Press release

From cells to therapeutics **Vivalis**

2007: a major stage in the development of VIVALIS: 4 years of financial visibility and acceleration of R&D programmes 26 partnerships with 22 of the largest operators in the pharmaceutical industry

Objectives for 2008: Signing of new commercial licences for vaccines Signing of a co-development agreement for vaccines or antibodies Filing of the BMF to the FDA for qualification of EBx® technology

Nantes (France) – 31 March 2008

VIVALIS (Euronext Paris: VLS), 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, has today announced its results for the financial year 2007, up to 31 December 2007.

The financial year 2007 was a major stage in the development of VIVALIS both in terms of technological advances in its EBx® cell line and in financial and contractual terms.

Indeed, thanks to its successful IPO and careful management, VIVALIS has the financial resources to ensure the long-term development of its technology over the next four years and therefore to fund the acceleration of its R&D programmes. 2007 also demonstrated the strong interest of major worldwide laboratories for the EBx® technology developed by VIVALIS in both the vaccines and anti-cancer antibodies market, with respectively 6 and 3 agreements signed in these 2 areas. Finally, VIVALIS made significant progress in terms of results in the development of its anti-hepatitis C proprietary products.

Thanks to the significant advances achieved in 2007, 2008 should see important new developments confirming the very high potential of VIVALIS technology. Indeed, the Company should be able to conclude new commercial licences in the vaccines sector, new research licences in the area of vaccines and proteins, and at least one vaccine or antibody co-development agreement under which VIVALIS would provide not just its EBx® cellular platform but also its expertise in the development of production and purification process, as well as its capacity for production of clinical lots of biological products. Finally, a major step towards qualification of the EBx® line should be taken with the submission of the Biological Master File to the FDA (American Food and Drug Administration).

1 – Highlights of 2007

2007 was marked by major developments for VIVALIS:

Successful IPO

VIVALIS was listed on the stock exchange on 29 June 2007 (first negotiation) in compartment B of Euronext Paris by NYSE Euronext. The operation, totalling 46 million euros, including 29 million through capital increase, was highly successful, with institutional investment being 7.1 times over-subscribed. This operation therefore provides VIVALIS with the financial resources to meet its ambitions and accelerate its development.

Active recruitment policy

Headcount increased by almost a quarter between 2006 and 2007, from 37 employees to 46 as a yearly average. On 31 December, VIVALIS had 49 employees, approximately 82% of whom were dedicated to Research. Most recruitment concerned positions as researchers or business developers in order to accelerate promotion of the EBx® cell line on both the vaccines and proteins markets. In 2008, the Company will continue its recruitment efforts in order to maintain the steady development of its technologies.

Strengthening of intellectual property portfolio

During the financial year 2007, VIVALIS developed its patent portfolio:

– March 2007: application for European patent intended to cover the use of EBx® cells for the production of therapeutic proteins, monoclonal antibodies in particular.
– April 2007: patent application intended to protect EBx® duck cell lines and their use in the production of recombinant proteins and vaccines.
– Strengthening of intellectual property in areas related to its EBx® cell line platform, derived from avian embryonic stem cells (ES). VIVALIS thus achieved international extension through the PCT of patent application US60/801389 filed on 15 May 2006 concerning a procedure for production of avian EBx® cells from primordial germ cells (PGCs). In order to exploit this invention commercially, VIVALIS has signed an exclusive worldwide licence with North Carolina State University, under the patent family US6, 333,192 intended to cover a procedure for in vitro culture of PGC cells; the European patent EP1200556 corresponding to this American patent was issued in February 2007.

Acceleration of the simultaneous development of VIVALIS's three activities: EBx® platform for the production of vaccines; EBx® platform for the production of therapeutic proteins; and proprietary products.

EBx® platform in the vaccines market: signing of 3 significant licence contracts in the area of influenza and 3 new agreements in other vaccine areas.

VIVALIS has concluded 3 co-exclusive commercial licence agreements with British firm GlaxoSmithKline, the co-worldwide leader in vaccines; Australian concern CSL, no.4 worldwide for influenza vaccines; and a new arrival in this sector, the Dutch company Nobilon (part of Schering Plough Group). These major agreements with some of the world's leading players in the vaccine industry demonstrate their trust and the very strong potential of the EBx® technology developed by VIVALIS. The influenza market is set to represent sales of 4 billion dollars in 2012[1]. The company believes that these 3 customers may capture at least 25% of the market share, which could represent, at peak sales, and on condition of reaching certain development stages, 30 to 40 million dollars in royalties for VIVALIS each year. As with all its commercial agreements, royalties are paid to the Company for a period of 15 years after the first sale made by its customers. VIVALIS anticipates that the first influenza vaccine produced with its cell lines may reach the market in 2012-2013.

Furthermore, VIVALIS has also concluded a new research licence with the Danish company Bavarian Nordic for the development of several human vaccines, and a commercial licence with the French company Virbac for the development of biological products in the veterinary area.

A second commercial licence with Sanofi Pasteur has also been concluded, following the initial commercial licence signed in April 2003 in the areas of vaccines against several types of cancer and AIDS, thus confirming the strategical interest of the co-worldwide leader in vaccines in the EBx® technology.

EBx® platform in the therapeutic proteins market: new development in the area of anti-cancer antibodies

In parallel to the vaccines market, VIVALIS has significantly strengthened its developments in the proteins market, in particular in the area of anti-cancer antibodies. In 2006, the therapeutic proteins market represented more than 76 billion dollars, including 20 billion for antibodies, five times that of the vaccines market.

VIVALIS has been able to demonstrate, in collaboration with 2 industrial partners, that anti-cancer monoclonal antibodies produced from the EBx® cell line had greater biological effectiveness than the same antibodies produced from the cell line normally used in the industry, the CHO hamster line. This

[1] Kalomara/Market Research/ January 2007

improvement is of major consequence for the industry, since investments in industrial production units, of around 500 to 800 million dollars, as well as the cost price of a therapeutic dose, could be significantly reduced were it possible to produce and inject a smaller quantity of antibodies with equal therapeutic effect, due to the qualitative improvement provided by production using the EBx® cell line.

These initial results have enabled VIVALIS to conclude 2 partnership agreements with the companies Innate Pharma (Euronext: IPH) and MAT Biopharma, and an initial research licence with the world's fourth largest pharmaceutical concern, Sanofi-Aventis.

Proprietary products: promising new results in the development of anti-hepatitis C molecules

In order to prepare for the future and balance its portfolio, VIVALIS began in 2005 to invest in proprietary products in the antiviral area, its sector of expertise. Focussing on a proprietary screening platform, the 3D-Screen platform, and an original chemical library of 25,000 molecules, VIVALIS has initiated 2 programmes for the identification and development of anti-hepatitis C molecules, centred on 2 validated viral targets, polymerase and protease. The programmes have already enabled the isolation of promising original molecules currently under characterisation.

Hepatitis C, which kills 500,000 people worldwide every year, including 2,600 in France, is a disease for which no effective treatment currently exists.

2 - 2007 results in line with VIVALIS's objectives and strategy

Results for the financial year 2007 reflect the implementation of VIVALIS's strategy, involving significant acceleration of research and development programmes and strengthening of the cash position ensuring the long-term development of the company over the next 4 years. The net loss for the financial year turned out to be lower than predicted by analysts, and the cash position better than expected, thanks to careful cost management.
The detailed accounts are available on the VIVALIS website (www.vivalis.com) under the heading 'Investors'.

In €K *French standards*	**31/12/2007**	**31/12/2006**
Income from partnership and licence agreements	996	2,751
Other operating income	2,203	2,020
Total operating income	**3,199**	**4,771**
Total operating costs	(7,267)	(5,295)
Operating result	**(4,068)**	**(524)**
Income before tax	(3,788)	(547)
Net result	**(3,268)**	**(509)**
Net result per share (euros)	(0.28)	(3.52)
Net change in cash position	+23,160	(3,216)
Cash assets (Cash position + securities)	**+ 24,956**	**+ 1,796**

Operating income

Firstly, it should be noted that operating income is not representative of VIVALIS's development and that it will be irregular from one year to another until VIVALIS receives royalties from the sale of products by its customers. Indeed current income, which comes principally from upfront and milestone payments related to EBx® platform licence contracts, is by definition irregular.

Operating income amounts to €3.2m for 2007, compared to €4.7m in 2006. This income breaks down as follows:

– operating grants for €0.7m, compared to €0.3m in 2006;
– capitalised production concerning costs related to development programmes for €1.4m, compared to €1.7m in 2006;
– Income from licence contracts, corresponding to contract milestone payments, for €0.8m, compared to €1.1m in 2006.

However, investment grants recorded as income are not included in the operating income, but are integrated into the exceptional income. These represent €0.2m, an amount comparable to that for the financial year 2006.
Similarly, tax credit ("*Crédit d'Impôt Recherche*") is not included in the operating income, being taken into account after exceptional income. In 2007, it amounted to €1m, a very high increase compared to the financial year 2006 (€0), which reflects the significant Research and Development efforts made by the company in 2007.

Operating costs: a reflection of the acceleration in Research programmes

In line with the development strategy presented at the time of its stock market listing, VIVALIS significantly accelerated its Research programmes in 2007, notably through top-flight recruitments and the acquisition of new equipment incorporating the very latest technology.

Operating costs for the financial year represent €7.2m, compared to €5.m in 2006, up by 37.2%, and can be broken down as follows:

– Overheads and administrative costs amount to €1.8m, representing 24.3% of operating costs. Despite the company's very strong development, and the stock market listing incurring new charges, the level of overheads and administrative costs remains under control, since it represented 25.1% of operating costs in 2006.

– Research and development costs came to €5.4m, up by 27.9% compared to the financial year 2006. Indeed, VIVALIS's research team represented 40 people on 31 December 2007, i.e. approximately 82% of company headcount, compared to 80% at the end of 2006. These recruitments in VIVALIS's three areas of activity correspond to the company's wish to significantly accelerate its development programmes with top class researchers. The increase in amortization costs (+62.5%) reflects the acceleration in development: tangible asset amortizations progressed with the acquisition of new high technology equipment. With regard to intangible assets, their progression results in part from the revaluation of rights and concessions obtained from the INRA and NCSU, in order to take account of the conclusion of influenza agreements, and in part from the new development programmes. Finally, the accelerated rhythm of the programmes has also brought an increase in purchases of raw materials and supplies (+34.3%).

Financial result:

The financial result is positive, at +€280K in 2007, compared to €-23K in 2006. This stems from financial income coming from management of the IPO cash proceeds. This cash management remains extremely prudent, in line with company strategy.

Exceptional result:

The exceptional result is negative, at -€507K, compared to €+236K in 2006. It is made up of three major elements. Firstly, the proportion of investment grants transferred to income (+€175K on 31/12/2007, compared to +€149K on 31/12/2006), which is not linear and is dependant on the progress of grant-related programmes. Secondly, accelerated tax depreciations on capitalised development costs represented -€446 K on 31/12/07, around the same volume as on 31/12/2006 (-€483 K). Finally, there are items not recurring from one year to the next: in 2006 a waiver of receivables led to an exceptional income of +€504 K.

Net result:

After taking account of a tax credit of €1m demonstrating once again the significant R&D efforts made by VIVALIS, the net loss amounts to €3.3m for the financial year 2007, below the company's objectives and analysts' predictions.
Basic net loss per ordinary share amounted to €0.28, compared to €3.52 in 2006. It is to be noted that a

division by 100 of company share value, simultaneously accompanied by a multiplication by 100 of the number of shares in the company, was approved by a vote at the General Meeting on 31/03/2007.

Solid financial structure

On 31 December 2007, company equity amounted to €32.6m. In line with VIVALIS's strategy of optimising its financial structure, indebtedness increased and stands at €3.7m, new loans for €800K having been taken out in 2007.
The net change in cash position amounted to €+23.2m in 2007 thanks to IPO proceeds and tight control of operating costs.

On 31 December 2007, available cash and marketable securities amounted to €24.9m, thus enabling VIVALIS to ensure the internal development of its activities on a consistent basis for the next 4 financial years.

3 - Prospects

Strengthened by the advances made in 2007, VIVALIS intends to continue its developments and its strategy with new concrete initiatives in 2008 and a reiteration of these objectives for 2009/2010.

Objectives for 2008:

– In the vaccines market, VIVALIS will accelerate the diffusion of EBx® technology as the worldwide industrial standard, and foresees the signing of new commercial and research licences. The other significant step which should take place during the first semester of 2008 is the filing of a BMF (Biological Master File) to the American Food and Drug Administration (FDA) for the registration of its EBx® cell line. Finally, from an industrial perspective, VIVALIS will continue its efforts to optimise bioreactor production process, the aim being to provide a turnkey solution to its licensees, including the EBx® cell line, the culture media, the intellectual property, the BMF, the production and purification process, and the capacity to produce clinical lots.
– In the proteins market, VIVALIS will accelerate its efforts in order to optimise the bioreactor production output, thus accelerating the licensing of this technology on the extremely flourishing anti-cancer antibodies market. Development will also focus on commercial policy, in order to sign new research licences in addition to the 3 agreements already concluded in 2007.
– For proprietary products, VIVALIS intends to strengthen its research on anti-hepatitis C molecules to identify the best anti-polymerase and anti-protease candidates.

Objectives for 2009/2010:

– In the vaccines market, the strategy will continue. VIVALIS has reiterated its objective of obtaining its first authorisation for human injection in 2009-2010.
– In the proteins market, VIVALIS confirms its wish to sign its first commercial licence in 2009-2010.
– In the anti-hepatitis C molecules market, VIVALIS intends to develop candidate molecules until the beginning of Phase I, and then sign out-licensing agreements. The objective is to have identified the first drug candidates in 2009 and to sign the first commercial licence by 2010. Several recent transactions on molecules similar to those which could be developed by VIVALIS led to milestone payments in the region of several dozen million euros, plus royalties.

On 1 January 2008, VIVALIS had 26 partnerships (8 commercial licences, 14 research licences and 4 cooperation agreements) with 22 laboratories among the most prestigious in the world, representing a potential of €57.6m in upfront or milestone payments to be made over the coming years, not to mention royalties from the sales made by its customers.

Franck GRIMAUD, CEO of VIVALIS concludes: *"2007 marked a major stage in the development of VIVALIS, with the signing of new commercial licences in the fields of vaccines, the signing of research agreements in the anti-cancer antibodies market, and promising results in the development of anti-hepatitis C molecules. Strengthened by the success of our stock market listing, enabling us to ensure the long-term development of our company over the next four years, we intend to strengthen our R&D efforts and our development*

programmes simultaneously with our 3 areas of activity, with results and new contracts which should materialise in the coming months."

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Next press release:

16 April 2008, after closure of the Euronext Paris market: Turnover for the 1st quarter of 2008

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's expertise and intellectual property are exploited in three main areas:

1. The development and manufacturing of vaccines. VIVALIS offers research and commercial licences for its EBx® embryonic stem cell lines to pharmaceutical and biotechnology companies for the production of viral vaccines.

2. The development of production systems for recombinant proteins and monoclonal antibodies. VIVALIS licences its EBx® embryonic stem cell lines for the production of recombinant proteins to biotechnology and pharmaceutical companies.

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 numerous partnerships with world leaders in this sector, including Sanofi Pasteur, GlaxoSmithKline, Novartis Vaccines, Kaketsuken, Merial and SAFC Biosciences. VIVALIS is a member of the French ATLANTIC BIOTHERAPIES cluster of competitive excellence.

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Reuters: **VLS.PA** – Bloomberg: **VLS FP**

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