 %
Rest of the World	512.6	18 %	408.6	16 %
Group Sales	**2,868.9**	**100%**	**2,591.6**	**100%**

4.3 Sales by therapeutic area and product

(in millions of euros)	2021	2020
Oncology	**2,153.5**	**1,969.8**
Somatuline ®	*1,202.7*	*1,145.2*
Decapeptyl ®	*459.6*	*390.5*
Cabometyx ®	*354.6*	*288.9*
Onivyde ®	*127.4*	*123.3*
Other Oncology products	*9.1*	*21.8*
Neurosciences	**440.7**	**356.1**
Dysport ®	*434.6*	*353.2*
Rare diseases	**49.1**	**55.2**
NutropinAq ®	*32.0*	*36.2*
Increlex ®	*17.1*	*19.0*
Specialty Care	**2,643.3**	**2,381.1**
Smecta ®	*88.8*	*80.9*
Tanakan ®	*36.6*	*35.2*
Forlax ®	*36.0*	*39.0*
Fortrans/Eziclen ®	*35.9*	*28.1*
Other Consumer Healthcare products	*28.4*	*27.4*
Consumer Healthcare	**225.6**	**210.6**
Group Sales	**2,868.9**	**2,591.6**

4.4 Other revenues

(in millions of euros)	2021	2020
Royalties received	98.5	67.2
Milestone payments – Licenses	8.5	7.3
Other (co-promotion revenues, re-billings)	23.2	20.0
Other revenues	**130.2**	**94.5**

In 2021, other revenues amounted to €130.2 million (€94.5 million reported in 2020). This change was due to an increase in royalties received from Galderma for Dysport®.

4.5 Other information

(in millions of euros)	31 December 2021			Total
	Specialty Care	Consumer Healthcare	Other (unallocated)	
Acquisition of property, plant & equipment	(88.2)	(7.9)	(1.4)	(96.0)
Acquisition of intangible assets	(303.1)	(1.2)	(25.9)	(331.7)
Total investments (excluding changes in consolidation scope)	**(391.2)**	**(9.1)**	**(27.3)**	**(427.6)**
Net depreciation, amortization and provisions (excluding financial assets)	(179.0)	(15.3)	(41.9)	(236.2)

Note 5 Personnel

5.1 Headcount

At the end 2021, the Group totaled 5,744 employees, compared to 5,703 at the end of 2020.

The average headcount in 2021 was 5,671 employees, compared to 5,746 in 2020.

5.2 Employee expenses

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

(in millions of euros)	2021	2020
Wages and salaries	(553.3)	(514.5)
Employer's Social security contributions and payroll taxes	(173.6)	(160.4)
Interest on employee benefits	(3.1)	(1.0)
Share-based payment expenses	(29.9)	(24.8)
Employee profit-sharing	(13.7)	(13.8)
Total - Employee expenses	**(773.6)**	**(714.5)**

In 2021, the average rate of Social security contributions and payroll taxes amounted to 31.4% of gross payroll, compared to 31.2% in 2020.

The Group's French companies have an employee profit-sharing agreement as required by law. Employees may invest their assets 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.

5.3 Long-term employee benefits

5.3.1 Benefit plans

5.3.1.1 Retirement benefit obligations

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

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

Under defined contribution plans, the Group is only obligated 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 years of service. These long service awards mainly relate 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 applicable assumptions in the relevant countries.

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

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

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

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

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

5.3.2.1 Assumptions used

The main actuarial assumptions applied as of 31 December 2021 are as follows:

	31 December 2021		
	Europ (excluding UK)	United Kingdom	Asia - Oceania
Discount rate	0.9%	2.0%	2.3%
Inflation rate	1.9%	3.1%	N/A
Rate of increase in salaries, net of inflation	Varies by professional category	N/A	5.6%
Rate of increase in pensions	N/A	3.1%	N/A

A 1.0% increase in the discount rate would lead to a 9.5% decrease in employee benefit obligations in France, a 17.2% decrease in the UK, and a 13.8% decrease in Asia-Oceania.

5.3.2.2 Reconciliation of balance sheet assets and liabilities

(in millions of euros)	31 December 2021			31 December 2020
	Post-employment benefits	Other long-term benefits	Total long-term personnel benefits	Total long-term personnel benefits
Defined benefit plan obligations - Opening balance	**70.8**	**5.7**	**76.5**	**91.9**
Application of the IFRIC's agenda decision on IAS19 - Employee Benefits				(16.3)
Present value of defined benefit obligations after applying IFRIC	**70.8**	**5.7**	**76.5**	**75.6**
Current service costs	4.7	0.7	5.4	5.4
Past service costs (plan amendments and curtailments)	(1.7)	(0.2)	(1.8)	(4.8)
Interest expense on obligations	0.5	(0.7)	(0.2)	0.8
Actuarial gains and (losses) - changes to demographic assumptions	1.2	—	1.2	1.5
Actuarial gains and (losses) - changes to discount rate	(6.4)	—	(6.4)	2.7
Actuarial gains and (losses) - experience adjustments	1.2	—	1.2	(0.6)
Benefits paid	(2.1)	(0.1)	(2.2)	(2.7)
Changes in scope	—	—	—	—
Exchange differences	1.7	—	1.7	(1.2)
Other	1.0	—	1.0	(0.1)
Defined benefit plan obligations - Closing balance	**71.0**	**5.4**	**76.4**	**76.5**
Fair value of assets allocated to plans – Opening balance	**29.1**	**—**	**29.1**	**31.2**
Interest income on plan assets	0.3	—	0.3	0.4
Actuarial gains/(losses) on plan assets	3.4	—	3.4	0.3
Employee contributions to plan assets	—	—	—	—
Employer's contributions to plan assets	2.5	—	2.5	0.1
Benefits paid from plan assets	(0.8)	—	(0.8)	(1.9)
Changes in scope	—	—	—	—
Exchange differences	1.3	—	1.3	(1.0)
Other	—	—	—	—
Fair value of assets allocated to plans – Closing balance	**35.7**	**—**	**35.7**	**29.1**
Closing net liability recognized in the balance sheet	**35.3**	**5.4**	**40.7**	**47.4**
Impact on comprehensive income				
Operating expenses	(3.1)	(0.5)	(3.6)	(0.6)
Interest expenses recognized in financial result	(0.2)	0.7	0.5	(0.4)
Other	—	—	—	—
Income statement expenses	**(3.3)**	**0.2**	**(3.1)**	**(1.0)**
Actuarial gains and (losses) on defined benefit obligations	4.0	—	4.0	(3.5)
Actuarial gains/(losses) on plan assets	3.4	—	3.4	0.3
Items recognized in comprehensive income	**7.4**	**—**	**7.4**	**(3.1)**
Impact on comprehensive income	**4.1**	**0.2**	**4.3**	**(4.1)**

5.3.2.3 Allocation of plan assets

(in millions of euros)	31 December 2021			Total
	Shares	Bonds	Other (1)	
Europe (excluding UK)	8.2	4.6	1.8	14.6
United Kingdom	12.0	7.5	0.9	20.4
Asia-Oceania	0.6	0.1	—	0.7
Total	**20.7**	**12.3**	**2.7**	**35.7**
Total (as a percentage)	**58%**	**34%**	**8%**	**100%**

(1) Property, cash, and other.

As of 31 December 2021, plan assets primarily broke down between France (40.9%) and the UK (57.0%).

(in millions of euros)	31 December 2020			Total
	Shares	Bonds	Other (1)	
Europe (excluding UK)	6.9	4.7	0.4	11.9
United Kingdom	10.1	6.2	0.2	16.5
Asia-Oceania	0.5	0.1	—	0.7
Total	**17.5**	**10.9**	**0.7**	**29.1**
Total (as a percentage)	**60%**	**38%**	**2%**	**100%**

(1) Property, cash, and other.

5.3.2.4 Future probable plan benefits

(in millions of euros)	31 December 2021		Total
	Post-employment benefits	Other long-term benefits	
2022	6.1	0.2	6.2
2023	3.6	0.9	4.4
2024	1.2	0.9	2.1
2025	2.6	0.9	3.5
2026	3.8	0.8	4.6
2027-2031	11.5	3.7	15.2

5.3.2.5 Application of the IFRIC agenda decision on IAS 19 – *Employee Benefits*

Ipsen Group applied the IFRIC's agenda decision on IAS 19 – *Employee Benefits* retroactively as of 1 January 2020, which led the Group to restate the impact on the opening balance sheet as of 1 January 2020 as follows:

(in millions of euros)	31 December 2019 As published	IFRIC related to IAS19 Employee benefits	1st January 2020 Restated
Deferred tax assets	149.4	(4.2)	145.2
Other non-current assets	2,811.0	—	2,811.0
Total non-current assets	**2,960.4**	**(4.2)**	**2,956.2**
Total current assets	**1,346.5**	**—**	**1,346.5**
TOTAL ASSETS	**4,306.9**	**(4.2)**	**4,302.7**
Additional paid-in capital and consolidated reserves	1,656.1	12.1	1,668.2
Other shareholder's equity	97.0	—	97.0
Total shareholders' equity	**1,753.1**	**12.1**	**1,765.2**
Retirement benefit obligation	60.7	(16.3)	44.4
Other non-current liabilities	1,040.7	—	1,040.7
Total non-current liabilities	**1,101.4**	**(16.3)**	**1,085.0**
Total current liabilities	**1,452.5**	**—**	**1,452.5**
TOTAL EQUITY & LIABILITIES	**4,306.9**	**(4.2)**	**4,302.7**

Impacts on the 2020 results were not restated because they were not material.

5.4 Share-based payments

5.4.1 Bonus share grants

Ipsen granted various bonus share plans within the scope of IFRS 2 – *Share-Based Payments*, that were still vesting as of 31 December 2021.

(in millions of euros/number of shares)	Number of bonus shares	Vesting period	Performance conditions	Value of shares on date granted, before reduction	Fair value of bonus share	Initial value of the plan	2021	2020
Plan dated June 1, 2016	**242,290**					**10.5**		**0.1**
Chairman, Chief Executive Officer & Executive Committee Members	64,019	2 years	yes	€56.69	€47.73			
Beneficiaries from French subsidiaries	72,208	2 years	yes	€56.69	€47.73			
Beneficiaries from American subsidiaries	64,727	2 years	yes	€56.69	€47.73			
Beneficiaries outside the French & American subsidiaries	41,336	4 years	yes	€56.69	€49.04			
Plan dated March 29, 2017	**151,890**					**13.3**	**(0.1)**	**0.1**
Chief Executive Officer & Executive Leadership Team	41,640	2 years	yes	€93.40	€101.47			
Beneficiaries from French subsidiaries	44,070	2 years	yes	€93.40	€97.01			
Beneficiaries from American subsidiaries	28,200	2 years	yes	€93.40	€97.00			
Beneficiaries outside the French & American subsidiaries	37,980	4 years	yes	€93.40	€99.27			
Plan dated May 30, 2018	**211,140**					**25.3**	**0.2**	**(4.0)**
Chief Executive Officer & Executive Leadership Team	39,390		yes	€134.40	€134.90			
Beneficiaries from subsidiaries subject to performance conditions	84,240	50% to 2 years 50% to 3 years	yes	€134.40	€134.90			
Beneficiaries from subsidiaries not subject to performance conditions	87,510		no	€134.40	€131.84			
Plan dated February 13, 2019	**25,880**					**2.8**	**(0.1)**	**(0.9)**
Beneficiaries from subsidiaries	25,880	2 years	no	€109.60	€109.60			
Plan dated May 28, 2019	**288,880**					**25.5**	**(6.0)**	**(7.7)**
Chief Executive Officer & Executive Leadership Team	43,520	3 years	yes	€112.10	€90.25			
Beneficiaries from subsidiaries subject to performance conditions	117,160	50% to 2 years 50% to 3 years	yes	€112.10	€87.83			
Beneficiaries from subsidiaries not subject to performance conditions	128,200		no	€112.10	€109.57			
Plan dated February 12, 2020	**71,650**					**2.8**	**(0.5)**	**(2.2)**
Beneficiaries from subsidiaries	71,650	2 years	no	€109.60	€109.60			
Plan dated May 29, 2020	**520,268**					**34.8**	**(10.7)**	**(7.6)**
Executive Leadership Team	70,610	3 years	yes	€72.00	€62.02			
Beneficiaries from subsidiaries subject to performance conditions	106,261	3 years	yes	€72.00	€62.02			
Beneficiaries from subsidiaries not subject to performance conditions	223,154	2 years	no	€72.00	€69.98			
Beneficiaries from subsidiaries not subject to performance conditions	120,243	3 years	no	€72.00	€68.71			
Plan dated July 29, 2020	**37,829**					**2.8**	**(0.6)**	**(0.4)**
Chief Executive Officer	37,829	3 years	yes	€81.75	€74.83			
Plan dated May 27, 2021	**427,333**					**39.9**	**(8.1)**	
Executive Leadership Team	81,473	3 years	yes	€85.78	€84.37			
Beneficiaries from subsidiaries subject to performance conditions	79,840	3 years	yes	€85.78	€84.37			
Beneficiaries from subsidiaries not subject to performance conditions	172,930	2 years	no	€85.78	€83.76			
Beneficiaries from subsidiaries not subject to performance conditions	93,090	3 years	no	€85.78	€82.74			
Plan dated May 27, 2021	**24,400**					**2.3**	**(0.5)**	
Beneficiaries from subsidiaries	24,400	2 years	no	€85.78	€83.76			
TOTAL							**(26.5)**	**(22.5)**

5.4.2 Bonus share plans

The employee shareholding plan launched in 2021 resulted in the Group delivering 114,442 Ipsen S.A. shares to employees, representing a total of €8.4 million, €6.2 million of which for contributions paid by employees.

Note 6 Other operating income and expenses

In 2021, other operating income and expenses generated a net €119.1 million expense, mainly related to amortizing the Cabometyx and Onivyde intangible assets and costs arising from the Group's transformation programs.

In 2020, other operating income and expenses came to €93.9 million in expenses. The expenses were mainly associated with amortization expenses on the Cabometyx® and Onivyde® intangible assets, with costs from the Group's transformation programs, including the discontinuation of some research programs after redefining the Group's strategic priorities, and with the impact of foreign exchange hedges.

Note 7 Restructuring costs

Restructuring costs amounted to an €19.8 million expense, mainly due to restructuring projects, especially in France and in the United States.

At the end of December 2020, these costs totaled €45.6 million before taxes. They primarily related to transformation projects within the French Consumer Healthcare business as well as to relocating the Onivyde® manufacturing site to France.

Note 8 Net financial income/(expense)

(in millions of euros)	2021	2020
Investment income	2.4	2.3
Financing costs	(23.7)	(27.1)
Net financing costs	**(21.3)**	**(24.7)**
Foreign exchange gain / (loss) on non-operating activities	(0.9)	11.6
Change in fair value of equity investments	3.1	7.6
Net interest on employee benefits	0.5	(0.4)
Change in fair value of contingent assets and liabilities	(8.4)	29.0
Other financial liabilities	(8.0)	(15.3)
Other financial income and expenses	**(13.6)**	**32.5**
Financial income/(expenses)	**(35.0)**	**7.8**
of which total financial income	*92.3*	*135.7*
of which total financial expense	*(127.3)*	*(128.0)*

Other financial items particularly included the cost of the Group's currency hedges.

In 2020, Ipsen recorded €29 million in income from remeasuring contingent payments. After the Group decided to halt the Phase II MO-Ped clinical trial, Ipsen remeasured the Contingent Value Rights (CVR) issued to former Clementia Pharmaceuticals shareholders, as well as conditional regulatory and sales milestone payments related to palovarotène research, which resulted in a positive €43.3 million. The Group also recognized a €24.4 million loss from remeasuring contingent payments associated with the intangible asset Onivyde after revising how successful R&D studies would likely be.

Note 9 Income taxes

9.1 Tax expenses

9.1.1 Effective tax rate

(in millions of euros)	2021	2020
Net profit/(loss) from continuing operations	646.7	548.9
Share of net profit/(loss) from equity-accounted companies	0.4	(1.5)
Net profit/(loss) from continuing operations before share of results from equity-accounted companies	**646.3**	**550.4**
Current tax	(151.9)	(118.4)
Deferred tax	(16.2)	136.3
Income taxes	**(168.2)**	**17.8**
Pre-tax profit from continuing operations before share of results from equity-accounted companies	**814.5**	**532.6**
Effective tax rate	**20.6%**	**(3.3)%**

In 2021, €168.2 million in income tax expenses resulted in an effective tax rate of 20.6% on pre-tax profit from continuing operations, excluding the share of profit/(loss) from equity-accounted companies.

In 2020, the effective tax rate, restated for the impacts related to the Group’s legal restructuring, came to 22.0%.

9.1.2 Reconciliation between the effective and nominal tax expense

The following table shows the reconciliation between the effective tax expense and nominal tax expense based on pre-tax profit from continuing operations taxed at the standard French rate of 28.41% for the two years presented:

(in millions of euros)	2021	2020
Pre-tax profit from continuing operations before share of results from equity-accounted companies	814.5	532.6
Group tax rate	28.41%	32.02%
Nominal tax expense	**(231.4)**	**(170.5)**
(Increase)/Decrease in tax expense arising from:		
- Tax credits	13.4	6.6
- Non-recognition of tax impact on certain losses during the year	(31.9)	(77.2)
- Utilization of tax losses not recognized as deferred tax assets	—	—
- Recognition of deferred tax assets	38.8	5.8
- Other permanent differences	42.9	251.9
Effective tax expense	**(168.2)**	**17.8**
Effective tax rate	**20.6%**	**(3.3)%**

Items impacting tax expenses in 2021 included:

- an expense related to non-recognition of the tax effect on certain tax losses generated during the year in Canada and in Germany;
- the income recorded from recognizing deferred net tax assets were mainly due to losses generated in France in 2020;
- other permanent differences, which included differences in the effective tax rate of 28.41% and the effective tax rates where the Group's subsidiaries are located, as well as tax costs from the Group's legal restructuring.

In 2020, other permanent differences included:

- differences in tax rates between 32.02% and the tax rates where the Group's subsidiaries are located;
- the tax income as a result of recognizing gross deferred tax assets on tax losses from the Group's legal business restructuring transactions;
- a lack of tax effect from adjusting the fair value of contingent assets and liabilities associated with the intangible asset Onivyde and with Clementia Pharmaceuticals.

9.2 Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities in 2021 broke down as follows:

(in millions of euros)	31 December 2020	(Loss) / profit in income statement	Deferred taxes recorded directly to reserves	Foreign Exchange differences	Transfers and other movements	31 December 2021
Deferred tax assets	243.2	5.5	(0.1)	4.8	(0.3)	253.1
Deferred tax liabilities	(79.9)	(21.7)	7.4	(7.4)	(0.1)	(101.8)
Net deferred tax assets	**163.2**	**(16.2)**	**7.2**	**(2.6)**	**(0.4)**	**151.3**

Changes in "Income statement income/(expenses)" totaling €16.2 million mainly included:

- €50.9 million in income on deferred tax assets on tax losses carried forward related to losses generated in 2020 that were partially offset by a €25.0 million expense for deferred tax assets related to inventory internal profit margin elimination;
- a €21.7 million net expense for deferred tax liabilities primarily due to updating deferred tax liabilities in the United Kingdom after the tax rose from 19% to 25%.

Changes in deferred tax assets and liabilities in 2020 break down as follows:

(in millions of euros)	31 December 2019 published	IFRIC related to IAS19 Employee benefits	31 December 2020 restated	(Loss) / profit in income statement	Foreign exchange differences	Transfers and other movements	31 December 2020
Deferred tax assets	149.4	(4.2)	145.2	108.8	(9.6)	(2.7)	243.2
Deferred tax liabilities	(107.7)	—	(107.7)	27.5	9.3	2.4	(79.9)
Net deferred tax assets	**41.7**	**(4.2)**	**37.5**	**136.3**	**(0.3)**	**(0.3)**	**163.2**

Changes in "Income statement income/(expense)" totaling €136.3 million mainly include:

- €60.3 million in income on deferred tax assets on tax losses carried forward related to Group legal restructuring;
- €36.4 million in income related to inventory internal profit margin elimination;
- €14.9 million in income related to the reversal of deferred tax liabilities due to the impairment of palovarotene intangible assets.

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

(in millions of euros)	31 December 2021	31 December 2020
Deferred tax related to employee benefits	14.4	15.0
Deferred tax related to internal profit margin elimination	97.0	119.2
Deferred tax assets related to tax loss carry-forward	90.6	81.3
Other deferred tax assets	89.1	66.3
Offset of deferred tax assets and liabilities by fiscal entity	(38.1)	(38.7)
Deferred tax assets	**253.1**	**243.2**
Deferred tax liabilities related to the remeasurement of acquired intangibles assets	(81.6)	(76.3)
Other deferred tax liabilities	(58.3)	(42.3)
Offset of deferred tax assets and liabilities by fiscal entity	38.1	38.7
Deferred tax liabilities	**(101.8)**	**(79.9)**

The Group recognized €90.6 million in tax loss carryforwards as of 31 December 2021 (compared to €81.3 million in 2020). This increase was primarily due to recognizing deferred taxes from losses generated in 2020, which were partially offset by the use of deferred tax assets in France.

Deferred tax assets are recognized based on results forecasts for each tax consolidation group. These forecasts are in line with Ipsen's long- and medium-term plans and take into account the time frames in relation to the duration of the tax loss carryforwards and the specific situation of each tax consolidation group.

The "Deferred taxes related to the remeasurement of acquired intangible assets" line item mainly included the amount of deferred tax liabilities recorded for palovarotene intangible assets.

Note 10 Goodwill

10.1 Changes in Goodwill

(in millions of euros)	Gross goodwill	Impairment losses(1)	Net goodwill
1st January 2020	**641.2**	**(8.5)**	**632.6**
Changes in consolidation scope	—	—	—
Foreign exchange differences	(40.3)	0.5	(39.8)
31 December 2020	**600.9**	**(8.0)**	**592.8**
Changes in consolidation scope	—	—	—
Foreign exchange differences	31.0	(0.6)	30.3
31 December 2021	**631.8**	**(8.7)**	**623.2**

(1) The impairment previously recorded only concerns goodwill acquired when purchasing Stérix Ltd.

10.2 Impairment of goodwill

Impairment tests are conducted for each of the two Cash Generating Units (CGU): Specialty Care and Consumer Healthcare.

The recoverable value of each Cash Generating Unit corresponds to the value-in-use determined by discounting their estimated future cash flows to present value. The assumptions used for the goodwill impairment tests are reviewed once a year and are based on:

- a five-year estimate made by the Group's operating entities;
- if longer estimates are warranted, cash flows are extrapolated by applying the long-term expected market growth rate.

As of 31 December 2021, the Group did not record any impairment loss related to goodwill.

The carrying amount of respective Cash Generating Units and main assumptions are as follows:

(in millions of euros)	Specialty Care	Consumer Healthcare	Total
Net carrying value at 31 December 2020			
Goodwill	495.9	96.9	592.8
Net underlying assets	1,676.3	177.7	1,854.0
Total	**2,172.2**	**274.6**	**2,446.8**
Perpetuity growth rate	*1.5%*	*1.5%*	
Discount rate	*8.0%*	*8.0%*	
Net carrying value at 31 December 2021			
Goodwill	526.2	96.9	623.2
Net underlying assets	1,924.0	148.2	2,072.2
Total	**2,450.2**	**245.1**	**2,695.3**
Perpetuity growth rate	*1.5%*	*1.5%*	
Discount rate	*8.0%*	*8.0%*	

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

Note 11 Other intangible assets

(in millions of euros)	Intellectual property	Software	Other intangible assets and intangible assets in progress	Total other intangible assets
Gross value at 01 January 2020	**2,495.2**	**141.2**	**36.0**	**2,672.4**
Acquisitions / increases	32.7	11.9	14.7	59.3
Disposals / decreases	(49.0)	(8.0)	—	(57.0)
Foreign exchange differences	(152.9)	(1.1)	(0.3)	(154.3)
Transfers and other movements	3.5	22.0	(23.7)	1.9
Gross value at 31 December 2020	**2,329.5**	**166.0**	**26.8**	**2,522.2**
Acquisitions / increases	300.2	10.0	21.5	331.7
Disposals / decreases	(53.8)	(3.8)	—	(57.5)
Foreign exchange differences	127.6	1.3	0.1	129.1
Transfers and other movements	—	17.8	(15.0)	2.8
Gross value at 31 December 2021	**2,703.5**	**191.3**	**33.4**	**2,928.2**
Amortization and impairment at 01 January 2020	**(1,186.7)**	**(99.4)**	**(3.2)**	**(1,289.2)**
Amortization	(86.1)	(20.1)	(0.4)	(106.6)
Impairment losses	(125.9)	—	—	(125.9)
Disposals / decreases	22.7	3.7	—	26.4
Foreign exchange differences	93.7	0.6	—	94.3
Transfers and other movements	—	(0.1)	—	(0.1)
Amortization and impairment at 31 December 2020	**(1,282.4)**	**(115.2)**	**(3.5)**	**(1,401.1)**
Amortization	(81.9)	(20.4)	(0.4)	(102.7)
Impairment losses	(9.1)	—	—	(9.1)
Disposals / decreases	53.8	1.6	—	55.4
Foreign exchange differences	(77.8)	(0.9)	—	(78.7)
Transfers and other movements	—	—	—	—
Amortization and impairment at 31 December 2021	**(1,397.4)**	**(134.9)**	**(3.9)**	**(1,536.2)**
Net value at 31 December 2020	**1,047.1**	**50.8**	**23.2**	**1,121.1**
Net value at 31 December 2021	**1,306.1**	**56.4**	**29.5**	**1,392.0**

11.1 Gross value of intangible assets

In 2021, the change in gross value of intangible assets was mainly due to the following items:

- Ipsen recognized €138.7 million in intangible assets for additional Exelixis milestone payments;
- Ipsen had intangible assets related to collaboration agreements signed in 2021, particularly with Genfit for €98.3 million, Irlab for €23.5 million, and Exicure for €16.6 million;
- Ipsen sold intellectual property from research programs pertaining to Systemic Radiation Therapy (SRT) to Fusion Pharmaceuticals Inc. and SatoSea Oncology GmbH.

As of 31 December 2021, the Group's "Licenses" with an indefinite useful life and classified under "intellectual property" had a total carrying value of €483.4 million (€298.7 million in 2020).

These assets concerned rights acquired for specialty pharmaceuticals in Oncology, Neuroscience, and Rare Diseases that were in an advanced phase of development but had not yet been marketed. As a result, the assets have not been amortized yet, in accordance with the Group's accounting principles. For these intangible assets, the recoverable amount corresponds to the value-in-use based on estimated expected future cash flows.

In 2020, changes in the gross value of intangible assets were due to the following items:

- Ipsen recognized €22.2 million in intangible assets for additional Exelixis milestone payments;
- Ipsen had intangible assets related to collaboration agreements signed in 2020;
- Ipsen returned intellectual property to partners as part of Ipsen's strategic review of the Specialty Care business.

11.2 Impairment tests of intangible assets

Impairment tests on intangible assets (excluding software) led Ipsen to record impairment on the following intangible assets for 2020 and 2021:

(in millions of euros)	2021	2020
Impairment losses on intangible assets (excluding software) (a)	**(9.1)**	**(149.8)**
Research and development projects - Specialty Care (b)	—	(107.8)
Of which palovarotene	*—*	*(55.8)*
Marketed products - Specialty Care (c)	(9.1)	(25.0)
Marketed products - Consumer Healthcare (d)	—	(17.0)
Other impairment losses (a)	**—**	**(4.1)**

(a) Impairment on intangible assets (excluding software) and other impairment are shown on the "impairment losses" line of the income statement.

(b) In 2021, as part of the annual review of assets with an indefinite useful life, the Group conducted an impairment test to remeasure the intangible asset palovarotene's recoverable amount.

The recoverable amount corresponds the discounted value of expected future cash flows from these scenarios over the product's estimated life cycle, including new clinical data and potential sales developments as well as estimated approval dates for the FOP indication.

A probability of success for the approval of this indication was also applied.

The Group used 9% as the discount rate given the specific level of risk to palovarotene.

These assumptions reflect management's best estimate as well as information management knew at the time the impairment test was conducted.

An increase or decrease in probability of success could significantly impact the value of the asset tested

- a 5% increase in the probability would increase the recoverable value by €31 million
- a 5% increase in the probability would reduce the recoverable value by €32 million.

The Group has performed sensitivity analyses based on a change of only one parameter. As a result, these sensitivity analyses correspond to a mechanical calculation method that does not reflect a consistent change in all parameters (regulatory and commercial) nor does it incorporate additional measures the Group could take in such circumstances.

The impairment tests results do not conduct to any change in the net booked value of the palovarotene intangible asset as of December 31, 2021.

In 2020, Ipsen recorded impairments on the IPN60090, IPN01087, and Satoreotide research programs.

(c) In 2020, the intangible asset Xermelo was fully impaired after revising potential geographic developments and future sales outlooks. Ipsen partially impaired the asset Increlex to take into account a downward revision in the asset's future sales forecast.

(d) In 2020, Ipsen discounted future cash forecasts for the asset Prontalgine to take into account the latest business plan and new strategic priorities for the sales team in France.

11.3 Breakdown of intangible assets by asset type

(in millions of euros)	31 December 2021			31 December 2020		
	Gross value	Amortization & impairment	Net value	Gross value	Amortization & impairment	Net value
Brands and Trademarks	67.1	(57.8)	9.3	67.3	(57.0)	10.3
Licenses	2,594.5	(1,312.9)	1,281.6	2,220.5	(1,200.2)	1,020.3
Patents	9.5	(9.5)	—	9.2	(9.1)	0.1
Know-How	32.3	(17.2)	15.2	32.6	(16.1)	16.5
Software	191.3	(134.9)	56.4	166.0	(115.2)	50.8
Other intangible assets	4.3	(3.9)	0.3	4.3	(3.5)	0.7
Intangible assets in progress	29.1	—	29.1	22.5	—	22.5
TOTAL	**2,928.2**	**(1,536.2)**	**1,392.0**	**2,522.2**	**(1,401.1)**	**1,121.1**
Of which impairment losses		(865.8)			(864.2)	

Note 12 Property, plant & equipment

12.1 Movements

(in millions of euros)	Lands	Buildings	Equipment and tools	Other assets	Tangible assets in progress	Total property, plant and equipment
Gross value at 01 January 2020	**18.3**	**517.2**	**376.6**	**128.6**	**129.8**	**1,170.6**
Acquisitions / increases	1.5	9.1	9.9	14.2	46.8	81.4
Disposals / decreases	—	(4.4)	(10.1)	(8.4)	—	(22.9)
Foreign exchange differences	(0.2)	(15.0)	(8.8)	(5.2)	(1.5)	(30.7)
Transfers and other movements	2.0	45.4	25.0	10.3	(84.6)	(1.8)
Gross value at 31 December 2020	**21.7**	**552.3**	**392.4**	**139.4**	**90.6**	**1,196.5**
Acquisitions / increases	0.1	26.6	2.9	14.5	51.8	96.0
Disposals / decreases	—	(11.5)	(10.3)	(11.8)	—	(33.7)
Foreign exchange differences	0.2	15.6	11.5	4.7	2.1	34.1
Transfers and other movements	0.1	13.9	15.7	5.1	(37.7)	(2.9)
Gross value at 31 December 2021	**22.1**	**596.9**	**412.3**	**151.9**	**106.7**	**1,290.0**
Amortization and impairment at 01 January 2020	**(2.9)**	**(217.0)**	**(213.6)**	**(56.3)**	**(1.5)**	**(491.3)**
Amortization	(0.5)	(42.6)	(21.3)	(19.7)	—	(84.1)
Impairment losses (1)	—	(1.3)	(2.7)	—	—	(4.0)
Disposals / decreases	—	1.6	9.3	7.8	—	18.8
Foreign exchange differences	—	4.9	3.6	2.2	—	10.8
Transfers and other movements	—	—	(0.1)	—	—	—
Amortization and impairment at 31 December 2020	**(3.3)**	**(254.3)**	**(224.7)**	**(66.0)**	**(1.5)**	**(549.9)**
Amortization	(0.6)	(44.8)	(24.0)	(21.4)	—	(90.7)
Impairment losses (1)	—	(13.4)	0.5	(1.8)	—	(14.7)
Disposals / decreases	—	9.3	7.4	10.2	—	26.9
Foreign exchange differences	(0.1)	(6.9)	(5.1)	(2.2)	—	(14.2)
Transfers and other movements	—	(0.1)	(0.2)	0.4	—	0.1
Amortization and impairment at 31 December 2021	**(3.9)**	**(310.2)**	**(246.1)**	**(80.8)**	**(1.5)**	**(642.5)**
Net value at 31 December 2020	**18.4**	**298.0**	**167.7**	**73.5**	**89.1**	**646.6**
Net value at 31 December 2021	**18.2**	**286.7**	**166.1**	**71.2**	**105.2**	**647.5**

(1) Changes relating to impairment losses on property, plant and equipment are shown on the "Other operating income/(expenses)" line item in the 2021 income statement.

In 2021, acquisitions of property, plant and equipment totaled €96.0 million, compared with €81.4 million in 2020. The increase in acquisitions resulted primarily from project delays and/or cancellations caused by the COVID-19 pandemic in 2020. Acquisitions in 2021 mostly related to investments at Group industrial sites in France, in Ireland, in the United Kingdom, and in the United States to increase production capacity.

12.2 Rights of use of leased assets

(in millions of euros)	Real estate	Cars	Other	Total assets rights of use
Net value at 31 December 2020	**96.0**	**11.0**	**0.8**	**107.7**
Acquisitions / increases	21.0	7.1	—	28.2
Disposals / decreases	(1.6)	(0.2)	—	(1.8)
Impairment / amortization	(28.6)	(8.0)	(0.3)	(37.0)
Foreign exchange differences	3.6	0.3	—	3.9
Transfers and other movements	—	—	—	—
Net value at 31 December 2021	**90.5**	**10.2**	**0.4**	**101.1**

An analysis of lease liabilities is shown in note 20.

As of 31 December 2021, amortization of lease assets amounted to a €31.0 million expense under the "Other operating expenses" line item in the income statement. Depreciation totaled a €6.0 million expense in the income statement.

As of 31 December 2021, interest expense in the income statement amounted to €3.2 million.

For 2021, cash outflows amounted to €33.3 million. It is shown in in the Statement of Cash Flows under “Net change in short-term borrowings”.

Note 13 Equity investments

(in millions of euros)	Equity investments at fair value through other comprehensive income	Equity investments at fair value through profit and loss	Equity investments
31 December 2020	**44.2**	**40.2**	**84.5**
Change in fair value	(17.2)	3.1	(14.1)
Increase	25.2	12.6	37.9
Disposals / decrease	(1.8)	—	(1.8)
Other movements including foreign exchange differences	0.3	0.1	0.4
31 December 2021	**50.8**	**56.0**	**106.9**

13.1 Equity investments at fair value through other items of comprehensive income

Acquisitions primarily included equity investments in Genfit S.A. totaling €17.9 million and in SatoSea Oncology GmbH totaling €4.0 million.

As of 31 December 2021, changes in fair value of these equity investments mainly corresponded to a decrease in the fair value of shares in Rhythm Pharmaceuticals Inc. for €17.9 million.

13.2 Equity investments at fair value through profit/(loss)

The acquisitions mainly included equity investments in Fusion Pharmaceuticals Inc. amounting to €5.4 million and payments made to Agent Capital Funds for €7.3 million.

The change in fair value of equity investments through profit/(loss) mainly included Agent Capital for €7.3 million.

Note 14 Investments in equity-accounted companies

As of 31 December 2021, the Group owns a 50% interest in Linnea S.A., and 13.7% interest in Bakx Therapeutics Inc. both companies were consolidated using the equity method.

(in millions of euros)	31 December 2020	Movements during the year				31 December 2021
		Acquisition	Divestiture	Net profit/(loss) of the period	Foreign exchange differences and other movements	
Investments accounted for using the equity method	19.1	10.3	(5.1)	0.4	1.5	26.2

On 30 April 2021, Ipsen sold its interest in the following companies:

- Garnay Inc.
- Cara Partners
- Perechin Company
- Portpirie Company
- Wallingstown Company
- Wallingstown Company Limited
- Saint-Jean d'Illac S.C.A.

Ipsen recognized its investment in these entities using the equity accounting method until 30 April 2021, except for Saint-Jean d'Illac S.C.A., which was removed from the scope of consolidation on 31 July 2021.

On 27 July 2021, Ipsen purchased an equity investment in Bakx Therapeutics Inc. for €10.3 million, or 14.87% of the share capital. Ipsen consolidated this entity using the equity method.

The information below corresponds to financial statement data for equity-accounted companies, prepared using the Group's accounting policies (for amounts up to 100%):

(in millions of euros)	31 December 2021			
	Assets	Liabilities, excluding shareholders' equity	Sales	Net profit/(loss) for the year
Linnea S.A.	39.8	9.5	22.4	0.1
Bakx Therapeutics Inc.	19.8	0.1	—	(1.7)
Total	**59.6**	**9.6**	**22.4**	**(1.6)**

An anti-competitive practices investigation was launched in 2019 against the company Linnea. As the authorities have provided little information at this stage on the allegations made, Linnea cannot predict with a reasonable level of assurance the potential financial impact this could have on its accounts. For these reasons, no provision has been recorded in Linnea’s accounts as of 31 December 2021.

Note 15 Non-current financial assets and other non-current assets

(in millions of euros)	31 December 2021	31 December 2020
Contingent assets related to business combinations	—	23.1
Liquidity agreement	1.3	1.3
Deposits paid	2.9	2.5
Other non-current assets	0.1	—
Total other non-current assets	**4.3**	**26.9**

Non-current financial assets related to contingent payments decreased after reclassifying them under “Current financial assets” for €23.9 million.

Note 16 Current assets and liabilities

16.1 Inventories

(in millions of euros)	31 December 2021			31 December 2020
	Gross value	Depreciations	Net value	Net value
Raw materials and supplies	63.2	(4.3)	59.0	54.4
Work in progress	56.6	(5.1)	51.5	47.5
Finished goods	117.7	(8.8)	108.9	112.1
Total	**237.5**	**(18.2)**	**219.4**	**213.9**

Changes during the period mainly included €4.9 million related to foreign exchange impacts.

16.2 Trade receivables

(in millions of euros)	31 December 2021	31 December 2020
Gross value	569.6	481.3
Depreciation	(5.4)	(5.1)
Net value	**564.3**	**476.2**

The increase in trade receivables was due to improvement in the Group's performance. Changes during the period also included €20.8 million related to foreign exchange impacts.

(in millions of euros)	Total overdue trade receivables - gross value	Trade receivables < 3 months	Trade receivables from 3 to 6 months	Trade receivables from 6 to 12 months	Trade receivables > 12 months
31 December 2021	8.8	(4.3)	0.8	5.8	6.6
31 December 2020	13.9	1.6	1.3	4.5	6.6

16.3 Trade payables

(in millions of euros)	31 December 2021	31 December 2020
Trade payables	594.7	495.2

Changes during the period mainly included €15.8 million related to foreign exchange impacts.

16.4 Other current assets

(in millions of euros)	31 December 2021	31 December 2020
Contingent assets related to business combinations	42.4	18.2
Derivative financial instruments	11.7	3.9
Other current financial assets	—	26.8
Advance payments to suppliers	9.8	12.1
Prepayments	68.0	36.2
Recoverable VAT	77.4	43.0
Other assets	23.4	22.4
Total current financial assets and other current assets	**232.7**	**162.6**

Contingent assets related to business combinations increased after reclassifying them from “Non current financial assets” to "Current financial assets" for €23.9 million.

The increase in “Prepayments” primarily included a prepayment for Genfit’s R&D activities.

The increase in “Recoverable VAT” mainly included €24 million in VAT related to the initial payment resulting from the partnership with Genfit S.A..

16.5 Other current and non-current liabilities

(in millions of euros)	31 December 2021	31 December 2020
Non-current deferred income	45.8	45.1
Total other non-current liabilities	**45.8**	**45.1**
Amounts due to non-current asset suppliers	135.7	38.6
Employment-related liabilities	198.2	164.7
VAT payable	37.6	20.2
Other current tax liabilities (excluding VAT and Corporate Tax)	18.4	15.6
Current deferred income	6.0	5.4
Other liabilities	5.8	5.5
Total other current liabilities	**401.7**	**250.0**

The increase in “Amounts due to non-current asset suppliers” as of 31 December 2021 was due to receiving €87.9 million in undisbursed milestone payments as part of Ipsen's partnership with Exelixis.

Note 17 Cash and cash equivalents

(in millions of euros)	31 December 2021	31 December 2020
Cash and cash equivalents	814.7	642.5
Bank overdrafts	(5.5)	(2.8)
Total cash	**809.1**	**639.6**

Note 18 Consolidated shareholders' equity

18.1 Share capital

As of 31 December 2021, Ipsen's share capital comprised 83,814,526 ordinary shares each with a par value of €1, including 48,311,316 shares with double voting rights, compared with 83,814,526 ordinary shares each with a par value of €1, including 48,301,470 shares with double voting rights as of 31 December 2020.

18.2 Earnings per share

Basic earnings per share were calculated on the weighted average number of shares outstanding during the year (see note 3.32).

- **Bonus share plans**

As of 31 December 2021:

- bonus shares granted by the plans dated 28 May 2019 (2nd tranche), 12 February 2020, 29 May 2020, 29 July 2020, and 27 May 2021 are not included in the weighted average number of shares used to calculate basic income;
- bonus shares granted by the plans dated 28 May 2019 and 12 February 2020, as well as the share of bonus shares not subject to performance conditions in the 29 May 2020, 29 July 2020, and 27 May 2021 plans are included in calculating the weighted average number of shares from diluted earnings.

(in millions of euros/number of shares)	31 December 2021	31 December 2020
Net profit from continuing operations - attributable to Ipsen S.A. shareholders	646.6	548.0
Net profit from discontinued operations - attributable to Ipsen S.A. shareholders (1)	—	—
Consolidated net profit - attributable to Ipsen S.A. shareholders	**646.6**	**548.0**
Number of ordinary shares at start of year	83,814,526	83,814,526
Treasury shares (weighted average number)	(1,167,170)	(849,687)
Impact of options exercised during the year	0	0
Weighted average number of shares outstanding during the year	**82,647,356**	**82,964,839**
Basic earnings per share (in euros)	**7.82**	**6.61**
Basic earnings per share, continuing operations (in euros)	7.82	6.61
Basic earnings per share, discontinued operations (in euros) (1)	0.00	0.00
Weighted average number of shares outstanding to calculate basic earnings per share	82,647,356	82,964,839
Dilutive effect of stock options	0	0
Dilutive effect of bonus shares	711,070	483,275
Weighted average number of shares outstanding to calculate diluted earnings per share	**83,358,426**	**83,448,114**
Diluted earnings per share (in euros)	**7.76**	**6.57**
Diluted earnings per share, continuing operations (in euros)	7.76	6.57
Diluted earnings per share, discontinued operations (in euros) (1)	0.00	0.00

(1) Profit received in 2020 from businesses sold before 2020 were reclassified from "Profit from discontinued operations" to the "Other operating income" line item for €3.8 million.

18.3 Distributions

		31 December 2021	31 December 2020
Distribution payout (in euros)	(a)	82,891,813	83,189,972
Number of shares on the payment date	(b)	82,891,813	83,189,972
Distribution per share (in euros)	**(a)/(b)**	**1.00**	**1.00**

Note 19 Provisions

(in millions of euros)	Provisions for business and operating risks	Provisions for legal risks	Provision for restructuring costs	Other provisions	Total Provisions
31 December 2019	**7.5**	**20.7**	**8.4**	**3.0**	**39.6**
Charges	4.9	9.6	36.7	2.3	53.4
Applied reversals	(2.5)	(2.1)	(5.4)	(1.7)	(11.6)
Released reversals	(0.1)	(0.7)	(0.8)	—	(1.7)
Foreign exchange differences, transfers and other movements	(0.1)	(0.5)	(0.8)	(0.6)	(2.0)
31 December 2020	**9.7**	**27.0**	**38.1**	**2.9**	**77.7**
Charges	6.1	41.3	19.0	2.7	69.1
Applied reversals	(3.9)	(0.5)	(20.4)	(0.8)	(25.6)
Released reversals	(1.9)	(7.3)	(6.9)	(0.4)	(16.4)
Foreign exchange differences, transfers and other movements	—	0.1	0.6	—	0.8
31 December 2021	**10.0**	**60.6**	**30.5**	**4.5**	**105.6**
of which non-current	*5.1*	*49.2*	*6.2*	*3.4*	*64.0*
of which current	*4.9*	*11.4*	*24.3*	*1.1*	*41.6*

As of 31 December 2021, provisions broke down as follows:

- **Business and operating risks**

These provisions included certain risks of an economic nature reflecting costs that the Group could be brought to bear to terminate commercial contracts and research studies or resolve various commercial disagreements.

- **Legal risks**

These provisions included, in particular, the risk of tax reassessment by local authorities at certain Group subsidiaries and certain additional taxes that the Group may be required to pay.

- **Restructuring costs**

These provisions mainly correspond to costs incurred by the Group to adapt its structure, transformation costs for French subsidiaries, and costs to relocate the Onivyde manufacturing site from Cambridge (Massachusetts, United States) to Signes, France.

Allowances and reversals during 2021 are recognized in Operating Income.

Note 20 Bank loans and financial liabilities

(in millions of euros)	31 December 2020	New loans / Increases	Repayments / Decreases	Change in fair value	Other movements including foreign exchange differences	31 December 2021
Bonds and bank loans	542.7	—	—	—	20.1	562.8
Lease liabilities	96.4	28.5	(2.0)	—	(27.9)	95.0
Other financial liabilities	4.4	2.4	(0.9)	—	(0.8)	5.1
Non-current financial liabilities (measured at amortized cost)	**643.5**	**30.8**	**(3.0)**	**—**	**(8.6)**	**662.9**
Contingent liabilities related to business combinations	118.1	—	(0.1)	2.1	(10.8)	109.3
Non-current financial liabilities (measured at fair value)	**118.1**	**—**	**(0.1)**	**2.1**	**(10.8)**	**109.3**
Non-current financial liabilities	**761.6**	**30.8**	**(3.0)**	**2.1**	**(19.4)**	**772.2**
Credit lines and bank loans	199.0	—	(209.8)	—	10.8	—
Lease liabilities	29.9	—	(33.3)	—	33.1	29.8
Other financial liabilities (1)	155.7	657.0	(724.7)	—	0.4	88.4
Current financial liabilities (measured at amortized cost)	**384.7**	**657.0**	**(967.8)**	**—**	**44.3**	**118.2**
Contingent liabilities related to business combinations	19.1	—	(20.8)	25.1	21.6	45.1
Derivative financial instruments	4.8	—	—	6.7	—	11.5
Current financial liabilities (measured at fair value)	**23.9**	**—**	**(20.8)**	**31.8**	**21.6**	**56.6**
Current financial liabilities	**408.6**	**657.0**	**(988.5)**	**31.8**	**65.9**	**174.8**
Total financial liabilities	**1,170.2**	**687.8**	**(991.5)**	**33.9**	**46.5**	**947.0**

(1) Additions and repayments of "Other current financial liabilities measured at amortized cost" are mainly related to commercial paper.

The Group's financing mainly includes:

- a €300 million, unsecured, seven-year public bond taken out on 16 June 2016 with a coupon at an annual interest rate of 1.875%;
- a $300 million long-term U.S. Private Placement (USPP) taken out on 23 July 2019 in two tranches with 7- and 10-year maturities;
- a €1.5 billion Revolving Credit Facility (RCF) taken out on 24 May 2019. The new Revolving Credit Facility initially matured in five years and had two one-year extension options, exercised in 2020 and 2021, respectively, extending the maturity to May 2026. As of 31 December 2021, the RCF was no longer used;
- a €600 million commercial paper program (NEU CP – Negotiable EUropean Commercial Paper), €80 million of which has been drawn as of 31 December 2021.

Changes in fair value of "Contingent assets and liabilities related to business combinations" included, particularly, a change in fair value of contingent regulatory and commercial milestone payments related to the intangible asset Onivyde, totaling €25.9 million.

Other movements included €46.3 million in foreign exchange differences and reclassifications between non-current and current liabilities.

Movements in financial liabilities between 31 December 2019 and 31 December 2020 were as follows:

(in millions of euros)	31 December 2019	New loans / Increases	Repayments / Decreases	Change in fair value	Other movements including foreign exchange differences	31 December 2020
Bonds and bank loans	568.2	—	—	—	(25.5)	542.7
Lease liabilities	128.1	9.3	(0.1)	—	(40.9)	96.4
Other financial liabilities	3.5	2.5	(0.9)	—	(0.6)	4.4
Non-current financial liabilities (measured at amortized cost)	**699.8**	**11.8**	**(1.1)**	**—**	**(67.0)**	**643.5**
Contingent liabilities related to business combinations	155.0	—	—	(25.7)	(11.2)	118.1
Non-current financial liabilities (measured at fair value)	**155.0**	**—**	**—**	**(25.7)**	**(11.2)**	**118.1**
Non-current financial liabilities	**854.7**	**11.8**	**(1.1)**	**(25.6)**	**(78.2)**	**761.6**
Credit lines and bank loans	270.8	—	(47.9)	—	(23.8)	199.0
Lease liabilities	31.8	—	(33.1)	—	31.1	29.9
Other financial liabilities [(1)]	271.4	1,181.0	(1,294.8)	—	(2.0)	155.7
Current financial liabilities (measured at amortized cost)	**574.0**	**1,181.0**	**(1,375.8)**	**—**	**5.3**	**384.7**
Contingent liabilities related to business combinations	26.4	—	—	(8.6)	1.4	19.1
Derivative financial instruments	9.1	—	—	(4.1)	(0.2)	4.8
Current financial liabilities (measured at fair value)	**35.4**	**—**	**—**	**(12.8)**	**1.3**	**23.9**
Current financial liabilities	**609.5**	**1,181.0**	**(1,375.8)**	**(12.7)**	**6.6**	**408.6**
Total financial liabilities	**1,464.2**	**1,192.8**	**(1,376.9)**	**(38.4)**	**(71.6)**	**1,170.2**

Note 21 Financial instruments

21.1 Interest rate risk hedging

The Group's funding consists of a fixed-rate debt from bond debts (bonds and US Private Placement – USPP), as well as variable-rate debt from revolving credit facilities and a commercial paper program (NEU CP – Negotiable EUropean Commercial Papers).

As of 31 December 2021, there were no derivative financial instruments for hedging interest rate risk.

21.2 Exchange rate risk hedging

21.2.1 Exposure to exchange rate risk

Part of the Group's business is conducted in countries where the euro, the Group's reporting currency, is the functional currency. Nevertheless, owing to its international business scope, the Group is exposed to exchange rate fluctuations that can affect its results.

A 10% increase or decrease in the U.S. dollar, the pound sterling, the Chinese yuan, or the Russian ruble against the euro (the main currencies in which the Group operates) would impact sales by plus 5% or minus 4%, and Group Operating income by plus 5% or minus 4%.

Several types of risks can be identified:

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

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

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

As of 31 December 2021, the future cash flow hedge reserve for business transactions came to €2.3 million pre-tax, compared to a reserve of €14.3 million pre-tax as of 31 December 2020.

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

As of 31 December 2021, financial instruments used for future cash flow hedges on business transactions positively impacted Operating income in the amount of €13.6 million.

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

As of 31 December 2021, the impact of financial instruments used for future cash flow hedges recognized in Net financial income/(expense) came to (€7.2) million.

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

As of 31 December 2021, the impact of financial instruments not qualified for future cash flows is included in the “Foreign exchange gain/(loss) on non-operating activities” line item in net financial income/(expense) and came to (€0.9) million as of 31 December 2021. The impact of these financial instruments in “Net financial income/(expense)” came to (€0.5) million over the period.

- **Impact of financial instruments used for net investment hedges on "Shareholders' equity"**

As of 31 December 2021, the net investment hedge reserve accounted for €1.0 million before tax.

As of 31 December 2021 and 31 December 2020, derivative financial instruments held by the Group broke down as follows:

(in millions of euros)		31 December 2021						31 December 2020		
		Face value	Fair value		Nominal value by maturity			Face value	Fair value	
			Assets	Liabilities	Less than 1 year	1 to 5 years	Over 5 years		Assets	Liabilities
Exchange rate risk hedging - Business transactions										
Put forward contracts	Cash Flow Hedge	610.1	8.4	(10.1)	610.1	—	—	345.1	2.7	(3.7)
Put option contracts	Cash Flow Hedge	—	—	—	—	—	—	—	—	—
Seller at maturity foreign exchange swaps	Cash Flow Hedge	57.9	0.2	(0.4)	57.9	—	—	73.1	0.8	(0.5)
Call forward contracts	Cash Flow Hedge	138.9	2.1	—	138.9	—	—	84.8	0.1	(0.2)
Call option contracts	Cash Flow Hedge	—	—	—	—	—	—	—	—	—
Buyer at maturity foreign exchange swaps	Cash Flow Hedge	43.6	0.4	(0.2)	43.6	—	—	13.3	—	—
Total business transactions		**850.5**	**11.1**	**(10.7)**	**850.5**	**—**	**—**	**516.3**	**3.6**	**(4.4)**
Exchange rate risk hedging - Financial transactions										
Put forward contracts	Non-hedging derivatives	—	—	—	—	—	—	—	—	—
Seller at maturity foreign exchange swaps	Non-hedging derivatives	124.2	0.1	(0.5)	124.2	—	—	96.2	0.2	(0.2)
Call forward contracts	Non-hedging derivatives	—	—	—	—	—	—	—	—	—
Buyer at maturity foreign exchange swaps	Non-hedging derivatives	266.9	0.6	(0.2)	266.9	—	—	74.8	—	(0.2)
Total financial transactions		**391.1**	**0.7**	**(0.7)**	**391.1**	**—**	**—**	**171.1**	**0.2**	**(0.4)**
Total hedging of business and financial transactions		**1,241.6**	**11.8**	**(11.4)**	**1,241.6**	**0.0**	**0.0**	**687.4**	**3.9**	**(4.8)**

21.2.2 Transactional foreign exchange risk

The Group’s hedging policy aims to protect Operating income from foreign exchange rate fluctuations compared to its company forecasts. Accordingly, the effective portion of the hedge is recorded in operating income.

The Group hedges its main foreign currencies, including the USD, GBP, CNY, RUB, CHF, AUD, and BRL, based on its budget forecasts and highly probable business transactions.

To reduce its exposure to foreign exchange rate fluctuations, Ipsen mainly uses derivative instruments, primarily put or call forward contracts as well as currency swaps and non deliverable forward (NDF) contracts.

These derivatives hedge primarily significant future cash flows denominated in foreign currencies after the close of the reporting period, *i.e.* the balance sheet date. The Group mainly uses future cash flow hedge accounting.

The Group’s policy is not aimed at carrying out derivative financial instrument transactions for speculative gain.

21.2.3 Financing foreign exchange risk

Pooling financing surpluses and needs of foreign subsidiaries outside the euro zone exposes certain entities to 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, 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.

21.3 Derivative financial instruments reported in the balance sheet

Derivative financial instruments reported in the balance sheet as of 31 December 2021 and 2020 are as follows:

(in millions of euros)	31 December 2021		31 December 2020	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Market value of currency instruments	11.7	(11.5)	3.9	(4.8)
Total	**11.7**	**(11.5)**	**3.9**	**(4.8)**

Note 22 Financial instruments reported in the balance sheet

In accordance with the amendment to IFRS 13 – *Fair Value Measurement*, financial instruments are presented in three categories based on a hierarchical method used to determine their fair value:

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

Financial instruments reported in the balance sheet as of 31 December 2021 broke down as follows:

(in millions of euros)	31 December 2021	Breakdown by financial instrument class - balance sheet value						Level of fair value		
	Carrying value	Fair value through income statement	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit/(loss)	Assets at amortized cost	Liabilities at amortized cost	Derivative financial instruments	Level 1	Level 2	Level 3
Equity investments	106.9	—	50.8	56.1	—	—	—	48.7	—	58.2
Non-current financial assets	0.1	—	—	—	0.1	—	—	—	—	—
Other non-current assets	4.3	1.3	—	—	2.9	—	—	1.3	—	—
Trade and account receivables	564.3	—	—	—	564.3	—	—	—	—	—
Current financial assets	54.1	42.4	—	—	—	—	11.7	—	11.7	42.4
Other current assets	178.6	—	—	—	178.6	—	—	—	—	—
Cash and cash equivalents	814.7	814.7	—	—	—	—	—	814.7	—	—
ASSETS	**1,722.9**	**858.4**	**50.8**	**56.1**	**745.9**	**—**	**11.7**	**864.7**	**11.7**	**100.5**
Non-current financial liabilities	772.2	109.3	—	—	—	662.8	—	—	—	109.3
Other non-current liabilities	45.8	—	—	—	—	45.8	—	—	—	—
Current financial liabilities	174.8	45.1	—	—	—	118.2	11.5	—	11.5	45.1
Trade payables	594.7	—	—	—	—	594.7	—	—	—	—
Other current liabilities	401.7	—	—	—	—	401.7	—	—	—	—
Bank overdrafts	5.5	5.5	—	—	—	—	—	5.5	—	—
LIABILITIES	**1,994.7**	**160.0**	**—**	**—**	**—**	**1,823.2**	**11.5**	**5.5**	**11.5**	**154.4**

Derivative financial instruments reported in the balance sheet as of 31 December 2020 broke down as follows:

(in millions of euros)	31 December 2020	Breakdown by financial instrument class - balance sheet value						Level of fair value		
	Carrying value	Fair value through income statement	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit/(loss)	Assets at amortized cost	Liabilities at amortized cost	Derivatives	Level 1	Level 2	Level 3
Equity investments	84.5	—	44.2	40.2	—	—	—	42.2	—	42.3
Non-current financial assets	23.1	23.1	—	—	—	—	—	—	—	23.1
Other non-current assets	3.8	1.3	—	—	2.5	—	—	1.3	—	—
Trade and account receivables	476.2	—	—	—	476.2	—	—	—	—	—
Current financial assets	48.9	18.2	—	—	26.8	—	3.9	—	3.9	18.2
Other current assets	113.7	—	—	—	113.7	—	—	—	—	—
Cash and cash equivalents	642.5	642.5	—	—	—	—	—	642.5	—	—
ASSETS	**1,392.6**	**685.0**	**44.2**	**40.2**	**619.2**	**—**	**3.9**	**686.0**	**3.9**	**83.5**
Non-current financial liabilities	761.6	118.1	—	—	—	643.5	—	—	—	118.1
Other non-current liabilities	45.1	—	—	—	—	45.1	—	—	—	—
Current financial liabilities	408.6	19.1	—	—	—	384.7	4.8	—	4.8	19.1
Trade payables	495.2	—	—	—	—	495.2	—	—	—	—
Other current liabilities	250.0	—	—	—	—	250.0	—	—	—	—
Bank overdrafts	2.8	2.8	—	—	—	—	—	2.8	—	—
LIABILITIES	**1,963.4**	**140.1**	**—**	**—**	**—**	**1,818.5**	**4.8**	**2.8**	**4.8**	**137.2**

Note 23 Information on related parties

23.1 Director and Executive compensation

In 2021, the total compensation paid to Board and Executive Leadership Team members amounted to €24.3 million, €0.7 million of which was paid to members of the Board of Directors and €23.6 million of which was paid to members of the Executive Leadership Team (see Chapter 5).

Pension and similar benefits for Board members and members of the Executive Leadership Team totaled €4.2 million as of 31 December 2021, with €1.8 million paid to members of the Board of Directors and €2.3 million paid to Executive Leadership Team members.

23.2 Transactions with related parties

Transactions with related parties mainly corresponded to transactions with entities involved in the manufacturing chain of the EGb 761 extract and other plants wholly owned by the Schwabe group since Ipsen sold its equity investment in the following entities in 2021: Garnay Inc., Cara Partners, Perechin Company, Portpirie Company, Wallingstown Company, Wallingstown Company Limited and Saint-Jean d'Illac S.C.A.

23.2.1 In the income statement

(in millions of euros)	2021		2020	
	Income	Operating expenses	Income	Operating expenses
Associated companies	—	—	—	(4.8)
Companies over which the Group's executive officers exercise significant influence	—	(5.7)	—	—
Total	**—**	**(5.7)**	**—**	**(4.8)**

23.2.2 In the balance sheet

(in millions of euros)	31 December 2021		31 December 2020	
	Other receivables	Trade payables	Loans and receivables	Bank loans / Debt
Associated companies	—	—	26.9	(1.0)
Companies over which the Group's executive officers exercise significant influence	3.3	(1.3)		
Total gross	**3.3**	**(1.3)**	**26.9**	**(1.0)**
Provisions for doubtful accounts receivable	—	—	—	—
Total	**3.3**	**(1.3)**	**26.9**	**(1.0)**

23.2.3 Off-balance sheet commitments

Off-balance sheet commitments include 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 €0.04 million on 31 December 2021.

Note 24 Commitments and contingent liabilities

24.1 Operating commitments

Within the scope of its business, and in particular with strategic development operations that lead to partnerships, the Group regularly enters into agreements that may result in potential financial commitments, subject to the completion of certain events.

The probability-weighted and discounted value of the commitments represents the amount that the Group actually expected to pay or to receive as of 31 December 2021. The value of these commitments was determined by weighing the future commitments by the following criteria:

- probabilities of occurrence of each milestone payment planned in the contract. The probabilities of occurrence are estimated between 0% and 100% and are reviewed and approved by the Group management team;
- discount rate corresponding to each of the Group's Cash Generating Unit to which the agreement belongs.

The maximum amounts that may be owed (commitments given) or received (commitments received) represent the maximum amounts if all the contractual terms and conditions were met, not probability-weighted, and not discounted.

24.1.1 Operating commitments given

As part of its key agreements, the Group could make the regulatory or marketing milestone payments shown below:

(in millions of euros)	31 December 2021	31 December 2020
Probable and discounted commitments given	444.0	161.8

The maximum amount of commitments given as of 31 December 2021 and 31 December 2020 is detailed below:

(in millions of euros)	31 December 2021	31 December 2020
Key agreements in Oncology	1,832.1	512.5
Key agreements in Rare Diseases	789.2	403.8
Key agreements in Neuroscience	322.0	85.4
Key agreements in Consumer Healthcare	5.3	8.9
Total	**2,948.7**	**1,010.6**

The increase in commitments given mainly corresponded to initial payments for new agreements signed:

- in Oncology with Bakx Therapeutics (€735 million), Accent Therapeutics (€372 million) and and Queen's University Belfast (€263 million);
- in Rare Diseases, with Genefit S.A. (€358 million);
- in Neuroscience, with Irlab Therapeutics (€295 million).

24.1.2 Operating commitments received

As part of its key agreements, the Group could receive regulatory or marketing milestone payments:

(in millions of euros)	31 December 2021	31 December 2020
Probable and discounted commitments received	16.1	16.8

The maximum amount of commitments received as of 31 December 2021 and 31 December 2020 broke down as follows:

(in millions of euros)	31 December 2021	31 December 2020
Key agreements in Oncology	587.0	18.3
Key agreements in Neuroscience	24.7	21.9
Key agreements in Rare Diseases	30.9	243.1
Key agreements in Consumer Healthcare	67.0	67.5
Key agreements in Hematology	140.9	130.5
Total	**850.4**	**481.3**

As of 31 December 2021, the increase in commitments received primarily corresponded to amounts receivable under new agreements in Oncology signed with SatoSea Oncology GmbH and Fusion Pharmaceuticals related to the sale of the Systemic Radiation Therapy (SRT) program.

As of 31 December 2020, commitments received mainly consisted of €243.1 million in amounts receivable for agreements signed in Rare Diseases. Since one of the partner companies dissolved in 2021, these commitments declined €210 million as of 31 December 2021.

24.2 Financial commitments

Ipsen Group has taken out 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, for up to the first €20 million for any potential claim made.

To cover that financial commitment and address any potential default by Ipsen Ré, on 19 May 2021, the Ipsen S.A. parent company issued a letter of guarantee payable upon first demand to the third-party insurer for a total amount of €3 million. This first demand guarantee takes effect on 1 January 2021 and expires on 31 December 2025 if it has not already been used in its entirety. It can be renewed annually.

Furthermore, the previous civil liability insurance policy was reinsured by the captive reinsurance company (Ipsen Ré) and was terminated on 31 December 2018. Under this contract, the previous €9 million first demand guarantee, issued in favor of the previous insurer, has been extended for five years after the reinsurance policy expires on 31 December 2023.

The Group owns a 50% interest in a Swiss company. It is consolidated using the equity method, and it has taken out three credit lines totaling CHF11 million. These credit lines were not drawn on during the year. The company also took out a derivative foreign exchange instrument to hedge its operating cash flow, the fair value of which was €0.01 million as of 31 December 2021.

24.3 General risks

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

Most of the questions raised by these claims are complex and subject to significant uncertainties. As a result, it is sometimes difficult to measure how likely it is that the Group will have to recognize an expense and measure how much to provision for. Contingent liabilities relate to instances where either it is not reasonably possible to provide a reliable estimate of the financial impact that could arise from a case being settled, or where it is not likely that a case 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 information currently available. However, given the uncertainties inherent to such litigation and to contingent liability estimates, the Group cannot rule out the possibility of future rulings that could have an unfavorable material impact on its results.

The Group set up a tax pool in France for all 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.

Arbitration proceedings with Galderma

In 2021, Galderma initiated two arbitration proceedings against Ipsen at the ICC International Court of Arbitration with arbitrators seized in the fourth quarter, related to a dispute over Galderma's filing of the BLA of QM-1114 for which Ipsen, in its capacity as marketing authorization holder and owner of the intellectual property, has objected to such filing as Ipsen is the ultimate responsible entity towards the regulatory agencies and Galderma acting as Ipsen's distributor.

There second dispute involves differences of opinion on the territorial scope of the partnership with Galderma under the 2007 Agreement.

The outcome of the cases and any potential financial impact they could have on the financial statements cannot be reasonably predicted at this preliminary stage of the proceedings. Ipsen intends to fully defend and vindicate its rights against Galderma's allegations.

24.4 Liquidity risk and counterparty risk

The Group's policy includes diversifying its business counterparties to avoid risks by spreading out revenue streams and choosing these counterparties wisely. In addition, the Group monitors the credit risks associated with the financial instruments it invests in and limits its investments according to the credit rating of its business counterparties. The Group manages these funds and mainly invests them as fixed-term investments (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 investment grade.

24.5 Other commitments

24.5.1 Capital expenditure commitments

Future Group expenditures resulting from existing investment commitments amounted to €8.7 million as of 31 December 2021, and break down as follows:

(in millions of euros)	Maturity			Total
	Less than one year	From one to five years	Over five years	
Industrial assets	8.4	–	–	**8.4**
Research and Development assets	0.3	–	–	**0.3**
Total	**8.7**	**–**	**–**	**8.7**

24.5.2 Risk of acceleration of borrowings

The Group's exposure to this risk is described in note 21.2.

As of 31 December 2021, no commitment or contingent liability had been contracted that could significantly affect the assessment of the consolidated financial statements.

24.5.3 Endorsements, pledges and guarantees given

Total guarantees given amounted to €53.7 million as of 31 December 2021. These commitments primarily correspond to guarantees given to government authorities to participate in calls for tender.

24.5.4 Commitments arising from Research and Development agreements

Within the scope of its business, the Group regularly enters into Research and Development agreements with partners that may result in potential financial commitments. As of 31 December 2021, those commitments totaled €66.9 million.

Note 25 Subsequent events with no impact on the consolidated financial statements as of 31 December 2021

Exclusive negotiations to divest the Consumer Healthcare business

Following the decision of its Board of Directors held on 10 February 2022, Ipsen has entered into exclusive negotiations with Mayoly Spindler for the divestment of its global CHC business. This is a major step forward in the Company's execution of its strategic roadmap presented in December 2020 towards building a more-focused Ipsen, centring on Specialty Care.

The combination of Ipsen's and Mayoly Spindler's respective CHC businesses will create a global consumer-healthcare platform with a critical size and the capacity to support its growth. The consideration for Ipsen's CHC business represents an enterprise value of €350m, including an earnout contingent payment of €50m.

The proposed transaction will be submitted to the relevant employee-representation bodies and is expected to close before the end of Q3 2022, subject to regulatory approvals and customary closing conditions.

Palovarotene

On 24 January 2022, Ipsen announced the Health Canada approval of SohonosTM (palovarotene capsules) indicated to reduce the formation of heterotopic ossification in adults and children aged 8 years and above for females and 10 years and above for males with fibrodysplasia ossificans progressiva (FOP). Sohonos is approved for the treatment of patients with FOP for both chronic use, and for flare-ups, in these patient populations. This decision marks the first approval for Sohonos worldwide.

Note 26 Consolidation scope

The table below shows the following information for all companies included in the consolidation scope:

- country of incorporation;
- location of registered office (State of incorporation for U.S. companies);
- the percent of interest held in each company.

26.1 Fully-consolidated companies

Name and legal form	Country	Registered office	31 December 2021	31 December 2020
			% interest	% interest
Ipsen S.A. (société consolidante)	France	Boulogne (92)	100	100
BB et Cie S.A.S.	France	Boulogne (92)	100	100
Beaufour Ipsen Industrie S.A.S.	France	Dreux (28)	100	100
Ipsen Consumer Healthcare S.A.S.	France	Boulogne (92)	100	100
Ipsen Innovation S.A.S.	France	Les Ulis (91)	100	100
Ipsen Pharma S.A.S.	France	Boulogne (92)	100	100
Ipsen PharmSciences S.A.S.	France	Dreux (28)	100	100
Ipsen Pharma Biotech S.A.S.	France	Signes (83)	100	100
Ipsen Pharma Algérie S.P.A.	Algeria	Algiers	49	49
Ipsen Pharma GmbH	Germany	Munich	100	100
OctreoPharm Sciences GmbH	Germany	Berlin	100	100
Ipsen Pty Limited	Australia	Glen Waverley	100	100
Ipsen N.V.	Belgium	Merelbeke	100	100
Beaufour Ipsen Farmaceutica LTDA	Brazil	Sao Paulo	100	100
Ipsen Biopharmaceuticals Canada Inc.	Canada	Mississauga	100	100
Clementia Pharmaceuticals, Inc.	Canada	Montreal	100	100
Beaufour Ipsen (Tianjin) Pharmaceutical Co. Ltd	China	Tianjin	96	96
Ipsen (Beijing) Pharmaceutical science and technology development Co. Ltd	China	Beijing	100	100
Ipsen (Tianjin) Pharmaceutical Trade Co. Ltd	China	Tianjin	100	96
Ipsen (Shanghai) innovation pharmaceuticals Co., Ltd	China	Shanghai	100	100
Ipsen Korea	Korea	Seoul	100	100
Ipsen Pharma S.A.	Spain	Barcelona	100	100
Ipsen Biopharmaceuticals, Inc.	United States	New Jersey	100	100
Ipsen Bioscience Inc.	United States	Massachusetts	100	100
Clementia Pharmaceuticals USA, Inc.	United States	Massachusetts	100	100
Ipsen Epe	Greece	Athens	100	100
Ipsen Pharma Hungary Kft	Hungary	Budapest	100	100
Elsegundo Limited	Ireland	Cork	100	100
Ipsen Manufacturing Ireland Limited	Ireland	Dublin	100	100
Ipsen Pharmaceuticals Limited	Ireland	Dublin	100	100
Ipsen S.p.A.	Italy	Milan	100	100
Akkadeas Pharma S.r.l	Italy	Milan	100	100
IPSEN K.K.	Japan	Tokyo	100	—
Ipsen Pharma Kazakhstan	Kazakhstan	Almaty	100	100
Ipsen Ré S.A.	Luxembourg	Luxembourg	100	100
Ipsen Mexico S. de R.L. de C.V.	Mexico	Mexico	100	100
Ipsen Farmaceutica B.V.	Netherlands	Hoofddorp	100	100
Ipsen Poland LLC	Poland	Warsaw	100	100
Ipsen Portugal - Produtos Farmaceuticos S.A.	Portugal	Alges	100	100
Ipsen Pharma s.r.o.	Czech Republic	Prague	100	100
Ipsen Pharma Romania S.R.L.	Romania	Bucharest	100	100
Ipsen Limited	United Kingdom	Berkshire	100	100
Ipsen BioInnovation Limited	United Kingdom	Oxford	100	100
Ipsen Biopharm Limited	United Kingdom	Wrexham	100	100
Ipsen Developments Limited	United Kingdom	Berkshire	100	100
Sterix Limited	United Kingdom	Slough	100	100

Name and legal form	Country	Registered office	31 December 2021	31 December 2020
			% interest	% interest
Ipsen OOO	Russia	Moscow	100	100
Ipsen Consumer Healthcare LLC	Russia	Moscow	100	–
Ipsen Pharma Singapore PTE Ltd	Singapore	Singapore	100	100
Institut Produits Synthèse (Ipsen) AB	Sweden	Kista	100	100
IPSEN Pharma Schweiz GmbH	Switzerland	Zug	100	100
Ipsen Pharma Tunisie S.A.R.L.	Tunisia	Tunis	100	100
Ipsen Ukraine Services LLC	Ukraine	Kyiv	100	100

26.2 Equity-accounted companies

Name and legal form	Country	Registered office	31 December 2021	31 December 2020
			% interest	% interest
Garnay Inc.	United States	South Carolina	–	50
Bakx Therapeutics Inc.	United States	New York	14	–
Saint-Jean d'Illac S.C.A.	France	Boulogne (92)	–	50
Cara Partners	Ireland	Cork	–	50
Perechin Company	Ireland	Cork	–	50
Portpirie Company	Ireland	Cork	–	50
Wallingstown Company	Ireland	Cork	–	50
Wallingstown Company Limited	Ireland	Cork	–	50
Linnea S.A.	Switzerland	Riazzino	50	50

Note 27 Fees paid to the Statutory Auditors

The fees paid by the Group to the Statutory Auditors and members of their networks are presented in the following table:

(in thousands of euros)	Deloitte & Associés				KPMG Audit			
	Amount net of VAT		%		Amount net of VAT		%	
	2021	2020	2021	2020	2021	2020	2021	2020
Certification and limited interim review of separate and consolidated financial statements								
Issuer	216	206	32%	24%	235	230	19%	26%
Fully consolidated subsidiaries	400	601	59%	71%	617	608	49%	69%
Sub-total	**616**	**806**	**91%**	**95%**	**852**	**837**	**68%**	**96%**
Services other than the certification of the financial statements (1)								
Issuer	30	29	4%	3%	0	0	0%	0%
Fully consolidated subsidiaries	30	11	4%	1%	409	37	32%	4%
Sub-total	**60**	**40**	**9%**	**5%**	**409**	**37**	**32%**	**4%**
Total	**676**	**846**	**100%**	**100%**	**1,261**	**874**	**100%**	**100%**

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

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6. Statutory Auditors' Report on the consolidated financial statements

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

Ipsen S.A.

Registered office: 65, Quai Georges Gorse – 92100 Boulogne-Billancourt

Statutory Auditors' Report on the consolidated financial statements

For the year ended 31 December 2021

To the shareholders of Ipsen S.A.,

Opinion

In compliance with the engagement entrusted to us by your annual general meetings, we have audited the accompanying consolidated financial statements of Ipsen S.A. for the year ended 31 December 2021.

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 2021 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.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for statutory auditors for the period from 1 January 2021 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5 of Regulation (EU) No 537/2014.

Justification of the Assessments – Key Audit Matters

Due to the global crisis related to the COVID-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Assessment of the recoverable amount of licenses

Notes 3.12, 3.15, 3.29 and 11 to the consolidated financial statement

Identified risk

As at 31 December 2021, the net value of the Group's licenses presented in “Other intangible assets” amounted to €1,281.6 million out of a total balance sheet of €5,006.8 million.

These licenses relate to acquired rights for pharmaceutical specialties that can be:

- marketed and amortized on a straight line basis over their useful life. The useful life is determined on the basis of the cash flow forecasts which take into account, among others, the period of protection of the underlying patents;
- during the ongoing development phase and therefore not yet marketed, and thus not yet amortized.

As indicated in note 3.15, these licenses with a defined useful life and indefinite useful life, which mainly are intellectual property rights and licenses, are subject to an impairment test as follow:

- license with a defined useful life: whenever a trigger event is identified;
- license with an indefinite useful life: an annual impairment test and whenever a trigger event is identified.

Impairment tests consist in comparing the net book value of the asset to its recoverable amount, which is the higher of its fair value less costs to transfer and its value in use. The value in use is determined on estimated future cash flows expected of the asset.

The implementation of the impairment test is described in note 3.15. to the consolidated financial statements.

We considered that the value of these licenses is a key audit matter because of its significant importance in the Group accounts and the method of determining their recoverable value, most often based on future cash flow forecasts, which requires the use of assumptions and estimates by management based on the future discounted cash flows used to perform these tests.

Audit procedures implemented with regard to the identified risk

We have reviewed the procedures implemented by the Group in relation with impairment tests and, evaluated the design of the relevant controls.

We have analyzed the implementation of these impairment tests on acquired licenses. Particularly, a specific focus has been made on acquired licenses in the development phase considering the difficulties to assess the ongoing development phase and future expected growth, which is a key factor in the preparation of cash flow forecasts.

We appreciated the reasonableness of the main assumptions, including future cash flows, long term growth rates and related discount rates with our valuation experts. We also analyzed the consistency of the evolution of the research programs, the market perspectives and the forecast data and reviewed the sensitivity tests on the related impairment tests to corroborate those prepared by the finance department.

Finally, we also verified the adequacy of the information provided in the notes 3.12, 3.15, 3.29 and 11 to the consolidated financial statements.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group’s information given in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L. 225-102-1 of the French Commercial Code (*Code de commerce*), is included in the Group’s information given in the management report, it being specified that, in accordance with the provisions of Article L. 823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein and this information must be reported by an independent third party.

Report on Other Legal and Regulatory Requirements

Format of the presentation of the consolidated financial statements intended to be included in the annual financial report

We have also verifies, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the consolidated financial statements intended to be included in the annual financial report mentioned in Article L.451-1-2, I of the French Monetary and Financial Code (*Code monétaire et financier*), prepared under the responsibility of Chief Executive Officer, complies with the single electronic format defined in the European Delegated Regulation 2019/815 of December 17, 2018. As it relates to consolidated financial statements, our work includes verifying that the tagging of these consolidated financial statements complies with the format defined in the above delegated regulation.

Based on the work we have performed, we conclude that the presentation of the consolidated financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the consolidated financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the auditors

We were appointed statutory auditors for Ipsen S.A. by the Annual General Meeting held on 18 June 2005 for KPMG S.A. and on 17 December 1998 for Cogerco Flipo which was acquired by Deloitte & Associés in 2001.

As of 31 December 2021, KPMG S.A. was in the 17th consecutive year of its assignment and Deloitte & Associés was in its 24th year, including 17 years for both firms since the shares of the company have been admitted to trading on a regulated market.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this audit report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

The Statutory Auditors

Paris La Défense, on 16 February 2022

French original signed by

Catherine Porta
Partner

Paris La Défense, on 16 February 2022

Frédéric Souliard
Partner

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