

**Accelerating commercial growth in 2008 third quarter****Nine-month revenue: €3.6 million (x 3.7)****Net cash at September 30, 2008 increases to €22 million**Nantes (France) – October 28, 2008

Vivalis (NYSE Euronext Paris: VLS – ISIN: FR0004056851), a biopharmaceutical company that provides the pharmaceutical industry innovative cell-based solutions for the manufacture of vaccines and proteins and develops drugs to prevent and treat viral diseases, announces 2008 third-quarter revenue of €2.7 million and net cash of €22 million at 30 September 2008.

**Franck Grimaud, Chief Executive Officer of Vivalis, commented: "The excellent third-quarter financial and commercial performances are the result of our efforts to develop and reinforce the position of Vivalis' innovative technologies as a future worldwide standard for the production of vaccines and therapeutic proteins. Nine-month revenue of €3.6 million highlights conclusive results for the EB66<sup>®</sup> cell line technology that resulted in a milestone payment invoiced to a licensee. With a strong cash position of €22 million (that does not include the OSEO €3.4 million grant advance and the milestone payment) and the 21 on-going license agreements, Vivalis is very confident that it will meet its objectives."**

**Strong acceleration in third-quarter revenue**

(Excluding VAT, in thousands of euros, French GAAP)

<b>Fiscal year</b>	<b>2008</b>	<b>2007</b>
First quarter	165	470
Second quarter	766	470
Third quarter	2 677	29
<b>Nine-month revenue</b>	<b>3 608</b>	<b>969</b>

Revenue for the 2008 third quarter, including services and products through license agreements, totaled €2.7 million. The acceleration in revenue that began in the previous quarter continued in the third quarter and reflects the contribution of initial R&D efforts combined with Vivalis' ambitious commercial strategy resulting in 5 new license agreements since the start of the year. This performance also includes a significant €2 million milestone payment invoiced to a licensee following the achievement of conclusive results.

Nine-month revenue was €3.6 million or 3.7 times revenue for the same period in 2007.

It should be noted that revenue originates primarily from upfront and milestone fees under license agreements. On this basis, revenue is irregular from one quarter to the next and consequently does not accurately reflect the technological and commercial advances of Vivalis.

### **Growth in the capital resources in the third quarter**

In the third quarter, Vivalis had a cash surplus of €0.6 million compared with a cash burn of €1.5 million in the second quarter. Accordingly, increased expenses associated with further R&D efforts were offset by payments for services, upfront fees from new agreements and the €1.5 million loan drawdown to finance the acquisition of research and development equipments.

On this basis, at September 30, 2008 Vivalis had cash and cash equivalents of €22 million up from €21.4 million at June 30, 2008. In addition, this amount does not include €3.4 million advance from the €6 million OSEO ISI grant and the €2 million milestone payment. As a result, Vivalis has a solid financial position and financing for its operations independent of the financial markets to pursue its development over the coming four years with confidence and serenity.

In light of the above, net cash burn for the first nine months was only €3 million, confirming the efficiency of Vivalis' low cash burn model.

### **€6 million OSEO grant**

On July 23, Vivalis received a commitment from OSEO, the French agency for innovation, for a grant of €6 million in the form of repayable loans and direct subsidies to develop two comprehensive production processes and the manufacture of clinical batches of vaccines and proteins based on its EBx<sup>®</sup> technology. A partner in the biopharmaceutical industry in the field of antibodies and Geovax (USA) in the field of vaccines will participate in this programme.

This grant, granted through the new strategic industrial innovation support program of Oséo, will be repayable only if the project is successful. Repayment will be made on the basis of a limited percentage on Vivalis' initial royalties for the first vaccine and first antibody following market approval for a specified period.

### **Commercial successes and strengthening of R&D**

Three new license agreements were concluded in the third quarter with Acambis and Geovax for the development of their human vaccine and Intervet-Schering Plough in the field of animal vaccines. In addition, negotiations are in progress on new research and commercial agreements, concerning vaccines and therapeutic proteins with international companies operating in these two sectors. Advances are expected in the coming months on certain negotiations. Growing interest in Vivalis' technologies confirms the unique and highly efficient nature of the solutions it has developed.

Pursuing a strategy of actively protecting its intellectual property, Vivalis obtained a key patent for its EBx<sup>®</sup> technology. Accordingly, on September 30, Vivalis had a portfolio of 47 patents and 36 patent applications, further strengthening its unique worldwide position for avian stem cells lines.

Finally, more than nine years R&D efforts by Vivalis continues to produce achievements and has led to significant new results for its EB66<sup>®</sup> technology, confirmed this quarter by the €2 million milestone payment by a licensee.

### **Outlook**

Operating in a sector with high growth potential, Vivalis is confident in its prospects for development. The momentum that began in the 2008 second quarter should continue over the coming quarters. In addition, with 5 new license agreements signed since the beginning of the year including 2 commercial licenses, the Company should easily attain its objective of seven to nine new license agreements for the year.

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**Next financial press release:**

**January 27, 2009, after Euronext market closing: 2008 annual revenues**

**About Vivalis (www.vivalis.com)**

Vivalis (NYSE- Euronext: VLS) is a biopharmaceutical company that provides to the pharmaceutical industry innovative cell-based solutions for the manufacture of vaccines and proteins, and develops drugs to prevent and treat viral diseases. Vivalis' know-how and proprietary technologies are commercially exploited in three main areas:

1. Vaccine development and manufacturing. Vivalis grants research and commercial licenses to its proprietary EBx® embryonic stem cell lines to pharmaceutical and biotechnology companies and to the pharmaceutical industry for the production of viral vaccines. The company receives upfront and milestone fees and royalties on customer sales.
2. Recombinant therapeutic protein and monoclonal antibody production systems development. Vivalis licenses to pharmaceutical and biotechnology companies its EBx® embryonic stem cell lines to manufacture recombinant therapeutic proteins. The company receives upfront and milestone fees and royalties on customer sales.
3. The build-up of a proprietary portfolio of vaccines and anti-viral molecules (Hepatitis C)

Based in Nantes (France), Vivalis was created in 1999 by Group Grimaud (1,450 employees), the n°2 group worldwide in animal genetic breeding. Vivalis has established several partnerships with worldwide leaders in their respective fields, including Sanofi Pasteur, GlaxoSmithKline, CSL, Kaketsuken, Merial, SAFC Biosciences. Vivalis is a member of the French Atlantic Biotherapies cluster.

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

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