YTD Q3 2011 Report

Pompey, November 30, 2011

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USE OF THIS REPORT

We have reporting obligations pursuant to section 4.03 of the Indenture *("Reports and Other Information")* governing our Senior Secured Notes due 2016.

The Indenture requires that we provide the Trustee and holders of these securities with quarterly reports containing the following information:

(1) unaudited condensed consolidated balance sheets of the Issuer as of the end of such quarter and unaudited condensed statements of income and cash flow of the Issuer for the quarterly and year-to-date periods ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with condensed footnotes disclosure;

(2) an operating and financial review of the unaudited financial statements (including a discussion by business segment), including a discussion of the consolidated financial condition and results of operations of the Issuer and any material change between the current quarterly period and the corresponding period of the prior year; and

(3) material recent developments.

This report has been prepared to satisfy this obligation under the Indenture.

For any question relating to this YTD Q3 – 2011 report please contact:

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IMPORTANT DISCLAIMER

(i) Forward-Looking Statements

This report includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this report, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets in which we participate or are seeking to participate or anticipated regulatory changes in the markets in which we operate or intend to operate. In some cases, you can identify forward-looking statements by terminology such as "aim," "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "guidance," "intend," "may," "plan," "potential," "predict," "projected," "should," or "will" or the negative of such terms or other comparable terminology.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that our actual results of operations, including our financial condition and liquidity and the development of the industries in which Novasep Holding and the members of our Group operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this report. In addition, even if our results of operations, including our financial condition and liquidity and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this report, those results or developments may not be indicative of results or developments in subsequent periods. Important risks, uncertainties and other factors that could cause these differences include, but are not limited to:

- our dependence for a substantial portion of our revenues on certain customers, some of which are either small and mid-size companies which may experience financial difficulties, or customers which may terminate their commercial relationship with us for any reason, or which may otherwise be affected by mergers and acquisitions;
- product or other liability risks inherent in the design, development, manufacture and marketing of our offerings;
- failure to comply with, and changes in, legal and regulatory requirements to which our operations or operations of our customers are subject, including, without limitation, environmental, health, healthcare, safety, exchange control regulations and regulations relating to crop science industry and food and functional ingredient industries;
- the continued financial viability and success of our customers, including their ability to obtain relevant regulatory approvals to manufacture and sell their products, their research and development efforts and investment strategies;
- competition in the markets in which we operate;
- difficulties or delays in providing quality offerings, services and support to our customers, in particular due to the highly exacting and complex nature of our products relating to the strict regulatory requirements to which our activities are subject;
- operational risks related to environmental factors such as adverse weather conditions, hazardous materials we use and manufacture or relating to insurance coverage;
- uncertainties relating to global economic, political and regulatory conditions;
- inability to enhance our existing or introduce new technology or services in a timely and/or competitive manner;
- increased costs for the raw materials used in our businesses or shortages in these raw materials;
- disruption or damage to or failure of our information systems;
- acquisition opportunities and our ability to successfully integrate acquired businesses and realize anticipated benefits of such acquisitions;
- our inability to protect our trade secrets and enforce our patent, copyright and other intellectual property rights, and successful challenges to their validity and the associated costs in related litigation;
- potential infringements of intellectual property rights, whether owned or used by us or our customers, and potential infringements of intellectual property rights of third parties by us or our customers;

- our dependence on key personnel;
- impact of fluctuations in exchange rates on our financial performance;
- tax legislation initiatives or challenges to our tax positions;
- conflicts of interest with our shareholders;
- our ability to generate sufficient cash to service our debt obligations and limitations in the way we operate our business contained in the documents governing such indebtedness;
- risks associated with the structure and the indebtedness of Novasep Holding and its subsidiaries; and
- other factors as described in the report.

We urge you to read the section of this report entitled "*Management's Discussion and Analysis*", for a more complete discussion of the factors that could affect our future performance and the markets in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this report may not occur. These forward-looking statements speak only as of the date on which the statements were made. We undertake no obligation to update or revise any forward-looking statement or risk factors, whether as a result of new information, future events or developments or otherwise.

(ii) Industry and Market Information

The market data and other statistical information used throughout this report are based on our good faith estimates, our review of internal surveys as well as analysis prepared, based on or derived from independent industry publications, government publications, reports by market research firms or other published independent sources. These publications and surveys generally state that they contain information from sources believed to be reliable but do not guarantee the accuracy and completeness of such information. While we believe these sources are reliable and such information was accurately reproduced in this quarterly report, we have not verified the research by any independent source.

We cannot assure you that any of the assumptions underlying these statements are accurate or correctly reflect our position in the industry and none of our internal surveys or information have been verified by any independent sources. Therefore we do not make any representation or warranty as to the accuracy or completeness of this information. All of the information set forth in this report relating to the operations, financial results or market share of our competitors has been obtained from information made available to the public in such companies' publicly available reports and independent research, as well as from our experience, internal studies, estimates and investigation of market conditions. We have not independently verified this information and cannot guarantee its accuracy.

(iii) Trademarks

We own or have rights to use the trademarks, service marks and trade names that we use in conjunction with the operation of our business. Some of the more important trademarks that we own, have rights to use or have prospective rights to use that appear in this report include Varicol, Prochrom, Hipersep and BioSC each of which is registered in France and/or registered and/or pending registration in other jurisdictions, as appropriate to the needs of our business. Each trademark, trade name or service mark of any other company appearing in this report is the property of its owners.

(iv) Presentation of Financial and Other Information

Novasep Holding's unaudited condensed consolidated financial statements as of and for the nine months periods ended September 30, 2010 and September 30, 2011 are included in this quarterly report. Novasep Holding's unaudited condensed consolidated financial statements as of and for the nine months periods ended September 30, 2010 and Sepember 30, 2011 of Novasep Holding have been prepared in accordance with IFRS as adopted by the EU ("**IFRS**").

Our consolidated financial statements are presented in euros.

This report contains non-IFRS measures and ratios, including EBITDA and Adjusted EBITDA that are not required by, or presented in accordance with IFRS. We present non-IFRS measures because we believe that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance. The non-IFRS measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. Non-IFRS measures and ratios such as EBITDA and Adjusted EBITDA are not measurements of our performance under IFRS and should not be considered as alternatives to operating income or net profit or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities.

Certain numerical figures set out in this report, including financial data presented in millions or thousands and percentages, have been subject to rounding adjustments and, as a result, the totals of the data in this quarterly report may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other data set forth in "*Management's Discussion and Analysis*" are calculated using the numerical data in our consolidated financial statements or the tabular presentation of other data (subject to rounding) contained in this report, as applicable, and not using the numerical data in the narrative description thereof.

(v) Currency presentation and commonly used terms

In this report, all references to "euros," "EUR" or "€ " are to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time, and all references to "U.S. dollars," "USD" and "$" are to the lawful currency of the United States of America.

In this report:

"**Novasep Holding**" refers to Novasep Holding S.A.S. incorporated under the laws of France;

"**we**," "**us**," and "**our**" refer to Novasep Holding and its consolidated subsidiaries unless the context otherwise requires.

(vi) Exchange rate information

The following table sets forth, for the periods set forth below, the average and period end rate expressed as U.S. dollars per €1.00 which have been used for our consolidated financial statements.

Year	**Average**	**Period End**
12 months ended December 31, 2009	1,3948	1,4406
9 months ended September 30, 2010	1,3145	1,3648
12 months ended December 31, 2010	1,3257	1,3362
9 months ended September 30, 2011	1,4066	1,3503

1. SUMMARY

1.1. Financial Highlights and Operating Results

Results and Cash Generation from Operations[(1)]:

€ million	*Q3 2010 A Unaudited*	*Q3 2011 A Unaudited*
Sales	**221,6**	**220,9**
% growth		*-0,3%*
EBITDA[(1)]	**35,7**	**24,2**
Non recurring income & expenses[(1)]	**(7,6)**	**(6,2)**
Adjusted EBITDA[(1)]	**43,3**	**30,4**
% margin	*19,5%*	*13,8%*
Adjusted EBITA[(1)]	**15,6**	**4,7**
Net Capex[(1)]	**(12,5)**	**(7,9)**
Working Capital variation[(1)]	**3,8**	**(5,0)**
Gross operating cash flow[(1)]	**24,8**	**7,5**

(1) Refer to the *Summary consolidated financial and other data* hereunder for the various definitions

The year-to-date September 2011 consolidated sales of €220.9 million were 0.3% lower than the same period of 2010, in line with the guidance provided at the last earnings release.

In the Synthesis segment, consolidated sales declined to € 133.0 million, from €161.1 million in the first nine months of 2010. This is a direct consequence of the new contractual terms associated with the 2016 Gilead supply agreement extension, the continuing decline in sales of historical products, partially offset by new product acquisitions and the $/€ exchange rate, which was 7% less favorable than the previous year.

In the Process segment, consolidated sales increased to €89.9 million, from €61.3 million in 2010. As anticipated, this strong evolution was mainly due to increased demand for equipment and systems, as well as the growth of our Biopharma operations. The Process segment generated 40% of group sales, compared to 28% during the first nine months of 2010.

Adjusted EBITDA was €30.4 million, compared to €43.3 million the previous year. The Adjusted EBITDA margin decreased to 13.8% of sales, compared to 19.5% in 2010. The new terms of the Gilead supply agreement is the main reason for the lower Adjusted EBITDA and Adjusted EBITDA margin.

The company’s fixed costs declined by 1.8% as a result of internal restructuring plans implemented in 2010 and additional cost-saving initiatives launched within the Synthesis segment since the beginning of the year. This reduction in costs was driven by the 7.1% decrease in costs related to our European Synthesis operations, which more than offset the 5.4% increase in fixed costs in the Process segment resulting from the increase in activity.

Non-recurring income & expenses amounted to €6.2 million, and mainly consisted of operational restructuring costs.

Capital expenditures totaled €7.9 million, compared to €12.5 million in 2010, reflecting the ongoing control policy on general capital expenditures.

Gross operating cash flow decreased to €7.5 million, from €24.8 million in 2010, mainly due to the lower Adjusted EBITDA and an unfavorable variance in working capital, partly offset by lower capital expenditures.

Within the framework of the consensual negotiations aimed at restructuring the balance sheet, in July 2011 Novasep made a partial payment of €3.1 million towards the €18.2 million June coupon.

As a consequence of the above, net cash on balance sheet amounted to €34.8 million at the end of September 2011 compared to €39.7 million at the end of December 2011.

1.2. Summary of unaudited condensed consolidated financial and other data

The tables below set forth the following summary consolidated financial information:

- summary of unaudited condensed consolidated income statement, balance sheet and cash flow information of Groupe Novasep and its subsidiaries as of and for the nine months periods ended September 30, 2010 and 2011;
- summary of unaudited condensed consolidated ncome statement information for the nine months ended September 30, 2011.

The summary unaudited consolidated income statement, balance sheet and cash flow information of Novasep Holding and its subsidiaries for the nine months periods ended September 30, 2010 and 2011 set forth below has been derived from our unaudited condensed consolidated financial statements of financial position, income statement and cash flows prepared in accordance with IFRS.

Our consolidated historical financial statements and the selected unaudited consolidated historical financial information presented below were prepared on the basis of IFRS. You should read this section together with the information contained in "*Management's Discussion and Analysis*" and our consolidated financial statements included elsewhere in this quarterly report.

Summary consolidated financial data

All amounts in €'000	Novasep Holding	
	As of and for the nine months ended Sept 30,	
	2010	2011
	(unaudited)	(unaudited)
Revenues	**221,639**	**220,946**
Cost of sales	(185,432)	(190,979)
Gross profit	**36,207**	**29,967**
Selling, research and development and administration expenses	(34,383)	(33,556)
Other operating income and expenses	1,916	0,107
Operating income	**3,740**	**(3,482)**
Other non-recurring income and expenses from operating activities	(3,923)	(5,949)
Income/(loss) from operating activities	**(0,183)**	**(9,431)**
Financing costs-net	(42,846)	(30,781)
Income before tax	**(43,029)**	**(40,212)**
Income tax expense	(0,565)	0,021
Net income/(loss) from continuing operations	**(43,594)**	**(40,191)**
Net income/(loss) from discontinued operations	—	—
Net income/(loss) for the period	**(43,594)**	**(40,191)**
Attributable to the owners of the company	(43,562)	(40,165)
Attributable to non controlling interests	(0,032)	(0,025)
Summary Consolidated Balance Sheet Information:		
Cash and cash equivalents	47,640	34,784
Net working capital[(1)]	62,051	57,097
Total Assets	587,684	544,732
Debt (excluding Subordinated Shareholders Loans) net of cash	367,204	393,815
Total Equity	(14,835)	24,666
Other financial data		
EBITDA[(2)]	35,705	24,231
Adjusted EBITDA[(3)]	43,318	30,396
Adjusted EBITDA margins	19,5%	13,8%
Amortization	8,154	7,926
Depreciation	27,734	25,736
Adjusted EBITA[(4)]	15,584	4,660
Capital Expenditure[(5)]	12,487	7,861
Gross operating cash flow[(6)]	24,845	7,469
Net Capital Expenditures[(7)]	12,487	7,861
Net Operating cash flow[(8)]	25,073	8,297

(1) Net working capital means inventories plus trade receivables less trade payables.

(2) EBITDA means earnings before depreciation and amortization, net financing costs, income tax expense and income from investments in associates. EBITDA is not a measurement of performance under IFRS and you should not consider EBITDA as an alternative to (a) operating income or net income (as determined in accordance with IFRS) as a measure of our operating performance, (b) cash flows from operating investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under generally accepted accounting principles.

We believe that EBITDA is a useful indicator of our ability to incur and service our indebtedness and can assist securities analysts, investors and other parties to evaluate Novasep Holding. EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing EBITDA as reported by Novasep Holding to EBITDA of other companies.

(3) We present Adjusted EBITDA as a further supplemental measure of our performance. We prepare Adjusted EBITDA by adjusting EBITDA to eliminate the impact of items we do not consider to be indicative of our ongoing operating performance. We encourage you to evaluate each adjustment and the reasons we consider it appropriate as a method of supplemental analysis. In evaluating Adjusted EBITDA, you should be aware that, as an analytical tool, Adjusted EBITDA is subject to all of the limitations applicable to EBITDA. In addition, you should be aware that we may incur expenses similar to the adjustments in this presentation in the future and adjust those expenses in a way appropriate to arrive at a future Adjusted EBITDA result. You should not infer from our presentation of Adjusted EBITDA that our future results will be unaffected by unusual or non-recurring items.

Adjusted EBITDA is defined as EBITDA for the relevant period, as adjusted primarily by deducting certain income and gains and by adding certain items of expense and losses from or to EBITDA that we believe are not indicative of our underlying operating performance. These items include expenses recognized in respect of equity settled share based payments, variances in the fair value of currency exchange hedges, effect of the purchase price allocation to the value of inventories following an acquisition and other non-recurring items (especially registration costs and gains/losses on disposals of assets) which, in our opinion, are not indicative of our fundamental operating performance.

(4) Adjusted EBITA consists of Adjusted EBITDA less Depreciation of fixed assets.

(5) Capital expenditures mean new additions in intangible assets and property, plant and equipment.

(6) Gross operating cash flow consists of net cash from operating activities, proceeds from disposal of property plants and equipments and purchase of property plants and equipments without the impact of the funding of such property plants and equipments through finance lease.

(7) Net Capital expenditures consists of Capital expenditure net of funding by customers.

(8) Net Operating cash flow consists of net cash from operating activities, proceeds from disposal of property plants and equipments and purchase of property plants and equipments.

2. MANAGEMENT'S DISCUSSION AND ANALYSIS

Selected historical financial information and other data

The tables below set forth the summarised consolidated income statement, balance sheet and cash flow information of Novasep Holding and its subsidiaries as of and for the nine months ended September 30, 2010 and 2011.

The selected consolidated income statement, balance sheet and cash flow information of Novasep Holding and its subsidiaries for the nine months ended September 30, 2010 and 2011 set forth below has been derived from our unaudited condensed consolidated financial statements prepared in accordance with IFRS.

(i) Consolidated Income Statement Information:

	Novasep Holding	
	For the nine months ended Sept 30,	
	2010	2011
All amounts in €'000	(unaudited)	(unaudited)
Revenues	**221,639**	**220,946**
Cost of sales	(185,432)	(190,979)
Gross profit	**36,207**	**29,967**
Selling, research and development and administration expenses	(34,383)	(33,556)
Other operating income and expenses	1,916	0,107
Operating income	**3,740**	**(3,482)**
Other non-recurring income and expenses from operating activities	(3,923)	(5,949)
Income/(loss) from operating activities	**(0,183)**	**(9,431)**
Financing costs-net	(42,846)	(30,781)
Income before tax	**(43,029)**	**(40,212)**
Income tax expense	(0,565)	0,021
Net income/(loss) from continuing operations	**(43,594)**	**(40,191)**
Net income/(loss) from discontinued operations	—	—
Net income/(loss) for the period	**(43,594)**	**(40,191)**

(ii) Consolidated Balance Sheet Information:

	Novasep Holding	
	As of Sept 30,	
	2010	2011
All amounts in €'000	(unaudited)	(unaudited)
Goodwill	115,228	114,414
Intangible assets	79,058	65,453
Property, plant and equipment	216,179	195,941
Deferred tax assets net of liabilities	14,118	15,963
Inventories	54,065	45,522
Trade receivables	43,226	43,783
Cash and cash equivalents	47,640	34,784
Debt (excluding Subordinated Shareholders Loans)	414,845	428,599
Total Debt	512,904	428,599
Total assets	**587,684**	**544,732**
Total equity	**(14,835)**	**24,666**
Total non-current liabilities	**506,454**	**406,252**
Total current liabilities	**96,065**	**113,814**

(iii) Consolidated Cash Flow Information:

All amounts in €'000	Novasep Holding	
	For the nine months ended Sept 30,	
	2010	2011
	(unaudited)	(unaudited)
Net cash from operating activities	36,529	17,328
Net cash used in investing activities	(11,131)	(9,217)
Net cash used in financing activities	(30,890)	(12,316)
Net change in cash from continuing operations	(4,939)	(4,897)
Net change in cash from discontinued operations	—	—
Net change in cash from continuing and discontinued operations	(4,939)	(4,897)

(iv) Other Financial Information:

All amounts in €'000	Novasep Holding	
	As of Sept 30,	
	2010	2011
	(unaudited)	(unaudited)
Capital Expenditures(1)	12,487	7,861
Net Working Capital(2)	62,051	57,097
Debt (excluding Subordinated Shareholders' Loans) net of cash	367,204	393,815
EBITDA(3)	35,705	24,231
Adjusted EBITDA(3)	43,318	30,396
Adjusted EBITDA margin(4)	19,5%	13,8%
Adjusted EBITA(5)	15,584	4,660

(1) Capital expenditures means new additions in intangible assets and property, plant and equipment.

(2) Net working capital means inventories plus trade receivables less trade payables.

(3) Please see tables immediately hereunder for reconciliation from Net Income/(loss) for the periods to EBITDA and Adjusted EBITDA.

(4) Adjusted EBITDA margin means Adjusted EBITDA divided by revenues.

(5) Adjusted EBITA consist of Adjusted EBITDA less Depreciation of fixed assets.

All amounts in €'000	Novasep Holding For the nine months ended Sept 30, 2010 (unaudited)	2011 (unaudited)
Net income/(loss) for the period	**(43,594)**	**(40,191)**
Amortization	8,154	7,926
Depreciation	27,734	25,736
Depreciation and amortization	35,888	33,662
Financing costs—net	42,846	30,781
Income tax expense	0,565	(0,021)
EBITDA[1]	**35,705**	**24,231**
Other non-recurring income and expenses from operating activities[2]	3,923	5,497
Expense recognized in respect of equity settled share based payments	0,208	0,170
Currency exchange hedges	(0,086)	0,046
Other non-recurring items[3]	3,568	0,452
Adjusted EBITDA[4]	**43,318**	**30,396**
Adjusted EBITA[5]	**15,584**	**4,660**

(1) EBITDA means earnings before depreciation and amortization, net financing costs, income tax expense and income from investments in associates. EBITDA is not a measurement of performance under IFRS and you should not consider EBITDA as an alternative to (a) operating income or net income (as determined in accordance with IFRS) as a measure of our operating performance, (b) cash flows from operating investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under generally accepted accounting principles.

We believe that EBITDA is a useful indicator of our ability to incur and service our indebtedness and can assist securities analysts, investors and other parties to evaluate Novasep Holding. EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing EBITDA as reported by Novasep Holding to EBITDA of other companies.

(2) This line corresponds to the same line item of the condensed consolidated income statement and includes principally restructuring costs.

(3) Other non-recurring items included for the period ending September 30, 2010 the one-off and non cash impact of a provision relating to inventories associated with a development project (Project "D") that was halted in May 2010.

(4) We present Adjusted EBITDA as a further supplemental measure of our performance. We prepare Adjusted EBITDA by adjusting EBITDA to eliminate the impact of items we do not consider to be indicative of our ongoing operating performance. We encourage you to evaluate each adjustment and the reasons we consider it appropriate as a method of supplemental analysis. In evaluating Adjusted EBITDA, you should be aware that, as an analytical tool, Adjusted EBITDA is subject to all of the limitations applicable to EBITDA. In addition, you should be aware that we may incur expenses similar to the adjustments in this presentation in the future and adjust those expenses in a way appropriate to arrive at a future Adjusted EBITDA result. You should not infer from our presentation of Adjusted EBITDA that our future results will be unaffected by unusual or non-recurring items.

Adjusted EBITDA is defined as EBITDA for the relevant period, as adjusted primarily by deducting certain income and gains and by adding certain items of expense and losses from or to EBITDA, which we believe are not indicative of our underlying operating performance. These items include expenses recognized in respect of equity settled share based payments, variances in the fair value of currency exchange hedges, effect of the purchase price allocation to the value of inventories following an acquisition and other non-recurring items (especially registration costs and gains/losses on disposals of assets) which, in our opinion, are not indicative of our fundamental operating performance.

(5) Adjusted EBITA consist of Adjusted EBITDA less Depreciation of fixed assets.

2.1. Consolidated Results of Operations

The following tables set out the consolidated income statement of Novasep Holding SAS for the nine months ended September 30, 2010 and 2011. We also set out line items expressed as a percentage of related revenues.

Consolidated Income Statement Information:

	Novasep Holding			
	For the nine months ended Sept 30,			
	2010		2011	
All amounts in €'000	(unaudited)		(unaudited)	
Revenues	**221,639**	*100,0%*	**220,946**	*100,0%*
Cost of sales	(185,432)	*-83,7%*	(190,979)	*-86,4%*
Gross profit	**36,207**	*16,3%*	**29,967**	*13,6%*
Selling, research and development and administration expenses	(34,383)	*-15,5%*	(33,556)	*-15,2%*
Other operating income and expenses	1,916	*0,9%*	0,107	*0,0%*
Operating income	**3,740**	*1,7%*	**(3,482)**	*-1,6%*
Other non-recurring income and expenses from operating activities	(3,923)	*-1,8%*	(5,949)	*-2,7%*
Income/(loss) from operating activities	**(0,183)**	*-0,1%*	**(9,431)**	*-4,3%*
Financing costs-net	(42,846)	*-19,3%*	(30,781)	*-13,9%*
Income before tax	**(43,029)**	*-19,4%*	**(40,212)**	*-18,2%*
Income tax expense	(0,565)	*-0,3%*	0,021	*0,0%*
Net income/(loss) from continuing operations	**(43,594)**	*-19,7%*	**(40,191)**	*-18,2%*
Net income/(loss) from discontinued operations	—		—	
Net income/(loss) for the period	**(43,594)**	*-19,7%*	**(40,191)**	*-18,2%*

2.2. Comparison of the 9 months ended September 30, 2010 and the nine months ended September 30, 2011

Revenues

Revenues decreased by €0.7 million, or 0.3%, from €221.6 million for the nine months ended September 30, 2010 to €220.9 million for the nine months ended September 30, 2011.

Novasep Synthesis

Novasep Synthesis revenues decreased by €28.1 million, or 17.4%, from €161.1 million for the nine months ended September 30, 2010 to €133.0 million for the nine months ended September 30, 2011.

This decline is the direct consequence of the new contractual terms associated with the 2016 Gilead supply agreement extension (€10.6 million sales impact vs last year period), the continuing decline in sales of historical products only partially offset by new product acquisitions (€12.7 million sales impact vs the same period last year period) and the negative impact of €4.8 million due to a less favourable USD/Euros exchange rate than the previous year.

Novasep Process

Novasep Process revenues increased by €28.6 million, or 46.7%, from €61.3 million for the nine months ended September 30, 2010 to €89.9 million for the nine months ended September 30, 2011.

This increase was driven by increased demand for equipments and systems as well as the growth of Biopharma operations.

Cost of sales

Cost of sales increased by €5.5 million, or 3.0%, from €185.4 million for the nine months ended September 30, 2010 to €191.0 million for the nine months ended September 30, 2011, while Group revenues decreased by 0.3%. This reflects notably the revenues evolution within the two segments.

Novasep Synthesis

Cost of sales decreased by €17.5million, or 12.3%, from € 142.3 million for the nine months ended September 30, 2010 to € 124.8 million for the nine months ended September 30, 2011. Raw material costs and variable manufacturing costs decreased together with the level of industrial activity while manufacturing fixed costs were reduced thanks to cost-cutting programs.

Novasep Process

Cost of sales increased by €23.7 million, or 53.8%, from €44.0 million for the nine months ended September 30, 2010 to €67.7 million for the nine months ended September 30, 2011. This variation was attributable to the increase of activity within the segment and to a non-favorable change in the mix (increased share of systems sales associated with higher cost of sales).

Gross profit

Gross profit decreased by €6.2 million, or 17.2% from €36.2 million for the nine months ended September 30, 2010 to €30.0 million for the nine months ended September 30, 2011 as the result of the aforementioned factors.

Our gross profit margin (defined as revenues minus cost of sales, as a percentage of revenues) was 16.3% for the nine months ended September 30, 2010 and 13.6% for the nine months ended September 30, 2011. This decrease reflects the aforementioned impact of the new contractual terms of the Gilead agreement and the negative USD variance effect. Restated for those impacts, the gross profit margin of our operations amounted to 17.8% for the nine months ended September 30, 2011.

Selling, Research and Development, and Administration expenses

Selling, research and development, and administration expenses decreased by €0.8 million, or 2.4%, from €34.4 million for the nine months ended September 30, 2010 to €33.6 million for the nine months ended September 30, 2011.

Selling expenses decreased by €1.4 million, or 15.2%, from €9.0 million for the nine months ended September 30, 2010 to €7.7 million for the nine months ended September 30, 2011. This results mainly from phasing issues and restructuring measures in the Synthesis segment.

Research and development expenses remained quite stable at €8.4 million for the nine months ended September 30, 2010 and €8.5 million for the nine months ended September 30, 2011.

Administration expenses increased by €0.4 million, or 2.4%, from €17.0 million for the nine months ended September 30, 2010 to €17.4 million for the for the nine months ended September 30, 2011.

Other operating income and expenses

Other operating income decreased by €1.8 million, from €1.9 million for the nine months ended September 30, 2010 to €0.1 million for the nine months ended September 30, 2011. This is mainly related to lower foreign currency exchange gains.

Other non-recurring income and expenses from operating activities

Other non-recurring expenses increased by €2.0 million, from €3.9 million for the nine months ended September 30, 2010 to €6.0 million for the nine months ended September 30, 2011. This increase is primarily attributable to restructuring operations within the Synthesis segment.

Income/(loss) from operating activities

The income/(loss) from operating activities decreased by €9.2 million from €(0.2) million for the nine months ended September 30, 2010 to €(9.4) million for the nine months ended September 30, 2011 for the reasons set forth above.

Financial costs-net

Financial costs-net decreased by €12.1 million, from €42.8 million for the nine months ended September 30, 2010 to €30.8 million for the the nine months ended September 30, 2011.

This decrease is mainly attributable (i) to a more favourable effect of foreign exchange currency gains on our USD net debt for €5.8 million and (ii) to the positive effect of the conversion of Shareholders Loans into capital performed in December 2010, resulting in lower interest charges of €6.5 million.

Income before tax

Income before tax increased by €2.8 million, from a loss of €43.0 million for the nine months ended September 30, 2010 to a loss of €40.2 million for the nine months ended September 30, 2011 for the reasons set forth above.

Income tax expense

Income tax expense decreased by €0.6 million, from €(0.6) million for the nine months ended September 30, 2010 to €0 million for the nine months ended September 30, 2011.

Net income/(loss)

As a result of the factors described above, net income/(loss) reflected a loss of €43.6 million for the nine months ended September 30, 2010 whereas it reflected a loss of €40.2 million for the nine months ended September 30, 2011.

2.3. Liquidity and Capital Resources

Our liquidity requirements relate primarily to the need to meet our working capital requirements, service our indebtedness and fund our capital expenditures and acquisitions. Our principal source of liquidity has been our cash flow from operating activities, which has been used to fund our working capital requirements, our capital expenditures, as well as indebtedness services. Acquisitions and capital expenditures relating to specific projects are financed through a combination of cash flow from operations and financing arrangements (additional debt and capital increases).

The following table shows information regarding our consolidated cash flows for the periods indicated. For more details, please refer to the condensed consolidated cash flow statement provided in § Condensed consolidated financial statements.

	Novasep Holding	
	For the nine months ended Sept 30,	
	2010	**2011**
All amounts in €'000	**(unaudited)**	**(unaudited)**
Net cash provided by operating activities	36,529	17,328
Net cash used in investing activities[1]	(11,131)	(9,217)
Net cash provided by (used in) financing activities[1]	(30,890)	(12,316)
Net change in cash from Continuing operations	(4,939)	(4,897)

(1) Net of finance lease transactions.

Cash provided by operating activities consists of Net income/(loss) adjusted for depreciation and amortization, impairment of assets, provisions-net, change in taxes, gains or losses on disposal, other non-cash movements and movements in working capital. Movements in working capital consist of changes in inventories, gross trade receivables, trade payables and other assets and liabilities. Cash used in investing activities includes purchase of property, plant and equipment, proceeds from disposal of tangible and intangible assets, acquisition of net assets of subsidiaries (net of cash acquired). As reflected in our annual financial statements, cash provided by (used in) financing activities includes any form of long-term debt or equity financing raised or repaid, including interest and dividends.

Net cash provided by operating activities

Net cash provided by operating activities was €17.3 million for the nine months ended September 30, 2011 and was primarily attributable to the following:

- Net income (loss) for the period €(40.2) million, adjusted by a non-cash charge for depreciation and amortization of €33.7 million, and adjusted for financing costs—net of €30.8 million; and

- A €5.0 million increase in working capital primarily attributable (i) to an increase in other assets and liabilities of €3.4 million and (ii) to a decrease in accounts payables of €13.9 million partially offset by (iii) a decrease in inventories of €1.0 million and (iv) a decrease in accounts receivables of €11.3 million and
- A €1.2 million tax payment mainly related to income tax payments in our foreign subsidiaries and to business taxes in France; and
- A €0.9 million decrease in provisions-net mainly due to restructuring cost settlements.

Net cash provided by operating activities was €36.5 million for the nine months ended September 30, 2010 and was primarily attributable to the following:

- Net income (loss) for the period €(43.6) million, adjusted by a non-cash charge for depreciation and impairment of €35.9 million, by financing costs—net of €42.8 million, and by a tax charge of €0.6 million; and;
- A €3.7 million decrease in net working capital primarily attributable to (i) an increase in other assets and liabilities of €9.0 million, (ii) to a decrease in accounts receivables of €7.8 million, (iii) to the decrease in inventories of €6.7 million and (iv) to a decrease in accounts payables of €1.7 million; and
- A €1.7 million decrease in provisions-net mainly related to the release of pension and restructuring provisions for €1.7;
- A €1.2 million net tax payment mainly related to income tax payments in our foreign subsidiaries.

Net cash used in investing activities

Net cash used in investing activities was €9.2 million for the nine months ended September 30, 2011 and was affected mainly by the purchase of property, plants and equipments, a €2.0 million decrease in capex suppliers' payables and the positive impact of €0.8 million of new leasings.

Net cash used in investing activities was €(11.1) million for the nine months ended September 30, 2010 and was affected mainly by the purchase of property, plant and equipments.

Net cash flow from financing activities

First it has to be noted that, within the framework of the consensual negotiations aimed at restructuring the balance sheet, it was agreed with Holders that Novasep made a partial payment of 3.1 m€ toward the coupon instead of 18.2 m€. As a consequence, net cash flow used in financing activities was €(12.3) million for the nine months ended September 30, 2011 corresponding mainly (i) to the scheduled finance lease repayments of €5.9 million, (ii) to debt restructuring costs of €4.3 million, (iii) to the aforementioned €3.1 million partial coupon payment, (iv) to other debt service and grants reimbursement of €1.8 million, (v) partly offset by the funding of our research tax credit by Oseo of €3.1 million.

Net cash flow used in financing activities was €(30.9) million for nine months ended September 30, 2010 and was largely impacted by the one-off full repayment of interest rate hedging contracts related to the previous Senior debt for €6.7 million and to the settlement of €1.4 million of unpaid borrowing costs related to the Issuance of Senior Secured Notes performed on 23 December 2009 (further to the reception of related invoices), altogether an amount of €8.1 million which should be considered as costs associated with issuance of the notes. Additional cash flows were used for (i) the payment of interests related to our Senior secured Notes for €17.5 million and (ii) for the scheduled finance lease repayments and interests for €6.7 million.

2.4. Capital Expenditure

Our capital expenditures for the nine months periods ended September 30, 2010 and 2011 are shown in the following table.

	Novasep Holding	
	For the nine months ended Sept 30,	
	2010	2011
All amounts in €'000	(unaudited)	(unaudited)
Capital expenditure[(1)]	12,487	7,861
Of which funded through leasing	0,228	0,828
Funded by customers	0,000	0,000
Net capital expenditure	12,487	7,861

(1) Capital expenditures means new additions in intangible assets and property, plant and equipment.

2.5. Description of others indebtedness and certain financial arrangements

The following template shows the variances in our external financial net debt and in our total net debt including subordinated shareholders loans:

	Novasep Holding	Novasep Holding	
	As of December 31,	As of Sept 30,	
	2010	2010	2011
All amounts in €'000	(audited)	(unaudited)	(unaudited)
Euro Notes issued on 23 December 2009	270,000	270,000	270,000
Dollar Notes issued on 23 December 2009	112,259	109,906	111,086
Accrued interests - €	1,155	7,653	18,846
Accrued interests - USD	0,486	3,155	7,854
Finance Lease Debt	30,006	31,345	25,103
Other	(8,285)	(7,215)	(4,290)
Sub-total external debt	**405,621**	**414,844**	**428,599**
Cash and cash equivalents	(39,681)	(47,640)	(34,784)
Sub-total external net debt	**365,940**	**367,204**	**393,815**
Subordinated shareholders' loans		91,579	
Related accrued interests		6,482	
Total net debt	**365,940**	**465,265**	**393,815**

Our external financial net debt increased by €27.9 million over the nine months ended September 30, 2011. This is primarily attributable (i) to the partial non payment of the June coupon for €15.1 millon and to the increase in accrued interests pertaining to the Euro and Dollar Notes for €10 million, (ii) to the decrease in our cash by €4.9 million, and (iii) to the increase in other debts, mainly research tax credit funding for €3.1 million, partly offset by the positive effect of the variance in the USD / € rate over the period on the debt of €1.2 million and by the reduction of €4.9 million in our financial lease.

Our cash decreased by €4.9 million over the nine months ended September 30, 2011 which is mainly due to leasing and short term debt scheduled repayments and interests of €7.7 million, debt restructuring costs of €4.3 million, partial coupon payment of €3.1 million and to the negative exchange rate effect associated with the USD of €1,2 million that altogether more than offset the €7.5 million positive gross operating cash flow and the cash associated with the new leasing (€0.8 million) and the funding of the research tax credit (€3.1 million).

3. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3.1. Condensed consolidated statement of financial position

	Novasep Holding SAS consolidated			
ASSETS	31/12/2009	31/09/2010	31/12/2010	31/09/2011
Non-current assets				
Goodwill	115 357	115 228	114 394	114 414
Intangible assets	82 777	79 058	72 957	65 453
Property, plant and equipment	232 778	216 179	215 196	195 941
Investments in associates	61	61	45	45
Non-current financial assets	557	571	589	571
Deferred tax assets	13 855	14 589	14 644	15 963
Total non-current assets	**445 385**	**425 686**	**417 825**	**392 387**
Current assets				
Inventories	60 938	54 065	46 132	45 522
Trade receivables	50 831	43 226	55 254	43 783
Current tax assets	4 882	2 794	4 324	6 408
Other assets	12 506	14 187	12 691	21 848
Derivatives	0	86	0	0
Cash and cash equivalents	54 325	47 640	39 681	34 784
Total current assets	**183 482**	**161 998**	**158 082**	**152 345**
TOTAL ASSETS	**628 867**	**587 684**	**575 907**	**544 732**

	Novasep Holding SAS consolidated			
LIABILITIES & EQUITY	31/12/2009	31/09/2010	31/12/2010	31/09/2011
Equity				
Issued capital	70 329	70 667	141 535	141 662
Premiums	6 881	6 543	35 386	35 259
Reserves and net income attributable to equity holders of the parent	-50 744	-92 049	-110 592	-152 209
Equity attributable to equity holders of the parent	**26 466**	**-14 839**	**66 329**	**24 712**
Minority interests	**30**	**4**	**-19**	**-46**
Total equity	**26 496**	**-14 835**	**66 310**	**24 666**
Non-current liabilities				
Pension and similar benefit provisions	12 132	12 082	12 288	12 667
Non-current provisions	361	361	324	324
Long-term debt, net of current portion	392 533	395 481	395 460	393 261
Long-term debt, net of current portion - related parties	91 568	98 059	0	0
Deferred tax liabilities	203	471	33	0
Total non-current liabilities	**496 797**	**506 454**	**408 105**	**406 252**
Current liabilities				
Provisions	3 644	2 421	2 639	2 073
Short-term debt and current portion of long-term debt	11 092	19 364	10 160	35 338
Trade payables	37 674	35 240	48 092	32 208
Current tax liabilities	128	247	1	0
Derivatives	5 893	405	306	439
Other liabilities	47 143	38 388	40 294	43 756
Total current liabilities	**105 574**	**96 065**	**101 492**	**113 814**
TOTAL LIABILITIES & EQUITY	**628 867**	**587 684**	**575 907**	**544 732**

3.2. Condensed consolidated income statement

	Novasep Holding	
	For the nine months ended Sept 30,	
	2010	2011
	(unaudited)	(unaudited)
REVENUES	**221 639**	**220 946**
Cost of sales	(185 432)	(190 979)
GROSS PROFIT	**36 207**	**29 967**
Selling expenses	(9 032)	(7 661)
Research & development expenses	(8 394)	(8 531)
Administration expenses	(16 957)	(17 364)
Other operating income and expenses	1 916	107
OPERATING INCOME	**3 740**	**(3 482)**
Other non-recurring income and expenses from operating activities	(3 923)	(5 949)
INCOME /(LOSS) FROM OPERATING ACTIVITIES	**-183**	**(9 431)**
Financing costs—net	(42 846)	(30 781)
Income from investments in associates	0	0
INCOME BEFORE TAX	**(43 029)**	**(40 212)**
Income tax expense	(565)	21
NET INCOME/(LOSS) FOR THE PERIOD	**(43 594)**	**(40 191)**
* Attributable to the owners of the company	(43 562)	(40 166)
* Attributable to non-controlling interests	(32)	(25)

3.3. Condensed consolidated statement of cash flow

	Novasep Holding	
	As of and for the nine months ended Sept 30,	
	2010	2011
	(unaudited)	(unaudited)
NET INCOME / (LOSS) FOR THE YEAR	**(43 594)**	**(40 190)**
Adjustments to reconcile net income to net cash provided by operations		
Depreciation and impairment	35 888	33 662
Provisions-net	(1 717)	(897)
Income tax expense	565	(21)
(Gain)/Loss on disposal of property, plant and equipment		
Finance costs recognised in profit or loss	42 846	30 781
Expense recognised in respect of equity-settled share-based payments	208	170
Other non-cash operating expenses (net)	(248)	46
Movement in working capital		
Trade receivables	7 775	11 331
Inventories	6 725	974
Trade payables	(1 719)	(13 886)
Other assets and liabilities	(9 019)	(3 409)
Income Taxes paid	**(1 181)**	(1 232)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**36 529**	**17 328**
Purchase of property, plant and equipment	(11 456)	(9 031)
Proceeds from disposal of shares, property, pland and equipment	0	0
Acquisition of net assets of subsidiaries	325	(186)
Cash acquired	0	0
NET CASH USED IN INVESTING ACTIVITIES	**(11 131)**	**(9 217)**
Proceeds from issue of equity shares	0	0
Proceeds from long-term debt, net of debt issuance costs - financial isntitutions	372	(1 521)
Proceeds from long-term debt, net of debt issuance costs - shareholders loan		
Payments of short-term debt	(6 163)	(6 208)
Payments of long-term debt	0	0
Interest paid	(25 183)	(4 575)
Other investing activities (net)	84	(12)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**(30 890)**	**(12 316)**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(5 492)**	**(4 205)**
Cash and cash equivalents at the beginning of the year	52 579	39 681
Effect of exchange rate changes on cash	553	(692)
Cash and cash equivalents at the end of the period	**47 640**	**34 784**

4. MATERIAL RECENT DEVELOPMENTS

Regarding the balance sheet restructuring ongoing process, please refer to the various publications made on our website.