Press release

Ipsen's first half 2007 results and financial objectives for the full year 2007

- **Increased effort in Research & Development**
- **Results in line with management expectations: full year 2007 operating margin guidance confirmed**

Paris, 29 August 2007 – The Board of Directors of Ipsen (Euronext: IPN), chaired by Jean-Luc Bélingard, met on 28 August 2007 to review the Group's results for the first half of 2007, published today.

Summary of consolidated half year results for 2007 and 2006

(in millions of euros)	***2007***	***2006***	***% change 2007/2006***
Sales	**463.2**	**430.6**	*+7.6%*
Other revenues	35.5	46.6	*(23.8)%*
Total revenues	**498.6**	**477.2**	*+4.5%*
Operating income	**112.9**	**108.4**	*+4.2%*
Operating margin (in % of sales)	*24.4%*	*25.2%*	
Consolidated net profit (attributable to the Group)	**78.0**	**88.1**	*(11.6)%*
Earnings per share – fully diluted (€)	*0.927*	*1.049*	*(11.6)%*
Average number of shares			
Non diluted	*84,020,364*	*84,013,049*	
Fully diluted	*84,101,862*	*84,031,717*	
Net cash, end of period (1)	**198.4**	**193.3**	

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

Commenting on the performance in the first half 2007, **Jean-Luc Bélingard, President of the Ipsen Group,** stated: "*The Group's performance in the first half 2007 has been up to our expectations. Despite a yet more difficult environment, where price pressure and competition have further increased, Ipsen has achieved a sound sales growth performance. Our financial results this half are fully in line with our full year objectives and reflect our key strategic decisions, notably to continue to actively invest in R&D and to create an endocrinology platform in North America. These decisions are fully validated by our news flow: we have continued to achieve key objectives for the Group's development, notably with the marketing approval of Increlex® in Europe. We have also launched Adrovance™ in France, closed the 051 study on Dysport® in Cervical Dystonia in the US and completed the sale of Ginkor Fort® to an OTC specialist. In this framework, we are able to confirm all of our financial objectives for the year and expect to fully offset in 2007 the price cut on Tanakan® implemented on 1 July 2007 in France. The foundations to accelerate Ipsen's development have therefore been further strengthened and we look forward to the second half 2007 with confidence, with the actual commercial start of our partnership with Tercica, through the launch of Increlex® in Europe and the expected approval of Somatuline® in the US.*"

Review of half year 2007 results

Consolidated Group sales reached €463.2 million, up 7.6% year-on-year. This increase was fuelled by the strong growth of Somatuline®, NutropinAq® and Dysport® and by the strong performance of gastroenterology products in international markets. Group sales were negatively impacted by price pressure, amounting to €6.9 million, due notably to price cuts enforced by health authorities.

Other revenues totalled €35.5 million, down 23.8% year-on-year. In the first half 2007, the Group ceased billings for R&D services within the framework of partnership agreements, mainly with Roche for the development of BIM 51077.

Total revenues therefore reached €498.6 million during the period, up 4.5% year-on-year.

R&D expenses amounted to €88.4 million, up 5.4% year-on-year, despite lower revenues received from third parties stemming from partnership agreements (notably BIM 51077), implying an increased self-financed R&D effort.

Operating income reached €112.9 million in the first half 2007, up 4.2% year-on-year, despite the significant negative impact of price cuts in major Western European countries and the fall of other revenues. Operating margin stood at 24.4% of sales versus 25.2% a year ago.

The Group's effective tax rate in the first half 2007 reached 27.3% of net profit from continuing operations before tax and share in the results of associated companies, compared with a reported effective tax rate of 18.7% and with a recurring effective tax rate of 25.0% in the first half 2006.

The Group's loss from associates amounted to €(3.5) million ($(4.6) million) and was solely composed of the Group's share in the net losses of Tercica Inc., stated as required under IFRS. Tercica Inc. has been reported in "loss from associates" in the Group's financial statements since October 2006.

Consolidated net profit for the first half 2007 was €78.2 million, down 11.6% compared with €88.5 million for the same period in 2006.

Net cash flow generated by operating activities amounted to €47.3 million in the first half 2007, compared with €130.2 million a year ago, when the Group benefited from important payments received in relation to its partnership agreements. At 30 June 2007, the Group's **net cash** position was €198.4 million, compared with €193.3 million at 30 June 2006.

Total milestones received in cash but not yet recognised as revenues amounted to €192.7 million, compared with €94.3 million in the first half 2006.

2007 financial objectives

On the basis of its performance in the first half 2007 and currently available information, in particular after taking into account the 10% price decrease implemented on 1 July 2007 on Tanakan® in France, the Group is confirming the objectives it has set for itself for the full year 2007:

- Sales growth of 6.5% to 7.5%;
- Total revenue growth of 4.0% to 5.0%;
- Operating margin of 22.0% to 23.0% of sales.

The objectives announced by the Group on March 19, 2007 did not take into account this price decrease of Tanakan®, implemented since then.

Ipsen - Analyst and Investor conference call and webcast (in English)

Ipsen will host a conference call on 29 August 2007 at 2.00 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 72 28 01 50 and from the United States: +1 866 907 5932

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 72 28 01 49 and from the United States: +1 866 828 2261. The access code is *203862#.* The replay will be available for two weeks 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 2006, Research and Development expenditure was €178.3 million, i.e. 20.7% of consolidated sales, which amounted to €861.7 million while total revenues amounted to €945.3 million (in IFRS). 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). Ipsen's shares are eligible to the "Service de Règlement Différé" ("SRD") and the Group is part of the SBF 250 index. 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. The targets contained herein were prepared without taking into account external growth assumptions, which may alter the parameters. These targets are based on data and assumptions regarded as reasonable by the Group and depend on conditions or facts likely to happen in the future, and not exclusively on historical data. Actual results may depart significantly from the targets given the occurrence of certain risks and uncertainties. The Group does not commit nor gives any guarantee that it will meet the targets mentioned above. Moreover, the Research and Development process involves several stages at each of which there is a substantial risk that the Group will fail to achieve its objectives and be forced to abandon its efforts in respect of a product in which it has invested significant sums. Therefore, the Group cannot be certain that favourable results obtained during pre-clinical trials will be confirmed subsequently during clinical trials, or that the results of clinical trials will be sufficient to demonstrate the safe and effective nature of the product concerned. 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*.

About Tercica

Tercica is a biopharmaceutical company committed to improving endocrine health by partnering with the endocrine community to develop and commercialize new therapeutics for pediatric and adult growth disorders, and for adult metabolic disorders. For further information on Tercica Inc., please visit www.tercica.com.

For further information :

Didier Véron, Director of Public Affairs and Corporate Communications
Tel.: +33 (0)1 44 30 42 38 - Fax: +33 (0)1 44 30 42 04
E-mail : didier.veron@ipsen.com

David Schilansky, Investor Relations Officer
Tel.: +33 (0)1 44 30 43 31 - Fax: +33 (0)1 44 30 43 21
E-mail: david.schilansky@ipsen.com

Comparison of the consolidated income statement for the first half 2007 and first half 2006:

	30 June 2007		30 June 2006		*June 2007/ June 2006 variation*
	(in thousands of euros)	*% of sales*	*(in thousands of euros)*	*% of sales*	
Sales	**463,164**	**100.0%**	**430,607**	**100.0%**	**7.6%**
Other revenues	35,472	*7.7%*	46,569	*10.8%*	*-23.8%*
Total revenues	**498,636**	**107.7%**	**477,176**	**110.8%**	***4.5%***
Cost of goods sold	(98,101)	*-21.2%*	(88,879)	*-20.6%*	*10.4%*
Research and development expenses	(88,351)	*-19.1%*	(83,817)	*-19.5%*	*5.4%*
Selling, general and administrative expenses	(199,560)	*-43.1%*	(188,000)	*-43.7%*	*6.1%*
Other operating income and expenses	295	*0.1%*	(8,298)	*-1.9%*	
Restructuring costs	8	*nm*	189	*nm*	
Operating income	**112,927**	***24.4%***	**108,371**	***25.2%***	***4.2%***
- Income from cash and cash equivalents	5,910	-	2,767		
- Cost of gross financial debt	(815)	-	(1,208)		
Cost of net financial debt	**5,095**	***1.1%***	**1,559**	***0.4%***	
Other interest income and expense	(3,877)	*-0.8%*	(1,202)	*-0.3%*	
Income tax	(31,123)	*-6.7%*	(20,280)	*-4.7%*	
Share of loss/profit from associated companies	(3,462)	*-0.7%*	-	-	
Net profit/loss from continuing operations	**79,560**	***17.2%***	**88,448**	***20.5%***	***-10.0%***
Net profit/loss from discontinued operations	(1,340)	*-0.3%*	33	*nm*	
Consolidated net profit	**78,220**	***16.9%***	**88,481**	***20.5%***	***-11.6%***
- Equity holders of Ipsen S.A.	77,990		88,144		
- Minority interests	230		337		

Other revenues

In the first half 2007 other revenues totalled €35.5 million, down 23.8% year on year (first half 2006: €46.6 million).

Other revenues break down as follows:

(in thousands of euros)	30 June 2007	30 June 2006	June 2007 /June 2006 variation	
			Amount	*%*
Breakdown by revenue type				
- Royalties received	23,970	21,865	2,105	*9.6%*
- Milestone payments – licensing agreements	8,538	10,845	(2,307)	*-21.3%*
- Other (co-promotion revenues, recharging)	2,964	13,859	(10,895)	*-78.6%*
Total	**35,472**	**46,569**	**(11,097)**	***-23.8%***

- **Royalties received** mainly comprised royalties from the Kogenate® licence, which amounted to €22.8 million for the first half 2007, up 13.1% compared with the same period last year (€20.2 million in the first half 2006). The first half 2007 had been particularly high due to the carry-over of some 2006 royalties into 2007.

- **Milestone payments** relating to licensing agreements represent primarily recognition of payments received over the life of partnership agreements. In the first half 2007, this income mainly comprised milestones in relation to the Reloxin® agreement with Medicis, the Tenstaten® agreement with Recordati and the BIM 51077 (GLP-1 analogue) partnership with Roche. Milestone payments recognised in the first half 2006 included primarily the accelerated recognition of payments received by the Group following termination of the Reloxin® distribution agreement with Inamed.

- **Other revenues** amounted to €3.0 million in the first half 2007, down 78.6% relative to the very high level of €13.9 million achieved in the first half 2006. In the first half 2007, the Group ceased billings for R&D services within the framework of its partnership agreement for the development of BIM 51077, for which development works are now carried out by Roche, as well as the agreement with Genentech concerning a new formulation of the growth hormone, which reached the end of the research phase at the end of 2006. Furthermore, in the first half 2006, other revenues benefited from the effects of the termination in April 2007 of the co-promotion agreement with Pfizer for Zoxan®.

Cost of goods sold

For the first half 2007, cost of goods sold amounted to €98.1 million, representing 21.2% of sales compared with 20.6% a year ago, impacted by the negative effects of price cuts implemented during the period, which could not be offset by increases in activity or the productivity improvements. Also higher growth of in-licensed products and drug related activities contributed to softening the product mix improvement.

Research and development expenses

A comparison of research and development expenses for the first halves 2007 and 2006 is presented in the following table:

(in thousands of euros)	30 June 2007	30 June 2006	June 2007 /June 2006 variation	
			Amount	*%*
Breakdown by expense type				
- Drug-related research and development[(1)]	71,908	70,645	1,263	*1.8%*
- Industrial development[(2)]	13,545	10,218	3,327	*32.6%*
- Strategic development[(3)]	2,898	2,954	(56)	*-1.9%*
Total	**88,351**	**83,817**	**4,534**	***5.4%***

(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 drugs approved by regulatory authorities 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) Industrial development includes chemical, biotechnical and development-process research costs to industrialise small-scale production of agents developed by the research laboratories.

(3) Strategic development includes costs incurred for research into new product licences and establishing partnership agreements.

Research and development expenses increased by 5.4% to €88.4 million or 17.7% of total revenues and 19.1% of sales in the first half 2007 (first half 2006: €83.8 million or 17.6% of total revenues and 19.5% of sales).

o Over the period, *major research and development projects* included preparation for registration of Dysport® and (finalisation of registration of Somatuline® Autogel®) with the Food and Drug Administration (FDA) in the United States and the phase III trials for a longer sustained release formulation of Triptorelin, since then discontinued. In the first half 2006, the development of BIM 51077 in partnership with Roche - for which Roche is now responsible - and preparation for registration of Somatuline® Autogel® with the FDA had represented a significant proportion of the Group's research and development expenses.

- o *In the area of industrial development*, the increase was mainly linked to costs incurred in preparation for future pre-approval inspections by the FDA (Food and Drug Administration) at some of the Group's manufacturing sites, in anticipation of future launches of Somatuline® Autogel® for which registration was requested in December 2006, as well as Dysport®, for which filing is expected in the United States at the end of 2007.

Selling, general and administrative expenses

A comparison of selling, general and administrative expenses for the first halves 2007 and 2006 is presented in the following table:

(in thousands of euros)	30 June 2007	30 June 2006	June 2007 /June 2006 variation	
			Amount	*%*
Breakdown by expense type				
Royalties paid	17,869	15,839	2,030	*12.8%*
Taxes and sales tax	6,386	7,548	(1,162)	*-15.4%*
Other sales and marketing expenses	135,532	127,221	8,311	*6.5%*
Selling expenses	**159,787**	**150,608**	**9,179**	***6.1%***
General and administrative expenses	**39,773**	**37,392**	**2,381**	***6.4%***
Total	**199,560**	**188,000**	**11,560**	***6.1%***

In the first half 2007, *selling, general and administrative expenses* increased by 6.1% to €199.6 million, representing 43.1% of sales compared with 43.7% of sales a year earlier.

- *Selling expenses* amounted to €159.8 million, representing 34.5% of sales, up 6.1% year-on-year (first half 2006: €150.6 million, representing 35.0% of sales). This increase stands below the sales growth level, despite a significant increase in royalties paid to third parties.
    - Royalties paid to third parties on sales of products marketed by the Group amounted to €17.9 million, up 12.8% year on year, stemming from the sales growth of the corresponding products.
    - Taxes reached €6.4 million, down 15.4% year-on-year, mainly due to the reduction in 2007 of the sales-based tax rate in France from 1.76% to 1.0%.
    - Other sales and marketing expenses (i.e. marketing and sales force costs) were up by 6.5% year on year, amounting to €135.5 million in 2007, or 29.3% of sales, compared with €127.2 million in the first half 2006 or 29.5% of sales. This slight reduction in relative value is notably the result of a sharp increase in expenses in Central Europe, China, Korea, Algeria, Mexico and certain Western European countries, coupled with very strong sales growth.
- *General and administrative expenses* grew by 6.4% to €39.8 million, representing an increase of €2.4 million compared with the first half 2006. This increase, below the sales growth rate, stemmed mainly from an increase in the costs of corporate functions, as well as reinforcement and adaptation of certain administrative functions as a result of sales growth, particularly in international markets.

Other operating income and costs

For the first half 2007, *other operating income and expenses* were immaterial, compared with an expense of €8.4 million in the first half 2006 relating primarily to a non-recurring payment of $10 million to Inamed for the recovery of all rights related to Reloxin® in the United States, Canada and Japan.

Operating profit

As a result of the above, the Group's operating income for the first half 2007 reached €112.9 million, representing 22.6% of total revenues and 24.4% of sales, up 4.2% year on year, (first half 2006: 22.7% of total revenues and 25.2% of sales). Operating income in the first half of 2007 did not include any material non-recurring expenses, whereas in the first half 2006, recurring operating income restated for non-recurring expenses amounted to €116.7 million representing 24.5% of total revenues and 27.1% of sales. On this basis, recurring operating income in the first half 2007 declined by 3.3% year-on-year.

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 income for the first halves 2007 and 2006 are presented in the following table by geographical region:

	30 June 2007		30 June 2006		June 2007/June 2006 variation	
	(in thousands of euros)	%	*(in thousands of euros)*	%	*(in thousands of euros)*	%
Major Western European countries[1]						
Sales	283,022	100.0%	275,645	100.0%	7,377	2.7%
Revenues	286,612	101.3%	286,345	103.9%	267	0.1%
Operating income	112,303	39.7%	113,110	41.0%	(807)	-0.7%
Other European countries						
Sales	106,090	100.0%	93,324	100.0%	12,766	13.7%
Revenues	106,090	100.0%	93,324	100.0%	12,766	13.7%
Operating income	42,538	40.1%	40,372	43.3%	2,166	5.4%
Rest of the World						
Sales	74,052	100.0%	61,638	100.0%	12,414	20.1%
Revenues	74,052	100.0%	61,638	100.0%	12,414	20.1%
Operating income	28,240	38.1%	24,375	39.5%	3,865	15.9%
Allocated total						
Sales	463,164	100.0%	430,607	100.0%	32,557	7.6%
Revenues	466,754	100.8%	441,307	102.5%	25,446	5.8%
Operating income	183,081	39.5%	177,857	41.3%	5,224	2.9%
Non-allocated tota[l(2)]						
Revenues	31,882	6.4%	35,869	7.5%	(3,987)	-11.1%
Operating income	(70,154)	-62.1%	(69,486)	-64.1%	(668)	1.0%
Ipsen total						
Sales	463,164	100.0%	430,607	100.0%	32,557	7.6%
Revenues	498,636	107.7%	477,176	110.8%	21,460	4.5%
Operating income	112,927	24.4%	108,371	25.2%	4,556	4.2%

(1) France, Spain, Italy, Germany and the UK
(2) Since January 1st, 2007, the Group has been able to better allocate to regions some international market central control costs, previously non-allocated.

- **In Major Western European countries,** sales grew by only 2.7% year on year, reflecting government measures imposing price cuts, primarily in France and Italy. Total revenues increased by 0.1% as sales generated by Artotec® in the first half 2007 did not fully offset the effects of the termination of the Zoxan® co-promotion agreement with Pfizer in 2006. Hence, operating income declined by 0.7% to €112.3 million over the period, representing 39.7% of sales, compared with €113.1 million a year ago, representing 41% of sales.

- **In Other European countries**, which include other Western European countries and Eastern European countries, sales increased by 13.7% year on year. Operating income increased by 5.4% over the period to €42.5 million, up from €40.4 million during the same period in 2006, representing 40.1% and 43.3% of sales respectively. During the first half 2007, the region reflected the results of a more precise geographical allocation of international market central control costs, which were not allocated a year ago. Excluding changes in allocation rules, operating income increased by 9.4% over the period. The relative weight of drug-related activities in the region, which generate lower margins, increased from 4.2% to 5.5% of sales.

- **In the Rest of the World**, where most of the Group's products are marketed by third-party distributors and agents, except in certain countries where Ipsen has a direct presence, sales were up 20.1%, a sharp increase year on year. Meanwhile, operating income amounted to €28.2 million, up 15.9% year on year. As described above, operating income for the region was affected by a more precise geographical allocation of international market central control costs. Excluding changes in allocation rules, operating income increased by 21.3% over the period.

- **Non-allocated operating loss** totalled €70.2 million, stable year-on-year (first half 2006; loss of €69.5 million). The non-allocated operating loss included:
  - revenues of €31.9 million compared with €35.9 million in the first half 2006. This includes primarily royalties received from the Kogenate® licence, as well as the recognition over the lives of the corresponding contracts of revenue from these agreements. In the first half 2007, this comprised chiefly revenue relating to agreements with Medicis for Reloxin®, with Recordati for Tenstaten® and with Roche for BIM 51077. Milestone payments recognised in the first half of the year included the accelerated recognition of payments received by the Group following termination of the Reloxin® distribution agreement with Inamed, as well as the sale to a third party of rights relating to one of the Group's minor products;
  - research and development expenses of €80.8 million, up from €75.5 million a year ago;
  - non-allocated selling, general and administrative expenses of €21.5 million, stable compared with €21.8 million a year ago, mainly due to the effects of a more precise geographical allocation of certain expenses in the first half 2006, as described above;
  - other operating income of €0.3 million. In 2006, the Group recorded other operating expenses of €8.3 million, relating primarily to the sum paid to Inamed in March 2006 to recover all rights relating to Reloxin®.

Cost of net financial debt

For the first half 2007, the cost of net financial debt was an income of €5.1 million compared with an income of €1.6 million a year earlier. This positive trend mainly reflects ongoing improvement in the Group's cash position over the period.

Other elements represented a €3.9 million expense, compared with a €1.2 million expense in the first half 2006, mainly comprising:

- a €1.5 million charge relating to a revaluation as at 30 June 2007 - according to IAS 39 - of financial instruments (warrants and convertible bonds) in connection with the acquisition of Tercica Inc. in October 2006.

- a €1.0 million charge due to foreign exchange loss (€0.5 million in the first half 2006), of which €1.2 million stems from the revaluation of the Tercica Inc. convertible bond in US dollars subscribed for by the Group in October 2006.

Income tax

In the first half 2007, the Group's effective tax rate amounted to 27.3% of net profit from continuing operations and share of loss from associated companies, compared with 18.7% a year earlier and a recurring effective tax rate of 25.0% over the same period. The effective tax rate for the first half 2007 was not materially affected by non-recurring tax items.

A year ago, the effective tax rate benefited from the non-recurring effect of the use in the United Kingdom of capital losses of €6.9 million that had previously not been recognised. In addition, in 2006, the research tax credit system in France benefited from a change in the published computation rules during the year, while there were no changes to calculation rules in 2007. Lastly, the tax charge for the first half 2007 was affected by a reduction in value of deferred tax assets in the Netherlands following the decrease in this country's tax rate from 29.6% to 25.5% during the first half 2007.

Share of loss from associated companies

The Group's share of loss from associated companies amounted to €(3.5) million ($(4.6) million) and was solely composed of the Group's share in the net losses of Tercica Inc. to the end of the first half 2007, stated as required under IFRS. Tercica Inc. began shipments of Increlex™ in January 2006 and recorded sales totalling $3.1 million for the first half 2007. The cost of goods sold for the period amounted to $2.8 million. Research and development costs came to $8.9 million, relating to the continuation of clinical trials for Primary IGF-1 and severe Primary IGF-1, as well as manufacturing development costs. Selling, general and administrative expenses amounted to $21.8 million in the first half 2007, reflecting sales and marketing activities post-launch of Increlex™. Due to Tercica Inc.'s positive net cash position of $67.5 million as at 30 June 2007, interest income in the first half 2007 was $4.1 million. Finally, the Group has booked $10.4 million of tax income on Tercica Inc.'s loss before tax of $25.9 million over the period.

Net profit/loss from continuing operations

As a result of the items described above, profit from continuing operations decreased by 10.0% to €79.6 million, compared with €88.5 million a year earlier. Profit from continuing operations represented 17.2% of sales and 16.0% of total revenues, compared with 20.5% of sales and 18.5% of total revenues a year ago. Excluding the impact of the acquisition of Tercica Inc.[1] profit from continuing activities stood at €85.3 million, down 3.5% year on year.

Net profit/loss from discontinued operations

The Group's discontinued primary care business in Spain sold in 2005 generated a loss of €1.3 million in the first half 2007, compared with a profit close to zero a year ago. This loss accompanied the final closure in the first quarter 2007 of the Barcelona production plant, which continued to manufacture products in accordance with agreements signed with the buyer when the business was sold.

Consolidated net profit

As a result of the items noted above, consolidated net profit declined by 11.6% to €78.2 million (€78.0 million attributable to equity holders of Ipsen S.A.), compared with €88.5 million (€88.1 million attributable to equity holders of Ipsen S.A.) a year earlier. Consolidated profit represented 16.9% of revenues in the first half 2007, compared with 20.5% in the first half 2006.

[1] Including the impacts of convertible bonds and warrants on financial result and losses from associates

Milestones received in cash-in but not yet recognised as revenues

In the first half 2007, total milestones received in cash by the Group but not yet recognised as revenues in its consolidated income statement amounted to €192.7 million, compared with €94.3 million in the first half 2006.

These payments will be recognised in the Group's income statement as revenues going forward as follows:

(in million euros)	Milestones received in cash but not yet recognised as revenues in the periods ending:	
	30 June 2007	**30 June 2006**
Total	**192.7**	**94.3**
These receipts will be recognised in the Group's income statement as revenues in the future as follows:		
In the second half of year N	8.3	4.0
In year N+1	17.2	8.0
In years N+2 and beyond	167.2	82.3

CASH FLOW AND CAPITAL RESOURCES

The consolidated cash flow statement shows a negative change in the Group's net cash position during the first half 2007 of €63.7 million compared with an increase of €24.2 million in the first half 2006. The first half 2006 benefited from a payment of €85.4 million from Medicis under the Reloxin® distribution agreement.

Cash flow from discontinued operations was €2.2 million over the period compared with €1.6 million in the first half 2006.

IPSEN
Innovation for patient care

ANALYSIS OF THE CASH FLOW STATEMENT FOR THE FIRST HALVES 2007 AND 2006

(in thousands of euros)	**30 June 2007**	**30 June 2006**
- Cash flow before variation in working capital requirements	112,590	89,558
- (Increase) / decrease in working capital requirements for operations	(65,298)	40,616
· Net cash flow generated by operating activities	47,292	130,174
- Net cash flow relating to investment activities	*(30,671)*	(25,204)
- Other items		
- Deposits paid	*(4,338)*	-
- Variation in cash securities held for sale	*(12,063)*	-
· Net cash flow used in investment activities	(47,072)	(25,204)
· Net cash flow used in financing activities	(66,104)	(82,358)
· Net cash flow provided by discontinued activities	2,173	1,604
Increase / (decrease) in cash flow	**(63,711)**	**24,216**
Cash and cash equivalents at beginning of period	**283,743**	**200,564**
Impact of foreign exchange variations	9	(17)
Cash and cash equivalents at end of period	**220,041**	**224,763**

Net cash flow generated by operating activities

During the first half 2007, net cash flow generated by operating activities before changes in working capital totalled €112.6 million, compared with €89.6 million a year ago. Cash flow before variation in working capital for the first half 2006 was affected by an increase in deferred tax receivables, relating primarily to the recognition of a deferred tax asset on the milestone payment received from Medicis.

Working capital requirements for operating activities increased by €65.3 million in the first half 2007 following a decline of €40.6 million a year ago. This evolution is linked to the following:

- the balance between current assets and current liabilities represents a debt which decreased by €9.6 million in the first half 2007 following an increase of €58.4 million a year ago. In the first half 2007, the Group recognised advance payments of €15 million received in connection with its partnership agreements with Roche and Galderma. This income was partly offset by the recognition in the income statement of €8.5 million mainly in relation to agreements with Medicis, Roche, Tercica Inc. and Recordati, as well as changes in other operating liabilities and debt, mostly resulting from significant tax and insurance payments over the period.
- inventories increased by €7.7 million in the first half 2007 compared with an increase of €3.4 million a year ago, mainly due to the build-up of Adrovance™ inventories under the joint marketing agreement signed in January 2007 with MSD. Trade receivables rose by €17.9 million, mainly due to growth in business in international markets, compared with an increase of €30.4 million in the first half 2006, primarily as a result of changes in payment terms for certain customers in France. Meanwhile, trade payables decreased by €5.6 million, mainly because of payment in the first half 2007 of fees charged in 2006.

- o tax payable decreased by €24.4 million in the first half 2007, mainly as a result of the reduction in the Group's tax charge: interim payments made during the period, calculated on the basis of 2006 taxable income, were higher than the actual tax charge for the period. In the first half 2006, tax payable increased by €34.1 million, mainly comprising tax on income received from Medicis and the remainder relating to tax payable by the Group's companies in France in respect of the first half 2006.

As a result of the above, net cash flow generated by operating activities amounted to €47.3 million in the first half 2007, compared with €130.2 million in the first half 2006, when the Group benefited from important payments received in relation to its partnership agreements.

Net cash flow used in investment activities

In the first half 2007, net cash flow used in investment activities comprised two main components:

- 1. Reflection of net cash flow relating to investment in the strict sense;
- 2. Reflection of other elements.

1. Net cash flow used in investment activities in the strict sense represented €30.7 million compared with €25.2 million for the same period in 2006. This comprised mainly asset acquisitions, net of disposals, of €20.4 million in the first half 2007 compared with €14.4 million in the first half 2006, as well as an increase in working capital requirements relating to investment activities of €8.2 million in the first half 2007 following an increase of €7.0 million in the first half 2006.

   - o In the first half 2007, tangible fixed asset acquisitions totalled €16.4 million, mostly consisting in capital expenditure required to maintain the Group's industrial facilities, as well as certain investment in capacity, such as €4.9 million for the new Dysport® secondary production plant at the Wrexham site.
   - o During the same period, intangible asset acquisitions amounted to €4.6 million, mainly relating to the first milestone payment in connection with the acquisition from Erasmus MC of a patent.
   - o The increase of €8.2 million in working capital requirements for investment activities in the first half 2007 relates primarily to payment during the period of debts due against fixed assets recognised at the end of 2006, mainly in France and the United Kingdom.

2. Net cash flow used for other elements represents:

   - o €4.3 million for guarantee deposits paid by the Group, notably as a security against long-term public loans received in Spain in the context of its research activities, and in respect of the lease contract for its future head office in France.
   - o €12.1 million relating to investments, as part of an active cash management strategy, in securities offering a higher rate of return than monetary unit trusts while maintaining a low rate of volatility.

Net cash flow used in financing activities.

In the first half 2007, net cash flow used in financing activities totalled €66.1 million compared with €82.4 million in the first half 2006. The Group paid out €50.4 million in dividends in the first half 2007, in line with the amount paid in the first half 2006. It drew €3.1 million from its credit lines, with outstandings of €8.4 million as at 30 June 2007, while in the first half 2006 the Group had repaid €31.1 million of its credit lines, with outstandings of €6.6 million. The Group also used €18.0 million in the first half 2007 to finance its share buyback program.

Net cash flow provided by discontinued activities.

In the first half 2007, net cash flow provided by discontinued activities amounted to €2.2 million, resulting from the decrease in working capital requirements linked the Group's primary care business in Spain, sold in 2005, compared with €1.6 million in the first half 2006.

ANALYSIS OF NET CASH [2]

(in thousands of euros)	30 June 2007	30 June 2006
Cash in hand	30,927	22,796
Short-term investments	184,009	195,229
Interest-bearing deposits	6,185	8,130
Cash and cash equivalents	**221,121**	**226,155**
Securities held for sale [3]	**12,063**	-
	233,184	**226,155**
Bank overdrafts liabilities	**(1,080)**	**(1,392)**
Closing net cash and cash equivalents	**232,104**	**224,763**

Non-Current		
Short-term debt	8,397	6,621
Other financial liabilities	16,194	16,245
Current		
Short-term debt	6,350	6,350
Financial liabilities	2,820	2,286
Debt	**33,761**	**31,502**

Derivatives	**(32)**	**-**

Net cash position	**198,375**	**193,261**

At 30 June 2007, the Group's net cash position was €198.4 million, compared with €193.3 million at 30 June 2006. In addition, the Group had three-year credit facilities totalling €206.7 million at 30 June 2007, of which €8.4 million was in use, compared with utilisation of €6.6 million at 30 June 2006. Covenants included in the loan agreements, namely net debt to equity and net debt to EBITDA [4], are irrelevant in respect of the current positive net cash situation.

[2] Net cash: cash, cash equivalents and securities held for sale minus bank overdrafts, bank borrowings and other financial liabilities plus or minus derivative financial instruments.
[3] "Securities held for sale" correspond to shares in mutual funds held for trading which the Group intends to sell in the near future. They are included in the calculation of the Group's net cash position.
[4] EBITDA: earnings before interest, tax, depreciation and amortisation.