H1 2017

HALF-YEAR FINANCIAL REPORT

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valneva

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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 1.4 – “Operational and strategic outlook FY 2017”. 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 1.5 – “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 1.5 – “Risk factors” of this interim report.

1. MANAGEMENT REPORT

1.1 Overview

Valneva is a fully integrated, commercial stage biotech company focused on developing innovative life-saving vaccines.

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: IXIARO®/JESPECT® indicated for the prevention of Japanese encephalitis and DUKORAL® indicated for the prevention of cholera and, in some countries, prevention of diarrhea caused by ETEC. The Company has proprietary vaccines in development including a unique vaccine against Lyme disease. 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 shares are tradable on Euronext-Paris, the Vienna stock exchange and Deutsche Börse's electronic platform Xetra®. The Company has operations in France, Austria, United Kingdom, Sweden, Canada and the US with over 400 employees. More information is available at www.valneva.com.

1.2 Operational Review

1.2.1 Commercial products

Valneva's commercialized vaccines are its main sources of revenue. Product sales from the two fully owned and manufactured products IXIARO®/JESPECT® and DUKORAL® are complemented by sales revenues from the distribution of third party products in markets where Valneva maintains its own marketing and sales infrastructure.

Valneva intends to further leverage its existing sales and marketing presences in US, Canada, the European Nordic countries, UK and Austria through the distribution of additional complementary products. Expansion into other priority countries is also being evaluated.

Japanese encephalitis vaccine (IXIARO®/JESPECT®)

In the first half of 2017, revenues from IXIARO®/JESPECT® product sales reached €31.5 million compared to €30.1 million in the first half of 2016. The increase was mainly driven by growth in the UK, German and Canadian private markets as well as U.S. military. Based on first-half sales, Valneva confirms its full year 2017 guidance of IXIARO®/JESPECT® revenue reaching approximately €60 million (€58 to €62 million).

Valneva´s first marketed product is a next-generation vaccine indicated for active immunization against the Japanese encephalitis (JE) virus which aims to protect travelers, military personnel, and residents in endemic regions. It is licensed in more than thirty-five countries and 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. In parallel, 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 May 2015, the European Medical Agency (EMA) approved an accelerated IXIARO® vaccination schedule that allows 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).

Since 2016, Valneva has been commercializing its two travel vaccines DUKORAL® and IXIARO® through its own commercial organizations in the US, Canada, Nordic Countries, UK and Austria. As sole supplier of a JE vaccine in the US, Valneva distributes IXIARO® directly to the US Government's Department of Defense. The US military uses the vaccine to protect nearly 360,000 US military and civilian personnel, and their families, working and living in endemic countries.

As part of its expansion strategy into endemic countries, Valneva has entered into partnerships with local companies. Since 2014, Indian biopharmaceutical company Biological E. Ltd. has been marketing JEEV®, a Japanese Encephalitis vaccine based on Valneva´s technology which aims to protect small children and adults from JE in India. In 2016, Taiwanese vaccine manufacturer Adimmune Corporation was granted marketing approval for Valneva's JE vaccine under the tradename JEVAL® in Taiwan and now intends to establish a local fill-and-finish operation with a view to supply the vaccine for the Taiwanese national immunization program.

Cholera / ETEC vaccine (DUKORAL®)

In the first half of 2017, revenues from DUKORAL® sales reached €15.4 million compared to €9.8 million in the first half of 2016, representing substantial growth of 57%. In addition to Canada, where more than 50% of approximately DUKORAL® global revenues are generated, the vaccine benefited from strong sales in the UK market.

Based on first-half sales, Valneva confirms its expectation to achieve its DUKORAL® full year 2017 revenue guidance of approximately €27 million (vs €24.7 million in 2016). The Company will continue to invest in growing the DUKORAL® vaccine by way of promotional efforts and geographic expansion.

DUKORAL® is an oral vaccine indicated for the prevention of cholera and, in some countries, ETEC (Enterotoxigenic *Escherichia Coli*) or diarrhea caused by LT-ETEC. DUKORAL® is indicated for adults and children from 2 years of age who will be visiting endemic areas. DUKORAL® was first granted authorization for use in Sweden in 1991. In 2004, DUKORAL® was granted a marketing authorization by the European commission for European Union members (including Norway and Iceland) and was prequalified by the World Health Organization.

To complement the Company's own marketing and distribution organization, DUKORAL® is commercialized through country-specific marketing & distribution arrangements in various other markets. In mid-2015, Valneva entered into a commercial agreement with US firm PaxVax for the marketing and distribution of DUKORAL® in Italy, Spain and Portugal. In return, Valneva commercializes PaxVax's typhoid vaccine Vivotif® in Canada and the Nordic countries.

1.2.2 Other additional sources of revenues

Third-party distribution

In the first half of 2017, total revenues from third party distribution were €1.2 million compared to €0.9 million in the first half of 2016.

To further leverage Valneva's in-house commercial infrastructure, Valneva distributes third-party products and intends to continue entering into additional marketing and distribution agreements.

Technologies and services

Revenues from the Technologies and Services segment were €4.3 million in the first half of 2017.

EB66® cell line

Valneva's EB66® cell line, which is derived from duck embryonic stem cells, is a highly efficient platform for vaccine production and today represents a compelling alternative to chicken eggs for large scale manufacturing of human and veterinary vaccines. EB66® is one of the most extensively studied and characterized cell lines available for use in vaccine development. More than 20 different families of viruses have been shown to be efficiently propagated in EB66® cells[1].

To date, Valneva has more than 35 EB66®-based research and commercial license agreements with some of the world's largest pharmaceutical companies including GlaxoSmithKline, Sanofi-Pasteur and Zoetis. Current licenses have the potential for more than €80 million milestone payments in addition to royalties on sales.

Five EB66®-based vaccines have already been approved worldwide both in human and animal health, and an EB66®-based anti-cancer Newcastle Disease Virus (NDV) vaccine candidate is currently available to treat human patients in Europe through the advanced therapy medicinal products (ATMP) pathway[2].

During the first six months of 2017, Valneva signed eight new EB66® agreements including a research license with MSD Animal Health for the development of new EB66®-based veterinary vaccines and a commercial license with Bavarian Nordic. Under the terms of the commercial agreement signed with Bavarian Nordic, the Danish biotech company has the rights to develop and commercialize multiple poxvirus-based vaccines on the EB66® cell-line. The deal also includes the possibility for Bavarian Nordic to transfer, upon regulatory approvals, some of its existing product candidates produced on chicken embryonic fibroblast (CEF) onto Valneva's EB66® technology.

IC31® adjuvant / IC31® tuberculosis vaccine

IC31® is a synthetic vaccine (T-cell) adjuvant which can be combined easily with target antigens to improve vaccine response. The role of adjuvants in vaccination is to enhance and shape the immune response to specific antigenic components of vaccines through targeted activation of the immune system. IC31® demonstrated that it improved the quality of the immune response in various pre-clinical and clinical trials.

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[1] *A clinical Phase I study of an EB66 cell-derived H5N1 pandemic vaccine adjuvanted with AS03. Takeshi Naruse et al. Vaccine 33 (2015) 6078-6084 http://dx.doi.org/10/1016/j.vaccine.2015.09.22*

[2] *Advanced Therapy Medicinal Product: http://ec.europa.eu/health/human-use/advanced-therapies/index_en.htm; http://www.ema.europa.eu/ema/index.jsp?curl=pages/regulation/general/general_content_000296.jsp; http://www.iozk.de/en/topics/dendritic_cells_oncolytic_virus*

The technology has been licensed to a number of parties, including GSK, Statens Serum Institute, and Sanofi Pasteur, who are evaluating IC31® in new vaccine formulations.

An important ongoing IC31® based clinical development program is focused on Tuberculosis, which remains one of the world´s largest infectious disease threats[3] under a collaboration with the Statens Serum Institut (SSI), Aeras and Sanofi Pasteur. Three clinical vaccine candidates, all formulated with Valneva´s IC31® adjuvant, are currently being tested in Phase I and II clinical trials.

Other ongoing clinical trials involving IC31® include a phase I clinical trial of HepTcell™, an immunotherapeutic compound to treat people chronically infected with the hepatitis B virus (HBV),

Existing licenses and collaborations represent a potential source of revenues from milestone payments to which future royalties on sales could be added.

Services

Valneva leverages its R&D capabilities and maximizes its respective capacity utilizations by providing certain R&D services to third parties such as product development and Clinical trial material manufacturing, in-vivo and in-vitro testing, technical and facilities services, based on cost plus agreements. Although not strategic, this business provides a contribution to the company´s Technologies and Services revenues.

1.2.3 Vaccine Research & Development (R&D)

Valneva´s R&D is competitive and committed to discover, develop and accelerate access to innovative vaccine solutions for high medical need, serving individuals and society.

By investing in building and progressively advancing a focused pipeline of future vaccine candidates, the Company aims to generate interesting upsides and shareholder value.

While Valneva strives to develop products towards marketing approval, the Company will opportunistically monetize its R&D assets through licensing and partnering.

Vaccines candidates under development

Valneva has a promising, differentiated and competitive set of active clinical stage vaccine candidates.

Those include vaccine candidates against Lyme disease, which was recently granted a fast track designation by the Food and Drug Administration (FDA), Chikungunya and Zika. Valneva successfully completed Phase II development of its vaccine candidate against *Clostridium difficile* and is seeking a partner to take this program further into Phase III development which would require resources that are significantly above the R&D investment range within Valneva´s business model.

Valneva is also investing in pre-clinical Research & Development in order to identify, discover and build future vaccine candidates.

Lyme disease 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 Lyme infection can lead to very serious disease progression, involving the joints, heart, and central nervous system, and can be disabling. Each year, according to the Centers for Disease Control and Prevention (CDC), approximately 300,000

[3] *One-third of the world's population is believed to be infected with TB./ Tuberculosis Fact sheet N°104". WHO. October 2015. Retrieved 11 February 2016*

Americans are diagnosed with Lyme disease with at least a further 180,000 to 200,000 cases in Europe. Currently, there is no licensed vaccine available to protect humans against Lyme disease.

Valneva has developed a multivalent vaccine candidate (VLA15) which is based on the immunogenicity of OspA, one of the most dominant proteins expressed by the bacteria when present in a tick. Pre-clinical data have shown that this vaccine candidate has the potential to provide protection against the majority of Borrelia species pathogenic for humans[4].

At the end of July 2017, the FDA granted Fast track designation to Valneva's Lyme disease vaccine candidate with a view to potentially accelerate the availability of the vaccine on the market. Fast Track designation is granted by the FDA to products that are under development for serious conditions and have the potential to fulfill an unmet medical need.

Valneva has now completed subject enrollment for the ongoing Phase I study and expects to announce data in the first quarter of 2018 which will be immediately followed by Phase II initiation.

The Phase I study is being conducted at three sites – two in the U.S. and one in Europe (Belgium) – and enrolled approximately 180 subjects aged between 18 and 40 years. The primary objective of the observer-blind, partially randomized, dose escalation study is to evaluate the vaccine candidate´s safety and tolerability profile at different dose levels and formulations. Immunogenicity, measured by observing IgG antibodies against the six most prevalent serotypes of Lyme borreliosis in the US and Europe present in the vaccine, will also be monitored for different dose groups and formulations at different time-points.

Chikungunya vaccine candidate – VLA 1553

The Chikungunya virus (CHIKV) is a Togaviridae virus (identified in Tanzania in 1952) that re-emerged in 2014. There were about 180,000 reported cases in the Americas in 2016[5] and it is now considered a major health threat. The incidence and geographic spread of CHIKV is expected to grow as the distribution of its primary mosquito vectors continue to broaden.
With no effective treatment available for CHIKV infection, there is a high unmet need for a vaccine and the global market is estimated at approximately €500 million annually[6].
Valneva has been working on the development of a monovalent, live attenuated Chikungunya vaccine candidate aimed to differentiate against other vaccines candidates under development through single-shot protection.
Preclinical data including studies in non-human primates showed a good safety profile and a good immunogenicity after a single immunization.
Based on preclinical results, the Company expects to initiate Phase I in the U.S. in late 2017 or early 2018. The study protocol is currently under finalization.

Zika vaccine candidate – VLA 1601

Zika virus is a Flavivirus transmitted by Aedes mosquitos that usually either causes no symptoms or a mild flu-like syndrome in many infected persons. However, if women are infected during pregnancy, the virus is transmitted to the fetus and has been associated with the development of severe congenital abnormalities including microcephaly. Zika infection has also been linked with the risk of developing the autoimmune disorder Guillain-Barré syndrome. In 2015, a major Zika epidemic started in Brazil and spread to other parts of the Americas. Between 2015 and end of July 2017, 1 million cases of Zika infection and many cases of the congenital syndrome associated with Zika virus have

[4] *http://journals.plos.org/plosone/article?id=10.1371/journal.pone.0113294*

[5] *PAHA/WHO data: Number of reported cases of Chikungunya Fever in the Americas - EW 33 (August 19, 2016)*

[6] *Company estimate supported by independent market studies*

been reported by countries and territories in the Americas, according to the World Health Organisation[7].

Valneva has developed a highly purified inactivated vaccine candidate against the Zika virus using its FDA-EMA approved Japanese encephalitis platform. The vaccine has demonstrated excellent purity, in-vivo neutralization and overall a biological, chemical and physical profile comparable to the commercially produced JE vaccine.

At the end of July 2017, Valneva granted US Company Emergent BioSolutions an exclusive worldwide license for its Zika vaccine technology (ZIKV). Under the terms of the agreement, the parties will share all costs until Phase I completion with Valneva responsible for the program´s execution. Upon availability of Phase I data, Emergent has an option to take the program over in exchange for an initial €5 million milestone payment, potential additional milestones of up to €44 million related to product development, approval, commercialization, and product sales, and future royalties on annual net sales.

The agreement also includes a technology transfer to Emergent's Bayview manufacturing facility in Baltimore, Maryland, in the US for Phase II/III and any future commercial manufacturing. Valneva retains a right of first negotiation for potential product commercialization in Europe.

Emergent and Valneva aim to initiate Phase I in the U.S. in late 2017 or early 2018 and anticipate Phase I data within six months after trial initiation. The study protocol is currently under finalization.

Clostridium difficile vaccine candidate – VLA 84

Clostridium difficile (C. difficile) is the leading cause for nosocomial diarrhea in Europe and the US. There are an estimated 450,000 cases of *C. difficile* in the US annually[8]. Currently, no vaccine against *C. difficile* exists and antibiotic treatment of the established disease has significant limitations with recurrence in approximately 20% of cases. Valneva estimates that the total market opportunity for prophylactic *C. difficile* vaccines may significantly exceed $1 billion annually.

In the second half of 2016, Valneva announced that it successfully completed Phase II development of Its *C. difficile* vaccine candidate and that the final results confirmed the previously announced positive topline data that it presented at the American Society of Microbiology's annual meeting, ASM Microbe 2016, on June 17, 2016 in Boston. VLA84 was immunogenic at all doses and formulations tested, in that Immunoglobulin G (IgG) and functional (neutralizing) antibody responses were seen. The study met its primary endpoint in terms of identifying the dose/formulation with the highest seroconversion rate against both toxins A and B and confirmed the favorable safety profile observed in Phase I.

Comparison with published Phase II data[9] from the other most advanced vaccine program targeting primary prevention of *Clostridium Difficile* Infections (CDI) indicates that Valneva´s VLA84 provides an immunological profile comparable to that other clinical vaccine candidate.

The Company has confirmed Phase III readiness through an independent Scientific Advisory Board (SAB) and is now ready to support an end-of Phase II meeting (EOP2 meeting) once the final Phase III design is agreed with a potential partner. Valneva seeks to partner its *Clostridium difficile* vaccine candidate and has ongoing discussions with interested parties.

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[7] *http://www.paho.org/hq/index.php?option=com_content&view=article&id=12390&Itemid=42090&lang=en*

[8] *Lessa et al, Burden of Clostridium difficile Infection in the United States. N Engl J Med 2015;372:825-34.*

[9] *G. de Bruyn et al. Vaccine 34 (2016) 2170-2178*

1.3 Financial Review

SECOND QUARTER 2017 FINANCIAL REVIEW (unaudited)

Revenues and grants

Valneva's aggregate second quarter 2017 revenues and grants were €26.2 million compared to €26.7 million in the second quarter of 2016.

Product sales in the second quarter of 2017 increased by 8.3% to €22.2 million from €20.5 million in the same period of the previous year.

In the second quarter of 2017, revenues from collaborations and licensing decreased to €3.3 million from €5.4 million in the second quarter of 2016. Grant income amounted to €0.8 million in the second quarter of both 2017 and 2016.

Operating result and EBITDA

Cost of goods and services sold (COGS) were €11.1 million in the second quarter of 2017, representing an overall gross margin of 57.6% compared to 67.2% for the same period in 2016. €6.0 million of COGS was related to IXIARO®/JESPECT® sales, yielding a product gross margin of 62.3%. Second quarter COGS for IXIARO®/JESPECT® included write-off charges for commercial batches amounting to €2.0 million, which resulted in the product gross margin being reduced from originally 74.8% to the reported 62.3%. €3.1 million of COGS were related to DUKORAL® sales, yielding a product gross margin of 44.7%. Of the remaining COGS for the first quarter of 2017, €0.5 million was related to the Third Party product distribution business and €1.4 million was related to cost of services. In the comparative period of 2016, COGS were €8.8 million, of which €6.9 million were related to cost of goods and €1.9 million to cost of services.

Research and development expenses in the second quarter of 2017 decreased to €4.5 million from €6.7 million in the second quarter of the previous year. This was due to timing of R&D activities. Distribution and marketing expenses in the second quarter of 2017 amounted to €3.9 million, compared to €4.1 million in the second quarter of 2016. In the second quarter of 2017, general and administrative expenses amounted to €3.4 million compared to €3.6 million in the second quarter of 2016. Amortization and impairment charges in the second quarter of 2017 were €1.8 million compared to €35.9 million during the second quarter of 2016 (which included non-cash impairment charges of €34.1 million for the Pseudomonas aeruginosa project).

In the second quarter of 2017, Valneva realized an operating profit of €1.3 million compared to an operating loss of €32.3 million in the second quarter of 2016. This is largely explained by the one-off impairment charge in 2016 for the Pseudomonas project. Valneva's second quarter 2017 showed a positive EBITDA of €4.2 million which compared to an EBITDA of €4.7 million in the second quarter of 2016. Second quarter 2017 EBITDA was calculated by excluding depreciation and amortization amounting to €2.9 million from the operating profit of €1.3 million as recorded in the condensed consolidated income statement under IFRS.

Net result

Valneva's net loss in the second quarter of 2017 was €2.7 million compared to a net loss of €34.4 million in the second quarter of the prior year.
Finance costs and currency and tax effects for the second quarter of 2017 amounted to a net finance expense of €3.0 million compared to a net finance expense of €1.8 million in the second quarter of 2016.

Cash flow and liquidity

Net cash generated by operating activities in the second quarter 2017 was €4.5 million compared to €10.5 million in the second quarter of 2016.

Cash outflows from investing activities in the second quarter of 2017 amounted to €1.5 million and resulted primarily from purchase of equipment and software. Cash outflows from investing activities in the second quarter of 2016 amounted to €0.4 million.

Cash outflows from financing activities in the second quarter of 2017 amounted to €0.6 million and were related to re-payment of borrowings largely offset by an initial drawing from the European Investment bank (EIB) loan facility. Cash outflows from financing activities in the second quarter of 2016 amounted to €4.5 million and included the re-payment of borrowings and loans in connection with grants.

FIRST HALF 2017 FINANCIAL REVIEW (unaudited)

Revenues and grants

Valneva's aggregate first half 2017 revenues and grants were €55.4 million compared to €51.4 million in the first half of 2016. This represents growth of almost 8%. Most of this growth was driven by increased product sales in the first half of 2017, which grew to €48.1 million from €40.9 million in the same period of the previous year representing growth of 17.5%.

Revenues from collaborations and licensing in the first half of 2017 decreased to €5.8 million compared to €8.7 million in the first half of 2016. Grant income in the first half of 2017 decreased to €1.5 million from €1.8 million in the first half of 2016.

Operating result and EBITDA

Cost of goods and services sold (COGS) were €24.4 million in the first half of 2017 representing an overall gross margin of 55.9% compared to 57.8% in the first half of 2016. €11.8 million of COGS was related to IXIARO®/JESPECT® sales, yielding a product gross margin of 62.7%. €8.5 million of COGS were related to DUKORAL® sales, yielding a product gross margin of 44.7%. Of the remaining COGS for the first half of 2017, €0.9 million were related to the Third Party product distribution business and €3.2 million related to cost of services. In the comparative period of 2016, COGS were €21.7 million, of which €18.2 million was related to cost of goods and €3.5 million to cost of services.

Research and development expenses in the first half of 2017 decreased to €9.7 million from €12.5 million in the first half of the previous year. This relates to the timing of R&D activities. Distribution and marketing expenses in the first half of 2017 amounted to €8.2 million, compared to €7.4 million in the first half of 2016. General and administrative expenses were steady at €7.4 million (compared to €7.3 million in the first half of 2016). Amortization and impairment charges in the first half of 2017 were €3.6 million compared to €37.7 million during the first half of 2016 (which included non-cash impairment charges of €34.1 million for the Pseudomonas aeruginosa project).

Primarily, as a result of the strong product sales growth and the one-off impairment charge relating to Pseudomonas, Valneva realized an operating profit of €1.8 million in the first half of 2017 compared to an operating loss of €35.1 million in the first half of 2016. Valneva's first half in 2017 shows an EBITDA of €7.6 million compared to an EBITDA of €4.7 million in the first half of 2016. First half 2017 EBITDA was calculated by excluding depreciation and amortization amounting to €5.7 million from the

operating profit of €1.8 million as recorded in the condensed consolidated income statement under IFRS.

Net result

Valneva's net loss in the first half of 2017 was €4.4 million compared to a net loss of €39.5 million in the first half of the prior year.

Finance costs and currency and tax effects for the first half of 2017 amounted to a net finance expense of €5.1 million compared to a net finance expense of €4.1 million in the first half of 2016. This largely relates to the impact of currency movements amounting to €2.4 million.

Cash flow and liquidity

Net cash generated by operating activities in the first half of 2017 was €16.6 million compared to €3.9 million in the first half of 2016. This strong improvement resulted from increased product sales and was also supported by working capital effects.

Cash outflows from investing activities in the first half of 2017 amounted to €2.6 million and resulted primarily from purchase of equipment and software. Cash inflows from investing activities in the first half of 2016 amounted to €17.4 million and primarily were related to a re-payment received from Johnson & Johnson in connection with the adjustment of the purchase consideration for the acquisition of Crucell Sweden AB and the DUKORAL® business.

Cash outflows from financing activities in the first half of 2017 amounted to €5.5 million being primarily related to re-payment of borrowings. Cash outflows from financing activities in the first half of 2016 amounted to €24.3 million and included the re-payment of borrowings to Athyrium LLC (following the adjustment of the purchase consideration for the acquisition of Crucell Sweden AB and the DUKORAL® business), as well as re-payments of loans in connection with grants.

Liquid funds on June 30, 2017 stood at €47.3 million compared to €42.2 million on December 31, 2016 and consisted of €43.9 million in cash and cash equivalents and €3.4 million in restricted cash.

1.4 Operational and Strategic Outlook FY 2017

Valneva intends to deliver a strong commercial performance in 2017 driven mainly by IXIARO®/JESPECT® and DUKORAL® sales.
The Company estimates that 2017 overall IFRS revenues and grants will reach €105 to €115 million, reflecting up to 17% total revenue growth compared to 2016.
Valneva expects its 2017 EBITDA to reach €5 to €10 million while investing approximately 20% of annual revenues in R&D.
The Company plans to further increase the value of its R&D portfolio by advancing promising product candidates into and through the different stages of clinical development.
Valneva will undertake every opportunity to accelerate the development of its Lyme vaccine with the aim to enter Phase II immediately after the availability of Phase I data early next year.
Additionally, subject to regulatory clearances, the Company plans to enter Phase I for ZIKA under its agreement with Emergent BioSolutions and Phase I for its CHIK vaccine late this year or very early next year.
In support of its strategic objective to become "The Leading, Commercial Stage Vaccine Biotech Company", Valneva aims to grow its revenues – both organically and strategically – to approximately €250 million in the mid-term while advancing its promising vaccines towards marketing approval and/or targeted partnering.

1.5 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 virtually all of its revenues, excepting grants and third party products, arise from two commercialized vaccines only, namely DUKORAL® and IXIARO®/JESPECT®. 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:

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 or in meeting regulatory requirements. 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 to comply with regulatory requirements, including current Good Manufacturing Practices, or a deficiency in quality control could give rise to regulatory actions or suspension or revocations of manufacturing licenses and result in failure to supply and/or product recall. The risk of suspension or revocation of a license also applies to third parties with whom the Company has entered into manufacturing, supply, distribution or services agreements.

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 supplying its customers and therefore would cause considerable losses. If a subcontractor or logistical supplier could no longer provide services, the Company may not be able to supply one of its vaccines for several months, and consequently would face considerable losses. In addition, the Company’s 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 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. Proof of concept failures, changes in regulatory requirements, 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 **intellectual property rights** in the U.S., the EU, and elsewhere. If the Company's efforts to protect its intellectual property rights are not sufficient, competitors may use its technologies to create competing products, erode the Company's competitive advantage, and capture all or part of its expected market share. The Company's efforts to avoid infringing, or to defend itself against any claims of infringement of the intellectual property rights of third parties may be costly and, if unsuccessful, may result in limited or prohibited commercialization of its product candidates or licensing of its technologies, subject it to royalties or other fees, or force it to redesign its product candidates.

The Company may be unsuccessful in establishing additional or maintaining existing, **strategic partnerships** and collaborations, which could significantly limit or delay its ability to develop and commercialize discoveries and inventions and realize results from its R&D programs and technologies. The success of strategic partnerships depends, in part, on the performance of the strategic partners, over which the Company has little or no control. Partners may elect to delay or terminate one or more of these strategic partnerships, develop products independently or in collaboration with a third party that could compete with the Company's product candidates, fail to commit sufficient resources to the development or commercialization of the product candidates which are subject to these partnerships or collaborations, or otherwise fail to perform as Valneva expects. If any of these risks materialize, 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.

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,** including any wrong investment decision, 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 Valneva undertakes a merger or acquisition, the process of integrating its 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.

In order to develop its phase III-ready vaccine against C. difficile , the Company needs to find a **new development and licensing partner**. The Company may not be able to enter into a development or licensing agreement with any partner for this product candidate, thus adversely affecting the Company's prospects and potentially resulting in an impairment of the relevant assets.

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.

Risks associated with **litigation** are set out in note 8 to the H1 financial statements (section 3 of this report).

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

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 March 22, 2017 under number D.17-0205.

1.6 Related Parties' transactions

In the first six months of 2017 and 2016, there was no transaction or change in transactions between related parties which materially affected Valneva's financial position or performance.

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

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing 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 III of the French Monetary and Financial Code (*Code monétaire et financier*) , we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of Valneva SE, for the six months ended June 30, 2017;
- the verification of the information contained in the half-year management report.

These condensed half-year 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-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - the standard of IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

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

Marseille and Neuilly Sur Seine, August 30, 2017

The Statutory Auditors

Deloitte & Associés	PricewaterhouseCoopers Audit
Vincent Gros	Thierry Charron

3. CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT AS OF JUNE 30, 2017

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

€ in thousand (except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Product sales	22,155	20,459	48,074	40,908
Revenues from collaboration, licensing and services	3,261	5,431	5,785	8,729
Revenues	**25,415**	**25,890**	**53,859**	**49,636**
Grant income	832	811	1,511	1,751
Revenues and grants	**26,248**	**26,700**	**55,370**	**51,387**
Cost of goods and services	(11,119)	(8,770)	(24,441)	(21,691)
Research and development expenses	(4,520)	(6,658)	(9,731)	(12,457)
Distribution and marketing expenses	(3,897)	(4,061)	(8,187)	(7,356)
General and administrative expenses	(3,399)	(3,558)	(7,411)	(7,323)
Other income and expenses, net	(175)	(48)	(192)	43
Amortization and impairment of fixed assets/intangibles	(1,797)	(35,939)	(3,592)	(37,658)
OPERATING PROFIT/(LOSS)	**1,341**	**(32,334)**	**1,816**	**(35,054)**
Finance income	17	162	30	189
Finance expenses	(3,062)	(1,926)	(5,092)	(4,270)
Result from investments in associates	-	-	-	-
LOSS BEFORE INCOME TAX	**(1,704)**	**(34,098)**	**(3,245)**	**(39,135)**
Income tax	(1,001)	(325)	(1,116)	(325)
LOSS FOR THE PERIOD	**(2,705)**	**(34,422)**	**(4,362)**	**(39,460)**
Losses per share				
for profit/loss for the period attributable to the equity holders of the Company, expressed in € per share (basic and diluted)	**(0.03)**	**(0.46)**	**(0.06)**	**(0.53)**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

€ in thousand	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Loss for the period	**(2,705)**	**(34,422)**	**(4,362)**	**(39,460)**
Other comprehensive income/(loss)				
Items that may be reclassified to profit or loss				
Currency translation differences	1,542	(1,353)	2,320	(1,120)
Items that will not be reclassified to profit or loss				
Defined benefit plan actuarial losses	-	-	-	-
Other comprehensive income/(loss) for the period, net of tax	**1,542**	**(1,353)**	**2,320**	**(1,120)**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	**(1,163)**	**(35,775)**	**(2,042)**	**(40,580)**

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

€ in thousand	June 30, 2017	December 31, 2016
ASSETS		
Non-current assets	**110,949**	**115,686**
Intangible assets	55,850	58,959
Property, plant and equipment	38,654	39,039
Other non-current assets	16,446	17,688
Current assets	**87,251**	**91,197**
Inventories	20,809	22,701
Trade receivables	9,704	16,912
Other current assets	9,426	9,404
Cash, cash equivalents and short-term deposits	47,313	42,180
TOTAL ASSETS	**198,200**	**206,883**
EQUITY		
Capital and reserves attributable to the Company's equity holders	**98,141**	**100,051**
Share capital	11,638	11,638
Share premium and other regulated reserves	252,934	252,937
Retained earnings and other reserves	(162,069)	(115,339)
Net result for the period	(4,362)	(49,184)
LIABILITIES		
Non-current liabilities	**59,918**	**67,941**
Borrowings	54,143	61,544
Deferred tax liability	63	65
Other non-current liabilities and provisions	5,712	6,333
Current liabilities	**40,141**	**38,891**
Borrowings	19,933	20,959
Trade payables and accruals	9,862	7,808
Current tax liability	836	561
Tax and employee-related liabilities	6,659	7,123
Other current liabilities and provisions	2,851	2,439
TOTAL LIABILITIES	**100,059**	**106,832**
TOTAL EQUITY AND LIABILITIES	**198,200**	**206,883**

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

€ in thousand	Six months ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(4,362)	(39,460)
Depreciation and amortization	5,738	5,617
Impairment	-	34,109
Share-based payments	207	699
Income tax	1,112	326
Other adjustments for reconciliation to cash used in operations	5,091	4,821
Changes in working capital	9,196	(2,141)
Cash generated from/(used in) operations	**16,983**	**3,971**
Income tax paid	(396)	(83)
Net cash generated from/(used in) operating activities	**16,587**	**3,888**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of other businesses, net of cash acquired	-	15,279
Purchases of property, plant and equipment	(1,503)	(817)
Proceeds from sale of property, plant and equipment	-	1
Purchases of intangible assets	(1,102)	(226)
Interest received	29	3,189
Net cash generated from/(used in) investing activities	**(2,576)**	**17,427**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock, net of costs of equity transactions	(68)	-
Disposal/(Purchase) of treasury shares	(72)	(185)
Proceeds from borrowings, net of transaction costs	4,603	-
Repayment of borrowings	(7,853)	(18,803)
Interest paid	(2,117)	(5,340)
Net cash generated from/(used in) financing activities	**(5,506)**	**(24,328)**
Net change in cash and cash equivalents	8,505	(3,013)
Cash at beginning of the period	35,267	41,907
Exchange gains/(losses) on cash	136	(877)
Cash at end of the period	**43,908**	**38,017**
Cash, cash equivalents and short-term deposits at end of the period	**47,313**	**38,657**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

€ in thousand	Share capital	Share premium and other regulated reserves	Retained earnings and other reserves	Net result	Total equity
Balance as of January 1, 2016	**11,205**	**245,965**	**(92,219)**	**(20,617)**	**144,335**
Total comprehensive loss	-	-	(1,120)	(39,460)	(40,580)
Income appropriation	-	-	(20,617)	20,617	-
Employee share option plan					
- value of employee services	-	-	699	-	699
- exercise of share options	-	-	-	-	-
Treasury shares	-	-	(185)	-	(185)
Cost of equity transactions, net of tax	-	-	-	-	-
	-	-	(21,223)	(18,843)	(40,067)
Balance as of June 30, 2016	**11,205**	**245,965**	**(113,442)**	**(39,460)**	**104,268**

Balance as of January 1, 2017	**11,638**	**252,937**	**(115,339)**	**(49,184)**	**100,051**
Total comprehensive loss	-	-	2,320	(4,362)	(2,042)
Income appropriation	-	-	(49,184)	49,184	-
Employee share option plan					
- value of employee services	-	-	207	-	207
- exercise of share options	-	-	-	-	-
Treasury shares	-	-	(72)	-	(72)
Cost of equity transactions, net of tax	-	(3)	-	-	(3)
	-	-	(46,729)	44,822	(1,910)
Balance as of June 30, 2017	**11,638**	**252,934**	**(162,069)**	**(4,362)**	**98,141**

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, 2017 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, 2016 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 as in the most recent annual financial statements for the year ended December 31, 2016, have been applied.

No standards or interpretations were early adopted, if they are not mandatorily applicable in 2017.

The following standards may in future have an effect on the Groups financial statements, but are not yet applicable:

- IFRS 9 "Financial Instruments" applicable as of January 1, 2018
- IFRS 15 "Revenue from Contracts with Customers" applicable as of January 1, 2018
- IFRS 16 "Leases" applicable as of January 1, 2019

Standards and amendments to standards published and effective as of January 1, 2017 have no effect on the financial statements of the Group.

For presentation clarity, 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.

The "Brexit" vote had no significant impact other than FX rate implications on the Group's financial statements as of June 30, 2017. Future events following the vote and their implications on the Group's business will be monitored by Valneva's management.

2. Group structure

List of direct or indirect interests:

Name	Country of incorporation	Consolidation method	June 30, 2017	December 31, 2016
BliNK Biomedical SAS	FR	equity method	41.77%	43.29%
Intercell USA, Inc.	US	full	100%	100%
Vaccines Holdings Sweden AB	SE	full	100%	100%
Valneva Austria GmbH	AT	full	100%	100%
Valneva Canada Inc.	CA	full	100%	100%
Valneva Scotland Ltd.	UK	full	100%	100%
Valneva Sweden AB	SE	full	100%	100%
Valneva Toyama Japan KK	JP	full	100%	100%
Valneva UK Ltd.	UK	full	100%	100%

3. Revenues

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

€ in thousand	Six months ended June 30,	
	2017	2016
JEV	31,466	30,142
DUKORAL	15,420	9,845
Third-party products	1,188	921
Product sales	**48,074**	**40,908**

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 vaccines IXIARO®/JESPECT®, DUKORAL®, as well as third-party products)
- "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 at a commercialization stage, i.e. revenue generating through collaborations, service and licensing agreements, including EB66® and IC31®)

As of January 1, 2017, the Group changed its internal reporting process and amended the various allocations rules for research and development expenses, distribution and marketing expenses as well as general and administrative expenses.

Income statement aggregates by segment for the six months ended June 30, 2017:

€ in thousand	Commer-cialized vaccines	Vaccine candi-dates	Techno-logies and services	Corporate Overhead	Total
Revenues and grants	48,165	2,948	4,253	5	55,370
Cost of goods and services	(21,200)	(2)	(3,238)	-	(24,441)
Research and development expenses	(1,667)	(7,844)	(219)	(1)	(9,731)
Distribution and marketing expenses	(7,788)	(94)	(303)	(1)	(8,187)
General and administrative expenses	(1,932)	(692)	(430)	(4,356)	(7,411)
Other income and expenses, net	-	-	-	(192)	(192)
Amortization and impairment of fixed assets/intangibles	(3,326)	(2)	(263)	-	(3,592)
Operating profit/(loss)	**12,251**	**(5,686)**	**(202)**	**(4,547)**	**1,816**
Finance income/loss and income tax	-	-	-	(6,178)	(6,178)
Income/(Loss) for the period	**12,251**	**(5,686)**	**(202)**	**(10,725)**	**(4,362)**

Income statement aggregates by segment for the six months ended June 30, 2016:

€ in thousand	Commer-cialized vaccines	Vaccine candi-dates	Techno-logies and services	Corporate Overhead	Total
Revenues and grants	41,019	3,863	6,505	-	51,387
Cost of goods and services	(18,190)	-	(3,500)	-	(21,691)
Research and development expenses	(2,493)	(9,229)	(542)	(193)	(12,457)
Distribution and marketing expenses	(6,944)	-	(412)	-	(7,356)
General and administrative expenses	(2,034)	(705)	(471)	(4,113)	(7,323)
Other income and expenses, net	-	-	-	43	43
Amortization and impairment of fixed assets/intangibles	(3,348)	(34,132)	(201)	23	(37,658)
Operating profit/(loss)	**8,010**	**(40,203)**	**1,379**	**(4,240)**	**(35,054)**
Finance income/loss and income tax	-	-	-	(4,406)	(4,406)
Income/(Loss) for the period	**8,010**	**(40,203)**	**1,379**	**(8,646)**	**(39,460)**

5. EBITDA

EBITDA (Earnings before interest, taxes, depreciation and amortization) is calculated by excluding depreciation, amortization and impairment of tangible and intangible assets from the operating loss.

€ in thousand	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Operating profit/(loss)	1,341	(32,334)	1,816	(35,054)
Depreciation	872	1,159	1,794	2,315
Amortization	1,983	1,701	3,944	3,302
Impairment off intangibles and fixed assets	-	34,132	-	34,109
EBITDA	**4,196**	**4,658**	**7,555**	**4,672**

6. Financial instruments

The Company's only derivatives measured at fair market value are interest rate SWAPs with a negative fair market value of €1 thousand as of June 30, 2017.

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:

€ in thousand	June 30, 2017	December 31, 2016
Cash at bank and in hand	38,524	34,266
Short-term bank deposits (maturity less than 3 months)	5,383	1,002
Restricted cash	3,405	6,913
Cash, cash equivalents and short-term deposits	**47,313**	**42,180**

As of June 30, 2017, cash and cash equivalents include €3,405 thousand (December 31, 2016: €6,913 thousand) with restrictions on remittances.

8. Contingencies

In July 2016, a claim for additional payment was raised, and litigation was filed in December 2016 in connection with the acquisition of Humalys SAS in 2009, by which Vivalis (now Valneva) had acquired a technology which was later combined with other antibody discovery technologies and spun off to Blink Biomedical in early 2015. Former shareholders of Humalys claimed additional considerations as a result of the spin-off transaction. Valneva, after consultation with its external advisors, believes that this claim is unsubstantiated and the filed litigation is not likely to succeed in court. Detailed

information on the potential specific financial consequences which might result from a successful claim could adversely affect Valneva's ability to defend its interests in this case, and therefore is not provided, in accordance with IAS 37.92.

Following the merger between the companies Vivalis SA and Intercell AG in 2013, certain former Intercell shareholders initiated legal proceedings before the Commercial Court of Vienna to request a revision of the exchange ratio between Intercell and Valneva shares used in the merger. Valneva has filed an extensive statement in response to the petitions in which it describes the basis for the original exchange ratio, including the use of independent third parties. If the court decides to revise the exchange ratio, the court could extend this revision to all former Intercell shareholders who exchanged their shares, even if they were not a party to the dispute (erga omnes effect), in which case Valneva may be forced to compensate all former shareholders following the reevaluation of the exchange ratio. The outcome of the proceedings to review the exchange ratio cannot be predicted with certainty at the present time. It is, therefore, currently not possible to estimate whether a specific shareholder group will be granted additional payments or what the amount of these payments might be. However, Valneva, after consultation with its external advisors, believes that these legal proceedings are unsubstantiated and are not likely to succeed in court.

9. Events after the reporting period

There are no events occurring between the reporting period and the time of publication that are expected to have a material effect on the financial statements.

4. RESPONSIBILITY STATEMENT

We hereby declare that to the best of our knowledge, the condensed consolidated financial statements for the half year ended June 30, 2017 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,

President and Chief Executive Officer

Franck Grimaud

President and Chief Business Officer