NEOVACS LAUNCHES €6.3 MILLION CAPITAL INCREASE TO FINANCE CLINICAL PROOF-OF-CONCEPT FOR THE TNF-KINOID

- **Capital increase with preemptive subscription rights ("Rights") for existing shareholders**
- **Subscription ratio of 2 new shares for 9 existing shares**
- **Subscription price: € 1.80**
- **Amount targeted € 6.265 M, with an option to increase to € 7.205 M**
- **Subscription period : February 19, 2013 to March 1, 2013**
- **Eligible for TEPA/ISF tax provisions within the maximum allowed amount of €2.5M[1]**

NEOVACS draws investors' attention to Section 4 "Risk factors" of the prospectus registered with the "Autorité des Marchés Financiers" on February 14 under n°13-032 visa, the Reference Document registered with the AMF on March 30 2012 under R.12-008, the update to the Reference Document submitted on February 14, 2013 under number D.12-0109-A01 and the summary of the Prospectus.

Paris, February 15 2013 – NEOVACS (Alternext Paris: ALNEV), **a biotech company focused on the development of active immunotherapies to treat autoimmune and inflammatory diseases,** announces the launch of a capital increase of €6,265,746 (on the basis of 1.80€ per new share), with preemptive subscription rights for existing shareholders. The proceeds of this capital increase will be used to finance the pursuit of clinical development of NEOVACS' main products and in particular the launch of a Phase IIb clinical trial in Rheumatoid Arthritis.

Given the encouraging results obtained in clinical studies in 3 separate indications, Neovacs' Board and management has decided to advance clinical development in order to 1) obtain rapidly proof-of-concept for the TNF-Kinoid and 2) allow all shareholders to take part in this critical phase of the Company's development.

"*The results published in all three targeted diseases confirm not only the safety and tolerability of our products but also show promising signs of efficacy. Based on these results, we have decided to go take the next step in the clinical development of our products so we can be in a very strong position to negotiate licensing deals with potential partners. To get there, we have decided to dedicate our efforts to reaching proof-of-concept of the TNF-Kinoid in Rheumatoid Arthritis – a disease with a major unmet*

[1] Investors requesting an individual tax statement must attach to their request an official statement of the total amount subscribed from their bank/securities intermediary. Any request must be made with NEOVACS within 30 days of the settlement/delivery of new shares.

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medical need. The funds raised will also allow us to make progress in the pharmaceutical development of our two products (TNF-Kinoid and IFNα-Kinoid) and continue to follow patients who have taken part in our previous clinical trials" commented Guy-Charles Fanneau de la Horie, the CEO of NEOVACS.

I. UPDATE ON COMPANY ACHIEVEMENTS AND SHORT TERM DEVELOPMENT GOALS

KEY ACHIEVEMENTS CONFIRM THE HIGH POTENTIAL OF NEOVACS' PORTFOLIO IN 3 SEVERE DISEASES

- **Rheumatoid Arthritis**: Promising Phase IIa clinical results of the TNF-K-003 study in patients resistant to anti-TNF treatments were published on January 5, 2012. Follow-up results at Month 6 bolstered these results and showed an improvement in disease symptoms in patients with Kinoid-induced antibodies

- **Crohn's Disease:** Final results of the Phase II clinical study presented in November 2012 confirmed that the TNF-Kinoid is immunogenic, well tolerated, and showed an association between antibodies induced by active immunization and clinical remission.

- **Lupus:** Very encouraging results in the Phase I/II of the clinical trial continue to receive significant attention from the scientific community and were just recently published in the journal *Arthritis & Rheumatism* (February 2013). The safety record of IFNα-Kinoid is excellent, as confirmed by 2 years of patient follow-up since the study.

TARGET MARKETS OF OVER $24 BILLION

Over 10 million people in the industrialized world suffer from Rheumatoid Arthritis (RA), Crohn's Disease and Lupus. The target market for the TNF-Kinoid currently in development is over $24 billion with a 15% CAGR (Source: Company reports). In RA alone, it is estimated that anti-TNF treatments generated over $12.7 billion in revenue and could reach $17 billion in 2015 (*Source : Vision Gain Report / Rheumatoid Arthritis / World Drug Market 2011 - 2021 – Sept. 2011*).

Recent activity in the autoimmune innovative drug market is very encouraging in this regard: Examples of high value transactions include Abbott and Galapagos, which signed a $1.15 billion licensing deal in Rheumatoid Arthritis in February 2012; Sanofi and Glenmark Pharmaceuticals, whic signed a $613 million licensing deal in Crohn's disease; andGlaxoSmithKline's $3.6 billion takeover of Human Genome Science, including its recently approved lupus drug Benlysta. Pharmaceutical industry interest in novel lupus therapies remains high since Benlysta's launch as illustrated by Roche /Genentech's decision to initiate a Phase III study of its monoclonal antibody targeting interferon alpha.

Immunotherapies are now identified as the potential next generation treatment for a wide variety of pathologies including auto-immune diseases. Non-invasive, well-tolerated, effective and less expensive, this technology has the potential to address major unmet medical needs and drive a commercial opportunity for the pharmaceutical industry.

AN AMBITIOUS STRATEGY

With its breakthrough technology – Kinoid active immunotherapy – NEOVACS is focused on the very attractive segment of auto-immune diseases and addressing the biggest commercial success of the past

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few years: monoclonal antibodies. **NEOVACS' proprietary technology addresses major unmet medical needs unserved by the mAbs, as well as offering a commercially attractive opportunity to large pharmaceutical companies, threatened by the loss of revenues following the expiration of key patents. .**

NEOVACS is following a pragmatic approach to product development. The Kinoid technology can be applied to any cytokine target. However, to manage risk and accelerate time-to-market, Neovacs has chosen to focus first on validated or well-established targets. This has allowed the company to bring two products to Phase II in less than 3 years.

NEOVACS' business model is to develop innovative treatments and then out-license the technology to major players in the pharma and biotech industry. The company is actively seeking partners within major players in the field with the financial, regulatory and marketing resources and expertise to manage late stage clinical trials and subsequent commercialization.

RAISING FUNDS TO FINANCE CLINICAL PROOF-OF-CONCEPT FOR THE KINOIDS

Based on the very promising results that obtained so far, the growing interest in immunotherapies, and the need to optimize limited resources on the other hand, NEOVACS has decided to focus in the short term on achieving proof-of-concept with the TNF-Kinoid in RA.

Why Rheumatoid Arthritis?
The strategic decision to move forward with RA was made taking into account the following considerations:

- The billion-dollar sales of leading products in RA,
- The high prevalence of the disease,
- The dominanant commercial position of the anti-TNFs biologics, some of which face patent expiration in the next 3 years,
- The high growth potential for cheaper therapeutics in this market, in which high prices have limited penetration.

Use of funds raised
The immediate goal of the rights issue is to accelerate Neovacs' strategic development goals, by initiating in the very short term a phase IIb/III study of TNF-Kinoid in Rheumatoid Arthritis. The pharmaceutical development of TNF-Kinoid in Crohn's Disease and IFNα-Kinoid will continue to a lesser extent.

By initiating a phase IIb study in RA in the short term, NEOVACS believes it can achieve rapid and cost-effective proof-of-concept for its technology. **Meeting this key short development goal will allow NEOVACS to maximize the value of its portfolio, through supporting licensing deal discussions with major players in the pharmaceutical industry.** Concluding such deals would then allow the Company to finance further development of its other products.

"The doctors and patients that I meet day after day tell me that they need more effective therapeutics to treat rheumatoid arthritis, Crohn's disease or Lupus. NEOVACS made the choice of active immunotherapy early on to bring new options to patients suffering from autoimmune and inflammatory diseases. We are confident that our technology has the potential to supersede monoclonal antibodies. The strong clinical results that we have obtained confirm our chosen strategy" commented Pierre Vandepapelière, Chief Medical Officer of NEOVACS.

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"*We are proud of our ground-breaking vision, our fast development schedule and promising clinical results. We thank the shareholders who have supported us from the outset, as well those who have recently joined us and enabled us to bring our products this far. By launching a capital increase with preemptive subscription right today, we are calling on their renewed support to help us take the next decisive step: achieving irrefutable clinical proof-of-concept for our technology, which will help us bring the most value from our products in discussions with potential partners"* concluded Guy-Charles de la Horie.

II. TERMS OF THE CAPITAL INCREASE

- **Preemptive subscription rights for existing shareholders**

The share capital increase will be carried out with preemptive rights ("DPS" in French) via the issuance of 3,480,970 new shares at a price of €1.80 per new share, representing gross proceeds of €6,265,746. The number of new shares may be increased to a maximum of 4,003,115 new shares, representing maximum gross proceeds of €7,205,607.
Current shareholders are being given the option to subscribe, on a preemptive basis, for 2 new shares for every 9 existing shares held as of February 15, 2013. Accordingly 9 preemptive rights will give right to subscribe for 2 new shares at the price of €1.80 per share *(«à titre irreductible»*);
On the basis of the closing price of NEOVACS' shares on February 11, 2013 (€3.00) the theoretical value of each Right is €0.22.
The subscription price represents a 40% discount to the closing price of the Company's shares on February 11, 2013 and a 35.25% discount to the theoretical ex-rights price.
In addition, shareholders may apply to subscribe for new shares in excess of their Rights ("Excess Shares"). Applications for such Excess Shares will be satisfied to the extent that shareholders do not subscribe for their Rights. If the aggregate of Excess Shares applied for exceeds the number of Rights Issue Shares not subscribed for, individual Excess Share applications will be scaled back pro rata to the aggregate number of Excess Shares available for issue *(« à titre réductible »).*
The offer will be open to the public only in France.

- **Indicative timetable**

The subscription period for the new shares will run from February 19, 2013 to the close of trading on March 1st 2013. During this period, the Rights will be listed and traded on the regulated market of NYSE Euronext in Paris under ISIN code FR0011408756. Rights not exercised before the end of the subscription period, i.e., the close of business on March 1st, 2013 will be void.
The settlement of the new shares is expected to occur on March 15, 2013. The listing of new shares on Alternext is expected on March 18 2013. The new shares will rank pari passu in all respects with existing shares and will be traded under the same ISIN code FR0004032746.

- **Tax regime**

This capital increase is eligible for an income/wealth tax credit pursuant to the TEPA legislation. In order for individual subscribers to benefit from the above mentioned provisions, where appropriate, NEOVACS will make all necessary efforts to address requests in the order in which they are received, and according to the principle of "first come, first served". NEOVACS reserves the right to advance the closing day of the subscription period to the date when the maximum allowable amount of €2.5 million is reached. Please note that NEOVACS therefore cannot guarantee in any way that subscribers will be able to benefit from an income/wealth tax credit for the totality, or even part, of their subscription.

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- **Subscription intentions**

In undertaking letters dated February 13 2013, Truffle Capital and OTC Asset Management have agreed to make Excess Share applications *(« à titre réductible »)* in the amount of € 1.35M. Excess Share applications made by Truffle and OTC AM will be scaled back at the same level as other Rights holders who would have made Excess Share Applications, i.e. pro rata to the number of Rights in their possession. Truffle Capital and OTC Asset Management have also agreed to to sell parts of their Rights in lots to 4 qualified investors (details below).

Four qualified investors have committed to subscribe to Rights for a total of €1.47M. These investors will purchase for the price of €1 per lot the Rights that Truffle Capital, OTC Asset Management and Novartis Venture Fund would agree to sell them.

Therefore, the subscription commitments, in Rights and in Excess Shares, represent a total of €2.82 million, i.e. 45% of the total capital increase including 23,5% with Rights *(« à titre irréductible* ») corresponding to the subscriptions of the 4 qualified investors; and 21,5% in Excess Shares (*« à titre réductible* ») corresponding to the subscriptions of Truffle Capital and OTC Asset Management.

- **Financial Intermediaries**

Invest Securities
Société de Bourse

Invest Securities
73, Boulevard Haussmann
75008 Paris

- **Availability of the Prospectus**

The French market authority (*Autorité des marchés financiers* - the "AMF") granted visa number 13-032 to the Prospectus related to NEOVACS' capital increase on February 14, 2013. Copies of the prospectus, consisting of the Reference Document registered under number R.12-008 on March 30 2012 by the AMF, the update to the Document de Reference submitted February 14, 2013 under number D.12-0109-A01 and the Issue Document (including a summary of the Prospectus) is available on demand and free of charge at NEOVACS' headquarters, 3 impasse Reille, 75014Paris – France. The prospectus is also available of the websites of the AMF (www.amf-france.org) and NEOVACS (www.neovacs.fr).

NEOVACS draws investors' attention to Section 4 "Risk factors" of the Reference Document registered with the AMF, as well as Section 2 "Risk factors relating to the Offering" of the Issue Document. The occurrence of all or any of these risks is likely to have a negative effect on the Company's activities, results, financial situation and outlook.

ABOUT NEOVACS

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Neovacs is a biotechnology company focused on an active immunotherapy technology platform (Kinoids) with applications in autoimmune and inflammatory diseases. On the basis of the company's proprietary technology for inducing a polyclonal immune response (covered by six patent families that run until at least 2023), Neovacs is focusing its development efforts on two active immunotherapies: TNF-Kinoid is being developed for the treatment of TNF-mediated autoimmune diseases such as rheumatoid arthritis and Crohn's disease, whereas IFNα-Kinoid is being developed for the indication of lupus. The goal of the Kinoid approach is to enable patients to have access to safe treatments with efficacy that is sustained in these life-long diseases.

For more information on Neovacs, visit www.neovacs.fr

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