



NOVAGALI P H A R M A

First-half 2010 results

Evry (France), 9 September 2010: Novagali Pharma, a pharmaceutical company that develops innovative ophthalmic products, today announces its results¹ as approved by the Management Board on 30 August 2010, for the six-month period ended 30 June 2010.

These results do not reflect the capital increase relating to the Company's IPO on NYSE Euronext on 22 July 2010.

First-half results: operating losses reduced

<i>In € thousands IFRS</i>	H1 2010	H1 2009
Income		
Revenues	236	221
Subsidies, public financing and research tax credits	419	1,160
Total income	655	1,381
Operating expenses		
o/w Purchases used in production	373	563
o/w Staff costs	1,706	1,759
o/w External costs	1,662	3,956
Total operating expenses	3,945	6,471
Operating income	-3,291	-5,089
Net income	-3,258	-4,489

Novagali Pharma's revenues for the first half of 2010 reflect primarily sales of Cationorm®, up 7% at €236 thousand. The number of units sold rose by 39.2% to a total of 72,388 units in the first half of 2010, compared with 52,018 to 30 June 2009, attesting to the medical value of Cationorm® and its development potential. The difference between revenue growth and growth in the number of units sold relates to the decision made by Novagali Pharma at the end of the second half of 2009 to transfer marketing of Cationorm® to a distributor.

Total income came to €655 thousand, down sharply compared with the first half of 2009 due to the reduction of research tax credits over the period and the delay, until the second half of 2010, of payments relating to grants from French innovation agency OSEO within the framework of the Vitrena project.

Operating expenses came to €3,945 thousand, down 39% compared with the first half of 2009. This was mainly due to the slowdown in clinical trial programmes ahead of the IPO. The development of staff costs, down 3% for a total of 38 employees at 30 June 2010 compared with 39 at 31 December 2009, reflects tight control of the Company's cost structure.

¹ These financial statements have undergone a limited review by the statutory auditors in accordance with professional standards in France. 1/3



As a result, operating losses were halved in the first half of the year to -€3,291 thousand. Net financial items totalled -€3,258 thousand to 30 June 2010 compared with -€4,489 thousand to 30 June 2009.

Financial position

Cash and cash equivalents amounted to €0.7 million at 30 June 2010 compared with €4.7 million at 31 December 2009, representing cash burn of €4.1 million over the period compared with €3.7 million in the first half of 2009. The difference relates primarily to IPO costs, recognised as prepaid expenses, which will be deducted from additional paid-in capital arising from the capital increase.

Cash and cash equivalents as at 30 June 2010 do not include proceeds from the capital increase (€22 million gross) or repayment of the research tax credit (€1.8 million).

Outlook

Thanks to the proceeds from the capital increase, Novagali Pharma has a healthy balance sheet that will enable it to implement its development strategy and step up its research and development programmes into innovative products.

Novagali will focus in particular on the following promising major developments in the second half of 2010:

- Cationorm[®]: continuing commercial roll-out with further launches from the second half of 2010 in new regions;
- Cyklocat[®]: continuing regulatory interaction with the FDA and the EMA with a view to beginning the second phase III trial;
- Catioprost[®]: launch of a phase II clinical trial for the treatment of glaucoma in the second half of the year.

Novagali Pharma is also continuing its talks with key players in the pharmaceuticals industry with a view to establishing partnerships in some of its products.

Jérôme Martinez, Chief Executive Officer of Novagali Pharma, concludes: *"During the first half of the year, thanks to the commitment of our staff, we were able to pursue a variety of strategic projects to ensure the durability and step up the pace of Novagali Pharma's development. We continued with our Research and Development efforts while maintaining control of operating costs, as well as leading the Company's IPO from the front. The success of our IPO will enable Novagali Pharma to enter into a new key stage of its development, resulting in its flagship products being brought to market."*



[About NOVAGALI Pharma \(www.novagali.com\)](http://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®. In April 2010, Novagali Pharma and its partners in the Vitrena project obtained €9.4 million in funding from Oséo for this diabetic retinopathy project.

Novagali Pharma carried out a successful IPO in July 2010. This entailed a €22 million capital increase, making it the largest round of fundraising on the stock market in the biotechnology industry in the first half of 2010.



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