**VIVALIS**

A French public limited company (*Société Anonyme*) with an Executive Board and a Supervisory Board
Share capital: 3,145,029.45 euros
Registered office: La Corbière, 49450 Roussay France
RCS ANGERS 422 497 560

# INTERIM FINANCIAL REPORT
# FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2010

## A- RESPONSIBILITY STATEMENT

To the best of my knowledge, and in accordance with applicable reporting principles for interim financial reporting, the condensed interim consolidated financial statements of Vivalis provides a fair view of its assets and liabilities, financial position and earnings, and the interim management report on page 2 includes a fair view of material events occurring in the first six months, their impact on the interim financial statements, the main transactions with related parties and a description of the key risks and uncertainties for the remaining six months.

Franck Grimaud, Chairman of the Executive Board

## B- AUDITORS' REPORT ON THE 2010 INTERIM FINANCIAL INFORMATION

To the Shareholders:

In our capacity as statutory auditors and in accordance with article L.451-1-2 III of the French Monetary and Financial Code (“*Code monétaire et financier*”), we hereby report to you on:

- The limited review of the accompanying condensed consolidated interim financial statements of Vivalis for the six-month from 1 January 2009 to June 30, 2010;
- A verification of the information given in the interim management report.

These condensed interim financial statements were prepared under the responsibility of your Executive Board. Our role is to express an opinion on these financial statements based on our review.

### I- Conclusion on financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated half-year financial statements are not prepared in all material respects in accordance with IAS 34 - the standard of the IFRS as adopted by the European Union applicable to interim financial statements.

Without calling into question the conclusion expressed above, we draw your attention to note 4.3 "Significant accounting policies" in this report that presents changes in accounting standards resulting from the application of new standards and interpretations that entered into effect on 1 January 2010.

### II- Specific verifications

We have also verified information given in the interim management report on the condensed consolidated interim financial statements that were subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed consolidated interim financial statements.

Cholet and Neuilly-sur-Seine, 27 August 2010
The Statutory Auditors

Gérard Chesneau

Deloitte & Associés
Christophe Perrau

## C- 2010 INTERIM MANAGEMENT REPORT

### I. Review of operations of Vivalis for the 2010 first half

**2010 first half highlights:**

Significant events in the first half included:

- The acquisition of the Humalex® platform and the signature of the first commercial license agreement with Sanofi Pasteur for this platform representing potential milestone payments for each antiviral target of €35 million;
- The signature of new commercial and research licenses bringing the total number of commercial licenses to 17 for the EB66® cell line and the achievement of a major new milestone in the development of the GlaxoSmithKline anti-flu vacine based on the EB66® technology, confirming the commercial and scientific momentum of the EB66® cell line.

1. Acquisition of the Humalex® platform followed by the signature of a first commercial license agreement with Sanofi Pasteur

On 7 January 2010, Vivalis company acquired 100% of Humalys. Humalys S.A.S. is a Lyon-based company created in 2007 with ten employees.

This company created by five founders with extensive experience in the field of immunology, has developed unique expertise for identifying from human donors antibodies of interest for targeting a specific pathology. This expertise available through the Humalex® technology makes it possible to discover fully human antibodies from human B lymphocytes.

This acquisition completes the technologies already developed by Vivalis and enables it to propose an integrated offering from the discovery of new antibodies to the production of pre-clinical and clinical batches.

Vivalis company acquired the total amount of capital of Humalys® for a fixed price of €10.4 million payable to Humalys shareholders through several instalments with €3.6 million paid in January 2010. In addition, Vivalis will pay the sellers of Humalys® a maximum earnout payment of €15 million over 15 years from revenue received from the commercialisation of the Humalex® technology to third parties.

This acquisition was followed in May 2010 by the signature of a collaboration and commercial license agreement with Sanofi Pasteur for the discovery and development of fully human monoclonal antibodies against several infectious disease targets. This agreement confirms the potential of the Humalex® platform.
The financial terms of this agreement provide for the payment of an upfront license fee of €3 million to be followed by milestone payments for up to €35 million per infectious disease as well as royalty payments from product sales. In addition, Sanofi Pasteur will finance collaborative research activities on the Humalys technology.

2. EB66® platform: sustained commercial and scientific advances

Commercial advances: Vivalis company has signed new commercial agreements in the veterinarian field.
A first license was signed in June 2010 with a company specialised in animal health for an undisclosed application. In addition, Boehringer Ingelheim Vetmedica (the animal health division of the global pharmaceutical company Boehringer Ingelheim) exercised an option to acquire commercial licensing rights to produce two poultry vaccines on the EB66®cell line.

Vivalis company has signed 17 commercial licenses for its EB66® cell line platform both for human and veterinary applications for the production of vaccines, as well as to a lesser extent, proteins. Furthermore, GSK has granted a sub-license for the EB66® cell line technology to Kaketsuken for the Japanese flu vaccine market. The EB66® cell line has thus confirmed its position as the cell substrate industry standard for the manufacture of viral vaccines.

Vivalis also continues to develop new partnerships, most recently highlighted by the signature of a research license agreement with Kyoto Biken, the leading Japanese manufacturer of veterinarian vaccines, to evaluate the EB66® for vaccine production.

Commercial advances: following the announcement in February 2009 of the establishment of a flu vaccine process using the EB66® technology, a major milestone was achieved in the 2010 first half with GlaxoSmithKline Biologicals in developing a human anti-flu vaccine based on the EB66® cell line. This new milestone marked the culmination of the programme for the characterization of the cell line EB66®.

3. Addition of new expertise

At 30 June 2010, the Group's work force numbered 93, up from 70 at the end of the same period last year.

During this period, five key positions contributing to strengthening the organization were filled:

- Achim Recktenwald, head of "Process Development Downstream" within Vivalis' Research and Development Department;
- Silvia Bertran-Valls, as intellectual property manager for Vivalis;
- Pascale Tavera, Vivalis Manager of Finance and Purchasing;
- Achim Recktenwald, head of "Production" within Vivalis' Biomanufacturing Department;
- Pierre Garonne, immunologist of Humalys.

4. Completion of construction of the dedicated research and development laboratory

Vivalis completed the construction of its new R&D laboratory in Saint Herblain and teams were progressively transferred to this new site in June 2010. This new 3,300m$^2$ building specifically dedicated to research and development enables the Group to locate all its R&D teams at one site along with the administrative teams. The construction cost (infrastructure) of this laboratory currently totals €5.5 million to which must be added €1 million for new equipment. This construction was financed by bank loans of €2.5 million obtained in December 2009, €1.6 million from own funds as well as aid from local and regional authorities and a government development grant (€2.4 million).

5. Material post-closing events:

Vivalis announced a rights issue with maintenance of preferential subscription rights on 2 July 2010 pursuant to authorisation by the French financial market authority (AMF) of the prospectus on 1 July 2010. The purpose of this rights issue is to finance the discovery of new proprietary products (monoclonal antibodies) and industrialize the Humalex® technology.

Vivalis' rights issue was carried out with success, raising €30 million. The settlement-delivery date for the new shares was 28 July 2010.

Following this rights issue, bearer shares accounted for 39.30% of the share capital and the Grimaud Group remained the majority shareholder of Vivalis with a 51.9% stake. In effect, this rights issue followed the acquisition of a stake in the Grimaud Group by the Fonds Stratégique d'Investissement (FSI) for €40 million.

## II. Outlook:

Sustained by these strong first half performances and its comfortable cash position, the Group will continue to focus on pursuing its development programmes and strategies. For 2010, the main targets include:

- The signature of 7 new license agreements for the EB66® cell line including 2 commercial licenses;
- The signature of a first commercial agreement for the Humalex® technology;
- Obtaining the first authorisation by a Vivalis partner to launch clinical trials in humans for a vaccine developed using the line EB66® cell line;
- A consolidated cash position of more than €44 million at year-end 2010 following the rights issue or €15 million excluding proceeds from the rights issue.

## III. Risks and uncertainties concerning the company's business in the following six months:

The Group operates in a rapidly evolving environment subject to significant risks and uncertainties outside of the Company's controls. The risks and uncertainties potentially affecting the Group are presented in the French registration document (*document de référence*) filed with the French securities regulator, the AMF (*Autorité des Marchés Financiers*) under No. R0.10-028 on 22 April 2010, also available at the Company's website: www.vivalis.com.

The Group is notably subject to the following risks. As this list is not exhaustive, consultation of the registration document is recommended for a more precise description of the risks associated with the Company's business:

- Risks of failures or delays in development of the EBx® technological platform;
- Risks of developing products of Company licensees;
- Risks of development of the Company's proprietary products portfolio;
- Risk of dependence with respect to the EBx® cell lines out-licensing activities.

## IV. Management's discussion and analysis of financial condition and results of operations for the six month period ended 30 June 2010

### Basis of presentation

Following the acquisition of Humalys on 7 January 2010, as Vivalis had a subsidiary at 30 June 2010, the condensed consolidated financial for the period ended 30 June 2010 are presented on the basis of IFRS for the first time. These condensed consolidated financial statements for the period ended 30 June 2010 were prepared in accordance with the provisions of IAS 34 for interim financial reporting as adopted by the European Union authorising the presentation of selected explanatory notes. In consequence, these condensed consolidated financial statements must be read in conjunction with the IFRS annual financial statements for the 2009 fiscal year (registration document filed with the AMF under No. R.10-026 on 22 April 2010, available at the company's website: www.vivalis.com).

Figures presented in these financial statements are expressed in thousands of euros

### Recurring operating income

Operating income for the 2010 first half was €3,152,000 compared with €3,128,000 in the same period last year representing a marginal increase of 1%. This increase was more marked for revenue (derived from commercial partners) with €1,770,000 for the first half, up 28% from €1,386,000 in the 2009 first half. This revenue represented 56% of total recurring operating income for the 2010 first half, compared with 44% for the same period in 2009.

Income from research services continues to fluctuate, increasing or decreasing from one year to the next reflecting Vivalis' research and development phases in collaborative programmes with certain licensees and for services with the progressive implementation of the production of clinical batches. Accordingly, revenue in the first half from research services increased 24% from €409,000 in 2009 to €507,000 in 2010, notably from the collaborative programme with Sanofi Pasteur on the Humalex platform.

Revenue from commercial licenses recorded under "licensing income" and recognised over the duration of the development programme for the product in which the Group participates increased 29% to €1,263,000 in the 2010 first half from €977,000 in the same period last year. This increase reflects strong commercial growth over the last 12 months as well as the achievement of major milestones in the Group's development programmes.

Recurring operating also income includes three other categories of income that experienced mixed trends in the 2010 first half.

Capitalised production corresponding to the development expenditure of programmes of Vivalis now concerns only patents. While this item was up in relation to the 2009 first half, it has become marginal since 2009 as our programmes have advanced to the commercial deployment phase.

Operating grants accounted for €363,000 in the 2010 first half, down from €1,509,000 in last year's same period. This significant decline in part reflects decreased income relating to the VIVABIO grant from OSEO plus the absence of income from the MINEFI grant within the framework of the French Entreprise

Competitiveness Fund for the development programme for hepatitis C virus small molecule inhibitors (NS5b target).
It should be noted that Vivalis has launched a new programme targeting the protease/Helicase complex of the hepatitis C virus. This programme received financing in 2009 for €540,598 for three years from the ANR (French National Research Agency) . The grant agreement was signed on 18 January 2010 with the first grant payment received this year (see section 4.7.3 and 4.7.13).

Other operating income concerned research tax credits (RTC) of €858,000 for the 2010 first half compared with €222,000 for the same period last year. This amount estimated on an annual basis and applied pro rata over the six-month period reflects increased R&D expenses in the period but also more significantly the reduced allowance generated by the receipt of grants and advances.

**Recurring operating expenses**

Recurring operating expenses totalled €7,796,000 at 30 June 2010, up from €6,368,000 year-on-year. This significant 22% rise reflects Vivalis' continued focus on development exemplified notably by the 100% acquisition of Humalys and accounting for 50% of this increase.

As the main component of these operating expenses or nearly 43% of the total, personnel costs rose 22% to €3,334,000, up from €2,743,000 in 2009. The average number personnel of Vivalis Group increased accordingly from 64.3 FTE (full-time equivalents) in the 2009 first half to 88.2 FTE for the same period in 2010. This included 9 employees from Humalys or 36% of the total increase. The deceleration in the rise of personnel expenses over the two periods follows a decrease of more than 50% in the value of share-based payments in addition to the integration of Humalys staff.

Between the first six months of 2009 and 2010, expenditures for raw materials and other supplies increased 22% to €1,083,000 while other purchases and external expenses increased 27% to €2,255,000 in line with the growth in the Company's activity.

Depreciation, amortisation and provisions in the period increased 17% from €762,000 to €888,000. It should be noted that this rise does not fully reflect the increase in tangible fixed assets (new building and related equipment) commissioned in mid-June and consequently resulting in very marginal depreciation expenses in the first half.

While less significant in absolute value terms, the line item taxes and related expenses increased significantly following the application of the new version of the local business tax, based in part on recurring operating income and the fact that in 2009, the company benefited from a number of tax exemptions on its investments.

**Net income/(loss) from continuing operations**

At 30 June 2010, the net loss from continuing operations was €4,644,000, up from €3,240,000 year-on-year, principally in response to the decline in other operating income.

**Operating profit/(loss)**

Following a non-recurring operating expense of €882,000 from the revaluation of the earnout payment in connection with the Humalys acquisition (following the signature of a collaboration and commercial license agreement with Sanofi Pasteur for the Humalex platform ), the operating loss for the 2010 first half was €5,525,000, up from €3,240,000 for last year's same period.

**Net financial income/(expense)**

The 2010 first half registered net financial expense of €235,000 compared with income of €113,000 in the first half of the prior year. In addition to lower returns on cash investments (resulting both from lower interest rates and a decline in cash), this also takes into account the charge from the reversal of the present value measurement of the debt incurred by Vivalis from the sellers in connection with the acquisition of Humalys (see 4.7.16), for €279,000.

At 30 June 2010, the net loss before tax was €5,761,000 compared with €3,127,000 for the same period in 2009 and €6,144,000 for the fiscal year ending 31 December 2009.

## Tax

Because French tax group provisions allowing for the aggregation of tax profits and losses is not available for fiscal 2010, net income of the Group includes the tax expenses in connection with the estimated tax profit of the subsidiary Humalys, applied on a prorated basis for the first six months as well as the accumulated tax loss carryforwards of the subsidiary.

## Net loss

The company had a net loss of €5,924,000 at 30 June 2010 compared with €3,127,000 year-on-year and €6,144,000 at 31 December 2009. The basic loss per ordinary share was €0.41 compared with €0.22 at 30 June 2009 and €0.42 at 31 December 2009.

## Capital resources

In the first six months of 2010, the cash position declined €15.4 million in response to the following items:

- €3.2 million for operating activities;
- €6.3 million for investing activities including net outflows of €2.9 million for the acquisition of Humalys and €4.2 million for the construction and equipment of the new building;
- €5.9 million for financing activities including cash of €6.7 million pledged as a bank guarantee to cover the debt incurred under the Humalys financing arrangement (*crédit vendeur*) reclassified under current assets.

## Assets

Intangible fixed assets: the increase from €5,179,000 at 31 December 2009 to €14,794,000 at 30 June 2010 reflects the acquisition of Humalys for which on this date the allocation was not made.

Net property, plant and equipment of €8,726,000 at 31 December 2009 increased 43% to €12,486,000 at 30 June 2010. This change is linked primarily to the construction of the new research building at Saint-Herblain as tangible fixed assets of Humalys are marginal.

Changes in other non-current assets were limited, representing €1,847,000 at 30 June 2010.

Trade receivables increased significantly to €4,417,000 at 30 June 2010 compared with €631,000 at 31 December 2009. This includes the receivable of €3.9 million owed by Sanofi Pasteur in connection with the collaborative and commercial license agreement.

Other current assets also registered marginal changes in the period, amounting to €5,374,000 at 30 June 2010.

Current financial assets included the impact of cash equivalents pledged in favour of Crédit Agricole in exchange for the guarantee granted by the latter in connection with the debt incurred under the financing agreement with the seller (*crédit vendeur*) for the acquisition of Humalys.

## Liabilities and shareholders' equity

Shareholders' equity at 30 June 2010 stood at €16.8 million compared with €22.5 million at 31 December 2009 reflecting primarily the loss incurred in the period.

Bank borrowings (including both the current and non-current portions) increased marginally (+€0.6 million) on borrowings by Vivalis limited to €1 million in the period.

The sharp rise in other payables (current and non-current) of €12.6 million included:

- €8.6 million for debt incurred by Vivalis in favour of the sellers for the acquisition of Humalys;
- €3.7 million for deferred income for upfront fees and milestone (including €2.9 million for the new collaboration agreement with Sanofi- Pasteur for the Humalex platform);
- €0.8 million for amounts payable in respect of fixed asset purchases (impact of the new building).

The total balance sheet at 30 June 2010 was €54.8 million, up significantly from €46 million at 31 December 2009.

## V. Related party transactions

Grimaud Group agreed to stand guarantee for a loan of €1,030,000 obtained from Crédit Mutuel by Vivalis on 11 June 2010. This agreement was authorised by the Supervisory Board on 10 June 2010 and provides for payment to Grimaud Group for 0.75% of the outstanding amount guaranteed by Grimaud la Corbière Group.

An allocation agreement with respect to an interest rate swap was established on 11 June 2010 between Grimaud Group and Vivalis, following the conclusion by Grimaud Group and Crédit Agricole Corporate and Investment Bank of an interest rate swap agreement for three years.

Pursuant to this allocation agreement, for Vivalis, the amount hedged was €2,204,000 at 30 June 2010 (date of the first application of the contract), €1,800,000 at 30 June 2011 and €1,479,000 at 30 June 2012. Crédit Agricole Corporate and Investment Bank (CACIB) will apply every quarter the three month EURIBOR to the hedged base and Vivalis will pay 1.31% of the hedged base.

## D- INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2010

### Consolidated balance sheet

| *(in thousands of euros)* | *Note No.* | *30/06/2010* | *31/12/2009* |
|---|---|---|---|
| Goodwill | 4.7.1 | 9,760 | |
| Intangible fixed assets | 4.7.1 | 5,034 | 5,179 |
| Property, plant and equipment | 4.7.2 | 12,486 | 8,726 |
| Non-current financial assets | | 291 | 431 |
| Other non-current assets | 4.7.3 | 1,847 | 1,843 |
| Deferred tax assets | | | |
| **NON-CURRENT ASSETS** | | **29,417** | **16,179** |
| Inventories and work in progress | | 609 | 387 |
| Trade receivables and related accounts | 4.7.4 | 4,417 | 651 |
| Other current assets | 4.7.5 | 5,374 | 5,174 |
| Current financial assets | 4.7.6 | 6,750 | |
| Deferred tax assets | | 85 | |
| Cash and cash equivalents | 4.7.7 | 8,154 | 23,563 |
| **CURRENT ASSETS** | | **25,389** | **29,775** |
| | | | |
| **TOTAL ASSETS** | | **54,807** | **45,954** |
| | | | |
| Share capital | | 2,223 | 2,220 |
| Share premium | | 33,735 | 33,697 |
| Retained earnings (accumulated deficit) and reserves | | -13,266 | -7,244 |
| Net income/(loss) for the year | | -5,924 | -6,144 |
| **SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE GROUP** | | **16,768** | **22,529** |
| Non-controlling interests | | 0 | 0 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **16,768** | **22,529** |
| Provisions | | 14 | |
| Provisions for employee commitments | | 82 | 46 |
| Bank borrowings | 4.7.8 | 5,758 | 5,361 |
| Deferred tax liabilities | | | |
| Other non-current liabilities | 4.7.9 | 19,227 | 11,019 |
| **NON-CURRENT LIABILITIES** | | **25,081** | **16,426** |
| Provisions | | | |
| Bank borrowings | 4.7.8 | 1,185 | 1,024 |
| Trade payables and related accounts | 4.7.10 | 1,617 | 984 |
| Tax and employee-related liabilities | 4.7.11 | 2,066 | 1,284 |
| Deferred tax liabilities | | | |
| Other current liabilities | 4.7.9 | 8,090 | 3,707 |
| **CURRENT LIABILITIES** | | **12,958** | **6,999** |
| | | | |
| **TOTAL LIABILITIES & SHAREHOLDERS' EQUITY** | | **54,807** | **45,954** |

## II.- Consolidated income statement

| *(in thousands of euros)* | *Note No.* | *30/06/2010* | *30/06/2009* |
|---|---|---|---|
| Research services | | 507 | 409 |
| Licensing income | | 1,263 | 977 |
| **REVENUE** | **4.7.12** | **1,770** | **1,386** |
| Change in inventory of own production of good and services | | 21 | |
| Own production of goods and services capitalised | | 125 | |
| Grants | 4.7.13 | 363 | 1,509 |
| Other income | 4.7.14 | 873 | 233 |
| **RECURRING OPERATING INCOME** | | **3,152** | **3,128** |
| Purchases of raw materials & other supplies | | 1,245 | 911 |
| Change in inventory | | -162 | -23 |
| Other purchases and external expenses | | 2,255 | 1,776 |
| Taxes, duties and related amounts | | 126 | 29 |
| Wages and salaries | | 3,334 | 2,743 |
| Depreciation, amortisation & impairment of fixed assets | | 888 | 762 |
| Other expenses | | 109 | 170 |
| **RECURRING OPERATING EXPENSES** | | **7,796** | **6,368** |
| **NET INCOME/(LOSS) FROM CONTINUING OPERATIONS** | | **-4,644** | **-3,240** |
| Non-recurring operating income | | | |
| Non-recurring operating expenses | 4.7.16 | -882 | |
| **OPERATING PROFIT/ LOSS** | | **-5,525** | **-3,240** |
| Income from cash and cash equivalents | | 107 | 208 |
| Cost of gross borrowings | | -343 | -95 |
| **NET BORROWING COSTS** | | **-235** | **113** |
| **INCOME BEFORE TAX** | | **-5,761** | **-3,127** |
| Income tax | | -163 | |
| **NET INCOME** | | **-5,924** | **-3,127** |
| Basic net earnings per share (in euro) | 4.7.17 | -0.40 | -0.21 |
| Diluted net earnings per share (in euros) | 4.7.17 | -0.40 | -0.21 |

| *(in thousands of euros)*<br>**Statement of net profit and income and expense recognised directly in equity** | *30/06/2010* | *30/06/2009* |
|---|---|---|
| Net income | -5,924 | -3,127 |
| Total income and expense recognised directly in equity | 0 | 0 |
| **Total net profit and income and expense recognised directly in equity** | **-5,924** | **-3,127** |

## III.- Consolidated statement of changes in shareholders' equity

### a. Change from 1 January 2010 to 30 June 2010

| *In thousands of euros* | Capital | Share premiums | Reserves and retained earnings | Net income | Shareholders' equity attributable to the Group | Non-controlling interests | Total shareholders' equity |
|---|---|---|---|---|---|---|---|
| **At 1 January 2010** | **2,220** | **33,697** | **-7,244** | **-6,144** | **22,529** | **0** | **22,529** |
| Capital increase | 3 | 38 | | | 41 | | 41 |
| Income appropriation | | | -6,144 | 6,144 | 0 | | 0 |
| Treasury shares | | | -153 | | -153 | | -153 |
| Share-based payments | | | 274 | | 274 | | 274 |
| Net income/(loss) for the period | | | | -5,924 | -5,924 | | -5,924 |
| **At 30 June 2010** | **2,223** | **33,735** | **-13,266** | **-5,924** | **16,768** | **0** | **16,768** |

### b. Change from 1 January 2009 to 30 June 2009

| *In thousands of euros* | Capital | Share premiums | Reserves and retained earnings | Net income | Shareholders' equity attributable to the Group | Non-controlling interests | Total shareholders' equity |
|---|---|---|---|---|---|---|---|
| **At 1 January 2009** | **2,192** | **33,698** | **-6,085** | **-2,389** | **27,416** | **0** | **27,416** |
| Capital increase | 2 | 16 | | | 18 | | 18 |
| Income appropriation | | | -2,389 | 2,389 | 0 | | 0 |
| Treasury shares | | | 215 | | 215 | | 215 |
| Share-based payments | | | 560 | | 560 | | 560 |
| Net income/(loss) for the period | | | | -3,127 | -3,127 | | -3,127 |
| **At 30 June 2009** | **2,194** | **33,714** | **-7,699** | **-3,127** | **25,082** | **0** | **25,082** |

## IV.- Consolidated statement of cash flows

| (in thousands of euros) | Note No. | H1_2010 | H1_2009 |
|---|---|---|---|
| *Cash flow from operating activities:* | | | |
| *Net income* | | -5,924 | -3,127 |
| *Income and expenses with no impact on cash and unrelated to operating activities, tax and financial expense* | | | |
| Operating depreciation and amortisation expenses | **4.7.15** | 888 | 762 |
| Reversals of operating depreciation and amortisation expenses | | -14 | 0 |
| Share-based payment expenses | | 274 | 560 |
| Expense reclassifications on capitalised assets | | -125 | 0 |
| Share of grant transferred to income | | -89 | -90 |
| Non-recurring operating expenses | **4.7.16** | 882 | 0 |
| Charge on the reversal of measurement of present value | **4.7.16** | 279 | 0 |
| Financial expense | | 9 | 53 |
| (Gains)/losses on disposal of assets | | -3 | 0 |
| *Change in other current assets/liabilities* | | | |
| Inventories and work in progress | | -183 | -23 |
| Trade receivables and related accounts | | -3,990 | 1,240 |
| Trade payables and related accounts | | 794 | -44 |
| Other non-current assets | | -4 | -1,127 |
| Other current assets | | 80 | -2,198 |
| Tax and employee-related liabilities | | 733 | -57 |
| Other non-current liabilities | | 2,008 | 5,970 |
| Other current liabilities (excluding payables to fixed asset suppliers) | | 1,180 | 1,103 |
| **Net cash from operating activities before tax and financial expense** | | **-3,204** | **3,022** |
| Interest income/expense | | -9 | -53 |
| Income tax payments | | | 0 |
| **Net cash from/(used in) operating activities** | | **-3,213** | **2,969** |
| *Cash flow from investing activities* | | | |
| Purchase of intangible fixed assets: | | -29 | -3 |
| Purchase of property plan and equipment | | -4,166 | -825 |
| Purchase of long-term investments | | -9 | -14 |
| Acquisition of Humalys | **4.7.16** | -2,900 | |
| Net change in non current liability and assets | | 826 | -171 |
| Sales of non current assets | | 12 | 5 |
| Net cash used in investing activities | | -6,266 | -1,008 |
| *Cash flow from financing activities* | | | |
| New borrowings | **4.7.8** | 1,030 | 0 |
| Repayment of borrowings | **4.7.8** | -472 | -344 |
| Change in other financial assets | **4.7.6** | -6,750 | 4,013 |
| Subordinated grants received | | 358 | 0 |
| Investment grants received | | 15 | 1 |
| Treasury shares | | -153 | 216 |
| Capital increase | | 41 | 18 |
| Net cash from financing activities | | -5,931 | 3,904 |
| **Net change in cash and cash equivalents** | | **-15,409** | **5,865** |
| Opening cash, cash equivalents and marketable securities | | 23,563 | 18,717 |
| Closing cash, cash equivalents and marketable securities | | 8,154 | 24,582 |
| Net change in cash and cash equivalents | | -15,409 | 5,865 |

## IV.- Notes to the interim financial statements (In thousands of euros)

### 4.1 - Significant events and transactions in the first half having impact on the condensed consolidated financial statements of 30 June 2010

a - Acquisition of a subsidiary

On 7 January 2010, Vivalis acquired all the share capital of HUMALYS SAS (« HUMALYS »), a private French biotech research and development company, based in Lyon, specialised in the generation of human monoclonal antibodies.

Founded in 2007 in Lyon by a group of scientists recognised in the field of immunology and biology of human B lymphocytes with the support of Parteurop, Humalys developed a unique platform, the Humalex® technology capable of efficiently generating human monoclonal antibodies for therapeutic and diagnostic applications.

Vivalis has acquired the total share capital of Humalys® for €10.4 million that will be paid to Humalys shareholders through several instalments The first instalment of €3.6 million was paid in January 2010 (see note 4.7.16). In addition, Vivalis will pay Humalys® shareholders a maximum of €15 million over a period not exceeding 15 years from licensing income generated from the sale of the Humalex® technology granted to third parties.

b - New premises

On 23 June 2010, Vivalis finalised the installations of its research and development teams at its new laboratory at Saint-Herblain site in Nantes. This new laboratory on which work was launched in late 2008 provides space of 3,300 m² dedicated to research and support functions. It also makes it possible to bring together all the research teams at one site while expanding the biomanufacturing facilities of 1,500 m² built in 2005.

This building together with its installations represents an investment of €6.5 million (€5.5 million for the building plus approximately €1 million for equipment) financed in part by funds corresponding to grants and repayable loans from national and local government entities (DIACT, Région Pays de Loire, Département de Loire Atlantique et Nantes Métropole for a total €2.4 million), bank loans (€2.5 million) and Vivalis' own cash resources (€1.6 million).

c - Material contracts

In the 2010 first half, the company signed a research agreement and commercial agreements in the field of veterinary vaccines.

In addition, following the acquisition of the Humalex® technology, the first collaboration and commercial license agreement was signed with Sanofi Pasteur for the discovery and development of fully human monoclonal antibodies against several infectious disease targets.

### 4.2 - Changes in consolidation scope

Until 7 January 2010, Vivalis had no subsidiaries or associate companies. Following the acquisition of Humalys described above, the consolidated financial statements henceforth include Vivalis and Humalys (the Group).

### 4.3- Accounting policies and statement of compliance

**Preliminary comments:**

Amounts presented in the Group’s condensed consolidated financial statements are expressed in thousands of euros, except when indicated otherwise;

The closing date for the condensed consolidated financial statements is 30 June of each year. The separate financial statements included in the condensed consolidated financial statements are established on the closing date for the condensed consolidated financial statements, i.e. 30 June and cover the same period.

The condensed consolidated financial statements of 30 June 2010 Vivalis were established on 24 August 2010 by the Management Board. On this same day, the Management Board established the condensed consolidated financial statements for the period ending 30 June 2009 for incorporation by reference.

### *Main accounting policies and statement of compliance*

In compliance with European regulation 1606 / 2002 of 19 July 2002 adopted by the European Parliament and Council, the financial statements of the Group at 31 December 2009 were prepared in accordance with IFRS (*International Financial Reporting Standards*) as approved by the European Union on the date these financial statements were produced.

IFRS as adopted by the European Union differs in certain respects with those published by the International Accounting Standards Board (IASB). Nevertheless, the Group has ensured that the financial information presented for the periods presented does not materially differ from financial information presented on the basis of the IASB version of IFRS.

International accounting standards are comprised notably of IFRS (*International Financial Reporting Standards*), IAS (*International Accounting Standards*) as well as SIC (*Standing Interpretations Committee*) and IFRIC (*International Financial Reporting Interpretations Committee*).

The condensed consolidated financial statements for the period ended 30 June 2010 were prepared in accordance with the provisions of IAS 34 on interim financial reporting as adopted by the European Union that authorises the presentation of selected explanatory notes.

As the notes to these financial statements do not include all information required for complete annual financial statements they must consequently be read in conjunction with the 2009 annual financial statements.

All IAS/IFRS standards and interpretations adopted by the European Union may be consulted at the European Commission's website at the following address: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

**International Financial Reporting Standards (IFRS) applied as of 30 June 2010:**

The condensed financial statements have been prepared in accordance with the accounting methods and policies applied by the Group for the annual financial statements of fiscal 2009 (described in note 5.2 of the financial statements of 31 December 2009), with the exception of the standards and amendments that entered into force on 1 January 2010:

- IAS 27 “Consolidated and separate financial statements” (amended);
- Revised IFRS 3 “Business combinations”.

### *Other standards and interpretations entering into force on 1 January 2010*

The other amendments of standards and interpretations that entered into force on 1 January 2010 are not applicable or do not have a material effect on the condensed consolidated financial statements for the period ended 30 June 2010. These include:

- *Amendment to IAS 39 – Exposures eligible for hedge accounting;*
- *Revised IFRS 1 – First-time adoption of IFRS;*
- *Amendment to IFRS 2 – Group cash-settled share-based payment transactions;*
- *IFRIC 12 –Concessions;*
- *IFRIC 15 – Agreements for the construction of real estate;*
- *IFRIC 16 – Hedges on a net investment in a foreign operation;*
- *IFRIC 17 – Distribution of non-cash assets to owners;*
- *IFRIC 18 – Transfers of assets from customers;*
- *Other amendments of the annual improvement process, published in May 2008 and April 2009.*

The Group has not opted to apply in advance those standards and interpretations that were not mandatory effective 1 January 2010.

### 4.4 - Seasonal business trends

The Group’s business is not affected by seasonal factors.

### 4.5 - Operating segments

After acquiring Humalys and its technology platform, Vivalis has identified three operating sectors for the analysis of its business and results:

- EB66® cell line development platform;
- 3D-Screen development platform;
- Humalex development platform.

a – Revenue and income/(loss) from continuing operations by operating sector

| *(in thousands of euros)* | First half | | % Change |
|---|---|---|---|
| | **2010** | **2009** | |
| **Revenue by business sector** | **1,770** | **1,386** | **27.7%** |
| EB66 cell line | 1,585 | 1,386 | 14.4% |
| 3Dscreen technology | | | N/A |
| Humalex technology | 185 | N/A | N/A |
| **Other income by business sector** | **1,382** | **1,742** | **-20.7%** |
| EB66 cell line | 1,180 | 1,332 | -11.4% |
| 3Dscreen technology | 74 | 214 | N/A |
| Humalex technology | 37 | N/A | N/A |
| Income not attributed to a sector | 91 | 196 | -53.6% |
| **Net income/(loss) from continuing operations** | **-4,644** | **-3,240** | **43.3%** |
| EB66 cell line | -1,499 | -1,175 | 27.5% |
| 3Dscreen technology | -697 | -569 | 22.6% |
| Humalex technology | -646 | N/A | N/A |
| Income not attributed to a sector | -1,802 | -1,496 | 20.5% |

The company's historical EB66 cell line technology platform and commercial licenses accounted for one half the growth in revenue and the Humalex platform following the signature in May 2010 with the Sanofi Pasteur Group for the other half. At the current time the 3D-Screen platform does not yet generate revenue.

Other income is primarily of two types:

- Grants (operating and investment grants) whose significant decline in part reflects the decrease in income relating to the VIVABIO grant from OSEO in addition to the absence of income from the MINEFI grant within the framework of the French Enterprise Competitiveness Fund for the development programme for hepatitis C virus small molecule inhibitors (NS5b target);
- Research tax credits with 85% generated by the EB66 cell line up in the period on reduced inflows from grants and loans anticipated in relation to 2009 within the framework of the OSEO French innovation agency.

In line with the trend for revenue, 45% of the increase in the loss from continuing operations in relation to the first half of the prior year reflects the impact of the Humalys acquisition. For the EB66 and 3D-Screen sectors (accounted for respectively 85% and 15% of R&D operating expenditures), the loss increased by an average of 25% reflecting the company's continued focus on R&D. Results not assigned to a specific sector representing expenses for administrative and support functions have increased at a slower pace though nevertheless remaining in line with trends related to the company's size.

b – Balance sheet items by operating segment

| *(in thousands of euros)* | ***30/06/2010*** | ***EB66*** | ***3DS*** | ***Humalex*** | ***Unallocated*** | ***31/12/2009*** |
|---|---|---|---|---|---|---|
| Goodwill | 9,760 | | | 9,760 | | |
| Intangible fixed assets | 5,034 | 4,004 | 1,003 | 1 | 26 | 5,179 |
| Property, plant and equipment | 12,486 | 3,874 | 163 | 148 | 8,301 | 8,726 |
| Non-current financial assets | 291 | | | | 291 | 431 |
| Other non-current assets | 1,847 | 903 | 350 | - | 594 | 1,843 |
| Deferred tax assets | | | | | | |
| **NON-CURRENT ASSETS** | **29,417** | **8,781** | **1,516** | **9,909** | **9,212** | **16,179** |
| Inventories and work in progress | 609 | | | | 609 | 387 |
| Trade receivables and related accounts | 4,417 | 517 | - | 3,900 | | 651 |
| Other current assets | 5,374 | 2,856 | 499 | 37 | 1,982 | 5,174 |
| Current financial assets | 6,750 | | | | 6,750 | |
| Deferred tax assets | 85 | | | 85 | | |
| Cash and cash equivalents | 8,154 | | | | 8,154 | 23,563 |
| **CURRENT ASSETS** | **25,389** | **3,373** | **499** | **4,022** | **17,495** | **29,775** |
| **TOTAL ASSETS** | **54,807** | **12,154** | **2,015** | **13,931** | **26,707** | **45,954** |
| Share capital | 2,223 | | | | 2,223 | 2,220 |
| Share premium | 33,735 | | | | 33,735 | 33,697 |
| Retained earnings (accumulated deficit) and reserves | -13,266 | | | | -13,266 | -7,244 |
| Net income/(loss) for the year | -5,924 | | | | -5,924 | -6,144 |
| **SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE GROUP** | **16,768** | **-** | **-** | **-** | **16,768** | **22,529** |
| Non-controlling interests | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL SHAREHOLDERS' EQUITY** | **16,768** | **-** | **-** | **-** | **16,768** | **22,529** |
| Provisions | 14 | | | | 14 | |
| Provisions for employee commitments | 82 | | | | 82 | 46 |
| Bank borrowings | 5,758 | | | | 5,758 | 5,361 |
| Deferred tax liabilities | - | | | | - | |
| Other non-current liabilities | 19,227 | 7,598 | 649 | 8,539 | 2,441 | 11,019 |
| **NON-CURRENT LIABILITIES** | **25,081** | **7,598** | **649** | **8,539** | **8,295** | **16,426** |
| Provisions | | | | | | |
| Bank borrowings | 1,185 | | | | 1,185 | 1,024 |
| Trade payables and related accounts | 1,617 | | | | 1,617 | 984 |
| Tax and employee-related liabilities | 2,066 | | | | 2,066 | 1,284 |
| Deferred tax liabilities | - | | | | | |
| Other current liabilities | 8,090 | 2,977 | 211 | 2,960 | 1,943 | 3,707 |
| **CURRENT LIABILITIES** | **12,958** | **2,977** | **211** | **2,960** | **6,811** | **6,999** |
| **TOTAL LIABILITIES & SHAREHOLDERS' EQUITY** | **54,807** | **10,575** | **860** | **11,499** | **31,874** | **45,954** |

At 31 December 2009, balance sheet items by operating segment were not material as they included only Vivalis. Overall, the primary evolution of the main balance sheet line items between 31 December 2009 and 30 June 2010, resulted from the consolidation of Humalys.

Under "Intangible fixed assets" €9,761,000 for the Humalex platform represent goodwill not yet allocated on this date.
Changes in "Property, plant and equipment" resulted from the completion of the construction of the new building, classified under items not allocated to a segment.
Changes in "Trade receivables and related accounts" result from the Sanofi Pasteur license agreement receivable (upfront fees of €3 million excluding taxes paid in July 2010) and the collaboration agreement (service down payment invoice).

"Other noncurrent assets and "other current assets registered marginal changes from:

- Receivables for grants and advances (broken down between non-current and current) classified under sectors according to the corresponding research programmes (OSEO for the EB66 cell line and the ANR for 3D-Screen notably);
- Research tax credits (RTC).

Current financial assets represent marketable securities pledged for the guarantee granted by the bank for debt incurred under the financing arrangement (*crédit vendeur*) for the guaranteed purchase price.

The significant increase in "non-current liabilities" resulted primarily from the Humalex platform and in particular the noncurrent portion of the financing (*crédit vendeur*) for the acquisition of Humalys provided by the sellers (€6.2 million) and deferred income for upfront payment under the Sanofi Pasteur agreement.

The increase in "current liabilities" resulted from the same two items for the current portion of the financing granted by the sellers (*crédit vendeur*) of €2.4 million and deferred income for the upfront payment of €0.6 million under the Humalex sector, to which is added deferred income for the EB66 commercial licenses signed in the 2009 second half.

### *4.6 - Other information*

With respect to interim consolidated financial statements specific methods of valuation applied are as follows:

a. Income tax charges

In connection with the acquisition of Humalys on 7 January 2010, application of French tax group provisions allowing for the aggregation of tax profits and losses is not possible for fiscal 2010. Furthermore, the signature of the Sanofi Pasteur agreement will make it possible for this structure to generate taxable income in fiscal 2010 to which will be applied to the tax loss carryforward at 31 December 2009.
A calculation was made to determine the value of the research tax credit (RTC) for 2010. Half of the resulting amount or €859,000 was recognized in the 2010 interim financial statements with the expenses on which the RTC is based estimated on a straight-line basis over the full year period. For the valuation of the 2010 RTC, the inflow of grants and repayable for the period were estimated.

b - Employee benefits (IAS 19)

The financial statements for the period ended 30 June 2010 include a provision for retirement service payments for personnel of the Humalys subsidiary based on the same conditions at Vivalis SA (with the same collective bargaining agreement applicable) and subject to specific conditions relating to seniority that may be provided for in the employment contracts.

c – Interim interest expenses (IAS 23)

The revised IAS 23 (borrowing costs) that entered into force on 1 January 2009 that did not have a material impact on that date, is applicable to the consolidated interim financial statements for the period ending 30 June 2010 for loans obtained at the end of 2009.

Otherwise, there have been no other changes in presentation, accounting methods or estimates in relation to 31 December 2009.

## *4.7 - NOTES TO THE BALANCE SHEET, INCOME STATEMENT AND STATEMENT OF CASH FLOWS*

### 4.7.1 - Net intangible fixed assets

***a. Change from 1 January 2010 to 30 June 2010***

| | | **Changes in the period** | | | | | |
|---|---|---|---|---|---|---|---|
| | | **Increase** | | | | | |
| *In thousands of euros* | **At 1 January 2010** | **Total** | **internally generated** | **separately acquired** | **Decrease** | **Change in consolidation scope** | **At 30 June 2010** |
| Goodwill | 0 | 0 | | | | 9,760 | 9,760 |
| Development expenditure | 6,725 | 125 | 125 | | | | 6,850 |
| Concessions, patents and licenses | 398 | 29 | | 29 | | | 427 |
| **Gross intangible fixed assets** | **7,123** | **154** | **125** | **29** | **0** | **9,760** | **17,037** |
| Development expenditure | 1,692 | 268 | 268 | | | | 1,960 |
| Concessions, patents and licenses | 252 | 31 | 31 | | | | 283 |
| **Total amortisation and impairment** | **1,944** | **299** | **299** | **0** | **0** | **0** | **2,243** |
| **Net intangible fixed assets** | **5,179** | **-145** | **-174** | **29** | **0** | **9,760** | **14,794** |
| (1) of which depreciation | 149 | 0 | 0 | 0 | 0 | 0 | 149 |
| (2) cf. note 4.7.16 | | | | | | | |

***b. Change from 1 January 2009 to 31 December 2009***

| | | **Changes in the period** | | | | | |
|---|---|---|---|---|---|---|---|
| | | **Increase** | | | | | |
| *In thousands of euros* | **At 1 January 2009** | **Total** | **internally generated** | **separately acquired** | **Decrease** | **Other changes** | **At 31 December 2009** |
| Development expenditure | 6,610 | 115 | 115 | | | | 6,725 |
| Concessions, patents and licenses | 368 | 30 | | 30 | | | 398 |
| **Gross intangible fixed assets** | **6,978** | **145** | **115** | **30** | **0** | **0** | **7,123** |
| Development expenditure (1) | 1,178 | 514 | 514 | | | | 1,692 |
| Concessions, patents and licenses | 201 | 51 | 0 | 51 | | | 252 |
| **Total amortisation and impairment** | **1,379** | **565** | **514** | **51** | **0** | **0** | **1,944** |
| **Net intangible fixed assets** | **5,599** | **-420** | **-399** | **-21** | **0** | **0** | **5,179** |
| (1) of which depreciation | 149 | | | | | | 149 |

#### 4.7.2 - Net property, plant and equipment

***a. Change from 1 January 2010 to 30 June 2010***

| *In thousands of euros* | At 1 January 2010 | Changes in period | | | | At 30 June 2010 |
|---|---|---|---|---|---|---|
| | | Increase | Decrease | Change in consolidation scope | Other changes | |
| Land | 732 | | | | | 732 |
| Buildings on own land | 1,660 | 957 | | | 1,819 | 4,436 |
| Buildings on land of third parties | 108 | | | | | 108 |
| Building installations and improvements | 1,470 | 2,216 | | | | 3,686 |
| Plant, machinery and equipment (1) | 5,255 | 698 | | 120 | | 6,073 |
| General installations, miscellaneous improvements | 498 | 3 | | 10 | | 511 |
| Vehicles | 36 | | -9 | 10 | | 37 |
| Office, IT equipment, furniture | 451 | 49 | | 48 | | 548 |
| Recoverable packaging | 5 | | | | | 5 |
| Tangible fixed assets under construction | 1,819 | 96 | | | -1,819 | 96 |
| Prepayments | 12 | 112 | | | | 124 |
| **Gross intangible fixed assets** | **12,046** | **4,131** | **-9** | **188** | **0** | **16,356** |
| Land | 31 | 4 | | | | 35 |
| Buildings on own land | 316 | 43 | | | | 359 |
| Buildings on land of third parties | 87 | 5 | | | | 92 |
| Building installations and improvements | 637 | 72 | | 2 | -9 | 702 |
| Plant, machinery and equipment | 1,932 | 364 | | 19 | | 2,315 |
| General installations, miscellaneous improvements | 42 | 18 | | | | 60 |
| Vehicles | 36 | | -20 | 4 | | 20 |
| Office, IT equipment, furniture | 235 | 32 | | 15 | | 282 |
| Recoverable packaging | 4 | 1 | | 0 | | 5 |
| **Total depreciation and impairment** | **3,320** | **539** | **-20** | **40** | **-9** | **3,870** |
| Impairment | 0 | 0 | 0 | 0 | 0 | 0 |
| **Net intangible fixed assets** | **8,726** | **3,592** | **11** | **148** | **9** | **12,486** |

(1) : of which  for biomanufacturing

***b. Change from 1 January 2010 to 31 December 2009***

| *In thousands of euros* | At 1 January 2009 | Changes in period | | | At 31 December 2009 |
|---|---|---|---|---|---|
| | | Increase | Decrease | Other changes | |
| Land | 333 | 399 | | | 732 |
| Buildings on own land | 1,660 | | | | 1,660 |
| Buildings on land of third parties | 108 | | | | 108 |
| Building installations and improvements | 1,470 | | | | 1,470 |
| Plant, machinery and equipment (1) | 3,806 | 1,451 | -2 | | 5,255 |
| General installations, miscellaneous improvements | 460 | 38 | | | 498 |
| Vehicles | 41 | | -5 | | 36 |
| Office, IT equipment, furniture | 318 | 133 | | | 451 |
| Recoverable packaging | 5 | | | | 5 |
| Tangible fixed assets under construction | 45 | 2,645 | | -871 | 1,819 |
| Prepayments | 15 | 12 | | -15 | 12 |
| **Gross intangible fixed assets** | **8,261** | **4,678** | **-7** | **-886** | **12,046** |
| Land | 23 | 8 | | | 31 |
| Buildings on own land | 242 | 74 | | | 316 |
| Buildings on land of third parties | 31 | 56 | | | 87 |
| Building installations and improvements | 510 | 127 | | | 637 |
| Plant, machinery and equipment | 1,338 | 595 | -1 | | 1,932 |
| General installations, miscellaneous improvements | 7 | 35 | | | 42 |
| Vehicles | 39 | 2 | -5 | | 36 |
| Office, IT equipment, furniture | 178 | 57 | | | 235 |
| Recoverable packaging | 2 | 2 | | | 4 |
| **Total depreciation and impairment** | **2,370** | **956** | **-6** | **0** | **3,320** |
| Impairment | 0 | 0 | 0 | 0 | 0 |
| **Net intangible fixed assets** | **5,891** | **3,722** | **-1** | **-886** | **8,726** |

(1) : of which  for biomanufacturing

The construction of the new building near La Chauvinière was completed in June 2010 with the progressive relocation of staff during this month.

#### 4.7.3 - Other non-current assets

| *In thousands of euros* | **At 30 June 2010** | **At 31 December 2009** |
|---|---|---|
| Income tax and RTC | 0 | 0 |
| VAT | 0 | 0 |
| Grants | 1,831 | 1,839 |
| Personnel and related accounts | 4 | 4 |
| Prepaid expenses ( non-current portion) | 12 | 0 |
| **Other non-current assets** | **1,847** | **1,843** |

**At 30 June 2010, receivables in respect of grants and reimbursable loans break down as follows:**

| *In thousands of euros* | **Allocated** | **Paid** | **Balance** | **Non-current** |
|---|---|---|---|---|
| OSEO (2006) | 100 | 30 | 70 | 70 |
| MINEFI (2006) | 954 | 606 | 348 | 107 |
| REGION (2008) | 231 | 231 | 0 | 0 |
| DIACT (2008) | 550 | 220 | 330 | 330 |
| REGION (2009) | 894 | 447 | 447 | 0 |
| OSEO (2009) | 6,016 | 2,956 | 3,060 | 903 |
| ANR (2010) | 540 | 162 | 378 | 243 |
| NANTES (2009) | 894 | 358 | 536 | 178 |
| DEPT 44 (2009) | 87 | 44 | 43 | 0 |
| Other | 34 | 30 | 4 | 0 |
| **Total grants (non-current portion)** | **10,300** | **5,084** | **5,216** | **1,831** |

**At 31 December 2009, receivables in respect of grants and reimbursable loans break down as follows:**

| *In thousands of euros* | **Allocated** | **Paid** | **Balance** | Non-current |
|---|---|---|---|---|
| OSEO (2006) | 100 | 30 | 70 | 70 |
| MINEFI (2006) | 954 | 606 | 348 | 0 |
| REGION (2008) | 231 | 116 | 115 | 0 |
| DIACT (2008) | 550 | 220 | 330 | 330 |
| REGION (2009) | 894 | 447 | 447 | 0 |
| OSEO (2009) | 6,016 | 2,956 | 3,060 | 903 |
| NANTES (2009) | 894 | 0 | 894 | 536 |
| DEPT 44 (2009) | 87 | 44 | 43 | 0 |
| Other | 34 | 15 | 19 | 0 |
| **Total grants (non-current portion)** | **9,760** | **4,434** | **5,326** | **1,839** |

#### 4.7.4 - Trade receivables and related accounts

***a. At 30 June 2010***

| *In thousands of euros* | **Gross** | **Impairment** | **Net** |
|---|---|---|---|
| Trade receivables | 4,409 | | 4,409 |
| Doubtful trade receivables | 50 | -42 | 8 |
| Trade receivables – sales invoice accruals | 0 | | 0 |
| **Total** | **4,459** | **-42** | **4,417** |

***b. At 31 December 2009***

| *In thousands of euros* | **Gross** | **Impairment** | **Net** |
|---|---|---|---|
| Trade receivables | 641 | | 641 |
| Doubtful trade receivables | 67 | -57 | 10 |
| Trade receivables – sales invoice accruals | 0 | | 0 |
| **Total** | **708** | **-57** | **651** |

### 4.7.5. Other current assets

| *In thousands of euros* | **At 30 June 2010** | **At 31 December 2009** |
|---|---|---|
| Income tax, business tax and RTC | 860 | 1,138 |
| VAT | 709 | 343 |
| Grants | 3,385 | 3,487 |
| Social security and related receivables | 7 | 30 |
| Sundry debtors | 15 | 61 |
| Prepaid expenses | 398 | 115 |
| **Total other current assets** | **5,374** | **5,174** |

| *In thousands of euros* | **At 30 June 2010** | **At 31 December 2009** |
|---|---|---|
| 2009 RTC | | 1,134 |
| 2010 RTC | 859 | |
| 2009 family tax credit (*crédit d'impôt famille* or CIF) | | 2 |
| 2010 family tax credit (*crédit d'impôt famille* or CIF) | 1 | |
| Miscellaneous tax reductions | 0 | 2 |
| **Total corporate income and RTC receivables (current portion)** | **860** | **1,138** |

**At 30 June 2010, receivables in respect of grants and reimbursable loans break down as follows:**

| *In thousands of euros* | **Allocated** | **Paid** | **Balance** | **Current portion** |
|---|---|---|---|---|
| OSEO (2006) | 100 | 30 | 70 | 0 |
| MINEFI (2006) | 954 | 606 | 348 | 241 |
| REGION (2008) | 231 | 231 | 0 | 0 |
| DIACT (2008) | 550 | 220 | 330 | 0 |
| REGION (2009) | 894 | 447 | 447 | 447 |
| OSEO (2009) | 6,016 | 2,956 | 3,060 | 2157 |
| ANR (2010) | 540 | 162 | 378 | 135 |
| NANTES (2009) | 894 | 358 | 536 | 358 |
| DEPT 44 (2009) | 87 | 44 | 43 | 43 |
| Other | 34 | 30 | 4 | 4 |
| **Total grants (current portion)** | **10,300** | **5,084** | **5,216** | **3,385** |

**At 31 December 2009, receivables in respect of grants and reimbursable loans break down as follows:**

| *In thousands of euros* | **Allocated** | **Paid** | **Balance** | **Current portion** |
|---|---|---|---|---|
| OSEO (2006) | 100 | 30 | 70 | 0 |
| MINEFI (2006) | 954 | 606 | 348 | 348 |
| REGION (2008) | 231 | 116 | 115 | 115 |
| DIACT (2008) | 550 | 220 | 330 | 0 |
| REGION (2009) | 894 | 447 | 447 | 447 |
| OSEO (2009) | 6,016 | 2,956 | 3,060 | 2157 |
| NANTES (2009) | 894 | 0 | 894 | 358 |
| DEPT 44 (2009) | 87 | 44 | 43 | 43 |
| Other | 34 | 15 | 19 | 19 |
| **Total grants (current portion)** | **9,760** | **4,434** | **5,326** | **3,487** |

#### 4.7.6 - Current financial assets

| *In thousands of euros* | **At 30 June 2010** | **At 31 December 2009** |
|---|---|---|
| Marketable securities pledged | 6,750 | 0 |
| Negotiable certificates of deposit | | |
| **Total current financial assets** | **6,750** | **0** |

| *In thousands of euros* | **At 1 January 2010** | **Changes in period** | | | **At 30 June 2010** |
|---|---|---|---|---|---|
| | | **Acquisitions** | **Disposals** | **Other changes** | |
| Marketable securities pledged | 0 | 0 | 0 | 6,750 | 6,750 |
| Negotiable certificates of deposit | 0 | | | | 0 |
| **Total** | **0** | **0** | **0** | **6,750** | **6,750** |

| *In thousands of euros* | **At 1 January 2009** | **Changes in period** | | | **At 31 December 2009** |
|---|---|---|---|---|---|
| | | **Acquisitions** | **Disposals** | **Other changes** | |
| Marketable securities pledged | 0 | | | | 0 |
| Negotiable certificates of deposit | 4,013 | 0 | -4,013 | | 0 |
| **Total** | **4,013** | **0** | **-4,013** | **0** | **0** |

#### 4.7.7 - Net cash flow

***a. Net cash flow items***

| *In thousands of euros* | **At 30 June 2010** | **At 31 December 2009** |
|---|---|---|
| Cash at bank and in hand | **6,178** | **6,075** |
| Cash equivalents | **1,962** | **17,486** |
| *Open-ended investment funds (SICAV)* | *862* | *11,623* |
| *Mutual funds* | *631* | *5,863* |
| *Medium-term notes* | *469* | |
| **Cash assets** | **8,140** | **23,561** |
| Unrealised gains on marketable securities | 14 | 2 |
| Bank facilities | -1 | -1 |
| **Net cash flow** | **8,153** | **23,562** |

*B. Cash equivalents*

**<u>* Change from 1 January 2010 to 30 June 2010</u>**

**-**

| *In thousands of euros* | At 1 January 2010 | Changes in period | | | | At 30 June 2010 |
|---|---|---|---|---|---|---|
| | | **Acquisitions** | **Disposals** | **Change in consolidation scope** | **Other changes** | |
| Open-ended investment fund (SICAV) | 11,623 | 6,311 | -10,322 | | -6,750 | 862 |
| Mutual funds | 5,863 | 1,384 | -6,616 | | | 631 |
| Medium-term notes / Certificates of deposit | 0 | | | 469 | | 469 |
| **Total** | **17,486** | **7,695** | **-16,938** | **469** | **-6,750** | **1,962** |
| Unrealised gains | 2 | | | | 12 | 14 |
| **TOTAL** | **17,488** | **7,695** | **-16,938** | **469** | **-6,738** | **1,976** |

**<u>* Change from 1 January 2009 to 31 December 2009</u>**

| *In thousands of euros* | At 1 January 2009 | Changes in the period | | | At 31 December 2009 |
|---|---|---|---|---|---|
| | | **Acquisitions** | **Disposals** | **Other changes** | |
| Open-ended investment fund (SICAV) | 2,147 | 27,033 | -17,557 | | 11,623 |
| Mutual funds | 16,254 | 42,939 | -53,330 | | 5,863 |
| Medium-term notes / Certificates of deposit | 0 | 0 | | | 0 |
| **Total** | **18,401** | **69,972** | **-70,887** | **0** | **17,486** |
| Unrealised gains | 18 | | | -16 | 2 |
| **TOTAL** | **18,419** | **69,972** | **-70,887** | **-16** | **17,488** |

### *c. Components of cash equivalents at 30 June 2010*

| BANK | NAME | CATEGORY | ISIN | AMOUNT | CATEGORY | OBJECTIVES | COMPOSITION/INVESTMENT STRATEGY | RISKS | VOLATILITY 1 yr. (at 1/2/2010) | MATURITY |
|---|---|---|---|---|---|---|---|---|---|---|
| CM-CIC ASSET MANAGEMENT | *UNION CASH* | Mutual fund | FR0000979825 | 630,546 | Euro money marke | Provide a performance equal to the money market (EONIA) less actual management costs. Management policy is focused on **short-term securities** to achieve very regular growth in NAV adapted for short-term investments | The management strategy focuses on investments in negotiable debt securities and bonds in a euro money market benchmark. There is no equity risk exposure | No FOREX risk in the home € zone. Interest rate risk Credit risk | 0.28 | Minimum recommended investment period: 7 days. |
| Crédit Agricole | *SEQUIN* | Open-ended in | FR0000979825 | 862,479 | Euro money marke | A dynamic money market fund seeking to outperform the EONIA Capitalisé index of 1.5% over the minimum recommended 18 month investment period. | | Interest rate risk, credit risk | 0.17 | Minimum recommended investment period: 1.5 years. |
| Crédit Agricole | *SEQUIN* | Open-ended in | FR0000979825 | 6,750,000 | Euro money marke | A dynamic money market fund seeking to outperform the EONIA Capitalisé index of 1.5% over the minimum recommended 18 month investment period. | ***Investment pledged for the guarantee of the loan granted by the seller (crédit vendeur) until 27/02/2011*** | Interest rate risk, credit risk | 0.17 | Minimum recommended investment period: 1.5 years. |
| Crédit Agricole | *DAT Entreprise 2 ans* | Time deposit | | 2,000,000 | Fixed term deposit | Progressive rate - accrued interest | | | | 28/02/2011 |
| Crédit Agricole | *DAT Entreprise 2 ans* | Time deposit | | 2,000,000 | Fixed term deposit | Progressive rate - accrued interest | | | | 30/06/2011 |
| Caisse d'Epargne | *DAT Captio Prestance* | Time deposit | | 2,000,000 | Fixed term deposit | Progressive rate - accrued interest | | | | 01/07/2011 |
| Crédit Agricole | *DAT Entreprise 3 ans* | Time deposit | | 100,000 | Fixed term deposit | Fixed rate - accrued interest | | | | 24/04/2012 |
| Crédit Agricole | *DAT Entreprise 5 ans* | Time deposit | | 200,000 | Fixed term deposit | Progressive rate - accrued interest | | | | 13/01/2014 |
| Crédit Agricole | *DAT Entreprise 5 ans* | Time deposit | | 160,000 | Fixed term deposit | Progressive rate - accrued interest | | | | 24/02/2014 |
| Accrued interest on time deposits | | Time deposit | | 147,293 | Fixed term deposit | Progressive rate - accrued interest | | | | |
| Cash at bank and in hand | Cash at bank and in hand | Cash at bank and in hand | | 39,744 | Cash at bank and in hand | | | | | |
| | | | | | | | | | | |
| Mutual fund | 630,546 | | Cash and cash equivalents | | 397,444 | | | | | |
| Open-ended investment fund (SICA | 7,612,479 | | Cash equivalents | | 8,100,318 | | | | | |
| Time deposit | 6,607,293 | | *Subtotal* | *Cash assets* | *8,100,062* | | | | | |
| Cash at bank and in hand | 39,744 | | Current financial assets | | 6,750,000 | | | | | |
| | **14,890,062** | | | | **14,850,062** | | | | | |

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### c. ***Components of cash equivalents at 31 December 2009***

| | BANK | NAME | CATEGORY | ISIN | AMOUNT | CLASSIFICATION | OBJECTIVES | COMPOSITION / INVESTMENT STRATEGY | RISKS | VOLATILITY 1 yr. (at 1/02/2010) | MATURITY |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | CM-CIC ASSET MANAGEMENT | *UNION CASH* | Mutual fund | FR0000979825 | 1,000,007 | Euro money market | Provide a performance equal to the money market (EONIA) less actual management costs. Management policy is focused on **short-term securities** to achieve very regular growth in NAV adapted for short-term investments | The management strategy focuses on investments in negotiable debt securities and bonds in a euro money market benchmark. There is no equity risk exposure | No FOREX risk in the home € zone. Interest rate risk Credit risk | 0.28 | Minimum recommended investment period: 7 days. |
| 2 | Crédit Agricole | *MONE 3M* | Mutual fund | FR0000979825 | 736,859 | Euro money market | The fund seeks to equal the performance of the *EONIA Capitalisé* index less actual management costs. | The investment universe is focused on money market instruments and bonds. The net assets of the funds are destined to be fully invested in the following: euro zone government securities in the form of repos or short-term securities, intermediate-term treasury securities issued by governments of the euro zone with maturities of less than two years, certificates of deposit, London CD's, euro zone commercial paper, bonds, MTN, EMTN | Credit risk, Interest rate risk, Capital loss risk, Counterparty risk | 0.13 | Minimum recommended investment period: 3 months. |
| 3 | CM-CIC ASSET MANAGEMENT | *OCEAN TRESORERIE* | Mutual fund | Not subject to AMF authorisation | 804,334 | Euro money market | This fund is destined for investors seeking regular growth in NAV | The portfolio shall consist primarily of bonds, negotiable debt securities and equivalent securities with an exposure in one or more of the interest rate markets of the euro zone. Océan Trésorerie may undertake transactions in futures and options markets (including vehicles such as swaps, caps, floors and collars ...) for up to100% of the fund's assets. It may also engage in repurchase agreement transactions. The fund may invest in different UCITS between 5% and 50% of its assets. | Credit risk, interest rate risk, risks in connection with debt securities | na | Minimum recommended investment period: 10 days. |
| 4 | Caisse d'Epargne | *ECUREIL EXPANSION* | Mutual fund | FR0000979825 | 1,459,743 | Euro money market | Ecureuil Expansion seeks to provide a performance comparable to the EONIA index less actual management fees, by selecting money market and bond instruments to achieve a return without risk. | Ecureuil Expansion assets consist of bonds, debt securities or money market instruments. Portfolio securities have a maturity of between 0 and 3 years. Borrowing of cash, repurchase agreements, deposits and derivative instruments may be used in connection with the management of the fund, with the purpose of derivatives being to expose or cover fund assets to interest rates. Assets may also include UCITS units or shares in connection with the fund's cash fund management. | Credit risk, interest rate risk, capital loss risk | 0.15 | Recommended investment period: a few days to 3 months. |
| 5 | Excess credit: | *MONETAIRE LARGE* | Mutual fund | FR0007430772 | 1,861,796 | Euro money market | Provide investors with a return that outperforms the IEONIA capitalisé less actual management fees. | Fund assets are fully invested at all times through the fund CAAM TRESO MONETAIRE and accessorily in cash. The investment strategy of the master fund is to invest in money market and bond instruments. | Credit risk, interest rate risk, capital loss risk, counterparty risk | 0.18 | Minimum recommended investment period: 1 week. |
| 6 | Crédit Agricole | *SEQUIN* | Open-ended in | FR0000979825 | 11,623,601 | Euro money market | A dynamic money market fund seeking to outperform the EONIA Capitalisé index of 1.5% over the minimum recommended 18 month investment period. | | Interest rate risk, credit risk | 0.17 | Minimum recommended investment period: 1.5 years. |
| 7 | Crédit Agricole | *DAT ENTREPRISE 2 ANS* | DAT | | 2,000,000 | Fixed term deposit | Progressive rate - accrued interest | | | | 26/02/2011 |
| 8 | Crédit Agricole | *DAT ENTREPRISE 2 ANS* | Time deposit | | 2,000,000 | Fixed term deposit | Progressive rate - accrued interest | | | | 30/06/2011 |
| 9 | Caisse d'Epargne | *DAT CAPTIO PRESTANCE* | Time deposit | | 2,000,000 | Fixed term deposit | Progressive rate - accrued interest | | | | 02/07/2012 |
| 10 | Accrued interest on time deposits | | Time deposit | | 68,180 | Fixed term deposit | Progressive rate - accrued interest | | | | |
| | Cash & bank and in hand | Cash at bank & in hand | Cash at bank & in hand | | 5,412 | Cash at bank & in hand | | | | | |
| | | | | | | | | | | | |
| | Mutual funds | 5,862,739 | | Cash | | 5,412 | | | | | |
| | Open-ended investment funds (SICAV) | 11,623,601 | | Cash equivalents | | 23,554,519 | | | | | |
| | Time deposits | 6,068,180 | | Current financial assets | | 0 | | | | | |
| | Cash at bank and in hand | 5,412 | | | | | | | | | |
| | | **23,559,932** | | | | **23,559,932** | | | | | |

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### 4.7.8 - Bank borrowings

| *In thousands of euros* | | At 30 June 2010 | At 31 December 2009 |
|---|---|---|---|
| CA 1000 of 31/01/05 | 3-month Euribor floating rate + 0.65% | 476 | 526 |
| CA 800 of 31/12/2009 | 3-month Euribor floating rate +1.10% | 761 | 800 |
| CM 890 of 31/01/2005 | 3-month Euribor floating rate + 0.60% | 424 | 469 |
| CM 450 of 16/06/2005 | 3-month Euribor floating rate + 0.50% | 129 | 161 |
| CM 400 of 25/04/2006 | 3.60% fixed rate | 173 | 201 |
| CM 400 of 10/08/2007 | 3-month Euribor floating rate + 0.70% | 243 | 272 |
| CM 1200 of 08/08/08 | 5.45% fixed rate | 948 | 1,025 |
| CM 600 of 23/12/2009 | 3-month Euribor floating rate +1.25% | 571 | 600 |
| CM 1,030 of 18/06/2010 (1) | 2.70 % fixed rate | 1,031 | 0 |
| CE 940 of 10/01/2005 | CODEVI + 1% floating rate | 491 | 539 |
| CE 250 of 20/04/2006 | CODEVI + 0.90% floating rate | 115 | 134 |
| CE 400 of 10/08/2007 | 3-month Euribor floating rate + 0.70% | 259 | 287 |
| CE 300 of 25/07/08 | 5.40% fixed rate | 277 | 270 |
| CE 600 of 23/12/2009 | 1-month Euribor floating rate +1.20% | 570 | 600 |
| CL 500 of 23/12/2009 | 1-month Euribor floating rate +1.25% | 475 | 500 |
| Current bank facilities, bank credit balances | | 0 | 1 |
| **Total** | | **6,942** | **6,385** |
| - current portion | | 1,185 | 1,024 |
| - non-current portion | | 5,757 | 5,361 |

**a. At 30/06/2010**

| *In thousands of euros* | | Gross | Up to 1 year | More than 1 year |
|---|---|---|---|---|
| Total borrowings | | 6,942 | 1,185 | 4,237 |
| *of which loans secured during the period* | *1,030* | | | |
| *of which loans repaid in the period* | *472* | | | |

**b. At 31 December 2009**

| *In thousands of euros* | | Gross | Up to 1 year | More than 1 year |
|---|---|---|---|---|
| Total borrowings | | 6,385 | 1,024 | 3,835 |
| *of which loans secured during the period* | *2,500* | | | |
| *of which loans repaid in the period* | *728* | | | |

No covenants exist under loans used to finance a portion of the work related to the construction of the laboratories of Vivalis and their equipment.

An allocation agreement with respect to an interest rate swap was established on 11 June 2010 between Grimaud Group and Vivalis, following the conclusion by Grimaud Group and Crédit Agricole Corporate and Investment Bank of an interest rate swap agreement for three years.

Pursuant to this allocation agreement, for Vivalis, the amount hedged was €2,204,000 at 30 June 2010 (date of the first application of the contract), €1,856,000 at 30 June 2011 and €1,479,000 at 30 June 2012.

Crédit Agricole Corporate and Investment Bank (CACIB) will apply every quarter the three month EURIBOR to the hedged base and Vivalis will pay 1.31% of the hedged base.

### 4.7.9 - Other non-current and current liabilities

| *In thousands of euros* | Non current portion | | Current portion | |
|---|---|---|---|---|
| | **At 30 June 2010** | **At 31 December 2009** | **At 30 June 2010** | **At 31 December 2009** |
| Investment grants | 1,113 | 1,234 | 202 | 170 |
| Subordinated grants | 4,559 | 4,559 | 0 | 0 |
| Research services (deferred income) | 0 | 0 | 256 | 623 |
| Upfront and milestones payments | 5,924 | 4,226 | 3,104 | 1,464 |
| Operating grants (deferred income) | 1,431 | 1,000 | 567 | 711 |
| Amounts payable on fixed assets | 0 | 0 | 1,565 | 739 |
| Debt on the acquisition of a subsidiary | 6,200 | 0 | 2,375 | 0 |
| Other trade payables | 0 | 0 | 21 | 0 |
| **Total other liabilities** | **19,227** | **11,019** | **8,090** | **3,707** |

#### a. Investment grants

| *In thousands of euros* | **MENRT 04G608** | **REGION NANTES** | **MINEFI 6075** | **REGION EPF** |
|---|---|---|---|---|
| Amount granted | 441 | 500 | 954 | 111 |
| Grant date | 05 January 2005 | 13 September 2005 | 11 August 2006 | 12 October 2006 |
| **Net amount at 01/01/2007** | **441** | **446** | **954** | **111** |
| Grant for 2007 | 0 | 0 | 0 | 0 |
| Reclassifications into operating grants (1) | -236 | 0 | -828 | 0 |
| Grant transferred to 2007 net income | -23 | -75 | 0 | 0 |
| **Net amount at 31/12/2007** | **182** | **371** | **126** | **111** |
| Grant for 2008 | 0 | 0 | 0 | 0 |
| Reclassifications into operating grants | 0 | 0 | 0 | 0 |
| Grant transferred to 2008 net income | -21 | -75 | 0 | -5 |
| **Net amount at 31/12/2008** | **161** | **296** | **126** | **106** |
| Grant for 2009 | 0 | 0 | 0 | 0 |
| Grant transferred to 2009 net income | -20 | -69 | 0 | -10 |
| **Net amount at 31/12/2009** | **141** | **227** | **126** | **96** |
| Grant for 2010 | | | | |
| Grant transferred to 2010 net income | -10 | -33 | 0 | -5 |
| **Net amount at 30/06/2010** | **131** | **194** | **126** | **91** |

| *In thousands of euros* | **REGION EPF** | **REGION EPF** | **REGION Energie** | **OSEO Vivabio** | **DEPT 44 Nvx Labo** | **TOTAL** | **Current** | **Non-current** |
|---|---|---|---|---|---|---|---|---|
| Amount granted | 137 | 115 | 15 | 556 | 87 | | | |
| Grant date | 12 October 2006 | 12 October 2006 | 15 December 2008 | 26/06/2009 | 13 October 2009 | | | |
| **Net amount at 01/01/2007** | **0** | **0** | **0** | | | **1,953** | | |
| Grant for 2007 | 137 | 0 | 0 | | | 137 | | |
| Reclassifications into operating grants | 0 | 0 | 0 | | | -1,064 | | |
| Grant transferred to 2007 net income | 0 | 0 | 0 | | | -98 | | |
| **Net amount at 31/12/2007** | **137** | **0** | **0** | | | **928** | **121** | **807** |
| Grant for 2008 | 0 | 115 | 15 | | | 130 | | |
| Reclassifications into operating grants | 0 | 0 | 0 | | | 0 | | |
| Grant transferred to 2008 net income | -20 | -7 | 0 | | | -128 | | |
| **Net amount at 31/12/2008** | **117** | **108** | **15** | | | **930** | **128** | **802** |
| Grant for 2009 | 0 | 0 | 0 | 556 | 87 | 643 | | |
| Reclassifications into operating grants | 0 | 0 | 0 | | 0 | 0 | | |
| Grant transferred to 2009 net income | -1 | -9 | 0 | -59 | 0 | -168 | | |
| **Net amount at 31/12/2009** | **116** | **99** | **15** | **497** | **87** | **1,404** | **170** | **1,234** |
| Grant for 2010 | | | | | | **0** | | |
| Grant transferred to 2010 net income | -6 | -6 | 0 | -29 | 0 | -89 | | |
| **Net amount at 30/06/2010** | **110** | **93** | **15** | **468** | **87** | **1,315** | **202** | **1,113** |

### b. Operating grants recognised under deferred income

| *In thousands of euros* | DATAR | ANVAR | MINEFI | DIACT | REGION | OSEO | ANR | Other | TOTAL | Current | Non-current |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Amount granted | 441 | 100 | 954 | 550 | 610 | 2,690 | | | | | |
| **Deferred income at 01/01/2007** | **308** | **100** | **0** | **0** | **72** | | | | **480** | | |
| **Reclassifications into investment grants** | | | **829** | | | | | | | | |
| Grant for 2007 | 0 | 0 | 0 | 0 | 274 | | | | 2,130 | | |
| Grant transferred to 2007 net income | -110 | -5 | -143 | 0 | -222 | | | | -365 | | |
| **Net amount at 31/12/2007** | **198** | **95** | **686** | **0** | **124** | | | | **1,103** | **435** | **668** |
| Grant for 2008 | 0 | 0 | 0 | 550 | 115 | | | | 2,540 | | |
| Reclassifications into operating grants | 0 | 0 | 0 | 0 | 0 | | | | 1,286 | | |
| Grant transferred to 2008 net income | -88 | -25 | -311 | 0 | -209 | | | | -520 | | |
| **Net amount at 31/12/2008** | **110** | **70** | **375** | **550** | **30** | | | | **1,135** | **350** | **785** |
| Grant for 2009 | 0 | 0 | 0 | 0 | 0 | 2,690 | | | 2,690 | | |
| Reclassifications into operating grants | 0 | 0 | 0 | 0 | 0 | | | | 0 | | |
| Grant transferred to 2009 net income | -110 | 0 | -375 | -30 | -30 | -1,569 | | | -2,114 | | |
| **Net amount at 31/12/2009** | **0** | **70** | **0** | **520** | **0** | **1,121** | | | **1,711** | **711** | **1000** |
| Grant for 2010 | | | | | | | 540 | 20 | 560 | | |
| Grant transferred to 2010 net income | | | 106 | -30 | | -286 | -43 | -20 | -273 | | |
| **Net amount at 30/06/2010** | **0** | **70** | **106** | **490** | **0** | **835** | **497** | **0** | **1,998** | **567** | **1431** |

### 4.7.10 - Trade payables and related accounts

| *In thousands of euros* | **At 30 June 2010** | **At 31 December 2009** |
|---|---|---|
| Operating payables | 1,018 | 641 |
| Notes payable | 113 | 43 |
| Operating payables – purchase invoice accruals | 486 | 300 |
| **Total** | **1,617** | **984** |

### 4.7.11- Tax and employee-related liabilities

| *In thousands of euros* | **At 30 June 2010** | **At 31 December 2009** |
|---|---|---|
| VAT due | 660 | 67 |
| Other tax payables | 274 | 170 |
| Wages and salaries | 457 | 415 |
| Social security charges | 675 | 632 |
| **Total tax and employee-related liabilities** | **2,066** | **1,284** |

At 30 June 2010 "the line item "Other tax payables" included corporate income tax payables of €76,000.

### 4.7.12 - Revenue

| *In thousands of euros* | **For the period ended 30 June 2010** | **For the period ended 30 June 2009** |
|---|---|---|
| Research services | 507 | 409 |
| Licensing income | 1,263 | 977 |
| **Total** | **1,770** | **1,386** |

| *In thousands of euros* | **For the period ended 30 June 2010** | **For the period ended 30 June 2009** |
|---|---|---|
| Sales in France | 321 | 209 |
| Export sales | 1,449 | 1,177 |
| **Total** | **1,770** | **1,386** |

### 4.7.13 - Operating grants

| *In thousands of euros* | **For the period ended 30 June 2010** | **For the period ended 30 June 2009** |
|---|---|---|
| ANVAR | 0 | |
| DATAR | 0 | 99 |
| ANRT | 7 | 7 |
| Pays de Loire Region | 0 | 31 |
| MINEFI | -106 | 171 |
| DIACT | 30 | 20 |
| OSEO | 286 | 1,089 |
| ANR | 43 | 0 |
| Other | 13 | 2 |
| **Subtotal of operating grants** | **273** | **1,419** |
| Other grants | 89 | 90 |
| **Total** | **362** | **1,509** |

### *4.7.14 - Other income*

| *In thousands of euros* | **For the period ended 30 June 2010** | **For the period ended 30 June 2009** |
|---|---|---|
| Research tax credits | 858 | 222 |
| Family tax credit | 1 | 2 |
| Reversal of provisions for doubtful trade receivables | 14 | 0 |
| Miscellaneous management income | 0 | 9 |
| **Total** | **873** | **233** |

#### 4.7.15 - Depreciation and amortisation, provisions and impairment

| *In thousands of euros* | **For the period ended 30 June 2010** | **For the period ended 30 June 2009** |
|---|---|---|
| Amortisation of intangible fixed assets | 299 | 284 |
| Depreciation of property, plant and equipment | 549 | 422 |
| Impairment of intangible fixed assets | 0 | 0 |
| For current assets | 0 | 56 |
| Provisions for pension liabilities | 28 | 0 |
| Provisions for contingencies | 12 | 0 |
| ***Total allowances for depreciation and amortisation, provisions and impairment*** | **888** | **762** |

The increase in allowances for the depreciation of plant, property and equipment includes depreciation allowances for the new building and its installations and equipment as of 11 June 2010.

#### 4.7.16 - Impact of the Humalys acquisition

**a- on cash flow**

| | | | |
|---|---|---|---|
| Purchase price of the entity (discounted value) | A=A1+A2 | 12,264 | |
| *of which the guaranteed purchase price* | *A1* | | *9,702* |
| *of which earnout payments* | *A2* | | *2,562* |
| Purchase price paid | B=B1+B2 | -3,822 | |
| *of which for former shareholders* | *B1* | | *-3,689* |
| *of which for ancillary expenses* | *B2* | | *-133* |
| Debt incurred | C=A-B | 8,442 | |
| Cash acquired | D | 922 | |
| Impact of consolidation | F=B+D | -2,900 | |
| Net financial debt of newly consolidated companies excluding cash | G | 0 | |
| **Net impact of changes in newly consolidated companies** | **H=F+G** | **-2,900** | |

**b - Valuation of goodwill**

| | On acquisition date | At 30 June 2010 | Charge on the reversal of the measurement of present value | Valuation difference |
|---|---|---|---|---|
| Guaranteed price - gross value | 10,439 | 10,439 | | |
| Guaranteed price - discounted value | 9,486 | 9,702 | -216 | |
| Earnout payments - gross value | | 2,499 | | |
| Earnout payments - discounted value | 1,617 | 2,562 | -63 | -882 |
| **Purchase price - discounted value** | **11,103** | **12,264** | **-279** | **-882** |
| Provisional estimate of fair value of identifiable acquired assets and liabilities | 1,343 | | | |
| **Provisional goodwill** | **9,760** | | | |

The allocation of goodwill was in progress at 30 June 2010 as the valuation of the Humalex technology, not yet recognized under international assets of the separate financial statements has not yet been completed.

#### 4.7.17 - Earnings per share

| | | For the period ended 30 June 2010 | For the period ended 30 June 2009 |
|---|---|---|---|
| Basic net loss (in thousands of euros) | (a) | -5,924 | -3,127 |
| Number of ordinary shares at the beginning of the period: | | 14,799,131 | 14,613,031 |
| - Capital increases (weighted average number) | | 5,119 | 1,567 |
| - Treasury shares (weighted average number) | | | |
| **Weighted average number of shares in the period:** | (b) | 14,804,250 | 14,614,598 |
| **Basic net earnings per share (in euros)** | **(a) / (b)** | **-0.40** | **-0.21** |

In light of the net loss, diluted earnings per share is considered identical to basic earnings.

### 4.8 - Information concerning related parties

Grimaud Group agreed to stand guarantee for a loan of €1,030,000 obtained from Crédit Mutuel by Vivalis on 11 June 2010. This agreement was authorised by the Supervisory Board on 10 June 2010 and provides for payment to Grimaud Group for 0.75% of the outstanding amount guaranteed by Grimaud la Corbière Group.

An allocation agreement with respect to an interest rate swap was established on 11 June 2010 between Grimaud Group and Vivalis, following the conclusion by Grimaud Group and Crédit Agricole Corporate and Investment Bank of an interest rate swap agreement for three years.

Pursuant to this allocation agreement, for Vivalis, the amount hedged was €2,204,000 at 30 June 2010 (date of the first application of the contract), €1,856,000 at 30 June 2011 and €1,479,000 at 30 June 2012.

Crédit Agricole Corporate and Investment Bank (CACIB) will apply every quarter the three month EURIBOR to the hedged base and Vivalis will pay 1.31% of the hedged base.

### 4.9 - Commitments and contingent liabilities

There have been no material changes in commitments and contingent liabilities at 31 December 2009 as of 30 June 2010.

### 4.10 - Subsequent events

Vivalis announced a rights issue with maintenance of preferential subscription rights of 2 July 2010 pursuant to authorisation by the French financial market authority (AMF) of the prospectus on 1 July 2010. The purpose of this rights issue is to finance the discovery of new proprietary products (monoclonal antibodies) and industrialize the Humalex® technology.

Vivalis' rights issue was carried out with success, raising €30 million. The settlement-delivery date for the new shares was 28 July 2010.

Following this rights issue, bearer shares accounted for 39.30% of the share capital and the Grimaud Group remained the majority shareholder of Vivalis with a 51.9% stake. In effect, this rights issue followed the acquisition of a stake in the Grimaud Group by the Fonds Stratégique d’Investissement (FSI) for €40 million.