

# First half 2011 Results and Perspectives

*First Half 2011 Results  
Presentation – August 30, 2011*



## Disclaimer

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The implementation of the strategy has to be submitted to the relevant staff representation authorities in each country concerned, in compliance with the specific procedures, terms and conditions set forth by each national legislation.

## Safe Harbor

The Group operates in certain geographical regions whose governmental finances, local currencies or inflation rates could be affected by the current crisis, which could in turn erode the local competitiveness of the Group's products relative to competitors operating in local currency, and/or could be detrimental to the Group's margins in those regions where the Group's drugs are billed in local currencies.

In a number of countries, the Group markets its drugs via distributors or agents: some of these partners' financial strength could be impacted by the crisis, potentially subjecting the Group to difficulties in recovering its receivables. Furthermore, in certain countries whose financial equilibrium is threatened by the crisis and where the Group sells its drugs directly to hospitals, the Group could be forced to lengthen its payment terms or could experience difficulties in recovering its receivables in full.

Finally, in those countries in which public or private health cover is provided, the impact of the financial crisis could cause medical insurance agencies to place added pressure on drug prices, increase financial contributions by patients or adopt a more selective approach to reimbursement criteria.

All of the above risks could affect the Group's future ability to achieve its financial targets, which were set assuming reasonable macroeconomic conditions based on the information available today.

## Today...

1	Introduction
2	Detailed H1 2011 results
3	Group strategy – Execution on track
4	Perspectives

## Introduction

**Marc de Garidel**

**Chairman & CEO**



### H1 2011, a strong performance throughout

**5.2%<sup>1</sup> drug sales growth, driven by :**

- Robust specialty care growth, up 7.9%<sup>1</sup> y-o-y
- Resilient primary care

**20.7%<sup>2</sup> reported operating margin, up 15.1% y-o-y**

**One-off costs related to the implementation of the new strategy (-€38.7m) partly offset by proceeds from the favorable outcome of a litigation (+€17.2m)**

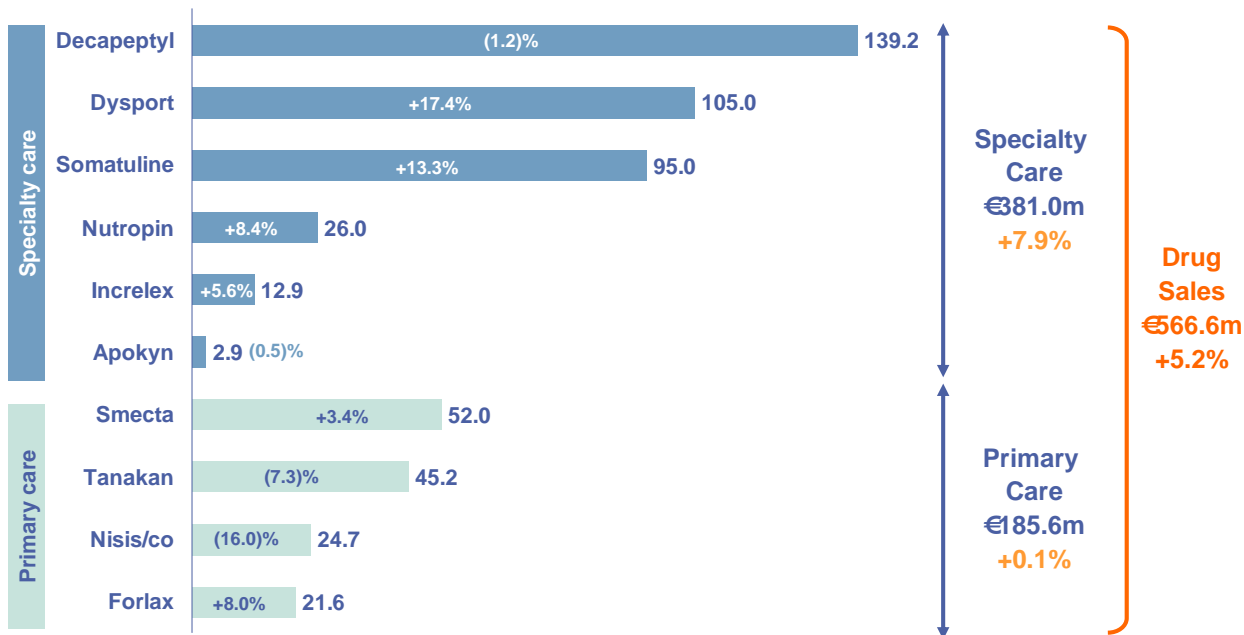
**24.7%<sup>2</sup> recurring adjusted<sup>3</sup> operating margin, up 27.1% y-o-y**

**Recurring adjusted<sup>3</sup> EPS of €1.27, up 32.3% y-o-y**

**€132.0m net cash position as at June 30, 2011**

## H1 2011 sales: robust specialty care, resilient primary care

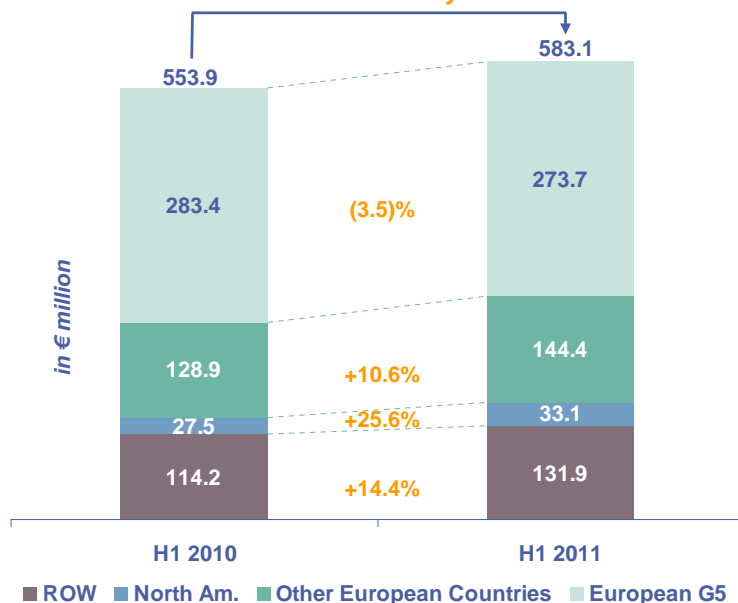
Sales in € million



## Group's Sales driven by regions other than G5

GROUP SALES growth : +5.3% (incl. Drug related sales)

At constant currency : +4.9%



- **European G5**  
Specialty care sales growth offset by tougher competitive environment, notably in French Primary care and government measures in Germany and Spain
- **Other European countries**  
Sustained volume growth, particularly in Switzerland, Russia, Austria and Ukraine
- **North America**  
Continued penetration of Somatuline® and Dysport®
- **ROW**  
Strong volume growth in Algeria, Australia, Columbia and China

## Detailed H1 2011 Results

**Claire Giraut**

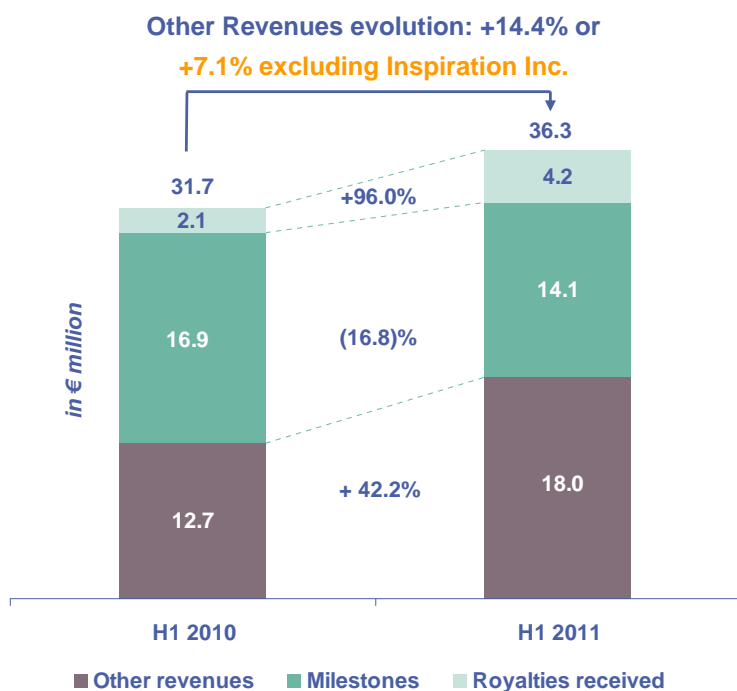
**EVP, Chief Financial Officer**



### Summary of H1 2011 P&L and evolution

<i>In million euros</i>	H1 2011	H1 2010	Growth (%)
Sales	583.1	553.9	+5.3%
Total Revenues	619.4	585.7	+5.8%
Operating Income <small>Margin<sup>1</sup></small>	120.8 <small>20.7%</small>	104.9 <small>18.9%</small>	+15.1%
Recurring adjusted <sup>2</sup> operating income <small>Margin<sup>1</sup></small>	143.9 <small>24.7%</small>	113.2 <small>20.4%</small>	+27.1%
Consolidated Net Profit <small>(attributable to Ipsen shareholders)</small>	91.7	75.5	+21.4%
Fully diluted EPS	€1.09	€0.90	+21.1%
Fully diluted recurring adjusted <sup>1</sup> EPS	€1.27	€0.96	+32.3%

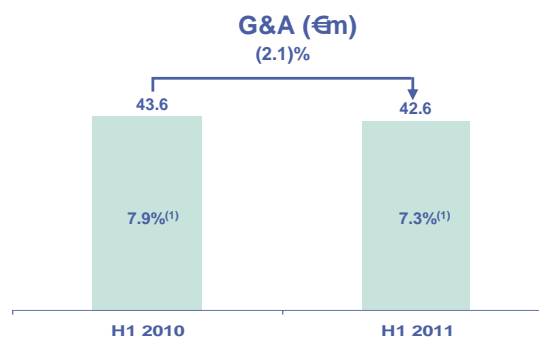
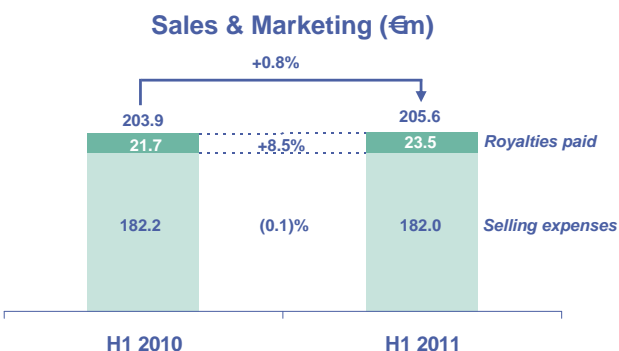
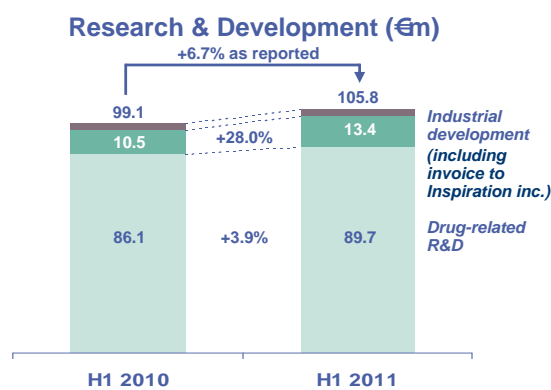
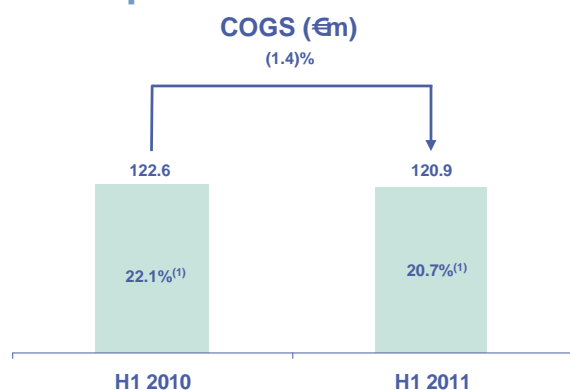
## Other revenues evolution



- **Royalties Received**  
Royalties received in H1 2011 doubled with increased royalties from Medicis, Galderma and Menarini
- **Milestones**  
Decrease mainly due to accelerated recognition of 2010 taspoglutide Deferred Revenues
- **Other revenues**  
Invoicing of OBI-1's development costs to Inspiration Inc. and income from the Group's Co-promotion contracts in France

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## P&L expenses under control



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(1) In % of sales

## One-off costs related to the preparation and implementation of the strategy

One-off costs linked to the new strategy announced on June 9

A total of €80m to €100m before tax over 2011 and 2012

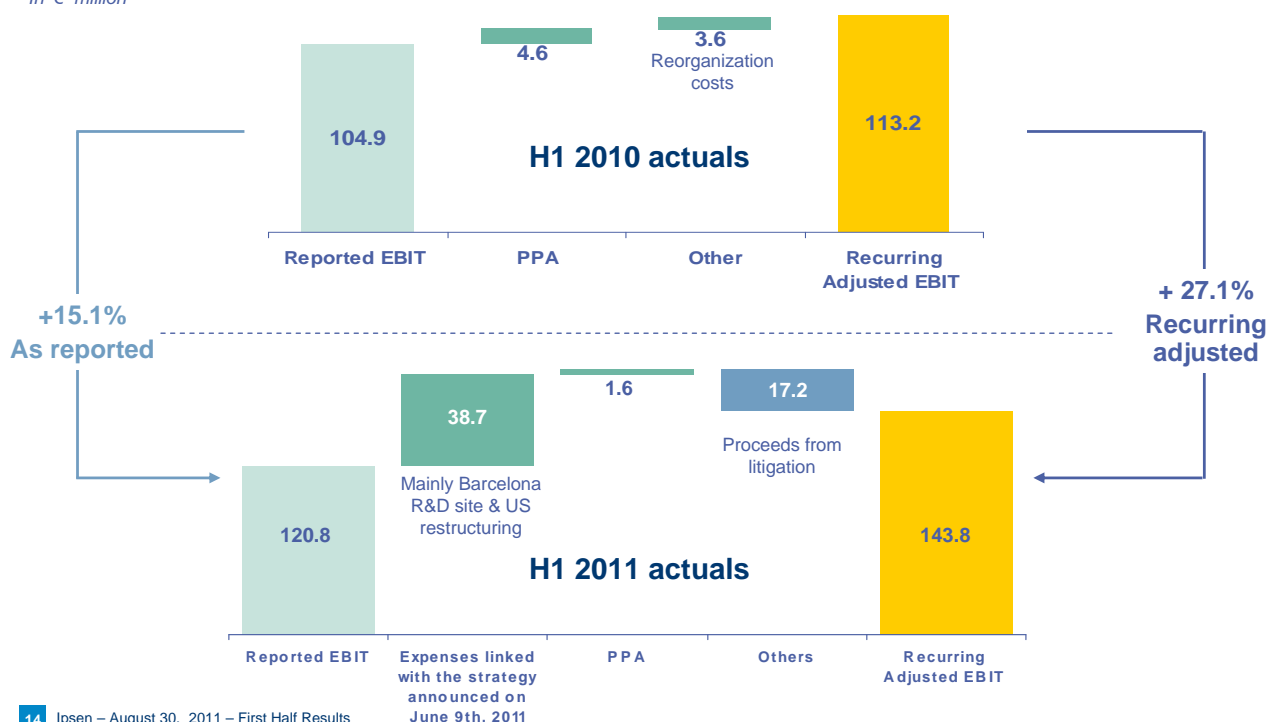
Booked in H1 2011

- USA transfer costs to east coast (€8.7m)
- Closing of R&D activities of Barcelona site (€18.4m)
- Other one-off costs related to the implementation of the strategy and of new organization (€11.6m)

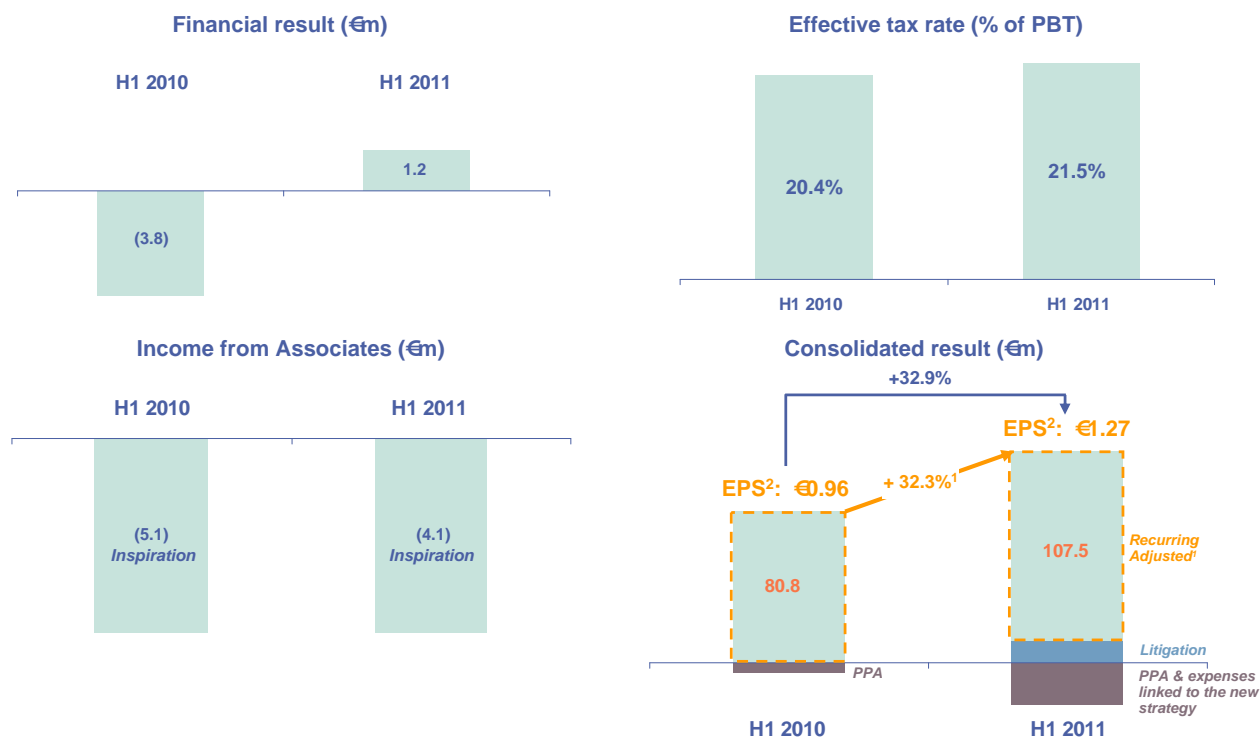
- A total of €38.7m<sup>1</sup> of one-off costs booked in H1 2011
- The balance to be booked over H2 2011 and 2012

## Recurring adjusted<sup>1</sup> Operating Income has improved by 27.1 %

In € million



## P&L – below EBIT



## Balance sheet

In € million

	Assets		Liabilities	
	2010	H1 2011	2010	H1 2011
<b>Goodwill</b>	299.1	290.7	<b>Equity</b>	1 077.2
<b>Investment in associated companies</b> (incl. Goodwill Inspiration Inc.)	57.9	49.4	<b>Minority interests</b>	2.0
<b>Property, Plans &amp; equipments</b>	282.3	275.2	<b>Total Equity</b>	1 079.2
<b>Intangible assets</b>	166.5	182.7	<b>Long-term financial debts</b>	15.3
<b>Other non-current assets</b>	232.6	253.0	<b>Other non-current liabilities</b>	250.6
<b>Total non-current assets</b>	1 038.4	1 050.9	<b>Other current liabilities</b>	324.7
<b>Total current assets</b>	639.8	624.5	<b>Short-term debts</b>	7.7
<i>Incl. Cash and cash equivalent</i>	178.1	159.6	<b>Liabilities / discontinued operations</b>	0.7
<b>Discontinued operations</b>	-	-	<b>Total Liabilities</b>	1 678.2
<b>Total assets</b>	1 678.2	1 675.5		1675.5
<b>Net Cash</b>	156.0	132.0		

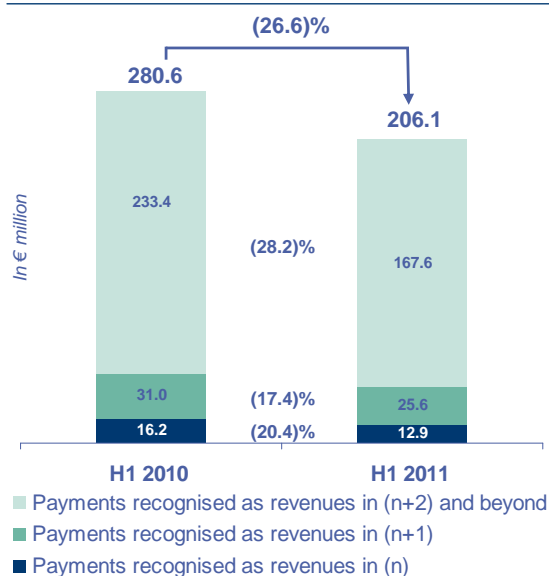


## Cash flow statement

<i>In million euros</i>	H1 2010	H1 2011
<b>Cash Flow before change in working capital</b>	<b>98.6</b>	<b>123.8</b>
Deferred revenues from partnerships	53.1	3.7
Increase/ Decrease in working capital	(17.0)	(30.2)
<b>Net cash flow generated by operating activities</b>	<b>134.7</b>	<b>97.3</b>
Investment in Tangible and Intangible assets	(25.5)	(44.2)
Investment in Inspiration	(57.6)	-
Subscription in Inspiration's bonds	(35.5)	(0.8)
Others	(5.6)	(3.1)
<b>Net cash flow used in investing activities</b>	<b>(124.3)</b>	<b>(48.1)</b>
Net change in borrowings	(0.2)	(0.2)
Dividends paid	(62.3)	(66.5)
Others	(1.0)	(0.4)
<b>Net cash flow used in financing activities</b>	<b>(63.4)</b>	<b>(67.1)</b>
Discontinued operations	(0.0)	-
<b>Change in cash and cash equivalent</b>	<b>(53.0)</b>	<b>(17.9)</b>
Impact of exchange rate fluctuations	11.7	(5.0)
<b>Closing cash &amp; cash equivalents</b>	<b>164.1</b>	<b>155.0</b>
<b>Closing Net Cash</b>	<b>142.1</b>	<b>132.0</b>

## Deferred revenues

### Total Milestones cashed-in and not yet recognized as revenues



### Main evolutions

- 2010: accelerated recognition of the remaining taspoglutide deferred revenues from Roche
- H1 2010: important milestones revenue from Inspiration (\$50m) and Menarini (€18m)

## H1 2011, a strong performance throughout

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**Recurring adjusted<sup>3</sup> EPS of €1.27, up 32.3% y-o-y**

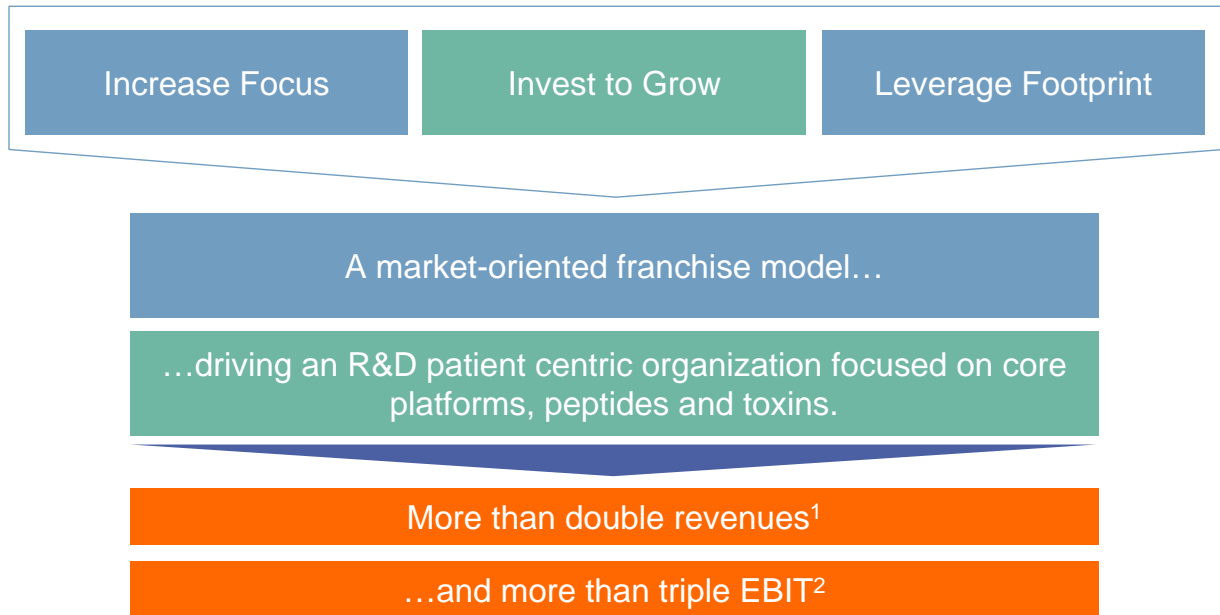
**€132.0m net cash position as at June 30, 2011**

## Group strategy – Execution on track

**Marc de Garidel**

**Chairman & CEO**

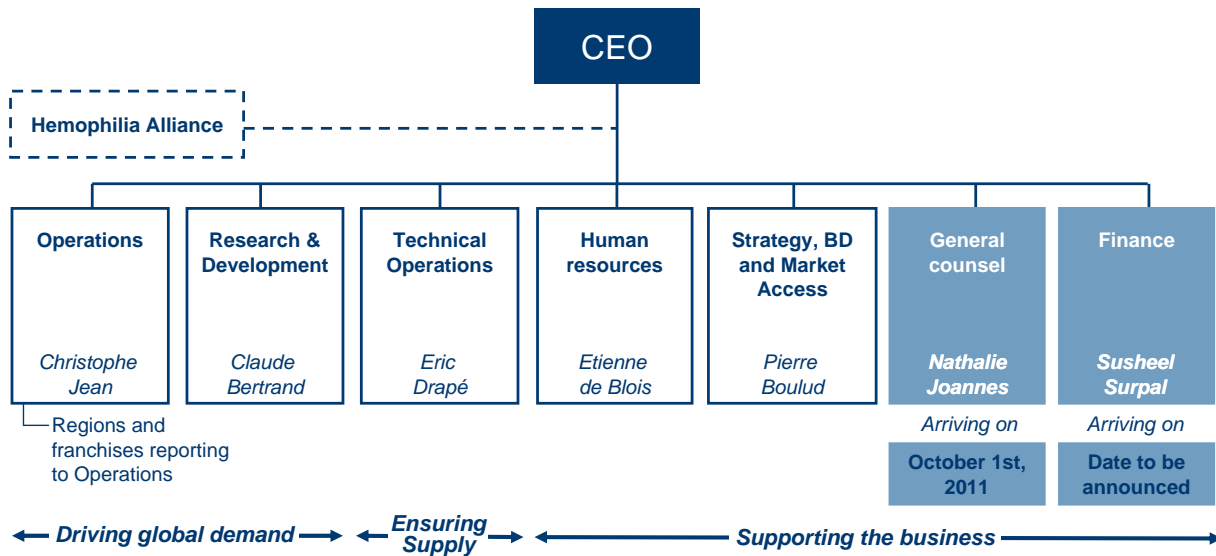
## Ipsen's 2020 aspiration: Become a global leader in targeted debilitating diseases



## Implementation: main milestones to success

2011	2012	2013	2014	2015 →
<input checked="" type="checkbox"/> Define strategy	<input type="checkbox"/> R&D « PoC » machine implemented	<input type="checkbox"/> Somatuline® New device rolled out globally	<input type="checkbox"/> TASQ filed in Europe	<input type="checkbox"/> Inspiration option assessment
<input type="checkbox"/> Merge R&D	<input type="checkbox"/> Barcelona R&D site closed	<input type="checkbox"/> Dysport® A.& P. L.L spasticity filed	<input type="checkbox"/> Somatuline® F. NET filed in the US	<input type="checkbox"/> Dysport® P.U.L filed in the US
<input checked="" type="checkbox"/> Reinforce Uro-oncology franchise (TASQ)	<input type="checkbox"/> French primary care commercial activities partnered	<input type="checkbox"/> Dysport® NDO Ph III initiated	<input type="checkbox"/> Somatuline® NF NET filed WW	<input type="checkbox"/> 5 new Pre clinical candidates (vs. June 2011) O/W 3 reach POC
<input checked="" type="checkbox"/> Dysport® CD CTA <sup>1</sup> filing in China	<input type="checkbox"/> IB1001 filed in the USA	<input type="checkbox"/> Smecta® EDL assessment (China)	<input type="checkbox"/> Dysport® A.U.L filed	<input type="checkbox"/> Smecta® EDL assessment (China)
<input checked="" type="checkbox"/> Somatuline® Acromegaly CTA <sup>1</sup> filing in China	<input type="checkbox"/> OBI-1 PhIII (Acquired H) enrollment completed	<input type="checkbox"/> OBI-1 Acquired H. filed in the US	<input type="checkbox"/> Dysport® NG filed	
<input checked="" type="checkbox"/> New extended Executive Committee staffed	<input type="checkbox"/> OB-1 PhIII Congenital H. initiated		<input type="checkbox"/> Dysport® P.U.L filed in Brazil	
<input type="checkbox"/> Franchise org. implemented	<input type="checkbox"/> US platform reorganized		<input type="checkbox"/> Inspiration option assessment	
<input type="checkbox"/> IB1001 filed in Europe			<input type="checkbox"/> Smecta® EDL assessment (China)	

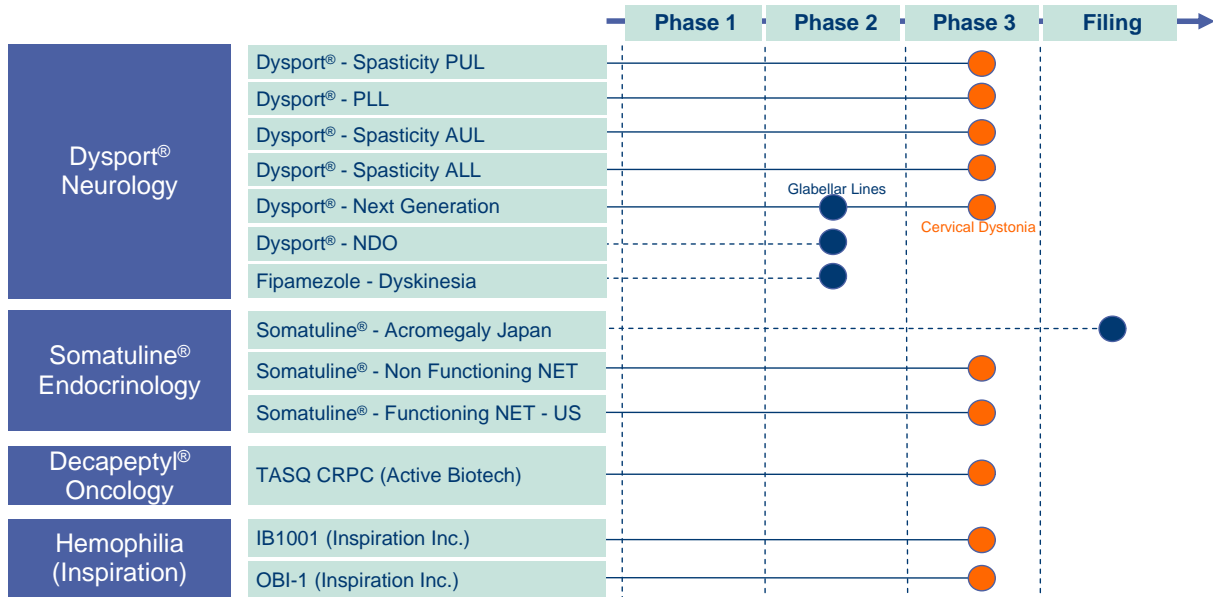
## Executive Committee recruitment completed



## Progress update

<b>Increase Focus R&amp;D</b>	<ul style="list-style-type: none"> <li>Barcelona R&amp;D site: all administrative and employee-related procedures required to close the R&amp;D are completed</li> <li>R&amp;D programs being aligned with strategic priorities: <ul style="list-style-type: none"> <li>5 programs stopped<sup>1</sup></li> <li>4 additional programs to be stopped before year-end</li> </ul> </li> </ul>
<b>Footprint US</b>	<ul style="list-style-type: none"> <li>Move to the east coast initiated</li> <li>Target completion date: January 1<sup>st</sup>, 2012</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>Primary Care France: <ul style="list-style-type: none"> <li>On-going preliminary contacts with potential partners</li> </ul> </li> <li>Organizational change: <ul style="list-style-type: none"> <li>On-going discussions with workers council</li> </ul> </li> </ul>

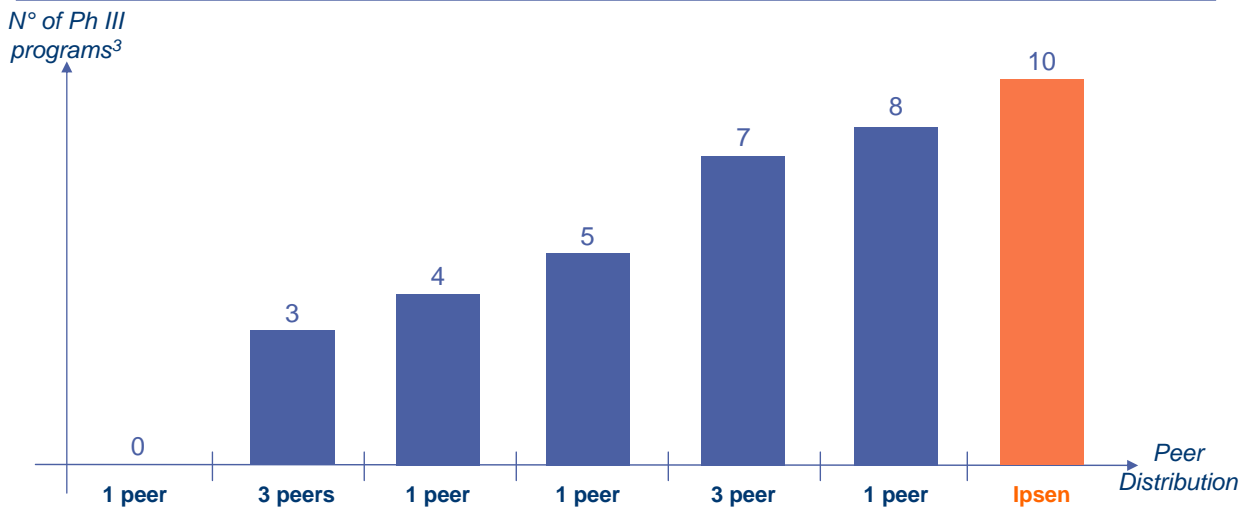
## Invest to grow: a rich Ph III program



10 on-going phase IIIs, 4 for NMEs, 6 for life cycle management

## Ipsen differentiated from 10 peers<sup>1</sup> in terms of Ph III intensity<sup>2</sup>

Ipsen and its peers<sup>1</sup> - Intensity of Ph III programs



NOTE 1 : 10 peers selected with a criteria such as Sales, EBIT, R&D to sales ratio, PE, Headcount, Therapeutic Areas, Geographical reach...  
Peers include: Lundbeck, Meda, Almirall, Shire, Biogen Idec, Allergan, Novo Nordisk, Merck Serono, Actelion and Orion  
NOTE 2 : Based on available and disclosed information as of august 2011  
NOTE 3 : Number of Ph III for a single indication

## Leveraging Ipsen's pan European infrastructure for hemophilia

### European partnership signed with Inspiration for the commercialization of IB1001 and OBI-1

- MAA filing in Europe for IB1001 (recombinant Factor IX) in Europe expected before year end
- Ipsen to act as Inspiration's exclusive commercial agent (FIX and OBI-1)
- Business Unit leveraging Ipsen's **existing** resources combined to Inspiration's expertise
- Inspiration to:
  - Book sales
  - Bear all costs
- EBIT neutral for Ipsen:
  - Book SMM costs
  - Book corresponding Other Revenues (re-billing)
- Potentially attractive commercial opportunity:
  - 2008 FIX European market: c.\$380m<sup>1</sup> or c.44% of ww market
  - 2020 FIX European market<sup>1</sup>: c.\$680m<sup>1</sup>

### Exclusive commercial agent in a total of 53 countries



A plug-and-play commercial organization for Inspiration's hemophilia products in Europe, increasing Ipsen's hemophilia market knowledge and presence

## FY 2011 Outlook and Newsflow

**Marc de Garidel**

**Chairman & CEO**

## Revised 2011 financial objectives

March 2011	Specialist Care Drug sales	Drug Sales growth close to + 8.0% year-on-year
	Primary Care Drug sales	Drug sales decrease of (8.0%) to (10.0%) year-on-year, pending evolution in France
August 2011	Specialist Care Drug sales	Drug Sales growth close to + 8.0% year-on-year
	Primary Care Drug sales	Drug sales decrease of (3.0%) to (5.0%) year-on-year
	Recurring Adjusted <sup>1</sup> operating income	Ranging from €190 million to €200 million

The above objectives are set at constant currency  
2011 objective excludes any potential non recurring items

## News flow – upcoming catalysts

Filing of IB1001 in Europe (H2 2011) and in the US (H1 2012)

Implementation<sup>1</sup> of Franchise based organization

New future for Primary Care France and Dreux manufacturing plant

Maximize value of Apokyn<sup>®</sup> and Increlex<sup>®</sup> in the US while meeting its obligations to patients and partners

New US platform fully operational



## H1 2011: key take-aways

2011, a year of transition...

...with a strong H1 financial performance...

...despite one-off restructuring costs...

...related to the implementation of the new strategy...

...and an increased drug sales objectives



Thank you.





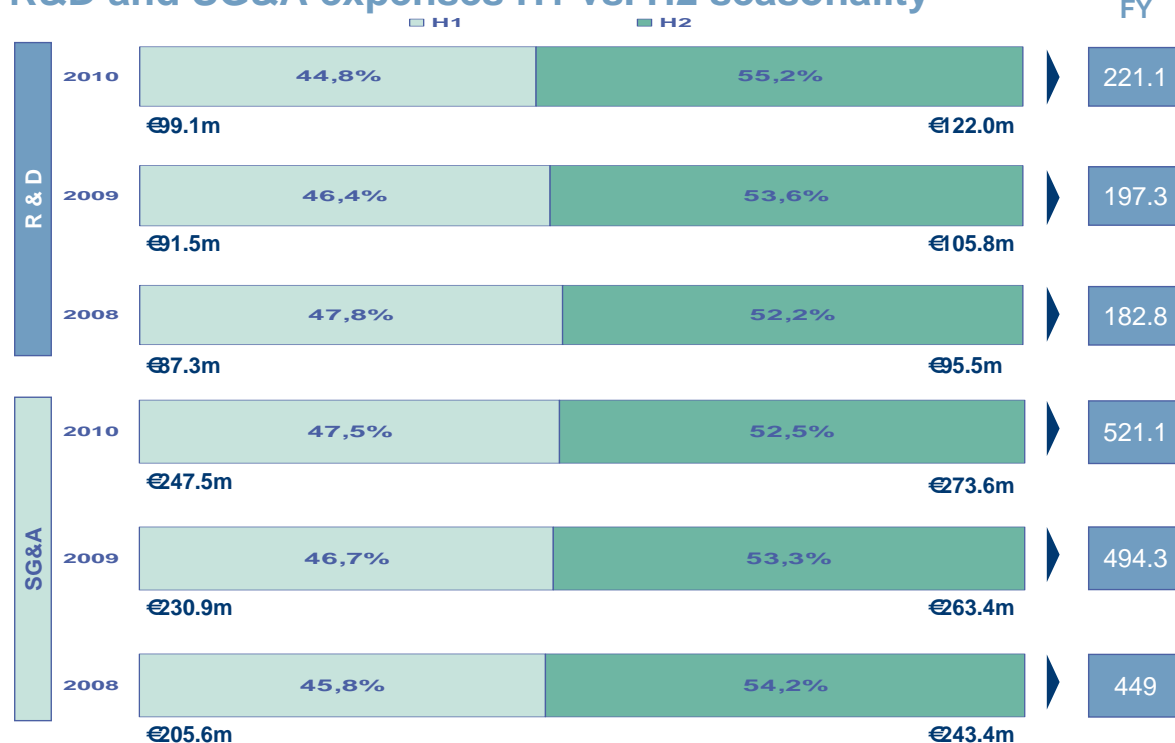
**Q&A.**



**Appendices**



## R&D and SG&A expenses H1 vs. H2 seasonality



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## H1 2011: from Published EPS to recurring adjusted EPS

in million euros	30 June 2011 restated		Plus			30 June 2011	
	€	% Sales	Effects of acquisitions in North America <sup>(1)</sup>	Expenses linked with the strategy announced on 9 June <sup>(2)</sup>	Other non-recurring items <sup>(3)</sup>	€	% Sales
<b>Revenue</b>	<b>619.4</b>	<b>106.2%</b>				<b>619.4</b>	<b>106.2%</b>
Cost of goods sold	(120.9)	-20.7%				(120.9)	-20.7%
Research and development expenses	(105.8)	-18.1%				(105.8)	-18.2%
Selling expenses	(205.6)	-35.3%				(205.6)	-35.3%
General and administrative expenses	(42.6)	-7.3%				(42.6)	-7.3%
Other operating income and expenses	0.9	0.2%		(10.6)	17.2	7.5	1.4%
Amortisation of intangible assets	(1.6)	-0.3%	(1.6)			(3.1)	-0.5%
Restructuring costs	(0.0)	-0.0%		(28.1)		(28.1)	-4.8%
Impairment losses	0.0	-				0.0	-
<b>Operating income</b>	<b>143.9</b>	<b>24.7%</b>	<b>(1.6)</b>	<b>(38.7)</b>	<b>17.2</b>	<b>120.8</b>	<b>20.7%</b>
Financial income/(expense)	1.2	0.2%				1.2	0.2%
Income taxes	(33.7)	-5.8%	0.6	12.8	(5.9)	(26.2)	-4.5%
Share of profit/loss from associated companies	(4.1)	-0.7%				(4.1)	-0.8%
<b>Net profit from continuing operations</b>	<b>107.3</b>	<b>18.4%</b>	<b>(0.9)</b>	<b>(25.9)</b>	<b>11.3</b>	<b>91.7</b>	<b>15.6%</b>
Profit from discontinued operations	0.2	0.0%				0.2	0.0%
<b>Consolidated net profit</b>	<b>107.5</b>	<b>18.4%</b>	<b>(0.9)</b>	<b>(25.9)</b>	<b>11.3</b>	<b>91.9</b>	<b>15.7%</b>
- attributable to shareholders of Ipsen S.A.	107.3					91.7	
- attributable to minority interests	0.2					0.2	
<b>Diluted earnings per share (in euros)</b>	<b>1.27</b>					<b>1.09</b>	

(1) Effects of the allocation of goodwill resulting from transactions by the Group in North America.

(2) Expenses linked with the strategy announced on 9 June include:

- certain non-recurring fees incurred during the preparation and early implementation of the strategy announced on 9 June 2011,
- non-recurring expenses linked with restructuring, corresponding to the closure of the site in Barcelona and the transfer of the Group's North American commercial subsidiary to the East
- certain expenses linked with changes within the Group's Executive Committee.

(3) Other non-recurring items include the damages received by the Group after the enforceable court decision relating to the trade dispute between the Group and Mylan.

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## FY 2010: from Published EPS to recurring adjusted EPS

In million euros	2010 Actual		Plus			2010 Actual Recurring adjusted	
	Value	% Sales	Roche	Impairment	Other (2)	Value	% Sales
Net Sales	1 100.2	100.0%				1 100.2	100.0%
Other Revenues	70.1	6.4%				70.1	6.4%
<b>Total Revenues</b>	<b>1 170.3</b>	<b>106.4%</b>				<b>1 170.3</b>	<b>106.4%</b>
Cost of goods Sold	-236.2	-21.5%			-2.7	-238.9	-21.7%
R&D	-221.1	-20.1%				-221.1	-20.1%
SMM	-422.8	-38.4%				-422.8	-38.4%
G&A	-98.3	-8.9%				-98.3	-8.9%
Other (1)	37.1	3.4%	-48.7	-11.3	17.0	-6.0	-0.5%
Impairment losses	-100.2			100.2		0.0	
<b>Operating Result</b>	<b>128.8</b>	<b>11.7%</b>	<b>-48.7</b>	<b>88.8</b>	<b>14.3</b>	<b>183.2</b>	<b>16.6%</b>
Financial Result	-3.4	-0.3%		1.6	-4.3	-6.1	-0.6%
Income Tax	-17.0		7.6	-16.0	-4.8	-30.2	
<i>Effective tax rate</i>	<i>-13.5%</i>					<i>-17.2%</i>	
Share of loss	-12.8			5.9	-1.4	-8.3	
<b>Income from continuing operations</b>	<b>95.7</b>	<b>8.7%</b>	<b>-41.2</b>	<b>80.3</b>	<b>3.8</b>	<b>138.6</b>	<b>12.6%</b>
Income from discontinued operations	0.0						
<b>Consolidated net profit</b>	<b>95.7</b>	<b>8.7%</b>	<b>-41.2</b>	<b>80.3</b>	<b>3.8</b>	<b>138.6</b>	<b>12.6%</b>
<b>Fully diluted EPS</b>	<b>1.13</b>		<b>-0.49</b>	<b>0.95</b>	<b>0.05</b>	<b>1.64</b>	

(1) Other operating income and expenses, Amortizations of intangible assets and Restructuring costs

(2) Impacts from Purchase Price Accounting (PPA) and certain other costs