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WORKING TRANSLATION

REPORT

on the Audit of the merger of

INTERCELL AG with Vivalis société anonyme

pursuant to

§ 18 of the Law on the Statute of a European Company

in combination with § 220 b of the Stock Corporations Act

This Report was drawn up pursuant to the assumptions and limitations as set forth below in the section entitled 'Instructions and Execution of Instructions'. The Report was drawn up for the Supervisory Board and for the General Meeting of Intercell AG scheduled for 27 February 2013 in Vienna.

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1. INSTRUCTIONS AND EXECUTION OF INSTRUCTIONS

By resolution of the Supervisory Board issued on 16 December 2012, we were commissioned with an audit of the international merger transaction, pursuant to § 18 of the Law on the Statute of a European Company in conjunction with § 220 b para. 2 of the Stock Corporations Act, involving INTERCELL AG (hereinafter referred to as 'Intercell AG'), registered with the Commercial Court of Vienna, Austria, under Commercial Register no. FN 166438m; and Vivalis société anonyme (hereinafter referred to as 'Vivalis SA'), registered with the Commercial Court of Angers, France, under Commercial Register no. 422 497 560.

The object of the merger audit are the terms of merger drawn up between Intercell AG and Vivalis SA by notarial deed dated 16 December 2012 (including the amendment dated 18 January 2013), and specifically the share exchange ratio for which the terms provide, including the methods whereby this share exchange ratio was determined, as well as the reasoning on behalf of the commensurability of the ratio. We were also commissioned to analyse the cash compensation to be offered to objecting shareholders, with an eye to the considerations that were dispositive with regard to determination of this cash compensation amount. These Instructions were carried out during the period of December 2012 to January 2013, predominantly within the premises of our Firm, but also within the scope of on-site analyses at the premises of Intercell AG in Vienna, Austria, and of Vivalis SA in Nantes, France.

Responsible for the handling of these Instructions on behalf of Grant Thornton Unitreu GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (hereinafter referred to as 'Grant Thornton') is the Authorised Representative and Partner of our Company, Univ. Doz. Dr. Walter Platzer, Auditor and Tax Advisor.

For Intercell AG, in our work we have relied particularly on information provided by DDr. Reinhard Kandera, Chief Financial Officer, and Dipl.-Ing. Olivier Jankowitsch, Site Director (Vienna) and Head of Alliance Management.

For Vivalis SA, Mr Franck Grimaud, MBA, Chief Executive Officer, was available to provide us with information. We were provided with supplemental information by the management, and by the relevant advisors involved in the matter.

1.1. Documents Received

The basis for our work consisted of access to information relevant to a valuation, information that represents the basis for the merger and for the identification and justification of the exchange ratio and for the cash compensation, for both Intercell AG and Vivalis SA. Specifically, this information includes:

- The business plans approved by the relevant corporate bodies, both for Intercell AG and Vivalis SA,

- Intercell AG Management Board's Merger Report, as it notably comments on the determination of the exchange ratio and the cash compensation,
- The presentation of the synergies envisioned for the joint company within the scope of the merger, as well as the additional costs that these synergies entail (incl. the consequences which will be associated with such a merger),
- documents (particularly the available reports by the investment bankers whose assistance was enlisted – Goldman Sachs International and Société Générale) containing explanations of the approaches of the business plans along with the methods used to arrive at the proposed exchange ratios, and
- the documents and calculations that constituted the basis for determining the exchange ratio and the amount of the cash compensation to be offered.

The Management Board of Intercell AG signed a Declaration of Completeness according to which the data contained in the Merger Plan[1], and in the Management Board's Merger Report, are complete and correct. It was also confirmed that we had been provided with all of the documents and information required for an audit of the merger and for an assessment of the commensurability of the exchange ratio and of the proposed cash compensation.

1.2. Responsibility on the part of Grant Thornton

The Management Board of Intercell AG and the Management of Vivalis SA is responsible for drawing up the business plans, along with the forecast and planning assumptions that they contain, that were enlisted for purposes of this merger; we also point that all of the premises on which the business plans are based, and all of the key data and information, have been ascertained in a manner that is correct, complete and free of arbitrariness. We cannot and shall not accept any responsibility for the occurrence of the assumptions and results on which the business plans are based, and/or for the measures to be carried out, as well as for the result of business activity. Responsibility for planning is within the Management Board of Intercell AG and with the Management of Vivalis SA. This being the case, our liability and our responsibility are confined to the professional care to be applied under a standard of critical appraisal and assessment.

If business trends should in fact deviate from the planning calculations, this can lead to results at variance with what was anticipated. Unexpected developments typically lead to discrepancies between the results forecast and those actually realised. Of course the planning calculations are inevitably unclear in some respects; this lack of clarity, however, is greater in the case of companies during their start-up phase (as in the case of Intercell AG and Vivalis SA), and in times of economic instability, than in the case of established companies with a broad business basis, or in times of stable economic conditions.

[1] While the „Merger Plan" is mentioned in Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European (Societas Europaea – SE) as relevant document (compare Art 20), the "Merger Agreement" is named in the Law on the Statute of a European Company(§ 17 SE-Gesetz). On the part of Intercell, the document was titled "Merger Plan" (notarial deed dated 16 December 2012). Consequently, the term Merger Plan is used subsequently in this report, regardless of the differing term in the Law on the Statute of a European Company (SE-Gesetz)

Finally, we wish to point out that a company valuation is to a very appreciable extent a function of the assumptions contained in planning documents with regard to the future development of the entity being valued. A certain level of uncertainty is endemic to these planning calculations, and here this uncertainty is amplified to a considerable extent primarily by the specific relevance of the very hard-to-forecast course of individual research and development projects under way at each company. The range of possible results is thus extraordinarily great; individual events can result in significant changes in result (e.g. a positive or negative outcome of clinical testing of vaccines).

The basis for the performance of our work and of our responsibility, including our responsibilities towards third parties, are the 'General Conditions of Contract for the Public Accounting Professions' (AAB 2011) issued by the Chamber of Public Accountants and Tax Advisors in the version of 21 February 2011. These Conditions of Contract apply not only between the Company and the merger appraisers but vis-à-vis third parties as well. According to § 220b para. 3 of the Stock Corporation Act (AktG), § 275 of the Austrian Commercial Code (UGB) are applied to our responsibility and liability towards companies participating in the merger and their shareholders. Pursuant to § 275 para. 2 UGB, our liability is limited to EUR 8 million.

An audit of the annual financial statements of the companies involved here does not constitute part of our instructions, nor have we performed such an audit.

1.3. Type and Scope of the Merger Audit

Pursuant to § 18 para. 2 of the Law on the Statute for a European Company, in conjunction with § 220b of the Stock Corporations Act, the object of the merger audit is an audit of the completeness, correctness and propriety of the information contained in the terms of the Merger Plan, along with the commensurability of the exchange ratio and of the proposed cash compensation.

According to Art. 20 para. 1 of the Regulation on the Statute for a European Company, and § 17 of the Law on the Statute for a European Company, at a minimum, draft terms of merger must contain the following information:

a. The firm name and headquarters location of the merging companies, and of the company designated a European Company, along with its planned headquarters
b. The exchange ratio of shares and, where circumstances warrant, the amount of compensation payments to be made
c. The particulars with regard to transfer of the shares of the European Company
d. The point in time from which these shares entitled their holder to a share of the profits, as well as all of the specifics in relation to this right
e. The point in time from which the activities by the merging companies are to be deemed undertaken for the account of the European Company from the standpoint of a rendering of accounts
f. The rights which the European Company grants to shareholders of the founding companies who are in possession of special rights, and to the holders of securities other than shares, or the measures recommended for these persons

g. Each special benefit accruing to the experts auditing the terms of the Merger Plan, or to the members of the administrative, managerial, supervisory or control entities of the companies merging
h. The articles of association of the European Company
i. Particulars on the processes pursuant to which the agreement has been concluded with the involvement of the employees, in accordance with Council Directive 2001/86/EC.

In addition, pursuant to § 17 of the Law on the Statute for a European Company in addition to the particulars enumerated in Art. 20 para. 1 of the Regulation on the Statute, the terms of the Merger Plan must contain the conditions applicable to a cash compensation to be offered to a shareholder who disagrees to a transfer of the assets of that shareholder's company to a European Company (SE) headquartered in a different Member State, whether that compensation is to be made by the company or by a third party in exchange for surrender of that shareholder's shares.

Pursuant to the terms of §18 para. 2 in conjunction with § 7 para. 3 of the Law on the Statute for a European Company and § 220 b para. 4 of the Stock Corporations Act, the merger auditor is required to provide a written report of the result of his or her audit. The report must conclude with a statement as to whether the proposed exchange ratio of shares, and where indicated the amount of the cash payments to be made, and the conditions of the proposed cash compensation, are reasonable. In particular, the following details must be provided:

a. The methods according to which the proposed cash compensation was determined,
b. the reasons for which application of these methods is reasonable,
c. where multiple methods have been applied, the outcome that would result under application of each of the different methods used and
d. at the same time, a statement of position must be forthcoming as to the weighting attributed to these methods in determining the exchange ratio and the cash compensation. An indication must be provided as to whether and which special difficulties arose in the course of the assessment.

For the assessment of the commensurability of the exchange ratio and of the cash compensation requires a review of the underlying enterprise values is required. The methods applied in this connection must be recognized and the underlying assumptions assessed. The assumptions on which plans are based must be investigated for their plausibility. The merger auditor may not independently draw up a company valuation of his or her own by way of a determination of the exchange ratio or by way of assessing the cash compensation; the auditor may, however, undertake independent company valuations for purposes of a plausibility check (which we also did in the current case).

Neither the Management Board's Merger Report nor the expediency of the merger is the object of the legally mandated merger audit. To the extent that the Merger Report explains and justifies the exchange ratio and the cash compensation, however, it may serve as a source of information for a review of the appropriateness of the exchange ratio and of the cash compensation.

The auditor must submit the Audit Report to the Management Board and the members of the Supervisory Board.

2. LEGAL CIRCUMSTANCES

2.1. Intercell AG

Intercell AG, registered in the Commercial Register of the Commercial Court of Vienna, Austria, under Commercial Register no. FN 166438m, having headquarters in Vienna and the business address: Campus Vienna Biocenter 3, 1030 Vienna, Austria, is a limited company under Austrian law, with share capital of EUR 55,183,961 broken down into EUR 55,183,961 in **ordinary shares** with a nominal value of EUR 1. 301,748 units of the 55,183,961 shares are held as own shares and are not part of the exchange during the merger.

Intercell AG issued **share options** to its employees and Management Board members, of which there are currently 2,341,426 in circulation, that entitle their bearer to the purchase of shares at different prices. The Merger Plan provides under section 7.9 for a cash settlement of outstanding options in the amount of the difference between cash settlement amount (EUR 1.69) and the exercise price. From today's perspective, the cash settlement to be borne by Valneva SE is zero, since no exercise price is below EUR 1.69.

On the part of Intercell AG, in February 2011 **convertible bonds** were issued in the amount of EUR 33 million; these have a maturity in 2014 and a conversion price of EUR 11.43. To date, the outstanding amount of bonds held has been reduced to approx. EUR 15 million through scheduled redemption payments. The terms and conditions of the bonds provide for the right of the owner to ask for a redemption at 120% of the nominal amount in the event of a merger like the current one; consequently, under this heading the merger can be encumbered by up to EUR 3 million in additional costs. If the bonds are not offered for redemption, the successor company is taking them over.

2.2. Vivalis SA

Vivalis SA is a limited company (société anonyme) registered with the Commercial Court of Angers, France under Commercial Register no. 422 497 560, with headquarters in Roussay, France, and the company address: La Corbière, 49450 Roussay, France. The share capital totals to EUR 3,201,413.55 and is broken down into 21,342,757 ordinary shares with a nominal value of EUR 0.15 each.

At Vivalis, too, there are share-purchase options, options and so-called free shares, all of them in the money in relation to the specified exercise prices. Accordingly, within the scope of the effort to determine the exchange ratio, these were converted to additional shares pursuant to the Treasury Share Method; consequently, for valuation purposes, one can assume an (increased) number of shares equal to 21,770,816.

2.3. Merger of Intercell AG with Vivalis SA

The terms of the Merger Plan provide for a merger of the two companies in two steps. As part of the first step, Intercell AG will demerge its business operations to create Intercell Austria AG. In the

second step, the previous Intercell AG would merge, along with its newly created shareholding in Intercell Austria AG, with Vivalis SA in exchange for the provision to Intercell shareholders of shares by the receiving company. The merger would transform the existing SA into a European Company (SE), and the newly created SE would be given the company name 'Valneva'.

The demerger for incorporation of the operative business of Intercell AG into the newly established Intercell Austria AG is to take place on the basis of an audited interim financial statement as at 30 September 2012, and also contains the existing shares in Intercell Biomedical Ltd., headquartered in Livingston (Scotland) and in Intercell USA Inc., headquartered in Gaithersburg (USA). On the other hand, Intercell AG would retain shares in Intercell Austria AG, the obligations arising out of the existing stock option plans (for which a cash payment in the amount of the difference between the exercise price and cash settlement amount (EUR 1.69) is foreseen), portions of the convertible bonds still outstanding, its treasury shares in Intercell AG, the American Depository Receipts (ADR) it has issued, the Board of Management contracts and agreements entered into with consultants and auditors in connection with the merger, the agreements with Vienna Stock Exchange (Wr. Börse) and assets contained in certain accounts and individual securities with which impending obligations are to be covered.

The spin-off is a demerger for absorption in accordance with § 1 para. 2 cl. 2 of the Demerger Act [SpaltG] in combination with § 17 of the Demerger Act, and pursuant to the tax concessions found in Art. VI of the Reorganisation Tax Act [UmgrStG]. The demerger is carried out on the basis of the interim financial statement of Intercell AG as at 30 September 2012. This date also corresponds to the demerger date within the language of § 2 para. 1 cl. 7 of the Demerger Act and § 33 para. 6 of the Reorganisation Tax Act.

Upon occurrence of the conditions precedent as enumerated in Section 10 of the terms of the Merger Plan and entry of the transformed Valneva SE in the French Commercial Register, the assets and liabilities remaining on the books of Intercell AG following entry to the Commercial Register will be transferred over to Valneva SE (headquartered in France) by way of universal succession, in accordance with § 18 of the Law on the Statute for a European Company in conjunction with § 225a para. 3 of the Stock Corporations Act. At that point, Intercell AG will cease to exist.

For Intercell AG, the point in time at which the merger will take effect, for purposes of rendering of accounts and from the standpoint of taxation, shall be 1 January 2013 (12:00 midnight CET) (merger date). Intercell Austria AG will continue the previous business operations of Intercell AG from the end of the demerger date (30 September 2012, 12:00 midnight).

The shareholders of Intercell AG who do not vote against the merger during the General Meeting at which the merger resolution is passed, and who, during the Meeting, do not object to the merger resolution and have their objection entered in the minutes of the Meeting, shall, once the merger takes effect, and pursuant to the exchange ratio indicated in Section 3.1. of the terms of the Merger Plan, receive ordinary shares of Valneva SE and, in addition to preferred share pursuant to the

provisions of Section 3.3. of the terms of the Merger Plan. The trustee nominated for the purpose, Erste Group Bank AG, will handle the share swap. The exchange ratio, both for ordinary shares and for preferred share, is 40:13; in other words, for 40 shares of Intercell AG, the shareholder will receive 13 ordinary and 13 preferred share in Valneva SE. In the event of complete occurrence of the conditions described in detail in Section 3.3, the preferred share of Valneva SE will be transformed to normal ordinary shares, at a ratio of 0.481 ordinary shares for one preference share. If the conditions specified do not arise within seven years' time, then they shall be bought back by Valneva SE at a nominal value of EUR 0.01 apiece and annulled.

The preferred share are intended to satisfy Intercell shareholders' earning opportunities for the Pseudonomas vaccine, which will only be transformed to normal ordinary shares if this vaccine is authorised for marketing in the USA and Europe. Because the occurrence of this event is currently not predictable beyond doubt, the Parties have opted for this method by which the opportunities that arise if this vaccine is authorised for marketing will accrue primarily to Intercell shareholders, but under which these individuals also bear the entire risk (in the form of a cancellation of their preferred share).

If, on the other hand, an Intercell shareholder votes against the merger and raises an objection during the General Meeting and has this objection entered in the minutes, then the shareholder shall be entitled to cash compensation. Sec. 7.5 (c) of the terms of the Merger Plan set this compensation at EUR 1.69 per share.

The next section of this Report contains an analysis and assessment of the exchange ratio and of the cash compensation.

3. MERGER REPORT

3.1. Completeness and accuracy of the Merger Plan

The Board of Intercell AG as well as the management of Vivalis SA have, with the notarial deed of 16 December 2012, established a joint Merger Plan in agreement with Article 20 para. 1 of the SE Regulation as well as § 17, SE Law (including an amendment dated 18 January.

The company names and places of business of the merging companies as well as the company intended for the SE and the planned headquarters - Article 20 para. 1 (a) SE Regulation.

The company names and places of business of the companies participating in the merger are listed in the Merger Plan and correspond in each case to the entries in the Commercial Register and in the Registre du Commerce et des Sociétés respectively. The title of the company as well as the place of business of the Societas Europaea are also contained in the Merger Plan.

The exchange ratio of the shares and amount of the compensation payment as well as details regarding the transfer of the shares in the SE - Article 20 para. 1 (b) and (c) of the SE Regulation

The exchange ratio of the shares as well as the details for the granting of shares in the receiving company are regulated in Section 3 para. 1-3 of the Merger Plan. As service in return for the assets transferred in the course of the merger, the shareholders of Intercell AG should each receive 13 ordinary shares and 13 preferred share of Valneva SE for 40 shares of Intercell AG in accordance with the exchange ratio established in Section 3 para. 1 of the Merger Plan. Additional Cash payments are not provided for.

The time from which these shares grant the right to participation in profits, as well as all details relating to this right - Article 20 para. 1 (d) SE Regulation

As per Section 6, para. 2 of the Merger Plan, the ordinary shares to be issued to the shareholders of Intercell AG in the course of the merger grant the right, from the day the merger is registered, to participate in all dividends that will be resolved or that are to be distributed. For the preferred share, a right to share in profits of 1/15 of the claim granted to the ordinary shares is provided for in Section 3.3, in the event that such dividend are paid out before their conversion into ordinary shares or before they are pay-out and their subsequent annulment.

Time from which the actions of the merging companies are deemed to have taken place for the accounting of the SE with regards to financial reporting - Article 20, para. 1 (e) SE Regulation.

The merger deadline in the tax as well as accounting-related sense, relating to the assets and obligations transferred in the course of the merger, is 1 January 2013, zero hours. The business

operations of the hitherto Intercell AG summarised in the Intercell Austria are recorded in the framework of Intercell Austria AG, with their risks and opportunities, from 1 October 2012, zero hours. With the registration of Valneva SE, all legal acts of the previous Intercell AG are directly or indirectly allocated to it retroactively from the named deadline.

Rights that the SE grants to the shareholders of the founding companies, who are endowed with special rights, and to the owners of other securities as shares, or the measures suggested for these persons - Article 20 para. 1 (f) SE Regulation

As per Section 7 para. 3 of the Merger Plan, neither Intercell AG as the transferring company nor Vivalis SA as the receiving company have shares in circulation that grant special rights; therefore Valneva SE will also issue no shares that carry special rights. For the still outstanding convertible bonds – as already mentioned – the bondholders have the right, with regards to the objective merger, to ask for an early redemption (see Sect 7.8 lit. b of the Merger Plan), whereby according to the terms and conditions of the bond a 20% premium applies. Those bond holders who do not use their right will become bondholders of Valneva SE at completion of the merger but their conversion privilege lapses.

Advantages that are granted to the experts who audit the Merger Plan, or to the members of the management, executive, supervisory or control bodies of the merging company - Article 20 para. 1 (g) SE Regulation

As per Section 8, para. 4 of the Merger Plan, in connection with the merger, benefits are granted neither to members of the administrative, supervisory or control bodies nor to third parties such as merger auditors or independent advisors.

The agreed fees for merger auditors or independent advisors have been agreed with Intercell AG or with Vivalis SA and are to be considered at arm's-length terms.

Articles of Association of the SE - Article 20 para. 1 (h) SE Regulation

The Articles of Association of Valneva SE is contained within Annex 1 of the Merger Plan.

Data on the procedure in accordance with which an agreement regarding the employees' participation as per the 2001 / 86 / EC Guidelines is reached - Article 20 para. 1 (i) SE Regulation

The approach for establishing the modalities of negotiation with the employee representatives in the Vivalis SA and Intercell AG as regards the conclusion of an agreement regarding employee participation within the SE as per the SE Guideline are described in Annex 4 of the Merger Plan.

Conditions for cash compensation - § 17 SE Regulation

As per Section 7.5 of the Merger Plan, those shareholders of Intercell AG who vote against the merger in the General Meeting in which a decision is to be reached regarding the merger, and who raise an objection and have it entered into the minutes, with the condition of the registration of the merger,

are awarded a cash compensation in the amount of EUR 1.69 per share in Intercell AG. The payment of the cash compensation is carried out by Valneva SE and is due upon registration of the merger in the Commercial Court of Angers.

It should be noted that the merger only takes place when, on the day of enforcement of the merger, a cash compensation is demanded for a maximum of 4,138,800 shares (i.e. 7.5% of all shares issues) (Section 7.5 lit. b).

As per Section 7.5 lit. d of the Merger Plan, for the purposes of ensuring all of the cash compensations due, an absolute bank guarantee from an international bank is provided to the trustee.

3.2. Other findings

As per § 7 para. 4 EU Mergers Act, the audit report must also contain a declaration regarding the amount of nominal capital and the allocated reserves of the participating companies if one company transfers its assets to a company that proceeds from the merger and that has its place of business in another member state, as is the case here. On the merger deadline of December 31st 2012, the share capital of Intercell AG was EUR 55,183,961. Allocated reserves in the form of capital reserves were available in the amount of EUR 2,404,362.13.

At Vivalis, on December 31st 2012, the share capital amounted to EUR 3,182,000 and the allocated capital reserves were an estimated EUR 62,142,000.

The use according to the Merger Plan (Section 4 and Section 7.13) of the merger premium (the accounted surplus of net assets brought in by Intercell AG over the nominal value of the shares granted in Valneva SE) ensures that dedicated reserves are constituted, to prevent a capital blocking effect.

3.3. Data on determining the exchange ratio and the cash compensation offer.

3.3.1. Preliminary remark

The determined exchange ratio is the result of negotiations between the bodies of Intercell AG and Vivalis SA, taking into consideration advisors on both sides, according to the report of the Management Board. There is no direct derivation from the performed assessments and the thereby calculated results.

The two companies to be merged are currently still in the development stage of their operative activities and their intended products (apart from the vaccine against Japanese encephalitis on the part of Intercell); they have not yet achieved their regular operative stage. The long-term planning necessary for the assessments themselves are, similarly to the estimation of the sustainable future success, currently afflicted with extreme uncertainty and the deducible results correspondingly indicate a very large fluctuation margin.

In addition, there is also the significant uncertainty regarding the course of individual research and development propositions as well as the estimation of success rates for the individual phased of clinical testing, which extend over a very long time period, in which each individual step can lead to a premature end to the procedure - with far-reaching financial consequences, as, in particular from Intercell's perspective, the number of projects that are financially influential is comparatively very small.

In this context, the different possible assessment procedures deliver results which, shaped by the large number of imponderables, are in a very broad fluctuation margin. For classical assessment models, such as discounted cash flow methods, there are material assessment parameters, such as beta factors, which cannot be deduced in a statistically significant way, despite existing stock market listings for the shares of the two companies that are to be merged, as the trend for these shares does not directly correlate with the general stock exchange indices. Furthermore, the liquidity of both shares must be classified as low-level. The assessment is therefore very difficult.

For reviewing the commensurability of the agreed exchange ratio, it is therefore not possible to use the results of a specifically meaningful assessment procedure as a basis, as this does not exist. A plausibility review of the agreed exchange ratio is however possible, taking into account different possible assessment concepts; in the implementation of these, the comparability of the computational logic for both companies must be taken into account and it is accepted that there is no individual procedure that is in itself clearly preferable to the other assessment concepts under these conditions.

For the individual shareholders, the requested merger means that he trades his stake in a stand-alone business for a share in a group of companies that is to be created through the merger. Within this, the share value of the stand-alone business is transformed into a share in the group of companies using the exchange ratio, whereby the value of this share should at least correspond to the stand-alone value in order to be able to judge the request to be sensible from an economical point of view. The "appropriate" exchange ratio therefore does not only include a plausible determination of the relationship between the stand-alone values, but also the appropriate distribution of the group worth, taking into consideration the expected synergies and their different origin where necessary. Theoretically, in the case of fundamental synergies, the relationship between individual values could therefore be plausible and appropriate although the exchange ratio is classified overall as not appropriate due to a distorted distribution of the synergies (which e.g. does not do justice to the origin of the synergy). Both will be examined in the following, in which firstly the agreed exchange ratio is explained in order that, secondly, in the light of different assessment approaches listed by the corporate body of Intercell AG in their merger report, they can then be analysed and assessed.

The cash compensation offer and its commensurability is then also discussed.

3.3.2. The agreed exchange ratio

The agreed exchange ratio in accordance with which each Intercell shareholder receives 13 ordinary and 13 preferred shares in the successor company Valneva for 40 Intercell shares, only indirectly reveals the actual exchange as it depends on the currently unknown value of the preferred share offered. These are requested for stock exchange admission per the Merger Plan (Section 3.3). Depending on whether or not, in the coming years, the Pseudomonas vaccine successfully completes the phases of its clinical testing that are still outstanding, and ultimately achieves market approval in the USA or Europe, as well as whether or not it will be economically viable, in a few years these preferred share will be converted at a ratio of 1 : 0.481 into normal, ordinary shares in Valneva SE, or bought in for payment of their nominal value of 0.01 EUR and annulled.

The **effective exchange ratio or shareholding ratio** for which only the "valuable" ordinary shares are influential, is as follows, depending on the probability of success of the Pseudomonas vaccine:

Probability of success of Pseudomonas	0 %	10 %	20 %	30 %	40 %	50 %	100 %
Intercell versus Vivalis share	45.03 %	46.20 %	47.32 %	48.39 %	49.42 %	50.41 %	54.82 %

Correspondingly, in the event that the agreed criteria for success for the Pseudomonas vaccine are not fulfilled, there is a share of slightly over 45 % for the existing Intercell shareholders and of 55 % for the current Vivalis shareholders. Should the Pseudomonas proposition, however, prove successful, then after some years the current Intercell shareholders would hold a percentage of share of 54.82 %, and 45.18 % for the Vivalis shareholders (the time difference between the decision to merger in the Intercell General Meeting and their conversion into ordinary shares or purchase at nominal value has not been taken into consideration when determining these percentages of shares).

Although in the final result, the condition for converting the preferred share will either be fulfilled or not fulfilled, and therefore the final percentage of shares will either be 45.03 % or 54.82 % (and the exchange ratio 0.325 (i.e. 13/40) or 0.4813 (i.e. 19.253/40), as regards to existing uncertainty in terms of the successful completion of the Pseudomonas proposition, in assessing the commensurability of the exchange ratio a probability of success for this project must be operated with. This does not satisfy the statistical demands of a probability in the narrower sense of the term (in particular the frequency principle, which would require random repeatability); it is nevertheless necessary in order to ensure reproducibility for uniform assessment criteria such as e.g. market prices, or target prices estimated by analysts, which do not allow any differentiation relating to the Pseudomonas proposition but rather include a uniform face value for the overall Intercell stock. The estimations for the probability of success of the Pseudomonas proposition are between 20 and 50 %, which, as per the above table corresponding to the agreed exchange ratio, would lead to percentages of shares between 47.32 % and 50.41 %.

3.3.3. Stand-alone assessment - methods and their results

In the merger report from the Management Board of Intercell AG, the results of a stand-alone assessment of Intercell AG and Vivalis SA, derived from using three different assessment methods, are represented and used to justify the agreed exchange ratio.

The following tables summarises these values:

		Company value		Value/stock		Ratio	IC share
		Intercell Mill.	Vivalis Mill.	Intercell	Vivalis		
Discounted cash flow	MIN	€ 346.8	€ 276.5	€ 6.21	€ 12.67	0.49	55.6 %
	MAX.	€ 499.8	€ 414.0	€ 8.93	€ 18.95	0.47	54.7 %
Stock prices	final	€ 94.9	€ 160.9	€ 1.73	€ 7.39	0.23	37.1 %
	1M	€ 92.8	€ 158.7	€ 1.69	€ 7.29	0.23	36.9 %
	3M	€ 99.3	€ 159.8	€ 1.81	€ 7.34	0.25	38.3 %
	6M	€ 102.1	€ 148.5	€ 1.86	€ 6.82	0.27	40.7 %
	12M	€ 119.6	€ 143.7	€ 2.18	€ 6.60	0.33	45.4 %
Target rate (analysts)	MIN	€ 104.3	€ 195.9	€ 1.90	€ 9.00	0.21	34.7 %
	MAX.	€ 384.2	€ 283.0	€ 7.00	€ 13.00	0.54	57.6 %

The represented values are based on the following data:

The **DCF values** are based on the current business plans of Intercell and Vivalis respectively, which include risk-weighted planning for the individual research programmes and products. Temporally, the cash flow volumes planned in each case until 2024, and thereafter the terminal value on the basis of growth rates of 3.5 % for the maximum value and 2.5 % for the minimal value, are taken here into account (the assessment deadline is 31 December 2012). For Intercell, the determination of value for the maximum value is based on a WACC (weighted cost of capital), shaped by equity costs, of 10.9 % (beta 1.0, base rate 1.8 %) and the minimum value originates from a WACC of 12.9 %. The success rate for Pseudomonas is assumed at 50 %. The WACC for Vivalis is taken into account at 9.8 % (maximum value) and 11.8 % (minimum value) respectively, whereas the lower value, with the lower market risk premium for France, is justified although France has a worse rating than Austria and therefore there is a greater country risk profile, for example, with Damoderan.

These DCF values would lead to an exchange ratio (value of each share in Intercell to the value of each share of Vivalis) of 0.47 to 0.49, compare to the agreed exchange ratio of 0.4032 on the basis of a 50 % Pseudomonas success rate (as is taken into consideration in the Intercell planning). The exchange ratio agreed for the Intercell shares is correspondingly **too low** in relation to the DCF value ratios. This is also shown in the values in the final column, which reflect the share ratios of Intercell and Vivalis deducible from the DCF values; as the DCF value of Intercell is higher than that of Vivalis, the share of Intercell, for example, would have to be 54.7 % on the basis of the maximum values and that of Vivalis would be 45.3 % – compared with the 50.41 %, which arises for Intercell from the agreements made.

A comparison of the DCF values per share for Intercell of € 8.93 and € 6.21 respectively in comparison to the last observable share price (before the announcement of the merger of approximately € 1.70) shows, however, that the stock values are assessed entirely differently by the market. This also applies to Vivalis. It has already been noted previously that, for companies such as Intercell or Vivalis, which have not yet reached their normal operating stage and for which the comparatively narrow portfolio of products or projects also is associated with specific risks in relation to becoming ready for the market, the classic DCF model only seems to be applicable to a limited extent. Also, the WACC values used seem to be comparably low in this setting[2], and likewise the consideration of a terminal value with a growth of 2.5 to 3.5 % p.a. for companies that have not yet secured their sustainable 'going concern' status, in particular in terms of liquidity, must be questioned. In this respect, the DCF values at best reflect the potential that may be relevant to the markets after securing a 'going concern' status. Currently they are to be adjusted by a realisation discount before they can be used for comparative purposes (which was not done in the Management Board's report).

Based on the DCF values mentioned in the Management Board's report, it can be established as a provisional summary that, based on these values, the exchange ratio from the perspective of Intercell is **lower** than those company value ratios described by the management in the merger report.

[2] Cf. e.g. Festel G.: Bewertung von High-Tech-Start-ups durch systemematische Anpassung des Betafaktors, in: Corporate Finance, 2010, S. 175 ff.; DiMasi J., Grabowski H.: The Cost of Biopharmaceutical R&D: Is Biotech Different, Managerial and Decisions Economics 2007, S. 469 ff.

As a second procedure for determining an exchange ratio, the relationships of the **volume-weighted average rates of Intercell and the Vivalis stock** was cited on the part of the Intercell board in the merger report, whereby the separate values for the last month, the last three months, the last six months and the last 12 months were cited. While it was necessary that the Intercell shares in the period had to accept losses (above all following the announcement of numbers below expectation for the 3rd Quarter in 2012), the share price for Vivalis rose. Even if the success rate of Pseudomonas is applied at 20 %, and therefore a reference value of 0.3563 and an Intercell percentage of share of 47.32 % is assumed for the agreed exchange ratio, then all ratios based on share prices lead to clearly less favourable results from Intercell's perspective (0.23 to 0.33 rather than 0.3563 and 37.1 % to 45.4 % rather than 47.32 %). In this respect, the agreed exchange ratio delivers a **better result** from the perspective of Intercell's shareholders than the ratio resulting from the market prices.

As a third way to deduce an exchange ratio, **analysts' price targets** are used in the merger report. In terms of the result, but also in terms of its date of publication, this indicates a relatively broad band width, whereby the agreed exchange ratio is more favourable when considering lower analysts' targets; however, it is less favourable for the highest analysts' targets. In addition to the values represented by the Management Board in their merger report, the analysis of Nomura Securities and Kempen & Co should also be referred to; these companies both respectively analysed Intercell and Vivalis and furthermore, in each case on the date 17 December 2012, undertook an short analysis of the merger that had just been announced at that time. These analyses created the following pattern:

		Company value		Value/stock		Ratio	IC share
		Intercell Mill.	**Vivalis Mill.**	**Intercell**	**Vivalis**		
Target rate (analysts)	*Nomura*	€ 197.6	€ 265.6	€ 3.60	€ 12.20	0.30	42.7 %
	Kempen	€ 247.0	€ 206.8	€ 4.50	€ 9.50	0.47	54.4 %
	Average	€ 222.3	€ 236.2	€ 4.05	€ 10.85	0.37	48.5 %

Both analysts submit recommendations to buy and position themselves, when the average is taken into consideration, **at the level of the agreed exchange ratio**, taking into consideration a success rate of the Pseudomonas proposition of around 30 %.

Overall, there is therefore a much differentiated picture on the basis of the different assessment methods, whereby, however, none of the represented methods fundamentally put into question the commensurability of the agreed exchange ratio. If the comparably small number of projects at Intercell, the unfavourable course of stock prices in the final months of 2012, and considering the close interlinking of the company's future performance in a stand-alone setting with the

Pseudomonas proposition, **the agreed exchange ratio should be classified as appropriate**, in particular if it is brought into account that the opportunity for direct participation in the success of the Pseudomonas proposition is maintained for the Intercell shareholders with the intended preference share solution (however, they alone must also primarily bear the risk of failure).

The merger report abstained from using a peer group assessment, which was being considered as a theoretically equivalent methodology, above all because a peer group would require comparable companies which are also at a comparable stage in their development as the two assessed objects. It was however not possible to find a representative group of this type of businesses listed on the stock exchanges.

3.3.4. Group assessment taking synergies into consideration

From the point of view of the Intercell shareholders making a decision regarding the merger, not only is the ratio of the stand-alone values of Intercell AG and Vivalis SA of interest as an material determination factor for an appropriate exchange ratio, but also, for them, it depends above all also on the fact that the value, to be relinquished by them, of Intercell AG will be replaced by a group value that is at least of the same value, and if possible of a higher proportional value.

Relevant are the synergies, minus the costs of the merger, in which Intercell's shareholders participate subject to their participation ratio in the merged company Valneva SE.

Regarding this point, the following factors were named first and foremost in Chapter 4.2 of the merger report:

- The extension of the product range which reduces the dependence on the success of individual propositions; therefore, the level of volatility should go down while the level of stability should be increased.
- The improved liquidity situation in connection with the capital increase planned in parallel with the merger.
- The fundamentally extended market capitalisation of the two merged companies, which should improve capital market access and therefore the securing of financing.
- From the perspective of the Intercell shareholders, it is above all also important that the previously existing close interlinking of the further performance of the company with the success of the Pseudomonas proposition is reduced, which is thought to be responsible for the very large discount to the share price.
- The cost benefits related to a consolidation of the activities are estimated at 5-6 million Euros p.a. If the consolidation costs, which are not taken into consideration in the business plans

and therefore also not in the stand-alone values, are deducted, a company value growth of around 45 million Euros can be assumed, which provides proportionally an advantage to the Intercell shareholders. The synergies constitute a direct result of the merger and would be expected without it. To assign them according to the agreed shareholding ratio is therefore to be considered as appropriate.

- Due to the improved liquidity situation and the improved capital market access, in the event of a successful market approval for the Pseudomonas vaccine, a co-development solution could under certain circumstances be implemented in the place of the license agreement (coupled with milestone payments for compensation for previous development costs) currently planned considering liquidity aspects, which overall promises substantially higher revenues, albeit cash-effective only at a later point in time.

Overall, the Intercell shareholders can expect, in connection with the planned merger, important synergy effects in comparison to a continuation of the stand-alone solution, which is advantageous to them and which, in this respect, shows the merger solution to be more appropriate than the previous individual company solution - taking into consideration the intended exchange ratio. Its commensurability is therefore also ensured.

3.3.5. The "commensurability" of the cash compensation offered

The shareholders of Intercell AG, who vote against this merger and also have their opposition recorded in the minutes, have a claim to a reasonable compensation, which must be offered to them in accordance with § 17 SE Regulation and must be assessed in the framework of the objective review on its commensurability. As per Section 7.5 lit. c of the Merger Plan, the offered cash compensation is 1.69 EUR per share.

In how far can this amount be assessed to be appropriate?

- Compared with the values per share listed in Chapter 3.3.3, this value is at the lowest boundary - it corresponds to the volume-weighted average rate for Intercell stock in the last month before announcement of the merger.
- In contrast to the "appropriate cash compensation" as per the Austrian Minority Shareholders Exclusion Act (GesAusG), no compensation for the compulsory exclusion of the stockholder regarding his company rights and prohibiting his participation in the further development of the company will be made with the current settlement. Here, the shareholder must carry on the unrestricted right to disposal of his commitment under company law in the consolidated business. He must not be reimbursed for the possibilities escaping him. The stockholder should in any case not have an economic detriment by exercising his exit right.[3]

[3] Kalss S.: Kommentar zur Verschmelzung – Spaltung – Umwandlung,2. Aufl., § 234 b, Tz. 30.

- Here it can therefore only be a matter of a merger that in his view, differently from the other shareholders, is not to be endorsed without being able to avoid direct financial loss. Should, for example, an announced merger process be met with greater disapproval, it is to be expected that the share price would lower due to increased exits. This development should not be to the disadvantage of the shareholders, and may be fully absorbed by taking up the offer of his shares at the average rate before the Merger Plans are announced.
- Likewise, particularly for an illiquid security such as the Intercell stock, for which the daily trading volume is regularly under 100,000 units, it must be prevented that a shareholder is disadvantaged through cumulated sales of e.g. 1 million units in one day, which are not taken up by the market and therefore lead to market distortions. With an offer that his shares are in any case acquired by the company at the weighted, average rate, the shareholder avoids this kind of issue through the consolidation of down-side risk thus incurred. This is the purpose of the appropriate settlement offer.
- This, however, does not hinder the shareholder in selling his shares at a higher rate via the stock exchange, which comes about through the fact that other market participants request shares and push the rate up in respect of positive consolidation aspects (also after the general meeting which decides over the merger until the listing on the stock exchange). In this respect, he can possibly benefit from the merger announcement and must therefore not be reimbursed for any actual or potential damage.
- The restriction provided for in the Merger Plan that the merger will not be implemented if, on the day of enforcement of the merger, more than 4,138,800 shares are registered for cash compensation, is, from the Intercell's shareholders' perspective, additional coverage which does not satisfy a 75 % required majority for resolutions for the merger. Only 7.5 % of the Intercell shareholders can, if they are of the opinion that, through the merger, their company interests will be restricted and that they therefore vote against it and register their opposition, prevent the merger.

In this context, the cash compensation offered is justified as functionally and objective, and is therefore to be qualified as commensurate. The intended solution includes the provisions realisable with reasonable expense to avoid an economic detriment, in the case that the justified interests of a minority are overruled by a majority and are therefore negated, although they are shared by numerous co-partners analogously.

4. SUMMARIZING STATEMENTS

After the concluding outcome of our dutiful assessment we can confirm the following:

1. The information given in the Merger Plan corresponds to Austrian legal requirements and is complete and correct.
2. The propose exchange ratio of 40 shares of Intercell AG for 13 common and 13 preferred shares of Valneva SE, which are depending on the future development of the Pseudomonas undertaking, is adequate
   The cash compensation proposition to shareholders of Intercell AG amounting to 1.69 EUR per share is adequate.
3. Three different valuation methods have been used to establish the exchange ratio. The exchange ratio which was derived from negotiations – without declaring the relative weight of one of the methods – is adequate according to our determination, because of reasons laid out in our report, especially in consideration of the synergies tied to the merger. Incidentally, the different valuation methods used by Intercell AG's Management Board did not lead to relevant deviations to the agreed exchange ratio.
4. The following has to be reported on evidence for notable difficulties in valuation: Considering vaccines in development, together with the probability of a successful completion of the project and of market launch, led to notable difficulties in company valuation. In addition, the usual parameter of the Capital Asset Pricing Model – like e.g. the Beta Factor – could not be reliable derived from market data, so that the usually preferred DCF-method could only be used in the present case with significant limitations.

The Engagement Letter agreed with Intercell AG is the basis for our Merger Assessment. The 'General Conditions of Contract for the Public Accounting Professions' (AAB 2011) issued by the Chamber of Public Accountants and Tax Advisors in the version of 21 February 2011 are an integral part of this agreement. These contracting conditions are not only valid between the company and the merger appraisers, but vis-à-vis third parties as well. The entire contractual relationship is governed by Austrian law, i.e. Austrian substantive law excluding the UN Sales Convention. The competent court in Vienna will have exclusive jurisdiction in any matter arising from or related to this contractual relationship. According to § 220b para. 3 of the Stock Corporation Act (AktG), § 275 of the Austrian Commercial Code (UGB) are applied to our responsibility and liability towards companies participating in the merger and their shareholders. Pursuant to § 275 para. 2 UGB, our liability is limited to EUR 8 million.

Vienna, 22 January 2013

Univ. Doz. Dr. Walter Platzer

Grant Thornton Unitreu GmbH