# Ipsen completes today two major strategic milestones




Jean-Luc Bélingard, Chairman & CEO

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## PART I

# Ipsen and Tercica: worldwide strategic partnership agreement

### Creating a global endocrinology franchise

Jean-Luc Bélingard, Chairman & CEO

## Agenda

I. **Ipsen & Tercica: Strong business partners creating a global endocrinology franchise**

II. **Completing a strategic milestone for Ipsen**

III. **Key terms of the partnership**

IV. **Financial impact on Ipsen**

V. **Conclusion**

**Back-up**



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## Today's announcement: key highlights

- ✓ **Cross licensing agreement for Somatuline Autogel in North America and Increlex in Europe and other territories**
- ✓ **Ipsen becomes Tercica's largest shareholder, with a 25% stake**
- ✓ **Ipsen able to increase its stake to 40% through convertible notes and warrant**
- ✓ **Partnership governance**

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## Ipsen and Tercica: strong business partners creating a global endocrinology franchise

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## Ipsen at a glance

**An innovation driven International Specialty Pharmaceutical Group with more than 75 years of operations**

| | |
|---|---|
| **A world-class Group** | ▪ > 100 countries. c.4,000 employees.<br>▪ 2005 Sales: €807 m. 2005 EBIT: €185 m (23.0% margin).<br>▪ Market capitalisation (as of July 17, 2006): €2.6 bn |
| **A diversified and balanced portfolio of products with more than 20 field proven products** — **A longstanding presence in primary care in France** | ▪ 47% of 2005 Group sales<br>▪ Gastroenterology, cognitive disorders and cardiovascular. |
| **A diversified and balanced portfolio of products with more than 20 field proven products** — **A clear strategic focus on fast-growing specialist care worldwide** | ▪ 49% of Group 2005 sales<br>▪ Oncology, neuromuscular disorders and endocrinology |
| **A differentiating R&D capability** | ▪ Focused on (i) hormone-dependent diseases, (ii) peptide and protein engineering and (iii) innovative delivery systems.<br>▪ 700 staff, 2005 budget: 20.9% of sales. |
| **A recognised strategic partner** | ▪ Alliances with international industry leaders in US, Europe and Japan and best-in-class universities around the world. |

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Note: Figures are IFRS, Proforma

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## Tercica at a glance

| | |
|---|---|
| **Specialized in developing and commercializing products for endocrine health** | ▪ Based in Brisbane, Calif. (USA); Only 4 years old with an FDA-approved product. ~100 employees |
| **Major innovator in the field of endocrinology** | ▪ Increlex is the first new statural growth therapy to be approved in more than 20 years. Increlex was launched in the U.S. in January, 2006<br>▪ Increlex remains the only product to be approved for the long-term treatment of severe Primary IGFD |
| **Development and regulatory expertise** | ▪ FDA approval only 6 months after regulatory filing<br>▪ Orphan Drug designation; seven years market exclusivity in U.S., 10 years exclusivity in EU |
| **Seasoned Management Team** | ▪ CEO John Scarlett, MD is an endocrinologist and founder/CEO of Sensus Drug Development, developer of SOMAVERT (sold to Pharmacia).<br>▪ CTO and Founder Ross G. Clark, PhD is an inventor on 40+ issued U.S. patents. Led pre-clinical development and key research programs for GH secretagogues, GH, IGF-1, and small molecule IGFs at Genentech |

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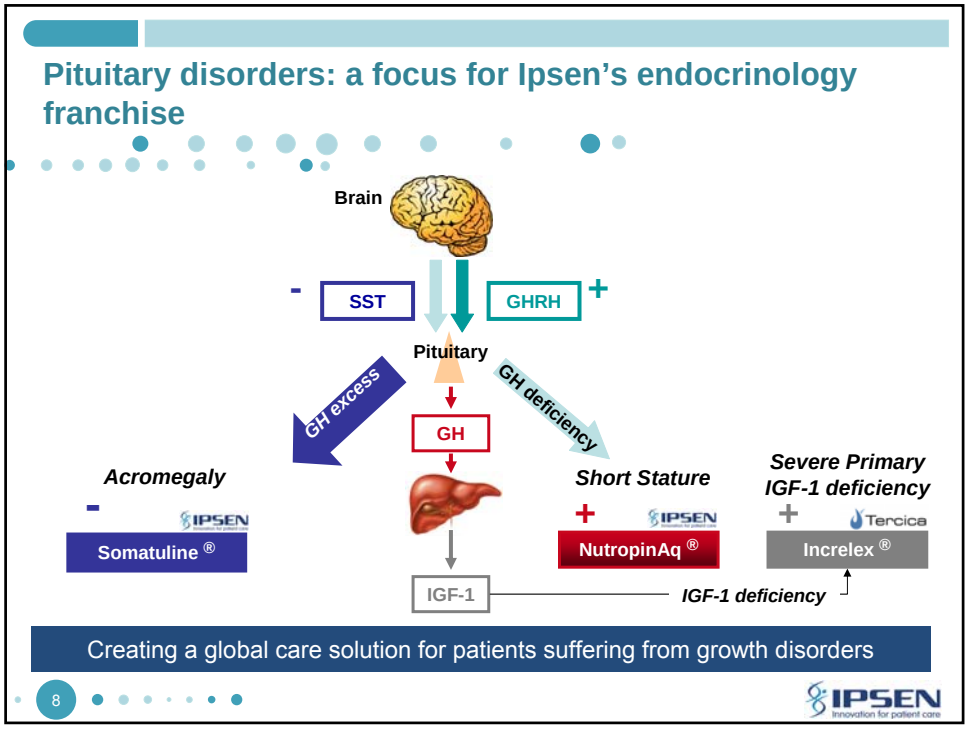
Pituitary disorders: a focus for Ipsen's endocrinology franchise
Brain
-
SST
GHRH
+
Pituitary
GH excess
GH deficiency
GH
Acromegaly
-
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Somatuline ®
Short Stature
+
IPSEN
NutropinAq ®
Severe Primary IGF-1 deficiency
+
Tercica
Increlex ®
IGF-1
IGF-1 deficiency
Creating a global care solution for patients suffering from growth disorders
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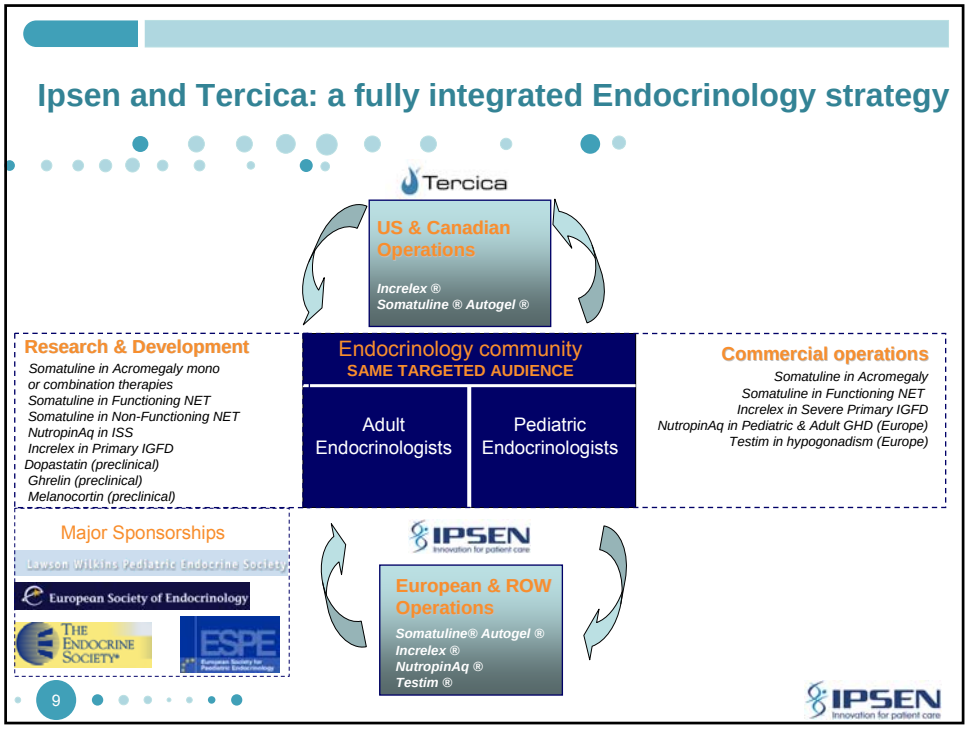
Ipsen and Tercica: a fully integrated Endocrinology strategy
Tercica
US & Canadian Operations
Increlex ®
Somatuline ® Autogel ®
Research & Development
Somatuline in Acromegaly mono or combination therapies
Somatuline in Functioning NET
Somatuline in Non-Functioning NET
NutropinAq in ISS
Increlex in Primary IGFD
Dopastatin (preclinical)
Ghrelin (preclinical)
Melanocortin (preclinical)
Endocrinology community
SAME TARGETED AUDIENCE
Adult Endocrinologists
Pediatric Endocrinologists
Commercial operations
Somatuline in Acromegaly
Somatuline in Functioning NET
Increlex in Severe Primary IGFD
NutropinAq in Pediatric & Adult GHD (Europe)
Testim in hypogonadism (Europe)
Major Sponsorships
Lawson Wilkins Pediatric Endocrine Society
European Society of Endocrinology
The Endocrine Society
ESPE
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European & ROW Operations
Somatuline® Autogel ®
Increlex ®
NutropinAq ®
Testim ®
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## Tercica's Increlex: "improving endocrine health"

**Increlex is identical to the natural hormone IGF-1, which the body normally produces in response to stimulation by growth hormone to promote musculo-skeletal growth**

| | |
|---|---|
| **Indication** | ▪ Long-term treatment of growth failure in children with severe Primary IGFD |
| **Developments** | ▪ Clinical trials ongoing to study once-daily dosing as well as expanded labeling for use in children with a less severe form of Primary IGFD |
| **Marketing approvals** | ▪ Approved for the treatment of severe Primary IGFD by the FDA and now commercially available to patients throughout the U.S.<br>▪ Submitted for marketing approval in the EU and has been granted an "orphan product" designation. |
| **Prevalence** | ▪ Children with severe Primary IGFD: 6,000-8,000 children in the EU and roughly 6,000 in the U.S.<br>▪ Children with a less severe form of Primary IGFD: 24,000 in the EU and 30,000 in North America |

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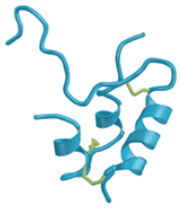
## Tercica's Increlex®: ready-to-use formulation

| | Increlex™ | Iplex™ |
|---|---|---|
| **Indications (US)** | **Severe PIGFD** | **Severe PIGFD** |
| **Formulation** | **Liquid, ready for use**<br>**Multiuse vial; 18 month shelf life; 30 days once vial is opened** | **Frozen**<br>**Single use vial** |
| **Dosing** | **0.12 mg/kg twice daily** | **2.0 mg/kg once daily** |
| **Status in Europe** | **Filed in December 05** | **Filed in 2Q 06** |



Ribbon structure of IGF-1


increlex™
(mecasermin [rDNA origin] injection)

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## Somatuline® Autogel®: “innovation for patient care”

**Injectable sustained-release formulation containing lanreotide**

- Somatostatin analog that inhibits release of growth hormone and gut hormones, lowering GH & IGF-1 levels
- Formulation requires no excipient other than water
- Releases active substance over 28-56 days (monthly dosing)

**Initially developed in Europe for treatment of Acromegaly**

**In most European countries, also approved for treatment of symptoms associated with neuroendocrine tumors (e.g. carcinoid syndrome)**

**Prefilled syringe for easier administration than other long-acting somatostatin analogs**

**Marketing authorizations in more than 50 Countries as of 12/31/05**

**2005 sales of €81.8M, up 13.4% vs. 2004**


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## Somatuline® Autogel® : easy administration formulation

| | Somatuline ® Autogel ® | Sandostatin LAR® |
|---|---|---|
| **Indications** | **Acromegaly, NET (EU only)** | **Acromegaly, NET** |
| **Administration route** | **Subcutaneous (s.c.)** | **Intramuscular (i.m.)** |
| **Volume injected** | **0.4 ml** | **2.0 ml** |
| **Needle length** | **20mm** | **40mm** |
| **Formulation** | **Ready to use** | **Powder for reconstitution** |

*Comparison Of pre-filled Versus competitor Intramuscular Injection device*


Somatuline® autogel®
lanreotide

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## Somatuline® Autogel®: a first approval in North America

- ✓ On July 17, Health Canada approved Somatuline® Autogel® for the long-term treatment of patients with acromegaly due to pituitary tumors who have had inadequate response to or cannot be treated with surgery and/or radiotherapy and for the relief of symptoms associated with acromegaly.
- ✓ Tercica expects to launch in early 2007.

An important milestone in Ipsen's history:
the very first approval for an Ipsen product in a North American territory

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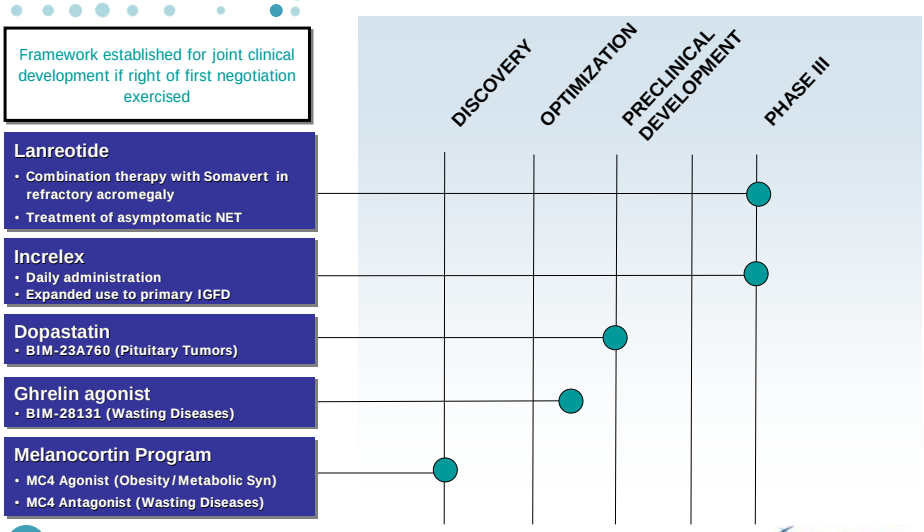
## A rich combined Endocrinology pipeline

Framework established for joint clinical development if right of first negotiation exercised

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## Completing a strategic milestone for Ipsen

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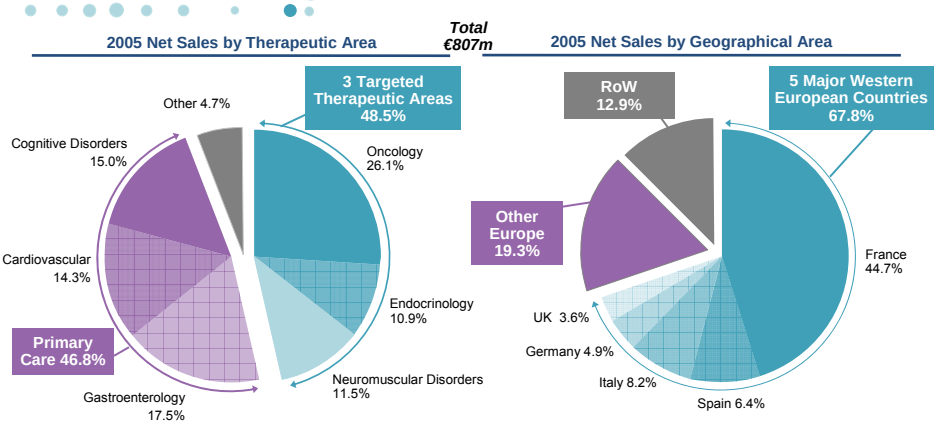
## Fact #1: No US commercial presence in high-growth targeted therapeutic areas




Highly regarded and field proven specialist care products with a strong pan-European presence

Note: IFRS pro forma figures
"Other" includes other miscellaneous products and other pharmaceutical ingredients

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## Fact #2: Today, Ipsen achieves several key objectives

| Key objectives set at the time of the IPO | Ipsen + Tercica Scorecard |
|---|---|
| ➢ Develop Existing Targeted Therapeutic Area product portfolio | |
| - **Seek US registration for Somatuline** | ✓[1] |
| ➢ Enhance Product Portfolio | |
| - **New products launch** | ✓ |
| - **Seek new licensing-in partnership agreements** | ✓ |
| - **Seek acquisition opportunities / partnerships in Ipsen's targeted therapeutic areas** | ✓ |
| ➢ Maximize Value of R&D pipeline | |
| - **Develop new partnership agreements** | ✓ |

NOTE 1: ongoing – filing scheduled in 2006

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## A major step forward in the execution of Ipsen's strategy

- ✓ **Implementation of Somatuline US strategy**
- ✓ **Enhanced Endocrinology portfolio with Increlex: "global care solution"**
- ✓ **Building a presence in endocrinology in the US through a staged equity investment in Tercica**

Today, another step forward to
accelerate growth and globalise our specialist care business

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## Key terms of the partnership

## Partnership key highlights

- ✓ **Cross licensing agreement for Somatuline Autogel in the US and Increlex in Europe**
- ✓ **Ipsen becomes Tercica's largest shareholder, with a 25% stake**
- ✓ **Ipsen able to increase its stake to 40% through convertible notes and warrants**
- ✓ **Partnership governance**

## Key terms of the cross licensing agreements

| | Ipsen<br>Commercialisation of Increlex | Tercica<br>Commercialisation of Somatuline |
|---|---|---|
| Territory | Worldwide<br>ex USA, Canada and Japan | USA and Canada |
| Duration | 15 Years[1] | 15 Years[1] |
| Upfront Payment | €10m<br>(paid upon closing) | $25m<br>(paid with a convertible upon closing) |
| Milestone on MA grant | €15m<br>(paid upon MA in EU) | €30m<br>(paid with a convertible upon MA in U.S.) |
| Royalty on Net Sales | sliding scale (from 15 to 25%) based upon net sales of the product, in addition to supply price of 20% of net sales | sliding scale (from 15 to 25%) based upon net sales of the product, in addition to supply price of 20%of net sales |

*NOTE1: The longer of the patent protection or 15 years. Period after which licence is fully paid and irrevocable*

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## A staged investment in Tercica

| | | Cumulative Stake | Consideration | Price per Share ($) | Total Amount (€m) | Comments |
|---|---|---|---|---|---|---|
| ❶ | Equity Investment | 25.0% | Cash | $6.17 | €61.8m | • 30% premium over the 15-days weighted average share price |
| ❷ | Convertible Notes 1&2 | 27.5%[1]<br>33.3%[1] | Somatuline Rights | $7.41<br>$7.41 | €20.0m<br>€30.0m | • Convert 1 issued at closing and Convert2 at FDA approval for Somatuline US<br>• Issued against Somatuline Rights (no cash considerations)<br>• 2.5% PIK coupon not taken into account |
| ❸ | Convertible Note 3 | 35.4%[1] | Cash | $7.41 | €12.0m | • Issued for cash at FDA approval<br>• 2.5% PIK coupon not taken into account |
| ❹ | Warrants (Illustrative figures) | 40.0%[1] | Cash | $7.41 | €29.3m | • Issued for free in order to reach 40% if necessary<br>• The number of warrants will be adjusted for Tercica share issuance |

**Total equity stake: 40.0%**

**Total cash out excluding warrants: €73.7 million**

*Note 1: Fully diluted stake. The fully diluted number of shares includes the dilution of the investment and of all outstanding options / warrants*

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## Key corporate governance principles

- ✓ **Implementation of Partnership**
  - – Board representation for Ipsen
  - – Protective rights associated with Ipsen's investment
- ✓ **Investment protection**
  - – Cash redemption of convertible notes
  - – Lock-up and standstill for 1 year
- ✓ **Flexibility**
  - – Capacity for Ipsen to increase stake from 40% to a minimum of 60% (after one year)



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## Financial Impact on Ipsen

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## Main accounting impacts

### From Sales to EBIT

- **Ipsen as Licensor of Somatuline in the US**
  - Supply price recorded as **net sales**
  - Royalties received recognized as **revenues**
  - Milestones recognized as **revenues** over the contract period
  - Production costs recorded as **COGS**
- **Ipsen as Licensee of Increlex in Europe**
  - In market sales recorded as **net sales**
  - Supply Price recorded as **COGS**
  - Royalties recorded as **sales & marketing costs**
  - Milestone payment capitalized as intangible asset and **amortized** over 15 years

### Above or below EBIT: IAS 31 assessment

- **Equity method consolidation of the 25% stake in Tercica: decision to be taken by Ipsen in conjunction with current review of IAS 31**

### Below EBIT

- **Financial Income** (Minor impact)
- **Tax impact**

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## Estimated impacts on Ipsen's financial objectives

- Over 2006-2008, average annual **sales** growth objective of 6.5 to 7.5% maintained
- Negative impact on **EBIT** margin of 30 -50 bps[1] in 2006 due to launch costs, and c.100 bps[1] in 2007 and 30-50 bps[1] in 2008
- Limited impact on **EPS** in 2006. EPS dilution[2] expected to be above 15% in 2007 and below 10% in 2008-2009. The transaction is expected to be EPS accretive thereafter

NOTE 1: provided "income/loss from associates" is reported below EBIT – IAS 31 assessment
NOTE 2: without including valuation of derivative component of convertible bonds & warrant

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# Conclusion

## Today's announcement represents a major step forward for Ipsen

- ✓ **Implementation of Somatuline US strategy**
- ✓ **Enhanced endocrinology portfolio with the combination Increlex, Somatuline and NutropinAq: creating a "Global care solution"**
- ✓ **Beyond Cross-licensing, opportunity for Ipsen to develop a US platform**
- ✓ **Financial discipline through staged investment**
- ✓ **Deal structure and governance providing protection and flexibility for Ipsen**

Through the strategic rationale and the structure of the partnership, Ipsen has access to significant value creation potential

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## PART II

# Roche exercises its option on Ipsen's GLP-1 analogue BIM 51077 for type 2 diabetes

Jean-Luc Bélingard, Chairman & CEO

## Today's announcement: key highlights

- ✓ Roche announced today its decision to exercise its option to exclusively licence, develop and market Ipsen's patented anti-diabetic drug, BIM-51077
- ✓ Roche has been granted worldwide rights except in Japan and France (where Ipsen may elect to retain co-marketing rights)
- ✓ The exercise of this option has triggered a milestone payment of €56 million
- ✓ Roche will also make a payment of c.€3 million after the closing of 2006
- ✓ Ipsen would receive total further milestone payments of up to €170 million
- ✓ Ipsen would receive progressive mid-teen royalties on any worldwide sales

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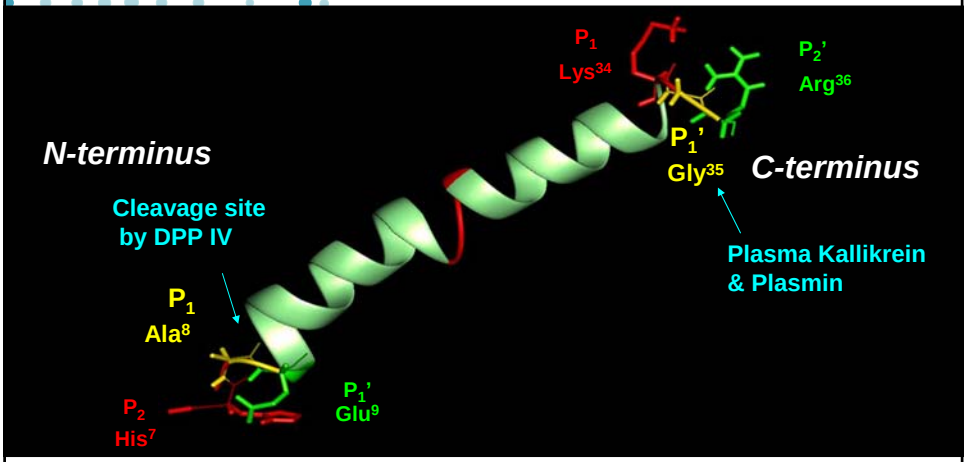
# Ipsen's unique convergence of technologies : The GLP-1 program (BIM 51077)

## Designing the peptide itself…

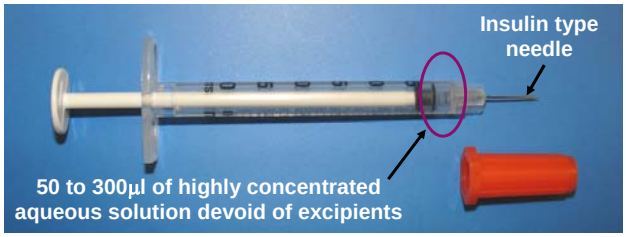



hGLP-1(7-36)NH2 is cleaved in plasma at both N- & C termini:
modification of positions 8 and 35

## …so that it fits Ipsen's innovative delivery systems technologies

**Pharmacokinetic Profile of a SRF Formulation of BIM51077**

- ✓ **A single sc administration of BIM-51077 SRF (15 mg in dogs) maintained BIM-51077 levels within one log for up to 2 weeks with minimal initial burst.**
- ✓ **BIM51077 plasma levels were detected up to 26 days**




**Syringe used for BIM51077 SRF**
**- 0.3mL TERUMO Myjector U-100 with 29G1/2 (0.33 X 12 mm)**

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## Therapeutic GLP-1 program: target product profile achievements

- ✓ **Equal / greater potency compared to native compound**
  - Binding: BIM-51077 Ki = 1.1 + 0.15 nM
  - hGLP-1(7-36) Ki = 0.9 + 0.11 nM
  - In Vivo: BIM-51077 8x more active than hGLP-1 (7-36) in vivo
- ✓ **Extended metabolic half-life**
  - 22-fold more stable in plasma
- ✓ **Retention of incretin properties**
  - Yes, complete retention
- ✓ **Compatible with novel/sustained formulation**
  - Yes, highly compatible physio-chemical properties
  - High aqueous solubility at neutral pH
- ✓ **Strong patent position**
  - Patents covering use and composition of BIM-51077 are issued in the US, Europe, Japan, and many other countries WW
  - Further patent applications for various compositions, uses, and processes continue to be filed and actively prosecuted

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# Conclusion

## Ipsen: a reference partner in the Industry

- ✓ **Differentiating R&D, focused on hormone dependent diseases based on convergence of peptide and protein engineering, and innovative delivery systems**
- ✓ **Ipsen is capable of attracting world-class partners**
- ✓ **Potentially a Company transforming transaction**

**Executing our strategy in a timely fashion**

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# Back-up

## Ipsen and Tercica: fact sheet

| | Ipsen | Tercica |
|---|---|---|
| FY05 financials | Sales: €807 million<br>EBIT: €185 million<br>Operating Cash flow: €176 million | Sales: $0 million<br>EBIT: $(47.5) million<br>Operating Cash flow: $(43.4) million |
| Employees (2005) | Total: 4,000<br>R&D: 700 | Total: 89<br>R&D: 39 |
| Key products over 10% of group sales (% of 2005 sales) | Decapeptyl (26.1%)<br>Tanakan (15.0%)<br>Dysport (11.5%)<br>Somatuline Autogel (10.1%) | Increlex |
| Market data | Market capitalisation (17/07/06): €2.6 bn<br>Listing: Euronext Paris<br>Ticker: IPN | Market capitalisation (17/07/06): $158 m<br>Listing: NASDAQ<br>Ticker: TRCA |
| HeadQuarters | Paris, France | Brisbane, California |

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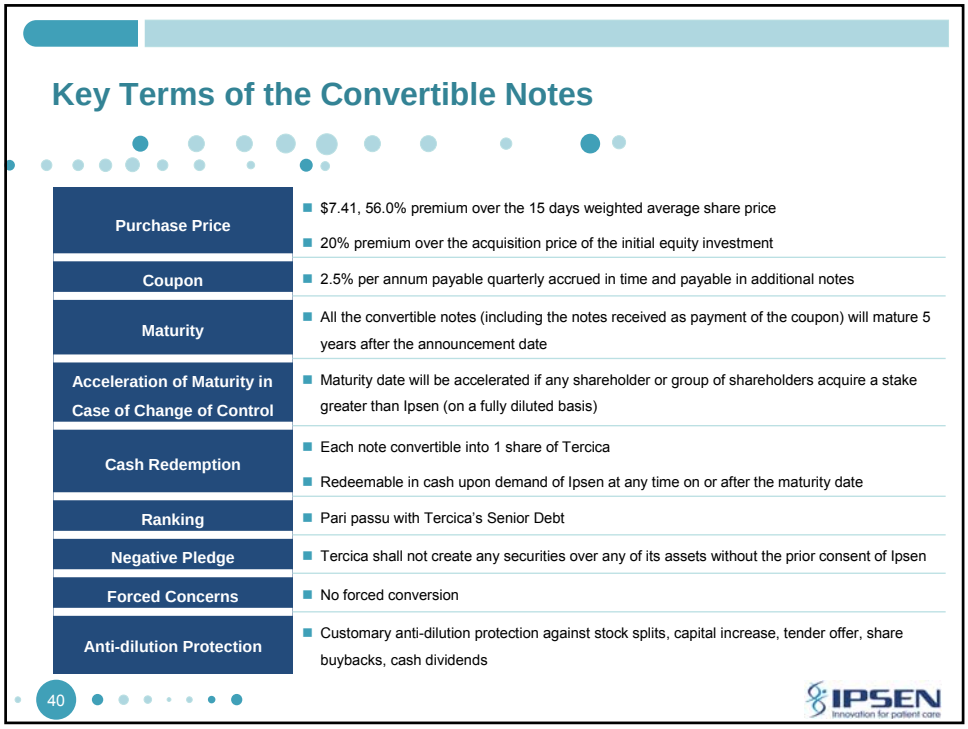
Key Terms of the Convertible Notes
Purchase Price
$7.41, 56.0% premium over the 15 days weighted average share price
20% premium over the acquisition price of the initial equity investment
Coupon
2.5% per annum payable quarterly accrued in time and payable in additional notes
Maturity
All the convertible notes (including the notes received as payment of the coupon) will mature 5 years after the announcement date
Acceleration of Maturity in Case of Change of Control
Maturity date will be accelerated if any shareholder or group of shareholders acquire a stake greater than Ipsen (on a fully diluted basis)
Cash Redemption
Each note convertible into 1 share of Tercica
Redeemable in cash upon demand of Ipsen at any time on or after the maturity date
Ranking
Pari passu with Tercica's Senior Debt
Negative Pledge
Tercica shall not create any securities over any of its assets without the prior consent of Ipsen
Forced Concerns
No forced conversion
Anti-dilution Protection
Customary anti-dilution protection against stock splits, capital increase, tender offer, share buybacks, cash dividends
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