Press release

From cells to therapeutics **Vivalis**

2009 first half: substantial improvement in performance
Operating income: €4.9 million (+86%)

Confirmation of 2009 targets:
Net cash at year-end 2009 > €20 million
Signature of 10 license agreements

Nantes (France) – 31 August 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, today announces its 2009 first-half results for the period ended 30 June and strategic outlook.

1 - 2009 first-half results: substantial improvement in performance

Results for the 2009 first-half pursued the positive trend that began in 2008, confirming the strength of VIVALIS' business model: robust growth in operating income, tight control over operating expenses and low cash burn. As a result, income from ordinary activities, income before tax and exceptional items and net income registered strong gains compared to the 2008 first half.

This excellent performance is the product of commercial successes and significant advances in R&D achieved by VIVALIS in the last two years.

Through the rigorous application of its strategy, in early July VIVALIS had net cash of nearly €27.5 million, the same level following its initial public offering two years ago.

€ thousands *French GAAP*	**H1 2009**	**H1 2008**	***Change (%)***
Operating income	**4,901**	2,630	***+86%***
Purchases of raw materials & other supplies	911	635	*+43%*
Other purchases & external expenses	1,952	1,859	*+5%*
Payroll expenses	2,209	1,648	*+34%*
Depreciation and amortisation	900	650	*+38%*
Operating expenses	**6,020**	4,845	***+24%***
Income/(loss) from ordinary activities	**(1,119)**	(2,215)	*NS*
Net financial income	271	148	*+83%*
Income/(loss) from ordinary activities before tax	**(848)**	(2,067)	*NS*
Tax (research tax credit)	222	516	*-57%*
Net income	**(526)**	(1,822)	*NS*
Net income per share (en €)	(0.04)	(0.13)	*NS*
Net cash (cash + marketable securities)	**24,578**	21,355	***+15%***

The half year financial report, including notably detailed presentations of French GAAP accounts is available at the company's website: www.vivalis.com, under Investors/Financial information/Financial documents.

Operating income: very strong first-half growth

€ thousands *French GAAP*	**H1 2009**	**H1 2008**	***Change***
Services	0.5	0.7	*-29%*
Licensing income	2.7	0.2	*x14*
Grants	1.4	0.3	*x5*
Capitalisation of R&D expenses	0.1	1.1	*NS*
Expense reclassifications	0.2	0.3	*NS*
Total operating income	**4.9**	**2.6**	***+86%***

Operating income totalled €4.9 million in the 2009 first-half, surging 86% over the same period last year largely on growth in licensing income. Licensing income and services provided by VIVALIS now account for 65% of total operating income compared with 35% for the 2008 first half.

Capitalised R&D expenditures declined from €1.1 million in the 2008 first half to only €0.1 million in the current half-year period. VIVALIS pursues its investment efforts though the major share of its R&D expenditures are no longer being capitalised now that the EB66® platform for the production of vaccines and proteins has entered the commercial phase.

The strong increase in operating grants reflects the recognition of a portion of the amount from the OSEO innovation agency of €1.1 million.

Operating income includes primarily licensing income reflecting commercial successes of VIVALIS (upfront payments) and payments for technological advances achieved in the first half (milestone payments).

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.

Tight control over operating expenses

In this first half, VIVALIS pursued investments and R&D efforts to accelerate the development of its programmes while maintaining tight control over operating expenses. In this way, in the first six months, even though operating income increased 86%, operating expenses rose only 24% to €6 million, split as follows:

- Raw material purchases increased 43% to €0.9 million from the acceleration in R&D and tests of the EB66® platform;
- Payroll expenses, the main operating expense item rose 34% to €2.2 million with the average number of employees increasing by 13 between 30 June 2008 and 30 June 2009, from 57 to 70 of which 80% are devoted to R&D ;
- Other purchases and external expenses increased only 5% to €2 million reflecting tight control over overhead expenses.

In the 2009 first-half, the breakdown of expenses was comparable to 2008, reflecting the consistent application of VIVALIS' strategic priorities: R&D expenditures totalling €4.8 million accounted for 80% of operating expenses (79% for FY 2008) and general and administrative expenses of €1.2 million only 20%.

As a result, the loss from ordinary activities was cut in half compared to the 2008 first half to €1.1 million.

Strong improvement in net income

Growth in net financial income of 83% to €271,000 resulted mainly from the reversal of a provision for the impairment of the liquidity contract.

The research tax credit was €222,000 in the 2009 first-half compared with €516,000 in the same period last year. This decline does not indicate a deceleration in the pace of R&D investments but rather the receipt of grants that are deducted from research tax credits.

In the 2009 first half, VIVALIS had a net loss of €0.5 million compared with €1.8 million in the same period last year representing a decrease by more than threefold.

A healthy and solid financial structure

Shareholders' equity at 30 June 2009 was stable in relation to 31 December 2008 at €33.8 million. Following the payment by the OSEO innovation agency of a portion of the advance under the VIVABIO programme, the company also had other equity at 30 June comprising subordinated grants for €3.7 million. Long-term borrowings totalled €4.2 million representing a low gross gearing of 12%.

The total balance sheet was €49.3 million at 30 June 2009 compared with €45.1 million at 31 December 2008.

In early July 2009, VIVALIS' cash was back up to the level following its capital increase two years ago of €27.5 million. In effect, at 30 June 2009, cash and cash equivalents totalling €24.5 million were supplemented by €3 million received in early July in the form of a grant and repayable loans from OSEO through its ISI programme in connection with the agreement with Geovax and Innate Pharma.

2 - 2009 first-half operating highlights: sustained pace of scientific and commercial successes

VIVALIS pursued the momentum that began in 2008 with commercial and scientific successes in the 2009 first-half to exceed its initial targets.

Commercial successes included the signature of seven new license agreements in the first half that enabled VIVALIS as of June to raise its full-year targets to 10 license agreements for 2009. At 30 June 2009, VIVALIS had a portfolio of 27 licences including 15 commercial license agreements.

Vaccine production on EB66® platform

The company thus made further commercial advances in the first half with the signature of five new license agreements including two commercial licenses. At 30 June 2009, VIVALIS had 22 license agreements for its EB66® technology for vaccine covering approximately 75% of the major worldwide players in this field. The EB66® platform has thus confirmed its position as the future international standard in vaccine production.

The 2009 first half was also marked by a major scientific advance in connection with VIVALIS' partnership with GlaxoSmithKline Biologicals in the production of new flu vaccines.

Based on the milestones achieved in recent months, VIVALIS confirms its initial calendar that provides for the first human clinical trial in 2010 and the commercial launch of the first veterinarian vaccine through its EB66® cell line by one of its licensees in late 2010 - early 2011.

Anybody production on EB66® platform

The EB66® platform continues to develop in the antibody segment with the signature of two licenses including the first commercial license with Innate Pharma.

In terms of scientific progress, in line with targets announced at the end of 2008, VIVALIS significantly increased the productivity of its platform already to the pre-industrial levels expected by pharmaceutical players.

With the antibody market for which the EB66® platform destined to be more important than the market for vaccines, these latest commercial and scientific successes highlight the strong growth potential of this business in the years ahead.

Proprietary products

Developments in this area, with potential to generate significant value in the event of success, have been pursued in line with the roadmap including notably the programme for anti-hepatitis C molecules. The target for a candidate available to be licensed in 2010 is maintained.

Developing proprietary products represents a strategic priority for VIVALIS with potential for significantly contributing to future earnings.

R&D investments

In the first half VIVALIS pursued R&D investments to further accelerate its research programmes and the commercial development of its technologies:

- Recruitment of 6 new employees, including 2 PhDs with significant industrial experience with Wyeth, Elan or Lonza ;
- Beginning of construction work on 22 June 2009 of the 3300m^2 new R&D laboratory ;
- Filing of two new patent applications to strengthen the intellectual property protections of its technologies and products.

3 - Outlook and objectives

In light of these commercial, scientific and financial successes achieved in the first half combined with a strong position in cash, VIVALIS intends to pursue its developments and maintains its targets for 2009:

- Signature of 10 new license agreements for the year;
- Industrial and commercial development of the EB66® cell line in the field of proteins;
- Implementation of processes for the manufacture and purification of a recombinant vaccine and antibody on the EB66® cell line;
- Confirmation of the pertinence of anti-hepatitis C small molecules;
- Net cash exceeding €20 million at 2009 year-end on a like-for-like basis.

Franck Grimaud, CEO and Majid Mehtali, CSO, co-managers of VIVALIS concluded: "Continuing the momentum of 2008*, VIVALIS achieved excellent commercial, scientific and financial performances in the 2009 first half. For the mid and long-term, VIVALIS remains confident in its prospects for sustained development and growth. Its vaccine production technology should establish its position as a new global industry standard in the years. In addition, in the current environment the risk of a flu pandemic has increased the determination of public authorities and manufacturers in possessing a technology offering more rapid, effective and safer performances. In the field of antibody, the scientific advances on the EB66® platform should further strengthen the attractiveness of this technology for manufacturers and also establish its position as a worldwide benchmark."*

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Financial press release:
21 October 2009 after NYSE Euronext market closing: 2009 third-quarter revenue

About the EB66® line

The EB66® cell line, derived from duck embryonic stem cells, presents unique industrial and regulatory characteristics such as long-term genetic stability, immortality and cell growth to high cell densities in suspension in a serum-free medium (>20 millions cells/mL).

The BMF (Biologics Master File) for the registration of the EB66® cell line with the FDA (U.S. Food and Drug Administration) was filed on June 27, 2008.

The EB66® cell line is currently used or being tested by 75% of the major players in vaccines. VIVALIS has furthermore demonstrated that the EB66® cell line can be easily genetically modified, permitting the expression of recombinant proteins of potential interest. Moreover the glycosylation profile of monoclonal antibodies produced through EB66® cell lines is similar to the glycosylation profiles of human monoclonal antibodies with the added benefit of being distinguished by reduced fucose content. This latter characteristic is known to be associated with a higher level of antibody cytotoxic activity, particularly useful in the treatment of cancer cells.

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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 viral diseases. VIVALIS' expertise and intellectual property are exploited in three main areas:

1. The development and manufacturing of vaccines. 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 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 its EB66® cell line for the production of recombinant proteins to biotechnology and pharmaceutical companies. 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 founded in 1999 by the Grimaud group (1,450 employees), the second largest group worldwide in animal genetic selection. VIVALIS has established more than 30 partnerships and licenses with world leaders in this sector, including Sanofi Pasteur, GlaxoSmithKline, Novartis Vaccines, Merck, CSL Kaketsuken, Merial, Intervet, SAFC Biosciences. VIVALIS is a member of the French ATLANTIC BIOTHERAPIES bio-cluster.

VIVALIS
Listed on Euronext Paris – Compartment C of NYSE Euronext
Reuters: VLS.PA – Bloomberg: VLS FP
Included in NYSE Euronext's Next Biotech index

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