H1 2018

HALF-YEAR FINANCIAL REPORT

JANUARY 1 TO JUNE 30, 2018

August 2, 2018

VALNEVA SE
Campus Bio-Ouest
6 rue Alain Bombard
44800 Saint-Herblain, France
www.valneva.com

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 2018”. 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.

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 various vaccine candidates in development including a unique vaccine against Lyme disease.

Valneva has operations in Austria, Sweden, the United Kingdom, France, Canada and the US with over 450 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. Sales from the two fully owned and manufactured products IXIARO®/JESPECT® and DUKORAL® are complemented by sales from the distribution of third party products in markets where Valneva operates its own marketing and sales infrastructure. In the first half of 2018, Valneva's product sales reached €53.5 million compared to €48.1 million in the first half of 2017, representing 11.4% year on year growth (19% at CER[1]).

Since 2016, Valneva has been commercializing its two travel vaccines IXIARO® and DUKORAL® through its own commercial organizations in the US, Canada, Nordic countries, UK and Austria.

Valneva intends to further leverage its existing sales and marketing presences through the distribution of additional complementary products. Expansion into other priority countries is also being evaluated.

Japanese encephalitis vaccine (IXIARO®/JESPECT®)

Valneva's Japanese encephalitis vaccine is the only approved and available vaccine for European and American travelers visiting endemic areas and for US military personnel being deployed to those areas. 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 addition, an accelerated IXIARO® vaccination schedule for adult travelers (18-65 years) was approved by the EMA in 2015 and Health Canada in 2018.

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[1] *CER and AER growth: In order to illustrate underlying performance, Valneva has decided to include information on its results in terms of constant exchange rate (CER) growth. This represents growth calculated as if the exchange rates used to determine the results of overseas companies in Euros had remained unchanged from those used in the comparative period. CER% represents growth at constant exchange rates. AER% represents growth at actual exchange rates.*

The Company, together with its marketing & distribution partners, has been focusing on increasing penetration through its sales and marketing activities. As the sole supplier of a JE vaccine in the US, Valneva distributes IXIARO® directly to the US Government's Department of Defense.

In the first half of 2018, revenues from IXIARO®/JESPECT® product sales reached €37.6 million, compared to €31.5 million in the first half of 2017. The increase was largely driven by growth in the US including in the private market where Valneva took direct control of sales and marketing at the end of November 2017. There were also increases in the Nordic and Canadian private markets.

Based on first half sales, Valneva reaffirms double-digit growth expectations for IXIARO®/JESPECT® sales in 2018.

Cholera (ETEC[2]) vaccine (DUKORAL®)

Valneva's oral vaccine DUKORAL® is the only vaccine against cholera authorized and available for travelers of the European Union, Canada and Australia and with an approved indication for ETEC[1] (Enterotoxigenic *Escherichia Coli*) in certain countries. 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.

In the first half of 2018, revenues from DUKORAL® sales reached €14.2 million, compared to €15.4 million in the first half of 2017. Strong sales performance in Canada in the first half of 2018 was eroded by a combination of adverse exchange rate movements (mainly between the Canadian dollar and the Euro) and supply constraints. Valneva is executing a plan to address further supply constraints and aims for an increased DUKORAL® sales in the second half of 2018.

1.2.2 Other additional sources of revenues

Third-party distribution

To further leverage its commercial infrastructure, Valneva distributes third-party products such as typhoid and influenza vaccines and aims to enter into additional marketing and distribution agreements.

In the first half of 2018, total revenues from third party distribution were €1.7 million compared to €1.2 million in the first half of 2017.

Technologies and services

Revenues from the Technologies and Services segment were €3.9 million in the first half of 2018 compared to €4.1 million in the first half of 2017.

The Technologies and Services segment mainly includes revenues from the Company's technologies (EB66® cell line and vaccine adjuvant IC31®), as well as R&D services provided by Valneva to third parties including process and assay development, production and testing of Clinical Trial Material (CTM).

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[2] Indications differ by country - Please refer to Product / Prescribing Information (PI) / Medication Guide approved in your respective countries for complete information, incl. dosing, safety and age groups in which this vaccine is licensed, ETEC = Enterotoxigenic Escherichia coli (E. Coli) bacterium.

1.2.3 Vaccine Research & Development (R&D)

Valneva is dedicated to the research and development of vaccines in areas of important medical needs. Today, the Company's R&D portfolio mainly reflects its scientific, technical and clinical competences in vector-borne infectious diseases.

By investing in the development of 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 also continue to monetize its R&D assets through licensing and partnering.

Vaccine candidates under development

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

Those include unique vaccine candidates against Lyme disease and Chikungunya as well as a vaccine candidate against Zika, partnered with the US Company Emergent BioSolutions.

Valneva is also investing in pre-clinical Research & Development in order to generate future vaccine candidates.

Lyme disease vaccine candidate – VLA15

Lyme disease is the most common vector-borne illness in the northern hemisphere for which there is no other clinical vaccine candidate in development worldwide. The systemic infection is caused by Borrelia bacteria transmitted to humans by infected Ixodes ticks[3].

According to the US Centers for Disease Control and Prevention (CDC), approximately 300,000[4] Americans are infected with Lyme disease annually with at least a further 200,000 cases in Europe[5]. Early symptoms of Lyme disease (such as a gradually expanding erythematous rash called Erythema migrans or more unspecific symptoms like fatigue, fever, headache, mild stiff neck, arthralgia or myalgia) are often overlooked or misinterpreted. Left untreated, the disease can disseminate and cause more serious complications affecting the joints (arthritis), the heart (carditis) or the nervous system.

Valneva has developed a multivalent vaccine candidate, VLA15, which is currently the only active vaccine program in clinical development for Lyme disease. The program was granted Fast Track designation by the U.S. Food and Drug Administration (FDA) in July 2017 and Valneva reported positive Phase 1 interim data in March 2018[6].

Following these interim data, the Company amended the Phase 1 protocol to include a booster evaluation at one year post initial vaccination, in approximately 60 trial subjects. This booster evaluation is expected to accelerate the availability of safety and immunogenicity data on general booster responses for VLA15. Results are expected in the first half of 2019.

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[3] *Stanek et al. 2012, The Lancet 379:461–473*

[4] *As estimated by the CDC https://wwwnc.cdc.gov/eid/article/21/9/15-0417_article*

[5] *As estimated from available national data. Case reporting is highly inconsistent in Europe and many LB infections still go undiagnosed*

[6] *Valneva Press Release March 19, 2018: Valneva Reports Positive Phase I Interim Results for Its Lyme Vaccine Candidate VLA15*

In July 2018, Valneva successfully concluded the end of Phase 1 process with the US Food and Drug Administration (FDA)[7], reaching alignment with the FDA on the strategy for Phase 2 development. Valneva is now finalizing details for Phase 2 and, subject to regulatory clearances, will enter Phase 2 clinical development at the end of 2018.

The primary endpoint of the Phase 2 will be the evaluation of immunogenicity, with the overall objective of determining the final dose and schedule. The Phase 2 will evaluate further dosages and schedules in addition to those evaluated in Phase 1.

It is expected that the Phase 2 will be conducted in approximately 800 subjects, aged 18-70 years, at more than 10 study sites in the US and Europe, including endemic areas within the US and in the EU, as well as some Lyme seropositive subjects. Phase 2 duration is expected to be approximately two years.

Pending a positive outcome in Phase 2, the Company´s preliminary plans for Phase 3 development are that product licensure would be supported by a pivotal, double-blind, placebo controlled field efficacy study in Lyme Disease endemic areas in the US and Europe, enrolling approximately 16,000 subjects.

Assuming that the data generated during a single tick season are sufficient to support licensing, a first filing for licensure with regulators could be achieved in the second half of 2023.

The global market for a vaccine for Lyme disease is currently estimated at approximately €700 - €800 million annually[8].

Chikungunya vaccine candidate – VLA1553

Chikungunya is a mosquito-borne viral disease caused by the Chikungunya virus (CHIKV), a Togaviridae virus, transmitted by *Aedes* mosquitoes. Clinical symptoms include acute onset of fever, debilitating joint and muscle pain, headache, nausea and rash potentially developing into long-term, serious health impairments[9]. Chikungunya outbreaks were reported in Asia, Africa, the Americas and recently (2017) in Europe. As of December 2017, there have been more than 1 million reported cases in the Americas[10] and the economic impact is considered significant (e.g. Columbia outbreak 2014: $73.6 million)[11]. The medical burden is expected to grow as the distribution of the CHIKV primary mosquito vectors continues to spread further geographically.

With no effective treatment available for CHIKV infection, there is a high unmet need for a vaccine and the global market for Chikungunya vaccines is estimated to be worth up to €500 million annually[12].

Valneva has been working on the development of a monovalent, live-attenuated Chikungunya vaccine candidate, VLA1553, aimed to differentiate against other candidates under development through single-

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[7] *Press Release, July 2, 2018: "Valneva Announces Significant Progress of its Lyme Disease Vaccine Candidate" http://www.valneva.com/en/investors-media/news/2018#290*

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

[9] *WHO, PAHO*

[10] *PAHA/WHO data: Number of reported cases of Chikungunya Fever in the Americas – EW 51 (December 22, 2017)*

[11] *Cardona-Ospina et al., Trans R Soc Trip Med Hyg 2015*

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

shot protection. Enrollment is now complete in a Phase 1 trial initiated in March 2018[13] in the US, and Valneva is expecting to announce initial data in early 2019.

The Phase I clinical trial is a randomized, observer-blinded, dose-escalation, multi-center study. It is investigating three different dose levels of VLA1553 in approximately 120 healthy adults vaccinated with a single-shot immunization. The trial design also includes measurements of antibody persistence and will evaluate an additional vaccination using the highest dose of VLA1553 at 6 and 12 months. This re-vaccination will serve as an intrinsic human viral challenge, with the goal of demonstrating that subjects are protected from vaccine-induced viremia, thereby indicating potential efficacy of VLA1553 early in clinical development.

Zika vaccine candidate – VLA1601

Zika is a mosquito-borne viral disease caused by the Zika Virus (ZIKV), a flavivirus transmitted by *Aedes* mosquitoes[14]. Disease outbreaks have been reported in tropical Africa, Southeast Asia, the Pacific Islands, and, since 2015, in the Americas. According to the World Health Organization (WHO), there is scientific consensus that the ZIKV is a cause of microcephaly and Guillain-Barré syndrome[15]. Between 2015 and beginning of January 2018, over 500,000 cases of suspected Zika infection and many cases of the congenital syndrome associated with the ZIKV were reported by countries and territories in the Americas, according to the WHO. There is currently no specific treatment available.

Valneva has developed a highly purified inactivated whole virus vaccine candidate, VLA1601, using Valneva's proven and licensed inactivated JE vaccine platform. In July 2017, Valneva partnered the program with US Company Emergent BioSolutions[16] and initiated a Phase 1 study in the US in February 2018[17]. Valneva has completed enrollment of study participants in May 2018 and initial data from the Phase 1 trial are expected to be available in late 2018 or early 2019.

1.2.4 Other business update

Valneva has decided to focus its non-clinical R&D resources on pre-clinical development of existing early stage vaccine candidates and scientific alliances rather than on in-house basic research.
The Company has also decided to relocate its registered office to Nantes and to close its Japanese subsidiary (Valneva Toyama Japan K.K.), thereby rationalizing the number of sites and entities being operated.
Valneva continues to review its listing strategy.

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[13] *Press Release, March 13, 2018: "Valneva Initiates Phase 1 Clinical Study to Evaluate its Single-Shot Vaccine Candidate against Chikungunya" http://www.valneva.com/en/investors-media/news/2018#281*
[14] *https://www.cdc.gov/zika/transmission/index.html*
[15] *http://www.who.int/mediacentre/factsheets/zika/en/*
[16] *Press Release, July 26, 2017 : "Valneva and Emergent BioSolutions Join Forces to Develop a Vaccine against the Zika Virus" http://www.valneva.com/en/investors-media/news/2017#271*
[17] *http://www.valneva.com/download.php?dir=News_2018&file=2018_02_26_Phase_1_Initiation_VLA1601_EN.pdf*

1.3 Financial Review

FIRST HALF 2018 FINANCIAL REVIEW (unaudited)

Revenues

Valneva's aggregate revenues in the first half of 2018 were €59.0 million compared to €53.9 million in the first half of 2017.

Product sales in the first half of 2018 increased by 11.4% to €53.5 million from €48.1 million in the same period of the previous year.

Revenues from collaborations and licensing amounted to €5.4 million in the first half of 2018 compared to €5.8 million in the first half of 2017. Reporting of grants has been re-classified and included in the Company's Other Income / Expense line as of January 2018. The comparator period of 2017 was adjusted accordingly.

Operating result and EBITDA

Cost of goods and services sold (COGS) were €24.0 million in the first half of 2018, representing an overall gross margin of 59.3% compared to 54.6% for the same period in 2017. €13.8 million of COGS were related to IXIARO®/JESPECT® sales, yielding a product gross margin of 63.4%. €6.5 million of COGS were related to DUKORAL® sales, yielding a product gross margin of 54.4%. Of the remaining COGS for the first half of 2018, €1.1 million were related to the Third Party product distribution business and €2.6 million were related to cost of services. In the comparative period of 2017, COGS were €24.4 million, of which €21.2 million were related to cost of goods and €3.2 million to cost of services.

Research and development expenses in the first half of 2018 increased to €12.9 million from €9.7 million in the first half of the previous year. This was driven by planned increased investments into Valneva's clinical stage vaccine candidates. Marketing and distribution expenses in the first half of 2018 amounted to €10.9 million, compared to €8.2 million in the first half of 2017. This increase was mainly a result of investment in the US Travel market combined with seasonally higher spending in other markets. In the first half of 2018, general and administrative expenses amounted to €8.8 million compared to €7.4 million in the comparator period of 2017. Amortization and impairment charges in the first half of 2018 amounted to €1.6 million compared to €3.6 million in the first half of 2017. The reduction resulted from re-assessment of the lifetime of IXIARO®/JESPECT® related intangible assets, driven by patent extensions in both Europe and the US (lifetime extended from 15 to 23.75 years).

In the first half of 2018, Valneva realized an operating profit of €2.3 million compared to an operating profit of €1.8 million in the first half of 2017. EBITDA in the first half of 2018 was €5.8 million, compared to a positive EBITDA of €7.6 million in the first half of 2017. First half 2018 EBITDA was calculated by excluding €3.5 million of depreciation and amortization from the €2.3 million operating profit as recorded in the condensed consolidated income statement under IFRS.

Net result

In the first half of 2018, Valneva's net loss was €0.2 million compared to a net loss of €4.4 million in the first half of the prior year.

Finance costs and currency effects for the first half of 2018 resulted in a net finance expense of €2.0 million, compared to a net finance expense of €5.1 million in the first half of 2017. The reduced net finance expense year over year compared to the prior year was partly the result of lower interest expenses from continued loan re-payments and foreign currency related losses incurred during the first half of 2017.

Cash flow and liquidity

Net cash generated by operating activities in the first half of 2018 amounted to €13.7 million compared to €16.6 million in the first half of 2017.

Cash outflows from investing activities in the first half of 2018 amounted to €1.1 million and resulted primarily from the purchase of equipment. Cash outflows from investing activities amounted to €2.6 million in the first half of 2017.

Cash outflows from financing activities amounted to €10.6 million in the first half of 2018 and were mainly related to re-payment of borrowings and interest payments. Cash outflows from financing activities amounted to €5.5 million in the first half of 2017.

Liquid funds on June 30, 2018 stood at €37.7 million compared to €38.1 million on December 31, 2017 and consisted of €34.6 million in cash and cash equivalents and €3.1 million in restricted cash.

1.4 Operational and Strategic Outlook FY 2018

Valneva intends to continue delivering double-digit product sales growth in 2018. The Company projects that product sales this year will grow to over €100 million while other revenues (including revenues from collaborations, services and royalties), which tend to fluctuate from year to year, are expected to bring the company's overall revenue to between €110 million and €120 million.
Valneva confirms it will maintain positive EBITDA in the range of €5 million - €10 million in 2018 with higher R&D investment of €30 million - €35 million, compared to €23.4 million in 2017, driven by the clinical development progression of its Lyme and Chikungunya vaccine candidates.

The Company intends 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 disease vaccine with the aim to enter Phase 2, subject to regulatory clearances, at the end of 2018.
Additionally, the Company plans to provide first data for the Phase I trials of its Chikungunya and Zika vaccine candidates late this year or early next year.
In support of its strategic objective to become "The Leading, Commercial Stage Vaccine Biotech Company", Valneva aims to further grow its proprietary product sales, targeting ongoing double-digit annual growth. The Company expects to achieve this goal through increased market penetration in key territories and further development of its commercial network, including in the US private market. Where possible, to augment organic product sales growth and to leverage its infrastructure, Valneva's ambition is to add products to its commercial portfolio in order to strive towards, or even exceed, €200 million total revenues in 2022.

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 revenues from services, collaboration and licensing and third party product sales, 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. Different Advisory committees for Immunization Practices, including the US and Canada, are in the process of reviewing recommendations for several vaccines including vaccines for rare diseases such as IXIARO®. While the Company takes every effort to support such review processes in the best interest of travelers, it cannot be ruled out that existing vaccination recommendations may change in the future.

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. 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 the clinical development of its Lyme vaccine candidate, 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. Development 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 materializes, 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.

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 21, 2018 under number D.18-0159.

1.6 Related Parties' transactions

In the first six months of 2018 and 2017, 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 (FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2018)

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, 2018;
- 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.

Neuilly-sur-Seine and Marseille , August 1, 2018

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit	Deloitte & Associés
Thierry Charron	Vincent Gros

3. CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT AS OF JUNE 30, 2018

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

€ in thousand (except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
Product sales	24,643	22,155	53,539	48,074
Revenues from collaboration, licensing and services	2,241	3,261	5,428	5,785
Revenues	**26,884**	**25,415**[18]	**58,967**	**53,859**[18]
Cost of goods and services	(10,981)	(11,119)	(24,022)	(24,441)
Research and development expenses	(7,038)	(4,520)	(12,881)	(9,731)
Marketing and distribution expenses	(4,946)	(3,897)	(10,941)	(8,187)
General and administrative expenses	(4,782)	(3,399)	(8,804)	(7,411)
Other income and expenses, net	757	658[18]	1,599	1,319[18]
Amortization and impairment of fixed assets/intangibles	(822)	(1,797)	(1,644)	(3,592)
OPERATING PROFIT/(LOSS)	**(928)**	**1,341**	**2,274**	**1,816**
Finance income	396	17	205	30
Finance expenses	(1,077)	(3,062)	(2,170)	(5,092)
Result from investments in associates	-	-	-	-
PROFIT/(LOSS) BEFORE INCOME TAX	**(1,609)**	**(1,704)**	**309**	**(3,245)**
Income tax	(43)	(1,001)	(503)	(1,116)
LOSS FOR THE PERIOD	**(1,652)**	**(2,705)**	**(194)**	**(4,362)**
Losses per share				
for profit/loss for the period attributable to the equity holders of the Company, expressed in € per share (basic and diluted)	**(0.02)**	**(0.03)**	**(0.00)**	**(0.06)**

[18] "Grant income" was reclassified from the position "Revenue and Grants" and included in "Other income/expense" for periods starting Jan 1, 2018. The comparable period was adjusted accordingly to maintain comparability.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

€ in thousand	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Loss for the period	**(1,652)**	**(2,705)**	**(194)**	**(4,362)**
Other comprehensive income/(loss)				
Items that may be reclassified to profit or loss				
Currency translation differences	(1,466)	1,542	(1,411)	2,320
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	**(1,466)**	**1,542**	**(1,411)**	**2,320**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	**(3,117)**	**(1,163)**	**(1,605)**	**(2,042)**

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

€ in thousand	June 30, 2018	December 31, 2017
ASSETS		
Non-current assets	**101,951**	**105,895**
Intangible assets	46,613	48,468
Property, plant and equipment	37,558	38,374
Other non-current assets	16,337	17,368
Deferred tax assets	1,443	1,686
Current assets	**79,524**	**83,448**
Inventories	20,206	19,931
Trade receivables	12,810	17,622
Other current assets	8,790	7,840
Cash and cash equivalents	37,717	38,055
TOTAL ASSETS	**181,475**	**189,343**
EQUITY		
Capital and reserves attributable to the Company's equity holders	**91,942**	**92,669**
Share capital	11,638	11,638
Share premium and other regulated reserves	252,934	252,934
Retained earnings and other reserves	(172,436)	(160,421)
Net result for the period	(194)	(11,482)
LIABILITIES		
Non-current liabilities	**43,341**	**59,000**
Borrowings	39,030	54,097
Deferred tax liability	-	65
Non-current contract liabilities, other liabilities and provisions	4,311	4,838
Current liabilities	**46,192**	**37,674**
Borrowings	22,957	17,399
Trade payables and accruals	11,353	9,527
Current tax liability	917	322
Tax and employee-related liabilities	8,039	7,531
Current contract liabilities, other liabilities and provisions	2,927	2,896
TOTAL LIABILITIES	**89,533**	**96,674**
TOTAL EQUITY AND LIABILITIES	**181,475**	**189,343**

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

€ in thousand	Six months ended June 30, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(194)	(4,362)
Depreciation and amortization	3,510	5,738
Share-based payments	965	207
Income tax	503	1,112
Other adjustments for reconciliation to cash used in operations	2,812	5,091
Changes in working capital	6,839	9,196
Cash generated from/(used in) operations	**14,435**	**16,983**
Income tax paid	(709)	(396)
Net cash generated from/(used in) operating activities	**13,726**	**16,587**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(839)	(1,503)
Purchases of intangible assets	(163)	(1,102)
Purchases of financial assets	(134)	-
Interest received	77	29
Net cash generated from/(used in) investing activities	**(1,059)**	**(2,576)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock, net of costs of equity transactions	-	(68)
Disposal/(Purchase) of treasury shares	(66)	(72)
Proceeds from borrowings, net of transaction costs	(7)	4,603
Repayment of borrowings	(9,071)	(7,853)
Interest paid	(1,452)	(2,117)
Net cash generated from/(used in) financing activities	**(10,596)**	**(5,506)**
Net change in cash and cash equivalents	2,071	8,505
Cash at beginning of the period	33,545	35,267
Exchange gains/(losses) on cash	(981)	136
Cash at end of the period	**34,635**	**43,908**
Cash and cash equivalents at end of the period	**37,717**	**47,313**

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, 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)
	-	(3)	(46,729)	44,822	(1,910)
Balance as of June 30, 2017	**11,638**	**252,934**	**(162,069)**	**(4,362)**	**98,141**

Balance as of January 1, 2018	**11,638**	**252,934**	**(160,421)**	**(11,482)**	**92,669**
Total comprehensive loss	-	-	(1,411)	(194)	(1,605)
Income appropriation	-	-	(11,482)	11,482	-
Employee share option plan					
- value of employee services	-	-	944	-	944
- exercise of share options	-	-	-	-	-
Treasury shares	-	-	(66)	-	(66)
Cost of equity transactions, net of tax	-	-	-	-	-
	-	-	(12,015)	11,288	(727)
Balance as of June 30, 2018	**11,638**	**252,934**	**(172,436)**	**(194)**	**91,942**

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, 2018 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, 2017 available in French and in English at the company's website: www.valneva.com.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018.

No standards or interpretations were early adopted, if they are not mandatorily applicable in 2018.

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments that require restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

The IFRS 16 Leases standard will in future have an effect on the Group's financial statements and is applicable as of January 1, 2019.

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, 2018. Future events following the vote and their implications on the Group's business will be monitored by Valneva's management.

a. IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group adopted IFRS 15 using the modified retrospective method of adoption and applies this method to all contracts that were not completed at the date of initial application. Therefore, the comparative period

of 2017 was not restated. The first-time adoption of IFRS 15 had no effect on the Group's retained earnings as at January 1, 2018, however required some minor reclassifications within the balance sheet. The effect of adopting IFRS 15 on the opening balance as at January 1, 2018 is as follows:

€ in thousand	December 31, 2017	Adjustments IFRS 15	January 1, 2018
ASSETS			
Current assets			
Trade receivables	17,622	42	17,664
LIABILITIES			
Current liabilities			
Trade payables and accruals	9,527	(2)	9,525
Current contract liabilities, other liabilities and provisions	2,896	44	2,940

Revenue from product sales

The Group's product sales contracts generally include one performance obligation. Revenue is recognized at the point in time when the identified performance obligation is transferred to the customer, so when the customer obtains control over the goods. Therefore, with the exception of the principal versus agent considerations mentioned below, the adoption of IFRS 15 did not have any impact on the timing of revenue recognition.

Variable considerations

Some of the Group's product sales agreements include retrospective rebates, charge-back clauses or discounts, which give rise to variable consideration under IFRS 15. Due to the fact that the expected rebates and discounts have been deferred prior to the adoption of IFRS 15 there is no change in revenue recognition. However, while the accrued rebates and discounts have been deducted from trade receivables and have been shown as accrual respectively, the deferred amounts are now shown as contract liabilities in the consolidated balance sheet.

Principal vs. agent considerations

In some cases, Valneva sells the products through distributors. While in most cases the treatment under IFRS 15 does not differ from the treatment used before, in one case there is a change in conclusion resulting in classifying one distributor as agent rather than as principal given the distributor does not carry inventory risk and does not have the power to establish price for the sales to his customers. Consequently revenue and cost of goods sold are only recognized at the time of sale from the distributor to the customer and not at the time of sale from Valneva to the distributor.

The following tables show the effects of these changes on the interim financial statements as at June 30, 2018. In the consolidated statement of cash flows as at June 30, 2018 the changes only lead to shifts within the cash flows of operating activities.

Six months ended June 30, 2018 € in thousand	As reported	Adjustments IFRS 15	Without adoption of IFRS 15
Product sales	53,539	175	53,713
Revenues	**58,967**	**175**	**59,141**
Cost of goods and services	(24,022)	(42)	(24,063)
OPERATING PROFIT/(LOSS)	**2,273**	**133**	**2,407**
PROFIT/(LOSS) BEFORE INCOME TAX	**309**	**133**	**442**
Income tax	(503)	(15)	(518)
LOSS FOR THE PERIOD	**(194)**	**118**	**(76)**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	**(1,605)**	**118**	**(1,487)**

At June 30, 2018 € in thousand	As reported	Adjustments IFRS 15	Without adoption of IFRS 15
ASSETS			
Current assets	**79,524**	**(10)**	**79,514**
Inventories	20,206	(42)	20,165
Trade receivables	12,810	32	12,842
TOTAL ASSETS	**181,475**	**(10)**	**181,465**
EQUITY			
Capital and reserves attributable to the Company's equity holders	**91,942**	**118**	**92,060**
Net result for the period	(194)	118	(76)
LIABILITIES			
Current liabilities	**46,192**	**(128)**	**46,064**
Trade payables and accruals	11,353	307	11,660
Current tax liability	917	15	932
Current contract liabilities, other liabilities and provisions	2,927	(450)	2,476
TOTAL LIABILITIES	**89,533**	**(128)**	**89,405**
TOTAL EQUITY AND LIABILITIES	**181,475**	**(10)**	**181,465**

Revenue from licensing
The Group's licensing and services contracts in place often include several different promised services like research licenses and/or commercial licenses and further research and development (R&D) services.

IFRS 15 provides application guidance specific to the recognition of revenue from licenses of intellectual property, which differs from the recognition model for other promised goods and services.

According to the new revenue recognition standard, a license will either provide a right to access the entity's intellectual property throughout the license period, which results in revenue that is recognized over time or a right to use the entity's intellectual property as it exists at the point in time at which the license is granted, which results in revenue that is recognized at a point in time. The Group's license contracts in place provide right-to-use licenses.

Revenue from services
Revenue from services is recognized over time when one of the IFRS 15.35 criteria is met. Otherwise the revenue is recognized at a point in time. The revenue for R&D services within the Group's contracts currently in place is recognized over time. Any part of the transaction price that is constrained can only be recognized as soon as the variable constraint is removed.

Revenue recognition for the license and service agreements follows the same principle under IFRS 15 as it would have been under IAS 18. Therefore, the adoption of IFRS 15 had no effect on revenue from collaboration, licensing and services the interim financial statements as at June 30, 2018.

b. IFRS 9 Financial instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group adopted IFRS 9 from January 1, 2018 onward. The comparative period of 2017 was not restated. The first-time adoption of IFRS 9 had no effect on the Group's retained earnings as at January 1, 2018. The impact of adopting IFRS 9 is:

a) Classification / Measurement

The assessment of the characteristics of contractual cash flows of the financial assets (also known as "SPPI test") as well as of the business model for financial assets has shown that all financial assets continue to be recognized at amortized cost under IFRS 9. The classification for financial liabilities remains unchanged under IFRS 9 as well. With the exception of foreign currency derivatives, no liabilities are recognized at fair value through profit or loss (FVTPL).

b) Impairment of financial assets

According to IFRS 9.5.5.15 the simplified approach (measure the loss allowance at an amount equal to lifetime expected credit losses) has to be used for trade receivables, which do not contain a significant financing component. This is the case for the Valneva group, as all trade receivables are considered short term with a maturity below 12 months. Loss allowances for trade receivables always had to be established at the time there were indications of possible default risks, and in any case past due periods were exceeded. Accordingly, at the end of each reporting period, trade receivables were adjusted through a loss allowance in accordance with the expected outcome. According to IFRS 9.5.5.17 default probabilities

are to be determined on the basis of historical data, but must be adjusted on the balance sheet date on the basis of up-to-date information and expectations. Although a certain portion of trade receivables is past due, incurred losses can be considered immaterial, taking into account the limited number of customers as well as implemented credit checks.

As the loss allowances to be made should reflect past default events and current economic conditions (expected credit losses only play a subordinate role due to the short maturity of trade receivables), no material impact from the application of the simplified approach according to IFRS 9.5.5.15 was seen as of January 1, 2018.

c) Hedge Accounting

The Group entered into various foreign currency option contracts to limit the risk of foreign currency losses on expected future cash flows. However, these hedges were neither recognized using hedge accounting under IAS 39 as at the inception of the option contracts there was no formal designation and documentation as required by the standard to qualify for hedge accounting, nor are they under IFRS 9. For this reason no transition effects emerge in this area.

2. Group structure

List of direct or indirect interests:

Name	Country of incorporation	Consolidation method	June 30, 2018	December 31, 2017
BliNK Biomedical SAS	FR	Equity method	41.77%	41.77%
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%
Valneva USA, Inc. (formerly Intercell USA, Inc.)	US	Full	100%	100%

3. 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 & 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, Marketing and distribution 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	48,147	1,623	4,089	-	53,859
Cost of goods and services	(21,200)	(2)	(3,238)	-	(24,441)
Research and development expenses	(1,667)	(7,844)	(219)	(1)	(9,731)
Marketing and distribution 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[19]	17	1,325	164	(188)	1,319
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/expenses and income tax	-	-	-	(6,178)	(6,178)
Profit/(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, 2018:

€ in thousand	Commer-cialized vaccines	Vaccine candi-dates	Techno-logies and services	Corporate Overhead	Total
Revenues	53,624	1,446	3,896	-	58,967
Cost of goods and services	(21,406)	(2)	(2,614)	-	(24,022)
Research and development expenses	(3,398)	(9,218)	(264)	-	(12,881)
Marketing and distribution expenses	(10,639)	-	(302)	-	(10,941)
General and administrative expenses	(2,165)	(789)	(385)	(5,465)	(8,804)
Other income and expenses, net	-	1,779	136	(316)	1,599
Amortization and impairment of fixed assets/intangibles	(1,384)	(3)	(257)	-	(1,644)
Operating profit/(loss)	**14,631**	**(6,787)**	**210**	**(5,781)**	**2,274**
Finance income/expenses and income tax	-	-	-	(2,468)	(2,468)
Profit/(Loss) for the period	**14,631**	**(6,788)**	**210**	**(8,249)**	**(194)**

[19] "Grant income" was reclassified from the position "Revenue and Grants" and included in "Other income/expense" for periods starting Jan 1, 2018. The comparable period was adjusted accordingly to maintain comparability.

4. Revenues from contracts with customers

Revenues as presented in the Condensed Consolidated Interim Income Statement and in the Segment Reporting (see Note 3) include both revenues from contracts with customers and other revenues, which are out of scope from IFRS 15:

Six months ended June 30, 2017 € in thousand	Commercialized vaccines	Vaccine candidates	Technologies and services	Total
Revenues from contracts with customers	48,147	1,623	3,427	53,198
Other revenues	-	-	661	661
Revenues	**48,147**	**1,623**	**4,089**	**53,859**

Six months ended June 30, 2018 € in thousand	Commercialized vaccines	Vaccine candidates	Technologies and services	Total
Revenues from contracts with customers	53,624	1,446	3,180	58,251
Other revenues	-	-	716	716
Revenues	**53,624**	**1,446**	**3,896**	**58,967**

The Group's revenues from contracts with customers are disaggregated as follows:

Type of goods or service

Six months ended June 30, 2017 € in thousand	Commercialized vaccines	Vaccine candidates	Technologies and services	Total
JEV® product	31,524	-	-	31,524
DUKORAL® product	15,420	-	-	15,420
Third party products	1,203	-	-	1,203
Others	-	1,623	3,427	5,050
Revenues from contracts with customers	**48,147**	**1,623**	**3,427**	**53,198**

Six months ended June 30, 2018 € in thousand	Commercialized vaccines	Vaccine candidates	Technologies and services	Total
JEV® product	37,722	-	-	37,722
DUKORAL® product	14,155	-	-	14,155
Third party products	1,747	-	-	1,747
Others	-	1,446	3,180	4,627
Revenues from contracts with customers	**53,624**	**1,446**	**3,180**	**58,251**

Geographical markets

Six months ended June 30, 2017 € in thousand	Commer-cialized vaccines	Vaccine candidates	Techno-logies and services	Total
United States	17,677	988	157	18,822
Canada	10,265	-	-	10,265
United Kingdom	4,194	-	3	4,198
Nordics	4,522	-	234	4,756
Other Europe	9,238	635	2,729	12,602
Rest of World	2,252	-	304	2,556
Revenues from contracts with customers	**48,147**	**1,623**	**3,427**	**53,198**

Six months ended June 30, 2018 € in thousand	Commer-cialized vaccines	Vaccine candidates	Techno-logies and services	Total
United States	22,751	836	153	23,740
Canada	11,742	-	10	11,752
United Kingdom	3,921	-	-	3,921
Nordics	4,675	-	615	5,289
Other Europe	9,252	611	2,333	12,196
Rest of World	1,283	-	70	1,353
Revenues from contracts with customers	**53,624**	**1,446**	**3,180**	**58,251**

Sales channels

Six months ended June 30, 2017 € in thousand	Commer-cialized vaccines	Vaccine candidates	Techno-logies and services	Total
Direct product sales	35,677	-	-	35,677
Sales through distributors and other revenues	12,470	1,623	3,427	17,521
Revenues from contracts with customers	**48,147**	**1,623**	**3,427**	**53,198**

Six months ended June 30, 2018 € in thousand	Commer-cialized vaccines	Vaccine candidates	Techno-logies and services	Total
Direct product sales	43,828	-	-	43,828
Sales through distributors and other revenues	9,796	1,446	3,180	14,422
Revenues from contracts with customers	**53,624**	**1,446**	**3,180**	**58,251**

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.

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,	
	2018	2017	2018	2017
Operating profit/(loss)	(928)	1,341	2,274	1,816
Depreciation	868	872	1,579	1,794
Amortization	967	1,983	1,931	3,944
EBITDA	**907**	**4,196**	**5,784**	**7,555**

6. Financial instruments

The Company's only derivatives measured at fair market value are interest rate SWAPs with a negative fair market value of €0.4 thousand as of June 30, 2018.

The Group entered into various foreign currency option contracts to limit the risk of foreign currency losses on expected future cash flows. The underlying currency amount and the duration of the options depend on the amount and timing of the expected future cash flows. At June 30, 2018, the fair value of the open foreign currency option with an underlying currency amount of CAD 3.5 million and a duration of 77 days was €0 thousand.

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

7. Cash and cash equivalents

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

€ in thousand	June 30, 2018	December 31, 2017
Cash in hand	6	5
Cash at bank	33,729	32,536
Short-term bank deposits (maturity less than 3 months)	900	1,004
Restricted cash	3,082	4,510
Cash and cash equivalents	**37,717**	**38,055**

As of June 30, 2018, cash and cash equivalents include €3,082 thousand (December 31, 2017: €4,510 thousand) with restrictions on remittances.

8. Contingencies

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, there is legal uncertainty as to whether 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). If the court so decides and this is confirmed after exhaustion of appeals, 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. 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.

In July 2016, a claim for additional payment was raised, and litigation was filed in December 2016, in connection with the 2009 acquisition of Humalys SAS, by which Vivalis (now Valneva) had acquired a technology, which was later combined with other antibody discovery technologies and spun off to Blink Biomedical SAS in early 2015. Former shareholders of Humalys claimed additional consideration 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 are not provided, in accordance with IAS 37.92.

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, 2018 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