**Press Release**

From cells to therapeutics **Vivalis**

# 2010: major milestones achieved
# Strong balance sheet reinforced

## 2011 objectives: new licenses and product developments

6 to 7 new EB66® licenses
New authorisation to launch clinical trials in humans for vaccines manufactured using the EB66® platform
New commercial agreement for the Humalex® platform
Start of the first program to develop of a proprietary biological
Year-end cash: €30 million

**Nantes & Lyon (France) – 28 March 2011:** VIVALIS (NYSE Euronext Paris: VLS), a biopharmaceutical company, announced audited results for the fiscal year ended 31 December 2010 approved by the Management Board and verified by the Supervisory Board as well as its strategic outlook.

## 1 - 2010 highlights: asset base reinforced and major milestones achieved

In fiscal 2010, VIVALIS significantly strengthened its asset base through the acquisition of the Humalex® technology platform for the discovery of fully human monoclonal antibodies. It now has a comprehensive and integrated offering from the discovery of antibodies to the production of clinical and preclinical materials on the proprietary EB66® or CHO lines.

### New commercial successes for the EB66® technology and a major regulatory milestone achieved

Seven new licenses were signed by VIVALIS in 2010 including three commercial licenses. These new agreements both for vaccines and therapeutic proteins highlight once again the interest of all major players in the human and veterinary pharmaceutical industries in the EB66® technology.
The EB66® cell line also achieved a major milestone at the end of 2010 after our partner GSK received the green light to initiate human clinical trials with an influenza vaccine produced using the EB66® cell line . Our avian cell line is consequently the first to have received FDA approval as well as one of only five cell lines to have received approval at the worldwide level for all origins combined.
Its portfolio of 17 commercial licenses and the FDA approval provides VIVALIS with solid and convincing base to pursue sustained growth.

### Integration of the Humalex® platform and first commercial success

In early 2010, VIVALIS acquired the Lyon-based company Humalys, specialised in the generation of human monoclonal antibodies based on the Humalex® technology. This acquisition was rapidly followed by the first major commercial agreement in June 2010 granting research, development and commercialisation rights to Sanofi Pasteur for the discovery of monoclonal antibodies against several infectious disease targets. This represents the most important financial agreement signed by VIVALIS to date.

**Shareholders' equity strengthened**

In July 2010 VIVALIS successfully completed its first rights issue since its initial public offering in June 2007. This rights issue raised €29 million, considerably strengthening the already solid balance sheet and providing resources to support the Company's development for the discovering and development of biologicals.

**Infrastructure, teams and intellectual property reinforced**

VIVALIS pursued investments in 2010, finalizing the construction in the period of its new 3,300 m² R&D laboratory at its Nantes site.

Teams were also reinforced, increasing from 80 employees at 31 December 2009 to 102 at the end of 2010. These included additions to the business development and R&D departments.
Pascale Tavera, Chief Financial and Purchasing Officer joined the Executive Committee. Philippe Rousseau resigned from his functions while continuing to serve as a consultant to VIVALIS for investor relations.

Protecting its technology remains a key ongoing priority for VIVALIS. At the end of 2010 the Group had a portfolio covering 23 patent families with more than 250 patents.
This intellectual property strategy represents a formidable barrier to entry, especially when added to the considerable technological know-how of its teams.

## 2 - 2010 annual results: important investments and a stronger financial base

The following table presents consolidated results of VIVALIS S.A. and its wholly-owned subsidiary Humalys S.A.S. On 3 January 2011 a simplified merger of the two companies was carried out that entailed the automatic transfer of all Humalys' assets and liabilities to VIVALIS (*transmission universelle de patrimoine*).

**Operating income: robust growth in licensing income**

| *€ thousands*<br>*IFRS* | **2009** | **2010** | ***Change (%)*** |
|---|---|---|---|
| Revenue from services | 735 | 1,675 | *+128%* |
| License fees and milestone payments | 2,361 | 3,166 | *+34%* |
| **Operating income from ordinary activities** | **3,096** | **4,841** | ***+56%*** |
| Capitalised R&D expenditures | 115 | 259 | *+125%* |
| Public source financing (including Research Tax Credits) | 3,427 | 3,295 | *-4%* |
| **Total operating income** | **6,638** | **8,395** | ***+26%*** |

Operating income amounted to €8.4 million in fiscal 2010, up 26% over the same period last year driven largely by the 56% rise in revenue (income from ordinary activities) reflecting the combined growth of:

- revenues from services (+128%) from the EB66® and Humalex® technologies;
- licensing income (+34%) in the form of milestone payments for these two technologies.

At the same time, income from public source financing declined marginally (-4%) following the reduction in public grants partially offset by an increase in Research Tax Credits.

Capitalised research and development expenditure increased 125% between 2009 and 2010 though remained at a low level.

On an IFRS basis, in accordance with IAS 18, income from upfront license fees and milestone payments (recognised under French GAAP at stages defined in the contracts) is instead spread over the entire term of the development period. Under this latter method of recognition, revenue is accordingly smoothed out over time.

## 2010 annual results

In 2010, the Company pursued its development with the integration of Humalys teams and further significant capital investments.

The 30% increase in recurring operating expenses reflects mainly staff increases and the completion of the new R&D laboratory.

| *€ thousands*<br>*IFRS* | **2009** | **2010** |
|---|---|---|
| **Operating income** | **6,638** | **8,395** |
| Purchase of raw materials & other supplies. | 1,801 | 2,143 |
| Other purchases and external expenses | 3,571 | 4,655 |
| Wages and salaries | 5,598 | 6,923 |
| Depreciation, amortisation and other operating expenses | 1,963 | 3,091 |
| **Total recurring operating expenses** | **12,933** | **16,812** |
| **Net income/(loss) from continuing operations** | **(6,295)** | **(8,417)** |
| **Non-recurring expenses** | - | (636) |
| Net financial income/(expense) | 151 | (397) |
| **Income /(loss) from ordinary activities before tax** | (6,144) | **(9,450)** |
| Tax income/(expense) | - | +1,488 |
| **Net income/(loss)** | (6,144) | **(7,962)** |
| Net income per share (in €) | (0,42) | (0.35) |

*The annual report including IFRS financial statements is available at the Company's website: www.vivalis.com.*

## Operating expenses: an increase reflecting sustained R&D

The 30% rise in recurring operating expenses between 2009 and 2010 reflects mainly the 33% rise in R&D expenditures whereas sales and overhead expenses increased 20% and split as follows:

- raw materials purchased increased 19% to €2.1 million reflecting the development of VIVALIS programs;
- other purchases and external expenses rose 30% following the end of the characterisation of the EB66 cell line and increased use of services for other research programs;
- personnel expenses rose 24% to €6.9 million on a new increase in the average number of employees by 23 employees to 95 in 2010 (+32%) notably in connection with the Humalys acquisition and reinforced teams. Personnel expenses were the main component of operating expenses in 2010 accounting for 41%;
- amortisation and depreciation expenses were up 54% reflecting mainly the move to the new R&D laboratory and the acquisition of the Humalex® technology and the beginning of the recognition of the corresponding charges.

This increase in operating expenses is consistent with VIVALIS ongoing focus on R&D over the period with R&D expenses as a percentage of total recurring operating expenses from 76% to 78%.
On this basis the net loss from continuing operations for the year ended 31 December 2010 was €8.4 million compared to €6.3 million in the prior year.

## Net income/(loss)

Net financial expense amounted to €0.4 million in 2010 compared with net financial income of €0.2 million in 2009. This change reflects the combined effect of lower rates on interest income from cash investments, an increase in average debt between the two periods and above all the recognition of expense in connection with the Humalys acquisition (difference on present value).

Tax income of €1.5 million was recognized in 2010 following the acquisition of the Humalex® technology.

For fiscal 2010, VIVALIS had a net loss of €7.9 million compared with €6.1 million in 2009.

**A healthy and solid financial structure**

Shareholders' equity at 31 December 2010 amounted to €44.3 million, up from €22.5 million a year earlier. This increase includes new equity capital of €29 million raised by VIVALIS' successful rights issue in July 2010.

Long-term borrowings rose 6% in the year to €6.8 million. VIVALIS' objective at all times is to optimise its development financing structure, notably through bank borrowings.

Property, plant and equipment at 31 December 2010 increased 50% to €13.1 million that included notably installations for the new R&D laboratory while intangible fixed assets rose 200% to €15.5 million in connection with the new Humalys acquisition.

At 31 December 2010 the total balance sheet was €80 million compared with €46 million at the end of 2009.

Cash;,cash equivalents and current financial assets at 31 December 2010 amounted to €42.5 million, up from €23.6 million at year-end 2009. Cash burn for operating activities was €3.4 million and €8.6 million for investing activities in 2010 while financing activities generated an inflow of €23.3 million.

## 3 - Outlook and objectives

On the strength of its solid and complementary base of technological assets and sound financial position, VIVALIS has set ambitious targets for 2011:

- execute 6 to 7 new license agreements for the EB66® cell line including 2 commercial licenses;
- one new authorization for human clinical trials for vaccines manufactured with the EB66® cell line;
- the signature of a new commercial agreement for the Humalex® platform;
- a year-end cash position of approximately €30 million, after factoring in capital investments of €8 million;
- launch of the first program to develop proprietary monoclonal antibodies;

VIVALIS' strategy is to establish its position as an integrated worldwide provider with a global offering ranging from the discovery of new antibodies to the production of biologicals through its unique proprietary technologies, Humalex®, EB66® and 3D Screen, in addition to its BPF compliant (GMP equivalent) biomanufacturing facilities. The strategy has contributed to a balanced business model combining:

- Short and medium-term revenue streams from the sale of licenses for these technologies and high added value services;
- The creation of significant value by gradually building a portfolio of proprietary products to be licensed for phase I or II trials.

Franck Grimaud, CEO and Majid Mehtali, CSO, co-managers of VIVALIS, concluded: "*2010 was a year of major transformation for VIVALIS. Reaping the benefits of our past investments, our efforts were rewarded by the US FDA authorization for the EB66® cell line. We have also started to build our future by acquiring the Humalex® technology that will enable us to become an integrated provider with a global offering ranging from the discovery of new antibodies to the production of preclinical and clinical materials. In addition to the important commercial agreement concluded with Sanofi Pasteur for this technology, we are also particularly pleased by the successful integration of the Humalys team within our Group. While continuing to actively promote the EB66® technology, in the coming months we will also focus on strengthening the leadership of the Humalex® technology and launch our first program for the discovery and development of a proprietary monoclonal antibody. With our strong asset base, teams and financial resources we are particularly well equipped to successfully implement our strategy."*

**********

**Next financial press release: 2011 first-quarter sales**
**4 May 2011, after NYSE Euronext market closing**

***About VIVALIS (www.vivalis.com)***

VIVALIS (NYSE- Euronext: VLS) is a biopharmaceutical company that provides innovative cell-based solutions to the pharmaceutical industry for the manufacture of vaccines and proteins, and develops drugs for the prevention and treatment of unmet medical needs. VIVALIS' expertise and intellectual property are exploited in three main areas:

1. EB66® Cell line:
VIVALIS offers research and commercial licenses for its EB66® cell line, derived from duck stem cells, to pharmaceutical and biotechnology companies for the production of therapeutic and prophylactic viral vaccines, virosomes, VLPs and recombinant proteins, especially monoclonal antibodies with enhanced cytotoxic activity. VIVALIS receives upfront payments, clinical stage milestone payments and royalties on its licensees' net sales.

2. Humalex® platform:
VIVALIS proposes customised solutions for the discovery, development and production of fully human monoclonal antibodies. VIVALIS receives upfront payments, clinical stage milestone payments and royalties on its licensees' net sales.

3. 3D-Screen platform:
VIVALIS performs discovery and development, up to pre-clinical evaluation, of original small chemical molecules identified with its proprietary 3D-Screen platform. This unique screening platform is designed to identify original molecules that alter the three-dimensional structure of a target protein, thus modulating its biological function through an innovative mode of action. VIVALIS is currently building a portfolio of proprietary new chemical entities for the treatment of hepatitis-C virus infection.

Based in Nantes (France), VIVALIS was founded in 1999 by the Grimaud group (ca. 1,600 employees), a worldwide leader in animal genetic selection. VIVALIS has established more than 30 partnerships and licenses with world leaders in this sector, including Sanofi Pasteur, GlaxoSmithKline, CSL, Kaketsuken, Merial, Intervet, SAFC Biosciences. VIVALIS is a member of the French ATLANTIC BIOTHERAPIES and LYON BIOPOLE bio-clusters.

VIVALIS
Listed on Euronext Paris – Compartment B of NYSE Euronext
Reuters: VLS.PA – Bloomberg: VLS FP
Included in NYSE Euronext's SBF 250, CAC Small 90 and Next Biotech indexes

VLS LISTED NYSE EURONEXT

*This document contains forward-looking statements and comments on the company's objectives and strategies. No guarantee can be given as to any of the events anticipated by the forward-looking statements, which are subject to inherent risks, including the risk factors described in the company's registration document (document de référence), changes in economic conditions, the financial markets or the markets in which the company operates.*

**Contacts**

***VIVALIS***
Franck Grimaud, CEO
Email: investors@vivalis.com

***New*Cap**
Financial communications agency
Steve Grobet / Pierre Laurent
Email: vivalis@newcap.fr
Tel.: +33 (0) 1 44 71 94 91