Valneva SE

HALF-YEAR FINANCIAL REPORT

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valneva

TABLE OF CONTENTS

General Introductory Comments and Disclaimer

In this interim financial report, unless stated otherwise, the terms "Company", "Valneva" and "Group" refer to Valneva SE and its subsidiaries.

This interim financial report does not contain or constitute an offer of, or the solicitation of an offer to buy or subscribe for, Valneva shares to any person in the USA or in any jurisdiction to whom or in which such offer or solicitation is unlawful. The Valneva shares may not be offered or sold in the USA. The offer and sale of the Valneva shares has not been and will not be registered under the US Securities Act.

This interim financial report contains forward-looking statements about the Group's targets and forecasts, especially in chapter 4 – "Operational and strategic outlook FY 2015". Such statements are based on data, assumptions and estimates that the Company considers reasonable.

They are subject to change or adjustments to factor in uncertainties inherent in all research and development activities, as well as the economic, financial, competitive, regulatory and climatic environment. In addition, the Group's business activities and its ability to meet its targets and forecasts may be affected if some of the risk factors described in chapter 5 – "Risk factors" of this interim financial report arise.

Investors are urged to pay careful attention to the risk factors before making their investment decision. One or more of these risks may have an adverse effect on the Group's activities, condition, the results of its operations or on its targets and forecasts. Furthermore, other risks not yet identified or considered as significant by the Group could have the same adverse effects, and investors may lose all or part of their investment.

Forward-looking statements, targets and forecasts shown in this interim financial report may be affected by risks, either known or unknown uncertainties and other factors that may lead to the Group's future results of operations, performance and achievements differing significantly from the stated or implied targets and forecasts. These factors may include changes in economic or trading conditions and regulations, as well as the factors set forth in chapter 5 – "Risk factors" of this interim report.

A. Management Report

1. OVERVIEW

Valneva is a biotechnology company that specializes in the development, manufacture and commercialization of innovative vaccines with a mission to advance vaccines for better lives.

The Company seeks financial returns through focused R&D investments in promising product candidates and growing financial contributions from commercial products, striving towards financial self-sustainability.

Valneva's portfolio includes two commercial vaccines for travelers: one for the prevention of Japanese encephalitis (IXIARO®/JESPECT®) and the second (DUKORAL®) indicated for the prevention of cholera and, in some countries, for the prevention of ETEC (Enterotoxigenic escherichia Coli) infection or diarrhea caused by ETEC. The Company has proprietary vaccines in development including candidates against Pseudomonas aeruginosa, Clostridium difficile and Lyme borreliosis. A variety of partnerships with leading pharmaceutical companies complement the Company's value proposition and include vaccines being developed using Valneva's innovative and validated technology platforms (EB66® vaccine production cell line, IC31® adjuvant).

Valneva's ordinary shares (ISIN code: FR0004056851) are traded on segment B of Euronext Paris (stock code: VLA.PA) and eligible for the deferred settlement service ("Service de Règlement Différé" or "SRD"). The Group is part of the SBF 120 index. Valneva's shares are also traded on the Prime Market of the Vienna Stock Exchange (stock code: VLA.VI)

2. OPERATIONAL REVIEW

a. Commercialized vaccines:

+ *Japanese encephalitis vaccine (IXIARO®/JESPECT®)*

Valneva´s first marketed product is a vaccine indicated for active immunization against the Japanese encephalitis (JE) virus aimed to protect travelers, military personnel, and residents in endemic regions. The product is a next-generation vaccine targeting the most common vaccine-preventable cause of encephalitis in Asia and is licensed in more than thirty-five countries. It is marketed under the trade names IXIARO® in North America, Europe, Hong Kong, and Singapore, and under the trade name JESPECT® in Australia and New Zealand.

Since the approval of IXIARO®/JESPECT® in 2009, the vaccine label has been extended by the European Medical Agency (EMA) and the US Food and Drug Administration (FDA) for use in children from the age of 2 months, and the Company, together with its marketing & distribution partners, has been focusing on increasing penetration through its sales and marketing activities and global expansion strategy.

In 2012, Valneva´s partner Biological E. Ltd. launched the JEEV® vaccine to protect small children and adults from JE in India. The product, based on Valneva´s technology, is manufactured at Biological E.'s facility in Hyderabad, India. JEEV® was prequalified by the World Health Organization (WHO). Valneva received the first royalties from Biological E.'s sales at the end of 2014.

In April 2014, Valneva granted vaccine manufacturer Adimmune Corporation certain exclusive rights to its JE vaccine in Taiwan. Adimmune is entitled to register and commercialize Valneva´s JE vaccine under a local trade name and to manufacture and commercialize the vaccine from bulk product delivered by Valneva.

In May 2015, the European Medical Agency (EMA) approved a rapid IXIARO® vaccination schedule for adults. This accelerated alternative vaccination schedule will allow adult travelers (18-65 years) to receive full immunization within one week compared to almost four weeks under the conventional vaccination schedule (second dose 28 days after first dose).

In June 2015, Valneva announced its decision to take direct control over the marketing and distribution of IXIARO® by terminating the marketing and distribution agreement it had signed with Novartis vaccines in 2006 and transferred to GlaxoSmithKline (GSK) in 2015. The decision was taken in support of Valneva's strategy to build a leading, independent and fully integrated vaccines biotech company, and to leverage synergies with the recently acquired second travel vaccine (DUKORAL®) and commercial infrastructure in the Nordics. Through this step, Valneva expects to significantly improve sales margins and profitability from IXIARO®, its largest revenue contributor, as of 2016 and beyond. Prior to termination, Valneva recognized 50% of in-market net sales revenues of IXIARO® to private travelers and two thirds of US military sales. Going forward, Valneva will recognize 100% of sales from markets where it distributes the product directly (Canada, UK, Sweden, Norway, Finland, Denmark, US Military). Margins will improve in other markets under country-specific marketing & distribution arrangements.

Valneva expects the transition of the marketing and distribution of IXIARO® in key markets to last until the beginning of 2016. Valneva is confident that a constant vaccine supply will remain available for customers, without disruption.

In the 2015 first half, revenues from IXIARO®/JESPECT® product sales increased by 54% to EUR 15.1 million compared to EUR 9.8 million in the 2014 first half, benefiting from strong in-market sales.

After the completion of the marketing and distribution transition from GSK, Valneva expects its annual IXIARO® net sales revenues to increase to more than EUR 50 million. However, as announced previously, 2015 sales will be negatively affected and are now expected to be approximately EUR 25 million compared to Valneva's previous guidance of approximately EUR 30 million. Valneva expects 2015 in-market sales levels to be consistent with previous estimates, though with lower revenues primarily from the reduced product deliveries to GSK as a result of GSK's right to sell its remaining inventories during the transition period.

The Company expects to fully make up for this short-term adverse financial impact already in 2016 with a significant improvement in the revenues and profitability of its JE vaccine.

+ *Cholera / ETEC vaccine (DUKORAL®)*

DUKORAL® is Valneva's second vaccine on the market. The vaccine is indicated against cholera and, in some countries, also indicated against ETEC (Enterotoxigenic Escherichia Coli) and/or travelers´ diarrhea caused by ETEC. DUKORAL® is indicated for adults and children from 2 years of age who will be visiting endemic/epidemic areas. DUKORAL® was first granted authorization for use in Sweden in 1991. In 2004, DUKORAL® was granted a marketing authorization by the European commission (through the "centralized" procedure) for European Union members (including Norway and Iceland) and was prequalified by the World Health Organization.

In February 2015, Valneva completed the acquisition of the DUKORAL® vaccine and one of Sweden's leading vaccine distributors "SBL Vaccin Distribution" to create a critical mass in its travel vaccine portfolio and to add a commercial infrastructure to its assets. The integration of the business has successfully progressed. Regulatory licenses and other processes are currently being transferred from the Seller so the gradual take-over of transitional services can be completed before year-end.

In support of the Company's objective to directly control the commercialization of its products in key markets, Valneva created a subsidiary in Canada, DUKORAL®'s largest market, at the end of January 2015, and is now building a commercial team there.

Progress is also being made in setting up a marketing and distribution network for other territories through a combination of Valneva's own sales and marketing teams and country-specific marketing & distribution arrangements. The Company recently entered into a marketing and distribution agreement for DUKORAL® in Italy, Spain and Portugal with the US firm PaxVax Inc. Under the terms of the agreement, Valneva will in turn promote and commercialize PaxVax's typhoid vaccine Vivotif® in Canada and the Nordic countries (Sweden, Norway, Denmark and Finland).

In the 2015 first half, Valneva posted EUR 8.1 million in product sales from DUKORAL®. With EUR 5.3 million in DUKORAL® product sales from the previous owner between January 1, 2015 and the acquisition closing date on February 9, 2015, pro forma product sales increased to EUR 13.4 million compared to EUR 11.5 million pro forma in the 2014 first half. This performance was largely driven by strong sales in Canada, DUKORAL®'s key market, and other select European markets, and by favorable exchange rates.

The acquired DUKORAL® business still showed a negative gross margin in the first half of the transitional year 2015 while integration into Valneva and restructuring of the cost base of the acquired manufacturing site in Sweden is ongoing. Cost of goods were also negatively impacted by recognition of idle capacity cost during manufacturing transition of the year and by non-cash acquisition accounting effects (cost of sales of acquired product inventory recorded at fair market value as opposed to the lower historical manufacturing cost). The Company expects the acquired business to become profitable following the transitional 2015 period.

Valneva will continue to invest in growing the DUKORAL® vaccine by way of promotional efforts and geographic expansion focusing its own dedicated resources on key countries.

b) Vaccine distribution

Through the acquisition of Crucell Sweden AB in February 2015, Valneva also acquired "SBL Vaccin Distribution" (SBL), a vaccine distribution business with well-established commercial operations in the European Nordic countries (Sweden, Norway, Denmark and Finland). SBL is marketing or distributing a broad range of vaccines sourced from other vaccine companies including GlaxoSmithkline. In July 2015, SBL entered into an agreement with the US firm PaxVax Inc. to market and distribute PaxVax's typhoid vaccine "Vivotif®".

Product sales from the vaccine distribution business amounted to EUR 4.3 million in the 2015 first half. 2015 half year pro forma product sales, including those originating from the previous owner prior to the February 9, 2015 acquisition closing date, amounted to EUR 4.9 million compared to 2014 half-year pro forma product sales of EUR 5.1 million pro forma.

Valneva intends to further leverage its presence in the European Nordic countries with complementary customer products.

c) Technology and services

+ *EB66® cell line:*

Derived from duck embryonic stem cells, Valneva's EB66® cell line is a highly efficient platform for vaccine production 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 35 respective research and commercial license agreements with the world's largest pharmaceutical companies (GlaxoSmithKline, Sanofi-Pasteur, Zoetis, etc.). The first human vaccine using the EB66® technology received marketing approval in 2014 and the first veterinary vaccine in 2012.

Current licenses represent potential milestone payments totaling approximately EUR 80 million and potential royalties on sales of 3-6% for human vaccines and 1.5-5% for veterinary vaccines. To date, milestone payments already received by the Company for the licensing of its EB66® technology amount to approximately EUR 34 million. A research license generally has a term of between 12 and 24 months and generates marginal payments. If successful it can lead to a commercial license with upfront payments, clinical milestone payments and royalties.

The most important ongoing EB66® clinical development programs in the human vaccine field is linked to pandemic and seasonal influenza programs for which Valneva granted an exclusive EB66® license to GSK and GSK´s co-development partner - the Chemo-Sero Therapeutic Research Institute (Kaketsuken). GSK is developing its EB66® cell based influenza vaccines in the US in partnership with he Texas A&M University System.

The EB66® cell line business delivered a significant newsflow in the 2015 first half.

In March 2015, Valneva signed an exclusive license agreement with the Chinese company Jianshun Biosciences Ltd granting that company the right to commercialize Valneva's EB66® cell line for the manufacturing of human and veterinary vaccines in People's Republic of China only. Under its terms, Valneva has already received an upfront license payment of EUR 2.5 million. This will be followed by an additional payment of EUR 0.5 million in 2016, annual maintenance fees and 50% of the total revenues payable to Jianshun Biosciences Ltd from its sub-licensees.

Valneva also announced the approval in Japan of an EB66®-based prototype vaccine against any strain of pandemic influenza at the end of March 2015. The approval was granted by the Japanese health authorities to Kaketsuken, a co-development partner of GSK. In March 2014, Kaketsuken had already received a marketing approval for a pandemic H5N1 influenza vaccine, the first ever human vaccine produced in the EB66® cell line. Following the approval of the prototype vaccine, the EB66® technology may now be used to produce pandemic vaccines against any strain and hence opens a commercial perspective for stockpiling and outbreaks.

Valneva also entered into a number of additional license agreements in the 2015 first half. Research licenses have been signed with Merial, the animal health division of Sanofi (SNY), with two undisclosed European veterinary vaccine manufacturers in the field of veterinary vaccines and with Kaketsuken for the development of a novel human vaccine candidate. Valneva granted Boehringer Ingelheim a 10-month extension to its current research license in return for an extension fee.

A commercial license agreement was signed with Italian pharmaceutical company Fatro for the development and commercialization of two veterinary vaccines. Under the financial terms of the agreement, Valneva will receive annual maintenance fees and is eligible for milestone payments along with future royalties on net sales.

Valneva is planning to announce additional EB66® deals in the second half.

+ *IC31® adjuvant / IC31® tuberculosis vaccine:*

The difficulties in eliciting meaningful responses to novel prophylactic and therapeutic vaccines for indications such as malaria, tuberculosis and cancer and the insufficient response to conventional vaccines in some population groups with impaired immune systems (e.g. the elderly) increase the need for adjuvants such as Valneva's IC31®.

Valneva has granted multiple research licenses to evaluate IC31® in new vaccine formulations in infectious diseases and in oncology.

Under a strategic alliance agreement signed in 2007, Novartis received an exclusive license for the use of IC31® in selected new vaccines.

Valneva is collaborating with the Statens Serum Institut (SSI) in Denmark in the field of tuberculosis. Three clinical vaccine candidates, all formulated with Valneva´s IC31® adjuvant, are currently being tested in phase I and II clinical trials as part of the Company's agreement with SSI and their partners, including Aeras and Sanofi Pasteur. At the end of 2014, the Statens Serum Institut's novel tuberculosis vaccine candidate H1/IC31® formulated with the IC31® adjuvant showed good safety and immunogenicity in phase II clinical trial in HIV-infected adults.

At the beginning of 2015, Valneva announced the signing of an exclusive worldwide commercial license agreement with Immune Targeting Systems, subsequently acquired by Vaxin Inc.. The agreement grants Vaxin Inc. the rights to research, develop and commercialize Hepatitis B vaccine candidates in combination with Valneva's IC31® adjuvant. Financial terms of the agreement were not disclosed. If successful, product candidates from these agreements may lead to additional cash payments for achieved milestones along with future royalties on net sales.

In July 2015, Vaxin Inc. announced that it had enrolled the first patient into a phase I clinical trial of HepTcell™ (FP-02.2), Vaxin's immunotherapeutic compound to treat people chronically infected with the hepatitis B virus (HBV). The multicenter trial will be conducted at seven sites within the United Kingdom and aims to recruit 72 patients with chronic HBV infection. Vaxin's hepatitis B immunotherapeutic candidate will be assessed in the presence or absence of Valneva's IC31 adjuvant.

d) Vaccine candidates

The Company's current proprietary pipeline includes vaccine candidates against Pseudomonas aeruginosa (phase II/III), Clostridium difficile (phase II), and a pre-IND stage program against Lyme borreliosis.

+ *Pseudomonas aeruginosa vaccine candidate– VLA43*

Pseudomonas aeruginosa is one of the leading causes of nosocomial (hospital-acquired) infections. 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 available against Pseudomonas aeruginosa and Valneva estimates that the total market potential for the product could be as significant as USD 1 billion annually.

In March 2012, Valneva started a pivotal phase II/III efficacy trial with its investigational Pseudomonas aeruginosa vaccine, called VLA43. The trial followed an exploratory phase II study in which lower all-cause mortality rates were observed in the vaccine groups as compared to the control group. In March 2014, Valneva announced the continuation of the current phase II/III efficacy trial of VLA43 following an interim analysis, and resumed the recruitment of patients for the ongoing trial. The planned interim analysis after 394 patients indicated a clinically meaningful vaccine effect but a difference in all-cause mortality apparently not as pronounced as in the prior Phase II trial. The decision by Valneva and its co-development partner (today GSK, Novartis at the time) to continue the trial followed different assessments including analysis conducted by a Data Monitoring Committee (DMC), consultation with two European regulatory agencies and with experts in the field.

Valneva has now completed the enrolment of its phase II/III efficacy trial, with a total of 800 ventilated intensive care unit patients recruited across approximately 40 different study sites. During this period, Valneva completed additional post-hoc analyses[1] from the previous phase II study which revealed interesting findings in sub-patient populations with certain co-morbidities. The Company also conducted additional research on the contemplated mode of action and a potential extension of the number of patients in the current phase II/III, above the pre-specified 800, was evaluated. As a result of these evaluations, which also included consultations with Regulatory Authorities, Valneva and its development partner GSK decided not to extend the current study further but to amend the current study protocol for additional clinical endpoints.

Valneva will accordingly await full analysis from the ongoing phase II/III efficacy trial, including day 180 follow-up time-points, before releasing data. Data release is expected in the second quarter of 2016.

The current phase II/III trial will retain its pivotal character should the primary endpoint with regards to all-cause mortality on Day 28 with all 800 enrolled patients be met, and hence be in support of product approval. However, should the study not meet its primary endpoint but confirm a clinically meaningful vaccines effect, it is anticipated that a further phase III study will be required in support of product licensure.

The development of Valneva's vaccine candidate against Pseudomonas aeruginosa is part of the strategic alliance agreement signed between Valneva and Novartis in 2007, which recently transitioned to GSK.

1 In the design and analysis of experiments, post hoc analysis consists of looking at the data—after the experiment has concluded—for patterns that were not specified a priori. In practice, post hoc analyses are usually concerned with finding patterns and/or relationships between subgroups of sampled populations that would otherwise remain undetected and undiscovered.

+ *Clostridium difficile vaccine candidate – VLA 84*

Clostridium difficile (C. difficile) is the leading cause for nosocomial diarrhea in Europe and the US. It is estimated that annually up to 3 million people become infected while receiving hospital treatment in the US. Currently, no vaccine against C. difficile exists and antibiotic treatment of the established disease has significant limitations. Valneva, which 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, estimates that the total market potential for prophylactic C. difficile vaccines may significantly exceed USD 1 billion annually.

At the end of 2013, Valneva reported positive phase I results for its C. difficile vaccine candidate, a recombinant protein vaccine consisting of two truncated toxins A and B from C. difficile, which showed a favorable safety and tolerability profile in both study populations (elderly subjects and adults). The vaccine candidate was also highly immunogenic in elderly subjects and was able to induce immune responses to C. difficile toxins A and B, similar to the ones observed in adults.

In December 2014, the Company initiated a randomized, placebo-controlled, observer-blinded phase II study aimed to confirm the optimal dose and formulation of the vaccine in two different age groups (first group: 50 to 64 years and second group: 65+). The trial was conducted in Germany and the United States under an Investigational New Drug application (IND) and included 500 participants. Enrollment is now completed and results from the phase II study are expected at the end of 2015.

+ *Lyme borreliosis vaccine candidate – VLA 15*

Lyme borreliosis (LB) is a multi-systemic infection caused by Borrelia bacteria, transmitted by infected ticks. Delayed or inadequate treatment of a Borrelia infection can lead to very serious symptoms, involving the joints, heart, and central nervous system, and can be disabling. Each year, according to the Centers for Disease Control and Prevention (CDC), 300,000 Americans are diagnosed with Lyme disease while the number of cases amount to 180,000 to 200,000 in Europe. Currently no LB vaccine is available for humans, although it has been shown that the disease can be prevented by immunization with an Outer surface protein A (OspA)-based vaccine.

Valneva has developed a multivalent vaccine candidate (VLA15) which addresses OspA, one of the most dominant proteins expressed by the bacteria when present in a tick.

In November 2014, the preclinical data of Valneva's Lyme borreliosis vaccine candidate was published in PLOS ONE, the world's largest scientific journal by volume, showing that the vaccine candidate can provide protection against the majority of Borrelia species pathogenic for humans.

Valneva expects to initiate a phase I clinical study in 2016.

3. FINANCIAL REVIEW

Note: As a result of the acquisition of Crucell Sweden AB and all assets, licenses and privileges related to DUKORAL® as well as a vaccine distribution business in the Nordics, the acquired business has been included in the Group's consolidated financial statements from the merger closing date on February 9, 2015. Therefore, IFRS results for the first six months of 2015 and 2014 are not fully comparable because the ex-Crucell operations were not included in the results for the same period in 2014. In the initial accounting for the acquisition, the net purchase consideration and the fair values assigned to the identifiable acquired assets and liabilities were determined on a provisional basis. Adjustments to those provisional values on completing the acquisition accounting are possible and may lead to subsequent adjustments of the results for the first six months of 2015. Such adjustments may be recognized within twelve months of the acquisition date.

Second quarter 2015 financial review

+ *Revenues and grants*

Valneva's second-quarter 2015 revenues and grants increased by EUR 10.3 million to EUR 19.7 million compared to EUR 9.4 million in the same period of the previous year. The increase was mainly driven by EUR 8.6 million contribution in revenues by the acquired ex-Crucell operations from February 10, 2015 onwards and by an increase in collaboration and licensing revenues following the recognition of a EUR 2.5 million upfront payment from Jianshun Biosciences Limited.

Product sales amounted to EUR 12.4 million in the second quarter of 2015 compared to EUR 5.9 million in the second quarter 2014. IXIARO®/JESPECT® revenues decreased moderately by EUR 0.6 million in the second quarter of 2015 compared to the same period last year due to timing effects related to product deliveries to the main distributor but are significantly up since the beginning of the year. DUKORAL® and Nordics trade product sales in the second quarter amounted to EUR 7.0 million.

Revenues from collaborations, licensing and services increased to EUR 6.2 million in the second quarter 2015 from EUR 2.1 million in the second quarter 2014. Service fees generated by the ex-Crucell business contributed EUR 1.6 million to this increase. Grant income decreased to EUR 1.1 million in the second quarter 2015 from EUR 1.3 million in the second quarter 2014.

+ *Operating result and EBITDA*

Cost of goods and services sold amounted to EUR 12.8 million in the second quarter 2015 (EUR 11.2 million related to cost of goods and EUR 1.6 million to cost of services).

In the second quarter 2015, cost of goods and services of EUR 7.9 million were contributed by the ex-Crucell business.

In this same quarter, cost of goods and services were exceptionally low at EUR 1.6 million (EUR 1.3 million related to cost of goods and EUR 0.3 million to cost of services).

Research and development expenses in the second quarter 2015 reached EUR 7.0 million compared to EUR 4.8 million in the second quarter 2014 reflecting higher clinical trial costs mostly from the phase II study of Valneva's Clostridium difficile vaccine candidate.

No R&D expenses linked to the antibody technology research were included in the second quarter 2015 as the antibody platform was integrated into BliNK Biomedical SAS as of the beginning of January 2015.

Selling, General and Administrative (SG&A) expenses in the second quarter 2015 amounted to EUR 6.7 million, compared to EUR 4.2 million in the second quarter 2014. This increase was mainly due to the acquisition of the ex-Crucell business, which contributed EUR 2.9 million to the SG&A costs in the second quarter 2015. Excluding the acquisition effect, SG&A expenses decreased by EUR 0.4 million, from lower legal costs and lower SG&A expenses in the US.

Non-cash amortization and impairment expenses for intangible assets decreased to EUR 2.0 million in the second quarter 2015 from EUR 3.3 million in the second quarter 2014. In the second quarter 2014, an impairment expense of EUR 1.3 million for the company's VivaIScreen® technology was included.

Valneva's operating loss in the second quarter 2015 increased by EUR 4.2 million to EUR 8.7 million compared to EUR 4.5 million in the second quarter 2014.EUR 2.5 million operating loss related to the acquired DUKORAL® and the Nordics vaccine distribution business. Valneva's EBITDA amounted to minus EUR 5.4 million in the second quarter 2015 and to minus EUR 0.3 million in the second quarter 2014. EBITDA was calculated by excluding depreciation, amortization and impairment from the operating loss recorded in the condensed consolidated interim income statement under IFRS.

+ *Net result*

Valneva's net loss in the second quarter 2015 was EUR 9.0 million compared to EUR 5.1 million for the same period of the previous year. The increase reflects initial losses from the acquisition of DUKORAL® and the Nordics vaccine distribution business (largely attributable to acquisition accounting effects) as well as an increase in Valneva's R&D spending resulting from progress in its on-going clinical programs.

First-half 2015 financial review

+ *Revenues and grants*

Revenues and grants in the first six months of 2015 reached EUR 39.2 million compared to EUR 16.5 million in the same period of the previous year. The acquired ex-Crucell business contributed revenues of EUR 14.9 million to Valneva's business as from February 10, 2015. The 138.0% year-on-year increase in revenues was attributable mainly to higher product sales of EUR 27.5 million in the 2015 first half compared to EUR 9.8 million in the 2014 first half and higher revenues from collaborations and licensing of EUR 9.7 million in the 2015 first half compared to EUR 4.6 million in the 2014 first half. These amounts were partly offset by slightly lower grant income of EUR 2.0 million in the 2015 first half compared to EUR 2.1 million in the 2014 first half. IXIARO® product sales increased by 54.0% to EUR 15.1 million in the 2015 first half from EUR 9.8 million in the 2014 first half. DUKORAL® product sales amounted to EUR 8.1 million and Nordics trade product sales amounted to EUR 4.3 million in the 2015 first half.

+ *Operating result and EBITDA*

Cost of goods and services sold amounted to EUR 27.1 million in the first six months of 2015. This included EUR 11.2 million related to IXIARO® sales (yielding a product gross margin of 25.6%), EUR 10.0 million related to DUKORAL® sales, EUR 3.4 million to the Nordics trade business and EUR 2.4 million related to cost of services. The gross margin for the acquired business was negatively impacted by idle capacity costs during a manufacturing transition period in the first half of the year and by non-cash acquisition accounting effects (cost of sales of acquired product inventory recorded at fair market value as opposed to the lower historical manufacturing cost). In the comparable period of 2014, the reported cost of goods was exceptionally low at EUR 3.9 million, of which EUR 3.1 million related to IXIARO® and EUR 0.9 million to cost of services.

Research and development expenses in the first six months of 2015 reached EUR 12.5 million compared to EUR 10.6 million in the same period of the previous year. This increase was mainly due to clinical study costs, especially for the phase II study of Valneva's Clostridium difficile vaccine candidate, and was only partly offset by a reduction in R&D expenses for the antibody technology, spun off into BliNK Biomedical SAS at the beginning of January 2015.

Selling, general and administrative (SG&A) expenses in the 2015 first half amounted to EUR 10.7 million, compared to EUR 7.4 million in the 2014 first half. This increase was due to additional SG&A costs from the newly acquired ex-Crucell business only partly offset by lower G&A expenses of the original business.

Other income/expense, net amounted to EUR 0.1 million in the first six months of 2015 and to minus EUR 0.1 million in the first six months of 2014.

Non-cash amortization and impairment expenses for intangible assets decreased to EUR 3.8 million in the 2015 first half from EUR 5.4 million in the 2014 first half, which included a EUR 1.3 million impairment for the VivaIScreen® technology.

Valneva's operating loss increased by EUR 3.7 million, or by 33.6%, to EUR 14.7 million in the first six months of 2015 compared to EUR 11.0 million for the same period in 2014.

Valneva's EBITDA amounted to minus EUR 8.5 million in the 2015 first half and to minus EUR 3.6 million in the 2014 first half. EBITDA was calculated by excluding depreciation, amortization and impairment from the operating loss recorded in the condensed consolidated interim income statement under IFRS.

Valneva breaks down reported operating results into three business segments "Commercialized Vaccines", "Technologies and Services" and "Vaccine Candidates". The Commercialized Vaccines segment, which includes marketed vaccines - currently the Group's JEV vaccine, DUKORAL® and Nordics vaccine distribution business– showed an operating loss of EUR 1.3 million in the 2015 first half, compared to an operating profit of EUR 4.8 million in the 2014 first half, excluding non-cash amortization charges on intangible assets. The Technologies and Services segment, which includes EB66®, VivaIScreen® (in 2014 only), IC31® and other revenue-generating services and licensing activities showed an operating profit of EUR 3.4 million in the first six months of 2015 compared to EUR 0.9 million operating loss for the same period in 2014 (excluding non-cash amortization charges on intangible assets). The Vaccine Candidates segment, which includes proprietary research and

development programs aiming to generate new products with significant market potential such as the vaccine candidates against Pseudomonas aeruginosa and C. difficile, currently represents the Company's main area of investment area and showed an operating loss of EUR 5.8 million in the 2015 first half compared to 3.0 million in the 2014 first half.

+ *Net result*

Valneva's net loss was EUR 14.0 million in the first six months of 2015 compared to EUR 12.2 million for last year's same period. This 14.8% increase was reflected mainly the net loss generated by the acquisition of the ex-Crucell business including DUKORAL® and the vaccine distribution business in the Nordics.

+ *Cash flow and liquidity*

Net cash used in operating activities in the first six months of 2015 amounted to EUR 13.0 million (compared to EUR 7.1 million in the first six months of 2014) and resulted primarily from the operating loss in connection with the Group's R&D activities, from an increase in working capital and from an increase in interest payments.

Cash out-flows from investing activities amounted to EUR 25.4 million in the 2015 first half and resulted primary from the acquisition of Crucell Sweden AB and all assets, licenses and privileges related to DUKORAL® as well as a vaccine distribution business in the Nordics, net of cash. In the 2014 first half, cash out-flows from investing activities amounted to EUR 6.5 million and concerned mainly investments in financial assets (securities and deposits) and purchases of intangible assets (capitalized development costs).

Cash inflows from financing activities in the first six months of 2015 amounted to EUR 53.6 million. This included primarily net proceeds of a capital increase of EUR 41.8 million (after deduction of transaction costs of EUR 3.3 million) in February 2015 and proceeds of new borrowings in connection with the acquisition. Cash inflows from financing activities in the first six months of 2014 amounted to EUR 6.5 million, resulting primarily from a capital increase through an equity line.

Liquid funds stood at EUR 43.7 million at June 30, 2015, compared to EUR 37.3 million at June 30, 2014 and consisted of EUR 42.0 million in cash and cash equivalents, EUR 0.6 million in restricted cash, and EUR 1.0 million in short-term deposits.

4. OPERATIONAL AND STRATEGIC OUTLOOK FY 2015

Valneva's strategy is to achieve financial returns by focusing R&D investments in promising product candidates and growing financial contributions from commercial products and technologies - striving towards financial self-sustainability. Valneva will execute this strategy by:

+ Maximizing the value of both its Japanese encephalitis vaccine, IXIARO® (also known as JESPECT® in certain territories) and its cholera/ETEC vaccine DUKORAL® by combining the Company's own marketing and sales teams with a network of country-specific distribution partners
+ Expanding its portfolio of marketed products by partnering and/or Mergers and Acquisitions
+ Bringing in-house clinical candidates to their next value inflection points
+ Leveraging the potential of its main technology platforms (EB66® cell line, IC31® adjuvant) internally or through commercial collaborations
+ Improving its financial performance by focusing investments on R&D activities and by optimizing the use of resources with a view to reaching profitability for each business activity.

For the second half of 2015, the Company expects important developments in some of its key activities:

+ Broadening of its revenue base by the full integration of DUKORAL® and Nordics trade business
+ Significant progress in gaining direct control over the commercialization of the Company's products in key markets
+ Results of the phase II clinical trial for its C. difficile vaccine candidate
+ Additional new EB66® licenses

With respect to financial performance, Valneva expects 2015 overall IFRS revenues and grants to reach the lower end of its previous guidance range of EUR 75 to EUR 85 million as a result of the short-term transition impact from taking direct control of IXIARO®'s marketing and distribution. The Company expects to fully make up for this short-term adverse financial impact already in 2016 with a significant improvement in the revenues and profitability of its JE vaccine.

The Company will continue to report a loss in 2015 in order to support its strategy of focused spending in research and development and to create long-term value through innovation. Financial results in the 2015 second half will be marked by the integration of the recently acquired DUKORAL® and Nordics trade business and the transition of the marketing and distribution of the Company's key value generator IXIARO®, setting the base for moving towards break-even following the transitional period of 2015.

5. 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 additional risks because (a) it has launched its first product, a Japanese encephalitis vaccine, which has not yet generated sufficient revenues to ensure the Company's sustainable development, (b) it is conducting a commercial transition (the "IXIARO® Transition") with respect to this product, following termination by Valneva of the Marketing and Distribution Agreement ("MDA") with GSK, as announced on June 22, 2015, and (c) in February 2015 it acquired the company "Crucell Sweden AB" (now renamed "Valneva Sweden AB"), the DUKORAL® vaccine and a distribution business in Nordic countries (collectively, the "Vaccine Manufacturing and Distribution Business" or the "Business"). 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, including in particular the following:

The acquisition of the Vaccine Manufacturing and Distribution Business entails financial risks for Valneva.

Integration costs for the Vaccine Manufacturing and Distribution Business might be greater than initially expected. In addition, revenues generated by the Vaccine Manufacturing and Distribution Business could be lower than those forecasted by Valneva. The occurrence of these risks could have an adverse effect on the Company's results and financial position as well as on the price of Valneva's ordinary shares.

Revenues resulting from the Vaccine Manufacturing and Distribution Business acquisition should allow the Company to build a distribution and marketing network – an activity in which the Company does not possess experience.

The Company is building a distribution and marketing network that will include a new team in Canada and strengthen its teams in Nordic countries. Other markets will be covered by a network of third-party distributors. Interim agreements have been entered into with the seller of the Business in order to ensure continuity in operations while the Company puts into place its own network.

The geographic breakdown the DUKORAL® product sales is imbalanced. In addition, no team dedicated to marketing or promoting DUKORAL® products located in the territory where the majority of DUKORAL® sales are generated has been transferred to Valneva in connection with the Vaccine Manufacturing and Distribution Business acquisition.

DUKORAL® products were distributed by entities affiliated with the seller of the Business or third-party distributors in a number of territories. Despite this, the geographic sales mix for DUKORAL® products is imbalanced and Canada is by far the largest market, generating nearly 50 percent of total revenues linked to the sale of DUKORAL® products.

Furthermore, no team dedicated to marketing or promoting DUKORAL® products located in Canada has been transferred to Valneva in connection with the acquisition of the Vaccine Manufacturing and Distribution Business. Valneva is developing its own teams and structure for marketing and promotion in Canada.

The Company's revenues and operating margin may decrease by reason of the IXIARO® Transition.

The Company has announced that the IXIARO® transition may result in a significant decrease in Valneva's sales of IXIARO® in 2015. The Company expects a significant increase in the profitability of the product from 2016 onwards. However, if the Company faces unexpected problems, such as transition-related management issues with health authorities or its former distribution partner, or delays in building its marketing and distribution structure, the Company may fail to restore sales levels and to improve the profitability of the product within the desired timelines. The occurrence of this risk could have an adverse effect on the Company's results and financial position as well as on the price of Valneva's ordinary shares

The Company might not be able to maintain or replace its relations with vaccine manufacturers in connection with the vaccine distribution activity.

The portfolio of vaccines distributed by the Vaccine Manufacturing and Distribution Business, includes in particular vaccines manufactured by third parties. In light of recent strategic developments in the vaccine sector, a risk exists that these third-party manufacturers change their distribution strategy in Nordic countries. If the Company is not successful in maintaining or replacing relations with these third-party manufacturers after acquiring the Vaccine Manufacturing and Distribution Business, the resulting loss in revenues could adversely affect the Company's operations.

Other risk factors:

The Company needs to gain further market acceptance for its Japanese encephalitis vaccine in order to recover the significant development costs incurred. Valneva may **fail to reach its sales goals** for its two commercial vaccines 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. This 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 payers, 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 vaccines 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 facilities** in Livingston, Scotland, and Solna, Sweden, are, and will continue to be, significant factors 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 products 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 any of Valneva's 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 Company's manufacturing facility in Solna, Sweden, is the sole source of commercial quantities of the DUKORAL® vaccine. The destruction of either of these facilities by fire or other catastrophic events would prevent the Company from manufacturing the relevant 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 Company's sales largely depend upon (i) the maintenance, renewal or transfer of **marketing authorizations** granted by regulatory authorities, (ii) the therapeutic indications approved by such authorities, (iii) recommendations issued by authorities or advisory bodies, and (iv) the regulatory status of the Company's products, e.g. prescription or over-the-counter (OTC), reimbursable or not, etc... Any difficulty or delay in maintaining, renewing, amending or transferring marketing authorizations, or any changes in the scope or terms of such authorizations or regulatory status, may adversely the Company's revenues, profits and financial condition.

The development and success of the Company's commercial vaccines 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 the development of its EB66 platform or 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 i**ntellectual property rights** in the U.S., the EU, and elsewhere. If the Company's efforts to protect its intellec-

tual 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, Valneva's revenues from up-front license payments, milestone payments, and royalties generated from product candidates that are subject to these partnerships and collaborations may be substantially reduced, which would have a material adverse effect on Valneva's business, financial condition, and results of operations.

Furthermore, announcements regarding changes in the achievement of **expected value inflection points** for Valneva's existing development programs, delays in receiving **regulatory approvals**, obstacles hindering product commercialization or realignment of Valneva's operations could be perceived negatively by investors, consumers, or others in the market and thus damage Valneva's reputation, contribute towards a lower share price or otherwise adversely affect Valneva's 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, a Pseudomonas vaccine, which is currently in a phase II/III clinical trial. Following a review of initial data, the Company and its development partner have decided to continue the trial. Data release from the full trial is expected in the first half of 2016.

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 top managers and qualified scientific and commercial personnel or if any of the key members of the Management or scientific or commercial 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 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 Valneva's product candidates in clinical trials and the sale of any of Valneva's current or future products will subject the Company 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.

The Company's success largely depends on the work and expertise of **its management and scientific personnel**. The loss of their skills could affect the Company's ability to achieve its goals.

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 its operations, adversely affect Valneva partners' ability or willingness to further develop and commercialize partnered products or impair the value of, or returns on, Valneva's 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 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 risk factors are set out in detail in the registration document of Valneva filed with the AMF on 16 June 2015 under number D.15-0614.

6. RELATED PARTIES' TRANSACTIONS

In the first six months of 2015 and 2014, there was no transaction or change in transactions between related parties which materially affected Valneva's financial position or performance.

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 on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly 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 your Annual General Meeting and in accordance with the requirements of article L. 451-1-2 of the French Monetary and Financial Code ("Code monétaire et financier"), we hereby report to you on:

+ the review of the accompanying condensed half-yearly consolidated financial statements of Valneva SE, for the period from January 1 to June 30, 2015;

+ the verification of the information presented in the half-yearly management report.

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

1. Conclusion on the financial statements

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

Without qualifying our opinion, we draw your attention to the matter set out in Note 10 « Business Combination » to the consolidated financial statements related to potential significant adjustments to the purchase price of Crucell Sweden AB that might occur subsequently to the June 30, 2015 closing.

2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Marseille and Neuilly-sur-Seine, August 28, 2015

The Statutory Auditors

Deloitte & Associés

French original signed by

Vincent GROS

PricewaterhouseCoopers Audit

French original signed by

Thierry CHARRON

C. Condensed Consolidated Interim Financial Report as of June 30, 2015

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

EUR IN THOUSANDS (EXCEPT PER SHARE AMOUNTS)	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2015	*2014*	*2015*	*2014*
Product sales	12,360	5,941	27,497	9,764
Revenues from collaboration, licensing and services	6,232	2,132	9,708	4,591
Revenues	**18,592**	**8,074**	**37,205**	**14,354**
Grant income	1,121	1,302	2,009	2,117
Revenues and Grants	**19,713**	**9,376**	**39,214**	**16,471**
Cost of goods and services	(12,795)	(1,566)	(27,053)	(3,925)
Research and development expenses	(6,985)	(4,814)	(12,489)	(10,590)
General, selling and administrative expenses	(6,660)	(4,188)	(10,688)	(7,368)
Other income and expenses, net	(6)	(63)	146	(136)
Amortization and impairment	(1,960)	(3,266)	(3,784)	(5,421)
OPERATING LOSS	**(8,693)**	**(4,521)**	**(14,654)**	**(10,969)**
Finance income	343	519	2,417	809
Finance expenses	(1,365)	(860)	(2,706)	(1,813)
Result from investments in affiliates	(167)	-	(264)	-
LOSS BEFORE INCOME TAX	**(9,882)**	**(4,862)**	**(15,207)**	**(11,974)**
Income tax	912	(210)	1,219	(210)
LOSS FROM CONTINUING OPERATIONS	**(8,970)**	**(5,071)**	**(13,988)**	**(12,184)**
Loss from discontinued operations	-	-	-	-
LOSS FOR THE PERIOD	**(8,970)**	**(5,071)**	**(13,988)**	**(12,184)**
Losses per share *for loss from continuing operations attributable to the equity holders of the Company, expressed in EUR per share (basic and diluted)*	(0.12)	(0.09)	(0.19)	(0.22)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

EUR IN THOUSANDS	THREE MONTHS ENDED MARCH 31		SIX MONTHS ENDED JUNE 30,	
	2015	*2014*	*2015*	*2014*
Loss for the period	**(8,970)**	**(5,071)**	**(13,988)**	**(12,184)**
Other comprehensive income/(loss)				
Items that are or may be reclassified subsequently to profit or loss				
Currency translation differences	1,246	111	(1,586)	175
Total items that are or may be re-classified subsequently to profit or loss	**1,246**	**111**	**(1,586)**	**175**
Other comprehensive income/(loss) for the period, net of tax	**1,246**	**111**	**(1,586)**	**175**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	**(7,724)**	**(4,960)**	**(15,574)**	**(12,009)**

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

EUR IN THOUSANDS	JUNE 30, 2015	DECEMBER 31, 2014
ASSETS		
Non-current assets	**184,132**	**166,567**
Intangible assets and goodwill	105,918	105,204
Property, plant and equipment	51,693	41,611
Equity-accounted investees	8.735	-
Other non-current assets	17,787	19,753
Current assets	**98,950**	**52,967**
Inventories	31,120	7,282
Trade receivables	12,274	6,850
Other current assets	11,883	9,366
Current financial assets	-	19
Cash and cash equivalents and short-term deposits	43,673	29,449
Assets held for sale	**-**	**7,982**
TOTAL ASSETS	**283,082**	**227,517**
EQUITY		
Capital and reserves attributable to the Company's equity holders	**150,967**	**124,444**
Share capital	11,199	8,453
Share premium and other regulated reserves	245,798	206,707
Retained earnings and other reserves	(92,042)	(64,444)
Net result for the period	(13,988)	(26,272)
LIABILITIES		
Non-current liabilities	**92,812**	**75,704**
Borrowings	83,385	66,036
Deferred tax liability	984	-
Other non-current liabilities and provisions	8,443	9,668
Current liabilities	**39,303**	**26,387**
Borrowings	5,868	7,117
Trade payables and accruals	14,271	11,009
Tax and employee-related liabilities	6,379	5,398
Other current liabilities and provisions	12,784	2,862
Liabilities held for sale	**-**	**982**
TOTAL LIABILITIES	**132,115**	**103,073**
TOTAL EQUITY AND LIABILITIES	**283,082**	**227,517**

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

EUR IN THOUSANDS	SIX MONTHS ENDED JUNE 30,	
	2015	*2014*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	(13,988)	(12,184)
Depreciation and amortization	6,142	6,086
Impairment	-	1,288
Share-based payments	262	288
Income tax	(1,210)	210
Other adjustments for reconciliation to cash used in operations	4,678	1,381
Changes in working capital	(6,679)	(3,328)
Cash used in operations	**(10,796)**	**(6,258)**
Interest paid	(2,093)	(848)
Income tax paid	(146)	(1)
Net cash used in operating activities	**(13,035)**	**(7,106)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of other businesses, net of acquired cash	(22.181)	-
Purchases of property, plant and equipment	(931)	(359)
Proceeds from sale of property, plant and equipment	173	12
Purchases of intangible assets	(503)	(2,722)
Purchases of financial assets	-	(8,619)
Proceeds from sale of financial assets	-	4,805
Investments in associated companies	(1,999)	-
Interest received	53	411
Net cash generated from investing activities	**(25,389)**	**(6,472)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock, net of costs of equity transactions	41,838	8,676
Disposal/(Purchase) of treasury shares	(2)	(101)
Proceeds from borrowings	14,719	1,656
Repayment of borrowings	(2,993)	(3,751)
Net cash generated from financing activities	**53,561**	**6,479**
Net change in cash and cash equivalents	**15,138**	**(7,099)**
Cash at beginning of the period	28,857	36,509
Exchange gains/(losses) on cash	(957)	82
Cash at end of the period	**43,038**	**29,492**
Cash, cash equivalents, short-term deposits and financial assets at end of the period	**43,673**	**37,260**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

EUR IN THOUSANDS	SHARE CAPITAL	SHARE PREMIUM AND OTHER REGULATED RESERVES	RETAINED EARNINGS AND OTHER RESERVES	NET RESULT	TOTAL EQUITY
Balance as of January 1, 2014	**8,206**	**198,322**	**(38,308)**	**(24,110)**	**144,111**
Total comprehensive loss	-	-	175	(12,184)	(12,009)
Income appropriation	-	-	(24,110)	24,110	-
Employee share option plan					
- value of employee services	-	-	289	-	289
- exercise of share options	6	(6)	-	-	-
Treasury shares	-	-	(101)	-	(101)
Issuance of common stock May and June 2014	240	8,716	-	-	8,956
Cost of equity transactions, net of tax	-	(337)	-	-	(337)
	246	8,373	(23,747)	11,927	(3,202)
Balance as of June 30, 2014	**8,452**	**206,696**	**(62,055)**	**(12,184)**	**140,909**

Balance as of January 1, 2015	**8,453**	**206,707**	**(64,444)**	**(26,272)**	**124,444**
Total comprehensive loss	-	-	(1,586)	(13,988)	(15,574)
Income appropriation	-	-	(26,272)	26,272	-
Employee share option plan					
- value of employee services	-	-	262	-	262
- exercise of share options	12	132	-	-	144
Treasury shares	-	-	(2)	-	(2)
Issuance of common stock, February 2015	2,735	42,297	-	-	45,032
Cost of equity transactions, net of tax	-	(3,338)	-	-	(3,338)
	2,747	39,091	(27,598)	12,284	26,523
Balance as of June 30, 2015	**11,199**	**245,798**	**(92,042)**	**(13,988)**	**150,967**

SELECTED NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

1. Basis of preparation

This condensed consolidated interim financial report of Valneva SE (hereafter referred to as the "Group" or "Company") for the first six months ended June 30, 2015 has been prepared in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (IAS 34) authorizing 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, 2014 available in French and in English at the company's website: www.valneva.com.

In this interim financial reporting the same accounting policies and methods of computation have been followed as applied in the most recent annual financial statements for the year ended December 31, 2014.

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

2. Group structure

In February 2015, the Company completed the acquisition of Crucell Sweden AB (subsequently re-named to Valneva Sweden AB) and all assets, licenses and privileges related to Dukoral®, a vaccine against cholera and traveler's diarrhea caused by ETEC (including a manufacturing site in Solna, Sweden) as well as a vaccine distribution business in the Nordic countries.

In March 2015, the Company founded Valneva Canada Inc. for vaccine distribution in Canada.

The Group structure of consolidated operations as of June 30, 2015 includes the following companies:

- Valneva SE (formerly Vivalis SA)
- Valneva Austria GmbH with its fully owned subsidiaries:
  - Elatos GmbH
  - Intercell USA Inc.
  - Valneva Scotland Ltd
- Valneva Toyama Japan KK (formerly Vivalis Toyama Japan KK)
- Valneva Canada Inc.(consolidated since inception in January 2015)
- Vaccines Holdings Sweden AB with its fully owned subsidiary:
  - Valneva Sweden AB (formerly Crucell Sweden AB, consolidated since Feb 10, 2015)

In January 2015 the Company co-founded BliNK Biomedical SAS with UK Company BliNK Therapeutics Ltd. Valneva contributed assets and liabilities related to its VIVA|Screen® technology to the BliNK Biomedical SAS. Valneva holds 48.22 percent of shares in BliNK Biomedical SAS and does not have control of the company which is run as an independent business by its own management team. The investment is therefore consolidated at equity and Valneva's share in the result is shown in the income statement under a new line item "Result from investments in affiliates". Correspondingly the balance sheet includes the new line item "Equity-accounted investees".

3. Fluctuation of revenues

Revenues comprise grant income, revenues from collaborations and licensing and product sales. The main part relates to product sales from commercialized vaccines and the change is shown in the following table:

EUR IN THOUSANDS	SIX MONTHS ENDED JUNE 30	
	2015	*2014*
JEV	15,099	9,891
DUKORAL	8,194	-
3rd Party Products	4,498	-
Product sales	**27,791**	**9,891**

The increase of EUR 12,692 thousands relates to the business combination with Crucell Sweden (described in section 10), whereas EUR 5, 208 thousands relates to an increase in JEV sales.

In general, revenues have fluctuated in the past and the Company expects that they will continue to do so over different reporting periods in the future.

4. Segment reporting

The segments consist of the following:

+ "Commercialized vaccines" (marketed vaccines, currently the Group's JEV vaccine IXIARO®/ JESPECT®, DUKORAL®, a vaccine against cholera and traveler's diarrhea caused by ETEC and vaccines of third parties sold as part of the Company's vaccine distribution business in Nordic countries);
+ "Vaccine candidates" (proprietary research and development programs aiming to generate new approvable products in order to generate future cash flows from product sales or from commercialization through partnering with pharmaceutical companies).
+ "Technologies and services" (services and inventions in commercialization stage, i.e. revenue-generating through collaboration, service and licensing agreements, including EB66® and IC31®);

Income statement aggregates by segment for the six months ended June 30, 2014:

EUR IN THOUSANDS	PRO-DUCTS	TECHNO-LOGIES AND SER-VICES	PRODUCT R&D	CORPORA-TE OVER-HEAD	TOTAL
Revenues and grants	9,891	3,948	2,632	-	**16,471**
Cost of goods and services	(3,059)	-	(866)	-	**(3,925)**
Research and development expenses	(1,441)	(6,964)	(2,186)	-	**(10,590)**
General, selling and administrative expenses	(584)	-	(497)	(6,287)	**(7,368)**
Other income and expenses, net	-	-	-	(136)	**(136)**
Amortization and impairment	(3,285)	-	(2,136)	-	**(5,421)**
Operating loss	**1,523**	**(3,016)**	**(3,053)**	**(6,423)**	**(10,969)**
Finance income/loss and income tax	-	-	-	(1,214)	**(1,214)**
Loss from continuing operations	**1,523**	**(3,016)**	**(3,053)**	**(7,637)**	**(12,184)**

Income statement aggregates by segment for the six months ended June 30, 2015:

EUR IN THOUSANDS	PRO-DUCTS	TECHNO-LOGIES AND SER-VICES	PRODUCT R&D	CORPORA-TE OVER-HEAD	TOTAL
Revenues and grants	27,791	3,828	7,595	-	**39,214**
Cost of goods and services	(24,584)	-	(2,469)	-	**(27,053)**
Research and development expenses	(1,374)	(9,629)	(1,351)	(134)	**(12,489)**
General, selling and administrative expenses	(3,091)	-	(396)	(7,201)	**(10,688)**
Other income and expenses, net	-	-	-	146	**146**
Amortization and impairment	(3,493)	-	(292)	-	**(3,784)**
Operating loss	**(4,751)**	**(5,801)**	**3,087**	**(7,190)**	**(14,654)**
Finance income/loss and income tax	-	-	-	666	**666**
Loss from continuing operations	**(4,751)**	**(5,801)**	**3,087**	**(6,524)**	**(13,988)**

5. Intangible assets

Impairment testing

In support of the company's strategy to build a leading, independent and fully integrated vaccines biotech company, and to leverage synergies with its recently acquired second travel vaccine and distribution infrastructure, Valneva has terminated the IXIARO®-related Marketing & Distribution agreement with GSK. The book values of the related intangible asset have been assessed for impairment testing purposes using the risk-adjusted discounted cash flow method.

The value-in-use calculations use post-tax project cash flow projections based on the updated Company's long-range business model adjusted to the changed distribution structure. The parameters for cash flow projections are based on in depth market knowledge of the management, actual contracts and agreements as well as market data.

The post-tax discount rate of 10.84% per annum that was used for the net present value calculation is based on 1.81 % risk-free rate, 7.00% market risk premium, 0.44% country risk premium and a beta of 1.23 derived from peer-group companies.

Sensitivity to changes in assumptions

The net present value calculations are most sensitive to changes in the following assumptions:

+ Discount rate
+ Product sales
+ EBITDA margin

According to the sensitivity analyses performed, none of the following changes in key parameters would result in an impairment loss:

+ Discount rate: plus 4 percentage points
+ Product sales: minus 20%
+ EBITDA margin: minus 5 percentage points

6. Financial instruments

The Company's only derivatives measured at fair market value are interest rate SWAPs with a fair market value of EUR 2 thousands as at June 30, 2015

Other financial assets and financial liabilities accounted at their carrying amount which corresponds to their approximate fair value.

7. Cash, cash equivalents and short-term deposits

Cash, cash equivalents and short-term deposits include the following:

EUR IN THOUSANDS	JUNE 30, 2015	DECEMBER 31, 2014
Cash at bank and in hand	30,259	28,165
Other short-term deposits	13,414	1,284
Cash, cash equivalents and short-term deposits	**43,673**	**29,449**

As of June 30, 2015, cash and cash equivalents include EUR 635 thousand (December 31, 2014: EUR 592 thousand) with restrictions on remittances. Furthermore, according to a loan agreement, the Company needs to hold a minimum amount of cash of EUR 2,000 thousand at any time until December 31, 2016.

8. Share capital, share premium and other regulated reserves

The acquisition of the Crucell Vaccine Assets (see note 10) was financed in part through a public rights issue with shareholders' preferential subscription rights, which was launched on January 12, 2015 and closed on February 4, 2015. The final gross proceeds of the rights issue amounted to EUR 45.0 million, corresponding to the issuance of 18,231,466 new ordinary shares, at a subscription price of EUR 2.47 per new ordinary share.

In addition, the Company issued 79,800 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 12 thousand.

EUR IN THOUSANDS (EXCEPT NUMBERS OF SHARES)	NUMBER OF SHARES	SHARE CAPITAL	SHARE PREMIUM	OTHER REGULATED RESERVES	TOTAL SHARE CAPITAL, SHARE PREMIUM AND OTHER REGULATED RESERVES
Balance as of January 1, 2014	**54,709,000**	**8,206**	**145,502**	**52,820**	**206,529**
Employee share option plan					
- exercise of share options	42,333	6	(6)	-	-
Issuance of common stock May and June 2014	1,600,000	240	8,716	-	8,956
Cost of equity transactions, net of tax	-	-	(337)	-	(325)
Balance as of June 30, 2014	**56,351,333**	**8,452**	**153,876**	**52,820**	**215,160**
Balance as of January 1, 2015	**56,351,833**	**8,453**	**153,887**	**52,820**	**215,160**
Employee share option plan					
- exercise of share options	79,800	12	132	-	-
Issuance of common stock, February 2015	18,231,466	2,735	42,297	-	45,032
Cost of equity transactions, net of tax	-	-	(3,338)	-	(3,338)
Balance as of June 30, 2015	**74,663,099**	**11,199**	**192,978**	**52,820**	**256,997**

9. Commitments and contingencies

In conjunction with the foundation of BliNK Biomedical SAS, as described in note 2, Valneva issued a Guarantee and Comfort Letter to SC World Inc., Japan: in case that BliNK Biomedical SAS fails to pay specific milestones under an Asset Sale and Purchase Agreement, Valneva guarantees to pay up to an amount of EUR 600 thousand.

10. Business combination

On February 9, 2015, the Company completed the acquisition of Crucell Sweden AB, which was subsequently renamed to Valneva Sweden AB, and all assets, licenses and privileges related to Dukoral®, a vaccine against cholera and traveler's diarrhea caused by ETEC (including a manufacturing site in Solna, Sweden) as well as a vaccine distribution business in the Nordic countries (together "Crucell Vaccine Assets"). After completion of the acquisition Valneva holds 100% of the voting rights of the acquired company.

The Company anticipates that the acquisition will (i) complement its Japanese encephalitis vaccine by creating critical mass in traveler's vaccines and adding commercial infrastructure, (ii) add cash generating assets with long-term upside potential, (iii) unlock synergies to further support Valneva´s development towards financial sustainability, and (iv) create a fully-integrated vaccines player with scarcity value in an attractive pharmaceutical segment.

The Acquisition is expected to add cash generating assets to the Company's business. The carve-out consolidated revenue generated by the acquired Crucell Vaccine Assets amounted to EUR 36.4 million in the year ended December 31, 2014.

The agreed aggregate acquisition price amounts to EUR 45 million (the "Acquisition Price") and is comprised of EUR 3 million of cash consideration paid on the signing date, EUR 32 million paid on the completion date of the transaction and a milestone payment of EUR 10 million to be paid within the next 12 months. The Acquisition and the three components of the acquisition consideration are viewed as a single transaction. The Sale and Purchase Agreement provided for a working capital adjustment mechanism for acquisition price calculated as the difference between an agreed working capital level and the actual working capital as on the completion date. The resulting adjustment to the acquisition price resulted in a payment received by the Company depending on the shortfall or surplus, respectively, to the agreed working capital level. In addition the seller has still to pay for cash outflows from certain outstanding liabilities.

Purchase consideration
EUR in thousands

Cash consideration paid as of Feb 9, 2015	35,000
Expected milestone payment (packaging line transfer)	10,000
Total cash consideration	**45,000**
Less: expected working capital adjustment payment by the seller	-5,550
Less: other liabilities expected to be paid by the seller	-4,915
Total net purchase consideration	**34,535**
Fair value of net assets acquired	34,535
Goodwill	0

The acquisition was financed through a combination of debt and equity. The latter was raised through a public rights issue with final gross proceeds of EUR 45.0 million (see note 8). The debt part of the acquisition financing was raised through a loan facility put in place with Athyrium in an amount of EUR 15 million.

The cash consideration paid as of June 30, 2015, net of cash acquired through the acquisition, is as follows:

EUR in thousands

Cash consideration	35,000
Cash and cash equivalents in acquired business	-2,795
Payments received from J&J (WC adjustment, other liabilities)	-10,024
Cash outflow through acquisition	**22,181**

The main acquired assets and liabilities remain located in Sweden. The acquired assets and liabilities have been included in the Company's assets and liabilities as of the acquisition closing date February 9, 2015 and were consolidated from this date onwards. From the acquisition closing date through June 30, 2015, the acquired business contributed revenue and grants of EUR 15,432 thousand and a net loss of EUR 3,050 thousand to the Group's consolidated income.

If the transaction had occurred on January 1, 2015, the Group's consolidated revenues and grants for the six months ended June 30, 2015 would have been EUR 45,114 thousand, and its net loss would have been EUR 12,788 thousand, of which EUR 277 thousand result from non-recurring acquisition costs.

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	2,795	2,795
Property, plant and equipment, hardware	10,706	10,706
Intangible assets	3,789	4
Other non-current assets	369	369
Inventories	27,969	20,183
Trade receivables and other current assets	3,294	3,294
Deferred tax liability	(2,823)	(0)
Trade payables, accruals and other payables	(11,564)	(11,135)
Net assets acquired	**34,535**	**26,217**

The fair value of trade receivables and other current assets equals their book values (gross values). No receivables are expected to be uncollectable.

In the initial accounting for the business combination, the net purchase consideration and the fair values assigned to the identifiable assets and liabilities, in particular inventory, intangible assets as well as tax and pension liabilities have been determined on a provisional basis due to the short period between acquisition and reporting date. Other adjustment payments between the Company and the seller and other Potential material information relevant to assess the purchase price and confirm valuation are is not yet available and may lead to significant adjustments. Any such adjustments to provisional values resulting from completion of the initial accounting shall be recognized within twelve months from the acquisition date.

11. Events after reporting period

No events expected to have a material effect on the financial statements occurred after the reporting period until August 26, 2015.

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, 2015 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 the company faces in the remaining six months of the year.

Thomas Lingelbach,

Chairman of the Management Board and CEO

Franck Grimaud

Managing Director and Deputy CEO

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