Press Release

From cells to therapeutics **Vivalis**

2012 first half results
Net loss: €7.5m
Cash and current financial assets: €18m

Nantes & Lyon (France) – 30 August 2012: VIVALIS (NYSE Euronext Paris: VLS), a biopharmaceutical company, has released its interim consolidated results (IFRS) for the half-year period ended 30 June 2012 and approved by the Supervisory Board on 29 August 2012.

1 - 2012 interim results:

As previously announced, and in line with expectations, operating revenue was down 68% from the same period last year leading to a 51% decline in recurring operating income to €2.8m. For this same period, recurring operating expenses increased 18% to €9.6m. In consequence, total recurring operating loss rose to €6.8m for the 2012 first half, up from €2.5m in the same period last year, and the net loss from continuing operations to €6.8m, up from €2.6m.

The interim condensed consolidated financial statements for the half-year period ended 30 June 2012 are presented below.

€ thousands *IFRS*	**30/06/2012**	**30/06/2011***	***Change (%)***
Recurring operating income	**2,790**	5,654	***-51%***
Purchase of raw materials & other supplies.	1,255	874	*+44%*
Other purchases and external expenses	2,892	2,055	*+41%*
Taxes, duties and related amounts	153	123	*+24%*
Staff costs	3,479	3,518	*-1%*
Depreciation, amortisation & other operating expenses	1,859	1,628	*+14%*
Total recurring operating expenses	**9,638**	8,196	***+18%***
Net income/(loss) from continuing operations	**-6,847**	-2,541	*+169%*
Net financial income/(expense)	21	-19	*NS*
Income /(loss) from ordinary activities before tax	**-6,827**	-2,560	*+167%*
Tax	19		*NS*
Net income from continuing operations	**-6,845**	-2,560	*-44%*
Income (loss) from assets held for sale or discontinued operations	-657	-512	*+28%*
Net income/(loss)	**-7,502**	-3,072	*+144%*
Net income per share (in €)	- 1.32	- 1.12	*+167%*
Cash and cash equivalents (cash + marketable securities) and current financial assets	**17,974**	**30,555**	***-41%***

* Restated (IFRS 5)

VIVALIS had launched a program for the search of partners for the development or sale of rights for anti-hepatitis C molecules and the 3D-Screen technology. Because this operation is destined to be sold, financial statements for the period ended 30 June 2011 have been restated according to IFRS 5.

The interim financial report for the six-month period ending 30 June 2012, including notably detailed presentations of IFRS accounts is available at the company's website: www.vivalis.com, under Investors/Financial information/Financial documents.

Recurring operating income

€ thousands *IFRS*	**30/06/2012**	**30/06/2011***	***Change (%)***
Revenue from services	863	830	*+4%*
Licensing income (upfront & milestone payments)	641	3,859	*-83%*
Revenue	**1,504**	**4,688**	***-68%***
Own production of goods and services capitalised	44	25	*+76%*
Operating grants	88	251	*-65%*
Other income	1,154	690	*+67%*
Recurring operating income	**2,790**	**5,654**	***-51%***
Of which:			
EB66® and biomanufacturing	*1,345*	*4,371*	*-69%*
VIVA|Screen™	*1,402*	*1,236*	*+13%*
Unallocated	*43*	*47*	*-9%*

* Restated (IFRS 5)

Recurring operating income came to €2.8m in the 2012 first half, down 51% from the same period last year, reflecting a significant decline in revenue from the EB66® cell line, in part offset by a rise in revenue from the VIVA|Screen™ technology. As previously announced, this decline was a consequence of the end of revenue recognition from certain licenses in 2012 first half compared with the same period in 2011 in addition to non-recurring revenue in 2011 first half following the exclusive license concluded with GSK for the EB66®cell line.

At the same time, operating grants declined €0.2m (-65%) while other operating income, including mainly research tax credits, rose significantly (+€0.5m or up 67%) following an increase in R&D expenditures.

The make-up of recurring operating income evolved significantly from the same prior-year period. Revenue from commercial partners accounted for 54% of recurring operating income in the 2012 first half, down from 83% one year earlier while revenue from the discovery technologies (VIVA|Screen™) accounted for 50% of the total compared with 22% for the same period in 2011.

The rise in operating expenses remains contained

In the first half, VIVALIS pursued its strategy of capital investments. VIVALIS continued to invest in its laboratories in Nantes, Lyon and Toyama and also launched the first proprietary antibody discovery program in the field of oncology.

The increase in recurring operating expenses that remained contained (+18%) reflects mainly the following items:

- Staff costs accounted for slightly more than 36% of total recurring operating expenses. Despite growth in the average number of personnel for continuing operations from 92.4 FTE (full-time equivalents) for the 2011 first half to 97.5 FTE (+5%) in the 2012 first half, this expense item remained stable year-on-year (-1%) to reach €3.5m 2012 first half;

- Between the two periods, expenditures for raw materials and other supplies (including changes in inventory) rose significantly (+44% or +€0.4m). This increase is mainly linked to the development of the VIVA|Screen™ antibody discovery activities;

- Other purchases and external expenses rose 40% to €2.9m in the 2012 first half from the same period last year to account for 30% of total recurring operating expenses. This increase is mainly due to the

significant rise in the expense item for fees.

- Finally, depreciation, amortisation and other expenses continued to rise (+14% or +€0.2m). This included amortisation expenses for the full six-month period in 2012 relating to technologies acquired to form the VIVA|Screen™ antibody discovery platform and investments made throughout 2011.

For the 2012 first half, R&D expenditures amounted to €6.7m and represented 70% of recurring operating expenses compared with €6.1m and 74% in the same period last year. General, administrative and selling expenses amounted to €2.9m for the first half, representing 30% of recurring operating expenses.

On that basis, the loss from continuing operations was €6.8m for the first six months of 2012, up from €2.5m for the same period last year.

Net financial income and income (loss) from continuing operations

Net financial income was positive for the 2012 first half (€0.02m) compared with a net financial expense of €0.02m for the same period last year.

In consequence, in the 2012 first half, VIVALIS had a loss from continuing operations of €6.8m, up from €2.6m one year earlier.

Income (loss) from assets held for sale or discontinued operations

Drug Discovery (3D-Screen platform and anti-hepatitis C molecules) showed a loss of €0.7m for the 2012 first half compared with €0.5m for the same period in 2011.

Net income/(loss)

In consequence, the Group had a net loss of €7.5m in the 2012 first half compared with €3.1m for last year's first half.

A healthy and solid financial structure

Shareholders' equity at 30 June 2012 was €33.2m compared to €40.4m at 31 December 2011.

Long-term borrowings at 30 June 2012 declined to €6.2m from €6.8m at 31 December 2011.

Cash and cash equivalents and current financial assets amounted to €18.0m at 30 June 2012 compared with €30.6m at 31 December 2011. After 30 June 2012, Vivalis received a payment from bank loans destined for capital expenditures for €1.5m.

The breakdown for cash burn is as follows: €7.4m for operating activities, €4.6m for investing activities (of which €3.8m for the acquisition of technologies) and €0.6m for financing activities (mainly the decline in bank borrowings).

Total assets at 30 June 2012 amounted to €60.4m compared to €73.1m at 31 December 2011.

VIVALIS thus has a solid financial position to successfully pursue its development strategy with potential for generating significant value.

2 - 2012 first-half operating highlights: sustained pace of scientific and commercial successes and strengthening positions for each activity

Development in 2012 of each of VIVALIS' activities has remained on track, in line with the company's business model.

Continuation and strengthening of partnership with Sanofi Pasteur and initiation of the first proprietary discovery program

In the field of antibody discovery, in January 2012 Sanofi Pasteur initiated the third program against an infectious disease target within the framework of the agreement signed in June 2010 and extended to an additional target in early 2012.

Also during this period, VIVALIS launched its first proprietary discovery program in the field of oncology.

Ongoing commercial and scientific advances by the EB66® technology platforms

During this period, the commercial development of EB66® has continued to gain momentum with the signature of seven new licenses and agreements with notably BioDiem, Merck Animal Health, Merial, Farvet and Biofactura. These included two commercial licenses. With this performance, the target for the full year has already been met.

Furthermore, in the first half, Kaketsuken for the first time successfully launched Phase 2 clinical trials in Japan for cell culture based human pandemic flu vaccine using the EB66® line.

3 - Outlook and objectives

In light of these excellent achievements, VIVALIS has reset its objectives for 2012:

- EB66® cell line
  - 8 to 10 new licenses (including at least 3 commercial licenses) compared with an initial target for 6;
  - Marketing approval by a partner for the first veterinary vaccine manufactured through its EB66® cell line;
- The VIVA|Screen™ antibody discovery technology:
  - Signature of 2 new collaboration agreements for the exploitation of the VIVA|Screen™ platform within the framework of programs to discover human monoclonal antibodies;
- Consolidated cash of approximately €14m at the end of 2012.

Franck Grimaud, CEO and Majid Mehtali, CSO, co-managers of VIVALIS, concluded: *"In early 2012, major progress was achieved in each of our three activities. Each day, the success of the EB66® cell line with our partners is further confirmed by an unprecedented pace of market penetration. With no less than seven new agreements and licenses already executed since the beginning of the year, the EB66® cell line is indisputably on its way to becoming one of the new global industry standards for vaccine production. At the same time, research programs initiated with our partners on the EB66 cell line are on track with their roadmap as illustrated by the Phase 2 clinical trials launched by Kaketsuken in Japan for a pandemic influenza vaccine using EB66®. Also, before the end of the year, we expect one of our licensees to be granted marketing approval for a veterinary vaccine. In the field of Antibody Discovery (VIVA|Screen™ technology), with three research programs in progress, our partnership with Sanofi Pasteur is continuing and was further strengthened at the start of the year at the initiative of the latter. Finally, for the construction of our proprietary product portfolio, in the first half we selected our first antibody against a cancer target. And while building a portfolio of proprietary products clearly represents a long-term undertaking in the pursuit of which we seek to remain, consistent with our values, extremely meticulous and cautious, we nevertheless are devoting our very best expertise and technology to this activity in which we have high hopes. In conclusion, VIVALIS' three strategic businesses are now in place: (i) the licensing of the EB66® cell line has indisputably become an industry standard for vaccine production with more than 30 agreements in progress for some fifty human or veterinary vaccines (ii) antibody discovery for pharmaceutical groups with Viva|Screen™ is fully operational and (iii) the development of a proprietary antibody portfolio that will be licensed before clinical phases are launched. After laying foundations with major strategic assets, we are today ready for a new phase in our history that will focus on developing our three businesses to generate revenue growth for VIVALIS. In line with our roadmap, we accordingly confirm our target to reach financial break-even by 2014-2015."*

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Next Financial Press Release

October 23rd, 2012, after NYSE Euronext market closing: Third Quarter 2012 Revenues

About Vivalis (www.vivalis.com)

Vivalis (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 two 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). Through these programs Vivalis receives upfront, clinical, and milestone payments along with royalties on licensees net sales.

VIVA|Screen™ Human Antibody Discovery Platform

Customized solutions for the discovery, development, and production of rare, fully human monoclonal antibodies is offered by Vivalis. Through these programs Vivalis receives upfront, clinical, and milestone payments along with royalties on licensees net sales under both service agreements and partnered programs.

Based in Nantes & Lyon (France) and in Toyama (Japan) Vivalis was founded in 1999 by the Grimaud group (ca. 1,700 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, Pfizer Animal Health, Kaketsuken, Kitasato Daiichi Sankyo Vaccine, Merial, Intervet, and SAFC Biosciences. Vivalis is a member of the French ATLANTIC BIOTHERAPIES and LYON BIOPOLE bio-clusters and a member of the Japanese HOKURIKU INNOVATION CLUSTER FOR HEALTH SCIENCE in Toyama.

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

VLS LISTED NYSE EURONEXT

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