

# Ipsen

## Half Year 2015 Results

31 July 2015



# Disclaimer

This presentation includes only summary information and does not purport to be comprehensive. Forward-looking statements, targets and estimates contained herein are for illustrative purposes only and are based on management's current views and assumptions. Such statements involve known and unknown risks and uncertainties that may cause actual results, performance or events to differ materially from those anticipated in the summary information. Actual results may depart significantly from these targets given the occurrence of certain risks and uncertainties, notably given that a new product can appear to be promising at a preparatory stage of development or after clinical trials but never be launched on the market or be launched on the market but fail to sell notably for regulatory or competitive reasons. The Group must deal with or may have to deal with competition from generic that may result in market share losses, which could affect its current level of growth in sales or profitability. The Company expressly disclaims any obligation or undertaking to update or revise any forward-looking statements, targets or estimates contained in this presentation to reflect any change in events, conditions, assumptions or circumstances on which any such statements are based unless so required by applicable law.

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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.

# Agenda

**1**

**Strategy update**

**Marc de Garidel**  
*Chairman and CEO*

**2**

**H1 2015 – Operational overview**

**Christel Bories**  
*Deputy CEO*

**3**

**H1 2015 – Financial overview**

**Aymeric Le Chatelier**  
*CFO*

**4**

**2015 outlook**

**Marc de Garidel**  
*Chairman and CEO*

# Strategy update

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**Marc de Garidel**  
Chairman and CEO

# 2015-2020: A refocused strategy within specialty and primary care

## Specialty care

Global leadership in targeted diseases

- Focus on NET/spasticity/Dysport® aesthetics (Galderma)
- Reinforce position in uro-oncology/adult endocrinology
- Explore adjacent therapeutic areas in GI/orphan cancers

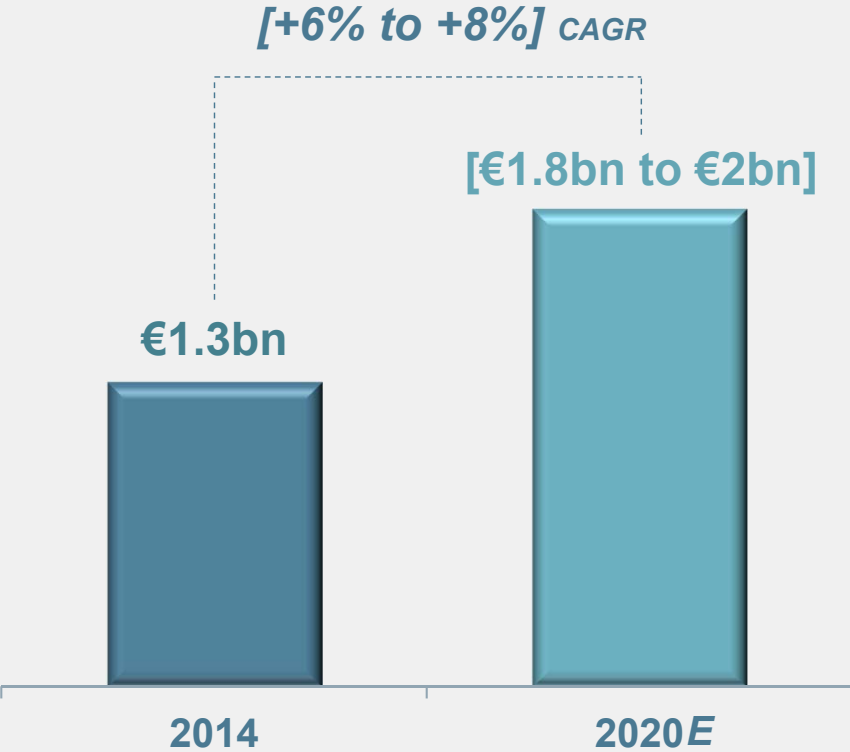
## Primary care

Focus on GI/OTx

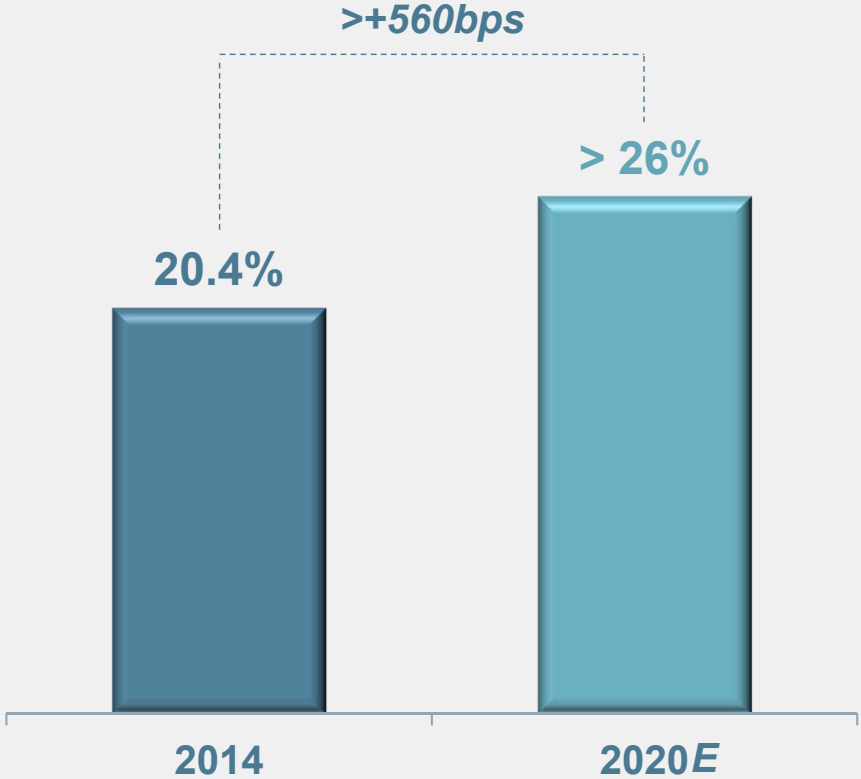
- Optimize the GI portfolio
- Diversify into adjacent GI pathologies
- Reinforce geographical coverage
- Develop OTx capabilities

# 2020 outlook showing strong sales growth and profitability momentum

*Group organic sales*



*Core Operating margin<sup>(1)</sup>*



Potential Business Development to complement €1.8bn to €2.0bn organic sales target

<sup>(1)</sup> In percentage of sales



# H1 2015 performance

Solid Operating performance driven by Specialty sales growth

Accelerated Somatuline<sup>®</sup> momentum with significant US launch investment

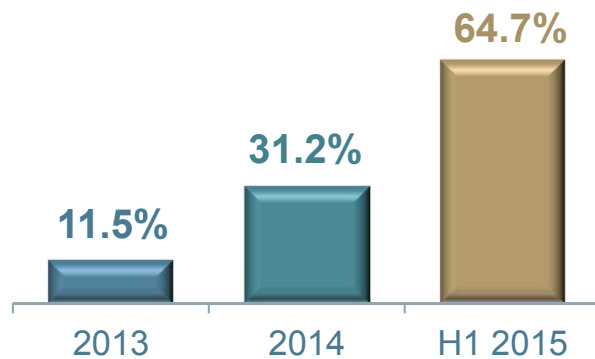
Readiness for US launch of Dysport<sup>®</sup> in AUL spasticity after July FDA approval

Continued business development efforts with acquisition of Canbex/Octreopharm

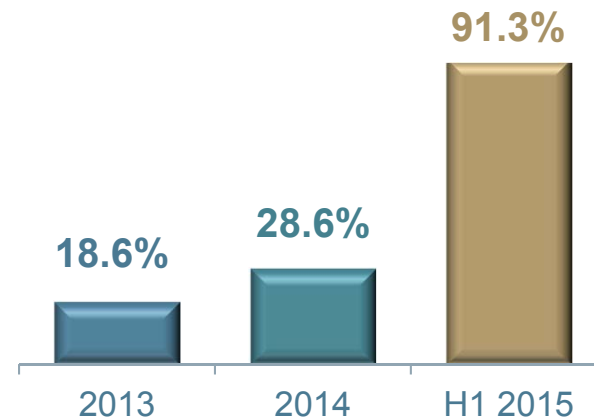


# Turnaround of the US platform, with high potential for growth

**US affiliate sales growth<sup>(1)</sup>**



**Somatuline<sup>®</sup> US sales growth**



US affiliate to reach breakeven ahead of plan and drive significant profitability increase thanks to Somatuline<sup>®</sup>

US platform to be further leveraged with Dysport<sup>®</sup> launch in H2 and potential business development

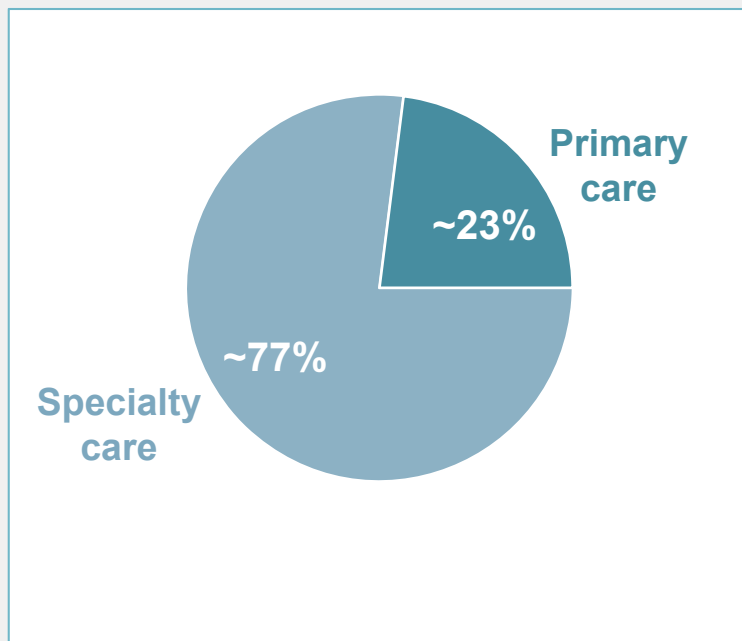
# H1 2015 – Operational overview

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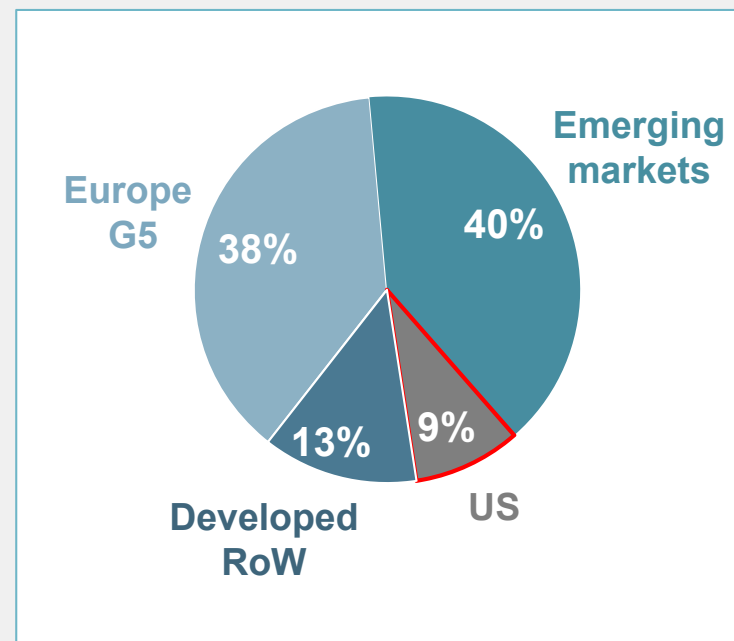
**Christel Bories**  
Deputy CEO

# Increasing weight of specialty care and the US

H1 2015 sales by segment



H1 2015 sales by geography



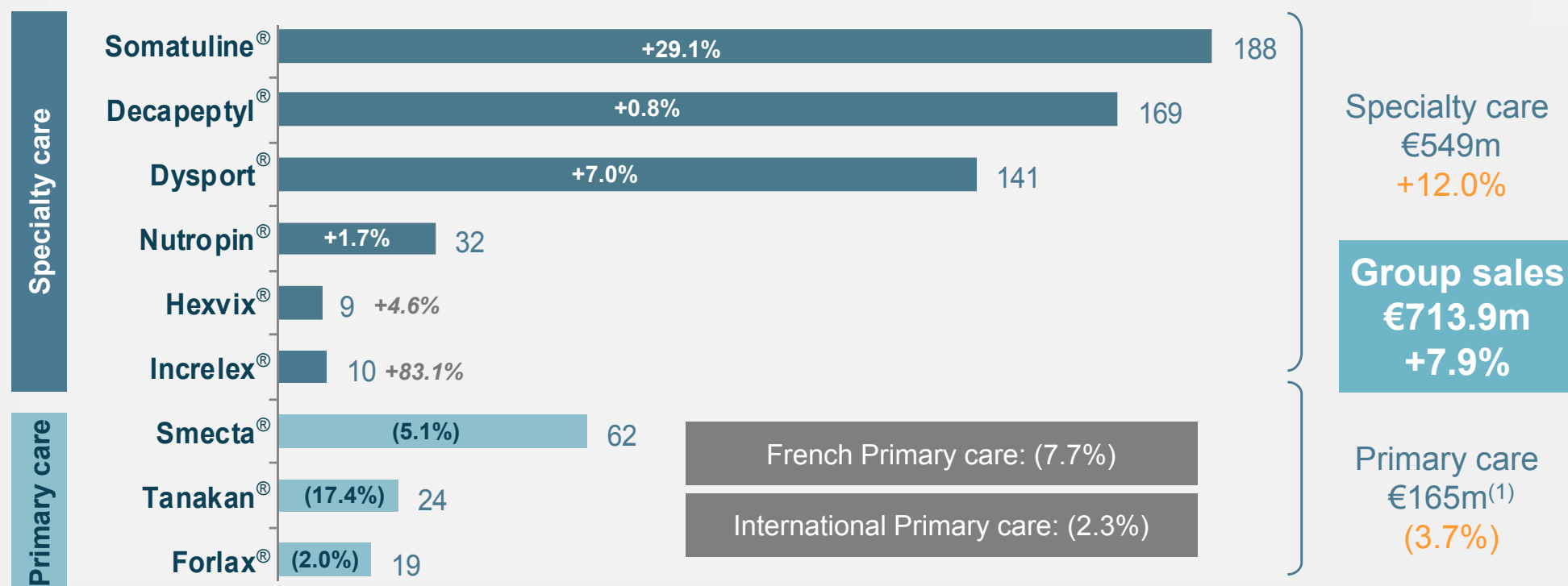
Top 5 affiliates



One of the largest emerging market presence in the industry, consolidating US footprint

# H1 2015 – Steady Specialty care growth

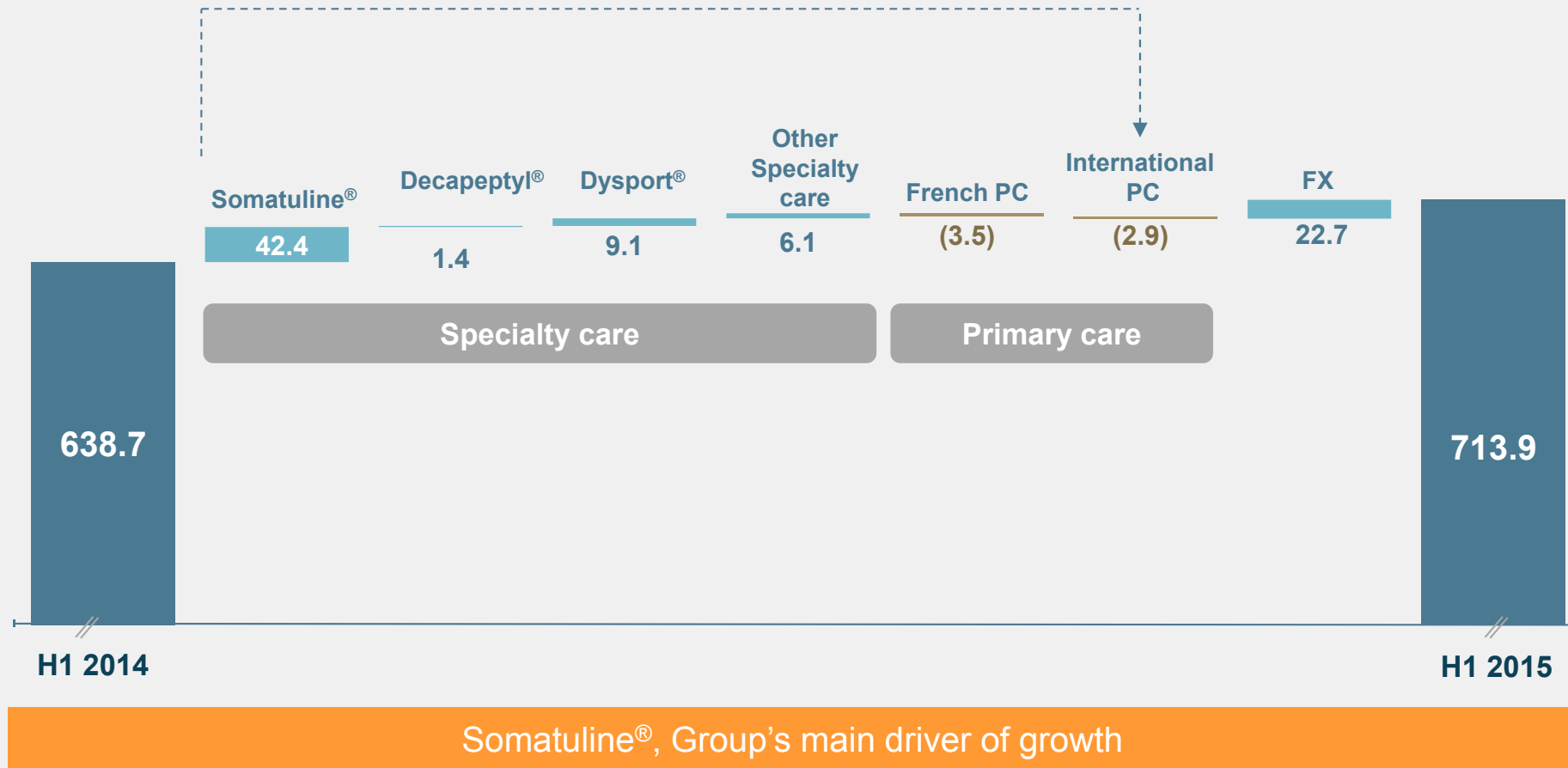
Drug sales – H1 2015 in million euros – % excluding foreign exchange impact



# 80% of H1 sales growth coming from Somatuline®

FY sales  
in million euros

Group sales growth: +7.9% (€52.5m) at constant currency

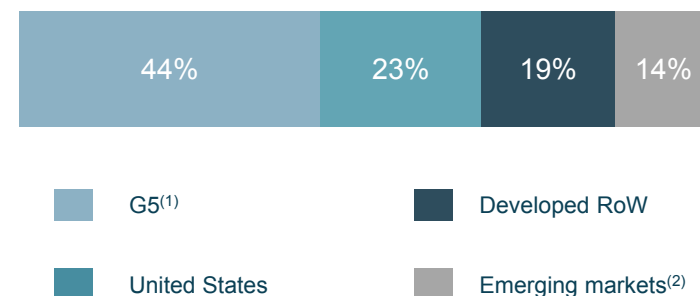


# Somatuline<sup>®</sup> growth acceleration thanks to successful NET launch

## Business update

- US: Ipsen present in 40% of NET centers, including all 25 major reference centers
- Europe: GEP NET approval granted by 21 European countries
- Increased penetration across geographies

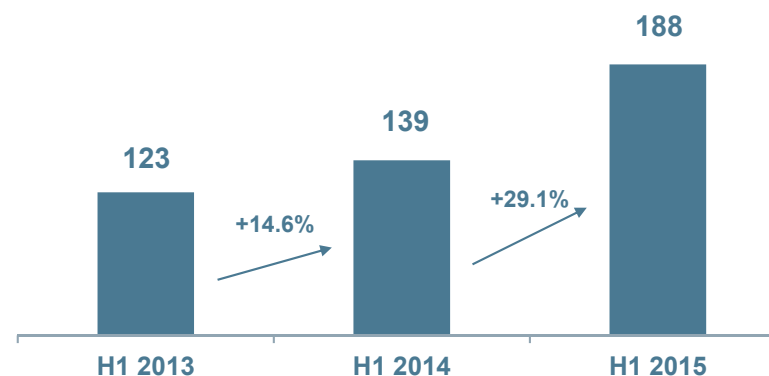
## Geographic distribution (H1 2015)



## H1 2015 performance

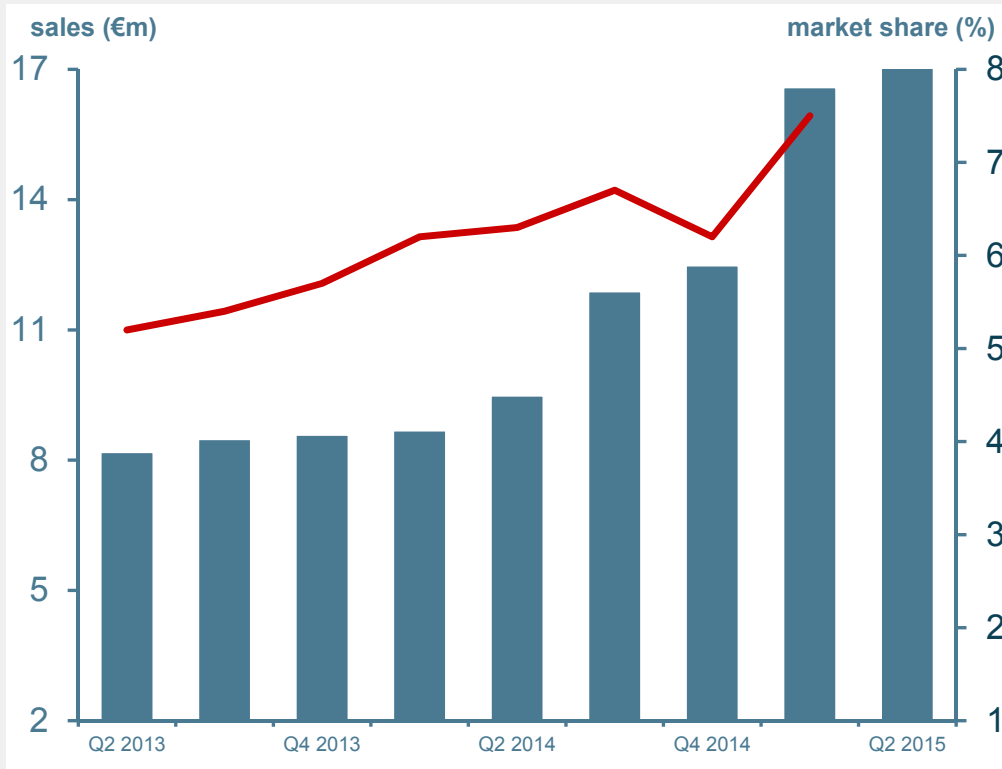
- Overall acceleration of growth due to NET global launch
- Strong growth in North America, up 88% with positive price impact
- Double digit growth in Europe, notably in Germany, the UK, Spain and France

## 3-year growth (cst FX)

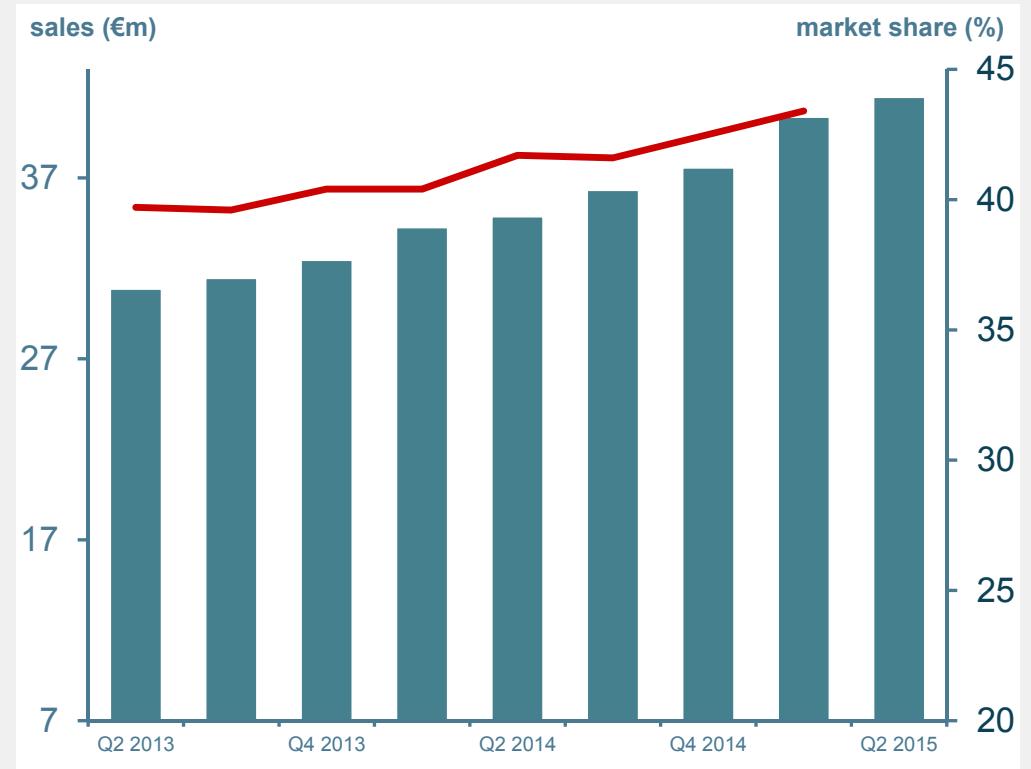


# Somatuline<sup>®</sup> accelerated NET penetration in the US and Europe

Somatuline<sup>®</sup> US quarterly data, all indications



Somatuline<sup>®</sup> Europe G5<sup>(1)</sup> quarterly data, all indications



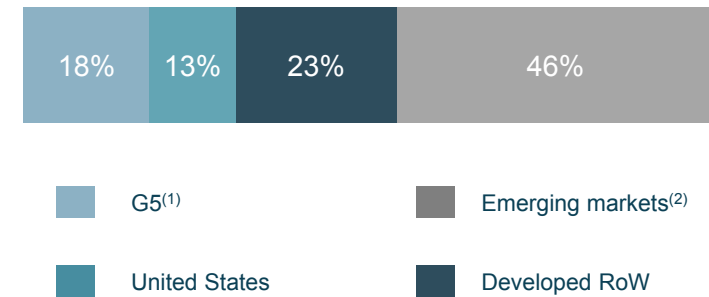
Somatuline<sup>®</sup> captured 70%<sup>(2)</sup> of market growth in Europe and 23%<sup>(2)</sup> in the US in Q1 2015

# Dysport® driven by solid market growth

## Business update

- US launch of Dysport® in AUL spasticity expected in September 2015
- Build-up of US spasticity sales force
- Staffing of European Business unit
- European launch of additional AUL spasticity indications to start in Q1 2016

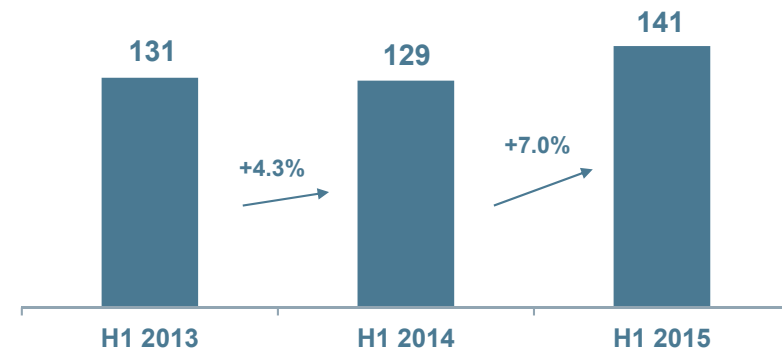
## Geographic distribution (H1 2015)



## H1 2015 performance

- Good Galderma performance in aesthetics in a solid underlying market growth
- Solid performance in emerging countries, notably in Russia
- Slowdown of pharmaceutical market in Brazil in Q2

## 3-year growth (cst FX)



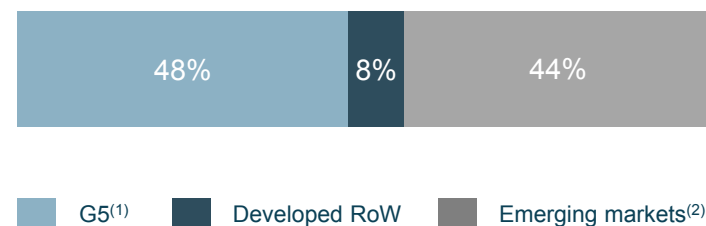


# Decapeptyl® facing slowdown in China and price pressure in Europe and Algeria

## Business update

- Progress on potential combination in breast cancer
- Launch of 3-month subcutaneous formulation in Europe from July 2015

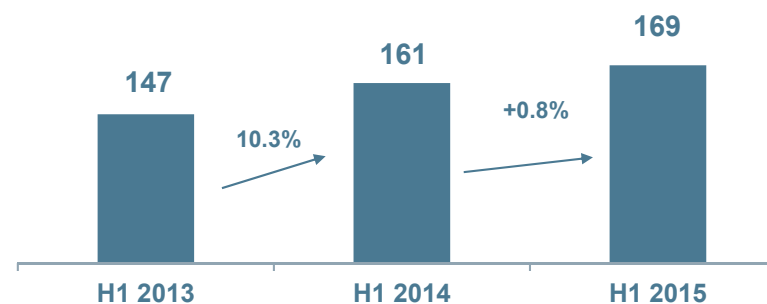
## Geographic distribution (H1 2015)



## H1 2015 performance

- Lower sales growth in China, facing market slowdown in IVF and price pressure
- Continued price pressure in Southern Europe and Algeria
- Good growth in UK and Spain

## 3-year growth (cst FX)

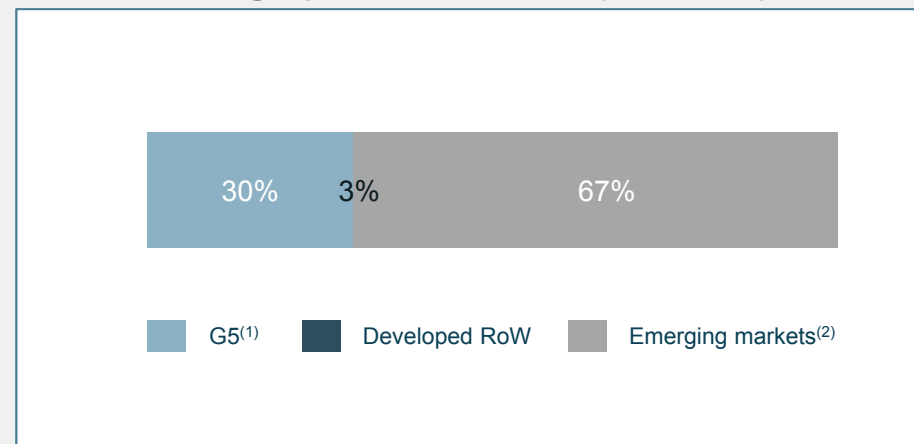


# Primary care impacted by Smecta® and Tanakan® slowdown

## Business update

- Start of Tanakan® local production in Russia
- Expected launch of Smecta® ready-to-use (liquid) and Strawberry taste in Q4 2015 in France
- Accelerated switch of China primary care model to OTx

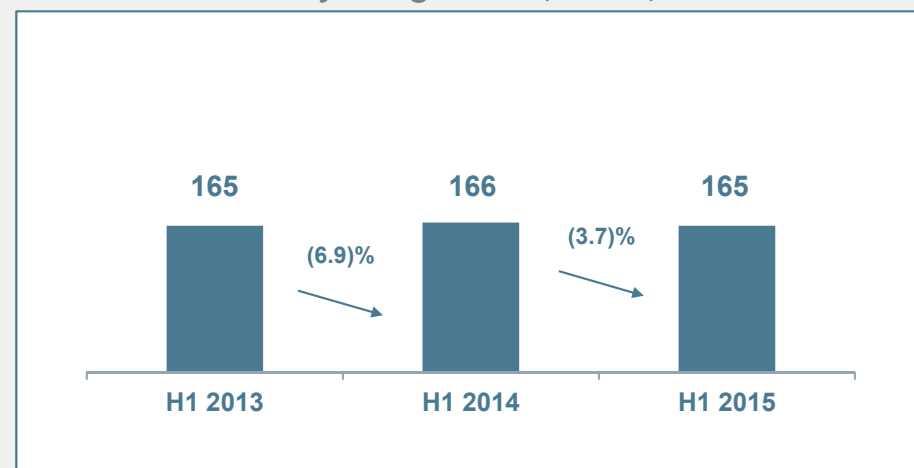
## Geographic distribution (H1 2015)



## H1 2015 performance

- Smecta® sales impacted by new manufacturing setup in Algeria and destocking in distribution and price pressure in China
- Tanakan® Russia sales facing out of pocket market slowdown and tough competition
- France continuous decline with Tanakan® market decrease and tail portfolio erosion

## 3-year growth (cst FX)



# H1 performance supporting 2015 growth expectations

Somatuline<sup>®</sup> to continue delivering growth in NET, both in US and Europe

Dysport<sup>®</sup> to benefit from market growth and US launch in AUL spasticity

Decapeptyl<sup>®</sup> to benefit from market rebound and new commercial model in China

Primary Care growth to recover with seasonality and specific action plans on Tanakan<sup>®</sup> and Smecta<sup>®</sup>

Strategic focus and commercial model transformation to support base business growth in both Specialty and Primary Care

# H1 2015 – Financial overview

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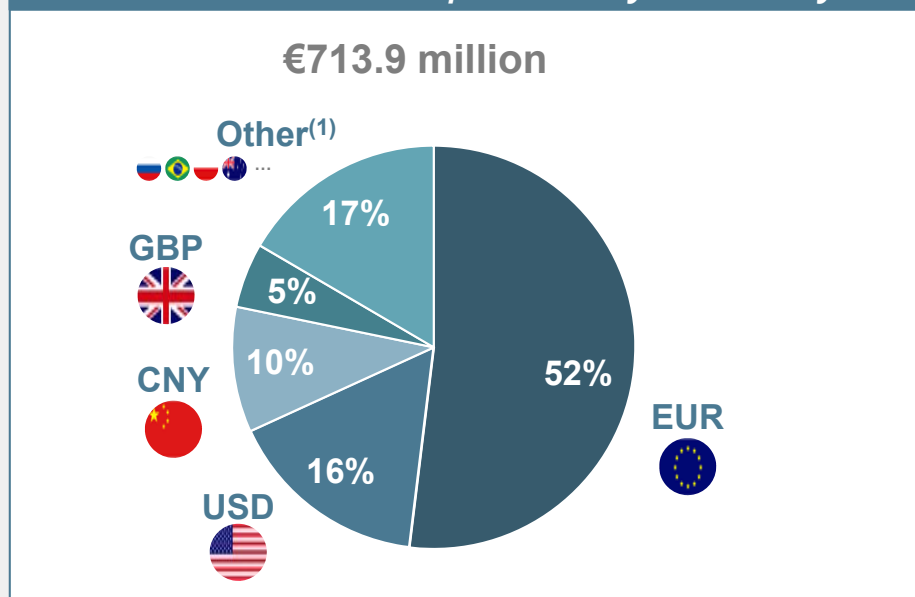
**Aymeric Le Chatelier**  
EVP CFO

# P&L - From sales to Core Operating Income

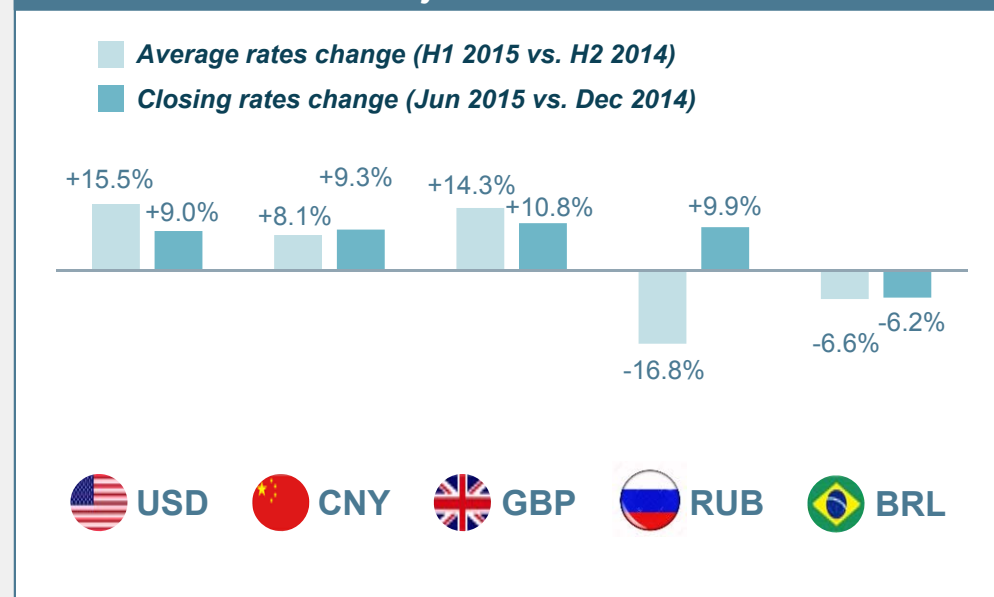
<i>In million euros</i>	H1 2015	H1 2014	Change	% Change	Change at constant FX
<b>Group sales</b>	713.9	638.7	+75.2	+11.8%	+7.9%
<b>Other revenues</b>	38.0	30.1	+7.9	+26.4%	
<b>Revenue</b>	751.9	668.8	+83.1	+12.4%	
<b>Cost of goods sold</b>	(168.3)	(155.8)	-12.5	+8.0%	
<b>Selling expenses</b>	(259.9)	(211.4)	-48.5	+23.0%	
<b>R&amp;D expenses</b>	(91.8)	(87.6)	-4.2	+4.8%	
<b>G&amp;A expenses</b>	(61.3)	(51.3)	-10.0	+19.5%	
<b>Other core</b>	(2.9)	(0.7)	-2.2	NA	
<b>Core Operating Income</b>	167.6	162.0	+5.6	+3.5%	
<b>Core Operating margin</b>	23.5%	25.4%	-1.0 pt		

# Ipsen exposure to foreign currencies

H1 2015 sales exposure by currency



Evolution of major currencies vs. EUR<sup>(2)</sup>

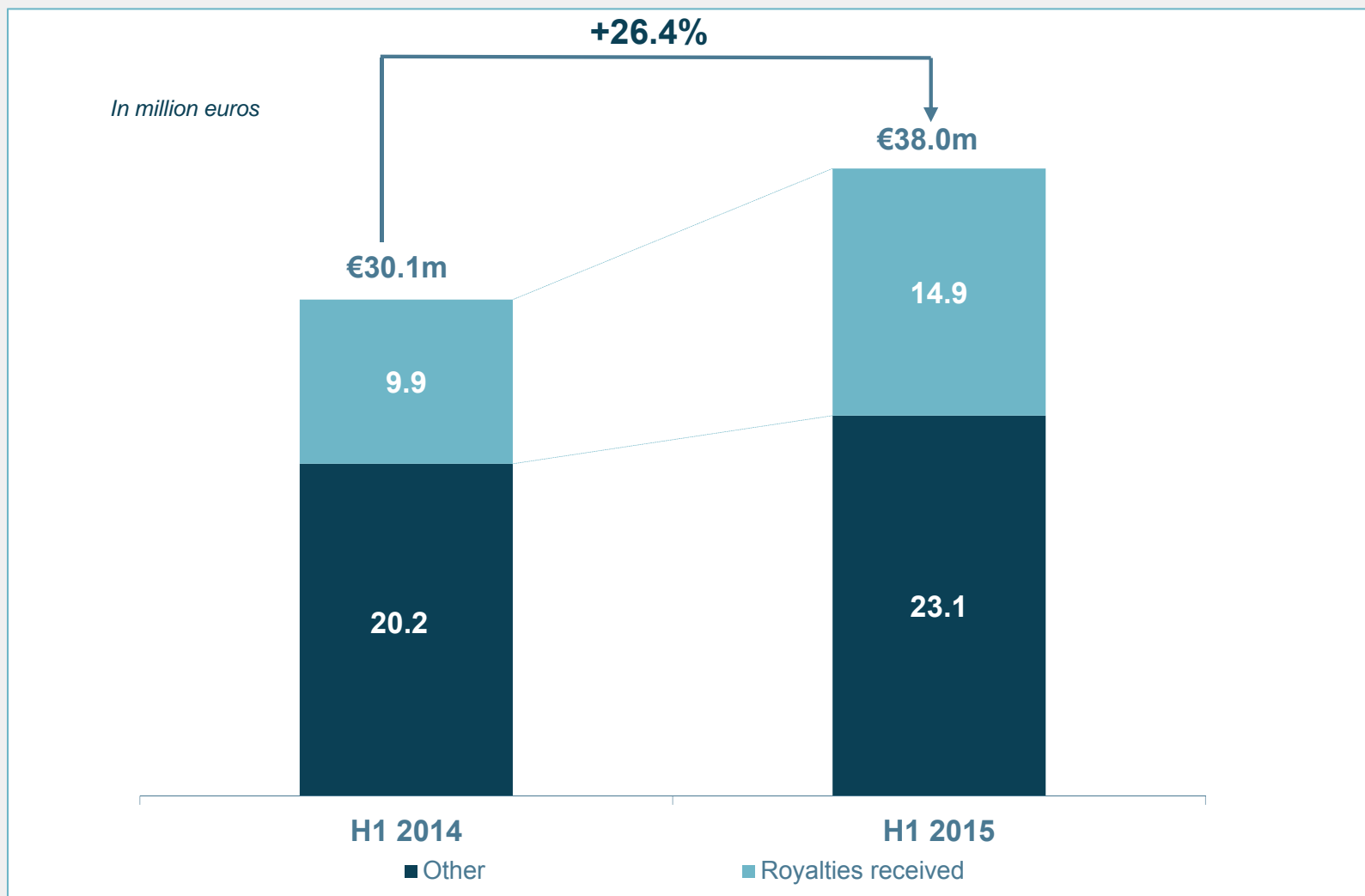


H1 2015 sales growth benefiting from strong USD & CNY against EUR

Hedging in place to limit impact of key currencies

<sup>(1)</sup> Includes RUB, BRL, AUD, PLN and other currencies  
<sup>(2)</sup> 1 Foreign Currency Unit = X EUR

# Other revenues evolution

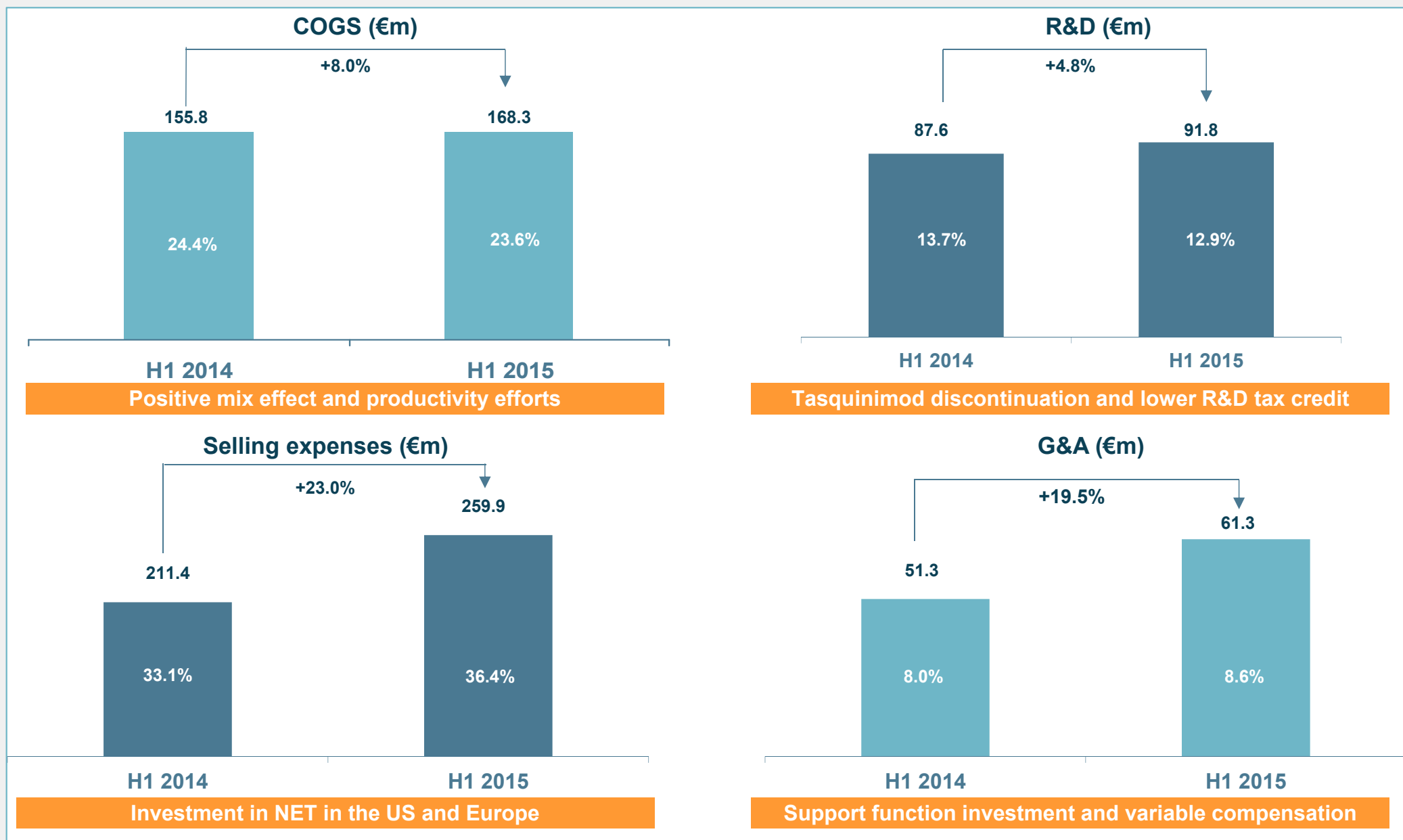


Increased Adenuric<sup>®</sup> royalty stream

Upfront payment received from sale of Ginkor Fort<sup>®</sup> rights

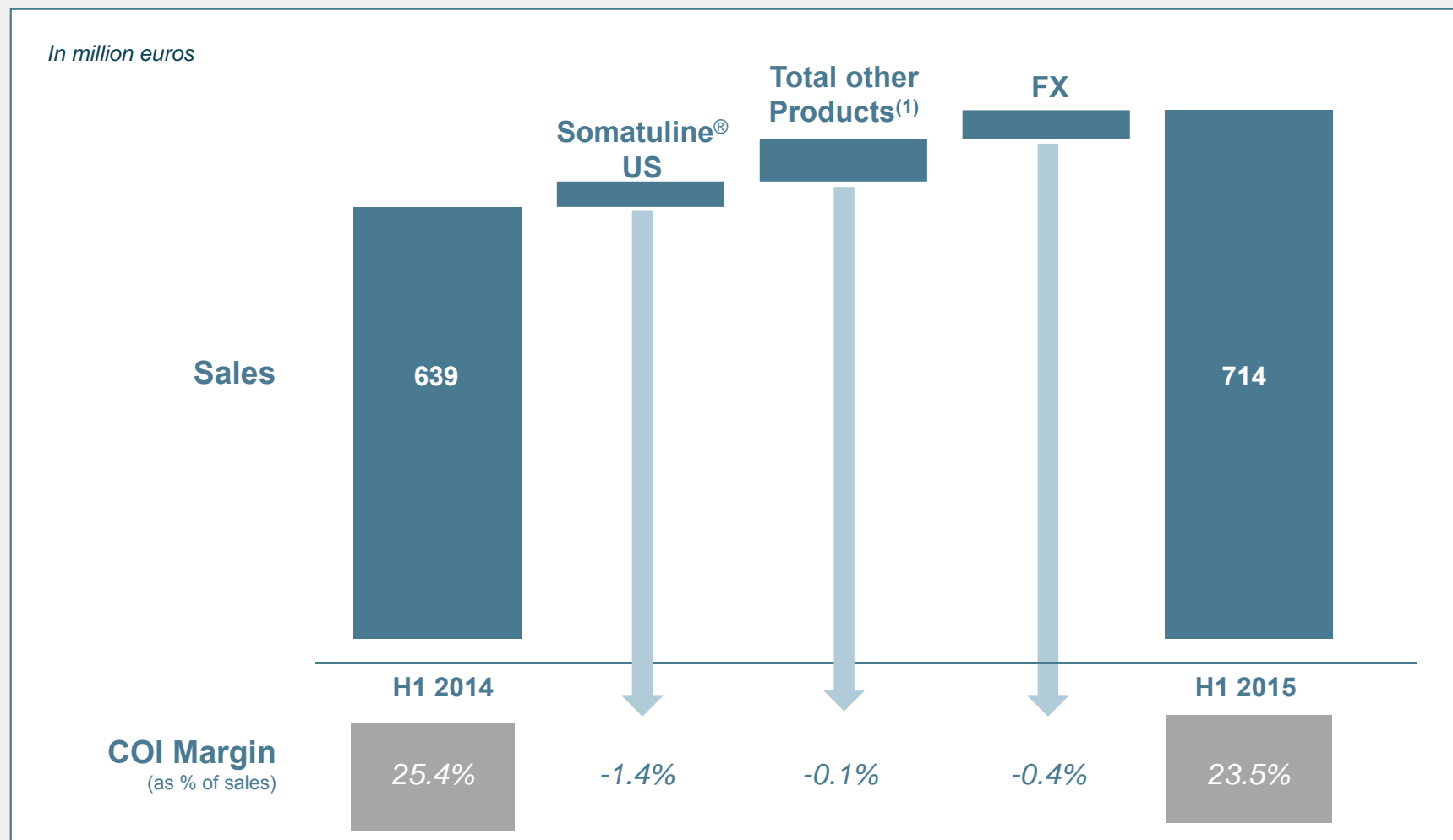
Decreasing co-promotion revenues in France & milestones received

# Drivers for operating cost evolution





# Core Operating margin evolution



Somatuline® US significantly dilutive to Group margin in H1 2015

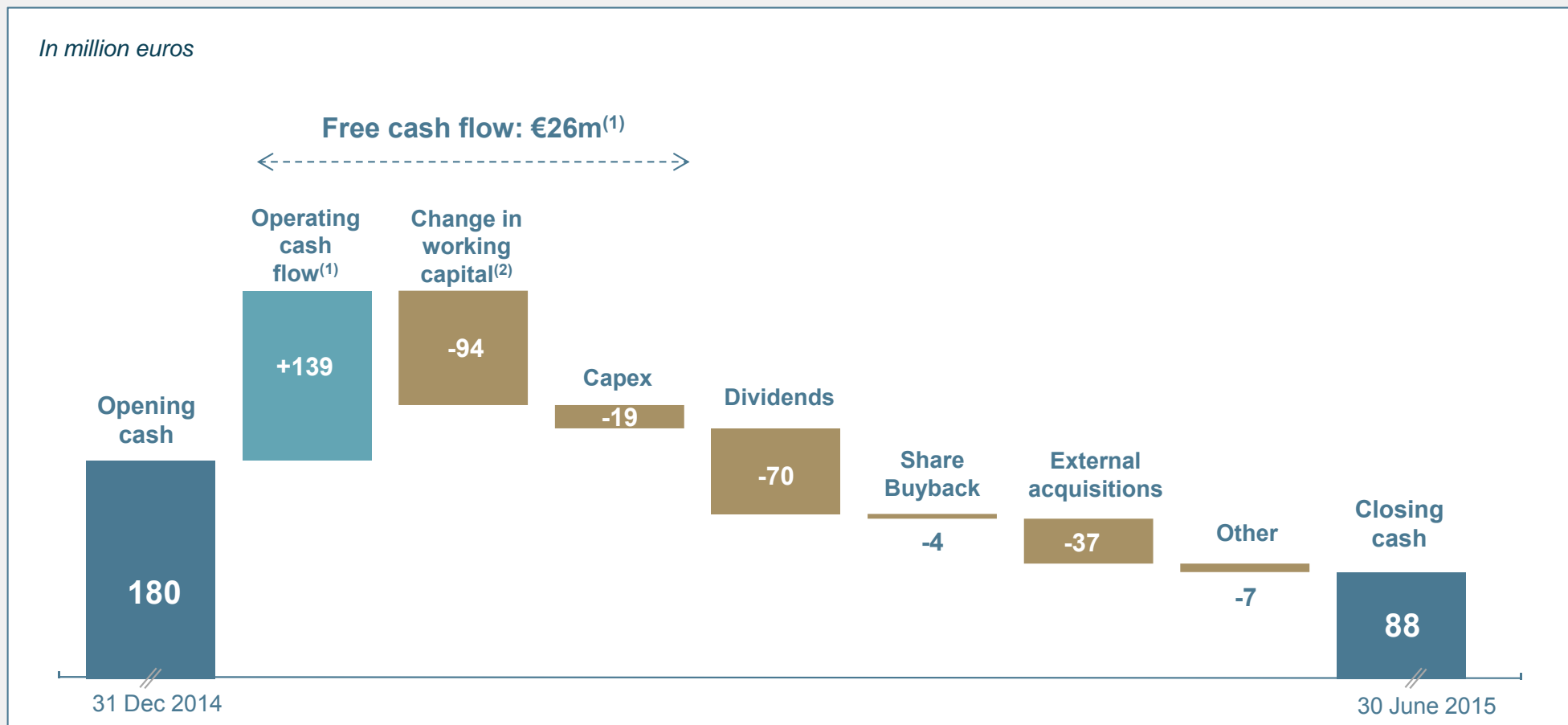
# P&L - From Core Operating Income to EPS

<i>In million euros</i>	H1 2015	H1 2014	Change	% Change
<b>Group sales</b>	713.9	638.7	+75.2	+11.8%
<b>Core Operating Income</b>	167.6	162.0	+5.6	+3.5%
<i>Core Operating margin</i>	23.5%	25.4%	-1.0 pt	
<b>Other non core</b>	(6.6)	(3.0)	-3.6	
<b>Restructuring costs</b>	(0.7)	(12.3)	+11.6	
<b>Impairment gain / (losses)</b>	(57.0)	(0.4)	-56.6	
<b>Operating Income</b>	103.4	146.3	-42.9	-29.3%
<i>Operating Income margin</i>	14.5%	22.9%	-8.4 pts	
<b>Financial result</b>	3.2	(2.2)	+5.4	
<b>Income taxes</b>	(17.9)	(40.7)	+22.8	
<b>Share of profit from JV</b>	1.5	1.2	+0.3	
<b>Discontinued operations</b>	0.3	(0.2)	+0.5	
<b>Consolidated net profit</b>	90.5	104.5	-14.0	-13.4%
<i>Consolidated profit margin</i>	12.7%	16.4%	-3.7 pts	
<b>EPS – fully diluted (€)</b>	1.09	1.26	-0.17	-13.5%
<b>Core EPS – fully diluted (€)</b>	1.50	1.40	+0.10	7.0%

Consolidated net profit impacted by tasquinimod impairment

Core EPS up 7%

# H1 2015 cash flow generation



Solid free cash flow generation despite higher working capital

Closing cash impacted by dividends, share buyback and external acquisitions

# Balance sheet evolution

ASSETS			LIABILITIES		
<i>In million euros</i>	FY 2014	H1 2015	<i>In million euros</i>	FY 2014	H1 2015
Goodwill	324.4	336.8	Capital and reserves	1,065.2	1,132.0
Other intangible assets	160.9	105.8	Non-controlling interests	2.7	2.6
Property, plant and equipment	309.6	336.9	<b>Total equity</b>	<b>1,067.9</b>	<b>1,134.6</b>
Investments in companies accounted for using the equity method	13.7	15.4	Provisions	42.1	43.5
Other non current assets	233.1	293.4	Financial liabilities	12.1	10.4
<b>Non-current assets</b>	<b>1,041.7</b>	<b>1,088.2</b>	Other non current liabilities	181.1	198.1
<b>Current assets</b>	<b>671.6</b>	<b>672.6</b>	<b>Non-current liabilities</b>	<b>235.2</b>	<b>251.9</b>
<i>Incl. Cash and cash equivalents</i>	186.3	92.9	<b>Current liabilities</b>	<b>410.2</b>	<b>374.3</b>
<b>Total Assets</b>	<b>1,713.3</b>	<b>1,760.8</b>	<b>Total Liabilities</b>	<b>1,713.3</b>	<b>1,760.8</b>

Solid balance sheet with net cash

Intangibles impacted by tasquinimod impairment

# H1 2015: Key financial achievements

Group sales up 7.9%<sup>(1)</sup> driven by specialty care growth of 12%<sup>(1)</sup>, notably Somatuline® in the US and Europe

Core Operating Income up 3.5%, or 23.5% margin<sup>(2)</sup>, due to high investment for NET launch, notably in the US

Consolidated net profit of €90.5m, impacted by tasquinimod impairment  
Robust Core EPS of €1.50, up 7.0% year-on-year

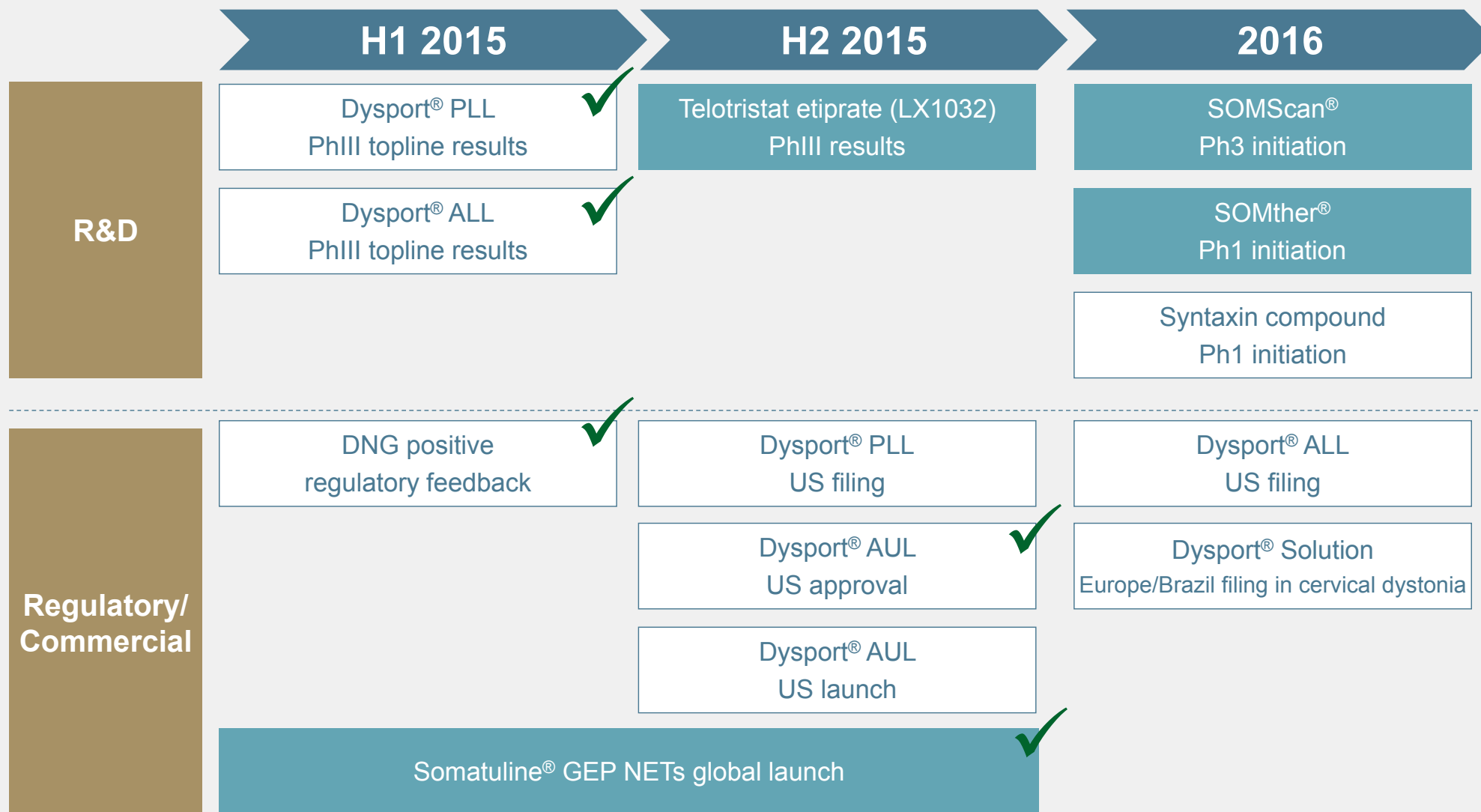
Sound operating cash flow generation  
Closing net cash balance of €88m

# 2015 outlook

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**Marc de Garidel**  
Chairman and CEO

# Major R&D and regulatory milestones to come



# Financial objectives upgraded for 2015

Specialty care – Drug sales

Growth  $\geq$  14.0%, year-on-year

*Driven by the launch of Somatuline<sup>®</sup> in neuroendocrine tumors in the US and Europe*

Primary care – Drug sales

Decline of -3.0% to 0.0%, year-on-year

*From 2015 onwards, drug-related sales (active substances and raw materials) to be recorded in the Primary care sales line*

Core Operating Income

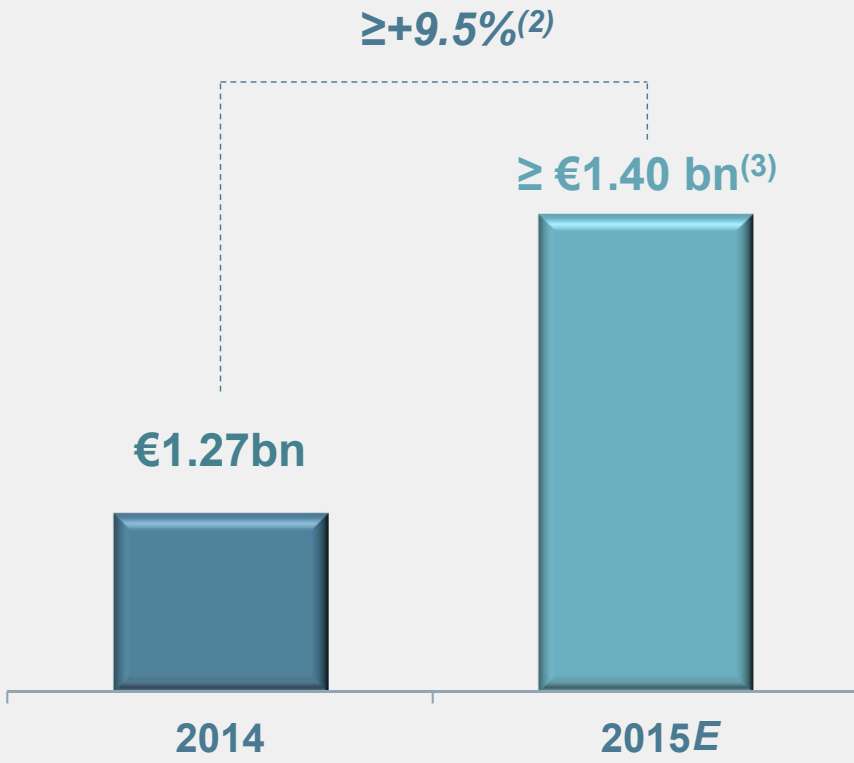
$\geq$  22.0% of Group sales

*Reflecting the growth of Specialty care and the investments required to support the global launch of Somatuline<sup>®</sup> and Dysport<sup>®</sup> in the US*

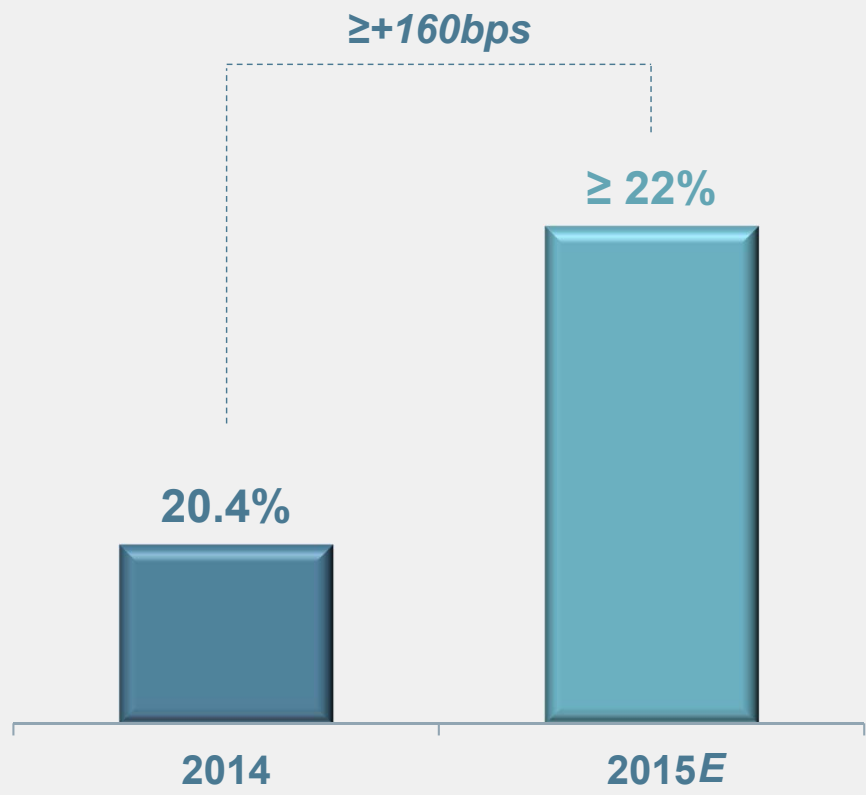


# 2015 guidance showing strong sales and profitability momentum

**Group organic sales**



**Core Operating margin<sup>(1)</sup>**



<sup>(1)</sup> In percentage of sales  
<sup>(2)</sup> At constant currency, based on the lower range of the specialty and primary care guidance  
<sup>(3)</sup> Excluding foreign exchange impact



# Key takeaways

1

Focused Strategy on niche disease areas with 26% minimum profitability target by 2020

2

2015 double digit organic sales growth and significant profitability enhancement thanks to Somatuline<sup>®</sup> launch

3

Continuous business development effort to leverage portfolio and geographies

Ipsen committed to deliver superior shareholder value

Thank you

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