

## **The Offer Document relating to the Simplified Cash Tender Offer for the Shares and Warrants of Novagali Pharma S.A. by Santen Pharmaceutical Co., Ltd.**

Osaka, Japan, December 1<sup>st</sup>, 2011 – Santen Pharmaceutical Co., Ltd. (Osaka, Ticker Code 4536JP, hereinafter "Santen") publishes this news release in accordance with Article 231-27 1° and 2° and 231-28 of the General Regulations of the Autorité des marchés financiers ("AMF").

The AMF, pursuant to the clearance decision-dated November 29, 2011, affixed its visa No.11-551 dated as of November 29, 2011, on Santen's offer document relating to the simplified cash tender offer initiated by Santen for the shares and warrants (bons de souscription d'actions) of Novagali Pharma SA ("Novagali") (the "Offer").

Pursuant to Article 231-28 of the General Regulations of the AMF, the information relating to the legal, financial and accounting characteristics of Santen have been filed with the AMF on November 30, 2011.

The offer document of Santen, approved by the AMF, and the disclosure relating to the legal, financial and accounting characteristics of Santen are available to the public on the websites of the AMF ([www.amf-france.org](http://www.amf-france.org)) and of Santen ([www.santen.com](http://www.santen.com)) and may also be obtained free of charge from:

- Santen Pharmaceutical Co., Ltd., 9-19, Shimoshinjo 3-chome, Higashiyodogawa-ku, Osaka 533-8651, Japan;
- Goldman Sachs International, c/o Goldman Sachs Paris Inc. et Cie, 2 rue de Thann, 75017 Paris, France ; or
- BNP Paribas Securities Services, Corporate Trust Services, Services Actionnaires, Grands Moulins de Pantin, 9 rue du Débarcadère, 93500 Pantin, France.

### **Terms of the Offer**

Santen is offering to the Novagali shareholders and to the holders of bons de souscription d'actions to pay in cash:

- 6.15 euros for each share of Novagali;
- 4.03 euros for each 2014 bon de souscription d'actions of Novagali; and
- 2.75 euros for each 2019 bon de souscription d'actions of Novagali.

If, upon the settlement and delivery date of the Offer, Santen, acting alone or in concert, owns shares of Novagali (including any shares resulting from the exercise of warrants) which represent a percentage of the then outstanding share capital and voting rights of Novagali such that it would allow Santen to implement a mandatory squeeze-out of the remaining shares in Novagali in accordance with Articles 237-14 et seq. of the General Regulations of the AMF, Santen will provide an additional consideration of ten eurocents (EUR 0.10) per share tendered in the Offer via the centralized procedure.

## **Duration of the Offer**

The Offer will be opened for a period of 10 business days from December 2, 2011 until December 15, 2011 included. Prior to the opening of the Offer, the AMF will publish a notice on the opening of the Offer and NYSE Euronext Paris will publish a notice on the terms of the Offer, including a timetable of the Offer.

A news release summarizing in more details the terms and conditions of the Offer is available on Santen's website ([www.santen.com](http://www.santen.com))

*This news release is for informational purposes only. It does not constitute a simplified cash tender offer to purchase shares and warrants of Novagali initiated by Santen.*

*The publication or distribution of the offer document and any document relating to the Offer and the participation in the Offer may be subject to statutory or regulatory restrictions in certain countries. This Offer is made exclusively in France and is not addressed to individuals which may be subject to such restrictions, either directly or indirectly. Failure to observe such restrictions is a violation of stock exchange applicable laws and regulations in certain countries. Santen is not responsible for the violation of statutory or regulatory restrictions. The Offer may not be subject to an acceptance in countries where a tender offer would be illegal.*

*Stockholders and other investors are urged to read carefully all Offer materials prior to making any decisions with respect to the Offer.*

## **About Santen Pharmaceutical Co., Ltd.**

Founded in 1890, Santen is a \$1.1 billion global company headquartered in Osaka, Japan. Santen researches, develops and markets ophthalmic products for physicians worldwide. Among prescription ophthalmic pharmaceuticals, Santen holds the top share within the Japanese market and is one of the leading ophthalmic companies worldwide. Santen has subsidiaries in the U.S., Europe, and Asia, including its Emeryville, California based Santen Inc., its Tampere, Finland based Santen OY, its Suzhou, China based Santen Pharmaceutical (China) Co., Ltd. and its Bangalore, India based Santen India Private Limited.

For more information, visit [www.santen.com](http://www.santen.com)

## **About Novagali Pharma S.A.**

Founded in 2000, Novagali Pharma SA is a pharmaceutical company that develops and commercializes 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 have ongoing/undergoing phase III clinical trial programs. Since July 2010 Novagali Pharma has been listed on NYSE Euronext Paris - Compartment C.

For further information on Novagali Pharma S.A.: [www.novagali.com](http://www.novagali.com)

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## OPENING OF A SIMPLIFIED CASH TENDER OFFER

for the securities issued by

**NOVAGALI**  
P H A R M A

initiated by

**Santen**

presented by



### TERMS OF THE OFFER

6.15 euros per Novagali share

4.03 euros per 2014 BSA

2.75 euros per 2019 BSA

If, upon the settlement and delivery date of the Offer, Santen acting alone or in concert, owns shares of Novagali (including any shares resulting from the exercise of warrants) which represent a percentage of the then outstanding share capital and voting rights of Novagali such that it would allow Santen to implement a mandatory squeeze-out of the remaining shares in Novagali in accordance with Articles 237-14 et seq. of the General Regulations of the *Autorité des marchés financiers* (the "AMF"), **Santen will provide an additional consideration of ten eurocents (EUR 0.10) per Share tendered in the Offer via the centralized procedure.**

**Indicative duration: from December 2, 2011 until December 15, 2011**

**This news release relates to the Offer Document which received visa n°11-551 from the AMF on November 29, 2011, pursuant to article L. 621-8 of the French Monetary and Financial Code and article 231-23 of the General Regulation of the AMF, following the decision of the AMF as to the clearance of the Offer dated November 29, 2011.**

The Offer Document is available on the websites of the AMF ([www.amf-france.org](http://www.amf-france.org)) and of Santen ([www.santen.com](http://www.santen.com)) and may be obtained free of charge from:

**Santen Pharmaceutical, Co. Ltd.**  
9-19, Shimoshinjo 3-chome,  
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## **1 PRESENTATION OF THE OFFER**

Pursuant to Title III of Book II and more specifically Article 231-13, Articles 233-1-2° and Article 234-2 of the General Regulations of the AMF, Santen Pharmaceutical, Co. Ltd., a public limited company organized under the laws of Japan, having its corporate headquarters at 9-19, Shimoshinjo 3-chome, Higashiyodogawa-ku, Osaka 533-8651, Japan (the “**Offeror**” or “**Santen**”) is making an offer to the holders of Shares and BSAs (each, as defined below) issued by Novagali Pharma S.A., a French *société anonyme à directoire et conseil de surveillance*, having its registered office at 1, rue Pierre Fontaine, Bâtiment Genavenir, 91000 Evry, France, registered with the Trade and Companies Registry of Evry under number 432 584 225 (“**Novagali**” or the “**Company**”), to purchase pursuant to the terms and conditions set forth below (the “**Offer**”):

- a) any and all shares issued by the Company and shares that may be issued upon the exercise of Warrants (as defined below) (the “**Shares**”), representing, to the knowledge of the Offeror and after taking into account the number of Shares already held by the Offeror, a maximum number of 8,263,441 Shares<sup>1</sup>; the Shares being admitted to trading on the Eurolist market (Compartment C) of NYSE Euronext Paris S.A. (“**NYSE Euronext Paris**”) under ISIN code FR0010915553 – NOVA; and
- b) any and all of the following outstanding bons de souscription d’actions issued by the Company (the “**BSAs**”), representing, to the knowledge of the Offeror, a maximum of 19,730 BSAs:
  - i. the 700 outstanding bons de souscription d’actions expiring on June 28, 2014 (the “**2014 BSAs**”); and
  - ii. the 19,030 outstanding bons de souscription d’actions expiring on February 3, 2019 (the “**2019 BSAs**”).

The Shares and the BSAs are referred to hereinafter as the “**Securities**”.

The Offer is not made for the bons de souscription de parts de créateurs d’entreprise issued by the Company as described hereinafter and collectively, the “**BCEs**”), which are not transferrable by the holders thereof in accordance with the provisions of article 163 bis G II of the French Tax Code:

- i. the outstanding bons de souscription de parts de créateurs d’entreprise expiring on March 26, 2012 (the “**March 2012 BCEs**”);
- ii. the outstanding bons de souscription de parts de créateurs d’entreprise expiring on May 29, 2012 (the “**May 2012 BCEs**”);
- iii. the outstanding bons de souscription de parts de créateurs d’entreprise expiring on June 14, 2012 (the “**June 2012 BCEs**”).
- iv. the outstanding bons de souscription de parts de créateurs d’entreprise expiring on March 27, 2014 (the “**2014 BCEs**”);
- v. the outstanding bons de souscription de parts de créateurs d’entreprise expiring on March 26, 2015 (the “**March 2015 BCEs**”); and

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<sup>1</sup> Maximum number of Shares calculated on a fully diluted basis (*i.e.*, taking into account the outstanding Shares, the treasury Shares and the Shares that may be issued upon exercise of the Warrants (as defined below)) but excluding the 8,243,347 shares of Novagali held by Santen as of the date hereof and the 474,800 Free Shares (as defined in Section 2.1) (Source: Novagali)

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- vi. the outstanding bons de souscription de parts de créateurs d'entreprise expiring on May 29, 2015 (the "May 2015 BCEs").

The BCEs and the BSAs are hereinafter and together referred to as the "**Warrants**".

On September 28, 2011, Santen and Novagali issued a joint news release which is available on Santen's website ([www.santen.com](http://www.santen.com)).

The Offer will be made pursuant to the simplified procedure as set forth in Articles 233-1 *et seq.* of the General Regulations of the AMF.

### **1.1 Description of the pre-Offer - Off-Market Transaction**

On September 27, 2011, Santen, Novagali and certain shareholders of Novagali (the "**Selling Shareholders**") entered into a share purchase agreement (the "**Share Purchase Agreement**") regarding the acquisition by Santen off-market of 8,243,347 Shares representing 50.55% of the issued share capital of Novagali (the "**Off-Market Transaction**"). The Share Purchase Agreement contained price terms similar to those of this Offer, *i.e.*, a price of 6.15 euros per Share to be paid upon the closing of the Off-Market Transaction and an additional consideration of 0.10 euro per Share that will be paid to the Selling Shareholders if, upon the settlement and delivery of the Offer, the number of Shares not held by Santen do not represent more than 5% of the share capital or voting rights of Novagali.

The context of the Off-Market Transaction, the main provisions of the Share Purchase Agreement and the identity of the Selling Shareholders are summarized in section 1.1 and 1.3 of the Offer Document of the Offeror.

Before the execution of the Share Purchase Agreement, on September 27, 2011, the Board of Directors of Santen approved the signing of the Share Purchase Agreement and the filing of a friendly mandatory tender offer for the shares and other securities of Novagali, and informed Novagali of such decisions. On the same day, the Supervisory Board of Novagali met and, after obtaining a positive opinion from the committee created for the purpose of reviewing the terms and conditions of Santen's offer and composed of independent members of the Supervisory Board, approved the signing of the Share Purchase Agreement and welcomed favorably the Offer. During the same meeting, the Supervisory Board of Novagali appointed Bellot Mullenbach & Associés, represented by Messrs. Patrick Abensour and Jean-Louis Brun d'Arre, to act as independent expert in accordance with the provisions of article 261-1 of the General Regulations of the AMF.

In accordance with the provisions of the Share Purchase Agreement and a decision of the Supervisory Board of the Company, the Management Board of the Company approved the acceleration of the vesting of two thirds of the 53,358 outstanding 2019 BSAs, the performance conditions of which were satisfied based on the Price per Share (as defined below) proposed by Santen.

On October 11, 2011, as a result of the completion of the Off-Market Transaction, Santen acquired 8,243,347 Shares for an aggregate price of EUR 50,696,584.05.

On November 9, 2011, the Management Board of the Company, after discussion and in cooperation with Santen, rendered the 2019 BSAs transferable and decided to align the performance condition contained in the 2019 BSAs Plan in respect of the third tier of the 2019 BSAs on the performance condition applicable to the second tier of the 2019 BSAs and acknowledged that this performance condition, as amended, was satisfied based on the offered Price per Share (as defined below) so that, as a result, each beneficiary thereof had the right to exercise the third tier of the 2019 BSAs<sup>2</sup>.

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<sup>2</sup> Pursuant to Article 12 of the plan applicable to the 2019 BSAs, the Management Board of the Company is authorized to amend the provisions of the plan in a way that is favorable to the holders. The 2019 BSAs were initially subject to staggered exercise over time and accompanied by a condition of continued presence on the Company's Supervisory Board or Scientific Advisory Board and by a performance condition. The performance condition was to be assessed on the second and third anniversary date of the warrants' allocation (the share price should show a 50% increase on the second anniversary date, *i.e.*, €5.04 on February 3, 2013, and 100% on the third anniversary date, *i.e.*, €6.72 on February 3, 2014).

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## **1.2 Reasons for the Offer**

The combination of Santen and Novagali will lead to the creation of one of the leading ophthalmology group globally. In particular, by bringing to Santen (i) several attractive additions to its portfolio of commercialized products and its pipeline portfolio, (ii) an expansion of its global footprint, (iii) novel and outstanding R&D capabilities and (iv) a broad and experienced management team, this combination will allow Santen to better serve patients on a worldwide basis and to enhance shareholder value, thus helping Santen to achieve its long-term strategic objective to become one of the top companies in the global prescription ophthalmic pharmaceutical market by 2020.

Post-acquisition of Novagali, Santen will enjoy a broader technology platform, with a clear competitive advantage in the global ophthalmology market. In particular, by applying the Novasorb® technology (Novagali's ocular cationic emulsion platform) and Eyeject® technology (Novagali's technologic platform allowing intra- and peri-ocular injection of active substances that are not water-soluble) to its pipeline compounds and existing products, Santen expects to generate potential synergies in terms of development of distinct formulation on its pipeline compounds and prolongation of product life cycle.

Moreover, with the addition of Novagali's products at an advanced stage of clinic trial, such as Cyclokat®, which is in the most advanced stage in the pipeline, Santen will have a leading pipeline portfolio in the ophthalmology industry. In a context where Santen strives to create outstanding prescription drugs to fulfill global unmet medical needs, the acquisition of Novagali will provide access to the dry eye prescription market in its severe forms.

Besides Cyclokat® and Vekacia® (a product intended for the treatment of a child serious form of allergic conjunctivitis known as Vernal Keratoconjunctivitis), the acquisition of Novagali will also involve several early-stage pipeline products, thus supporting a continuous flow of new products development and launches, as well as a consistent growth within the pharmaceutical industry, for Santen.

Given the nature of pharmaceutical product development, the potential top line benefits expected from the acquisition of Novagali could, with the sales of Cationorm® and in case of favorable regulatory outcome for Cyclokat® and other products, far exceed the level of relative contribution reflected in market capitalizations for Santen (€2,626m) and Novagali (€58m) as of September 27, 2011.

In addition, with a 35.8% market share, Santen is the leader of the Japanese prescription ophthalmic pharmaceutical market. With the integration of Novagali's franchise in France, Santen will enhance its global footprint (especially in Europe) and bring the number of employees of the Santen group close to the symbolic number 3,000 employees on a consolidated basis.

Since 2008, Novogali commercializes Cationorm®, a product that treats the symptoms of dry eye, in certain European countries (France, Italy, Portugal), the Middle East, North Africa and Southeast Asia. In this respect, Novagali has developed efficient distribution networks in these territories.

It is Santen's intention to expand the commercialization of Cationorm® in countries where the Company is not present and to have Novagali become one of its key platforms in Europe, alongside with its existing European subsidiaries (Santen Oy in Finland, SantenPharma AB in Sweden and Santen GmbH in Germany). Santen is confident that Novagali's expertise in Europe will help it accelerate the achievement of one of its medium term management plan strategic objectives ("achieve high growth through strengthening of marketing platforms in Asia and Europe").

Finally, one of Santen's strategic objectives in its medium term management plan is to "develop talents and organizational capability to promote "Creation and Innovation" on a global level". In light of Novagali's employees' outstanding track record, which includes the impressive development of the Company since its inception, the commercialization of its first product in 2008, as well as its successful public flotation in July 2010, Santen is confident in its ability to welcome Novagali's employees and management team within Santen's enlarged perimeter and to cooperate with them in order to meet this objective.

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### **1.3 Offeror's Intentions for the Next Twelve Months**

#### ***Strategy and Industrial Policy***

Post acquisition, Santen intends to let Novagali continue to operate as a stand-alone business within the Santen group.

Santen's objective is to have the group resulting from the combination benefit from Novagali's advanced technologies, portfolio of commercialized products, pipeline portfolio, as well as strong European platform, in order to become one of the global leading groups specializing in ophthalmology. The combined group will pursue the growth strategy already undertaken by Santen and Novagali in their respective fields of activity, in a fully collaborative spirit and by allocating managerial and financial resources between the two entities in the most appropriate manner to enhance technology and products for the benefit of patients worldwide.

The strategy would be based on the achievements and plans of the two groups, with a view of extending them, particularly by providing products which are always more innovative with major benefits to the patients and respectful of the environment. In addition, it is currently envisaged that both Santen and Novagali would obtain an access to new markets.

Following the transaction, Santen does not anticipate the need for any significant restructuring of the two organizations in order to ensure that leading products of Novagali such as Cyclokat® and Cationorm® will successfully enter the market. Moreover, it is Santen's intention to provide the resources that would be required in order to develop and successfully launch Novagali's key products. In addition, the companies plan to collaborate both on the research and development and marketing fronts, so as to maximize the combined benefits of these actions.

The new group would continue to apply the highest ethical, social, and environmental standards already put in place at Santen and Novagali, and to prioritize sustainable development with a constant goal of improvement.

#### ***Composition of the Decision-Making Bodies and Senior Management Team of Novagali***

Following the Offer, Santen intends to review the structure of the Company's Supervisory Board to reflect the Company's new shareholder base.

As described in more details in Section 1.1 of the Offer Document, on October 11, 2011 being the closing date of the Off-Market Transaction, as provided for by the Share Purchase Agreement, Edmond de Rothschild Investment Partners, Auriga Partners, Kurma Life Sciences Partners, CDC Innovation, Mr. Bernard Chauvin and Mr. Alain Munoz resigned from the Supervisory Board of Novagali and the Supervisory Board of Novagali approved (i) the appointment of Messrs. Jyrki Liljeroos, Naoya Karube and Kazuo Koshiji as members of the Supervisory Board of the Company, (ii) the appointment of Mr. Naoya Karube as Vice President of the Supervisory Board of the Company, and (iii) the appointment of Mr. Yasuhiro Yotsumoto as member of the Management Board of the Company.

In furtherance of the foregoing, upon completion of the Offer, the Offeror will review the organization of the Management Board of Novagali so that the best decision-making process is maintained at the level of Novagali within the overall decision-making process of the Santen group.

#### ***Intentions with Respect to Employment***

Each of Santen and Novagali place men and women at the heart of their values and policies in terms of sustainable development and share the common objective of treating their employees in an equitable manner and offering them working conditions meeting the highest standards, especially in the field of health and security.

Santen intends to rely on the existing teams of Novagali in order to pursue the development of the Company. Accordingly, Santen does not intend to implement any redundancy plan in the short term. In addition, the Offeror intends to maintain the existing location of the Company's operational headquarters.

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To date, the Offeror has not been able to articulate with sufficient details its plans with respect to the extent of the reorganization that will be commanded by the combination of Novagali with the Santen group. After completion of the Offer, the Offeror will carry out a detailed review of the Company's organization and its combination with the Santen group. To this end, an *ad hoc* integration project team will be set up following completion of the Offer. This *ad hoc* integration project team will be in charge of making recommendations to the Santen group for (i) the review of the various options available to integrate the Company's with Santen group's businesses while preserving the Company's workforce, assets and know-how and (ii) the determination of the means and options to achieve such integration.

Santen intends to respect the undertakings of Novagali in the area of social and employment policies and intends to act consistently with the current human resources policy of Novagali, or provide improvements within the scope and to the extent of Santen's current human resources policy, if applicable. In addition, Santen is studying appropriate incentive mechanisms for Novagali employees who will benefit from terms not less favorable than the terms of the plans currently in place at Novagali.

### ***Interest of the Offeror, the Company and their Shareholders in the Offer***

The Offer gives Novagali's Security holders the opportunity to obtain immediate liquidity on their entire shareholding at a very attractive price. The integration of Novagali within a much larger group will give Novagali access to a broader platform, in particular with respect to R&D, sales and marketing as well as corporate and infrastructure support, and enable Novagali to expand the commercial success of Cationorm® and facilitate the launch of its most promising products. By acquiring Novagali, Santen will enhance its pipeline portfolio and drug formulation capabilities with the inclusion of Novagali's innovative technologies and products as well as strengthen its global platform and benefit from the experience of Novagali's management team.

The Price per Share (as defined below) represents premiums of 76.1 %, 72.5 % and 65.9 % respectively on the average share prices for Novagali (weighted by the volumes) for the one, three and six month periods respectively prior to September 27, 2011, which is the last full trading day of the Shares prior to the announcement of the Offer. The Price per Share as increased by the Additional Consideration (all, as defined below) represents premiums of 79.0%, 75.3% and 68.6% respectively on the average share prices for Novagali (weighted by the volumes) for the one-, three- and six-months periods respectively prior to September 27, 2011.

### ***Reorganization***

Following the closing of the Offer, and depending on its results, the Offeror will review the different legal and financial structures which can be implemented to facilitate and optimize the operational and corporate integration of Novagali within the Santen group. However, the Offeror Santen intends to maintain Novagali as a stand-alone entity within the Santen group and does not intend to merge Novagali with Santen nor with any of its subsidiaries.

Any such reorganization will be carried out in compliance with applicable laws and regulations with a view to ensuring Novagali's development and profitability.

### ***Contemplated Synergies***

In the event that Santen manages to acquire 100% of Novagali, based on a preliminary analysis, Santen believes that the business combination of Novagali into Santen will generate potential synergies. These synergies are mainly expected to derive from providing resources to Novagali for the expansion of the commercialization of Cationorm® the successful development and marketing of Cyclokate® and other pipeline products with the utilization of Novagali's research and development capabilities as well as its unique pharmaceutical technologies, represented by its Novasorb® and Eyeject® technologies to enhance Santen's pipeline portfolio and drug formulation ability. Soon after the settlement of the Offer, Santen will transfer the necessary resources to Novagali so as to expand the commercialization of Cationorm® and to enhance its development capabilities for Cyclokate® and other pipeline products. In addition, Santen will initiate research and development collaboration with Novagali and will look to apply Novagali's technologies to its in-house product and pipeline portfolio in a timely manner. However, the exact timing and amount of any positive financial impact to be derived from these initiatives has not been specified yet.



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Revenues synergies (not quantified either) are also expected to be derived from the transaction as a result of customer base diversification and geographical expansion.

All these synergies should ensure Novagali's sustainable growth as a result of the operational, financial and scientific support of a major player in the pharmaceutical industry.

### ***Dividend Distribution Policy***

Novagali did not distribute dividends for the financial year ended as of December 31, 2010 and, based on its statutory financial statements as of December 31, 2010, has no freely distributable sums or reserves. In the future, the dividend distribution policy of Novagali will be determined by Santen taking into account its distribution capacity and its financing needs for the conduct of its activities.

### ***Squeeze-Out***

In accordance with the provisions of Articles 237-14 *et seq.* of the General Regulations of the AMF, in the event the Shares which were not tendered into the Offer do not represent more than 5% of the total share capital or voting rights of Novagali, the Offeror intends, within three months following the expiration date of the Offer, to request from the AMF the implementation of a mandatory acquisition (squeeze-out) of the remaining Shares and, as the case may be, BSAs not held by it. This mandatory squeeze-out, if any, will be implemented at a price of 6.25 euros per Share.

The Offeror also intends to request from the AMF, within three months following the expiration date of the Offer, the implementation of a mandatory acquisition (squeeze-out) of the remaining BSAs not tendered into the Offer if the existing Shares not tendered into the Offer added to the Shares that may be issued upon the exercise of the outstanding BSAs not tendered into the Offer do not represent more than 5% of the total share capital issued or that may be issued. This mandatory squeeze-out for the BSAs, if any, will be implemented at a price of 4.03 euros per 2014 BSA and 2.75 euros per 2019 BSA.

The report of the Independent Expert appointed in accordance with the provisions of article 261-1 I 1°, 2°, 5° and II of the General Regulations of the AMF in order to opine on the fairness from a financial standpoint of the Offer (which may be followed by a mandatory squeeze-out) is available in the Response Document prepared by Novagali.

If a squeeze-out is not implemented as described in the first paragraph, and provided at that time it holds, directly or indirectly, at least 95% of the voting rights of the Company, the Offeror reserves the right to subsequently file with the AMF a public offer for all remaining Shares followed by a squeeze-out if the minority shareholders do not represent more than 5% of the share capital or voting rights of the Company, all in accordance with articles 236-1 *et seq.* and 237-1 *et seq.* of the General Regulations of the AMF. In this case, the squeeze-out will be subject to the clearance of the AMF, which will confirm its compliance notably in light of (i) the evaluation of the concerned securities provided by the Offeror and (ii) the new report of the independent expert appointed in accordance with applicable regulations.

### ***Deregistration***

The Offeror reserves the right, in the event it may not launch a squeeze-out following the expiration date of the Offer due to the insufficient number of Shares tendered into the Offer, to petition NYSE Euronext Paris to cause the deregistration of the Shares from the Eurolist market. In rendering its decision, NYSE Euronext Paris will consider whether the liquidity of the Shares has been materially reduced following the completion of the Offer so that deregistration is in the best interests of the market and subject to the market rules of NYSE Euronext Paris.

## **2 TERMS AND CONDITIONS OF THE OFFER**

Pursuant to the provisions of Article 231-13 and Article 234-2 of the General Regulations of the AMF, on November 9, 2011, Goldman Sachs International, acting on behalf of the Offeror, filed the Offer with the AMF in the form of a simplified cash tender offer (*offre publique d'achat simplifiée*).

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In accordance with Article 231-13 of the General Regulations of the AMF, Goldman Sachs International, in its capacity as presenting bank, guarantees the content and the irrevocable nature of the undertakings of the Offeror.

## **2.1 Number and Nature of Securities Sought in the Offer**

Subject to the terms and conditions of the Offer set forth below, the Offer is made for all issued and outstanding Securities, including:

- i. any and all Shares issued by the Company; and
- ii. without prejudice to the following paragraphs, any and all Shares that may be issued upon exercise of the Warrants (it being specified that the Offer is not made for the BCEs), i.e., a maximum of 197,928 Shares;

and the following BSAs:

- iii. any and all of the outstanding 2014 BSAs, i.e., a maximum of 700 2014 BSAs; and;
- iv. any and all of the outstanding 2019 BSAs, i.e., a maximum of 19,030 2019 BSAs.;

To the knowledge of the Offeror, the Company has issued 16,308,860 Shares as at the date of the Offer Document<sup>3</sup>. Therefore, the Shares targeted by the Offer represent together a maximum number of 8,263,441 Shares as of the date hereof including the Shares held by the Company in treasury but after deducting the 8,243,347 Shares held by the Offeror on the date hereof and excluding the Free Shares (as defined below).

As mentioned in Section 1 above, the Offer is not made for the BCEs, which may not be transferred by the holders thereof in accordance with the provisions of article 163 *bis* G II of the French Tax Code. In addition, except for cases where there is an applicable exception under legal or regulatory provisions (such as death or disability of the grantee), none of the 474,800 Shares granted freely to employees of Novagali in accordance with the provisions of L. 225-197-1 to L. 225-197-5 of the French Code of commerce (the “**Free Shares**”), which have an acquisition period expiring on February 3, 2013, may be tendered into the Offer. A proposal of indemnification will be made to the grantees of Free Shares and holders of Warrants (See Section 2.5 “Treatment of the Grantees of Free Shares and Holders of Warrants”).

For the sake of completeness, the 2014 BSAs are transferrable as per their initial terms and the 2019 BSAs have been rendered transferrable pursuant to a decision of the Management Board of the Company of November 9, 2011, taken after discussions and in coordination with Santen. In addition, to the knowledge of the Offeror, based on the Price per Share (as increased by the Additional Consideration (as defined below), as the case may be), except for the 19,030 outstanding 2019 BSAs, none of the Warrants are “in the money.”

Pursuant to the terms of the Share Purchase Agreement, Novagali undertook not to tender its Shares held in treasury into the Offer, i.e., 30,148 Shares as at September 27, 2011<sup>4</sup>.

As of the date of the Offer Document, the Offeror owns directly 8,243,347 Shares acquired pursuant to the Off-Market Transaction. Except for those 8,243,347 Shares acquired pursuant to the Off-Market Transaction, the Offeror has not acquired or sold any Shares or other securities of the Company in the past twelve months, preceding September 27, 2011, and, on the date hereof, the Offeror has no right to acquire any Shares or other securities of the Company. In addition, the Offeror is acting alone and not in concert.

## **2.2 Terms of the Offer**

The Offeror is offering to the Novagali shareholders and to the holders of BSAs to pay in cash:

- 6.15 euros for each Share (the “**Price per Share**”);

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<sup>3</sup> Source : Novagali

<sup>4</sup> Source : Novagali

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- 4.03 euros for each 2014 BSA; and
- 2.75 euros for each 2019 BSA;

### **2.3 Adjustments to the Terms of the Offer**

If upon the settlement and delivery date of the Offer, the Offeror, acting alone or in concert, owns Shares which represent a percentage of the then outstanding share capital and voting rights of the Company such that it would allow the Offeror to implement a mandatory squeeze-out of the remaining Shares in the Company not tendered into the Offer in accordance with Articles 237-14 *et seq.* of the General Regulations of the AMF, the Offeror will provide an additional consideration of ten eurocents (EUR 0.10) per Share tendered in the Offer (the “Additional Consideration”). The Additional Consideration, if due, will be paid upon settlement of the Offer to the holders of Shares having tendered their shares into the Offer *via* the centralized procedure.

### **2.4 Conditions to the Offer**

In accordance with the provisions of Article 234-2 of the General Regulations of the AMF, the Offer is not subject to any condition relating to a minimum number of Shares or BSAs tendered into the Offer. In addition, the Offer is not subject to any antitrust or other regulatory condition.

### **2.5 Treatment of the Grantees of Free Shares and Holders of Warrants**

The Offeror will propose to the grantees of Free Shares, which could not tender their Free Shares into the Offer because the mandatory acquisition and holding periods of these Free Shares did not expire prior to the closing of the Offer, to waive immediately and irrevocably their rights to their Free Shares in exchange for a payment per Free Share determined by reference to the Price per Share (including the Additional Consideration, if paid).

Similarly, the Offeror will propose to the holders of Warrants, which are still outstanding, to waive immediately and irrevocably their rights to their Warrants in exchange for an immediate payment determined by reference to the price per each category of BSAs offered in the Offer as set forth in Section 2.2 “Terms of the Offer” of the Offer Document or, as applicable, determined by reference to the following indemnification amount in respect of the BCEs:

- 0.42 euro for each outstanding March 2012 BCE;
- 0.64 euro for each outstanding May 2012 BCE;
- 1.95 euros for each outstanding June 2012 BCE;
- 3.83 euros for each outstanding 2014 BCE;
- 3.31 euros for each outstanding March 2015 BCE; and
- 3.43 euros for each outstanding May 2015 BCE.

Section 3.4 of the Offer Document “Assessment of the Prices and Indemnification Amounts Offered for the Warrants” provides details on how these amounts have been calculated and an assessment of these amounts.

### **2.6 Procedures for Tendering Securities**

The Securities tendered into the Offer must be free and clear of any pledge, lien, security interest, encumbrance, claim or restriction of any nature whatsoever. The Offeror reserves the right, in its sole discretion, to reject any and all Securities that the Offeror determines not eligible for tenders.

The ownership of the tendered Securities will be transferred to the Offeror on the settlement date of the Offer, all the rights attached to these Securities being transferred to the Offeror on the settlement date of the Offer.

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No interest will be owed from the beginning of the offering period until the settlement date of the Offer which will take place according to the timetable to be announced by NYSE Euronext Paris.

#### ***Procedure for Tendering Shares into the Offer***

The Offeror does not intend to purchase Shares on the market during the duration of the Offer, so as to ensure that all the shareholders are able to benefit from the payment of the Additional Consideration, if due. The shareholders will only be able to participate in the Offer by tendering their Shares within the framework of the centralized procedure as follows.

Holders of Shares held in an account managed by a financial intermediary (including traders, banks and financial institutions) must give an irrevocable instruction to their financial intermediary to tender their Shares in the Offer in accordance with the standard forms provided by their financial intermediary no later than the expiration date of the Offer.

Holders of Shares held in registered form on the books of the Company (*nominatif pur*) must first request that their Shares be converted to administered registered (*nominatif administré*) form in the account of a financial intermediary (unless the conversion into bearer form has been requested). Upon the settlement and delivery of the Offer, NYSE Euronext Paris will transfer the Shares to BNP Paribas Securities Services, the financial intermediary which administers the Company's accounts for all Shares held in registered form, for their conversion into bearer form in order for such Securities to be transferred to the Offeror.

#### ***Procedure for Tendering BSAs into the Offer***

Holders of BSAs who wish to tender their BSAs into the Offer must submit to BNP Paribas Securities Services, Corporate Trust Services, Services Actionnaires, Grands Moulins de Pantin, 9, rue du Débarcadère, 93500 Pantin, France, a tender instruction no later than the date of the end of the Offer period, using the model made available to them by BNP Paribas Securities Services.

#### ***Centralization of Orders***

Each financial intermediary and establishment holding a security-account must, at the date indicated in the NYSE Euronext notice, transfer to NYSE Euronext Paris the Shares for which they have received a tender order.

After receipt by NYSE Euronext Paris of all tender orders as described above, NYSE Euronext Paris will centralize all the tender orders and determine the results of the Offer.

### **2.7 Indicative Timetable for the Offer**

November 9, 2011	Filing of the draft Offer Document with the AMF
November 9, 2011	Filing of Novagali's draft response prospectus with the AMF
November 29, 2011	Clearance decision ( <i>avis de conformité</i> ) by the AMF
December 2, 2011	Opening of the Offer
December 15, 2011	Closing of the Offer
December 21, 2011	Publication of a notice announcing the results of the Offer by the AMF
December 29, 2011	Settlement of the Offer

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## **2.8 Costs and Financing of the Offer**

### ***Cost of the Offer***

If all the Securities existing as of the date hereof (including the Shares held by Novagali in treasury) were tendered into the Offer, the maximum cost of the Offer (including the Additional Consideration, but excluding any fees and related expenses) would amount in the aggregate to approximately 50.5 million euros.

Assuming that all Shares but the BSAs and the 30,148 Shares held by Novagali in treasury as at September 27, 2011<sup>5</sup> were tendered to into the Offer, the cost of the Offer (including the Additional Consideration, but excluding any fees and related expenses) would amount to approximately 50.2 million euros.

In addition, expenses incurred by the Offeror in connection with the Offer (including fees of external financial, legal and accounting advisers and of any experts and other consultants, as well as communication and publication costs, among others) are estimated to be approximately 4.5 million euros (excluding tax).

### ***Financing of the Offer***

The Offeror intends to finance the Offer out of its own funds. As of September 30, 2011, Santen had approximately 83.4 billion yens (i.e., approximately 809 million euros) of cash and cash equivalents on balance sheet.

### ***Remuneration of Brokers – Assumption of Costs***

Within the framework of the centralized procedure, the Offeror will bear the costs of the brokerage commission and the corresponding VAT paid by the holders of the Shares who tender their Shares into the Offer, up to 0.3% per order, and capped to two hundred (200) euros per shareholder (VAT included).

Any request for reimbursement as mentioned above must be sent within four (4) weeks following the end of the offer period. After this date, no request for reimbursement will be accepted.

## **2.9 Restrictions concerning the Offer outside France**

The Offer is being made to all holders of Securities who are located in France. The Offer Document is not intended to be distributed in any country other than France.

The distribution of the Offer Document and any other document related to the Offer and the participation in the Offer may be subject to legal restrictions in certain jurisdictions. The Offer is not being made, directly or indirectly, in countries where the Offer would be subject to such restrictions. The non-compliance to those legal restrictions could be considered as a violation of the applicable capital markets laws and regulations in those jurisdictions. The Offeror shall not be held liable for any breach of those legal restrictions.

## **3 VALUATION CRITERIA FOR THE OFFER**

The offered Price per Share of this Offer compares with the various valuation criteria as shown below:

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<sup>5</sup> Source : Novagali

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	Price range (€)	Premium/(discount) based on €6.15	Premium/(discount) based on €6.25
<b>Acquisition of a Majority Stake by Santen</b>	€6.15 (which may be increased to €6.25)	<u>0.0%</u>	<u>0.0%</u>
<b>Share price</b>			
Last closing price as of September 27, 2011	€3.59	71.3%	74.1%
1-month average <sup>(1)</sup>	€3.49	76.1%	79.0%
3-month average <sup>(1)</sup>	€3.57	72.5%	75.3%
6-month average <sup>(1)</sup>	€3.71	65.9%	68.6%
12-month average <sup>(1)</sup>	€3.61	70.4%	73.1%
52-week high	€ 4.16	47.8%	50.2%
52-week low	€ 3.02	103.6%	107.0%
IPO price	€ 3.40	80.9%	83.8%
<b>Discounted cash flow analysis</b>	€5.93 – €7.29	3.7% – (15.6)%	5.4% – (14.3)%
<b>Precedent premium analysis <sup>(2)</sup> (biotech precedents)</b>	€6.18 – €7.45	(0.5)% – (17.4)%	1.1% – (16.1)%
<b>Precedent premium analysis <sup>(2)</sup> (French precedents)</b>	€5.19 – €6.06	18.5% – 1.5%	20.4% – 3.1%

Source: Bloomberg

<sup>1</sup> Averages weighted by volume traded.

<sup>2</sup> Premium applied to a weighted average share price during the month preceding September 27, 2011.

It has to be reminded that the business plan used for the discounted cash flow analysis reflects substantial upsides versus the standalone operating prospects of Novagali.

Conversely, Novagali's future prospects mainly depend on one pipeline product (Cyclokat®) and, as a consequence, the valuation of the Company as of today is largely driven by the assumed probability of success for this product. Should this probability of success retrospectively turn out to be materially lower than our current anticipation, Santen could bear substantial losses in the context of the contemplated acquisition of Novagali. In particular, if Cyclokat® ends up not being launched, Santen will likely have to write off most of its investment in Novagali.

The 19,030 outstanding 2019 BSAs in circulation have an exercise price of €3.40 per 2019 BSA and are therefore "in the money" based on the offered Price per Share. The 2019 BSAs are transferable, their expiry date is February 3, 2019 and their subscription price is €0.51.

The terms of the Offer made for the 19,030 outstanding 2019 BSAs are identical to the terms of the Offer made for the underlying Shares after deduction of the exercise price of €3.40 as if their holders had elected to exercise their BSAs and to tender the underlying Shares instead of their BSAs. Consequently, the assessment of the Offer for the 2019 BSAs is identical to the assessment of the Price per Share offered for the Shares. The holders of 2019 BSAs who tender their 2019 BSAs into the Offer will receive €2.75 in any event. Conversely, the holders of 2019 BSAs who will exercise their 2019 BSAs and tender the resulting Shares into the Offer will make a net

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gain of €2.75 based on the Price per Share (€6.15 – €3.40), or, if the Additional Consideration is due to the holders of Shares, a net gain of €2.85 (€6.25 – €3.40).

For information purposes only, the Offer Document indicates the results of the “Black-Scholes” valuation analysis applied to the 2019 BSAs, using the same method as for the 2014 BSAs and the BCEs (See infra).<sup>6</sup>

	EUR Swap Rate	Based on €6.15		
		Volatility		
		40%	50%	60%
<b>Indicative “Black-Scholes” valuation for the 2019 BSAs</b>	2.46%	3.90	4.21	4.51

The following table sets forth the terms and conditions of the 2014 BSAs (which are transferable) and the BCEs (which are not transferable), as of September 27, 2011 and the price or indemnification amount, as the case may be, offered by Santen for each of them, using the Black & Scholes valuation methodology. For the sake of completeness, the 2014 BSAs and BCEs are all out of the money based on the offered Price per Share.

	Number of BSAs/BCEs in circulation	Number of shares to be issued	Maturity	Subscription price (in €)	Exercise price (in €)	
						Offered price (in €)
2014 BSA	700	1,400	28-Jun-14	0.01	6.33	4.03
						Indemnificatio n Amount (in €)
March 2012 BCE	15,047	30,094	26-Mar-12	0.00	8.80	0.42
May 2012 BCE	11,397	22,794	29-May-12	0.00	8.80	0.64
June 2012 BCE	3,499	6,998	14-Jun-12	0.00	6.33	1.95
2014 BCE	19,330	38,660	27-Mar-14	0.00	6.33	3.83
March 2015 BCE	27,595	55,190	26-Mar-15	0.00	8.80	3.31
May 2015 BCE	11,881	23,762	29-May-15	0.00	8.80	3.43

<sup>6</sup> It should also be recalled that, after discussions and in coordination with Santen, the Management Board of the Company decided to accelerate the exercise period of any and all of the 19,030 outstanding 2019 BSAs, among which 17,786 BSAs (i.e., the third tier of the 2019 BSAs granted under the 2011 BSAs Plan) were subject to a performance condition which was not met based on the offered Price per Share.

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Based on the offered Price per Share, none of the 2014 BSAs, or the BCEs are “in the money”, insofar as all of these Warrants have an exercise price exceeding the Price per Share. As a result, if the holders of these Warrants were to exercise these Warrants and tender into the Offer the Shares received upon exercise, they would make a loss. Despite having no intrinsic value, these Warrants still have some time value, which Santen has determined to offer to the relevant holders as an inducement to obtain the desired waivers from them (See Section 2.5 of the Offer Document “Treatment of the Grantees of Free Shares and Holders of Warrants”).

#### **4 PERSON IN CHARGE OF THE RELATIONS WITH THE INVESTORS**

Takashi Hibi  
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#### **5 FINANCIAL ADVISORS OF THE OFFEROR**

Goldman Sachs International acts as financial advisor of the Offeror and as presenting bank of the Offer. Bryan, Garnier & Co has been appointed by Santen as solicitation agent for the purpose of the Offer.

#### **Important Information**

Novagali stockholders and other investors are urged to read the Offer Document of Santen and the Response Document (*Note en Réponse*) of Novagali that have been approved by the AMF carefully. These documents contain important information, including the terms and conditions of the Offer. Novagali stockholders and other investors can obtain copies of the Offer materials filed with the AMF, including the other documents that contain information relating to the legal, financial and accounting characteristics of the Offeror and Novagali, from the AMF’s website, [www.amf-france.org](http://www.amf-france.org), without charge. Offer materials filed by Santen can be obtained for free of charge on Santen’s web site, [www.santen.com](http://www.santen.com). Stockholders and other investors are urged to read carefully all Offer materials prior to making any decisions with respect to the Offer.

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