IPSEN GROUP

Moderator: Marc De Garidel
July 28, 2016
13:30 GMT

Operator: This is Conference number 959296.

Marc M.P. de Garidel: Hello. Good afternoon and good morning. It's a pleasure to welcome you today to our H1 results for the Ipsen Group. So I'm Marc de Garidel, the Chairman of Ipsen. I am pleased to have along with me our new CEO, David Meek, which I will introduce in a few seconds. David is with us. We have also our Executive Vice President of R&D, Claude Bertrand; and naturally, our CFO, Aymeric Le Chatelier.

So what we're going to do in the next few minutes is to cover a number of topics. First, I'd like to give you an overview of where Ipsen stands after the first six months of the year and a bit of a recap of the current strategy. Then, we'll move into the detailed financial performance, which you've seen has been solid for the first six months. Then, since we have quite a number of news on the clinical front, Claude will give you a snapshot of where we stand. And then, we will finish with the concluding remarks from David. Our new CEO will be glad to take us through what he thinks is necessary in the next few months. And then we see at the end, we'll take the Q&A as usual.

So let's start by a quick overview of H1. So really probably three key things to remember about H1 at Ipsen. Number one, is clearly the solid financial performance. We have a very strong Specialty business that has been growing at about 14 percent. And this growth has been particularly generated by Somatuline and, in particular, due to our performance in the U.S., which we

will come back within a few seconds. So great, I think, operational performance from the team, which needs to be really congratulated.

The second element also is if H1 has been exciting, we are also very excited about the next few months as we prepare for the launch of cabozantinib. You saw that we got the CHMP positive opinion, which means that, hopefully in the next few weeks, by the end of September, this drug will be introduced to the European market.

And thirdly, but also very positively, we decided to change the governance of Ipsen. So I will retain the chairmanship of Ipsen and also advisory role at the holding company, Mayroy. But we are very pleased to welcome David Meek, who will be -- or who is our new CEO since, actually, July 18. And it's a great pleasure to have such a caliber at Ipsen. Someone who has worked in big pharma but also in smaller companies. Someone who has a great experience around the globe. Someone who has a business development track record, which is very important also for the future of Ipsen. But also finally, and very importantly, someone who has values that we share at Ipsen.

So David will be, again, presenting himself in a few minutes, but I just wanted to welcome him to the Ipsen family. And I can guarantee you that the future is bright with David.

So let's talk quickly about the business model of Ipsen and where we stand. So you see that at the end of the first six months, Ipsen is a predominantly Specialty-based company. Now we derive 80 percent of our sales in Specialty. When I joined six years ago, it was about 66 percent, so we see the really gradual increase of Specialty. Primary care remains still an important part of our business for about 20 percent.

Now the big new news on the first six months, from a geographic standpoint, is the steady rise of the United States which, as you can see, has now become about 15 percent of our total sales. And more importantly, actually, the first affiliate of the group, which is six months ahead of schedule because we thought we would reach that level more towards the end of the year. So great performance in the U.S.

Actually, while we are in the U.S., I just wanted to just show you this slide. Deliberately, I picked the Q1 2014 as a reference because it's in Q1 of 2014 when we announced our decision to invest heavily in the United States and to launch alone, Somatuline.

At that time, some of you were skeptical and maybe for the right reasons because our track record in the United States have not been great before. But I think we have demonstrated in the last, essentially, two years, that this was the right decision. Our sales have increased sixfold in the meantime. And I can tell you, I believe that this is only the beginning as we still have a lot of legroom on Somatuline to grow. And also, we are launching Dysport in a new indication, as we speak. And later, hopefully, we'll do some business development to accompany that growth. So I think a lot of excitement about our U.S. business.

So in terms of the financial performance, a few numbers. So first, the growth of the group at constant exchange rates has been nearly 10 percent, which again is in the markets today and from a market well above the current growth of the world market. So we are growing, in value terms, probably 3x as high as the market. So excellent performance. It's clearly driven by Specialty, 14 percent. Primary care has been declining by 6 percent. But it's important to note that in the second quarter, we actually were flat, so better trend than the Q1.

And then finally, with this good performance in sales, we drive the margin, and we are again pleased to report that our margin for the first six months was close to 25 percent of sales, and then an improvement of above one point versus the prior year.

So if we look at the strategy of the group. The strategy has been very simple, at least, in concept. It's to be very good in a few areas to reach excellence. I think, if we look at the NET world, beyond again the good performance of Somatuline, we are also very pleased to get the filing of the telotristat compound done in Europe, which means a launch in -- further launch by the end of 2017, so second launch beyond cabo.

We are also progressing on our acquisition of OctreoPharm that we did a few months ago, in terms of developing also not only treatment but also diagnosis. So that's -- puts Ipsen in a very privileged place in the field of new neuroendocrine tumor.

In the field of spasticity, with Dysport, we are also expecting now anytime soon, very soon, the approval of a new indication, where Ipsen will be the only company in the world to have that indication in the United States, which is for pediatric lower limb. So a great testimony of our commitment to kids.

Also, we are working hard to get and to file a new liquid formulation for Europe. And hopefully, there, we will be again the first one in the world to have that on the market in a couple of years.

Finally, with cabo, we are expecting this launch now in a few weeks, and it would place us, again, in a very favorable place as we bring true innovation to the marketplace.

On the Primary care front. You know that last year, we decided to accelerate our strategy towards OTC and GI developments, so this is what we've been doing and particularly in China. And we will give you a report on how we are doing, with Aymeric.

So just to finish my introductory comments about cabo. So cabo, great news a few days ago with the CHMP positive opinion. This drug is going to be in a market where there are in Europe about 15,000 to 20,000 patients who are affected by this disease as they advance into their cancer. So there is truly an unmet medical need.

Cabo is uniquely positioned because of its efficacy. It's the only drug that has accumulated three criteria of efficacy – the overall survival, which is the most important because, at the end of the day, the life of patients are prolonged because of this drug; the PFS, so doctors can see the effect of the drug on reduction of tumor; and also the ORR. So great efficacy data, which puts us, again, in a good footing.

So now where we are in terms of the launch preparation? We are obviously actively recruiting a number of people to get ready in this competitive marketplace. And our key focus has been around particular medical affairs where we are hiring the right expertise in this field, and also market access. Because it's one thing to get approval, as you know, in Europe, it's another to get reimbursement. And you're familiar with the fact that it will be a staggered launch, so it will be country-by-country. And the first two key countries that have been targeted by Ipsen are U.K. and Germany.

So a lot of excitement around this launch. And so far, I would say we are doing quite well. So let me turn to Aymeric, who will describe to you our solid financial performance for H1. Then, Claude will take it on and David will conclude. Thank you very much.

Aymeric Le Chatelier: Thank you, Marc. I'm very pleased to present to you our financial performance for this first half. Very solid results, as you will see, both from a sales and top line growth perspective, but also at the bottom line and at the cash flow level.

So maybe first focusing on the sales. Clearly, the second quarter of the year has shown some acceleration at Ipsen. We've been able to deliver close to 15 percent growth, with our Specialty care business growing above 18 percent. And as Marc was mentioning our Primary care business, we suffered during the first quarter and did rebound with a flat quarter in Q2.

For the full semester, as you see, a 9.7 percent growth at constant FX rate with a very strong performance from Specialty care coming mainly from Somatuline. Somatuline growing at 37 percent. 2/3 of the growth is coming from the U.S., but the rest of the country, especially Europe, is also showing a strong performance. Dysport also with a good performance, despite we will see some stocking impact in some countries, but also with our partner, Galderma, very strongly in Q1, still some impact in Q2. We expect that business to go to the high single-digit growth for the year and for the period to come in our 2020 outlook.

And the third product, Decapeptyl, used to be the first product of Ipsen just a year ago. Now it's only the second product. A good performance we'll see in Europe, a challenging performance in China and some stocking impact in other area of the world. Primary care mainly impacting, as you see, from the performance of Smecta in China, but also some challenges for Tanakan, our product, especially in Russia. But we are confident that the dynamics that we see and especially the deployment of our OTC strategy in many countries but, more importantly, in China will give us the opportunity to be back to growth for the full year.

Let's now spend some time on the performance of Somatuline. Somatuline clearly, the big engine for growth of the group is coming from the U.S. In the U.S., we had a very, very solid momentum. This is the second year into the launch as we launched the product in early '15. Not only we have a very strong volume growth, we also are able to continue to increase price in the market, in the U.S. market, but we are also able to expand the size of the market, which is something very important given the quality of our product and the quality of the label we get from the FDA to launch the product in the U.S.

As a consequence, we are clearly growing our market share in the market, as you can see on the slide. But also, we are continuing to expand the number of centers where we are, and we are able to convert more and more patient to our product. But not only the U.S. continued to grow, you see that Europe is also a big chunk of the business and Europe is doing very well, especially if you take some country like Germany, like France, like Poland, where we have very strong performance. And we continue to deliver growth above 10 percent as compared to the first half of 2015.

Dysport. So as I told you, Dysport has been impacted by some stocking impact as we had a very good performance last year and as we are dealing with our partner, Galderma, in aesthetic. As you know, aesthetic is a big driver for the business and for the product, for Dysport. The Galderma performance is very good, but we have to deliver batches to Galderma every quarter. One batches from Q2 to Q3 is significantly impacting the performance of the business.

Outside of that, a very important topic is clearly the extension of label that we are now having in the U.S. As we know, last year, in August, we get the adult upper limb label and we relaunched the product in the U.S. We are now expecting to get, as Marc was mentioning it, the PLL label. And thanks to this new extended label, we hope to be able to address a sizable market in the U.S.

And as you probably know, our sales were limited to $15 million last year for Dysport in therapeutic in the U.S. We are now targeting a market close to $0.5 billion, and we hope to be able to grow our market share in that market. Clearly, the first half of the year has started to show some momentum. Now we need to convert that, and this is going to be an important driver for the continuous improvement and growth of Dysport, notably, in the U.S.

Somatuline. As you know, Somatuline is -- sorry, Decapeptyl. Decapeptyl is a product primarily in Europe and in China. China is a very important market for us. We have been reorganizing our sales organization in China in order to really target the right market by indication. This is starting to pay. We still see some pricing pressure in China, but we hope that the growth of the market, which is very important, we'll be able to capture that through a better organization of our sales force.

On top of that, in Europe, we see reducing competition on the product, and we are able to manage pricing, which is always under pressure for a mature product like Decapeptyl. And we are able to grow in volume and to compensate the pressure and to benefit from a lower pressure from the competition.

Primary care. Primary care, if you remember, had a disappointing first half. With sales, we were 11 percent down. Second quarter, we show flat sales. A lot of stocking impact, especially in '15. As in Q1 '15, we had a lot of product, especially Smecta in China, into the channel. We were able to recover from that during the course of '15. So clearly, what we are showing is that for the first half of the year, we've been able to reduce the base impact of the stocking in our performance.

Having said that, the environment is still challenging. As you know, primary care is primarily Russia, China and France. And clearly, Russian market is still challenging, especially our product Tanakan. We are suffering from lower purchasing power for many consumer in Russia as a consequence of the devaluation of the currency.

And in Smecta, we are rolling out our plan to switch our business toward OTC. This is taking time. And we hope that by the second half of the year, we should be able to get a rebound in order to get the business back to growth.

So very dynamic top line, which generates a significant increase in profitability. As you see, we've been able to improve our gross margin significantly. Thanks to other revenue that are also growing at higher rates than top line, mainly coming from royalties that we receive from our partners, Galderma, but also for one of our product in Primary care, Adenuric, from our partner, Menarini.

But also, we've been able to benefit from the positive mix of the growth of Specialty care in order to improve our gross margin. As you know, primary care gross margin is higher than -- Specialty care, sorry, is higher than Primary care. And Somatuline is one of the most profitable product as we own the full IP of this product.

As you can see, very good control of our cost during the first semester. We continue to grow our sales and marketing costs, both to support our existing products, but also to prepare for the launch of cabo. We'll talk later on that element. And also, we continue to invest in R&D, and we continue to be very, very cautious on G&A in order to make sure that we leverage our organization and improve our profitability.

Maybe just a slide on our exposure to foreign currencies. As you can see, our mix hasn't changed that much. We still have close to 50 percent of our sales which are not denominated in euro. The main currency for us clearly, the U.S. dollar is very important. And the more we are growing our business in the U.S., the more we start to be exposed to the U.S. dollar. As you know, last

year, given our expenses and the business was just starting to break even, and our R&D center in the U.S., we were not exposed to the U.S. dollar.

As the business and the profitability is increasing, we start to be slightly exposed to the U.S. dollar. But by the way, the U.S. dollar is not moving that much against the euro. The big change, as you can see without any surprise because they are coming from last summer -- hopefully, we get a better summer or better month of August, was the devaluation of the ruble, some impact on the Chinese renminbi. And also the devaluation of ruble that started for a long time even if we see some recovery.

Very importantly, we are hedging our position because clearly, we are exposed to these country which are profitable country for Ipsen. And we have some local cost in China, in Russia or in Brazil, but these costs are not enough to compensate for the profit that we are doing there. We have put in place hedging policy. And you will see that for our guidance for this year, we are fully hedged, and we don't anticipate any change.

Now maybe just a summary of how do we generate margin improvement. If you remember, when we released and we -- not only we release our '15 result, but we also give -- provided with the guidance for this year. We were warning about the impact of foreign exchange and the impact also of the investment required to prepare for the launch of cabo.

As you can see, the first half is more than confirming the model for Ipsen, which is clearly that translating our top line growth into margin enhancement. And you see that despite all the investments that we are doing in China to support the change of business model for primary care especially, we continued to improve 3.2 points of margin enhancement coming from the business, which were able to offset the quite important FX impact, especially for the first half.

We anticipate this FX impact to be more in line with our guidance for the full year as most of the devaluation occurred during last summer. And you see the slight impact for the first semester of the cabo cost here at 0.6 points. And for sure, this impact will increase for the second half of the year.

A few words on the net income. Also, a very strong performance in terms of net income, primarily due to the impairment that we booked last year for tasquinimod. This had a close to EUR40 million impact net of tax. It explain a lot of the net income improvement. But if you look at the core operating income -- core net income of the EPS, you see that we are able to show 16 percent growth, which show that, clearly, we are you able to improve our operating performance, but also to manage our tax charge during the period with an effective tax rate at 23 percent, which is an improvement versus '15.

Now just a slide on the cash flow. To confirm you first that we are no longer on a cash position since we did the acquisition of cabo. So as you can see, our net cash position was close to EUR200 million at the beginning of the period. We've been able to use that cash to make the cabo transaction with Exelixis. And the good news is that during the first semester, we've been able to generate EUR74 million of free cash flow paying for CapEx. And we have an increasing program for CapEx to cope with the growth of our business, especially for our manufacturing site in Ireland, in U.K., but also in France.

We've been able to manage properly our working capital and to limit the increase of working capital in line with the increase of the business. And with that money to pay for the dividend on the first half, and we hope to be able to continue the cash flow generation over the second half in order to pay for the additional milestones that we will pay, as Marc was mentioning, for the approval of cabo in RCC most likely by September, and some additional milestones that we may have to pay on the commercial side.

So this good performance is translating into the confirmation of our guidance for '16, but not only the confirmation has given the solid growth that we had on the Specialty care for the first half, we are raising our target for Specialty care to at least 12 percent. So it's not 12 percent, it's above 12 percent, and we are pretty confident that we will be able to be above the 12 percent.

We are confirming the guidance for Primary care to be a slight growth year-over-year. And clearly, we are putting all the efforts to be able to transform the actions and especially the transformation of the business in China to be

able to achieve that objective. And last but not least, the most important, we are confirming our guidance for the core operating margin at 21 percent, which may be a disappointment for some of you. But clearly, as Marc was mentioning it in introduction, we are in a time where there is a lot of investment. We need to make sure that the cabo infrastructure for the preparation of the launch is in place.

We also have to make sure that we have all the resources to benefit from the acceleration of the growth of Somatuline in the U.S. And also, making sure that we have the resources to be able to succeed for the launch of Dysport in AUL, but also for the new indications that we hope to get in the coming days for PLL in the U.S.

So all in all, we confirm the guidance at 21 percent of sales for the full year. You'll remember, the pattern of cost is always different between the first half and the second half. So the fact that we've generated 24.7 percent on the first half anyway was already anticipated for the second half.

So as a summary, you see from a financial point of view, very strong performance top line, 9.7 percent. Strong core operating margin, 24.7 percent. Net income, EUR133 million just for six months. Core EPS growing at 16 percent. And lastly, we successfully issued EUR300 million of bond in June, which shows the attractiveness of Ipsen. That was the first time that Ipsen was on the bond market; and successfully prepare also the company for the business development and the continuation of our growth on the market.

Thank you very much. I'll hand over to Claude, who is going to provide you with some detail on the R&D side.

Claude Bertrand: Thank you, Aymeric. Very pleased to be with you, so good afternoon, good morning for people abroad. So I'll go through quite a number of news. We had a pretty busy first half of 2016. And I'll just go through a couple of the key milestone for this semester, starting obviously with the wonderful work we've done with our BD colleagues to secure cabozantinib for the second line RCC ex U.S. and ex Japan. We then, fairly quickly, had a wonderful positive,

and I'll come back to that, overall survival data from the Phase III in second-line RCC. That's the clinical trial called METEOR.

We then, more recently, had some top line data on the Phase II, CABOSUN, in first-line RCC. And actually very recently, and that's really pleasing, we had very positive feedback from CHMP and their opinion on this second-line RCC indication for Cabometyx.

While that was already a lot, we also had quite a bit of work on telotristat. So our colleagues from Lexicon secured Priority Review granted by FDA earlier this year. And we submitted for EU the file towards the end of June and actually, we had the validation of the filing from EMA earlier this month.

We also continued to secure the submission for Decapeptyl in the breast indication in the EU. And while we were doing that, on the neurosciences front, with Dysport, we have been fairly busy with the regulatory submission for ALL and the Phase III data we had in the EU. We secured the regulatory submission for PLL in the EU, so the pediatric lower limb indication in EU. And we are hoping to have the regulatory approval for CD and AUL in -- we got the approval in Canada.

Finally, we have started now two Phase III for the new indication, neurogenic detrusor overactivity for Dysport. So that's the neurological indication that will allow us to expand in spasticity patients.

While doing all that, we have been working really hard on the scientific affairs and BD front to secure a continuous growth of our portfolio across the value chain from early research with PeptiMimesis actually, we secured a deal on new targets in oncology, and that's in research. Obviously, Exelixis, we already talked about. We already secured 3B Pharmaceuticals that will expand our PRRT and radiopharmaceutical pipeline, and that's for pancreas cancer.

And finally, very recently, we have signed a long-term deal with Oncodesign. As we are strengthening our capabilities in oncology, it's really important that again, in research and in development, we grow our capabilities, we gain more

expertise. And Oncodesign will be our preferred partner to develop all the in vivo pharmacology. And actually, we'll integrate our site in Les Ulis, our French R&D site.

I will now move to Cabometyx more specifically. And before getting into the most interesting data, I thought it was quite important to make a quick zoom, so don't be afraid. We'll not be doing a lot of -- a course in science, but a bit of molecular biology to understand why we got such a fantastic data in the Phase III second line.

So as you know, VEGF is one of the key growth factors -- vascular endothelial growth factor, is one of the key growth factor in RCC. And that's actually driven by the inactivation of a very key tumor suppressor, a factor called VHL. And this factor being suppressed activates several pathway, most important one being VEGF, and that's where more of -- most of the tyrosine kinase inhibitors are working on, in addition to other less important factors.

But what's really important, and where the science behind Cabometyx is so impressive, is that our colleagues from Exelixis have been able to work on pathway that could actually intervene in the resistance to first-line and first generation tyrosine kinase inhibitors. And that's where MET and AXL are playing a big role. And actually, AXL, there have been lots of paper published in the last couple of months, actually, to show that this is probably becoming one of the most important escape factor in resistance to first-line TKIs and first generation TKI. And those two factors, MET and AXL, then participate into the tumor progression, growth invasion from the primary tumor. So that was it on the science front.

Now that translate into those fantastic data. And first and foremost it's that we have to focus on the efficacy that have demonstrated Cabometyx in second-line RCC with a quite impressive PFS at 7.4 months, which is 3.six months better compared to everolimus. That was the second arm in that study. But then obviously, very importantly and very impressive overall survival of 21.4 months, which is again 4.9 months better than what you got under treatment with everolimus, which is an mTOR inhibitor. And finally, quite importantly,

as Marc highlighted, is the three that makes it really powerful in terms of efficacy – it's the overall response rate at 24 percent.

Now if that was not enough. Actually, what's really, really important is that in preset, prior to the study, subgroups actually we have the same efficacy across those subgroups. Subgroups being defined as a risk group, being defined as a type or duration of prior therapy, but also location and extent of metastasis from the primary tumor. So those data are extremely impressive from an efficacy point of view. And obviously, that has driven the NCCN and EAU to revise their guidelines to now include Cabometyx in the treatment of second-line RCC.

So that's kind of the first wave, and that generates, obviously, already a lot of work from Exelixis and ourselves to make sure that we'll have a very successful launch in second line, which is already a fairly significant indication. But as I said, we got pretty encouraging top line data in first-line RCC. And obviously, we're waiting now for the full analysis of this Phase II data and then to have interaction with regulatory, interesting to see where that will go.

And then later on next year, we'll have data on HCC second line, which is already again a big indication. And on top of that, we have obviously launched quite a number of study, additional study in all of the existing indication and future indication in view of the mechanism action of Cabometyx.

Now on the Dysport front. Obviously, we have been also quite busy. So I think the most important one for this first half and soon, hopefully, is to be potentially the first and only -- Dysport to be the first and only product to be approved in pediatric spasticity, and that will be pediatric lower limb indication. We are waiting any day now. PDUFA date in the U.S. is planned for July 30. And hopefully, we'll have that on time.

We're obviously continuously work -- continuously working on other indications. So next will be ALL spasticity to be filed. And our Phase III, which is quite tough from a recruitment perspective but the other pediatric

indication in upper limb spasticity is progressing very well. And Marc already updated you on the liquid formulation, so we continue to push this one hard on the therapeutics side, with cervical dystonia but also for the aesthetic use. And while doing that, we are expanding geographies. We have been very successful at pushing the Phase III clinical trial in glabellar line in China.

So as kind of a summary. So you have here what happened in the first half of 2016. Here, on this slide, we highlight basically what are the next R&D milestone for second half of '16. So obviously, we are waiting for a regulatory decision now, post CHMP positive opinion for second-line RCC for Cabometyx. We are filing the symptom controls for GEP-NETs in the U.S., which is really, really important in view of the fantastic data our U.S. team has obtained there. To be able to expand the label will be super important.

Telotristat, as I said, actually we have submitted the file but the validation is actually already done, but it's second half. It was early July. And then, you have some of the key milestones for 2017. On the Dysport front, ALL submission is the next big milestone for us, both in U.S. and in Europe. And then, you have the other programs that I've described in the previous slides to come up in 2017.

Thank you very much. And with that, I'm very pleased to call on stage my new boss, David Meek.

David D. Meek: Thank you, Claude. Good afternoon and good morning. Let me -- I'm David Meek, I'm the new CEO of Ipsen as of 10 days ago. So it's very exciting. It's your first week in the role and you have a positive CHMP opinion by the end of your first week and then very positive earnings results. So I couldn't ask for a better first 10 days up to this point.

I've been in the pharmaceutical industry for more than 25 years. Most recently, I was Executive Vice President and President of the Oncology division at Baxalta. Prior to that, I spent my first 20-plus years in the industry working for Johnson & Johnson and Novartis and grew up in the U.S. environment and had international roles, regional roles in Europe, country

CEO roles. So I'm really excited to be here at Ipsen as we continue to grow our business and internationalize our organization and really make a difference in the lives of patients.

So let me talk about our 2016 road map, which is very similar to what you've seen. So there's no shift in strategy or shift in direction. We need to execute upon this 2016 road map. And the first is we will continue to win with Somatuline. So we will continue to drive Somatuline growth. We will continue in neuroendocrine tumors, of course. We will continue with Dysport as well, and hopefully with new indications in the very near future so we can expand this business.

We will also -- as you've heard from the management team, we will continue to focus on our Primary care business and the commercial models we have within Primary care, implement these new models, in particular, in China.

As you've heard, we're real excited about the launch of Cabometyx. It's a de-risking event that happened last Friday. So we are in a full launch mode for our European launch with Cabometyx. So when we think of our medical affairs teams, our commercial teams, our market access teams, they're working day and night to make sure we have a very successful launch in the second-line setting for renal cell carcinoma.

And then finally, we will continue to be very active in the space of business development and M&A. We do need to replenish our portfolio. Claude shared with us some exciting programs, and we will continue to add more to that portfolio over time. We will look for deals and opportunities that are strategically aligned with us, they make financial sense and we can integrate them.

So we're very active in this space already. And we're really convinced if we go down this road and follow this road map and execute flawlessly as Ipsen, that we will deliver great shareholder value and have a very positive close to 2016 and build a very solid foundation for the future.

So in closing, I would like to thank the Ipsen associates all over the world for what they do each and every day for the patients. And I really want to thank the patients that trust our products every day. And for the patients that are involved in our clinical study so we can bring new innovation to the marketplace.

So with that, I thank you. I look forward to meeting you, look forward to working with you. And I'll turn it over to Marc.

Marc M.P. de Garidel: Thank you, David. So we're coming now to the last part of this presentation, which is the Q&A. So what I suggest is while we get the operator going, we'll try to get first question maybe in the room. So if you can ask concise questions and also present yourself before you do that, that will be great. So do we have questions in the room first? Yes?

Delphine Le Louet: Delphine Le Louet, Societe Generale. Could you come back on the mix volume and price regarding Somatuline?

Marc M.P. de Garidel: OK. So Aymeric, that's for you.

Aymeric Le Chatelier: Yes. And clearly, most of the growth is volume driven. In the U.S., we are benefiting from price increase that we have passed every quarter. It's pretty traditional. We're talking about gross price. Regarding net price, we don't really comment on the net price, but a lot of the growth and most of the growth is volume related.

Talking about Europe. As you know, the situation is different. Since we had the new label for NET in Europe, we have pressure from most of the country to reduce price. So we have some good result in trying to limit the price decrease. So the performance that we show is including some negative impact on the price, which shows that the volume and the market share gain is quite significant in Europe also.

Marc M.P. de Garidel: Next question, right.

Eric Le Berrigaud: Eric Le Berrigaud, Bryan Garnier. Obviously, the most obvious question. As you increase the guidance on Specialty Care sales growth for this year,

everything else being equal, should also have increased operating margins. So how should we interpret this difference? Does that mean that recruiting people is more expensive than you're expecting? Are you speeding up the way you invest behind cabo to make it maybe earlier? And could we also anticipate maybe some of the further -- the first launches to take place before the end of the year? Or is it just a matter of caution getting into the second half of the year?

Marc M.P. de Garidel: All right. Good, Eric. Very good question. This one, we're, I think, ready.

Aymeric Le Chatelier: OK. We are expecting the question. I don't know if it's a question of -- the answer to the question because I think you provided most of the element. I mean, clearly, we are benefiting from a very dynamic Specialty Care growth on the first half. And we anticipate that growth to continue through the second semester of the year. Yes, we are investing to make sure that not only we capture the growth, and I'm talking about the U.S. today, but we are also preparing for the growth of tomorrow. And this is very important. And I think that especially for Somatuline, as we are also expecting to enlarge our label for Somatuline next year, we want to make sure that we have as much as market share as possible.

Regarding cabo, you may have to remember that when we announced cabo, that was the day of the announcement of the guidance. So we were only working on the preliminary business case. Now all the company is very engaged in preparing for the launch. So now we have a more detailed view of how many people, how many investments that we need to do, how we have to push to make sure we are successful in market access, too.

So yes, there is refining of the assumption. On top of that, the positive outcome of the CABOSUN first-line opportunity lead us to potentially size a little bit differently our investment for cabo. And as you mentioned, but this is not going to impact the cost, it's probably going to impact the margin and the profitability. There may be an upside if we were able to get some sales as early as Q4 of this year, which today is not contemplated in our guidance.

Marc M.P. de Garidel: All right. Next question? Any question in the room? If not, we are going to ask the operator to open the calls.

Operator: We have a first question on the phones from the line of Nicolas Guyon from Morgan Stanley. Please ask your question.

Nicolas Guyon-Gellin: I have three. One -- the first one is a follow-up to Eric's question on the margin guidance for '16. So you made it clear that cabo investments would be higher than expected initially. I think you guided for 150 bps or more or less EUR25 million this year. So could you maybe quantify how much now this could be?

Second, still on cabo, and this time around the first-line RCC-related R&D cost, could you remind us about the agreements with Exelixis for this specific indication and discuss the various scenarios, i.e. whether or not you decide to stop a Phase III, who pays for what and what kind of impact that may have on your R&D budget?

And finally, on Primary Care growth trajectory, your full year guidance of slight growth implies a very strong H2 after, I think, H1 down by 6 percent. So could you please walk us through the main moving parts and dynamics for Primary Care in H2?

Marc M.P. de Garidel: OK. Thanks very much. So it's a pleasure for Aymeric to respond to at least the first two. Maybe I'll take the third one.

Aymeric Le Chatelier: Yes, so maybe on the margin, we won't provide with the detailed figures, but are not talking about significant higher investment for cabo. Clearly, we are guiding initially 150 basis points. We may add some additional, maybe something like EUR5 million or EUR10 million maximum, then the timing will depend. Given the global sizing for next year, it won't really change some of that being more acceleration of cost than really a significantly higher sizing for cabo.

The second question was about the first line. What's the implication for -- I will let maybe Marc answer on the regulatory pathway and what are the

potential. From a financial point of view, as you know, we -- when we signed the agreement with Exelixis, some R&D expenses were already included in the upfront payment, especially regarding the existing indication RCC second line, HCC second line, and MTC for COMETRIQ. For additional indication, we have an agreement where we share R&D 2/3, 1/3 with Exelixis. And then, we have an agreement to pay milestones, depending on the size of the indication and we don't disclose those milestone.

By the way, there was a quite complicated table depending on the size of the indication and the agreement we have with our partner, Exelixis. So that's the implication from a financial point of view of the potential first line.

Marc M.P. de Garidel: So Claude is going to take the question on regulatory, the next step for the CABOSUN data.

Claude Bertrand: Right. So as I was telling you for the moment, we have the top line of a Phase II trial. And obviously, we'll try to exploit depending on the full analyses of those data, which will come later this year, what we can do with it in interaction with regulatory agencies.

But as you can expect, there'll be probably some significant difference in view of how FDA or EMA will approach those data, the quality of those data, and then what will be asked in terms of straight approval versus another Phase III or approval of a Phase II. But then, with post-marketing type of studies. So it's far too early to say. We're obviously interested in this indication as well. But we'll have to wait a bit more to know more on how we will approach it and the strategy we will adopt.

Aymeric Le Chatelier: On Primary Care, I think that probably I was not that clear about the -- how we expect the rebound to occur for Primary Care. Just remember, so first quarter, 11 percent down. A lot of that was due to stocking impact. Second quarter, we are flat. So what we expect is to get a slight growth on the second semester to be able to achieve the slight growth for the entire period.

So it's not a big challenge. But in order to do that, there is two country that are very important. Clearly, China and a lot of that performance has to come

from China as we had significant stocking impact. And we expect to start to get some traction of our new OTC strategy in H2. We have recruited close to 100 people, a new sales force dedicated to OTC and pharmacy.

We are signing many, many contracts with the distribution in order to be present in pharmacies in China, which, as you know, is a huge country. We are also making sure that our products are rebranded to be more OTC-like in China. This is a huge transformation of the business, but we expect to get -- to start to get some growth there.

Second element is Russia. Economic environment is getting a little better in Russia. Having said that, there is still pressure. We are also very careful the way we monitor our credit limits with our distributor in Russia. So we don't want to grow the business and not collect the money. And this is clearly a country where we have suffered, especially for product Tanakan, in the second quarter. But we expect that financial situation of our distributors will improve. This is going to be an important element of that.

Outside of that, it means the business is doing very well, especially in France, where we launched two new formulation for Smecta, the strawberry one, and the liquid formulation ready to use. And we've got some good result. So we strongly believe that our strategic move towards OTC is paying and will be showing growth for the entire year.

Marc M.P. de Garidel: OK. Thanks, Aymeric. So he said it all so I had nothing to add. So next question?

Operator: And your next question comes from the line of Olivia Capra from Barclays. Please ask your question.

Olivia Capra: It's Olivia from Barclays. First, on Decapeptyl, maybe you could just walk me through your strategy here, specifically in Europe. If I heard you right, I think Marc said your volumes are still growing and enough to offset price pressure. But what is driving that volume growth? How sustainable is it? How actively has it been marketed in the past? Are you reducing your sales force right now?

Have you reduced your sales force in the past? Is there a point where you think you could reposition some of the sales force, maybe newer products or just bulk up the oncology portfolio here so they sell more products in the same sales force? And then moving on to, just M&A, maybe you could just go over for us again, now that you've done cabo, what is next for Ipsen when you think about building the pipeline? And where does Primary Care feature when you think about expanding the Ipsen portfolio? And then if I can sneak a last one in there on Somatuline. Any color around the watch-and-wait market that you talked about in the U.S., and how far it's been penetrated now with Somatuline on the market for a few years? Thank you.

Marc M.P. de Garidel: Well, thanks, Olivia. There were a lot of questions in your remarks. So we're trying to answer them. So maybe Decapeptyl, Aymeric, you want to say a little -- few things about why we are growing well in Europe with the dynamic of the markets, which may not have been expected in the past.

Aymeric Le Chatelier: Yes. I can re-explain some of the key elements of the performance of the first half. Clearly, two different dynamics, one in Europe, one in China. In Europe, we have volume growth as primarily some of our competitors are reducing their investment on their product. And this is an opportunity for us to get more market share. At the same time, we're managing pretty well the pressure on price that we are experiencing for many years for that product, being able to spread over or negotiate some delay on the price decrease.

In China, it's a very different story where the dynamic of the market is very strong. And we have underlying market growing at more than 20 percent for the coming years. But the pressure is clearly coming from pricing, where the new health care reform in China is aiming at aligning pricing in China with pricing in Europe.

And clearly, we are trying to manage the way to capture the growth in China, which may require to expand the number of hospitals that you cover and to make sure that we reduce as much as possible the pressure that comes

primarily from open bid in China province by province. Second part of the question was more on the synergies.

Maybe, Marc …

Marc M.P. de Garidel: Yes. So I think the question was related to the redeployment of possible resources from Decapeptyl to possibly cabozantinib or other drugs. Decapeptyl is actually a very promotion-sensitive drug. So actually, one of the reason also we are doing quite well in Europe is that some of our competitors are actually reducing their promotion efforts as they launch new things. And we are benefiting from them.

So we think that at the moment, it is not a very good idea to relieve the pressure on Decapeptyl from a promotion standpoint if we want to keep the good momentum in Europe. And in addition, the people that are dedicated to Decapeptyl are seeing mostly urologists. The drugs that -- like Somatuline and cabozantinib are essentially other types of doctors, mostly oncologists. So they are not, unfortunately, the good overlap of those two populations.

So for the time being, there is no plan to redeploy from Decapeptyl to other drugs. So that's the first question. I think on the M&A, let me ask David. So what do you think about M&A? You have obviously a strong background on that front. You've done a lot of business development in your past life, build up from scratch. So what do you think what's next for Ipsen? With a few days …

David D. Meek: It is an important part of our growth story that as we talk about replenishing our pipeline, we need to look for assets that are a little bit further along in the development phase, potentially marketed assets. So as mentioned, I will look for deals that are strategic, they're financial and they can be integrated into our portfolio, so we can rapidly maximize the asset and keep our P&L looking good as well as we grow beyond the next few years and into the next decade. It's real important for us to have a sustainable business.

So we are active in this space. We will continue to be active and probably more active. We certainly heard about the cash situation, the credit situation,

so we're preparing. And we know this is a very important part of our growth story.

Marc M.P. de Garidel: OK, thanks. Another question was related to M&A in Primary Care. So yes, I would say that at least the very short-term focus is to try to leverage this specific opportunity, which is in the Italian market. At the end of the year, we will benefit from getting the Smecta and the Forlax rights back. So we are looking at potentially buying a platform in Italy, which would have GI expertise where we could essentially add on top, our drugs.

So that's one of the focus we have. Obviously, this transaction will be relatively small compared to the one we've done before. So that's probably in the short term, the number 1. We also are looking at always trying to expand the OTC offering. As we move to OTC, it's more and more important to get more drugs so that we offer less discounts to pharmacies in the end, and we increase our margin as a result.

I want to highlight the fact that we did the licensing here to get the -- from Probi, a Swedish company about probiotics, which will be very complementary to Smecta. We also hope to leverage in that regard the Smecta brand with probiotics. So these are again ways for us to accelerate the growth of Primary Care in the future.

Then, the third -- last question was on Somatuline, in particular, in the U.S. And I think what, Olivia, you are asking is where -- what's the next -- where are we going to grow in the U.S. So I'd like to summarize it again in different ways.

One is the NET market, the latest estimate we have done of this market is that it's $1 billion. So we are in a $1 billion market. And today, as you've seen -- OK, we see that there's a lot of room to grow. So the first, the market itself is very big and to some extent, untapped by Ipsen. We have a very differentiated drug. We have a unique claim with tumor control, which our competition doesn't have.

Once we get, hopefully, the registration for symptom control next year, again, we'll be the only drug in the United States that has both symptom and tumor control. So it's very differentiated. And as a result, what we see, at least currently, is if you think about customers is we are progressing a lot in clinics. Because that's probably where, at least today, there is -- the differentiation seems to be more apparent.

So again, there's a lot of room for Somatuline in the United States and you've seen the results at the end of the first H1. We are on trajectory, really, very strong trajectory this year. Thanks for all those questions. Operator, if you have more. Otherwise, I have some on my iPad.

Operator: OK, we do have more on the phone.

Marc M.P. de Garidel: OK, so let's proceed.

Operator: Your next question comes from the line of Sachin Jain from Bank of America. Please ask your question.

Sachin Jain: Just two quick questions, please. Firstly, just a follow-up from your last comment. The roughly 30 percent growth, 37 percent growth you've seen in first half for Somatuline, can you just comment on the sustainability of that growth rate into next year, particularly just noting that consensus is roughly 15 percent?

So what I'm just trying to get at is should we focus on absolute growth rates or the absolute increase in sales as we think about growth rates into next year? Secondly, on cabo and the launch preparing in Europe. You've clearly talked to the profile part, but why don't you just give us a bit of color on commercial positioning, how you're training the reps to position this versus IO in the existing therapies. Is it just down to the PFS, OS or OR data or are there other nuances in terms of types of patients you can focus on? Thank you.

Marc M.P. de Garidel: All right. So yes, good question about sustainability of Somatuline and, essentially, the forecast for next year. So we are not going, obviously, to spend too much time in this call on 2017. We need to let, on top of that,

obviously, David take a bit of time to go into more depths about the Somatuline business.

So we'll come back to you in -- David will come back to you in -- at the appropriate time to share his perspective about '17, but also more, I think, importantly, the long-term trajectory of Somatuline in the U.S. and worldwide.

Aymeric Le Chatelier: Marc, maybe just a few comments. By the way, we are not commenting on the consensus by-product, but clearly, next year will be the third year of the launch of Somatuline in the U.S., so we can still expect some traction. On top of that, I mean, we expect to get sometime during '17, if we are able to file the symptom label. We're working on other initiatives also to continue the dynamic of Somatuline. So we won't provide for sure a figure at this stage for next year, but we are very confident that we are going to continue the pace of growth of Somatuline. But the bigger the business is, the more difficult it is to continue to grow at 100 percent or 50 percent growth rate.

Marc M.P. de Garidel: Yes. So thanks. So second question was on the launch of cabo, and essentially, I think what I understood is what is going to be the positioning of cabo versus other treatments. I think what Claude said is a key. This drug is highly efficacious and has demonstrated overall survival data.

There are only another alternative in the marketplace that has part of this offering from an efficacy standpoint, which is the number one criteria for prescription of any oncologist in the world, including in Europe. It's all about efficacy. And we have the drug that has great efficacy.

So our team will be trained appropriately to demonstrate that efficacy. And if you were at ASCO, you could see that we have a lot of data on efficacy. Claude summarized them on one slide. But if you look at some patient groups, the data is very impressive and more impressive than competition.

So our work is going to be to try to demonstrate to doctors this drugs makes a real difference in the life of patients, and it is -- should become one of the

important gold standards in treatment of second line. So that's going to be our focus. And I'm sure that David will make sure that this message is appropriately implemented by our medical representative, but also obviously by our sales force. All right. Next question, please, operator?

Sachin Jain: Thank you.

Operator: Your next question comes from the line of Matthew Weston from Credit Suisse. Please ask your question.

Matthew Weston: Thank you very much. Three questions if I can. The first is around cost trends. Basically, if I look at your guidance, and I assume that the vast majority of the margin reduction in the second half of the year is going to be due to selling investment. That suggests you're going to be spending about EUR400 million in 2H on selling expenses.

Marc, I know you want to avoid 2017 guidance, but I just want to understand whether that's a level that we should consider as a reasonable run rate for each six months in 2017 or whether with the launch of telotristat and further investment potentially in cabo, whether we should think of a higher number than that.

Secondly, Aymeric, on tax. Can you just give us an indication as to where tax is going to go in the near and medium term, particularly as, presumably, your profitability in the U.S. grows substantially with Somatuline? And then, finally, Novartis, for the first time, on their 2Q call highlighted their next-generation Sandostatin analog, the fluid crystalline reformulation from Camurus.

Looking very briefly at that data package, it looks like they're are aiming for a low injection volume. And presumably, they're going to go for PFS and symptom control when they start Phase III. I just wondered where you stood on your competitive intelligence on when we should expect new entrants into the analog market in the U.S. and how that impacts your long-term growth expectations for Somatuline.

Marc M.P. de Garidel: So a number of questions. So the first one is in terms of cost trends and the impact, the possible impact of the H2 buildup and the impact in '17. So again, I will not give any specific cost detail for '17. I think the way I would answer it is, remember, one thing we promised to investors when we did the cabo deal, we said that profitability in 2017 will be not lower than 2016. So in percentage.

So that's the guideline that, broad, we'd continue to give to the team. So you can make then your own calculation about costs. Aymeric may want to give a bit of color. But again, we are not in a 2017 call right now. It will be in early next year. You want to add a few color?

Aymeric Le Chatelier: Yes, maybe just adding a few. Yes, there will be more cost in H2 than H1. This is part of the seasonality of our business. Yes, we will add some more calls than anticipated for the launch of cabo. We want to make sure we're ready for Q4. But we keep, I mean, the same guidance and you were mentioning telotristat. Clearly, we are going to invest for the launch of telotristat.

This is including in our view of the business. So next year, we are still on target to meet what Marc was reminding, which is our objective to keep the level of profitability at least to the level that we will reach in '16. And especially, we believe that the better ramp-up that we will benefit from cabo, which is why we are also accelerating in terms of cost, will also have a positive impact on the margin.

Your second question was on the tax. Clearly, the story on tax is not very different. We had quite a good H1 with a tax -- effective tax rate at 23 percent. By the end of the year, we should be a little higher than that, more around 20 percent, 25 percent. On the long term, we haven't changed our plan.

We are more at 25 percent, 26 percent. Because as you said, the growth of Somatuline and the growth of our business in the U.S., as we start to be paying tax from a P&L point of view, as you know, we have a very strong level, very high level of tax losses in the U.S. So we will not pay taxes from a

cash point of view. But from a P&L point of view, as we have already recorded those tax losses on our balance sheet and the tax rate in the U.S. being 40 percent, this will have a negative impact of our effective tax rate at the P&L level.

Marc M.P. de Garidel: So third question was about competition on Somatuline and in particular, this announcement from Novartis. But let me describe a bit what our threats but also what we are doing about it. So in terms of the threats, first, we believe in terms of timing. I think the first question is before this Camurus competition, which could become in the market maybe 2020 and beyond.

I think what we have to watch is the fact that the patent expiry of Sandostatin LAR is in 2017. So one of the question we'll -- what we'll have to watch is whether at some point there will be, essentially, a hybrid or a generic of octreotide in the marketplace. So that's one thing we're obviously watching very carefully.

So second one is the one that you illustrated. So improved formulation of octreotide, of Sandostatin LAR, the Camurus compound. Yes, this formulation could be attractive compared to their old formulation, the current Sandostatin LAR. But we have to notice that they have taken a lot of time to get there. The Phase III apparently has not started. And if they want to develop an NET indication, it's going to take several years because of the scarcity of patients and also the fact that you need a long time before you demonstrate the PFS value.

So I think the Camurus threat is one, but certainly not in the short term. So what are we doing about it? Obviously, Ipsen, as we progress on Somatuline, we are obviously moving full speed to try to anticipate some of the threats. So we have done a few things. One is on a product development standpoint, is we are trying to improve the -- even the administration of our drug by a new device, which hopefully will be available before the end of the decade.

We are working also on what we call a PI formulation, maybe Claude will say a few words in a second, so which could take the market actually to a different

place. Not from a 1-month formulation, but a two or three months' formulation. At this stage, we believe no one has that kind of capability.

And then beyond that also, as I indicated, we are going also to extend the use of Somatuline. So in the United States, first, hopefully, by the end of next year, in symptom control. But also, we launched an important study in the lung NET environment, where today no study has been done. We think there are about 20 percent of the patients overall in NET who have that affliction. And we could potentially demonstrate by '19 that the drug could be used for that.

Finally, the last thing also we have to remember is that we have patent exclusivity in the United States until 2020. And on top of that, we have also exclusivity for GEP-NETs until 2021. So yes, over time, for sure, there will be increased competition in that environment. But we believe that we are developing some of the counteractions to sustain good growth in that environment.

But you're right, we have to watch and I'm sure that David, in the next few months, will really look at the competitive intelligence that we have. Next question?

Operator: Your next question comes from the line of Jean Le Fur from Natixis. Please ask your question.

Jean-Jacques Le Fur: Yes. Good afternoon. Jean-Jacques Le Fur from Natixis. I have one question right now with -- on Dysport. Just to understand, out of the 12.2 percent sales growth in Q2, could you tell us what is coming from -- or roughly what is coming from sales of product to Galderma? And what is your, I would say, organic growth of the product of the medical -- of your own growth, if I may say? Thank you.

Marc M.P. de Garidel: Aymeric, do you want to describe a bit the …

Aymeric Le Chatelier: So I don't have on top of my mind the exact split between aesthetic and therapeutic because your question is to get the dynamic between

aesthetics and therapeutic for Dysport. I got that for the first semester as a whole, where we don't see a very strong difference between the two indication. But the underlying business is a little bit different. Aesthetic is more dynamic than the therapeutic, even if the therapeutic is benefiting from the growth that we start to see in the U.S. following the launch of the AUL indication. But we are starting from pretty low level.

The dynamic in aesthetic is higher but is compensated by some stocking impact and, as I was explaining, by also some of the Galderma batches. But clearly, the underlying performance of aesthetic continue to be very dynamic, especially in the U.S. where Galderma is doing a very good job. But also, the business is very resilient in the emerging country where we continue to see very good performance in Brazil, but also in Russia where the business is much more dynamic than in Primary Care.

Marc M.P. de Garidel: Thank you, Aymeric. So next question, please, on the phone?

Operator: Your next question comes from Lucy Codrington from Jefferies. Please ask your question.

Peter Welford: Hi. It's actually Peter Welford from Jefferies. I've got a couple of questions. Firstly, just on the other revenue line. I wonder if you could perhaps give us a bit of visibility on what the royalties and milestones specifically received were in the revenue segment during the interim period.

Secondly then, just on the Dysport next generation. Just curious, are you waiting for the glabellar lines Phase III outcome before filing that? Or will that be a step-wise filing of the 2? And then, finally, just wondering, has dopastatin development been discontinued or deprioritized? Or is that still active in the pipeline?

Marc M.P. de Garidel: OK. So Aymeric is going to take the first question and then, Claude, you take the next 2. So other revenues that you want to, Aymeric, to give …

Aymeric Le Chatelier: Again, I don't have on top of my mind the exact split between the 2. But clearly, last year, we booked some exceptional gain on one transaction that we did for Ginkor, one of our Primary Care business, for a little more than EUR3 million. But the basis for this year is more a recurring level, which is made of both amortization of milestones and royalties to receive from some of our partners. We don't anticipate any change. So that what you see on H1 should be the recurring trend.

The two products, especially the Galderma sales and Adenuric, the Primary Care product, are on a very good trend and should continue. And the same for the milestones, we don't anticipate any change in the milestone amortizations. So I think that's also probably your question. We will have on the financial statement more detail on the breakdown.

Marc M.P. de Garidel: Claude, so next question is about regulatory status on Dysport next generation and also the dopastatin program?

Claude Bertrand: Yes. So just your question, therapeutic versus aesthetic. We're pushing both in parallel, and we are, right now, mostly dealing with some technical aspects and making sure that we can get the stability data that are needed basically for submission. And for the moment, everything is on track for that.

So there is no, obviously -- probably there's more traction at this stage for aesthetic than for therapeutics. But from a regulatory standpoint, we are planning to submit in both area. On the dopastatin front, no, this program is still very active. We had some delay for two reasons. One is that clearly, acromegaly has not had the same priority than it had a couple of years ago when we started the program.

And therefore, while we are starting actually a proof of concept in acromegaly to really convince ourselves that this is an added value for patients, we have been also doing quite a bit of work, especially on the preclinical front, to expand on new indication. One of them is Cushing. And while we were planning to start a Phase III in Cushing before the end of the year, we have postponed that and to add more data to our preclinical package to again be convinced that we are not putting patient at risk, that it's really value added

and we have a fairly predictive model in (Torpe), which is running right now, which will be a go, no-go decision for dopastatin in that second indication.

So again, this is typically a program that we'll review in great depth with David in the next couple of months to decide where we'll take it from here. Then, finally, on that one, we're also doing lots of work on the formulation to make sure that very early on in the program, we have a very differentiated device and a very differentiated formulation that will allow less injection than with the existing products.

Marc M.P. de Garidel: Thank you, Claude. So the last question, hopefully, it's too early on the screen. So operator, if you can proceed?

Operator: Your next question comes from the line of Julian Shaw from JPMorgan. Please ask your question.

Richard Vosser: It's actually Richard Vosser from JPMorgan. So on -- back to the cabozantinib, please. Just first of all, you mentioned about the escape pathways of AXL and MET for cabozantinib have been important. Just thinking about -- could you talk about the importance of that in terms of liver cancer, whether they're still very important there or -- and how you see RAF kinase and hitting that being important in HCC? I think the only products that have been successful are those that hit RAF kinase.

Second question, just on the day that cabo got its CHMP opinion I think levatinib -- lenvatinib, sorry, from Eisai also got a positive opinion. So if you could just talk about how you see the competitive impact of that product on your launch. And then thirdly, just thinking further in advance. How do you see the pricing of the RCC market developing into the future, potentially once generics of Sutent come into the market in 2021? Thanks very much.

Marc M.P. de Garidel: If you take that, Claude?

Claude Bertrand: Yes. So on the mechanism of action, what I describe and I think was very clear from the slides as well is very much talking about the molecular biology happening and kind of discovered in the last couple of years in RCC. So I do

agree with you that the escape mechanism in HCC could be quite different. With our colleagues from Exelixis, there's still quite a bit of work on the preclinical side as well as on the translational medicine side to try to understand how we could potentially position the product, of course, pending positive data in second-line HCC. But totally agree with you. I don't think we could do a straight translation from a mechanism that had been explored in RCC to HCC while actually there are still some question mark in the second setting.

Marc M.P. de Garidel: So the second question was related to the approval of the combo product between Eisai and Novartis. So the view that we have is this approval came with data only from PFS. So there is no OS data on this combination. So we believe that, again, if you compare to cabozantinib, doctors even ethically should prescribe cabo because we have the overall survival data. So I think in the -- yes?

Claude Bertrand: Yes. And if I can compare it, I completely agree with that. But we know from what has been released as well is that we have a straight CHMP opinion based, obviously, on very impressive data, especially the OS data, while actually, Eisai will have to do quite a number of post-marketing study if the combination is approved.

Marc M.P. de Garidel: Yes. And then, in addition, what will be the next challenge is the pricing of combination. So in Europe, we're going to be probably a bit more complicated than in the United States. Then, finally, your question about the pricing of this market. Again, currently, there is no generic of Sutent, so in 2021 there may be a generic so we'll get there.

Hopefully, by that time, most of the market has moved to cabo, and basically, patients want to be treated and doctors want to treat with the best drug. And the CABOSUN information, subject to further review in late August, at least tends to lead us to again to cabo being the future standard for treatment.

So we are not so worried about that type of environment. So we are running a bit out of time. So I'm sorry, we have three minutes to go. So any more --

one question on the phone because I have a (few here) which I need to answer pretty fast.

Operator: We do not have any more questions on the phones.

Marc M.P. de Garidel: That's good news for us because I had a few here. So one of the question is, Claude and Aymeric, it's with Hector from Exane. Please, could you confirm which indications are included in our 2020 guidance for Cabometyx?

Aymeric Le Chatelier: So I think that for cabo, when we did the announcement, clearly, there is three indication, which were MTC, so thyroid cancer indication where we were expecting very limited level of size, taking the product from Sobi, already commercialized for a couple of years. Then, RCC is the bulk of the product, RCC second line. So in our 2020 guidance or outlook, there were no view of the impact of the first line that we believe should be positive, even if we don't know to what extent at this stage. And thirdly, there was the liver concerns of HCC in second line, which was also included. But most of the sales will be beyond 2020 as we hope to get reserved by the end of '17. So we get the approval not before end of '18, so for a launch in early '19. So in 2020, it's a limited number. But clearly, it's part of our business case for cabo.

Marc M.P. de Garidel: OK. So I'll take the -- we'll take the last question because I see a few more. So we'll ask our Investor Relations group to contact the people we have -- who have asked those other supplementary question. So the last one is, were you expecting -- so from Emmanuel Chastenet from Amundi. Were you expecting to get the CHMP opinion so early in the year? Can you remind us how you will account for cabo amortization? Will it be adjusted from core EBIT? This is a …

Aymeric Le Chatelier: I think that to answer very quickly, we're talking about the amortization of upfront and milestone paid for cabo. They are part of our core operating income, and we're talking about dilution and impact on the margin that does include, starting next year, the amount of the amortization of the EUR200 million plus the additional milestone payment that we do for cabo.

Marc M.P. de Garidel: OK. So we have come to the end of this overview of our great H1 results. So thank you very much for your interest in Ipsen. And again, it's a great pleasure to have been part of this great history in the last six years. And I wish all the luck and to David, who I'm sure will take us through, I know, some great times and exciting levels. So thank you very much, and enjoy the summer. Bye-bye.

END