



# Half year 2007 results

August 29, 2007



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## An innovation driven International Specialty Pharma Group

### A world-class Group

- > 100 countries. c.4,000 employees, founded in 1929.
- 2006 Sales: €862 m. 2006 operating income: €187 m
- Market capitalisation (as of August 1, 2007): ~€3.3 bn

A diversified and balanced portfolio of products with more than 20 field proven products

A longstanding presence in primary care in France

A clear strategic focus on fast-growing specialist care worldwide

- 47% of 2005 Group sales, 45% in 2006
- Gastroenterology, cognitive disorders and cardiovascular.

- 49% of 2005 Group sales, 52% in 2006
- Targeted Therapeutic areas:  
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.
- 700 staff, 2006 R&D expense: 20.7% of sales.

### A recognised strategic partner

- Alliances with international industry leaders in US, Europe and Japan and best-in-class universities around the world.

## A market leader in our Targeted Therapeutic Areas

### Decapeptyl®

- GnRH analogue - 3 months formulation – longer Sustained Release Formulations ("SRF") under development
- **n°1 or n°2 in most Ipsen markets**
- Long lasting relationships with target audiences and EU urology organisations
- Main competitors: Enantone (Takeda), Zoladex (Astra-Zeneca)

### Somatuline®

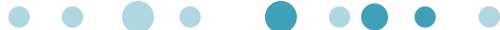
- Somatostatin analogue
- Specific know-how of Ipsen in innovative SRF with the Autogel presentation: 28-days and over SRFs
- **n°1 or n°2 in most Ipsen markets**
- Main competitors: Sandostatin (Novartis)

### Dysport®

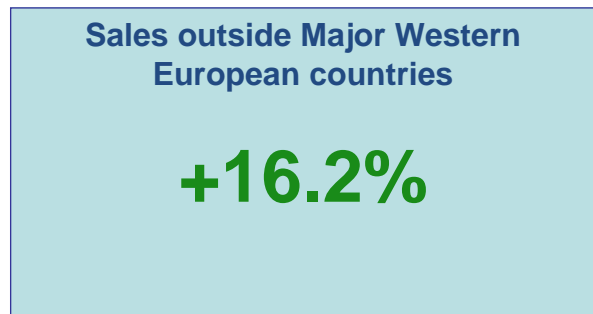
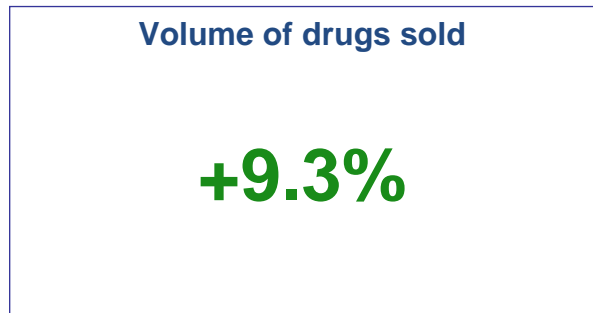
- Botulinum Toxin of Type A
- Efficient and field proven product (launched in 1991), an attractive alternative to the market leader
- **n°1 or n°2 in most Ipsen markets**
- Challenger of Botox® (Allergan)

## First Half 2007 highlights

Jean-Luc Bélingard  
Chairman & Chief Executive Officer



A sound performance in the first half 2007



## Year-to-date roundup

### The main foundations for future growth are now in place

- ✓ Increased effort in self-financed R&D
- ✓ Collaboration with Tercica fully operational: Increlex® to be marketed in Europe from October by Ipsen and Somatuline® expected to be approved for marketing in the US
- ✓ Partnerships for botulinum toxin in aesthetic indications up and running in the US and Europe
- ✓ Preparation of US filing of Dysport® ongoing (study 051 completed)
- ✓ Continued optimization of primary care franchise in France with the launch of Adrovanse™ and the sale of Ginkor Fort® to an OTC specialist

### Ipsen has also strengthened its Executive Committee

- ✓ Appointment of Eric Drapé (EVP, Manufacturing and Supply Organization)
- ✓ Appointment of Stéphane Thiroloix (EVP, Corporate Development)

## First half 2007 results

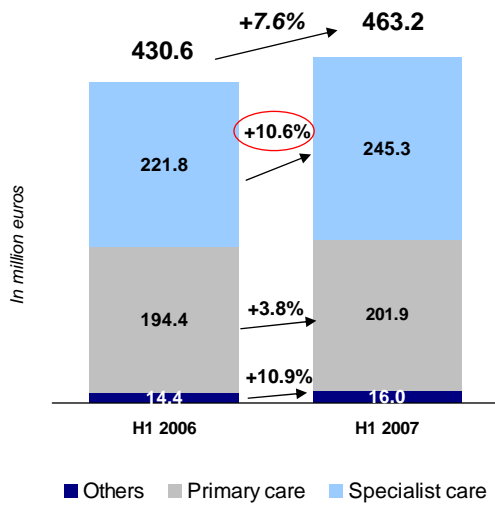
Claire Giraut  
Chief Financial Officer



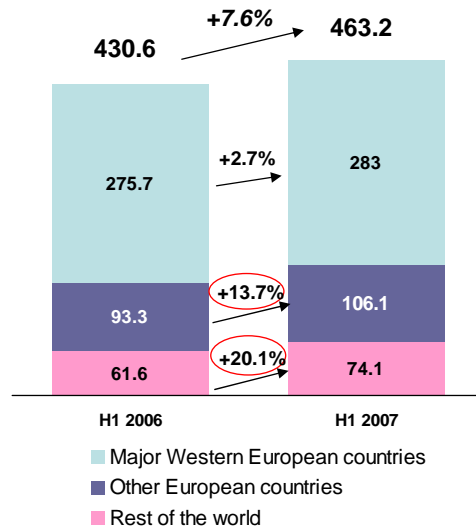


## Sales evolution

H1 2006 and 2007 sales by therapeutic area



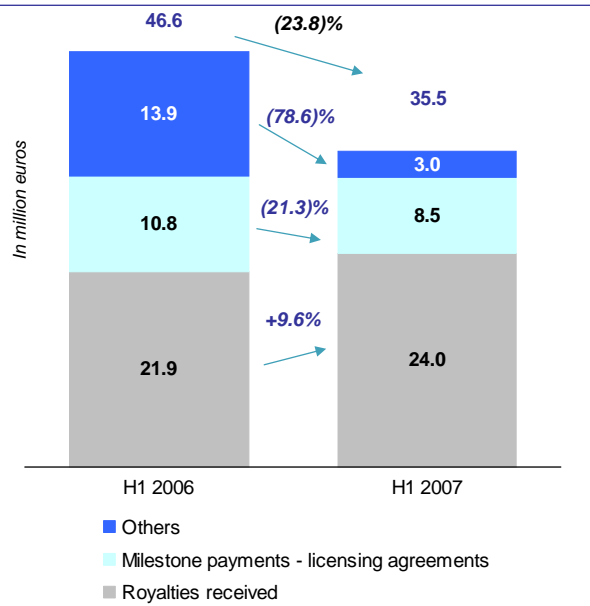
H1 2006 and 2007 sales by region



Sustained double-digit growth in specialist care and international markets

## Other revenues evolution

- **Royalties received**
  - Kogenate® royalties up 13.1%
- **Milestone payments and licensing agreements**
  - Roche, Medicis and Recordati partnerships
- **Others**
  - No more billings for R&D services for research on BIM 51077 (partnered out with Roche) and on a new GH formulation (end of the research phase end of 2006)
  - H1 06 included co-promotion revenues for Zoxan®



Reduction of R&D services rebilling, mostly for GLP-1

## Cost of goods sold evolution

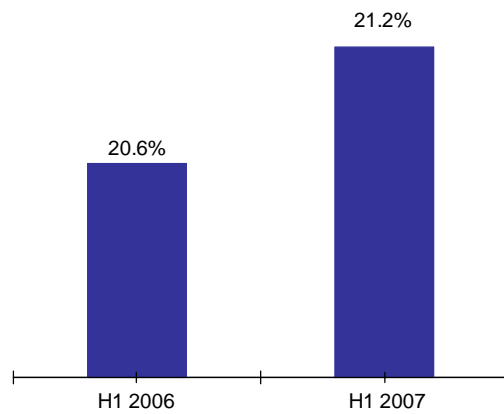
### Negatives

- Price cuts (€6.9 million) mechanically reduce COGS ratio
- Strong increase of in-licensed products

### Positives

- Fast growing targeted therapeutic areas (favourable "mix effect")
- Productivity efforts

In % of sales



**Price cuts and growth of in-licensed products have more than offset Ipsen's favourable mix effect and productivity efforts**

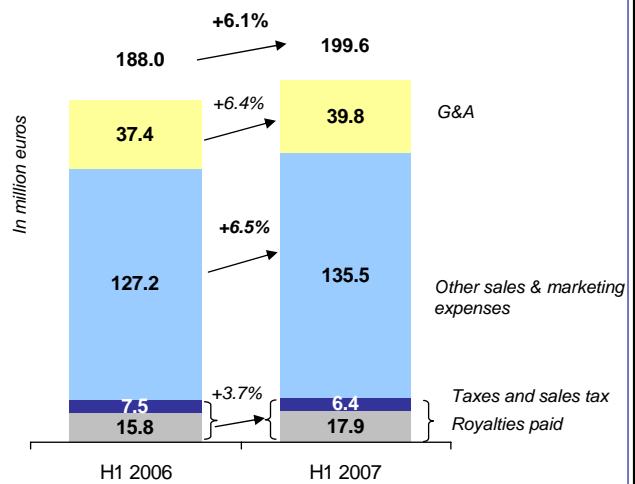
## SG&A costs evolution

### Other sales & marketing expenses

- Contained Marketing & Sales costs increase - below sales growth level
- **Increase in royalties paid to third parties** (up 12.8%) partly offset by lower tax on sales in France

### G&A

- **Reinforcement of certain administrative functions** related to the Group's expansion in international markets -below sales growth level



**Sales & Marketing costs growth below sales growth despite the launch costs of Increlex® and Adavance™**

## R&D expenses evolution

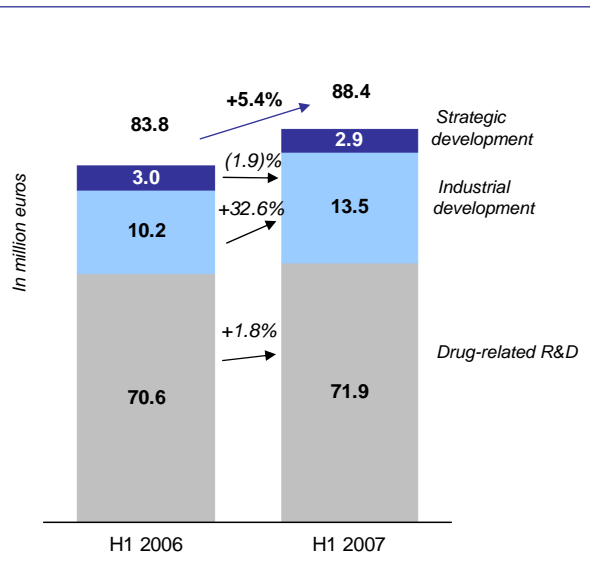
### Drug-related R&D

Major R&D projects:

- Preparation of US filing for **Dysport®**
- Clinical trials of long acting Triptorelin
- Strengthening of clinical development teams

### Industrial development

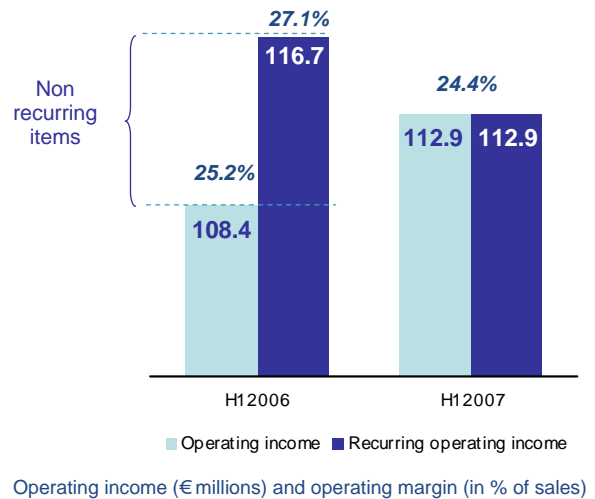
- Preparation for future pre-approval inspections by the FDA at some of the Group's manufacturing sites, in the context of the filing of **Dysport®** and **Somatuline® Autogel®** in the US



A continued commitment to R&D

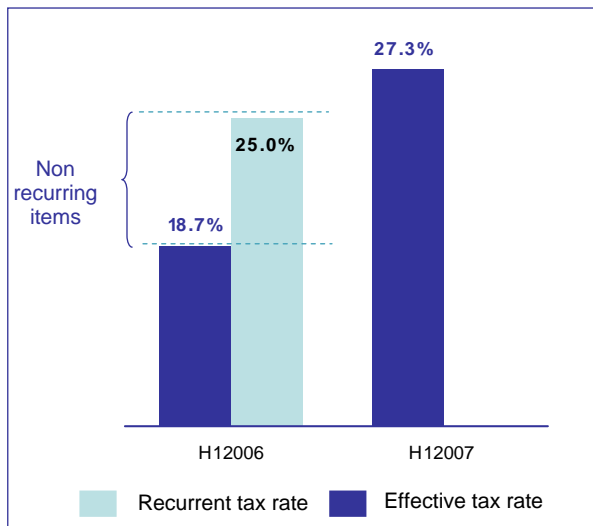
## Operating Income evolution

- Sustained price pressure
- Lower “other revenues”, especially R&D rebilling (BIM 51077) and co-promotion revenues (Zoxan®)
- Strong sales of in-licensed products and drug related activities softened favorable mix improvement
- Increlex® and Adrovanse™ launch costs



## Income Tax evolution

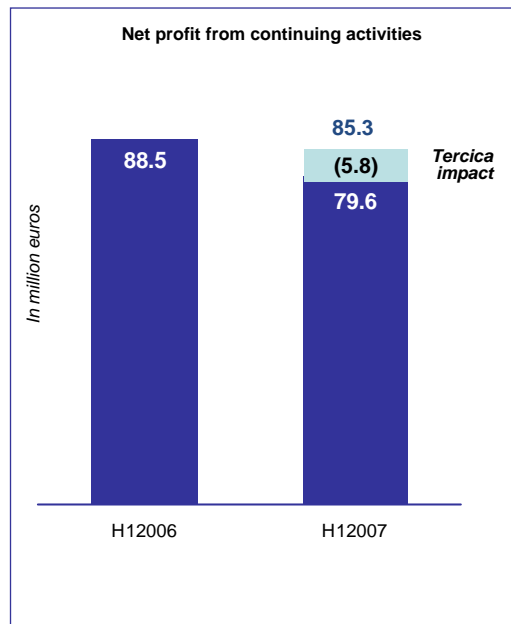
- **In the first half 2007, the Group's effective tax rate amounted of 27.3%,**
  - Impacted by a reduction in the value of deferred tax assets in Netherlands following a tax rate cut in this country
- **In the first half 2006, the effective tax rate, which amounted to 18.7%, benefited from:**
  - The non-recurring effect of the use in the UK of capital losses
  - A change in the computation rules of tax credits on research expenses in France



Back to a normative tax rate given the absence of non-recurring elements

## Net income evolution

- Lower other revenues (no BIM51077 R&D rebilling) and increased self-financed R&D
- Return to normative tax rate
- Impact <sup>(1)</sup> of Tercica



(1): Includes the impacts of convertible bonds and warrants on financial result and losses from associates



# Outlook

Jean-Luc Bélingard  
Chairman and Chief Executive Officer



## A rich newsflow expected short term

### **Dopastatin**

- Phase I initiation in Q4

### **Dysport®: Cervical dystonia**

- Preparation of filing by Ipsen with the FDA ongoing

### **Reloxin®: Glabellar lines**

- Preparation of filing by Medicis with the FDA ongoing

### **Somatuline® Autogel®: Acromegaly**

- Under review: PDUFA date – August 30, 2007

### **Increlex®: Severe primary IGF-1 deficiency**

- Launch in Europe by Ipsen in October 2007

### **Febuxostat: Hyperuricaemia**

- Filed on October 2, 2007, currently undergoing review

### **Botulinum toxin type A in Europe: aesthetic medicine indications**

- Inclusion of US data ongoing

## Financial objectives confirmed - translating confidence

	March 19, 2007 objectives	New objectives
<b>Sales</b>	<b>6.5 to 7.5% growth</b> excluding the price cut on Tanakan®	<b>6.5 to 7.5% growth</b> including the price cut on Tanakan®
<b>Total revenues</b>	<b>4.0 to 5.0% growth</b> excluding the price cut on Tanakan®	<b>4.0 to 5.0% growth</b> including the price cut on Tanakan®
<b>Reported operating margin</b>	<b>22.0 to 23.0% (in % of sales)</b> excluding the price cut on Tanakan®	<b>22.0 to 23.0% (in % of sales)</b> including the price cut on Tanakan®



# Appendix



## Main P&L impacts of Tercica in IFRS

In €millions	H1 2007	Comments
<ul style="list-style-type: none"> <li>• Change in fair value of warrant</li> <li>• Change in fair value of conversion option of Note</li> <li>• Interests on Convertible Note</li> </ul>	(2.3)	<ul style="list-style-type: none"> <li>▪ Change in fair value of the Convertible note, warrant, net of financial interest and after FX impact</li> </ul>
<ul style="list-style-type: none"> <li>• Loss from associates</li> <li>• Purchase accounting</li> </ul>	(3.0) (0.5)	<ul style="list-style-type: none"> <li>• Loss from associates (25%) on H1-2007</li> <li>• Net depreciation of Increlex®</li> </ul>
<b>Loss from associates</b>	<b>(3.5)</b>	
<b>Impact on consolidated net profit</b>	<b>(5.8)</b>	
<i>EPS impact (in €)</i>	<i>(0.07)</i>	

## Cash flow statement

in million euros

	H1 2006	H1 2007
<b>Cash Flow before change in working capital</b>	89.6	112.6
(Increase) / Decrease in working capital	40.6	(65.3)
<b>Net cash flow generated by operating activities</b>	130.2	47.3
Acquisition of property, plant & equipment and intangible assets	(25.2)	(30.7)
Deposit paid	-	(4.3)
Investment in securities held for sale	-	(12.1)
<b>Net cash flow used in investing activities</b>	(25.2)	(47.1)
Net change in borrowings	(31.8)	2.3
Dividends paid	(50.6)	(50.4)
Share buyback	-	(18.0)
<b>Net cash flow used in financing activities</b>	(82.4)	(66.1)
Discontinued operations	1.6	2.2
<b>Change in cash and cash equivalent</b>	24.2	(63.7)
<b>Closing Net Cash<sup>(1)</sup></b>	193.3	198.4

▪ H1 2006 benefited for important milestone payments from Medicis

▪ Decrease of tax payable €24.4m  
 ▪ Build up of Advovance inventory  
 ▪ Increase of receivables linked with higher sales

▪ Capex required to maintain industrial facilities (~€16 m);  
 ▪ First milestone payment in connection with the acquisition of a patent from Erasmus MC;  
 ▪ increase of €8.2 million in working capital requirements for investment activities

(1) Net cash: cash, cash equivalents and securities held for sales minus bank overdrafts, bank borrowings and other financial liabilities plus or minus derivative financial instruments

## Balance sheet evolution

in million euros

### Assets

	31-dec-06	30-jun-07
Goodwill	188.8	188.8
Property, plans & equipments	198.2	199.7
Intangible assets	68.2	71.3
Other non-current assets	147.3	157.6
<b>Total non-current assets</b>	<b>602.5</b>	<b>617.4</b>
<b>Total current assets</b>	<b>603.4</b>	<b>597.5</b>
<i>Incl. cash and cash equivalents</i>	285.5	221.1
Non-current assets classified as discontinued operations	8.4	2.1
<b>Total assets</b>	<b>1,214.3</b>	<b>1,217.0</b>
<b>Net Cash <sup>(1)</sup></b>	<b>252.9</b>	<b>198.4</b>

in million euros

### Liabilities

	31-dec-06	31-jun-07
Equity	726.5	756.8
Minority interests	1.4	1.7
Long-term financial debts	21.6	24.6
Other non-current liabilities	195.4	199.3
Short-term debts	10.9	10.3
Other current liabilities	247.7	216.2
Liabilities directly associated with non-current assets classified as discontinued operations	10.8	8.1
<b>Total Liabilities</b>	<b>1,214.3</b>	<b>1,217.0</b>

(1) Net cash: cash, cash equivalents and securities held for sales minus bank overdrafts, bank borrowings and other financial liabilities plus or minus derivative financial instruments

## Milestones cashed in but not yet recognised as revenues

### Milestones cashed in before June 30, 2007 but not yet recognised as revenues

<i>(in million euros)</i>	<b>June 30, 2007</b>	June 30, 2006
<b>Total cashed in :</b>	192.7	94.3
<i>These payments will be recognised in time as follows:</i>		
<b>H2 2007</b>	8.3	4.0
<b>2008</b>	17.2	8.0
<b>2009 and beyond</b>	167.2	82.3