Press release

Ipsen's first half 2006 results

- **Results in line with expectations: annual objectives maintained**
- **Strong cash-flow generation during the period: €130 million**
- **Financial flexibility strengthened, with a net cash position of €193 million at 30 June 2006**

Paris, 6th September 2006 - The Board of Directors of Ipsen (Euronext: IPN), chaired by Jean-Luc Bélingard, met on September 5, 2006 to review the Group's first half of 2006 results published today.

First half consolidated results summary(1)

(in € million unless otherwise stated)	**2006**	**2005(2)**	**% change 2006/2005**
Sales	**430.6**	**404.1**	**+6.6%**
Other revenues	**46.6**	**45.7**	**+1.9%**
Total revenues	**477.2**	**449.8**	**+6.1%**
Operating profit	108.4	115.8	(6.4)%
Operating margin (as a % of sales)	*25.2%*	*28.7%*	
Restated operating profit (3)	**116.8**	**115.8**	**+0.8%**
Restated operating margin (as a % of sales)	***27.1%***	***28.7%***	
Consolidated profit – attributable to the Group	**88.1**	**89.4**	**(1.4)%**
Earnings per share (€) (4)	**1.05**	**1.19**	**(12.0)%**
Average number of shares:			
Outstanding	84,013,049	74,936,490	
On a diluted basis	84,031,717	74,936,490	
Net cash (debt), end of period	**193.3**	**(153.1)**	

(1) Ipsen's auditors have performed a limited review of these financial statements.

(2) The 30 June 2005 pro forma income statement as shown above differs from that published in the 31 December 2005 "Document de Base". In compliance with IFRS 5 the Group's primary care business in Spain, divested in October 2005, has been treated as "discontinued operations" from 1 January 2005, whereas in the financial statements reported for 2005 this business was treated as "discontinued operations" only from 30 September 2005. Such restated information presents comparable data over the two periods reported as at 30 June 2006.

(3) In order to better assess the Group's operating performance, the restated operating profit for the first half of 2006 excludes an €8.4 million one-off expense paid in March 2006 to Inamed for the recovery of all rights related to Reloxin®

(4) On a diluted basis.

Review of first half results

For the first half of 2006, consolidated sales grew by 6.6% year-on-year. This increase was fuelled by the growth of products in targeted therapeutic areas (oncology, endocrinology, neuromuscular disorders) and strong sales momentum in international markets, despite downward price pressures in Major Western European Countries negatively impacting sales by €14.3 million over the period.

Other revenues in the first half of 2006 totalled €46.6 million, up 1.9% compared with €45.7 million in the first half of 2005, which included €10.0 million income resulting from the termination of a research contract.

Operating income for the first half of 2006 was €108.4 million, representing 25.2% of sales, down 6.4% from a high baseline in 2005 (first half of 2005, €115.8 million representing 28.7% of sales), when R&D and commercial costs in 2005 were particularly back-loaded in the second half of that year. Restated for an €8.4 million one-off expense paid in March 2006 to Inamed for the recovery of all rights related to Reloxin®, the Group's operating profit in the first half of 2006 stood at €116.8 million, stable year-on-year despite severe price pressure in major European countries, to reach 27.1% of sales compared with 28.7% a year ago. This 1.6 points decrease in restated operating margin as a percentage of sales notably includes (i) a continued improvement of 0.3 points in cost of goods sold due to a better product mix, (ii) an increase of 0.8 points in R&D expenses due to the preparation of filings for Somatuline® Autogel® and Dysport® in the US plus finalisation of the BIM 51077 (GLP-1 analogue) development programme and (iii) an increase of 0.6 points in SG&A mainly resulting from an increase in sales taxes in France and in costs of certain corporate functions - notably expenses in respect of stock exchange listing requirements - partially offset by productivity improvements in sales and marketing expenses.

The consolidated profit attributable to the Group amounted to €88.1 million in the first half of 2006, representing 18.5% of revenues, compared with 19.9% a year earlier.

The Group generated a strong €130.2 million cash flow from operating activities, against €62.5 million a year earlier. Cash flow in the first half of 2006 benefited from sustained activity during the period as well as from payments of milestones by Medicis under the Reloxin® distribution licence granted by the Group for the United States, Canada and Japan in the aesthetics indication. As a result, the Group has reimbursed most of its credit facilities, in addition to utilising €25.2 million for its investment transactions and paying out €50.4 million in dividends during the half-year. Overall, the first half of 2006 showed a net increase in cash flow of €24.2 million compared to a decrease of €55.6 million for the same period a year ago.

Financial objectives for 2006 full year

The Group's performance in the first half of 2006 is consistent with management expectations and enables the Group to confirm its financial objectives set out for the full year of 2006:

- Sales growth of 6.5% to 7.5%
- Operating margin of 21.5% to 22.0% of sales(1)
- Based on the guidance issued by Tercica on its 2006 financial results, and assuming completion of Ipsen's acquisition of 25% of Tercica's equity in early October 2006, Ipsen's financial statements in 2006 could also include an additional c.€4 million charge(2)("income/loss from associates ").

Commenting on the performance in the first half of 2006, **Jean-Luc Bélingard, Chairman and Chief Executive Officer of Ipsen**, stated: "*These results confirm the soundness of Ipsen's strategic focus: strong growth in targeted therapeutic areas and strong operating margins generating strong cash-flows. This allows us to confirm our full year 2006 objectives*".

(1) including the negative impact of a non-recurring expense of €8.4 million paid to Inamed and excluding any potential loss from associates arising from Tercica.
(2) Assuming Tercica's net loss during the second half of 2006 is spread evenly between the third and fourth quarters of 2006.

Regarding Ipsen's evolution since the beginning of 2006, Mr Bélingard said: "*We have significantly reshaped Ipsen's profile, notably by expanding its marketing reach and overall market coverage worldwide: we have gained exposure to the aesthetic market through our partnership with Medicis in North America and, subject to completion, we are building with Tercica our platform to market Somatuline® in the US whilst preserving our profitability profile. We have also broadened our product portfolio with the addition of Increlex® to our endocrinology offering in Europe. Last but not least, Somatuline® Autogel® has been approved in Canada, the first time ever one of our products has been registered in North America".*

Mr Bélingard added: *"Since December 2005, we have achieved our objectives for the period. The second half of 2006 will be another important period for Ipsen, with the expected filings of febuxostat in Europe and Somatuline® Autogel® in the US in the fourth quarter. We are also progressing our discussions with potential distributors for our botulinum toxin product in aesthetic use in Europe. Furthermore, we are continuing to investigate potential acquisitions of late-stage products, as well as seeking R&D partnerships for some of our early-stage products. Going forward, we intend to continue to unfold our strategy, capitalizing on our R&D capabilities and our market positioning in order to grow Ipsen into a tier-1 international specialty pharmaceutical company enjoying sustained profitable growth*".

A review of the financial position and results in Ipsen's consolidated financial statements for the half-year ended 30 June 2006 and 30 June 2005 is attached to this press release.

Conferences Calls

Conference call Media (in French)
Ipsen will host a conference call on Wednesday 6 September at 10.00 a.m. (Paris time).

Callers should dial in approximately 5 to 10 minutes prior to the start of the call. No reservation is necessary to participate in the call. The telephone number to join the conference call is +33 (0)1 71 23 04 21 .
Please mention the company name (Ipsen) and our CEO's name (Jean-Luc Bélingard) to the operator. No access code is necessary for the live call.

A replay will be available soon after the live call. The telephone number to access the replay is +33 (0)1 71 23 02 48. The access code is 5482558#. The replay will be available for one week following the live call.

Conference call Analysts and webcat (in English)
Ipsen will host a conference call on Wednesday 6 September at 3.00 p.m. (Paris time). A live webcast will be available at www.ipsen.com. The webcast will be archived on the Ipsen website for 3 months following the live call.

Callers should dial in approximately 5 to 10 minutes prior to the start of the call. No reservation is necessary to participate in the call. The telephone numbers to join the conference call are, from France and Europe: +33 (0)1 71 23 04 21 and from the United States: +1 718 354 1362.
Please mention the company name (Ipsen) and our CEO's name (Jean-Luc Bélingard) to the operator. No access code is necessary for the live call.

A replay will be available soon after the live call. The telephone numbers to access the replay are, from France and Europe: +33 (0)1 71 23 02 48 and from the United States: +1 718 354 1112. The access code is 9210426#. The replay will be available for one week following the live call.

About Ipsen

Ipsen is a European pharmaceutical group with over 20 products on the market and a total worldwide staff of nearly 4,000. The company's development strategy is based on a combination of products in targeted therapeutic areas (oncology, endocrinology and neuromuscular disorders) which are growth drivers, and primary care products which contribute significantly to its research financing. This strategy is also supported by an active policy of partnerships. The location of its four R&D centres (Paris, Boston, Barcelona, London) gives the Group a competitive edge in gaining access to leading university research teams and highly qualified personnel. In 2005, Research and Development expenditure was €169.0 million, i.e. 20.9% of consolidated sales, which amounted to €807.1 million in the Group's pro forma accounts prepared in accordance with IFRS. Nearly 700 people in R&D are dedicated to the discovery and development of innovative drugs for patient care. Ipsen's shares are traded on Segment A of Eurolist by Euronext™ (stock code: IPN, ISIN code: FR0010259150). For more information on Ipsen, visit our website at www.ipsen.com.

Forward-looking statements

The forward-looking statements and targets contained herein are based on Ipsen's 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 herein.

Ipsen expressly disclaims any obligation or undertaking to update or revise any forward-looking statements, targets or estimates contained in this press release to reflect any change in events, conditions, assumptions or circumstances on which any such statements are based, unless so required by applicable law. Ipsen's business is subject to the risk factors outlined in its information documents filed with the French Autorité des marchés financiers.

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IPSEN
Innovation for patient care

1 - Comparison of the consolidated income statement for the half-years ended 30 June 2006 and 30 June 2005

A comparison of the income statement is presented below:

	30 June 2006		30 June 2005 *pro forma* (1)			30 June 2005 *pro forma* *as reported*
	(in thousands of euros)	*% of revenues*	*(in thousands of euros)*	*% of revenues*	*2006/2005 variation*	*(in thousands of euros)*
Sales	**430,607**	**90.2 %**	**404,099**	**89.8 %**	**6.6 %**	**412,704**
Other revenues	46,569	*9.8 %*	45,684	*10.2 %*	*1.9 %*	*45,684*
Total revenues	**477,176**	**100.0 %**	**449,783**	**100.0 %**	***6.1 %***	**458,388**
Cost of goods sold	(88,879)	*-18.6 %*	(84,437)	*-18.8 %*	*5.3 %*	*(88,961)*
Research and development expenses	(83,817)	*-17.6 %*	(75,565)	*-16.8 %*	*10.9%*	*(75,635)*
Selling, general and administrative expenses	(188,000)	*-39.4 %*	(174,166)	*-38.7 %*	*7.9 %*	*(177,317)*
Other operating income and expenses	(8,298)	*-1.7 %*	174	*n/s*	*n/s*	*174*
Restructuring costs	189	*n/s*	-	-	*n/s*	-
Impairment losses	-	-	-	-	*n/s*	-
Operating profit	**108,371**	***22.7 %***	**115,789**	***25.7 %***	***-6.4%***	**116,649**
- Income from cash and cash equivalents	2,767		1,089			*1,089*
- Cost of gross financial debt	(1,208)		(4,378)			*(4,378)*
Cost of net financial debt	**1,559**	***0.3 %***	**(3,289)**	***-0.7 %***	***-147.4 %***	**(3,289)**
Other interest income and expense	(1,202)	*-0.3 %*	(1,348)	*-0.3 %*	*-10.8%*	*(1,348)*
Income tax	(20,280)	*-4.3 %*	(22,256)	*-4.9 %*	*-8.9%*	*(22,433)*
Profit from continuing operations	**88,448**	***18.5%***	**88,896**	***19.8 %***	***-0.5%***	**89,579**
Profit from discontinued operations	**33**	***n/s***	**683**	***0.2 %***	***n/s***	**-**
Consolidated profit	**88,481**	***18.5%***	**89,579**	***19.9 %***	***-1.2 %***	***89,579***
- Attributable to equity holders of Ipsen S.A.	88,144		89,368			*89,368*
- Minority interests	337		211			*211*

(1) The 30 June 2005 pro forma income statement as shown above differs from that published in the 31 December 2005 *"Document de Base"*. In compliance with IFRS 5 the Group's primary care business in Spain, divested in October 2005, has been treated as "discontinued operations" from 1 January 2005, whereas in the financial statements reported for 2005 this business was treated as "discontinued operations" only from 30 September 2005. Such restated information presents comparable data over the two half-years reported as at 30 June 2006.

- **Sales**

  For the first half of 2006, consolidated sales grew by 6.6% year-on-year. This increase was fuelled by the growth of products in targeted therapeutic areas (oncology, endocrinology, neuromuscular disorders) and strong sales momentum in international markets, despite downward price pressures in Major Western European Countries negatively impacting sales by €14.3 million over the period.

- **Other revenues**

  In the first half of 2006, ***other revenues***, which include royalties and milestone payments from partners and for various services, totalled €46.6 million, up 1.9% year-on-year (first half of 2005, €45.7 million).

  Other revenues break down into half-years as follows:

(in thousands of euros)	**30 June 2006**	**30 June 2005 *pro forma***	**2006/2005 variation** *Amount*	*%*
Breakdown by revenue type				
- Royalties received	21,865	22,684	(819)	*-3.6%*
- Milestone payments	4,128	60	4,068	*ns*
- Licensing agreements	6,717	16,033	(9,316)	*ns*
- Other (co-promotion revenues, rechargi	13,859	6,907	6,952	*100.6 %*
Total other revenues	**46,569**	**45,684**	**885**	***1.9 %***

  - **Royalties received** mainly comprised royalties from the Kogenate® licence, which amounted to €20.2 million for the first half of 2006 (first half of 2005, €21.1 million). The first quarter of 2005 had been particularly high due to the carry-over of some 2004 royalties into the first half of 2005.
  - **Milestone payments** represent recognition of payments received over the life of contracts. In the first half of 2006, this income mainly comprised the milestones in relation to the Reloxin® and Tenstaten® agreements.
  - In the first half of 2006, **licensing agreements** mainly comprised the recognition of advance payments made by Roche as a result of the BIM 51077 partnership. In the first half of 2005, income of €10.0 million was recorded in connection with the termination of a research contract.
  - The increase in **other** revenues during the first half of 2006 was due to higher billings for R&D services within the framework of existing partnerships as well as an increase in co-promotion revenues, notably related to the early termination in April 2006 of the co-promotion contract for Zoxan with Pfizer, which was initially due to expire on 30 November 2006.

- **Cost of goods sold**

  In the first half of 2006, ***cost of goods sold*** amounted to €88.9 million, representing 20.6% of sales. By comparison, in the same period of 2005, cost of goods sold amounted to €84.4 million, representing 20.9% of sales. This favourable trend was mainly due to increased production volumes and a favourable product mix, despite the negative impact of price cuts during the first half of 2006.

- **Research and development expenses**

A comparison of research and development expenses for the half-years ended 30 June 2006 and 30 June 2005 is presented in the following table:

(In thousands of euros)	30 June 2006	30 June 2005 *pro forma*	2006/2005 variation	
			Amount	*%*
Breakdown by expense type				
- Drug-related research and development[(1)]	70,645	65,613	5,032	*7.7 %*
- Industrial development[(2)]	10,218	7,518	2,700	*35.9 %*
- Strategic development[(3)]	2,954	2,434	520	*21.4 %*
Total	**83,817**	**75,565**	**8,252**	***10.9 %***

(1) Drug-related research and development is aimed at identifying new agents, determining their biological characteristics and developing small-scale manufacturing processes. Pharmaceutical development is the process through which active agents become regulatorily-approved drugs and is also used to improve existing drugs and to research new therapeutic indications for them. Patent-related costs are included in this type of expense.

(2) Includes chemical, biotechnical and development-process research costs to industrialise the small-scale production of agents developed by the research laboratories.

(3) Includes costs incurred for research into new product licences or establishing partnership agreements.

Research and development expenses increased by 10.9% to €83.8 million, representing 17.6% of total revenues and 19.5% of sales for the half-year to 30 June 2006. That compares with the half-year to 30 June 2005, when research and development expenses totalled €75.6 million, representing 16.8% of total revenues and 18.7% of sales.

- In 2006, *major research and development projects* included the continuation of phase III clinical trials for Somatuline® and Dysport® with a view to preparing for their filing with the Food and Drug Administration in the USA ("FDA"), as well as the finalisation of the BIM 51077 development programmes agreed within the partnership with Roche. The growth in drug-related research and development expenses particularly reflects the full-period impact of the Group having strengthened its clinical development teams, starting in 2004.

- *In the area of industrial development,* the increase during the first half of 2006 in industrial development expenses is mainly linked to costs required for the preparation for pre-approval inspections by the FDA in some of the Group's manufacturing sites, to prepare for future launches of Dysport® and Somatuline® in the USA.

- **Selling, general and administrative expenses**

A comparison of *selling, general and administrative* expenses for the half-years ended 30 June 2006 and 30 June 2005 is presented in the following table:

(In thousands of euros)	30 June 2006	30 June 2005 *pro forma*	2006/2005 variation	
			Amount	*%*
Breakdown by expense type				
Royalties paid	15,839	14,088	1,751	*12.4 %*
Taxes and sales tax	7,548	5,828	1,720	*29.5 %*
Other sales and marketing expenses	127,221	121,578	5,643	*4.6 %*
Selling expenses	**150,608**	**141,494**	**9,114**	***6.4 %***
General and administrative expenses	**37,392**	**32,672**	**4,720**	***14.4 %***
Total	**188,000**	**174,166**	**13,834**	***7.9 %***

For the first half of 2006*, selling, general and administrative expenses* increased by 7.9% to €188.0 million, representing 43.7% of sales compared with €174.2 million a year ago (representing 43.1% of sales).

- o *Selling expenses* amounted to €150.6 million, or 35.0% of sales for the first half of 2006, a flat rate year-on-year (first half of 2005, €141.5 million representing 35.0% of sales). Selling expenses include royalties paid to third parties on the sales of products marketed by the Group amounting to €15.8 million for the first half of 2006, up 12.4% year-on-year, stemming from the sales growth of the corresponding products. Taxes and sales taxes for the first half of 2006 were up 29.5% at €7.5 million, mainly due to an increase of sales tax in France to 1.76% imposed on 1 January 2006, up from 0.6% a year ago. For the first half of 2006, other sales and marketing expenses amounted to €127.2 million, up 4.6% from €121.6 million for the same period a year ago. This increase is significantly below the sales growth level, and reflects the success of the Group's productivity improvement programmes.
- o *General and administrative expenses* grew by 14.4% to €37.4 million for the first half of 2006, representing an increase of €4.7 million from a year ago. This evolution stemmed mainly from an increase in costs of corporate functions, notably due to the stock exchange listing of the Group, as well as reinforcement of certain administrative functions of the Group related to its expansion in international markets.

- **Other operating income and expenses**

For the first half of 2006, *other operating income and expenses* amounted to an €8.3 million expense compared with €0.2 million income a year ago. In 2006, this amount essentially comprises a non-recurring payment of USD10.0 million to Inamed for the recovery of all rights related to Reloxin® in the United States, Canada and Japan in accordance with the termination agreement between the Group and Inamed.

- **Operating profit**

Operating income for the first half of 2006 was €108.4 million, representing 25.2% of sales, down 6.4% from a high baseline in 2005 (first half of 2005, €115.8 million representing 28.7% of sales), when R&D and commercial costs were particularly back-loaded into the second half of the year.

Restated for an €8.4 million one-off expense paid in March 2006 to Inamed for the recovery of all rights related to Reloxin®, the Group's operating profit in the first half of 2006 stood at €116.8 million, stable year-on-year despite severe price pressure in major European countries, representing 27.1% of sales compared with 28.7% a year ago. This 1.6 points decrease in restated operating profit as a percentage of sales notably includes (i) a continued improvement of 0.3 points in cost of goods sold due to a better product mix, (ii) an increase of 0.8 points in R&D expenses due to the preparation of the filings for Somatuline® Autogel® and Dysport® in the US plus finalisation of the BIM 51077 (GLP-1 analogue) development programme and (iii) an increase of 0.6 points in SG&A mainly resulting from an increase in sales taxes in France and in costs of certain corporate functions - notably stock exchange listing requirements expenses - partially offset by productivity improvements in other sales and marketing expenses.

Segment reporting: Operating profit by geographical region

In compliance with IAS 14 "Segment Reporting", the Group's primary reporting format is presented according to geographical segment, since Ipsen operates in a single business segment, i.e. drug research and development, production and sales.

Sales, revenues and operating profit for the half-years ended 30 June 2006 and 30 June 2005 are presented in the following table by geographical region:

	30 June 2006		30 June 2005 *pro forma*		2006/2005 variation	
	(in thousands of euros)	%	*(in thousands of euros)*	%	*(in thousands of euros)*	%
Major Western European countries (1)						
Sales	275,645	96.3 %	273,927	97.8 %	1,718	0.6 %
Revenues	286,345	100.0 %	280,052	100.0 %	6,293	2.2 %
Operating profit	113,110	39.5 %	114,745	41.0 %	(1,635)	(1.4) %
Other European countries						
Sales	93,324	100.0 %	79,047	99.8 %	14,277	18.1 %
Revenues	93,324	100.0 %	79,218	100.0 %	14,106	17.8 %
Operating profit	40,372	43.3 %	29,440	37.2 %	10,932	37.1 %
Rest of the World						
Sales	61,638	100.0 %	51,125	100.0 %	10,513	20.6 %
Revenues	61,638	100.0 %	51,125	100.0 %	10,513	20.6 %
Operating profit	24,375	39.5 %	15,924	31.1 %	8,451	53.1 %
Allocated Total						
Sales	430,607	97.6 %	404,099	98.5 %	26,508	6.6 %
Revenues	441,307	100.0 %	410,395	100.0 %	30,912	7.5 %
Operating profit	177,857	40.3 %	160,109	39.0 %	17,748	11.1 %
Non-Allocated Total						
Revenues	35,869	100.0 %	39,388	100.0 %	(3,519)	(8.9) %
Operating loss	(69,486)	(193.7) %	(44,320)	(112.5) %	(25,166)	(56.8) %
Ipsen Total						
Sales	430,607	90.2 %	404,099	89.8 %	26,508	6.6 %
Revenues	477,176	100.0 %	449,783	100.0 %	27,393	6.1 %
Operating profit	108,371	22.7 %	115,789	25.7 %	(7,418)	(6.4) %

(1) France, Spain, Italy, Germany and the UK

- **In the Major Western European countries,** sales for the first half of 2006 grew by only 0.6% year-on-year. This mainly reflects government measures imposing price cuts, together with the impact of the Tenstaten® agreement with Recordati in France. Moreover, in the first half of 2006, sales taxes increased by nearly €2 million year-on-year, mainly in France. As a result, the operating profit declined by 1.4% to €113.1 million for the first half of 2006, representing 39.5% of revenues, against €114.7 million a year ago, representing 41.0% of revenues.

- **In Other European countries,** which include other Western European countries and Eastern Europe countries, the operating profit for the period increased by 37.1% to €40.4 million, compared with €29.4 million a year earlier. This good performance was achieved due to (i) a strong 18.1% sales increase despite a €3.3 million impact of price reductions, (ii) a reduction in sales taxes and commissions in some countries and (iii) the absence of non-recurring expenses in the first half of 2006, which had impacted the first half of 2005. As a result, operating profit in the region for the first half of 2006 represents 43.3% of revenues, against 37.2% a year ago.

- **In the Rest of the World,** most of the Group's products are marketed by third-party distributors and agents, except in China and South Korea, where Ipsen has a direct presence. For the first half of 2006, operating profit sharply increased to €24.4 million, up 53.1% year-on-year (first half of 2005, €15.9 million) due to a strong 20.6% increase in sales, while costs have not increased at the same pace.

Non-allocated operating loss for the first half of 2006 totalled €69.5 million, against a loss of €44.3 million a year ago. For the first half of 2006, the non-allocated operating loss included:

- revenues of €35.9 million against €39.4 million a year earlier. This decrease is explained by (i) the negative impact of lesser royalties generated by the Kogenate® license, (ii) an income received in May 2005 related to the termination of a research agreement and (iii) in the first half of 2006, the positive impact of the recognition of milestones in connection with the Reloxin® agreement in addition to higher billings for R&D services in existing partnerships.

- research and development expenses of €75.4 million, up from €68.0 million a year ago.

- selling, general & administrative expenses of €21.8 million, compared with €16.9 million a year ago. This increase results in particular from a reinforcement of some of the Group's corporate functions.

- other expense of €8.1 million, mainly comprising the indemnity paid to Inamed as shown above, compared with other income of €1.2 million recorded a year ago.

Cost of net financial debt

For the first half of 2006, the cost of net financial debt showed an income of €1.6 million against an expense of €3.3 million a year earlier. This positive trend mainly reflects the strong improvement in the cash position due to the capital increase in December 2005 and the cash received in 2006 from partnerships.

- **Income tax**

For the first half of 2006, the Group's effective tax rate amounted to 18.7% of pre-tax profit from continuing operations, compared with 20.0% a year earlier.

The Group's effective tax rate benefited in 2006 from the non-recurring tax impact of the use of UK capital losses carried forward for a total of €6.9 million.. Due to uncertainty of recovery of those capital losses, no deferred tax assets had previously been recognized whereas, in 2006, the capital gain deriving from the Reloxin® agreement with Medicis enabled capital losses to be offset in the period. Excluding this non-recurring impact, the Group's tax rate would have been 25.0% for the half-year to 30 June 2006. A year ago, the Group's effective tax rate had benefited from the non-recurring impacts of recognizing net deferred tax assets and utilizing previously unrecognized tax loss carry forwards in UK and Dutch subsidiaries, since their profitability had improved. Excluding these non-recurring impacts, the Group's effective tax rate for the half-year to 30 June 2005 would have been 24.9%, in line with the first half of 2006.

- **Profit from continuing operations**

As a result of the items noted above, profit from continuing operations for the first half of 2006 declined by 0.5% to €88.5 million, against €88.9 million a year earlier. Thus profit from continuing operations represented 18.5% of revenues, compared with 19.8% for the first half of 2005.

- **Profit from discontinued operations**

Profit from discontinued operations relates to toll-manufacturing for Spain-based FAES FARMA, who acquired the Group's primary care business in Spain in October 2005. This activity, presented as "discontinued operations" as from 1 January 2005, will be undertaken until early 2007. For the first half of 2006, net profit was not significant and amounted to €0.7 million for the same period a year ago.

- **Consolidated profit**

As a result of the items noted above, consolidated profit declined by 1.2% to €88.5 million (€88.1 million attributable to equity holders of Ipsen S.A.) in the first half of 2006, against €89.6 million (€89.4 million attributable to equity holders of Ipsen S.A.) a year earlier. Consolidated profit represented 18.5% of revenues for the half-year to 30 June 2006, compared with 19.9% a year earlier.

Milestones received in cash during the period but not yet recognised as revenues in the Group's income statement

For the half-year ended 30 June 2006, the total milestones received in cash by the Group but not yet recognised as revenues in its consolidated income statement amounted to €94.3 million, against €5.0 million for the half-year to 30 June 2005. These payments will be recognized in the Group's income statement as revenues going forward as follows :

(in € million)	**Milestones received in cash but not yet recognized as revenues for the half-year periods ended :**	
	June 30, 2006	**June 30, 2005**
Total	**94.3**	**5.0**
These will be recognized as revenues in the future as follows:		
In the second half of 2006	4.0	2.4
In 2007	8.0	1.1
In 2008 and beyond	82.3	1.5

After 30 June 2006, other milestones have been received in cash for a total of €73.6 million in the context of Roche's opt-in for BIM 51077, as well as an additional payment by Medicis within the framework of the Reloxin® distribution agreement for the United States, Canada and Japan. In the future, these additional payments will be recognized as revenues in the Group's accounts as follows: €2.6 million in the second half of 2006, €5.5 million in 2007, and €65.5 million in 2008 and beyond. These amounts are additional to the amounts shown in the table above.

2 - CASH FLOW AND CAPITAL FOR THE HALF-YEARS ENDED 30 JUNE 2006 AND 30 JUNE 2005

The consolidated cash flow statement shows a net increase in cash flow of €24.2 million for the first half of 2006, before currency impact, compared to a decrease of €55.6 million for the same period a year ago.

In the first half of 2006, the Group generated a strong €130.2 million cash flow from operating activities, against €62.5 million a year earlier. The cash position as at 30 June 2006 benefited from sustained activity during the period as well as from the payment of a €75.5 million (USD90.1 million) milestone by Medicis under the Reloxin® distribution licence granted by the Group for the United States, Canada and Japan in the aesthetics indication. Under that same contract, the Group also received from Medicis during the first half of 2006 a down payment of €10 million on the extra payment of USD35 million due from Medicis after the end of negotiations on a potential extension of its distribution activities in Europe. As a result, the Group has reimbursed most of its credit facilities, while keeping open the option of re-using them (for a total of €241.2 million as of 30 June 2006). The Group utilised €25.2 million for its investment transactions and paid out €50.4 million in dividends during the half-year to 30 June 2006. Cash derived from discontinued activities amounted to €1.6 million for the period (half-year to 30 June 2005 : nil).

ANALYSIS OF THE CASH FLOW STATEMENTS FOR THE HALF-YEARS TO 30 JUNE 2006 AND 30 JUNE 2005

(in thousands of euros)	**30 June 2006**	**30 June 2005 *pro forma***
- Cash flow before variation in working capital requirements	89,558	98,302
- (Increase) decrease in working capital requirements for operations	40,616	(35,775)
• Net cash flow generated by operating activities	130,174	62,527
• Net cash flow used in investment activities	(25,204)	(29,741)
• Net cash flow used in financing activities	(82,358)	(88,416)
• Net cash flow provided by discontinued activities	1,604	-
Increase (decrease) in cash flow for the half-year	**24,216**	**(55,630)**
Cash and cash equivalents at beginning of year	**200,564**	**92,763**
Impact of *pro forma* treatment	-	(5,583)
Impact of foreign exchange variations	(17)	192
Cash and cash equivalents at end of half-year	**224,763**	**31,742**

Net cash flow generated by operating activities

During the first half of 2006, cash flow before changes in working capital totalled €89.6 million against €98.3 million for the same period a year ago. This reflects an increase in deferred tax assets mainly due to the deferred tax asset recognized on the milestone of USD90.1 million received from Medicis.

Working capital requirements for operating activities declined €40.6 million for the first half of 2006 against an increase of €35.8 million a year ago. This evolution is linked to the following :

- o The balance between current assets and current liabilities represents a debt which increased by €58.4 million during the first half of 2006. This increase resulted notably from the collection of payments received from Medicis out of which €83.8 million had not yet been recognised as revenues as at 30 June 2006. This impact has been partially offset by the decrease of other assets and liabilities (linked in particular to partnerships and insurance premiums).
- o An increase in inventories of €3.4 million and in trade receivables of €30.4 million, mainly resulting from business growth and from the modification of the payment terms of certain customers in France, were added to the decrease in trade payables of €18.1 million, partly due to the payment during the period of IPO-related fees accrued in 2005 and to an invoicing level from suppliers which was lower than in the fourth quarter of 2005.

- Conversely, tax payable increased by €34.1 million, comprising €12.6 million for the taxation resulting from the Medicis payment and €16.7 million in respect of the balance of tax payable related to Group affiliates in France for the first half of 2006.

As a result of the above, net cash flow generated by operating activities amounted to €130.2 million for the first half of 2006 against €62.5 million a year ago.

Net cash flow used in investment activities

Net cash flow used in investment activities amounted to €25.2 million for the first half of 2006 (first half of 2005, €29.7 million). This comprised mainly fixed asset acquisitions, net of disposals, of €14.4 million, against €15.3 million a year ago, as well as a €7.0 million increase in working capital requirements linked to investment activities for the period, compared with an increase of €14.6 million a year ago. Additionally, the Group utilised €2.1 million in the first half of 2006 to fund its liquidity contract on Ipsen shares.

During the first half of 2006, tangible fixed asset acquisitions totalled €14.2 million, mostly consisting of capital expenditure required to maintain the Group's industrial facilities, namely €3.6 million for industrial buildings and fittings and €4.7 million for machinery, mainly at the Dreux and Wrexham production sites.

The increase of €7.0 million for working capital in investing activities during the first half of 2006 is mostly due to the payment during the period of liabilities recorded in 2005 in France.

Net cash flow used in financing activities

In the half-year to 30 June 2006, net cash flow used in financing activities totalled €82.4 million against €88.4 million a year ago. Following payments received from Medicis, €31.1 million of the Group's credit facilities has been repaid, thus reducing the overdraft as at 30 June 2006 to €6.6 million. In the half-year to 30 June 2005, repayment of credit facilities amounted to €70.0 million. The Group still has the option to utilise fully these credit facilities.

In the first half of 2006, the Group paid out €50.4 million in dividends, compared with €29.3 million in the same period of 2005.

Net cash flow from discontinued activities

In the half-year to 30 June 2006, net cash flow from discontinued activities amounted to €1.6 million (half-year to 30 June 2005: nil), resulting from the decrease in working capital requirements linked to primary care activities in Spain, which were divested in October 2005.

ANALYSIS OF NET CASH

At 30 June 2006, the Group's net cash(1) was €193.3 million, compared with €138.3 million net cash as at 31 December 2005. The Group has four-year credit facilities totalling €241.2 million, out of which only €6.6 million was in use at 30 June 2006, compared with a €37.8 million utilisation as at 31 December 2005. The covenants included in the loan agreements, namely net debt to equity and net debt to EBITDA(2), are irrelevant in respect of the current positive net cash situation.

3 - SHAREHOLDING STRUCTURE

On the basis of available information, Ipsen believes that its shareholding structure as at 30 June 2006 breaks down as follows.

On an outstanding basis:

	Shares held	**In %**
Mayroy	62,162,828	74.0%
Board members	14,345	0.0%
Employees	1,076,830	1.3%
Treasury shares	14,791	0.0%
Public	20,755,889	24.7%
Total	84,024,683	100.0%

On the same basis, after full exercise of stock options and bonus shares, Ipsen's shareholding structure would break down as follows:

	Shares held	**In %**
Mayroy	60,506,884	71.7%
Board members	14,345	0.0%
Employees	3,082,774	3.7%
Treasury shares	14,791	0.0%
Public	20,755,889	24.6%
Total	84,374,683	100.0%

(1) Net cash: cash and cash equivalents minus bank overdrafts, bank borrowings and other financial liabilities plus or minus derivative financial instruments
(2) EBITDA: Earnings before interest, tax, depreciation and amortisation

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ANNEX 1

RESUME CONSOLIDATED INCOME STATEMENT

(in thousand of euros)	30 June 2006	30 June 2005 Pro forma [1]	30 June 2005 [1]
Sales	430,607	404,099	385,694
Other revenues	46,569	45,684	39,992
Total Revenues	**477,176**	**449,783**	**425,686**
Cost of goods sold	(88,879)	(84,437)	(90,227)
Research and Development expenses	(83,817)	(75,565)	(74,110)
Selling expenses	(150,608)	(141,494)	(138,627)
General and administrative expenses	(37,392)	(32,672)	(30,682)
Other operating income and expenses	(8,298)	174	1,919
Restructuring cost	189	-	-
Impairment losses	-	-	-
Operating income	**108,371**	**115,789**	**93,959**
- Cash ans cash equivalent	2,767	1,089	450
- Cost of financial debt	(1,208)	(4,378)	(4,211)
Net cost of financial debt	**1,559**	**(3,289)**	**(3,761)**
Other financial income and expenses	(1,202)	(1,348)	(1,007)
Income taxes	(20,280)	(22,256)	(20,400)
Net profit continuing operations	**88,448**	**88,896**	**68,791**
Discontinued operations [1]	**33**	**683**	**683**
Net profit from continuing operation	**88,481**	**89,579**	**69,474**
- attributable to equity holders of the parent	88,144	89,368	62,075
- minority interest	337	211	7,399
Basic earnings per share, continuing operations (in euros)	1.049	1.183	1.048
Diluted earnings per share, continuing operations (in euros)	1.049	1.183	1.048
Basic earnings per share, discontinuing operations (in euros)	0.000	0.009	0.011
Diluted earnings per share, discontinuing operations (in euros)	0.000	0.009	0.011
Basic earnings per share (in euros)	1.049	1.192	1.059
Diluted earnings per share (in euros)	1.049	1.192	1.059

(1) In accordance with IFRS 5, the 2005 income statement has been restated to provide comparable data for the periods presented

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ANNEX 2

RESUME CONSOLIDATED BALANCE SHEET

(in thousand of euros)	**30 June 2006**	**31 December 2005**
ASSET		
Goodwills	**188,836**	**188,836**
Other intangible assets, net	**38,949**	**39,800**
Property, plant and equipment, at cost	**186,058**	**187,769**
Equity investments	2,260	2,656
Other non-current assets	4,485	2,671
Non-current financial assets	**6,745**	**5,327**
Deferred tax assets	**48,621**	**13,096**
Total non-current assets	**469,209**	**434,828**
Inventories	77,738	74,390
Trade receivables	194,371	164,681
Current tax assets	1,532	10,951
Other current assets	56,253	42,966
cash and cash equivalent	226,155	202,034
Total current assets	**556,049**	**495,022**
Non current assets classified as held for sale	6,052	12,659
TOTAL ASSETS	**1,031,310**	**942,509**

SHAREHOLDER'S EQUITY AND LIABILITIES		
Share capital	**84,025**	**84,025**
Share premiums and consolidated reserves	505,702	420,591
Profit of the Year	88,144	119,230
Cumulative translation reserve	(5,176)	(4,080)
Shareholders' equity attributable to equity holder of the parent	**672,695**	**619,766**
Minority interest	1,478	1,334
Total Shareholders' equity	**674,173**	**621,100**
Retirement benefit obligations	8,335	8,032
Long-term provisions	9,599	8,266
Bank loans	6,621	37,751
Other financial liabilities	16,245	15,508
Deferred tax liabilities	1,604	1,358
Other non-current liabilities	87,079	-
Total non-current equivalent	**129,483**	**70,915**
Short-term provisions	3,138	3,309
Bank loans	6,350	7,074
Financial liabilities	2,286	1,760
Trade payables	88,641	107,045
Current tax liabilities	26,916	2,223
Other current liabilities	89,522	113,525
Bank overdrafts	1,392	1,470
Total current liabilities	**218,245**	**236,406**
Liabilities directly associated with non-current assets classified as held for sale	9,409	14,088
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,031,310**	**942,509**

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ANNEX 3

RESUME CONSOLIDATED STATEMENT OF CASH FLOW

(in thousand of 'euros)	30 June 2006	30 June 2005 Pro forma (1)	30June2005 (1)
Profit for the period	**88,481**	**89,579**	**69,474**
Profit from discontinued operations	(33)		
Profit from continuing operations	**88,448**		
Non-cash and non-operating items :		**-**	**-**
- Depreciation, amortization and impairment losses	19,068	14,167	12,433
- Increase/(decrease) in faire value of Financial Instruments	(264)	436	436
- impairment of goodwill	-	-	-
- Net gains or losses on disposal of non-current assets	(139)	31	14
- Share of investment grant included in profit and loss	(60)	(54)	-
- Exchange difference	565	(224)	(589)
- Change in deferred taxes	(20,090)	(6,902)	(6,994)
- Cost of stock options	1,994	1,269	1,269
- Profit/Loss coming down from own capital shares disposal	29	-	-
- Other transactions of a non-cash nature	7	-	-
cash flow from operating activities before changes in working capital	***89,558***	***98,302***	***76,043***
- (Increase) / decrease in inventories	(3,378)	(3,810)	(6,595)
- (Increase) / decrease in tradre receivables	(30,361)	(14,598)	(11,786)
- (Decrease) / increase in trade payables	(18,115)	(10,374)	(11,516)
- net change in income tax liability	34,077	2,563	1,316
- Net change in other operating assets and liabilities	58,393	(9,556)	(7,096)
Variation du besoin en fonds de roulement lié à l'activité	***40,616***	***(35,775)***	***(35,677)***
NET CASH PROVIDED BY OPERATING ACTIVITIES	**130,174**	**62,527**	**40,366**
Acquisition of property, plant & equipment	(14,202)	(13,482)	(12,720)
Acquisitions of intangible assets	(1,473)	(2,351)	(1,318)
Payments to post-employment benefit plans	(1,085)	-	-
Proceeds from disposal of intangible assets and property, plant and equipment	1,295	503	475
Acquisition of investments in non-consolidated companies	(40)	-	-
Own capital shares	(385)	-	-
Impact of changes in the scope of consolidation	-	-	(51,650)
Other cash-flow related to investing activities	(2,301)	178	129
Change in working capital related to investing activities	(7,013)	(14,589)	(13,743)
NET CASH USED IN INVESTING ACTIVITIES	**(25,204)**	**(29,741)**	**(78,827)**
Additional long-term borrowings	-	11,714	11,712
Repayment of long-term borrowings	(31,083)	(70,015)	(80,995)
Net change in short-term borrowings	(724)	(648)	(648)
Capital increase	-	-	124,528
Increase of share premiums	-	-	29,478
Dividends paid by Ipsen S.A.	(50,407)	(29,303)	(29,303)
Dividends paid by subsidiaries to minority interest	(158)	(24)	(24)
Change of working capital related to financing activities	14	(140)	(2,427)
NET CASH PROVIDED/(USED) IN FINANCING ACTIVITIES	**(82,358)**	**(88,416)**	**52,321**
Reported change in cash and cash equivalent	1,604	-	-
THEORETICAL CHANGE IN CASH AND CASH EQUIVALENT	**24,216**	**(55,630)**	**13,860**
Impact of pro forma restatements	-	(5,583)	-
CHANGE IN CASH AND CASH EQUIVALENTS	**24,216**	**(61,213)**	**13,860**
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR	**200,564**	**92,763**	**17,742**
Impact of exchange rate fluctuations	(17)	192	140
Cash and cash equivalent at the end of the year	**224,763**	**31,742**	**31,742**

(1) According to IFRS 5, since the Balance sheet as at 30 June 2005 has not been adjusted, the consolidated statement of cash flow at 30 June 2005 has not been adjusted either.