Press Release

From cells to therapeutics **Vivalis**

Second Quarter Operating Income for 2012: €1.6M (IFRS)

Consolidated Cash and Cash Equivalents at June 30, 2012: €17.8M

Increase of 2012 Business Objectives: 8-10 EB66® Licenses Versus 6

Nantes, Lyon (France) – July 19, 2012: VIVALIS (NYSE Euronext Paris: VLS), a biopharmaceutical company, today released its recurring operating income (without production and services capitalized) for the second quarter of 2012 (IFRS) of 1.6 million euros and a consolidated cash position of 17.8 million euros at June 30, 2012.

Operating Income

(In thousands of euros, IFRS, non audited)	**2nd Quarter**			**6 months**		
	2011	**2012**	***Var.***	2011	**2012**	***Var.***
Revenue from services	353	**332**	*-6%*	830	**857**	*+3%*
Licensing revenues (*upfronts, milestones*)	2,478	**311**	*-88%*	3,858	**641**	*-83%*
Total revenues	2,831	**643**	***-77%***	4,688	**1,498**	***-68%***
Of which EB66® and Bioproduction	*2,332*	***141***	*-94%*	*3,586*	***529***	*-85%*
VIVA|Screen™	*499*	***502***	*+1%*	*1,102*	***968***	*-12%*
Income from public financing	*542*	***964***	*+77%*	*1,090*	***1,538***	*+41%*
Total operating income (w/o production and services capitalized)	*3,373*	***1,607***	*-52%*	*5,778*	***3,036***	*-47%*

Second quarter 2012 revenues, including revenues from services and licensing income, was €0.6M compared with €2.8M for the same period of 2011. Meanwhile, income from public financings (grants and research tax credits) increased +77% thanks to a large increase of the research tax credit between both periods. As a consequence, second quarter total operating income, excluding changes in inventory, production, and services capitalized, amounted to €1.6M for 2012, vs. €3.4M for 2011.

Revenue from services slightly decreased by 6% between the two periods as a result of the increase of services rendered for the discovery of new antibodies (the VIVA|Screen™ technology) more than offset by the decrease of services rendered on the EB66® platform.

At the same time, licensing revenues, including upfront and milestones payments, experienced a significant decrease as expected, following the end of the revenue recognition period of some commercial licenses at the end of 2011 and the exceptional revenue recognized in the second quarter of 2011 as a result of the exclusive license signed with GSK and the end of licenses during second quarter 2012.

Over the first half of 2012, total operating income, excluding changes in inventory, production, and services capitalized, amounted to €3.0M in 2012 vs. €5.8M for the first six months of 2011. The 41% increase in the income form public financings did not compensate the decrease in the EB66® licensing revenues recognized under IFRS.

Consolidated Cash at June 30, 2012

Consolidated cash (including cash equivalent and current financial assets) amounted to €17.8M at June 30, 2012, compared with €30.6M at December 31, 2011. This level does not include €1.5M in loans received in July for the purchase of equipment, part of which has been paid.

This level of cash includes €4.4M of investment realized during the first half of 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.

The Company would like to remind that as a subsidiary majority owned by the Grimaud Group, it no longer benefits from the payment of the research tax credit receivables the year following their booking. This payment has a three year lag time and the next payment is expected in 2013.

Scientific and Commercial Success

The Company has maintained its scientific and commercial momentum since beginning of the year.

Five new licenses and research agreements, including, Biodiem (Human), Merck Animal Health (Veterinary), Merial (Veterinary) and Farvet (Veterinary), have been signed since January 1, 2012 to use the EB66® cell line for the production of vaccines and monoclonal antibodies, two of which are commercial licenses.

For the VIVA|Screen™ technology (monoclonal antibody discovery), in the beginning of 2012 Sanofi Pasteur has started the third discovery program in the framework of agreement signed in June, 2010. This agreement has been expanded to add another target, increasing the potential of this strategic agreement to €140M of milestone payments plus royalties. This confirms Sanofi-Pasteur's strong interest for the VIVA|Screen™ technology.

2012 Outlook

VIVALIS has built a solid asset base to continue its development:

- A pandemic influenza vaccine in Phase II trials in Japan through a VIVALIS licensee;
- 20 commercial licenses of the EB66® technology;
- Several biomanufacturing contracts for vaccine production;
- Three on-going programs with Sanofi-Pasteur to discover novel monoclonal antibodies;
- Continuous scientific advances;
- The initiation of a proprietary program to discover novel monoclonal antibodies in the field of oncology.

At mid-year, VIVALIS reset its 2012 objectives to the following:

- **Antibody Discovery: VIVA|Screen™**
  The Company confirms its objectives to sign two new licenses and collaborative agreements on the VIVA|Screen™ monoclonal antibody discovery technology.

- **EB66® Cell Line for the Production of Vaccines and Antibodies**
  Since January 1st, 2012, VIVALIS has signed five new EB66® licenses and research agreements, including two commercial licenses, with an initial objective of six licenses of which two being commercial. Based on the number of on-going discussions, VIVALIS has increased its objectives to eight to ten new EB66® licenses for 2012, including three commercial licenses.

- **2012 End of Year Cash Objectives**
  As a result of delays in certain programs, in particular the bioproduction unit, the Company lowers its cash target to about €14M at the end of 2012, vs. €16M initially. VIVALIS would like to remind that its cash burn is expected to decrease significantly in 2013 and 2014 following the end of guaranteed payments due for the acquisitions made in 2010 and 2011, the payment of the research credit tax receivables, and the increase of revenues linked to the progress made by our partners in the development of their programs as well as the signature of new agreements.

Franck Grimaud, C.E.O. and Majid Mehtali, C.S.O., co-managers of VIVALIS, commented, "*From a commercial and scientific point of view, 2012 will likely be our best year since our inception, including an increased objective of eight to ten new licenses of our EB66® cell line expected for 2012, including three commercial licenses, the market authorization received by one of our partners for a first veterinary vaccine produced in EB66® cells, the initiation of a Phase II of the first human vaccine produced in the EB66® cell line, and the signature of new research and commercialization contracts on the VIVA|Screen™ technology. These commercial and scientific advances position us ideally for our development. Our EB66® cell line increasingly establishes itself every day as the cell line of choice for the production of vaccines in the replacement of eggs. Our VIVA|Screen™ technology continues to gain attraction in its various application domains. In view of this progress and despite a shift in revenues, we are convinced that VIVALIS has more than ever very solid grounds to continue its development around its three strategic axis: the EB66® cell line, the VIVA|Screen™ antibody discovery platform, and its portfolio of proprietary monoclonal antibody products.*"

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Next Financial Press Release

August 30, 2012, after NYSE Euronext market closing: First Half 2012 Results

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's 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). 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 rare, fully human monoclonal antibodies is now offered by VIVALIS. Through these programs VIVALIS receives upfront, clinical stage milestone payments along with royalties on licensees net sales.

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, Transgene, Pfizer Animal Health, Kaketsuken, Kitasaot Daiichi Sankyo Vaccine Merial, Merck Animal Health, 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 C of NYSE Euronext
Reuters: VLS.PA – Bloomberg: VLS FP
Included in NYSE Euronext's SBF 250, CAC Small 90 and Next Biotech indices

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