Press Release

From cells to therapeutics **Vivalis**

2011 results: continuing growth momentum with a +60% increase in operating income at 13.2 M€

Net loss significantly reduced: -€4.4m vs. -€8.0m in 2010

Cash: €30.6m

Nantes & Lyon (France) – March 29, 2012: VIVALIS (NYSE Euronext Paris: VLS), a biopharmaceutical company, today released its audited consolidated annual results for the fiscal year ended December 31, 2011 and approved by the Supervisory Board on March 27, 2012.

1 - Significant improvement in 2011 results

Annual results for 2011 reflect VIVALIS' sustained development and positive momentum for its different businesses. Driven by the +112% surge in revenue, recurring operating income rose +57% to €13.2m. At the same time, recurring operating expenses increased only +9% to €18.3m, despite reinforced research teams and the integration of the ISAAC technology. In consequence, operating losses narrowed significantly with the loss from continuing operations down from €8.4m in 2010 to €5.1m and the net loss from €8.0m to €4.4m in 2011.

VIVALIS presents its condensed consolidated financial statement for the fiscal year ended December 31, 2011:

€ thousands *IFRS*	**2011**	**2010**	***Change (%)***
Recurring operating income	**13,194**	8,395	***+57%***
Purchase of raw materials & other supplies.	2,031	2,143	*-5%*
Other purchases and external expenses	4,829	4,655	*+4%*
Taxes, duties and related amounts	262	227	*+15%*
Staff costs	7,579	6,923	*+9%*
Depreciation, amortization & other operating expenses	3,599	2,864	*+26%*
Total recurring operating expenses	**18,300**	16,812	***+9%***
Net income/(loss) from continuing operations	**-5,106**	-8,417	*-39%*
Non-recurring operating income	655	-636	*NS*
Net financial income/(expense)	58	-397	*NS*
Income /(loss) from ordinary activities before tax	**-4,393**	-9,450	*-47%*
Tax	-26	1,488	*NS*
Net income/(loss)	**-4,419**	-7,962	*-44%*
Net income per share (in €)	- 0.21	- 0.35	*-40%*
Cash and cash equivalents (cash + marketable securities) and current financial assets	**30,555**	**42,503**	***-28%***

The annual report for fiscal 2011, including notably detailed presentations of IFRS accounts is available at the company's website: www.vivalis.com, under Investors/Financial information/Financial documents.

Operating income: continuing growth momentum in 2011

€ thousands *IFRS*	**2011**	**2010**	***Change (%)***
Revenue from services	1,597	1,674	*-5%*
Licensing income (upfront & milestone payments)	8,666	3,167	*+174%*
Revenue	**10,263**	**4,841**	***+112%***
Own production of goods and services capitalized	138	259	*-47%*
Operating grants	749	1,176	*-36%*
Other income	2,044	2,119	*-4%*
Recurring operating income	**13,194**	**8,395**	***+57%***
Of which:			
EB66® and biomanufacturing	*9,844*	*6,317*	*+56%*
VIVA|Screen™ and 3DScreen™	*3,034*	*1,507*	*+101%*
Unallocated	*316*	*571*	*-45%*

Recurring operating income amounted to €13.2m in 2011, up +57% from the prior period, driven by strong year-on-year revenue growth of +112%.

Operating grants were down €0.4m (-36%) while other income including mainly Research Tax Credits declined slightly by -4% despite increased R&D expenditures after payments made by customers and public entities in France.
The make-up of recurring operating income evolved significantly from the same prior-year period. Revenue (from commercial partners) accounted for +78% of recurring operating income in 2011, up from +58% one year earlier.

Strong gains were registered for revenue in each of VIVALIS' businesses with sustained growth from the discovery technology line (VIVA|Screen™) of +101% year-on-year and +56% for the EB66® platform and biomanufacturing. Reflecting this trend, the contribution of antibody discovery operations to the revenue mix rose from 18% in 2010 to 23% in 2011.

Operating expenses: increase under control

In this period, VIVALIS pursued its investment strategy both through internal development and external growth. VIVALIS accordingly continued to invest in its laboratory facilities in Nantes and Lyon, with the new laboratory inaugurated in January 2012, and in spring 2011 acquired the ISAAC high-throughput screening (HTS) single-cell antibody discovery technology developed by the Japanese company, SC World. Following this acquisition, VIVALIS opened a subsidiary in Japan with six people devoted to the use of this technology and developing agreements in Asia.

These developments were the principal factors behind the limited +9% year-on-year increase in recurring operating expenses.

- As the main operating expense item (nearly 41% of the total), personnel costs rose +9% or €0.6m from the prior year to €7.6m in 2011. This increase resulted from the +12% rise in the average number personnel of VIVALIS Group from 95 FTE (full-time equivalents) in the 2010 to 107 FTE for 2011;

- Between these two periods, expenditures for raw materials and other supplies (including changes in inventory) declined -5% to €0.2m while other purchases and external expenses rose only +4% to €4.8m;

- Depreciation, amortization and provisions rose significantly in the period (up 26%) from €2.6m to €3.3m; This includes depreciation expenses for the new research and development laboratory of Nantes commissioned in June 2010 and related equipment, as well as the ISAAC technology acquired in 2011.

- For 2011, the breakdown for expenses remained in line with 2010. R&D expenditure totaled €14.2m accounting and general and administrative expenses €4.1m representing respectively 78% and 22% of current operating expenses.

On that basis, the loss from continuing operations improved significantly, declining from €8.4m in 2010 to €5.1m in 2011.

Non-recurring operating expenses of €0.6m for 2010 reflected the revised estimation of debt at December 31, 2010 for the earn-out payment in connection with the acquisition of Humalys in January 2010 remeasured after the agreement was signed with Sanofi Pasteur for the discovery of new human monoclonal antibodies announced on June 8, 2010. In connection with the fair value adjustment of this debt at December 31, 2011, notably after the amendment to this contract in early 2012, this amount was revised downwards resulting in non-recurring income of €0.7m.

As a result, the loss before taxes in 2011 declined to €4.5m from €9.1m in 2010.

Net financial income/(expense) and net income/(loss)

Net financial income above break-even in 2011 at €0.1m (compared with an expense of €0.4m in 2010), reflected the significantly higher level of average cash year-on-year following the rights issue of July 2010.

For 2011 VIVALIS' net loss registered a sharp improvement, declining -44% from €8.0m in 2010 to €4.4m.

A healthy and solid financial structure

Shareholders' equity at December 31, 2011 was €40.4m compared to €44.3m at December 31, 2010.
Long-term borrowings remained stable compared with the previous period at €6.8m.

Cash and cash equivalents and current financial assets amounted to €30.6m at December 31, 2011 compared with €42.5m at December 31, 2010, in line with company's targets.

Cash burn from operating activities amounted to €8.7m for 2011. At the same time, cash burn from investing activities amounted to €5.5m in 2011, with €2.0m related to the acquisition of equipment and building and €3.5m to the acquisition of technologies. Finally, cash generated by financial activities amounted to €2.1m as the result of the payment of grants and sate and regional loans received, while the repayment of bank borrowings is almost balanced by the emission of new bank loans.

Total assets at year end amounted to €73.1m, compared to €79.5m at December 31, 2010.

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

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

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

The VIVA|Screen™ platform for human monoclonal antibody discovery strengthened with the acquisition of ISAAC developed by SCWorld in Japan and the strategic agreement with Sanofi Pasteur expanded

In connection with the collaboration agreement signed in June 2010 with Sanofi Pasteur for the discovery and development of fully human monoclonal antibodies against several infectious disease targets, in January 2011 VIVALIS announced the launch of a second development program followed by a third program in January 2012. In January 2012, VIVALIS also announced the extension of this agreement with the addition of a new infectious disease target. Under the terms of this agreement, VIVALIS may receive up to €35m for each program as well as royalty payments associated with product sales. These new developments highlight Sanofi Pasteur's strong interest in the VIVA|Screen™ technology developed by VIVALIS in the field of human monoclonal antibodies.

Within the framework of another collaboration agreement focusing on another target, in early 2011, VIVALIS and Singapore Immunology Network (SIgN), an institute of the Agency of Science, Technology and Research (A*STAR), discovered two new fully human monoclonal antibodies that may be used to combat the Chikungunya virus. There currently exists no available vaccine or specific treatment for this disease.

Finally, VIVALIS has considerably strengthened its technological leadership in the field of human monoclonal antibodies and its operational capacities with the acquisition at the end of April 2011 of ISAAC (ImmunoSpot Array Assay on a Chip) high-throughput screening single-cell antibody discovery technology based on isolated B-lymphocytes. VIVALIS today has two laboratories devoted to the discovery of new antibodies located in France (Lyon) and Japan (Toyama).

Ongoing commercial and scientific advances by the EB66® technology platforms partnership with GlaxoSmithKline strengthened

At the same time, commercial momentum for the EB66® platform continued with the signature of three new commercial licenses with Kyoto Biken, Transgene and Delta-Vir for the production of vaccines. VIVALIS also concluded three new research license agreements. These developments confirm the EB66® cell line's status as the cell substrate industry standard for the manufacture of viral vaccines. And after GlaxoSmithKline (GSK) received the green light from the US Food and Drug Administration (FDA) in late 2010 for the first Phase 1 human trial of clinical material produced using this cell line, approval for human injection of flu vaccine in clinical trials granted by the Japanese health authorities in early 2011 to Kaketsuken, a licensee of GlaxoSmithKline, provided a further illustration of this position.

In addition, the co-exclusive EB66® license concluded between GSK and VIVALIS in 2007 in the influenza vaccine field became a fully exclusive agreement in the period after the termination of the influenza license agreements with Nobilon and CSL. The now exclusive nature of GSK's influenza license will trigger the payment of additional milestone payments and higher royalties for VIVALIS under the terms of the agreement.

Development of biomanufacturing

2011 has been a watershed year for the biomanufacturing activity. After several years of investments, important commercial successes were achieved in 2011 with the signature of three new contracts for €4m with EB66® cell line licensees, Transgene, GeoVax and Delta-Vir. With cutting-edge equipment, teams now formed, processes in place and customers, this activity is beginning to gain momentum and generate revenue.

R&D investments

In addition to the SC World acquisition in Japan, in 2011 VIVALIS pursued R&D investments to further accelerate its research programs and the commercial development of its technologies:

- Reinforcing teams with the addition of 12 new employees devoted in large part to developing the VIVA|Screen™ technology;
- Opening a new research laboratory in Toyama (Japan) following the acquisition of SC World, to accelerate penetration of the Japanese and Asian market;
- Initiating the first program for the discovery of proprietary monoclonal antibodies;
- Filing of 3 new patent applications to strengthen intellectual property protections for its technologies and products. During the same period VIVALIS was granted 20 patents.

Reflecting these efforts, the R&D budget was increased 8% in 2011 to €14.2m.

3 - Outlook and objectives

Building on the successes of 2011, VIVALIS intends to maintain strong growth momentum in each of its core technology platforms. On this basis, the Company confirms the targets set for 2012:

- EB66® cell line
  - The execution of 6 new licenses including 2 commercial licenses;
  - Market approval 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;
  - Continuation of the 1 program to discover and develop fully human proprietary monoclonal antibodies;
- Consolidated cash of approximately €16m at the end of 2012.

Franck Grimaud, CEO and Majid Mehtali, CSO, co-managers of VIVALIS, concluded: *"VIVALIS made further advances in 2011 in implementing its roadmap. The EB66® cell line has continued to increase its penetration with the signature of three new commercial licenses, a new clinical trial for a human vaccine produced from our cell and strengthening our partnership with GSK in the field of influenza vaccines. We are also particularly satisfied in progress achieved for biomanufacturing with the signature of the first three contracts for this business. Finally, barely two years after entering the field of human monoclonal antibody discovery, today we have an established position with two laboratories in France and Asia, a cutting-edge technology platform with differentiation and, as announced in January 2012, our strategic agreement with Sanofi in this area is rapidly developing in scale. Encouraged by these strengths and our solid financial position, we are confident and enthusiastic about the outlook for 2012. "*

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Next financial press release: 2012 first-quarter sales
April 26, 2012, after NYSE Euronext 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 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 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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Contacts

VIVALIS
Franck Grimaud, CEO
Email: investors@vivalis.com

NewCap
Financial communications agency
Axelle Vuillermet / Pierre Laurent
Tel.: +33 (0) 1 44 71 94 91
Email: vivalis@newcap.fr