

**2008: positive net income<sup>1</sup>**  
**Operating income: €8.9 million (+180%)**  
**Net income<sup>1</sup>: €0.5 million**

**2009 targets: continuation of sustained growth**  
**Net cash at year-end 2009 > €20 million**  
**Financial visibility over the next 4 years**

Nantes (France) – 31 March 2009: VIVALIS (NYSE Euronext Paris: VLS), a biopharmaceutical company that provides the pharmaceutical industry innovative cell-based solutions for the manufacture of vaccines and proteins and develops drugs to prevent and treat viral diseases, announces its annual results for 2008 and strategic outlook.

#### 1 - 2008 annual results: a profitable year with high visibility

Results for fiscal 2008 reflected VIVALIS' efforts in recent years in terms of R&D advances and commercial strategy. With a 180% increase in operating income, positive net income and net cash of nearly €23 million providing four years of financial visibility, VIVALIS confirms the pertinence of its low cash burn model.

As a result, despite the deterioration in the economic environment, VIVALIS delivered a remarkable performance for its sector driven by its revolutionary EB66<sup>®</sup> technology for manufacturing vaccines and therapeutic proteins.

<i>€ thousands</i> <i>French GAAP</i>	2008	2007	Change (%)
<b>Operating income</b>	<b>8,916</b>	<b>3,199</b>	<b>+180%</b>
Purchase of raw materials & other supplies.	1,172	975	+20%
Other purchases & external expenses	3,893	2,129	+83%
Payroll expenses	3,597	2,723	+32%
Depreciation and amortization	1,497	1,291	+16%
<b>Operating expenses</b>	<b>10,396</b>	<b>7,267</b>	<b>+43%</b>
<b>Income/(loss) from ordinary activities</b>	<b>(1,480)</b>	<b>(4,068)</b>	<b>NS</b>
<b>Net financial income</b>	<b>591</b>	<b>280</b>	<b>+110%</b>
<b>Income/(loss) from ordinary activities before tax</b>	<b>(889)</b>	<b>(3,788)</b>	<b>NS</b>
<b>Tax (research tax credit)</b>	<b>1,886</b>	<b>1,027</b>	<b>+84%</b>
<b>Net income</b>	<b>+478</b>	<b>(3,268)</b>	<b>NS</b>
<b>Net income per share (in €)</b>	<b>+0.03</b>	<b>(0.28)</b>	<b>NS</b>
<b>Net cash (cash + marketable securities)</b>	<b>22,712</b>	<b>24,956</b>	<b>-9%</b>

Detailed presentations of French GAAP and IFRS accounts are available at the company's website: [www.vivalis.com](http://www.vivalis.com), under Investors/Financial information/Financial documents.

<sup>1</sup> Because VIVALIS does not have subsidiaries or equity affiliates, historical accounting data is presented on the basis of French GAAP

### Operating income: very strong increase of 180%

<i>€ thousands French GAAP</i>	2008	2007	Var.
Services	2.5	0.2	x 11
Licensing income	2.9	0.8	x 4.8
Grants	0.7	0.7	=
Capitalization of R&D expenses	2.1	1.4	x 1.5
Expense reclassifications	0.7	0.0	NS
<b>Total operating income</b>	<b>8.9</b>	<b>3.2</b>	<b>x 2.8</b>

Operating income increased 2.8 fold over the prior year to €8.9 million for fiscal 2008. This robust growth reflects:

- Strong gains in licensing income and services that now account for 60% of VIVALIS' operating income compared with 32% en 2007. This growth includes upfront license fees from new agreements and significant progress under existing licenses that generated milestone payments;
- An increase in capitalized R&D expenses from the acceleration in research programs in line with VIVALIS' projects.

Operating income does not include investment grants and research tax credits.

It should however be noted that operating income does not have a material impact on VIVALIS' development and will fluctuate from one year to the next, and within a given year, from one quarter to another, until VIVALIS receives royalty fees from the sale of its products by its customers.

### Operating expenses contained despite the acceleration in R&D programs

In line with VIVALIS' goal to accelerate its development by strengthening R&D, operating expenses increased 43% in 2008 over the prior year to €10.4 million, split as follows:

- Payroll expenses rose 32% on an increase from 46 to 58 in the average number of employees between fiscal 2007 and 2008. At year-end 2008, the company had 66 employees. In particular, in 2008, VIVALIS reinforced its team of researchers as well as its sales force.
- External charges increased 83%, notably from outsourcing tests associated with the characterization of the EB66<sup>®</sup> cell line;
- Raw material costs increased 20% on the acceleration in the pace of the programs.

R&D expenditures of €8.2 million (+52%) were the primary contributor to the rise in expenses. By comparison, through rigorous and pragmatic management, general and administrative expenses increased at a significantly slower pace (+22%). As a result, R&D henceforth represents 78.5% of operating expenses. This is in line with the breakdown of personnel with the R&D team of 55 accounting for 82% of the total workforce at 31 December 2008.

### Net income €0.5 million

Net financial income of €0.6 million included investment income from cash and cash equivalents that largely offset interest expense on bank borrowings.

After taking into account the research tax credit for €1.9 million, the company had net income for the year of €0.5 million versus a net loss of €3.3 million in 2007. This performance was achieved through the effective management of expenses, significant growth in operating income from important commercial and scientific results and the use of the research tax credit.

### A healthy and solid financial structure

Shareholders' equity at 31 December 2008 was €33.8 million. Long-term borrowings of €4.6 million include a new loan of €1.5 million obtained in 2008. 80% of bank borrowings have a maturity of more than one year with gross borrowings limited to 14%.

The total balance sheet increased marginally to €45.1 million. The 15% increase in intangible assets to €8.7 million reflects the capitalization of new R&D expenses. Property, plant and equipment amounted to €5.9 million.

### Net cash of €22.7 million providing secure resources for 4 years of development

Cash burn for the 2008 full year was limited to €22 million. This amount includes cash burn of €3.6 million in the first half followed by a positive inflow of €1.4 million from operations in the second half.

At 31 December 2008, cash and available-for-sale financial assets totalled €22.7 million providing VIVALIS an excellent visibility and resources to finance developments over the next four years. In addition, this amount does not include financing of €6 million granted by the OSEO innovation agency of which €3.4 million should be paid in the 2009 first half.

## **2 - 2008 highlights: major commercial and scientific milestones**

In accord with its philosophy, VIVALIS met its commitments in 2008 by attaining, and even exceeding, its objectives in all areas:

- Commercial: 7 new licenses including 4 commercial licenses (versus a target of 2 commercial licenses);
- Regulatory: filing of the BMF with the US Food and Drug Administration;
- Financial: positive net income and receipt of an OSEO innovation grant for €6 million
- Scientific: significant advances in the production of vaccines and antibodies.

Fiscal 2008 was marked by significant scientific and commercial achievements for VIVALIS' three applications: production of vaccines, therapeutic proteins and proprietary products.

### Vaccine production

In 2008, VIVALIS signed 5 license agreements including 4 commercial licenses, for its revolutionary EB66<sup>®</sup> technology for vaccine production. The rate of transformation of research licenses into commercial licenses and the expansion of the number of products tested by customers, further confirm the interest of major worldwide players of the sector in this disruptive technology and its potential to become the new benchmark for classical and recombinant vaccines in the years ahead.

In terms of R&D, VIVALIS also achieved major milestones with GSK under the program to develop anti-flu vaccines through the EB66<sup>®</sup> platform.

### Production of therapeutic proteins

Major developments were achieved in this area with the signature of 2 research licenses in 2008 and the first commercial license in early 2009 with Innate Pharma. The goal of signing a first commercial license has already been attained one year in advance.

VIVALIS has also had very promising results for the increased efficacy of monoclonal antibody products on its EB66<sup>®</sup> platform. Its teams have in effect demonstrated that antibodies produced through the EB66<sup>®</sup> cell line present an efficacy 20 times greater than those produced in CHO cells.

With this application representing one of VIVALIS' major priorities for development, it has carried out a number of recruitments to strengthen its commercial and R&D teams devoted to this project.

### Proprietary products developments

In connection with efforts to develop proprietary products, VIVALIS registered two major successes in 2008:

- Launch of the co-development of a vaccine with Geovax and an antibody with Innate Pharma;
- Validation and optimization of chemical hits of small anti-hepatitis C molecules.

### Reinforced entry barriers and expertise

As every year, VIVALIS has continued to reinforce measures to safeguard its technology and expertise:

- Deliverance of 27 new patents. VIVALIS currently has a portfolio of 123 granted patents or patents applications;
- Recruitment of 17 new employees including 15 devoted to research.

### 3 - Outlook and objectives

#### 2009 objectives:

Following a performance in 2008 that confirmed the solidity of the biotechnology model developed by VIVALIS and the very high potential of its EB66<sup>®</sup> technology, VIVALIS has set both ambitious and realistic objectives for 2009:

- Solid and sustained revenue streams from three sources: upfront license fees and milestone payments, R&D services, and a new source of income from the production of clinical batches;
- Cash and cash equivalents exceeding €20 million at year-end 2009, confirming its low cash burn rate;
- The signature of 6 to 7 licenses including 2 commercial licenses (with 4 licenses already signed including 2 commercial licenses since 1 January 2009).

#### Strategy

VIVALIS intends to pursue its ambitious but prudent strategy seeking to establish its EB66<sup>®</sup> technology as a worldwide standard and build a portfolio of proprietary products. This development will continue to be pursued by VIVALIS' philosophy based on a combination of worldwide standard research efforts and low cash burn.

#### Reinforcing R&D: recruitment and a new laboratory

To pursue its development, VIVALIS intends to recruit approximately 10 employees in 2009, with 80% to be devoted to R&D.

In addition, in order to group together and expand its R&D activities, the Company will build a new laboratory in Nantes near its headquarters for a cost of €5.5 million. VIVALIS' cash investment will be limited to approximately €1 million and will provide its research department with a new dimension. The balance of this investment will be financed through a bank loan, grant from local and regional authorities and a government development grant (PAT).

#### Vaccine production: establish the EB66<sup>®</sup> cell line as a worldwide standard

With a flow of milestone payments expected to continue, VIVALIS' goal is to establish a technology in the fast-growing vaccine market that will expand twice the rate of the pharmaceutical market in the coming years. For 2010 VIVALIS anticipates:

- The possible introduction on the market of the first veterinary vaccine manufactured through its EB66<sup>®</sup> cell line;
- An authorization for one human clinical trial (IND);
- Production and purification on the platform EB66<sup>®</sup> of a first clinical batch for an anti-HIV recombinant vaccine by Geovax.

## Antibody production

VIVALIS intends to improve the productivity of its EB66<sup>®</sup> technology for the production of monoclonal antibodies with an objective of 1 gram per litre within two to three years. At the same time, benefiting from new staff added in 2008, new research and commercial licenses should be signed.

## Production of clinical batches

Starting in 2009, and to strengthen the added value provided to customers and generate regular revenue streams, VIVALIS will also develop the production of clinical batches. Since the beginning of the year, the Company has already signed two agreements in this area.

## Proprietary products

VIVALIS intends to exploit the full potential of its EB66<sup>®</sup> technological platform, GMP biomanufacturing installations and expertise in virology to develop a portfolio of proprietary products and in this way retain a greater share of margins generated from the future sale of products through opportunities for the (co-) development of antiviral vaccine candidates and monoclonal antibodies for EB66<sup>®</sup> cells.

In addition, through its 3D-SCREEN platform, the Company is actively focusing on the discovery of anti-hepatitis C (HCV) virus agents targeting viral proteins essential for the virus' replication such as polymerase, protease and helicase inhibitors. Several new anti-HCV molecules have been identified by VIVALIS and their preclinical development will be pursued. These molecules are destined to be licensed to pharmaceutical companies after completion of preclinical or early clinical development. VIVALIS' objective is for a first agreement by late 2010-early 2011.

Franck Grimaud, VIVALIS CEO concluded: *"The excellent scientific, commercial and financial results are the product of investment efforts pursued by VIVALIS over the last 10 years. Following 2003, and 2005, 2008 represented a third year of profitable financial results for the Company. This achievement is particularly remarkable with R&D investments accounting for 80% of operating expenses. In addition, our markets of vaccines and monoclonal antibodies continue to register sustained growth at a considerably faster pace than the pharmaceutical sector overall. As a result, VIVALIS benefits from solid financial, political and technological fundamentals. In 2009 and in the years ahead, VIVALIS' objective is to continue to achieve the optimal balance between pursuing world-class scientific research and creating value through economic performance."*

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Next financial press release:

29 April 2009, after NYSE Euronext market closing: 2009 first-quarter sales

## About VIVALIS ([www.vivalis.com](http://www.vivalis.com))

VIVALIS (NYSE - Euronext: VLS) is a biopharmaceutical company that provides the pharmaceutical industry innovative cell-based solutions for the manufacture of vaccines and proteins, and develops drugs to prevent and treat viral diseases. VIVALIS' know-how and proprietary technologies are commercially exploited in three main areas:

1. The development and manufacturing of vaccines. VIVALIS offers research and commercial licenses for its EB66<sup>®</sup> cell line, derived from duck embryonic stem cells, to pharmaceutical and biotechnology companies for the production of viral vaccines. VIVALIS receives upfront fees, milestone payments and royalties on its licensees' net sales.
2. The development of production systems for recombinant proteins and monoclonal antibodies. VIVALIS licenses to pharmaceutical and biotechnology companies its EB66<sup>®</sup> cell line for the production of recombinant proteins. VIVALIS receives upfront fees, milestone payments and royalties on its licensees' net sales.
3. The construction of a portfolio of proprietary products in the area of vaccines and anti-viral molecules (Hepatitis C).

Based in Nantes (France), VIVALIS was created in 1999 by Group Grimaud (1,450 employees), the n°2 group worldwide in animal genetic breeding. VIVALIS has established more than 30 partnerships with worldwide leaders in the sector. VIVALIS is a member of the French Atlantic Biotherapies cluster.

VIVALIS  
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Reuters: VLS.PA – Bloomberg: VLS FP  
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