



NOVAGALI P H A R M A

2011 first-half results

- **Income: +112%**
- **Increase in operating costs, cash consumption under control**
- **Development of Catioprost® and Cyclokat® in line with our roadmap**

Evry (France), August 31st, 2011: Novagali Pharma, a pharmaceutical company that develops and markets innovative ophthalmic products, today announces its half-year results¹ to June 30th, 2011 presented in accordance with IAS/IFRS standards and approved by the Board on August 30th, 2011.

- **Half-year results**

<i>In thousands of euros - IFRS</i>	H1 2011	H1 2010
Income		
Sales	369	236
Subsidies, public financing and research tax credit	1,017	419
Total income	1,387	655
Operating costs		
of which: raw materials & consumables used	659	373
of which: employee & benefits expenses	2,621	1,706
of which: external expenses	4,198	1,662
of which: other expenses	80	205
Total operating costs	7,558	3,946
Operating loss	-6,171	-3,291
Net loss	-6,034	-3,258

- **Revenue: +112%**

As announced on July 28, 2011, income more than doubled over the first half of 2011 compared to the first half of 2010. It thus totalled €1.4m, versus €0.7m over the same period last year, an increase of +112%. This substantial growth can be attributed to the +56.3% increase in sales of Cationorm® over the period and to the sharp increase in *Subsidies, public funding and research tax credit*, notably reflecting the upramping of the projects being developed by the Company.

- **Operating costs: +98%**

The increase in *Operating costs* also reflects the upramping of the projects being developed by the Company. In particular, within *External costs, Research and outsourcing*, which essentially includes costs related to the ongoing Phase II trials on Catioprost® and the start of the pivotal Phase III confirmatory trials on Cyclokat®, came to €2.6m, versus €0.5m at June 30th, 2010. It should be remembered that one of the specificities of the Company's model is that it outsources the performance of most of its pre-clinical and clinical trials to specialised companies. The increase in the figure reflects the progress made in the development of these two aspiring products, which is in line with the Company's roadmap.

¹ These accounts have been the subject of a partial examination by the auditors in accordance with applicable French standards



The increase in *Consumables used* is due to the manufacturing of batches for these two clinical trials and the increase in production inherent to the growth of Cationorm® sales.

The strengthening of the Company's organisation, notably with the recruitment of Ronald R. Buggage as Scientific Director of Novagali Pharma, is behind the increase in *Employee and Benefits Expenses*, which totalled €2.6m at June 30, 2011. The recruitment of new staff corresponds to the evolution of the Company's profile that requires the hiring of more experienced staff. Novagali had 42 staff at June 30, 2011, compared to 38 at June 30, 2010. There was therefore an operating loss of -€6.1m at June 30th 2011, versus -€3.3m at June 30th, 2010, whilst the operating loss came to -€6.0m at June 30th 2011, compared to -€3.3m at June 30th, 2010.

- **Financial situation**

At June 30, 2011, the Company had a cash position of €11.5m, versus €18.2m at December 31, 2010. The amount of cash consumed by operating activities over the first half of 2010 and the first half of 2011 was €4.1 million and €6.6 million respectively.

As explained above, the reason for the increase in cash consumption between the first half of 2010 and the first half of 2011 is notably the upramping of the clinical trial programmes launched on Catioprost® and Cyclokat® since the end of 2010.

- **Outlook**

Prospects for the product already marketed and the two candidate products currently being developed by Novagali Pharma are as follows:

- Cationorm®: The Company is preparing the launch of the product in the United States and Saudi Arabia. Cationorm® will also be available in multi-dose bottles that are free of preservatives. Furthermore, the Company is involved in discussions regarding the product's launch in other countries, notably in Europe.
- Cyclokat®: subject to the results of the pivotal confirmatory Phase III trials, Novagali Pharma is reaffirming its objective of requesting a marketing authorisation for the end of 2012. The Company is also pursuing talks with major market players that could lead to a partnership regarding Cyclokat® and Vekacia®.
- Catioprost®: the results of the Phase II trials are expected during the third quarter of 2011.

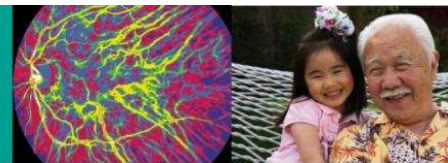
Jérôme Martinez, Chief Executive Officer of Novagali Pharma, concludes: *"Our first-half results reflect a market plan that is progressing in line with our expectations. The substantial new breakthroughs over the first half of the year are contributing to establishing Novagali Pharma's unique status as a pure player in ophthalmology as well as its increasing prominence on a fast-growing and consolidating market. The second half of the year will be key for Novagali Pharma, notably with the publication of the results of the Phase II clinical trials on Catioprost® in the United States, expected in September."*

Lastly, Novagali Pharma announces that it has today made its half-year financial report available to the public and filed it with the AMF. This report can be found on the Company's Internet site (www.novagali.com).

About NOVAGALI Pharma (www.novagali.com)

Founded in 2000, Novagali Pharma SA is a pharmaceutical company that develops ophthalmic innovative products for all segments of the eye. Thanks to its three proprietary technology platforms, the Company has an advanced portfolio of highly innovative products, one of which is already on sale and two of which are undergoing phase III clinical trials.

In 2009, Frost & Sullivan recognised Novagali with the Award for Industry Innovation & Advancement of the Year, for its proprietary emulsion technology platforms, and Siemens awarded the company the "Health Award" *Grand Prix de l'Innovation* for Novasorb®. Novagali Pharma carried out a successful IPO in July 2010 enabling the Company to raise €22 million. Novagali Pharma is listed on NYSE Euronext Paris - Compartment C. ISIN code: FR0010915553 - Ticker: NOVA.



This press release contains forward-looking statements. Although Novagali Pharma considers these statements to be based on reasonable assumptions, they could be affected by risks and uncertainties causing actual results to differ significantly from these forward-looking statements. For details of the risks and uncertainties that could potentially affect Novagali Pharma's results, financial situation, performances or achievements and thus result in a variation in these figures compared to the forward-looking statements contained in this document, please refer to the Risk Factors sections of the Document de Référence (annual report) registered with the French Autorité des Marchés Financiers ("AMF") under n° R. 11-021 on April 29th, 2011 and of the half-year financial report filed today with the AMF. These documents are available on the AMF (<http://www.amf-france.org>) and Novagali Pharma (www.novagali.com) websites.

This press release and the information contained herein do not constitute an offer to sell or subscribe to, or a solicitation of an offer to buy or subscribe to, shares in Novagali Pharma in any country.



Next press release
Revenue for the 3rd quarter of 2011: November 15th, 2011
(after market)

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