Press Release

VALNEVA SE, Lyon

Valneva Reports Annual Results 2013: Company sees first year of merger as operational and human success

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valneva

VALNEVA REPORTS ANNUAL RESULTS 2013: Company sees first year of merger as operational and human success

+ Net loss was EUR 24.1 million in FY 2013 in line with company expectation and mainly driven by EUR 21.4 million of R&D expenses
+ Total revenues and grants rose to EUR 36.0 million in FY 2013, exceeding the company's expectation of FY revenues between EUR 30 to 35 million
+ Valneva and co-development partner Novartis to continue Phase II/III Clinical Trial for Pseudomonas Aeruginosa Vaccine candidate following data review of the interim analyses, further internal assessments and discussions with European regulators
+ Company recently announced approval and launch of second veterinary vaccine produced in the EB66® cell Line

Outlook:

+ For the year 2014, Valneva's financial strategy is to continue to support the company's focused spending in research and development in order to create long-term value through innovation. The company therefore plans to record losses in 2014.
+ The company expects 2014 overall IFRS revenue to grow to EUR 40 – 45 million and anticipates continued growth of in-market sales of IXIARO®/JESPECT® leading to a significant increase in the profitability of its JEV vaccine
+ Valneva expects a significant improvement of its operational results (excluding any non-cash amortization and impairment charges) in 2014 compared to pro-forma financial performance of the two businesses combined in 2013. This improvement will be mainly due to EUR 5 – 6 million merger synergies and savings in sales expenses following the recent amendment of the Company's main distribution contract for IXIARO®

Lyon (France), March 24, 2014 – European biotechnology company Valneva SE (Valneva) reports today its consolidated financial results for the year ended December 31, 2013. The consolidated IFRS financial statements are attached to this press release.

Thomas Lingelbach, President and Chief Executive Officer and Franck Grimaud, President and Chief Business Officer of Valneva, commented, "2013 has been a great year for Valneva. We have not only managed to create a fully integrated European biotech company combining the operational and human strengths of Vivalis and Intercell but we have also implemented merger cost synergies faster than expected. In 2014, we expect to continue to grow in-market sales of IXIARO®/JESPECT® and to maximize the value of our technology platforms (EB66® cell line, VIVA|Screen® antibody discovery technology, and the IC31® adjuvant) through new and existing partnerships, while at the same time advancing our portfolio of vaccine candidates further. Valneva's and Novartis' recent decision to continue the trial of our most advanced product candidate against Pseudomonas aeruginosa certainly paves the way for another great year for Valneva."

Key Financial Information:

EUR IN THOUSANDS	12 MONTHS ENDED	
	Dec 31, 2013	*Dec 31, 2012*
Total revenues & grants	35,991	5,909
Net profit / (loss)	(24,110)	(14,841)
Net operating Cash Flow	(20,903)	(13,444)
Cash, cash equivalents, and finanical assets, end of period	40,167	12,056

Note: The Consolidated Financial Statements of Valneva SE (the "Group") for the fiscal year 2013 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. They were approved by the Company's Supervisory Board on March 21st 2013 and audited by the Statutory Auditors. The Group's Statutory Auditors are in the process of issuing an unqualified opinion on the Consolidated Financial Statements for 2013. The full version of the Consolidated Financial Statements for 2013 including Notes are available on Valneva's webpage www.valneva.com.

As a result of the merger, Intercell's business has been included in the Group's consolidated financial statements from the merger closing date May 28th, 2013. For that reason, 2012 and 2013 results are not fully comparable. While the results of Vivalis SA (now Valneva SE) were fully included in the income statement 2012 and 2013, the results from the ex-Intercell operations were only included for the seven month period commencing on June 1, 2013 and are not part of the results for the comparator period of the previous year.

+ *Revenues and grants*

Valneva's aggregate full year 2013 revenues and grants increased to EUR 36.0 million compared to EUR 5.9 million in the same period of the previous year. This increase was mainly due to the contribution of ex-Intercell revenues to the business since June 2013 following the closing of the merger of Vivalis and Intercell to form Valneva. Independently from the significant merger impact on revenues and grants, the Group's key revenue sources, IXIARO®/JESPECT®, EB66® and VivaIScreen® all showed revenue growth in 2013. Revenues and grants excluding the ex-Intercell operations increased by 12.2% to EUR 6.6 million in 2013.

IXIARO®/JESPECT® product sales contributed EUR 23.2 million to 2013 revenues since the effective date of the merger. Revenues from collaboration and licensing increased to EUR 7.2 million in 2013 compared to EUR 3.4 million in the previous year. Grant income was EUR 5.5 million in 2013 and EUR 2.5 million in 2012. Both, fundamental growth and inclusion of the ex-Intercell business contributed to this increase in revenues and grants. ■

+ *Operating Result*

Cost of goods sold – exclusively related to sales of IXIARO®/JESPECT® - amounted to EUR 16.5 million, yielding a product gross margin of 29.0%.

Research and development costs in 2013 were EUR 21.4 million, of which EUR 11.4 million were contributed by the ex-Intercell operations. Without giving effect to the ex-Intercell contribution, R&D costs in 2013 were EUR 10.1 million which compare to EUR 11.1 million in 2012.

Selling, general, and administrative expenses (SG&A) in 2013 were EUR 14.7 million compared to EUR 5.6 million in 2012. The ex-Intercell business contributed EUR 10.0 million to the increase. Without giving effect to the ex-Intercell contribution, the year-on-year decrease in SG&A costs was 15.5%. Amortization expenses for intangible assets increased to EUR 5.4 million in 2013 from EUR 1.8 million in 2012. EUR 3.7 million of this increase 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 EUR 8.0 million to EUR 20.9 million in 2013 from EUR 12.8 million in 2012. Ex-Intercell operations accounted for EUR 12.5 million of the operating loss in 2013.

EBITDA increased to minus EUR 11.8 million in 2013 from minus EUR 9.9 million in 2012. Ex-Intercell operations contributed minus EUR 6.8 million to 2013 EBIDTA. ■

+ *Net Result*

Valneva's net loss in 2013 reached EUR 24.1 million, compared to EUR 14.8 million at the same period last year. The increase reflects recognition of EUR 15.4 million of net loss coming from the ex-Intercell business during the seven months since the closing of the merger. Excluding this amount, the Group's net loss would have decreased by 41.1% to EUR 8.7 million in 2013 from EUR 14.8 million in 2012. ■

+ *Cash flow and Liquidity*

Net cash used in operating activities in 2013 amounted to EUR 20.9 million and resulted primarily from the operating loss in connection with the Group's R&D activities and from an increase in working capital. Cash in-flows from investing activities reached EUR 21.9 million in 2013, including EUR 13.6 million of cash acquired through the stock-for-stock merger with Intercell AG. The remaining in-flow originated mainly from financial asset disposals and the sale of the Company's CMO facility in Nantes.

Cash flows from financing activities amounted to EUR 34.7 million, resulting primarily from the net proceeds of EUR 37.3 million of a capital increase completed in July 2013 and the monetization of the Company's CIR (Research Tax Credit - Crédit Impôt Recherche) for the years 2010 to 2012 through a EUR 6.3 million credit line, repayable upon collection of the respective tax credits. Cash inflows from financing activities were partly offset by the repayment of borrowings including the refinancing of debt in connection with the merger by an asset-based secured loan of USD 30 million and by the purchase of treasury shares of EUR 0.7 million linked to the merger-related exercise of exit rights of former Intercell shareholders.

Liquid funds at the end of December 2013 stood at EUR 40.2 million compared to EUR 12.1 million at the end of December 2012 and consisted of EUR 36.5 million cash and EUR 3.7 million short-term deposits ■

PRODUCT CANDIDATES UPDATE:

(Note: this update includes all information released by the group since the publication of its Full Year sales on February 27, 2014)

+ *Valneva and co-development partner Novartis to Continue Phase II/III Clinical Trial of Pseudomonas Aeruginosa vaccine candidate*

Valneva announced today, in a separate release, the continuation of the current phase II/III clinical trial of its Pseudomonas aeruginosa vaccine candidate. ■

PLATFORMS UPDATE:

(Note: this update includes all information released by the group since the publication of its Full Year sales on February 27, 2014)

+ *EB66® Cell Line:*

› Approval and Launch in South America of a Second Veterinary Vaccine Produced in the EB66® Cell Line

Mid-March 2014, Valneva announced the approval and launch of a second veterinary vaccine produced in the EB66® cell line. The vaccine for the prevention of inclusion body hepatitis virus (IBH) was developed by Lima (Peru) based biopharmaceutical company FARVET SAC (FARVET), and will also be available for sale in Peru and several other South American countries. Financial terms of the agreement were not disclosed but do include milestone payments and royalties on net sales of the product. Under the current commercial license, FARVET has the rights to develop two additional vaccines using Valneva's EB66® cell line.

› New Research Agreement and Transfer of an Existing Commercial Agreement to Emergent BioSolutions for the Development of Vaccines in the EB66® Cell Line

At the beginning of March, Valneva announced that the signing of a new research license agreement and transferred an existing commercial agreement to Emergent BioSolutions Inc. (NYSE:EBS), to develop new vaccines using Valneva's EB66® cell line.

The agreements granted Emergent and its affiliates the rights to research and commercialize new and existing vaccine candidates using Valneva's EB66® technology.

The commercial license, which was initially granted to the Oxford-Emergent Tuberculosis Consortium (OETC) for the development of Tuberculosis vaccines, will be transferred to Emergent. Financial terms of the agreements were not disclosed but do include upfront and annual maintenance payments. If successful, product candidates from these agreements may lead to additional cash payments for achieved milestones along with future royalties on net sales. ■

+ *IC31® Adjuvant:*

› Initiation of a Phase II Clinical Trial of A Tuberculosis Vaccine Candidate Using Valneva's IC31® Adjuvant

Mid-March, Valneva distributed a press release issued by nonprofit biotechnology company Aeras about the initiation of a Phase II randomized clinical trial for its tuberculosis (TB) vaccine candidate Aeras-404 using Valneva's IC31® proprietary adjuvant. Aeras-404 (also designated as H4IC) is a novel vaccine candidate developed jointly by Aeras, Statens Serum Institut (SSI) and Sanofi Pasteur. It has already been tested in

four Phase I studies which showed an acceptable safety profile and immunogenicity.

Aeras and its partners expect preliminary results of the study at the end of 2015. ■

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+ *About Valneva SE*

Valneva is a new European biotech company focused on vaccine development and antibody discovery. It was formed in 2013 through the merger between Intercell AG and Vivalis SA. 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 both 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 300 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.

www.valneva.com

Forward-Looking Statements
This press release contains certain forward-looking statements relating to the business of Valneva, including with respect to the progress, timing and completion of research, development and clinical trials for product candidates, the ability to manufacture, market, commercialize and achieve market acceptance for product candidates, the ability to protect intellectual property and operate the business without infringing on the intellectual property rights of others, estimates for future performance and estimates regarding anticipated operating losses, future revenues, capital requirements and needs for additional financing. In addition, even if the actual results or development of Valneva are consistent with the forward-looking statements contained in this press release, those results or developments of Valneva may not be indicative of their in the future. In some cases, you can identify forward-looking statements by words such as "could," "should," "may," "expects," "anticipates," "believes," "intends," "estimates," "aims," "targets," or similar words. These forward-looking statements are based largely on the current expectations of Valneva as of the date of this press release and are subject to a number of known and unknown risks and uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievement expressed or implied by these forward-looking statements. In particular, the expectations of Valneva could be affected by, among other things, uncertainties involved in the development and manufacture of vaccines, unexpected clinical trial results, unexpected regulatory actions or delays, competition in general, currency fluctuations, the impact of the global and European credit crisis, and the ability to obtain or maintain patent or other proprietary intellectual property protection. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements made during this presentation will in fact be realized. Valneva is providing the information in these materials as of this press release, and disclaim any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

CONSOLIDATED INCOME STATEMENT

EUR IN THOUSANDS (EXCEPT PER SHARE AMOUNTS)	YEAR ENDED DECEMBER 31,	
	2013	*2012*
Product sales	23,239	-
Revenues from collaborations and licensing	7,206	3,431
Revenues	**30,445**	**3,431**
Grant income	5,546	2,478
Revenues and Grants	**35,991**	**5,909**
Cost of goods sold	(16,508)	-
Research and development expenses	(21,423)	(11,095)
General, selling and administrative expenses	(14,720)	(5,565)
Other income and expenses, net	1,157	(292)
Amortization of intangible assets	(5,353)	(1,790)
OPERATING LOSS	**(20,856)**	**(12,833)**
Finance income	200	477
Finance expenses	(2,969)	(533)
LOSS BEFORE INCOME TAX	**(23,625)**	**(12,889)**
Income tax	(348)	(96)
LOSS FROM CONTINUING OPERATIONS	**(23,973)**	**(12,985)**
Loss from discontinued operations	(137)	(1,856)
LOSS FOR THE YEAR	**(24,110)**	**(14,841)**
Losses per share *for loss from continuing operations attributable to the equity holders of the Company, expressed in EUR per share (basic and diluted)*	(0.61)	(0.61)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR IN THOUSANDS	YEAR ENDED DECEMBER 31,	
	2013	*2012*
Loss for the year	**(24,110)**	**(14,841)**
Other comprehensive income/(loss)		
Items that are or may be reclassified subsequently to profit or loss		
Currency translation differences	1,636	(22)
Total items that are or may be reclassified subsequently to profit or loss	**1,636**	**(22)**
Other comprehensive income/(loss) for the year, net of tax	**1,636**	**(22)**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	**(22,474)**	**(14,863)**

CONSOLIDATED BALANCE SHEET

EUR IN THOUSANDS	AT DECEMBER 31,	
	2013	*2012*
ASSETS		
Non-current assets	**191,045**	**38,446**
Intangible assets and Goodwill	125,403	17,371
Property, plant and equipment	45,067	12,091
Other non-current assets	20,575	8,984
Current assets	**63,346**	**15,083**
Inventories	4,819	-
Trade receivables	7,570	1,047
Other current assets	10,791	1,979
Current financial assets	3,658	11,225
Cash and cash equivalents	36,509	832
Assets held for sale	**-**	**137**
TOTAL ASSETS	**254,391**	**53,667**
EQUITY		
Capital and reserves attributable to the Company's equity holders	**144,111**	**26,194**
Share capital	8,206	3,219
Share premium and other regulated reserves	198,322	62,414
Retained earnings and other reserves	(38,308)	(24,598)
Net result for the period	(24,110)	(14,841)
LIABILITIES		
Non-current liabilities	**82,181**	**17,664**
Borrowings	64,902	5,073
Other non-current liabilities and provisions	17,279	12,592
Current liabilities	**28,100**	**9,808**
Borrowings	6,381	1,641
Trade payables and accruals	11,388	1,896
Tax and employee-related liabilities	5,096	1,786
Other current liabilities and provisions	5,235	4,485
TOTAL LIABILITIES	**110,280**	**27,472**
TOTAL EQUITY AND LIABILITIES	**254,391**	**53,667**

CONSOLIDATED CASH FLOW STATEMENT

EUR IN THOUSANDS	YEAR ENDED DECEMBER 31,	
	2013	*2012*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	(24,110)	(14,841)
Depreciation and amortization	9,056	4,784
Impairment fixed assets/intangibles	92	-
Share-based payments	179	234
Income tax	348	-
Other adjustments for reconciliation to cash used in operations	(1,739)	(3,430)
Changes in working capital	(3,311)	(144)
Cash used in operations	**(19,485)**	**(13,397)**
Interest paid	(1,121)	-
Income tax paid	(296)	(47)
Net cash used in operating activities	**(20,903)**	**(13,444)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of other businesses, net cash acquired	11,615	(2,761)
Purchases of property, plant and equipment	(1,375)	(2,485)
Proceeds from sale of property, plant and equipment	3,144	6
Purchases of intangible assets	(1,899)	(13)
Proceeds from sale of financial assets	10,037	9,423
Purchases of financial assets	-	(60)
Interest received	332	224
Net cash generated from investing activities	**21,855**	**4,334**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock, net of costs of equity transactions	37,621	133
Purchase of treasury shares	(684)	-
Proceeds from borrowings	27,646	1,500
Repayment of borrowings	(29,893)	(1,461)
Net cash generated from financing activities	**34,689**	**172**
Net change in cash and cash equivalents	**35,641**	**(8,938)**
Cash at beginning of the year	832	9,792
Exchange gains/(losses) on cash	36	(23)
Cash at end of the year	**36,509**	**832**
Cash, cash equivalents, and financial assets at end of the year	**40,167**	**12,056**