Ipsen
First half 2013 financial results
August 30, 2013
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.
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.
Objectives for today

1. Business and strategy update
2. H1 2013 – Operational overview
3. H1 2013 – Financial overview
4. Closing remarks and 2013 outlook
Business and strategy update

Marc de Garidel
Chairman and CEO
H1 2013: Sound operating performance in a context of sales pressure

Solid performance of Ipsen’s growth pillars, Somatuline® and Dysport®, respectively up 9.2%\(^1\) and 8.4%\(^1\)

Disappointing performance of Decapeptyl® in a tough European market, with disruptions in China and several one-off effects

Primary care above expectations with strong international performance up 11.2%\(^1\) more than offset by a 26.3%\(^1\) decline in France

Sound operating performance with a 6.2% fully diluted EPS growth

Sales guidance realigned, profitability guidance unchanged

Note: 2012 figures have been restated to provide comparative information between 2012 and 2013

(\(^1\) Excluding foreign exchange impacts)
Business and Strategy update

1. Reinforced and delivering R&D platforms
2. Franchise organic/external growth
3. US to reach profitability
4. Governance

Key milestones
R&D engine delivering, securing future franchise growth

Realized

Uro-Oncology

Endocrinology

Somatuline® CLARINET PhIII topline results

Somatuline® ELECT PhIII topline results

Neurology

Syntaxin acquisition / Harvard partnership

Dysport® NG Preliminary stability data

Dysport® NG Cervical Dystonia PhIII topline results

Dysport® AUL spasticity PhIII topline results

Upcoming in 2013

2014

tasquinimod PFS and OS data (preliminary analysis)

Peptides

Toxins
Syntaxin acquisition to reinforce R&D toxin platform

Rationale

- Industry-recognized leading botulinum toxins expertise
  - Natural \textit{recombinant} botulinum toxins (rBoNT)
  - \textit{Modified} recombinant botulinum toxins (mrBoNT)
  - \textit{Targeted Secretion Inhibitors} (TSI) – retargeted molecules
- Rich intellectual property
- Highly experienced research team

Progress

- Key Syntaxin scientists incentivized and well integrated
- Processes in place for collaboration and knowledge sharing
- Acceleration of priority programs

Highly complementary acquisition
Integration on track
No impact on R&D costs
Dysport® Next Generation, potentially the first ready-to-use toxin A

<table>
<thead>
<tr>
<th>Key characteristics</th>
<th>Key data points</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Ready-to-use formulation</td>
<td>- Stability data Q4 2013</td>
</tr>
<tr>
<td>- Full product range</td>
<td>- Stability analysis to continue to establish</td>
</tr>
<tr>
<td>- Enhanced safety and reduced cost (no reconstitution)</td>
<td>maximum shelf life across full product range</td>
</tr>
<tr>
<td>- Ability to reach more patients in need of treatment</td>
<td></td>
</tr>
</tbody>
</table>

Dysport® NG potentially the first available ready-to-use toxin on the market

Clear differentiation vs. competitors

Cervical Dystonia Phase III results (Europe) Q4 2013

Glabellar Line Phase III (Europe) to start Q4 2013
Major clinical results in non-functioning GEP-NETs\(^{(1)}\), functioning NET US to read out soon

**CLARINET**
Non Functioning NETs WW
- Positive PhIII topline results
- Detailed results: Presidential late breaking session at ESMO on 28 Sept 2013
- Expected filing in the US and EU

**ELECT**
Functioning NETs US
- PhIII topline results

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**CLARINET:** on track to obtain first global label in non-functioning GEP-NETs

**ELECT:** potential to consolidate the franchise in the US

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\(^{(1)}\) Gastro-entero-pancreatic neuroendocrine tumors
### New indications / product candidates to significantly increase Ipsen’s market opportunity

<table>
<thead>
<tr>
<th>Product</th>
<th>Growth drivers</th>
<th>Corresponding addressable market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Somatuline®</td>
<td>CLARINET Ph III GEP-NET antitumor effect (WW)</td>
<td>[€400m - €600m]</td>
</tr>
<tr>
<td></td>
<td>ELECT Phase III Functioning NET (US)</td>
<td></td>
</tr>
<tr>
<td>Dysport®</td>
<td>Spasticity Ph III in adult upper limb (US)</td>
<td>[€200m - €300m]</td>
</tr>
<tr>
<td></td>
<td>Dysport® Next Generation Ph III in cervical dystonia (Europe)</td>
<td>Differentiated presentation to gain market share</td>
</tr>
<tr>
<td>tasquinimod</td>
<td>tasquinimod Ph III in mCRPC (WW excl.US and Japan)</td>
<td>[€1.3bn - €1.5bn]</td>
</tr>
</tbody>
</table>

Increased market opportunity in the context of fast growing markets

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1) IMS 2012 and SmartAnalyst 2010 – 2) Ipsen analysis

(3) Decision Resources: in Ipsen territories and excl. GnRh analogs market
Potential business development to accelerate growth

Contemplated scenarios

External acquisition
- Bolt-on acquisitions to reinforce growth platforms in emerging / US
- Late-stage products (late phase III/marketed)

External cooperation
- Leverage geographical footprint
US to reach profitability with significant growth opportunities ahead

- Endocrinology Business Unit profitable despite Increlex® shortage
- ~ 50% market share in acromegaly market\(^{(1)}\)
- Positive CLARINET results
- ELECT PhIII read out imminent

- Restructuring of commercial operations
- New commercial model focused on key account management
- Adult Upper Limb spasticity phase III read out in 2014

US operations actively managed to rapidly reduce losses

Expected breakeven in 2014\(^{(2)}\) in current operational setting

Currently investigating NET commercialization options

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\(^{(1)}\) Somatuline® market share in acromegaly SSA market

\(^{(2)}\) Commercial contribution, excluding revenues from Valeant Pharmaceuticals Intl Inc.
A new governance to accelerate strategy execution, now operational

Marc de Garidel, Chairman and CEO
- Define corporate strategy
- Focus on growing sales through acquisitions, licensing and partnerships
- Manage relationship with key stakeholders

Christel Bories, Deputy CEO
- Run operations
- Transform the organization to a more efficient, lean and agile entity
- Focus on Group profitability and cash generation

Simultaneous work on top-line and bottom-line to achieve 2020 objectives

Complementary roles and responsibilities
H1 2013 – Operational overview

Christel Bories
Deputy CEO
Introducing Christel Bories

- Extensive industrial experience
- Transformation expertise
- Strong values

- Do we have the right operating model to support our strategy?

- Are we efficient enough?
  Can we be leaner and more agile?

- Are we result-oriented enough?
Specialty care sales growth impacted by Decapeptyl® performance

Drug Sales - H1 2013
in million euros - % excluding foreign exchange impacts

Specialty care

- Decapeptyl®: €147.1m, (5.7%)
- Dysport®: €130.5m, +8.4%
- Somatuline®: €123.4m, +9.2%
- Nutropin®: €29.2m, +10.1%
- Increlex®: €11.7m, (19.3%)
- Hexvix®: €7.4m, +23.3%

Specialty care sales growth impacted by Decapeptyl® performance

Drug sales

- €449.4m, +3.0%
- €614.2m, +0.9%

Primary care

- Smecta®: €61.7m, +12.9%
- Tanakan®: €32.7m, (26.8%)
- Forlax®: €20.7m, 0.2%
- Nisis®/Nisisco®: €4.1m, (70.3%)

French primary care: (26.3%)
International primary care: +11.2%
International primary care: +11.2%

Primary care

- €164.8m, (4.3%)
Dysport® and Decapeptyl® significantly impacted by price pressure

Year-on-year volume growth of specialty care products

- **Dysport®**
  - Volume growth: 11.8%
  - Value growth at constant exchange rates: 8.4%\(^{(1)}\)

- **Somatuline®**
  - Volume growth: 9.2%
  - Value growth at constant exchange rates: 9.2%

- **Decapeptyl®**
  - Volume growth: (2.4%)
  - Value growth at constant exchange rates: (5.7%)

\(^{(1)}\) Including non recurring elements
Decapeptyl® sales in H1 2013 impacted by one-off in Middle East and headwinds in Europe

Decapeptyl Sales in million euros at constant currency

- **Middle East**: (3.8)

- **Europe Top 4 negative contributors**
  - **China**: (7.4)
  - **Other**: (0.8)

- **H1 2012**: 156.0
- **H1 2013**: 147.1

- **Poland**: price decrease and patient co-payment
- **France**: consequences of French PC restructuring plan
- **Greece**: price cuts & aggressive competitive landscape
- **Spain**: general market decline and patient co-payment

**Headwinds in Europe as anticipated, China below expectations**

**Low visibility on consequences of current disruption of Chinese hospital market**
Group sales growth driven by most regions
G5 growth hampered by French primary care decline

- **ROW**
  - Strong volume growth in China, Australia, and Algeria

- **North America**
  - Continued penetration of Somatuline® in acromegaly, double-digit growth of Dysport® therapeutic
  - Increlex® shortage since mid-June

- **Other European countries**
  - Russia: Strong Specialty and Primary care performance

- **Major Western European countries**
  - Specialty care more than offset by tougher competitive environment in French primary care and decline of Spanish pharmaceutical market
  - Excluding French primary care, region up 2.1%\(^1\)

\(^1\) Growth rates computed y-o-y excluding foreign exchange impacts
Good cost control with continued R&D investment

**COGS (€m)**

- **H1 2012**: 128.9 (20.5%)
- **H1 2013**: 125.2 (19.8%)

**Sales & Marketing costs (€m)**

- **H1 2012**: 228.0 (36.2%)
- **H1 2013**: 229.2 (36.2%)

**R&D (€m)**

- **H1 2012**: 118.3 (18.8%)
- **H1 2013**: 124.0 (19.6%)

**G&A (€m)**

- **H1 2012**: 7.6% (1)
- **H1 2013**: 8.0% (1)

**Note:** 2012 figures have been restated to provide comparative information between 2012 and 2013.

(1) As a % of sales
Key takeaways

Solid performance of Ipsen’s growth pillars Somatuline® and Dysport®, respectively up 9.2%\(^1\) and 8.4%\(^1\)

Disappointing performance of Decapeptyl® in a tough European market, with disruptions in China and several one-off effects

Primary care above expectations with strong international performance up 11.2%\(^1\)
more than offset by a 26.3%\(^1\) decline in France

Cost control with continued investment in R&D programs, which delivers encouraging results

Sound operating performance with a recurring adjusted\(^2\) EBIT of 20.9% of sales

Note: 2012 figures have been restated to provide comparative information between 2012 and 2013

(1) Excluding foreign exchange impacts
(2) Excluding non recurring elements
2013 – Financial overview

Susheel Surpal
EVP CFO
From reported to Recurring adjusted Operating Income

H1 2012
In million euros

124.9
Reported EBIT

3.9
Restructuring

(10.8)
Impairment

12.7
Others

130.7
Recurring adjusted EBIT

(3.1)%
As reported

+1.2%
Recurring adjusted

H1 2013
In million euros

121.0
Reported EBIT

(1.3)
Restructuring

11.7
Impairment

0.8
Others

132.2
Recurring adjusted EBIT

Note: 2012 figures have been restated to provide comparative information between 2012 and 2013
Main P&L items: Below operating income

**Financial Result (€m)**

<table>
<thead>
<tr>
<th></th>
<th>Reported</th>
<th>Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2012</td>
<td>8.9</td>
<td></td>
</tr>
<tr>
<td>H1 2013</td>
<td>1.1</td>
<td></td>
</tr>
</tbody>
</table>

**Net income from discontinued operations (€m)**

<table>
<thead>
<tr>
<th></th>
<th>Reported</th>
<th>Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2012</td>
<td>-9.2</td>
<td></td>
</tr>
<tr>
<td>H1 2013</td>
<td>6.2</td>
<td></td>
</tr>
</tbody>
</table>

**Effective tax rate**

<table>
<thead>
<tr>
<th></th>
<th>Reported</th>
<th>Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2012</td>
<td>25.3%</td>
<td>23.3%</td>
</tr>
<tr>
<td>H1 2013</td>
<td>26.0%</td>
<td>25.0%</td>
</tr>
</tbody>
</table>

**Consolidated result (€m)**

<table>
<thead>
<tr>
<th>Reported</th>
<th>Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2012</td>
<td>90.7</td>
</tr>
<tr>
<td>H1 2013</td>
<td>96.5</td>
</tr>
</tbody>
</table>

**Note:** 2012 figures have been restated to provide comparative information between 2012 and 2013.
## Balance sheet evolution

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2012 pro forma</th>
<th>H1 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill</td>
<td>298.2</td>
<td>299.3</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>281.8</td>
<td>275.4</td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>129.2</td>
<td>112.4</td>
</tr>
<tr>
<td>Other non current assets</td>
<td>246.2</td>
<td>232.5</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td><strong>955.3</strong></td>
<td><strong>919.5</strong></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td><strong>606.3</strong></td>
<td><strong>651.9</strong></td>
</tr>
<tr>
<td><strong>Incl. Cash and cash equivalents</strong></td>
<td><strong>113.6</strong></td>
<td><strong>121.2</strong></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>1,561.7</strong></td>
<td><strong>1,571.4</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>2012 pro forma</th>
<th>H1 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital and reserves</td>
<td>902.5</td>
<td>937.4</td>
</tr>
<tr>
<td>Minority interest</td>
<td>2.0</td>
<td>2.3</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td><strong>904.5</strong></td>
<td><strong>939.7</strong></td>
</tr>
<tr>
<td>Borrowings</td>
<td>0.0</td>
<td>40.0</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>15.9</td>
<td>14.8</td>
</tr>
<tr>
<td>Other non current liabilities</td>
<td>204.3</td>
<td>204.0</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td><strong>220.2</strong></td>
<td><strong>258.8</strong></td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td><strong>437.0</strong></td>
<td><strong>372.9</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>1,561.7</strong></td>
<td><strong>1,571.4</strong></td>
</tr>
</tbody>
</table>
Total Milestones cashed-in and not yet recognized as revenues

Main evolutions over the period

The Group has not recorded any new deferred income in 2013

<table>
<thead>
<tr>
<th></th>
<th>H1 2012</th>
<th>H1 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments recognised as revenues in (n)</td>
<td>11.9</td>
<td>11.8</td>
</tr>
<tr>
<td>Payments recognised as revenues in (n+1)</td>
<td>22.2</td>
<td>21.6</td>
</tr>
<tr>
<td>Payments recognised as revenues in (n+2) and beyond</td>
<td>128.6</td>
<td>103.9</td>
</tr>
</tbody>
</table>

Note: 2012 figures have been restated to provide comparative information between 2012 and 2013
## Cash flow generation

### In million euros

<table>
<thead>
<tr>
<th></th>
<th>H1 2012</th>
<th>H1 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consolidated net profit</strong></td>
<td>99.9</td>
<td>90.3</td>
</tr>
<tr>
<td><strong>Non cash and non operating items</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which Depreciation, amortisation, provisions</td>
<td>3.6</td>
<td>18.0</td>
</tr>
<tr>
<td>of which Impairment losses</td>
<td>(10.8)</td>
<td>11.7</td>
</tr>
<tr>
<td>of which Change in deferred taxes</td>
<td>0.9</td>
<td>7.1</td>
</tr>
<tr>
<td><strong>Cash flow from operating activities before changes in working capital</strong></td>
<td>93.1</td>
<td>133.4</td>
</tr>
<tr>
<td>Net change in other operating assets &amp; liabilities</td>
<td>(29.4)</td>
<td>(84.6)</td>
</tr>
<tr>
<td><strong>Net cash flow generated by operating activities</strong></td>
<td>63.7</td>
<td>48.7</td>
</tr>
<tr>
<td>Purchase of tangible and intangible assets</td>
<td>(32.5)</td>
<td>(11.8)</td>
</tr>
<tr>
<td>Others</td>
<td>4.8</td>
<td>(16.9)</td>
</tr>
<tr>
<td><strong>Net cash flow used in investing activities</strong></td>
<td>(27.5)</td>
<td>(28.7)</td>
</tr>
<tr>
<td>Short term loan</td>
<td>-</td>
<td>40.0</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(67.5)</td>
<td>(66.7)</td>
</tr>
<tr>
<td>DIP Inspiration</td>
<td></td>
<td>7.1</td>
</tr>
<tr>
<td>Others</td>
<td>(1.5)</td>
<td>(1.1)</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td>(68.9)</td>
<td>(20.8)</td>
</tr>
<tr>
<td>Impact of discontinued operations</td>
<td>29.1</td>
<td>5.8</td>
</tr>
<tr>
<td><strong>Change in cash and cash equivalents</strong></td>
<td>(61.9)</td>
<td>5.1</td>
</tr>
<tr>
<td>Effects of exchange rate changes</td>
<td>1.3</td>
<td>(0.8)</td>
</tr>
<tr>
<td><strong>Closing cash position</strong></td>
<td>84.2</td>
<td>117.6</td>
</tr>
</tbody>
</table>

**Note:** 2012 figures have been restated to provide comparative information between 2012 and 2013.
Working capital deterioration notably due to payment delays in Southern Europe

Cash flow from operating activities before changes in working cap: 133.4
Increase in inventories: (7.6)
Increase in trade receivables: (63.7)
Decrease in trade payables: (20.7)
Others: +7.4
Cash flow from operating activities after changes in working cap: 48.7

Mainly impacted by payment delays in Southern Europe
Concluding remarks and outlook

Marc de Garidel
Chairman and CEO
2013 updated financial objectives

**Specialty care**
Drug sales
- Growth of approximately +3.0% year-on-year
  - Realignment of the Decapeptyl® inventory situation in the distribution chain
  - Launch of new Decapeptyl® local competitors
  - Recent disruption in the Chinese market
  - Continued exceptional political situation in certain Middle Eastern countries

**Primary care**
Drug sales
- Decline of approximately -1.0% year-on-year

**Recurring adjusted(*) operating margin**
- Unchanged at around 16.0% of sales
  - The Group continues to implement productivity measures while maintaining investment in R&D
  - Benefits from the new organization of French primary care and US commercial operations expected to materialize in 2014

*Note: the above sales growth objectives are set at constant currency. All the above objectives are set excluding major negative unforeseeable events, notably significant currency fluctuations in the context of currency depreciation in certain emerging countries. (*) Prior to non-recurring expenses*
Key takeaways

- **Solid performance of Ipsen’s growth pillars Somatuline® and Dysport®**
- **Disappointing performance of Decapeptyl®, leading to a downward revision of Specialty care guidance**
- **Primary care above expectations with strong international performance, leading to an upward revision of Primary care guidance**
- **Cost control with continued investment in R&D programs, which delivers encouraging results**
- **Sound operating performance and EPS growth**
2013 upcoming events

- **28 September**
  - Detailed results of phase III CLARINET study
  - Presidential Session at ESMO

- **Q3 2013**
  - ELECT PhIII top line results

- **Q4 2013**
  - Dysport® NG Cervical Dystonia PhIII topline results

- **Q4 2013**
  - Dysport® NG stability data
Thank You