Neovacs releases first half 2010 financial results

- **Cash flow in line with expectations expressed during the IPO**
- **Good progress achieved in the ongoing clinical trials**

Paris, September 17, 2010 - Neovacs (Alternext Paris : ALNEV), a biotechology company focused on an active immunotherapy technology platform (Kinoids™) with applications in the treatment of autoimmune diseases, inflammatory diseases and cancer, today announced its financial results for the first half of 2010.

The first half has seen the achievement of significant milestones:

- The successful listing on Alternext, with €9.1 million raised net of expenses, securing the financing of the ongoing clinical studies, Phase II with TNF-Kinoid and Phase I/II with IFNα-Kinoid
- Good progress achieved in these two trials: the phase IIa in rheumatoid arthritis and the phase I/II trial for lupus
- Well controlled operational expenses for the period: R&D expenses and cash flows are in line with the information released by the company during the IPO.

Key figures

in K€	**30/06/2010**	**30/06/2009**	**31/12/2009**
Total operating income	**4**	**252**	**370**
Of which, R&D grants	*0*	*248*	*248*
Total operating expenses	**4, 701**	**3, 248**	**8, 747**
Of which, R&D expenses	*3, 574*	*2, 700*	*7, 799*
Loss from operations	**-4 ,698**	**-2, 996**	**-8, 377**
Loss before tax	**-4, 909**	**-2, 998**	**-8, 409**
Tax	**-584**	**-766**	**-1, 532**
Net loss	**-4, 333**	**-2, 219**	**-6, 891**

Consolidated cash and cash equivalents, at June 30	**12, 694**	**4, 104**	**2, 288**

Commenting on the results for the first half of 2010, Guy-Charles Fanneau de La Horie, CEO, said: *"We are focusing our investments on the clinical development of our two drug-candidates, TNF-Kinoid and IFNα-Kinoid. Thanks to the hard work of our team, we have made good progress in our ongoing clinical trials for lupus and for rheumatoid arthritis. We have continued this progress so far in the second half: we recently began recruiting patients into higher dose groups in both these studies. We are also financially strong: with our operating expenses well- controlled and our current cash position, we have the resources to complete the current set of clinical trials, which aim to demonstrate the significant clinical benefits of our Kinoids for patients. »*

Financial results in line with what was forecasted during the IPO process:

During the first half and as said during the IPO, significant investments have been made in R&D and in business development to support the Company's objectives in clinical development and to increase its visibility among the scientific community, as well as in the pharmaceutical industry. For the first half of 2010, operating expenses amounted to € 4.7 million, an increase of 45% compared with the € 3.2 million recorded in first half 2009:

- Total R&D expenses (€ 3.6 million versus € 2.7 million in the same period 2009) increased by 32% and represented 76 % of total operating costs. Two new clinical trials were initiated in this period, whereas one was ongoing last year: in addition to the ongoing Phase I/II conducted with TNF-Kinoid in Crohn's disease, a phase IIa study in rheumatoid arthritis as well as the phase I/II study with IFNα-Kinoid in lupus were initiated early in 2010.

- General expenses increased significantly to € 1.1 million versus € 0.5 million in first half 2009. The rise was driven by increased human resources and marketing effort in business development to increase visibility for the Company as well as for the Kinoid technology among potential industrial partners. Also included in this line item are internal exceptional costs related to the IPO; external charges related to the IPO have been included in the share premium account.

The company posted an operating loss of € 4.7 million, compared to € 3 million for the same period a year ago. Of note, a research grant[(1)] of € 247, 678 was recorded as revenue by Neovacs in the first half of 2009 and did not recur this year.

Tax credits amounted to € 0.6 million for the first half of 2010, compared to € 0.8 million in the same period of 2009. As of December 31, 2009, Neovacs recorded a € 1.5 million receivable in respect of the research tax credit. Payment was received in the first half of 2010.

A solid cash position:

As of June 30, 2010, the cash position of the company amounted to € 12.7 million reflecting:
- the € 9.1 million net raised in the IPO in April,
- A well controlled use of cash for operations.

After the end of the period, Neovacs received payment of 963,137 euros in respect of the first milestone of its contract with OSEO, the French state innovation agency. This agreement, signed in 2008, supports "Tracker", the clinical development project with the drug candidate TNF-Kinoid for rheumatoid arthritis.

Progress as predicted since the IPO:

Neovacs has achieved key milestones in both its lupus and rheumatoid arthritis clinical trials:

- With IFNα- Kinoid for lupus, the Data and Safety Monitoring Board (DSMB) has consented to the administration of a higher dose in the Phase I/II study. The DSMB decision is indicative of the absence of any serious safety concerns so far with the drug candidate. Neovacs expects to report preliminary study results during first quarter 2011. Also, the Paul Ehrlich Institute, the German regulatory authority, has consented to the study being conducted in Germany. As a consequence, the company now has authorization for conduct of this study in five European countries.

(1) paid by INSERM on behalf of ANR

- With TNF-Kinoid in rheumatoid arthritis patients who have failed a TNFα inhibitor and have antibody to the drug they failed, a preliminary data analysis has revealed no safety issues in patients having received the first dose level. Consequently, recruitment at the second dose level has been initiated. Neovacs hopes to disclose the preliminary results from this phase II study during second quarter 2011. Regarding the ongoing Phase I/II study of TNF-Kinoid in Crohn's disease, final data are expected to be available by the end of 2010 as planned.

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About Neovacs

Neovacs is a biotechnology company focused on an active immunotherapy technology platform (Kinoids™) with applications in autoimmune diseases and other chronic conditions. Neovacs' current portfolio consists of 3 drug candidates: TNF Kinoid, IFNα Kinoid and VEGF Kinoid. The company's lead immunotherapy program (TNF-Kinoid) is targeting TNF-mediated chronic inflammatory diseases. For TNF-Kinoid, a Phase I/II clinical trial in Crohn's disease and a Phase II trial in rheumatoid arthritis (RA) are underway. The latter clinical study is also the focus of collaboration with the French diagnostics company BMD, with the goal of developing theranostic tools for personalized care in RA. Patient recruitment is ongoing in a Phase I/II trial of Neovacs' second product candidate (IFNα Kinoid, an immunotherapy targeting interferon alpha) in the treatment of lupus. Neovacs' R&D has generated a broad patent estate.

For more information, visit the Neovacs' web site at www.neovacs.com

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