**Press Release**

From cells to therapeutics **Vivalis**

# 2012: a record year for new EB66® cell line licensing

## Operating annual income: €6.5m

## Consolidated cash and cash equivalents at December 31, 2012: €12.1m
## Standalone cash target: €8m cash at December 31, 2013

## Vivalis is at the beginning of a new dimension with its proposed merger with Intercell to form Valneva SE

**Nantes, Lyon (France) – February 14, 2013:** VIVALIS (NYSE Euronext Paris: VLS), a biopharmaceutical company, today released its recurring operating income (without change in inventory and production and services capitalized) for the fourth quarter of 2012 (IFRS) of 1.6 million euros and a consolidated cash position of 12.1 million euros at December 31, 2012.

The Management Boards of Vivalis (NYSE-Euronext: VLS) and Intercell (VSE: ICLL) announced on December 16, 2012, that they have agreed to the terms of a merger to create the newly-named Valneva, a leading European biotechnology company in vaccines and antibodies. The merger will create an integrated company with greater scale and diversification, a strengthened financial profile, and complementary assets.

Valneva's strategy is to build a sustainable biotech company with a well-balanced and diversified value proposition, enabling us to develop innovative products with a strong focus on preventing and treating infectious diseases. The merger will achieve this goal by combining Vivalis' discovery technologies with Intercell's development, manufacturing, and commercialization expertise. Furthermore, the increased financial strength will provide greater capabilities to progress our pipeline. We expect all shareholders to substantially benefit from the strengthened capabilities of the combined company.

## Operating Income

| *(In euro thousands, IFRS, non audited)* | 4th Quarter | | | FY | | |
|---|---|---|---|---|---|---|
| | 2011 | **2012** | ***Var.*** | 2011 | **2012** | ***Var.*** |
| Revenue from services | 409 | **582** | *+42%* | 1,598 | **2,139** | *+34%* |
| Licensing revenue (*upfront, milestones*) | 2,413 | **336** | *-86%* | 8,666 | **1,292** | *-85%* |
| **Total revenue** | 2,822 | **918** | *-67%* | 10,263 | **3,431** | *-67%* |
| *Of which EB66® and bioproduction* | *2,369* | ***539*** | *-77%* | *8,262* | ***1,613*** | *-80%* |
| *VIVA\|Screen™* | *453* | ***379*** | *-16%* | *2,002* | ***1,818*** | *-9%* |
| **Income from public financing*** | 1,122 | **745** | *-34%* | 2,793 | **3,036** | *+9%* |
| **Total operating income** (w/o production and services capitalized) | 3,944 | **1,663** | *-58%* | 13,056 | **6,467** | *-50%* |

**estimates*

Due to exceptional 2011 milestones, 2012 fourth quarter revenue, including both revenue from services and licensing income, was significantly decreased compared to the same period of 2011 (0.9 million euros vs. 2.8 million from the prior year). Meanwhile, income from public financing (grants and research tax credits) also

decreased 34%, due to a significant decrease in booked subsidies and a slight decrease of research tax credits between both periods. Consequently, fourth quarter total operating income, excluding changes in inventory and production and services capitalized, amounted to 1.7 million euros for 2012, vs. 3.9 million euros for the same quarter of 2011.

Quarterly revenue from services increased by 42% between the two periods due to services rendered in the framework of biomanufacturing contracts. Licensing revenue, including upfront and milestones payments, experienced an expected significant decrease, following the end of the accounting revenue recognition period of certain commercial licenses at the end of 2011.

For the 2012 calendar year, total operating income, excluding change in inventory and production and services capitalized, amounted to 6.5 million euros.

## Consolidated Cash at December 31, 2012

Consolidated cash (including cash equivalents and current financial assets) amounted to 12.1 million euros at December 2012, compared with 18.0 million euros at June 30, 2012.

This level of cash takes into account unplanned payments related to additional audits and fees related to the proposed merger between Vivalis and Intercell, announced on December 16, 2012, to form Valneva SE. This also includes 5.3 million euros of investment realized in 2012, including the payments for the acquisitions of the Lyon based company Humalys and of the ISAAC technology acquired from the Japanese company SC World.

Cash burn is expected to decrease significantly in 2013 and 2014 due to the combined effect of an increase of revenues derived from Vivalis' two core technology platforms (the EB66® cell line and the VIVA|Screen™ antibody discovery platform), the concentration on core activities with the sale of the CMO business unit in 2013, the end of the early payments related to the antibody discovery acquisitions made in 2010 and 2011, and the restart of payments from the research tax credit.

On a standalone basis, the Company estimated that its consolidated cash position at the end of 2013 would be around 8 million euros, not including the potential sale of the CMO activity.

Being majority owned by the Grimaud Group, Vivalis stopped benefiting from the payment of research tax credit receivables the year following their booking in 2010. This payment has a three year lag. As a result, these payments will restart in 2014. The research credit tax receivables totaled 7 million euros at December 31, 2012.

## Historical Scientific and Commercial Development

The Company maintained its scientific and commercial momentum throughout 2012.

Primarily, the EB66® cell line has achieved new regulatory milestones in 2012 with the initiation of Phase III clinical trials in Japan for a pandemic flu vaccine developed by Kaketsuken in collaboration with GSK Biologicals for vaccines produced in the EB66® cell line, a granted marketing authorization given to Kaketsuken for a veterinary vaccine in Japan against egg drop syndrome ("EDS") produced in EB66® cells, and the initiation of a new product registration process for a veterinary vaccine in Europe.

Eleven new licenses were executed in 2012, including Merck Animal Health (USA), Farvet (Peru), Merial (France), BioFactura (USA) and Kyoto Biken (Japan), for use of the EB66® cell line for the production of vaccines and monoclonal antibodies, two of which are commercial licenses. Since the company's inception this is our highest performing year for licensing, surpassing its own objectives set at beginning of 2012. These new licenses amount to a total of 32 active world-wide EB66® licenses.

Lastly, in the beginning of 2012 Sanofi Pasteur launched their third discovery program in the framework of the VIVA|Screen™ technology agreement (discovery of monoclonal antibodies), signed in June, 2010. This agreement has been expanded to include another target, increasing the potential of this strategic agreement and confirming the strong interest of Sanofi for the VIVA|Screen™ platform. In parallel, Vivalis has initiated its first proprietary discovery program and generated the first monoclonal antibodies against a cancer target. These antibodies have now entered a rigorous selection process.

## 2013 Outlook

Vivalis expects revenue to increase in 2013 compared to 2012 as a result of its aggressive commercial strategy.

Vivalis will continue to commercialize its technology platforms to:

- Further establish the EB66® cell line as a dominant standard for vaccine production, with the signature of six to seven new licenses, of which two will be commercial.
- Increase the penetration of the VIVA|Screen™ platform with the signature of two new licenses and commercial agreements.

In addition, the company expects its partners to continue progressing in the development of their own products, and within the next 18 months the possible marketing authorization for three royalty bearing products produced in EB66® cells: two new veterinary vaccines and the pandemic flu vaccine in Japan. The latter approval, if achieved in the timeframe believed to be by Vivalis, would be the first ever EB66® cell line-produced human vaccine to be approved.

The proposed merger between Vivalis and Intercell announced on December 16, 2012 and the following 40 million euros capital increase will be the major events of 2013. An additional outlook will be provided once the merger is completed. Intercell and Vivalis General Meetings have been scheduled and will take place on February 27, 2013, and March 7, 2013, respectively.

Franck Grimaud, CEO, and Majid Mehtali, CSO, co-managers of Vivalis, commented, "*2012 has clearly been a major year for Vivalis. Our EB66® technology continues to become an alternative substrate to eggs for the production of vaccines, with a record of 11 license agreements completed. Our partners have made significant progress, including the first marketing authorization received by a veterinary vaccine produced in EB66® cells, the initiation of the registration process for a second veterinary vaccine, and the start of a Phase III clinical trial for an influenza vaccine produced in Vivalis' cell line. We are entering a new development phase where revenue from product royalties will be generated. The addition of these royalties over the coming years will change the Company's financial profile, adding to our service and licenses revenue as we continue to aggressively market our technologies. As a result, we expect revenue to increase progressively and cash burn to decrease steeply from 18m€ in 2012 to 5m€ in 2013. We have also continued to make progress with our VIVA|Screen™ technology, both internally and with our partner Sanofi. Finally, in view of this progress, we believe that Vivalis is ready to consolidate its development and increase growth, which is the rationale for the merger with the Austrian company Intercell. We strongly believe that the combination of Intercell and Vivalis capabilities, our broader reach, and overall basis will give Valneva the ability to deliver more value to our shareholders while securing our path to profitability."*

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**Next financial press release: 2012 Results**
**March 26, 2013, after 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 recombinant proteins, and develops monoclonal antibodies for the prevention and treatment of pathologies with unmet medical needs. Vivalis' expertise and intellectual property are leveraged in two main areas:

1. 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, VLPs and recombinant proteins, with a focus on monoclonal antibodies having enhanced cytotoxic activity. Clinical trials of EB66® produced vaccines are currently on-going in the USA and Japan. Through these programs, Vivalis receives upfront payments, clinical stage milestone payments, and royalties on licensees' net sales.

2. VIVA|Screen™ Human Antibody Discovery Platform

Customized solutions for the discovery, development and production of rare, fully human monoclonal antibodies are offered by Vivalis. Through these programs, Vivalis receives payments associated with the funding of discovery phase, upfront payments, clinical stage milestone payments, and royalties on net sales of licensed antibodies that are commercially developed and sold by our clients.

Based in Nantes and Lyon (France) and in Toyama (Japan), Vivalis was founded in 1999 by the Grimaud Group (ca. 1,700 employees), one of the worldwide leaders 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 bio-clusters and a member of the Japanese HOKURIKU INNOVATION CLUSTER FOR HEALTH SCIENCE in Toyama.

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


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