Valneva

Half Year Financial Report

January 1 to June 30, 2013

VALNEVA
European Company with an Executive Board and a Supervisory Board
Registered Office : 70, Rue Saint-Jean de Dieu, 69007 Lyon
Lyon Companies Register (RCS) 422 497 560

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A. GROUP MANAGEMENT REPORT

1. Overview

Valneva is a new European biotech company focused on vaccine development and antibody discovery ("Company"). It was formed in 2013 through the merger between Intercell AG and Vivalis SA ("Merger"). Valneva's mission is to excel in both antibody discovery, and vaccine development and commercialization, either through in-house programs or in collaboration with industrial partners using innovative technologies developed by the company. Valneva generates diversified revenue from its marketed product, a vaccine for the prevention of Japanese encephalitis (IXIARO®), commercial partnerships around a portfolio of product candidates (in-house and partnered), and licensed technology platforms (EB66® cell line, VIVA|Screen® and IC31®) developed by Valneva that are becoming widely adopted by the biopharmaceutical industry worldwide. Headquartered in Lyon, France, the company employs approximately 350 people in France, Austria, Scotland, the United States, and Japan. The internationally experienced management team has a proven track-record across research, development, manufacturing and commercialization.

2. Corporate Development

Merger between Vivalis SA and Intercell AG to create Valneva SE

H1 2013 was marked by the merger of Vivalis SA ("Vivalis") and Intercell AG ("Intercell") to create Valneva - combining the strengths and capabilities of the two companies in antibody discovery and vaccine development and commercialization.

Valneva communicated a clear growth strategy to build a sustainable business by growing revenues through marketed product(s) as well as through existing and future partnerships, and to invest into proprietary vaccine development and antibody discovery for licensing.

On December 16, 2012 Vivalis and Intercell adopted a merger plan to create Valneva SE by the merger of Intercell into Vivalis as the absorbing company. The French Autorité des Marchés Financiers ("AMF") registered the Document E relating to the proposed Merger on January 23, 2013, under number E13-003.

The Merger was approved by Intercell shareholders on February 27, 2013 and by Vivalis' shareholders on March 7, 2013.

The pre-merger certificates were issued by the French Commercial Register on April 3, 2013, and by the Austrian Commercial Register on April 12, 2013. The Merger's certificate of legality was issued on April 17, 2013, and the Merger became effective on May 28, 2013. As of the completion date of the Merger, Intercell's shareholders received 13 new ordinary shares and 13 new preferred shares of Valneva for every 40 Intercell shares. Vivalis shares (ISIN FR0004056851) were not affected by any share exchange and continue to exist under the new name of Valneva.

Valneva shares are traded on both the NYSE Euronext Paris and the Vienna Stock Exchange.

Capital increase of the Company

As communicated as part of the merger process, the Company launched a capital increase with preferential subscription rights ("PSR") on June 13, 2013, and issued a securities note registered with the AMF under number 13-275.

The proceeds from the capital increase will be used primarily to strengthen the Company's financial profile, as well as to implement its strategy as Valneva strives to become a European leader in antibody discovery and vaccine development and commercialization.

The Company intends to use the net proceeds of the capital increase in the following manner:

- To continue supporting the growth, commercialization development, and life-cycle management of its Japanese encephalitis vaccine, IXIARO®/JESPECT®;
- To develop a second commercial vaccine, which could be either an internal or an in-licensed program and to progress its partnered vaccine development portfolio;
- To discover novel antibody candidates with the purpose to out-license them for clinical development;
- To invest in vaccine research in order to build a vaccine development portfolio; and
- To reinforce the company's financial flexibility in order to become a sustainable, independent, growing business and for general corporate purposes within the biotechnology sector.

A maximum amount of EUR 10 million from the net proceeds of the capital increase has been used to fund the repayment of a royalty-related secured loan. The Company is currently in negotiation with several investors in order to put in place a EUR 20 million loan contract by year-end, with the objective to obtain more favorable conditions than the existing loan.
The capital increase was oversubscribed, and the final gross proceeds amounted to EUR 40,187,819.75 with the issuance of 15,165,215 new shares. Total subscription orders for this capital increase amounted to approximately EUR 58.7 million with a subscription rate of approximately 146%. 13,439,860 new shares were subscribed on an irreducible basis ("*à titre irréductible*"), representing approximately 88.6% of the new shares to be issued. Subscription orders on a reducible basis ("*à titre réductible*") amounted to 8,723,132 new shares and were, as a result, only satisfied in part, for 1,725,355 new shares.
As per their subscription commitments, France's Strategic Investment Fund ("FSI"), now transformed into Bpifrance Participations SA, and Groupe Grimaud subscribed on an irreducible and reducible basis for a total amount of EUR 17.1 million (representing 42.6% of the rights issue), of which EUR 14.6 million for the FSI and EUR 2.5 million for Groupe Grimaud.
Upon completion of the capital increase, Groupe Grimaud as Valneva's single largest shareholder held 21.7% of the ordinary shares of the Company and the FSI, held 10.1%.
The date for settlement-delivery and listing of the new ordinary shares was July 5, 2013.
Pursuant to the special authorization granted by the Combined General Meeting on March 7, 2013, the Management Board recognized the final completion of the capital increase at the date of the funds depositary certificate, July 5, 2013.

Integration
Following the merger effective date, key integration activities across the two previous operations continue to progress.
In addition to the alignment and consolidation of key business processes and structures, management has focused on delivering against its synergy target of EUR 5 to 6 million annual operating cost savings.
Operating cost synergies are intended to come from divestments of redundant or non-strategic operations (i.e. CMO business Nantes and eMAB® platform in Vienna), consolidation of G&A functions, and certain R&D rationalization activities.
On August 20, 2013, following the signing of a binding term sheet in June, Valneva signed a preliminary sales agreement with Biological E, a leading Indian biopharmaceutical company, for its Clinical Manufacturing Operations (CMO) in Nantes.
The divestment of the CMO facility is expected to contribute up to EUR 3 million cost savings to the annual merger synergies. In addition, Valneva will receive an undisclosed purchase price, exceeding the current book value of the facility.
The agreement demonstrates that Valneva's merger strategy to become a leading sustainable biotech company in antibodies and vaccines is on track. The deal also broadens the company´s strategic partnership with Biological E, creating additional opportunities for the two companies going forward.

Passing of Management Board Member, Chief Scientific Officer Majid Mehtali
With deep regret and profound sadness Valneva had to announce that its Management Board member, Dr Majid Mehtali, Chief Scientific Officer, passed away on August 10, 2013, at the age of 51. Majid Mehtali had joined Vivalis in 2003 and had co-managed the company, both as Chief Scientific Officer and Managing Director for ten years. He was a well-recognized and respected leading scientist in the life-science industry and played a major role in developing and encouraging many of his colleagues who had worked with him. His passing away is a great loss for Valneva. However, the strong research team built by Majid will continue his work according to plan, and Valneva's Boards will ensure a smooth succession in due course.

3. Products and Programs

a. Vaccine against Japanese Encephalitis

Valneva´s first marketed product is a vaccine to protect travelers, military personnel, and residents in endemic regions against Japanese encephalitis (JE). The product was developed by Intercell using capabilities from research to manufacturing and commercialization and brought to licensure in all relevant key countries.

This vaccine is a next-generation vaccine against the most common vaccine-preventable cause of encephalitis in Asia, and is licensed in more than thirty countries. It is marketed under the trade names IXIARO® and JESPECT® and is the Company's first product on the market.

Novartis distributes the vaccine to North America, Europe, Hong Kong, and Singapore (IXIARO®), whereas bioCSL distributes the vaccine in Australia and New Zealand (JESPECT®).

Since the approval of IXIARO®/JESPECT® in 2009, the Company, together with its marketing & distribution partners, is focused on extending the label and increasing penetration through its sales and marketing activities and global expansion strategy.

Since May 2013, IXIARO® is also approved by the FDA and EMA for use in children from the age of 2 months, and hence a licensed vaccine will now be available to vaccinate traveling children and those children of forward deployed military personal in Asia against JE. In September 2012, Intercell's partner Biological E. Ltd. launched the product JEEV®, a vaccine to protect small children and adults from Japanese encephalitis, in India. The vaccine was approved by the Drugs Controller General of India (DCGI) in November 2011, and most recently the Company announced that the World Health Organization (WHO) awarded prequalification for global use of the vaccine in adults. This is the first prequalification of a Japanese encephalitis vaccine, and is a key step in ensuring that the vaccine can be distributed to developing countries. Biological E. Ltd also expects the pediatric indication to be prequalified by the end of the year. The product, based on Intercell's technology, is manufactured at Biological E.'s facility in Hyderabad, India. Valneva expects first meaningful revenues from sales conducted by Biological E. Ltd. in 2014.

Three years after its global launch, the JE vaccine reached total net product sales of EUR 26.8 million in 2012 with a significant increase of 24.2% compared to 2011. Since the merger effective date on May 28, 2013, sales of the JE vaccine contributed EUR 5.3m to Valneva's revenues.

During H1 2013, the JE vaccine has shown a growth in in-market sales by Novartis of 8% compared to H1 2012 and a growth in purchases by the U.S. Military of 11% compared to H1 2012.

However, due to stock level and timing effects, this continued growth trend is not reflected in the first half 2013 as total net product sales decreased by 37% to EUR 9.3m compared to EUR 14.7m in H1 2012 (IXIARO® 1H net product sales combine Intercell's sales in the first five months of 2013 with Valneva's sales in June).

Valneva expects to offset this decrease by strong IXIARO® sales in the third quarter, which, based on current order status from the U.S. military and the group's distribution partners, should be the company's best quarter since the launch of the product.

Valneva has also initiated a process to assess the commercialization efforts by its marketing & distribution partners with the aim of finding mutually acceptable solutions to foster marketing & sales activities resulting in increased penetration in current markets and approved countries where no or very low sales levels are seen today.

The Company reiterates its intent to achieve annual net sales of EUR 50m in the mid-term with a 50% gross margin target, supporting its financial self-sustainability strategy.

b. Technology and licensing business

EB66® Cell Line

Valneva's EB66® cell line, invented by Vivalis, is a highly efficient platform for vaccine production. It is derived from duck embryonic stem cells and today represents a validated alternative to chicken eggs for large scale manufacturing of human and veterinary vaccines. To date, the company has more than 30 research and commercial agreements with the world's largest pharmaceutical companies to license its EB66® technology. The first veterinary vaccine using the EB66® technology received market approval in 2012, and a New Drug application (NDA) for human pandemic influenza is currently under review in Japan.

Current licenses represent a total value of approximately EUR 80m in milestone payments, and royalties on sales of 3-6% for human vaccines and 1.5-5% for veterinary vaccines. To date, milestone payments from the EB66® cell line received by the Company, amount to approximately EUR 30m.
A research license generally lasts between 12 and 24 months and generates payments of less than EUR 200,000. If successful it can lead to a commercial license with upfront payments, clinical milestones and royalties.
The most important ongoing EB66® clinical development programs in the field of human vaccines are linked to pandemic and seasonal influenza programs based on EB66® for which Valneva granted an exclusive license to GSK and GSK´s co-development partner Kaketsuken with a first expected launch of an H5N1 Pandemic Vaccine by Kaketsuken in Japan in 2014. Consequently, there is a strong near-term royalty potential in Japan either from pandemic stockpiling or in case of a new outbreak.
The EB66® cell line achieved significant news flow in H1 2013, with 4 new licensing agreements, and the first New Drug application (NDA) submission for a human vaccine.
In February 2013, Vivalis announced the signing of a research license agreement with the Italian animal health vaccine company FATRO and a North American animal health vaccine company. These licenses allow for the assessment of several viruses in EB66® cells.
In March 2013 Vivalis distributed a press release issued by GSK detailing its continued efforts, along with the Texas A&M University System (TAMUS), to develop an EB66® cell culture based influenza vaccine funded by the U.S. Department of Health and Human Services (HHS). Under this program, the HHS has approved the development of a USD 91 million influenza vaccine manufacturing facility to be located in Bryan-College Station, Texas.
In April 2013, Vivalis announced that The Chemo-Sero-Therapeutic Research Institute (Kaketsuken), a co-development partner with GlaxoSmithKline (GSK) Vaccines, submitted a new drug application (NDA) to the Ministry of Health, Labour and Welfare (MHLW) in Japan for an H5N1 adjuvanted pandemic influenza vaccine produced in Vivalis' EB66® cell line. The programme was funded by the MHLW with the objective of establishing a source of domestic production and supply of H5N1 pandemic influenza vaccine using cell culture technology in Japan.
Kaketsuken is currently performing validation of its new state of the art factory in Kumamoto for the manufacture of the pandemic EB66® cell culture based influenza vaccine adjuvanted with GSK's proprietary adjuvant system, AS03, and will continue to develop seasonal influenza vaccines using EB66® platform.This is a significant milestone for Vivalis as it is the first NDA submission filed for a human product using the EB66® cell line, especially for one that will used to vaccinate healthy individuals.
In April 2013, Vivalis announced that it had signed an EB66® cell line research services and license option agreement with GlaxoSmithKline ("GSK") to establish the feasibility of producing a new viral vaccine against an important viral disease using EB66®. The agreement also includes an option to license EB66® cell line for similar viruses of the same family.
This is the second EB66® cell line agreement with GSK following a first agreement in 2007 on the development of influenza vaccines using the EB66® cell line.
In May 2013, Vivalis announced that it had signed an EB66® cell line research license agreement with one of the world's largest human vaccine developers. The scope of this agreement is for the evaluation of the use of the EB66® cell line for the production of several vaccines in development, and for vaccines currently commercialized, where the switch to the EB66® cell line would represent a replacement substrate for previously approved products.

Viva|Screen®

Valneva´s monoclonal antibody technology platform VIVA|Screen® allows rapid high throughput analysis and discovery of rare fully human therapeutic antibodies directly from human donors.
In 2010, Vivalis entered into a license agreement with Sanofi Pasteur in a number of selected infectious disease targets. The potential of this collaboration reaches approximately EUR 200m in milestones and future potential mid-single digit royalties on sales.
In H1 2013, Valneva successfully completed antibody discovery work under this agreement and delivered antibody candidates in 3 indications to its partner Sanofi-Pasteur for their further evaluations.
Valneva expects its partner´s decision to progress with the first indication towards development by the end of 2013 / early 2014, which would trigger a first milestone. In addition, a fourth antibody discovery program is expected to be launched at the end of 2013.
Furthermore, Valneva evaluates the validity and attractiveness of its platform for indications and respective antibody product candidates outside of infectious diseases to unlock additional partnering and licensing potential.

IC31®

The unmet need in population groups which do not respond sufficiently to conventional vaccines due to an impaired immune response (e.g. the elderly) and the difficulties in eliciting meaningful responses to novel prophylactic and therapeutic vaccines for indications such as malaria, tuberculosis and cancer increase the need for adjuvants such as IC31®.

Pre-clinical models have demonstrated that IC31® is a safe and potent adjuvant for prophylactic and therapeutic vaccines, stimulating strong T-cell immune responses as well as protective efficacy. Additionally, eight clinical trials have proven IC31® to be a very safe and immunogenic adjuvant in humans. Patients receiving IC31® have reported good local tolerance with no systemic adverse effects reported during clinical studies.

Under a strategic alliance agreement signed in 2007, Novartis received an exclusive license for the use of IC31® in selected new vaccines. Following investigation of IC31® in influenza vaccines, Novartis initiated in 2011, a Phase I clinical trial combining an additional undisclosed vaccine candidate with the IC31® adjuvant.

Furthermore, Valneva has granted multiple research licenses to different partners to evaluate IC31® in new vaccine formulations and additional collaborations have been initiated in the field of cancer.

To date, potential revenues from respective licenses and collaborations reach approximately EUR 100m in milestones, to which future mid-digit royalties on sales could be added.

c. Product Candidates in Development

The Company's current proprietary pipeline includes vaccine candidates against Pseudomonas (Phase II/III with Novartis), C. difficile (Phase I), and a pre-IND stage program against Lyme / Borreliose.

Valneva´s adjuvant IC31® is part of different tuberculosis vaccine candidates (most advanced: Phase II with Statens Serum Institut, Sanofi and AERAS).

Pseudomonas aeruginosa vaccine

Pseudomonas aeruginosa is one of the leading causes of nosocomial infections (i.e. acquired or occurring during the course of hospitalization for other conditions). Of the 2 million nosocomial infections in the U.S. alone per year, 10% are caused by pseudomonas aeruginosa. The bacterium is the number one cause of ventilator-associated pneumonia, the number two cause of hospital-acquired pneumonia and the number four cause of surgical site infections. Currently, there is no vaccine against Pseudomonas aeruginosa available.

In March 2012, Intercell started a pivotal Phase II/III efficacy trial with its investigational Pseudomonas aeruginosa vaccine. The trial follows an exploratory Phase II study in which lower all-cause mortality rates were observed in the vaccine groups as compared to the control group.

The Phase II/III trial is a randomized, placebo-controlled, double-blind study which will enroll a total of up to 800 ventilated intensive-care unit patients in approximately 40 study sites across five European countries. The study is sufficiently powered to show a clinically meaningful reduction in all-cause mortality with statistical significance between the vaccine and control group.

The study enrollment for approx. 400 patients has been completed, enabling the futility analysis to be conducted by an independent drug monitoring board (DMC). Its respective recommendations for this program as part of the strategic alliance between Novartis and Intercell are expected in Q4 2013.

The Pseudomonas aeruginosa program is part of the strategic alliance between Novartis and Valneva. The trial is conducted by Valneva and costs are shared between both parties.

Clostridium difficile vaccine

Clostridium difficile (C. difficile) is the leading cause for nosocomial diarrhea in Europe and the U.S. It is estimated that annually about 500,000 to 3 million people become infected while receiving hospital treatment in the U.S. Currently, no vaccine against C. difficile exists and antibiotic treatment of the established disease has significant limitations. Intercell aims to develop a vaccine for the prevention of recurring C. difficile diarrhea, for hospital prophylaxis, and eventually community-wide prophylaxis on an age- and risk-based vaccination strategy.

The toxins are known to be disease-causing and anti-toxin immunity can be protective. Valneva is currently investigating in a clinical trial (Phase I safety and immunogenicity study) its C. difficile vaccine candidate, a recombinant protein vaccine consisting of two truncated toxins A and B from C. difficile.

Data from the first half of the study (Phase Ia) in a population of healthy adults aged 18-65 years showed good safety and immunogenicity of the vaccine candidate, and indicated functionality of induced antibodies in this study population.

The second half of the study (Phase Ib), enrolling 80 healthy elderly subjects above 65 years of age - representing the main target population for a C. difficile vaccine, was initiated in March 2012. This second part of the study (Phase Ib) aims to confirm the dosing and potential adjuvantation in addition to safety and immunogenicity.
Data release is expected in Q3 2013.

Tuberculosis vaccine
Tuberculosis (TB) is caused by Mycobacterium tuberculosis, the most common cause, but also by Mycobacterium bovis. Globally, according to the WHO, one human is newly infected with the pathogen every second, and about one-third of the world's population carries the pathogen latently. The disease causes the death of more than 1.6 million people every year, making TB one of the most severe global health problems.
In the field of TB, Valneva is collaborating with the Statens Serum Institut (SSI). Previous Phase I clinical trials in Europe and Africa have demonstrated that SSI and Valneva's collaborative novel investigational TB vaccine is safe and highly immunogenic in different populations.
Three clinical vaccine candidates, all formulated with Valneva´s IC31® adjuvant, are being tested in clinical trials.
Two trials are currently conducted and are expected to deliver first data by Q4 2014:

- A randomized, double-blind clinical trial evaluating the immunogenicity and safety of two doses of an adjuvanted TB subunit vaccine candidate in HIV-positive individuals in South Africa and Tanzania
- A randomized, observer-blinded clinical trial evaluating the immunogenicity and safety of two different doses and two different vaccination schedules of an adjuvanted TB subunit vaccine candidate in healthy males and females in healthy adolescents who have tested negatively for TB.

A third candidate, partnered with Sanofi Pasteur, is currently being tested in a phase I/II clinical trial (with the support of Aeras and Impaact).

Lyme borreliosis vaccine
Lyme borreliosis is a multi-systemic infection transmitted by ticks, which can affect the skin, nervous system, joints and heart. It is a danger to health for humans of every age and also causes an enormous economic burden, primarily because both the treatment and the diagnosis of chronic diseases are difficult. Symptoms of infection can easily be mistaken for other diseases, and in a significant number of cases the characteristic skin rash is not detectable. While antibiotic therapies can treat an existing infection, a prophylactic vaccine could prevent it.
Valneva has developed a multivalent, protein subunit based vaccine candidate. This candidate is currently in pre-clinical development, aiming for clinical trial initiation in H2 2014.

4. Financial Review

Note: As a result of the merger, Intercell's business has been included in the Group's half year consolidated financial statements from the merger closing date May 28th, 2013. Therefore, 2012 and 2013 half year results are not fully comparable. While the results of Vivalis SA (now Valneva SE) were fully included in the income statement for the first six months of 2012 and of 2013, the results from the ex-Intercell operations were only included for the single month of June 2013 and are not part of the results for the comparator period of the previous year.

Revenues and grants
Revenues and grants in the first six months of 2013 reached EUR 9.7m, including a EUR 6.4m contribution by the ex-Intercell operations, mostly coming from IXIARO®/JESPECT® product sales. Revenues and grants excluding the ex-Intercell operations increased by 21.0% to EUR 3.3m in H1 2013 from EUR 2.7m in H1 2012.

Operating Result
Cost of goods sold amounted to EUR 3.6m in H1 2013 and was exclusively related to sales of IXIARO®/JESPECT® in June 2013.
Research and development costs in H1 2013 reached EUR 7.0m compared to EUR 6.2m in H1 2012, including a EUR 1.5m contribution by the ex-Intercell operations.
Selling, general, and administrative expenses (SG&A) increased from EUR 2.7m in H1 2012 to EUR 5.1m. The ex-Intercell business contributed EUR 2.0m to the increase. Without giving effect to the ex-Intercell

contribution, the year-on-year increase in SG&A costs was 14.8% and was due to EUR 1.1m of merger-related costs.
Amortization expenses for intangible assets increased to EUR 1.4m in H2 2013 from EUR 0.5m in H1 2012. Out of the total amortization expenses, EUR 0.5m was related to intangibles assets, which were acquired through the merger and recorded at their fair value as of the merger's effective date.
Valneva's operating loss increased by 12.6% to EUR 7.7m in H1 2013 from EUR 6.8m in H1 2012. Ex-Intercell operations contributed for EUR 1.4m to the operating loss.

Net Result
Valneva's net loss in H1 2013 reached EUR 8.1m, compared to EUR 7.5m at the same period last year. The 8.2% increase reflects recognition for June of a EUR 1.6m loss coming from the ex-Intercell business. Excluding this amount, the Group's net loss would have decreased by 13.6% to EUR 6.5m in H1 2013 from EUR 7.5m in H1 2012.

Cash flow and Liquidity
Net cash used in operating activities in H1 2013 amounted to EUR 7.1m and resulted primarily from the operating loss in connection with the Group's R&D activities.
Cash in-flows from investing activities reached EUR 18.1m in H1 2013, of which EUR 13.6m were acquired through the stock-for-stock merger with Intercell AG.
Cash flows from financing activities amounted to EUR 4.9m, resulting primarily from the monetization of the Company's CIR (Research Tax Credit - *Crédit Impôt Recherche*) for the years 2010 to 2012 through a EUR 6.3m credit line, repayable upon collection of the respective tax credits. This cash inflow from borrowings was partly offset by the repayment of borrowings and purchase of treasury shares.
Liquid funds at the end of June 2013, stood at EUR 23.1m compared to EUR 12.1m at the end of December 2012, including EUR 15.6m in cash and short-term deposits and EUR 7.5m in financial assets.

5. Operational and strategic outlook FY 2013

The Company's strategy follows a two pronged approach: (a) focus on vaccines to protect against emerging infectious diseases, with the aim to market or co-market additional product(s) on top of its existing Japanese encephalitis vaccine and (b) discover antibodies to treat infectious diseases, with the aim to out-license / partner for development.
Valneva´s strategic goal is to achieve mid-term financial self-sustainability by:

- Maximizing the value from its Japanese encephalitis vaccine, IXIARO®/JESPECT®;.
- Developing in-house clinical candidates through to their next value inflection points;
- Leveraging the potential of its main technology platforms (EB66® cells, VIVA│Screen® antibody discovery, IC31® adjuvant) internally or through collaborations;
- Improving the financial performance of the business by focusing development activities and optimizing the resources applied, targeting profitability;
- Remaining open to strategic opportunities that create long-term value.
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The synergies generated by the merger between Intercell AG and Vivalis SA will allow Valneva to complete savings for an estimated amount of EUR 5 to 6 million per year. The Company expects profitability in 2015 with a total turnover of about EUR 60-70 million, including EUR 42-50 million of income related to IXIARO®/ JESPECT®. In this horizon, the Company expects to have 3 proprietary vaccines and one partnered antibody program in clinical development. From existing technology partnerships there could be 5 vaccines on the market (4 vetarinarian and 1 human).
Besides completing the integration and executing on all measures to ensure the planned merger synergies, the Company expects some key milestones for H2 2013:

- Phase I B results for the C. difficile vaccine candidate;
- New commercial licenses under the EB66® platform;
- Phase II/III interim results for the Pseudomonas vaccine candidate;
- Start of a fourth antibody program with Sanofi Pasteur using the VIVA│Screen® platform.

With respect to financial performance, the Company expects FY 2013 revenues and grants of between EUR 30m and 35m and a net loss between EUR 20m and 25m. The FY financial forecast includes the consolidated income of Intercell form the merger closing date through to year-end, i.e. for approximately 7 months, and excludes any potential impairment on intangible assets. The expected net loss also includes

approximately EUR 5m non-cash amortization charges which relate primarily to intangible assets that have been acquired and remeasured in connection with the merger. The Company expects to have liquid funds of more than EUR 40m at year-end 2013 to support its strategy to achieve mid-term financial self-sustainability.

6. Risk factors

Pursuing biotech innovation includes the inherent risk of failure and the Company is therefore exposed to significant industry-specific risks. Valneva is subject to the additional risk that it has launched its first product and has not yet generated significant revenues from the commercial sale of the product. Moreover, the Company has incurred significant losses since its inception, is exposed to liquidity risk and may never reach sustainable profitability. Management has undertaken considerable efforts to establish a risk management system in order to monitor and mitigate the risks associated with its business. However, the Company remains exposed to significant risks, in particular including the following, which should be read in connection with the risk factors discussed in detail in the registration document of Vivalis filed with the AMF on 30 April 2013 under number D.13-0479, and the document E registered with the AMF on 23 January 2013 under the registration number E.:

The Company needs to gain further market acceptance for its first product in order to recover significant development costs that it has incurred. Valneva may be unable to successfully market and sell its Japanese Encephalitis (JE) vaccine and to develop and commercialize its product candidates as expected or at all. The ability to commercialize product candidates will depend upon the degree of market acceptance among Valneva's primary customers, the customers of Valneva's strategic partners and the medical community. The degree of market acceptance will depend upon many factors, including recommendations by global and local health organizations, reimbursements by health authorities and health insurers and payors, legislative efforts to control or reduce health care costs or reform government healthcare programs, and the ability of customers to pay or be reimbursed for treatment costs. Demand for Valneva's JE vaccine may be adversely affected by international, national or local events or economic conditions that affect consumers' willingness to travel, such as security concerns relating to threatened or actual terrorist attacks, armed conflicts or recent crises in the global economy.

The Company's manufacturing facility in Livingston, Scotland, is, and will continue to be, a significant factor in growing revenues from product sales and maintaining control over production costs. The manufacturing of biological materials is a complex undertaking and technical problems may occur. Valneva may experience delays, be unsuccessful in manufacturing or face difficulties in the ability to manufacture its JE vaccine according to market demands. Biological manufacturing is subject to government regulation and regular inspection. It is not possible to predict the changes that regulatory authorities may require during the life cycle of a novel vaccine. Such changes may be costly and may affect the Company's sales and marketing and product revenue expectations. The failure of our product manufacturing facility to comply with regulatory requirements, including current Good Manufacturing Practices, could give rise to regulatory actions or suspension or revocations of manufacturing licenses and result in failure to supply. The risk of suspension or revocation of a manufacturer's license also applies to third party manufacturers and contractors with whom the Company contracts for manufacturing and services.

The Company's manufacturing facility in Livingston, Scotland, is the sole source of commercial quantities of the JE vaccine. The destruction of this facility by fire or other disastrous events would prevent the Company from manufacturing this product and therefore cause considerable losses. Its business requires the use of hazardous materials, which increases the Company's exposure to dangerous and costly accidents that may result in accidental contamination or injury to people or the environment. In addition, the business is subject to stringent environmental health and safety and other laws, regulations and standards, which result in costs related to compliance and remediation efforts that may adversely affect the Company's performance and financial condition.

The development and success of the Company’s JE vaccine and several of its product candidates are dependent upon the performance of third-party manufacturers and contractors. Should these manufacturers and contractors fail to meet requirements, the development and commercialization of the Company’s product and product candidates may be limited or delayed, which would have a material adverse effect on the Company's business, financial condition, and results of operations.

The Company's R&D activities, and in particular its late-stage clinical trial programs, are expensive and time-consuming. The result of these R&D activities is inherently uncertain and the Company may experience delays or failures in clinical trials. In order to continue to develop and commercialize its product candidates, the Company will require regulatory approvals from the U.S. Food and Drug Administration (FDA), the European Medicines Agency (EMA), and other relevant regulatory agencies, which may be delayed or denied if the Company cannot establish the safety and efficacy of its product candidates. Adverse events or lack of efficacy in its clinical trials may force the Company to stop development of its product candidates, prevent regulatory approval of its product candidates, or impact its existing products which could materially harm its business.

The vaccine industry is highly competitive, and if the Company's competitors commercialize their products more quickly than Valneva or develop alternatives to Valneva's products or sell competing products at lower prices, the Company might lose a significant share of the expected market.
The Company's ability to commercialize its product candidates or to license its technologies partially depends on the ability to obtain and maintain adequate protection of its proprietary and intellectual property rights in the U.S., the EU, and elsewhere. If the Company's efforts to protect its intellectual property rights are not sufficient, competitors may use its technologies to create competing products, erode the Company's competitive advantage, and capture all or part of its expected market share. The Company's efforts to avoid infringing, or to defend itself against any claims of infringement of the intellectual property rights of third parties may be costly and, if unsuccessful, may result in limited or prohibited commercialization of its product candidates or licensing of its technologies, subject it to royalties or other fees, or force it to redesign its product candidates.
The Company may be unsuccessful in establishing additional or maintaining existing strategic partnerships and collaborations, which could significantly limit or delay its ability to develop and commercialize discoveries and inventions and realize results from its R&D programs and technologies. The success of strategic partnerships depends, in part, on the performance of the strategic partners, over which the Company has little or no control. Partners may elect to delay or terminate one or more of these strategic partnerships, develop products independently or in collaboration with a third party that could compete with the Company's product candidates, fail to commit sufficient resources to the development or commercialization of the product candidates which are subject to these partnerships or collaborations, or otherwise fail to perform as Valneva expects. If any of these risks materialize, our revenues from up-front license payments, milestone payments, and royalties generated from our product candidates that are subject to these partnerships and collaborations may be substantially reduced, which would have a material adverse effect on our business, financial condition, and results of operations.
Furthermore, announcements regarding changes in the achievement of expected value inflection points for our existing development programs, delays in receiving regulatory approvals, obstacles hindering product commercialization or realignment of our operations could be perceived negatively by investors, consumers, or others in the market and thus damage our reputation, contribute towards a lower share price or otherwise adversely affect our business, financial condition, results of operation, and prospects. Under certain conditions such an event could occur with one of Valneva’s major projects, such as its product candidate ‚Pseudomonas‘, which is currently in a clinical trial phase II/III. First pivotal data are expected in the second half of 2013.
Future business opportunities or a delay or failure in the development or commercialization of one or more of the Company's product candidates may result in requirements for additional funding, which may only be available, if at all, with unfavorable consequences or on unfavorable terms. If the Company is not able to fulfill investor or analyst expectations, its ability to raise financing may be adversely affected.
Any failure to appropriately monitor and manage the Company’s development as well as any failure to successfully integrate businesses acquired in the future may have a material adverse effect on the Company's business, financial condition, and results of operations. If we undertake a merger or acquisition, the process of integrating our existing operations with any newly acquired or merger partner business, technology, service or product could be expensive and time consuming and may result in unforeseen operating difficulties and expenditures. The development and commercialization of the Company's product candidates may be delayed if Valneva is unable to recruit and retain qualified personnel or if any of the key members of the Management or scientific staff discontinues his or her employment or consulting relationship with the Company.
Impairment of intangible assets may lead to substantial losses in Valneva's profit and loss statement. The Company's balance sheet includes substantial intangible assets from development stage projects and technologies, which have been gained through business combinations. If the Company is not able to successfully develop these products and technologies and to generate future cash flows from such products and technologies, it may never be able to recover the consideration paid to acquire such intangible assets and, as a consequence, will have to impair the corresponding intangible asset. Such impairment of intangible assets would result in substantial losses in the profit and loss statement.
The use of any of our product candidates in clinical trials and the sale of any of our current or future products will subject us to potential liability or product liability claims. The Company's clinical trial liability and product liability insurance coverage may not be sufficient to cover liability or product liability claims, which Valneva may incur as a result of the use of its product candidates in clinical trials or the sale of current and future products, or may cease to be available at a reasonable cost in the future.
Recent poor development in the credit markets and financial services industries, and the general deterioration in global economic conditions could decrease consumer discretionary spending and global growth rates, impair Valneva's ability to raise money to fund the expansion of Valneva's operations, adversely affect Valneva's partners' ability or willingness to further develop and commercialize our partnered

products or impair the value of, or returns on, our investments. The Company is exposed to market risk, including price risk and cash flow and fair-value interest rate risk and it is exposed to credit risks.
In addition, operating results may be negatively affected by exposure to foreign exchange and other economic risk factors. Valneva SE may not be able to use tax loss carry-forwards to offset future taxable income and as a consequence may face higher future tax obligations than expected and/or may have to repay tax credits.
Further financial risk factors are discussed in detail in the registration document of Vivalis filed with the AMF on 30 April 2013 under number D.13-0479, in the consolidated annual financial statements of Intercell AG as well as the document E registered with the AMF on 23 January 2013 under the registration number E.

B. AUDITOR'S REPORT ON THE CONDENSED CONSOLIDATED HALF YEAR FINANCIAL REPORT

This is a free translation into English of the statutory auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report includes information relating to the specific verification of information presented in the Group's interim management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders:
In compliance with the assignment entrusted to us by the Management Board, 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 review of the accompanying condensed half-year consolidated financial statements of Vivalis, which became Valneva SE following the Merger completed on May 28, 2013, for the six-month from January, 1 to June 30, 2013;
- The verification of the information contained in the interim management report.

These condensed half-year consolidated financial statements are the responsibility of the Management Board. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

We conducted our review in accordance with the 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 half-year financial statements are not prepared in all material respects with IAS 34, the IFRS standard as adopted by the European Union applicable to interim financial information.

II. Specific verification

We have also verified the information presented in the interim management report commenting the condensed half-year consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Marseille and Neuilly-sur-Seine, August 27, 2013

The Statutory Auditors
[French original signed by]

Deloitte & Associés	PricewaterhouseCoopers Audit
Vincent Gros	Thierry Charron

C. CONDENSED CONSOLIDATED HALF YEAR FINANCIAL REPORT AS OF JUNE 30, 2013

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT (UNAUDITED)

EUR in thousands (except per share amounts)	Half year ended June 30, 2013	2012
Product sales	5,332	-
Revenues from collaborations and licensing	2,409	1,504
Revenues	**7,741**	**1,504**
Grant income	1,930	1,242
Revenues and Grants	**9,671**	**2,746**
Cost of goods sold	(3,556)	-
Research and development expenses	(7,026)	(6,226)
General, selling and administrative expenses	(5,122)	(2,659)
Other income and expenses, net	(328)	(168)
Amortization of intangible assets	(1,350)	(541)
OPERATING PROFIT/(LOSS)	**(7,711)**	**(6,848)**
Finance income	96	287
Finance expenses	(468)	(266)
PROFIT/(LOSS) BEFORE INCOME TAX	**(8,083)**	**(6,827)**
Income tax	(31)	(19)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	**(8,114)**	**(6,846)**
Loss from assets held for sale or discontinued operations	-	(657)
PROFIT/(LOSS) FOR THE PERIOD	**(8,114)**	**(7,502)**
Earnings/(Losses) from continuing operations per share for profit/(loss) attributable to the equity holders of the Company, expressed in EUR per share		
- basic and diluted	(0.33)	(0.32)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

EUR in thousands	Half year ended June 30, 2013	2012
Loss for the year	**(8,114)**	**(7,502)**
Other comprehensive income/(loss)		
Items that are or may be reclassified subsequently to profit or loss		
Currency translation differences	78	43
Total items that are or may be reclassified subsequently to profit or loss	**78**	**43**
Other comprehensive income/(loss) for the year, net of tax	**78**	**43**
Total comprehensive loss for the year attributable to the owners of the Company	**(8,036)**	**(7,459)**

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (UNAUDITED)

EUR in thousands	June 30, 2013	December 31, 2012
ASSETS		
Non-current assets	**191,298**	**38,446**
Intangible assets and Goodwill	126,194	17,371
Property, plant and equipment	46,395	12,091
Other non-current assets	18,708	8,984
Current assets	**48,024**	**15,083**
Inventories	8,351	-
Trade receivables	8,497	1,047
Other current assets	8,068	1,979
Current financial assets	7,517	11,225
Cash and short-term deposits	15,591	832
Assets held for sale	**5,952**	**137**
TOTAL ASSETS	**245,274**	**53,667**
EQUITY		
Capital and reserves attributable to the Company's equity holders	**121,209**	**26,194**
Share capital	6,093	3,219
Additional capital paid in	162,521	62,414
Retained earnings and other reserves	(39,291)	(24,598)
Net result for the period	(8,114)	(14,841)
LIABILITIES		
Non-current liabilities	**65,109**	**17,664**
Borrowings	46,755	5,073
Other non-current liabilities and provisions	18,354	12,592
Current liabilities	**58,718**	**9,808**
Borrowings	32,640	1,641
Trade payables and accruals	16,402	1,896
Tax and employee-related liabilities	4,135	1,786
Other current liabilities and provisions	5,541	4,485
Liabilities classified as held for sale	**238**	-
TOTAL LIABILITIES	**124,066**	**27,472**
TOTAL EQUITY AND LIABILITIES	**245,274**	**53,667**

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (UNAUDITED)

EUR in thousands	Half year ended June 30,	
	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(8,114)	(7,502)
Depreciation and amortization	2,533	1,811
Share-based payments	48	218
Income tax	30	-
Other adjustments for reconciliation to cash used in operations	645	(104)
Changes in working capital	(1,809)	(2,027)
Cash used in operations	**(6,667)**	**(7,605)**
Interest paid	(338)	-
Income tax paid	(100)	-
Net cash used in operating activities	**(7,105)**	**(7,605)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of other businesses, net cash acquired (used)	11,615	(2,753)
Purchases of property, plant and equipment	(957)	(1,838)
Purchases of intangible assets	(244)	-
Proceeds from sale of financial assets	7,507	2,796
Purchases of financial assets	-	(26)
Interest received	226	206
Net cash generated from/(used in) investing activities	**18,147**	**(1,615)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock, net of costs of equity transactions	175	39
Purchase of treasury shares	(647)	-
Proceeds from borrowings	6,254	-
Repayment of borrowings	(885)	(711)
Net cash generated from/(used in) financing activities	**4,897**	**(672)**
Net change in cash and cash equivalents	**15,939**	**(9,892)**
Cash at beginning of the period	832	9,792
Exchange gains/(losses) on cash	148	1
Cash at end of the period	**16,919**	**(99)**
Cash, short-term deposits, and financial assets at end of the period	**23,108**	**17,974**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

EUR in thousands	Share capital	Share premium	Retained earnings and other reserves	Net result	Total equity
Balance as of January 1, 2012	**3,168**	**62,117**	**(20,420)**	**(4,419)**	**40,446**
Total comprehensive loss for the first half year 2012	-	-	43	(7,502)	(7,459)
Income appropriation	-	-	(4,419)	4,419	-
Employee share option plan - value of employee services	-	-	218	-	218
Treasury shares	-	-	(25)	-	(25)
Issuance of common stock	14	25	-	-	39
	14	25	(4,183)	(3,083)	(7,227)
Balance as of June 30, 2012	**3,182**	**62,142**	**(24,603)**	**(7,502)**	**33,219**
Balance as of January 1, 2013	**3,219**	**62,414**	**(24,598)**	**(14,841)**	**26,194**
Total comprehensive loss for the first half year 2013	-	-	78	(8,114)	(8,036)
Income appropriation	-	-	(14,841)	14,841	-
Employee share option plan - value of employee services	-	-	48	-	48
- exercise of share options	20	155	-	-	175
Treasury shares	-	(647)	22	-	(625)
Issuance of common stock (merger with Intercell see note 6), May 2013	2,854	100,599	-	-	103,453
	2,874	100,107	(14,693)	6,727	95,015
Balance as of June 30, 2013	**6,093**	**162,521**	**(39,291)**	**(8,114)**	**121,209**

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SELECTED NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT (UNAUDITED)

1. Basis of preparation

This condensed consolidated interim financial report of Valneva SE (hereafter referred to as "Group") for the first half year ended June 30, 2013 was approved by the Management Board on August 22, 2013 and has been prepared in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (IAS 34) authorising the presentation of selected explanatory notes. In consequence, these condensed consolidated financial statements must be read in conjunction with the consolidated annual financial statements for the year ended December 31, 2012 (registration document filed with AMF under No. D.13-0479 on April 30, 2013 available in French and in English at the company's website: www.valneva.com).

Due to the merger between Vivalis SA and Intercell AG (for more details see note 7), the Group structure of consolidated operations at June 30, 2013 has changed and consequently includes the following companies:

- Valneva SE (formerly Vivalis SA)
- Smol Therapeutics SAS
- Vivalis Toyama Japan KK
- Intercell Austria AG with its fully owned subsidiaries:
  - Intercell USA Inc.
  - Intercell Biomedical Ltd
  - Elatos GmbH

For ease of presentation, numbers have been rounded and, where indicated, are presented in thousands of euros. However, calculations are based on exact figures. Therefore, the sum of the numbers in a column of a table may not conform to the total figure displayed in the column.

2. Segment reporting

The Group has identified the following operating segments for purpose of analyzing its business and results:

- Cell line platform (EB66)
- Antibody discovery platform (VivaIScreen)
- Ex-Intercell operations

In light of the decision to dispose the Drug Discovery business by the end of 2012, the segment "Platform for the development of small molecules (3DScreen)" no longer exists and the relevant items have been consequently reclassified to "discontinued operations" in accordance with IFRS 5.

Following its merger with Intercell AG to form Valneva SE, the Group has added "Ex-Intercell operations" as a new operating segment. The Group is currently performing a comprehensive business integration project which includes the introduction of new financial business reporting structures. As a result of this project, the Group expects further changes in its segment reporting in future financial statements.

a) Income statement aggregates by segment

EUR in thousands	Six month ending June	
	2013	2012
Revenues and grants by business sector*	**9,671**	**2,746**
EB66 cell line	1,608	1,345
Viva I Screen technology	1,676	1,402
Ex-Intercell operations	6,347	-
Income not attributed to an operating segment	40	-
Net income/(loss) by business sector	**(8,114)**	**(6,846)**
EB66 cell line	(2,020)	(2,748)
Viva I Screen technology	(2,046)	(1,113)
Ex-Intercell operations	760	-
Income not attributed to an operating segment	(4,808)	(2,986)

* no intersegment revenues occurred

b) Total segment assets

EUR in thousands	June 30,	
	2013	2012
Total assets	**245,274**	**60,444**
EB66 cell line	9,910	8,967
Viva I Screen technology	16,404	17,404
Ex-Intercell operations	140,440	-
Not attributed to an operating segment	78,520	34,076

3. Fluctuation of revenues

Revenues comprise grant income, revenues from collaborations and licensing and product sales. Revenues have fluctuated in the past and the Company expects that they will continue to fluctuate over different reporting periods in the future.

4. Financial instruments

There were no financial assets in Level 2 and Level 3 as of June 30, 2013. The fair values correspond to the book values of the financial assets and financial liabilities except for the derivatives, composed of rate SWAPs, which are measured at market fair value as at June 30, 2013.

5. Assets and liabilities held for sale

Assets and liabilities held for sale result from the Group's decision to divest its Clinical Manufacturing Operations (CMO) in Nantes and its eMAB® technology in Vienna as a part of its strategy to realize synergies from the merger with Intercell AG. In June 2013, the Group signed a binding term sheet to sell its CMO business to Biological E, a leading Indian biopharmaceutical company. For segment reporting

purposes, the CMO business is recorded as part of the EB66 cell line segment and the eMAB® technology is recorded as part of the Ex-Intercell operations segment.

6. Share capital

In connection with its merger with Intercell AG to form Valneva SE (see Note 7), the Company issued 17,836,719 new ordinary shares and 17,836,719 new preferred shares, resulting in an overall increase in the share capital of the Company of EUR 2,854 thousands. At the same time, the Company adopted the legal form of a European company (SE), incorporated in Lyon, France.

The new ordinary shares carry the same rights as the existing ordinary shares, including dividend rights as of January 1, 2013. Each preferred share will convert into 0.4810 new ordinary shares upon the issuance before the end of a 7-year period starting on the day of completion of the merger (and subject to certain financial requirements) of a marketing authorization for the Group's Pseudomonas vaccine in the U.S. or in Europe. If the condition is not met within the 7-year period the preferred shares will be cancelled and redeemed at their nominal value of EUR 0.01 per share.

In addition, the Company issued 130,317 new ordinary shares in connection with the exercise of stock options during the reporting period, resulting in an increase in the share capital of EUR 20 thousands.

On June 30, 2013 the Company's share capital was EUR 6,093 thousands, representing a total number of 39,429,565 ordinary shares with a nominal value of EUR 0.15 per share and 17,836,719 preferred shares with a nominal value of EUR 0.01 per share.

7. Business Combination

On May 28, 2013, the Company completed its merger with Intercell AG. Intercell AG, with its fully owned subsidiaries Intercell Austria AG, Intercell Biomedical ltd, Intercell USA, Inc. and Elatos GmbH (together "Intercell") is a biotechnology company engaged in the research, development and commercialization of vaccines and monoclonal antibodies against a variety of infectious diseases to prevent disease and reduce suffering across the world.

Intercell's marketed vaccine to prevent Japanese Encephalitis (JE) – IXIARO®/JESPECT® – is a next generation vaccine against the most common vaccine-preventable cause of encephalitis in Asia licensed for use in adults and children in more than thirty countries. A comparable vaccine for endemic markets based on Intercell's technology was launched in 2012 by Biological E. Ltd. under the trade name JEEV® in India. Intercell's technology base includes novel platforms, such as the IC31® adjuvant technology and the proprietary human monoclonal antibody discovery system eMAB®, upon which Intercell has entered into strategic partnerships with a number of leading pharmaceutical companies, including Merck & Co., Inc., and Sanofi. The Company's pipeline of investigational products includes a Pseudomonas aeruginosa vaccine candidate (Phase II/III), a vaccine candidate against infections with C. difficile (Phase I) as well as numerous investigative vaccine programs using the Company's IC31® adjuvant, e.g. in a Tuberculosis vaccine candidate (Phase II). Intercell has in-house cGMP capability to manufacture both clinical and commercial biologicals at its fully owned site in Livingston, Scotland. The manufacturing site is currently dedicated to the production of the Company's novel Japanese Encephalitis vaccine. It is licensed and operates under a Manufacturing Authorisation granted by the Medicines and Healthcare products Regulatory Agency (MHRA) and it is also registered by the FDA.

The merger was accomplished through a stock-for-stock exchange of 17,836,719 newly issued ordinary Valneva shares, totalling a fair value of EUR 101.0m, and 17,836,719 newly issued preferred Valneva shares, totalling a fair value of EUR 2.5m.

The acquired assets and liabilities remain located in Austria, UK and USA, and have been included in the Company's assets and liabilities as of June 1, 2013. Intercell was consolidated from June 1, 2013 onwards.

From the merger completion date through June 30, 2013, the acquired business contributed revenue and grants of EUR 6,347 thousands and a net loss of EUR 1,633 thousands to the Group's consolidated income. If the transaction had occurred on January 1, 2013, the Group's consolidated revenues and grants would have been EUR 17,365 thousands, and its net loss would have been EUR 37,526 thousands, of which

EUR 14,615 thousands result from non-recurring merger transaction costs and costs related to the repayment of Intercell debt in connection with the merger.

Details of net assets acquired are as follows:

Purchase consideration	EUR in thousands
- Fair value of exchange shares issued as ordinary shares	100,956
- Fair value of exchange shares issued as preferred shares	2,497
Total purchase consideration	**103,453**
Fair value of net assets acquired	103,453
Goodwill	0

The fair value of the Valneva ordinary and preferred shares issued as consideration for the acquisition of Intercell shares was determined using the opening stock exchange price on the merger completion date.

The fair value of the assets and liabilities acquired through the business combination are as follows:

EUR in thousands	**Fair Value**	**Acquiree's carrying amount**
Cash, cash equivalents and financial assets	16,220	16,220
Property, plant and equipment, hardware	39,150	39,150
Intangible assets	111,832	62,080
Other non-current assets	11,299	11,299
Inventories	10,354	10,354
Trade and other receivables	10,381	10,381
Non-current liabilities	(45,772)	(45,772)
Trade and other payables	(18,592)	(18,592)
Other current liabilities	(31,419)	(25,866)
Net assets acquired	**103,453**	**59,254**

In the initial accounting for the business combination, the fair values assigned to the identifiable assets and liabilities have been determined on a provisional basis. Any adjustments to those provisional values as a result of completing the initial accounting shall be recognized within twelve months of the acquisition date.

The cash consideration paid, net of cash acquired through the acquisition, is as follows:

EUR in thousands	
Cash consideration	0
Cash and cash equivalents in acquired business	13,619
Cash inflow through acquisition	13,619

8. Related parties transactions

During the reporting period, the following related parties' transactions were entered into between Valneva and its shareholders and subsidiaries.

- On March 20, 2013 the Supervisory Board authorized two guarantees by Grimaud Group (a holder of 21.7% of the Company's ordinary shares) in favour of a lender of the Company to secure a loan of EUR 500 thousands and a credit facility of EUR 50 thousands granted to the Company.

9. Subsequent events

On July 4, 2013 Valneva SE completed a capital increase with pre-emptive subscription rights launched in June 2013. The gross proceeds from this financing amounted to EUR 40,188 thousands and resulted from the issuance of 15,165,215 new ordinary shares at an offering price of EUR 2.65 per share. The settlement-delivery and the listing of the new ordinary shares occurred on July 5, 2013. The new ordinary shares carry full rights ("jouissance courante").

On August 16, 2013, the Group completed the repayment of a royalty-related secured loan and a buy out of the related royalty obligation for an aggregate amount of approximately EUR 26.5 million, which were recorded as a current liability in the Group's balance sheet at June 30, 2013.

D. RESPONSIBILITY STATEMENT

We hereby declare that to the best of our knowledge, the condensed consolidated financial statements for the half year ended June 30, 2013 have been prepared in accordance with applicable accounting standards and present a fair view of the assets, financial position and results of the company and all companies included in the scope of consolidation and that the management report fairly presents all major events during the first six months of the year, their impact on the accounts and the main transactions between related parties and provides a description of the main risks and uncertainties facing the Group in the remaining six months of the year.

Thomas Lingelbach,
Chairman of the Executive Board of the Company and co-president

Franck Grimaud
Managing Director of the Company and co-president