Press release

From cells to therapeutics **Vivalis**

Strong revenue growth: +112%
Initiation of a third antibody discovery program with Sanofi Pasteur

Continued focus on development: announcement of 2012 targets

Nantes & Lyon (France) – January 24, 2012: VIVALIS (NYSE Euronext Paris: VLS), a biopharmaceutical company, announces a 112% rise in revenue for the full-year period ended December 31, 2011.

VIVALIS announces at the same time the initiation of a third monoclonal antibody discovery program with Sanofi Pasteur.

Strong revenue growth in 2011 fourth quarter and full year

(in € thousands – IFRS- not audited)	4th quarter			Full year		
	2010	**2011**	***Change (%)***	2010	**2011**	***Change (%)***
Revenue from services	744	**409**	*-45%*	1,675	**1,598**	*-5%*
Licensing income (upfront & milestones payments)	1,125	**2,413**	*+114%*	3,165	**8,666**	*+174%*
Revenue	1,869	**2,822**	***+51%***	4,840	**10,263**	***+112%***
Of which: EB66®	*1,385*	***2,369***	***+71%***	*3,766*	***8,262***	***+119%***
VIVA|Screen	*484*	***453***	***-6%***	*1,074*	***2,002***	***+86%***

2011 fourth quarter revenue, including both payments for services and licensing income, was up 51% year-on-year to reach €2.8 million. This performance reflects both very strong growth in licensing income and a slight decline in revenue from services from the prior year in response to the anticipated reduction in services on the EB66® platform.

For the full year, revenue rose to €10.3 million on very strong growth (+112%). These figures include exceptional items linked to the transformation of the EB66® co-exclusive license granted to GSK Biologicals in the influenza vaccine field to a fully exclusive license. On that basis, licensing income rose 174% over the prior year. Revenue from services in contrast declined marginally from the prior year (-5%). This decrease reflects a drop in revenue from services for the EB66® line while at the same time revenue from services on the VIVA|Screen™ platform was up significantly.

In terms of business performances, revenue from the EB66® platform nearly doubled year-on-year to reach €8.3 million or 81% of total income for 2011 compared with 78% in 2010. Revenue from sales of the VIVA|Screen™ technology was up 86% from the prior year. The contribution of this VIVA|Screen™ technology accounted for 19% of total Group revenue compared with 22% in 2010.

For information, under IFRS and in accordance with IAS 18, income from upfront license fees and milestone payments is spread over the full term of the development period. With this method of recognition, revenue is accordingly smoothed out over time. This income is consequently linked to the period in which such payments are recognized. In line with the degree of progress of projects, the recognition period for certain payments ended in 2011 and no amounts for these projects will be recognized in 2012 in consequence.

Cash in line with targets

Cash (including cash equivalents and current financial assets) amounted to €30.4 million at December 31, 2011 compared with €42.5 million at the end of 2010 and €34.0 million at September 30, 2011. This level of cash includes payments in connection with the acquisition of Humalys and assets of the Japanese company, SC World, in addition to new capital expenditures for equipment, research laboratories and manufacturing facilities of the Company.

VIVALIS thus made further investments in 2011 to acquire high value-added strategic assets destined to strengthen its technological leadership and accelerate its development.

2011: all core businesses strengthened

VIVALIS registered significant advances in the year ended:

- For the EB66® platform:
  - The signature of 6 new licenses including 3 commercial licenses (Kyoto Biken, Transgene, Delta-Vir). As a result, VIVALIS has to date a portfolio of 18 commercial licenses for its technology;
  - Initiation of clinical trials in humans for an influenza vaccine produced from the EB66® line by Kaketsuken in Japan.

- For biomanufacturing: signature of 3 biomanufacturing agreements with Geovax, Transgene and Delta-Vir

- For the VIVA|Screen™ platform:

  - Its technological leadership was strengthened by the acquisition of the high-throughput screening (HTS) single-cell antibody discovery technology developed by SC World in Japan;
  - Initiation of a second discovery program within the framework of the commercial license and collaboration agreement for the discovery and development of new fully human monoclonal antibodies against several infectious disease targets signed with Sanofi Pasteur in 2010;
  - Start of the first project for the discovery and development of proprietary products

Recent event: initiation of a 3rd antibody discovery program with Sanofi Pasteur confirming the momentum in the development of VIVA|Screen™

After a first program in July 2010 and a second in January 2011, Sanofi Pasteur has just initiated a 3rd human monoclonal antibody discovery program within the framework of the agreement signed in June 2010. In addition, as announced last week, this agreement was extended to an additional infectious disease target. VIVALIS will apply its VIVA|Screen™ technology to a target chosen by Sanofi Pasteur in order to deliver human monoclonal antibodies to fight this infectious disease.

Under the terms of this agreement, Sanofi Pasteur covers the costs of collaborative research carried out by VIVALIS while VIVALIS may receive milestone payments of up to €35 million for each program / target if an antibody produced under the discovery program is approved in addition to royalty payments associated with final product sales.

Under its terms, Sanofi Pasteur and its affiliates acquired exclusive rights to the VIVA|Screen™ technology for the discovery of human monoclonal antibodies targeting several clinically significant infectious diseases and will obtain worldwide exclusive development and commercialization rights for antibodies discovered under these programs.

2012 outlook: continued focus on development and marketing approval obtained for the first vaccine on the EB66® line.

Building on the successes of 2011, VIVALIS intends to maintain strong growth momentum in each of its core technology platforms: Objectives set by the Company for 2012 include:

- EB66® cell line
  - The signature of 6 new licenses including at least 2 commercial licenses both for the production of vaccines and therapeutic proteins; and,
  - Marketing approval for the first veterinary vaccine manufactured through its EB66® cell line. Based on information provided by one of VIVALIS' licensees, it is expected that a first veterinary vaccine produced on the line EB66® will be ready to be introduced on the market in 2012. As the first vaccine to be produced on its proprietary platform to reach the market, this would represent a major milestone for VIVALIS. This breakthrough would trigger VIVALIS' first royalty payments that will continue over a 15 year period, thus demonstrating the pertinence of its entire business model. Several other human and veterinary vaccines of VIVALIS' licensees are currently in a clinical development phase.

- VIVA|Screen™ antibody discovery technology
  - Launch of the third research program under the collaboration agreement of June 2010 with Sanofi Pasteur;
  - Signature of 2 new collaboration agreements for the exploitation of its VIVA|Screen™ platform within the framework of human monoclonal antibody discovery programs;
  - Continuation of the 1st program to discover and develop fully human proprietary monoclonal antibodies.

Significant investments will continue in 2012 notably in connection with payments for assets acquired to form the VIVA|Screen™ platform (Humalex® and ISAAC in Japan). On that basis, capital expenditures of approximately €8 million were budgeted for 2012. This amount includes payments for acquisitions mentioned above, investments to equip the Group's new laboratories and continued financing of the proprietary development program.

In light of these capital expenditures, VIVALIS' projects a cash balance for the end of 2012 of approximately €16 million. With most major investments now completed, the cash burn rate will significantly decline starting in 2013.

Franck Grimaud, C.E.O. and Majid Mehtali, C.S.O., co-managers of VIVALIS, commented: "*In 2011, VIVALIS continued to strengthen positions to pursue its different development priorities and in line with objectives announced in early 2011, we have signed no less than 6 new licenses for our EB66® platform while our partners have continued their development programs under existing licenses. Clinical trials are thus currently underway in the US and Japan for two vaccines produced from the EB66® line. If everything proceeds according to our partner's expectations, the first veterinary vaccine produced from our line should be introduced on the market in 2012, triggering receipt by VIVALIS of its first royalty payments. At the same time, initiatives to strengthen the distribution of our EB66® technology will be actively pursued.*

2011 was also a key year for our biomanufacturing activity following our first major successes involving the signature of three contracts in the field of human vaccines for a combined amount of more than €4 million.

In the field of antibody discovery, significant efforts were focused in 2011 on integrating into the VIVA|Screen™ the high-throughput screening (HTS) single-cell antibody discovery technology acquired from the Japanese company, SC World, and executing the first two projects initiated within the framework of the collaboration agreement with Sanofi Pasteur. We begin 2012 with two human monoclonal antibody discovery laboratories in Lyon (France) and Toyama (Japan) now fully operational, a collaboration agreement with Sanofi Pasteur extended to a new infectious disease target and the initiation of a 3rd discovery project within this collaboration program. Building on this very positive momentum, we will remain focused on continuing to serve our partners, signing new collaboration agreements and the development of our 1st proprietary discovery project.

In sum, at the end of 2011 the results of our efforts have been extremely positive. The different parts of our business model are little by little falling into place to provide sources of recurring and additional revenue, while VIVALIS gradually ramps up operations both in terms of the development of new activities and progress in clinical trials by its licensee partners. We remain committed to maintaining our business-oriented focus and making optimal trade-offs between the value of innovation, growth prospects and tight control over our cost structure to achieve breakeven within the medium term. Given the quality of our assets, the scale of needs in our target markets, the quality of our team with more than 100 employees worldwide, we are extremely well-equipped to apply our strategy and maintain our growth momentum in 2012 and beyond."

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Next financial press release:
March 29, 2012, after NYSE Euronext market closing: 2011 annual results

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 leveraged in three main areas:

EB66® Cell Line

VIVALIS offers research and commercial licenses for its EB66® cell line, derived from duck embryonic stem cells, to pharmaceutical and biotechnology companies for the production of therapeutic and prophylactic viral vaccines, virosomes, VLP's, and recombinant proteins (with a focus on monoclonal antibodies having enhanced cytotoxic activity). EB66® cell line based vaccines are currently in clinical trials in the USA and Japan. Through these programs VIVALIS receives upfront, clinical stage milestone payments along with royalties on licensees net sales.

VIVA|Screen™ Human Antibody Discovery Platform

Customized solutions for the discovery, development, and production of fully human monoclonal antibodies are now offered by VIVALIS. Through these programs VIVALIS receives upfront, clinical stage milestone payments along with royalties on licensees net sales.

3D-Screen™ Drug Discovery Platform

VIVALIS performs discovery and development, up to pre-clinical evaluation, of original small chemical molecules identified with its proprietary platform, 3D-Screen™. 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 building a portfolio of proprietary new chemical entities for the treatment of hepatitis-C virus infection. VIVALIS also offers on a service basis to develop ready-to-use customized 3D-Screen™ HTS assays directed against target proteins of interest.

Based in Nantes & Lyon (France) and in Toyama (Japan) VIVALIS was founded in 1999 by the Grimaud Group (ca. 1,500 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, Transgene, Pfizer Animal Health, Kaketsuken, Kitasato Daiichi Sankyo Vaccine, Merial, Merck Animal Health, and SAFC Biosciences. VIVALIS is a member of the French ATLANTIC BIOTHERAPIES and LYON BIOPOLE bioclusters and a member of the Japanese OKURIKU INNOVATION CLUSTER FOR HEALTH SCIENCE in Toyama.

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.

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