H1 2020

HALF-YEAR FINANCIAL REPORT

JANUARY 1 TO JUNE 30, 2020

August 4, 2020

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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 2020”. 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 specialty vaccine company focused on prevention against diseases with major unmet needs.

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[1].

The Company has various vaccines in clinical development including unique vaccines against Lyme disease and chikungunya.

Valneva has operations in Austria, Sweden, the United Kingdom, France, Canada and the US with over 500 employees. For more information, visit www.valneva.com and follow the Company on LinkedIn.

1.2 Operational Review

1.2.1 Commercial products

Valneva commercializes two fully owned travel vaccines, IXIARO®/JESPECT® and DUKORAL®. Sales from these two products are complemented by sales from the distribution of third party products in markets where Valneva operates its own marketing and sales infrastructure.

Sales in the first half of 2020, most notably in the second quarter, have been significantly adversely affected by the COVID-19 pandemic and the related global travel impact. Therefore, revenues from product sales in the first half of 2020 amounted to €40.9 million compared to €61.6 million in the first half of 2019.

Since 2016, Valneva has been commercializing IXIARO® and DUKORAL® through its own commercial organizations in the US, Canada, Nordic countries, UK and Austria. In January 2020, Valneva expanded its commercial infrastructure with the opening of a commercial office in France[2].

In June 2020, Valneva and Danish company Bavarian Nordic announced a marketing and distribution partnership[3]. Under the agreed terms, Valneva will commercialize Bavarian Nordic's marketed vaccines against tick-borne encephalitis and rabies, leveraging its commercial infrastructure in Canada, UK, France and Austria as well as Benelux where Valneva intends to establish a new commercial operation. Bavarian Nordic will commercialize Valneva's marketed products in Germany and Switzerland. The transition from

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[1] *ETEC = Enterotoxigenic Escherichia coli (E. Coli) bacterium. 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.*

[2] *Valneva Expands its Commercial Operations with the Opening of its French Commercial Office*

[3] *Valneva and Bavarian Nordic Announce Marketing and Distribution Partnership*

GSK to Bavarian Nordic in Germany, Europe's largest market and Valneva´s most important indirect market, will occur by the end of 2021. Valneva will gradually assume responsibility for the Bavarian Nordic products in certain markets commencing in late 2020. Valneva expects limited additional revenues in 2020 with more material impact from 2021 onwards.

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, Singapore and Israel, 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 two months. In addition, an accelerated, alternative vaccination schedule (seven days apart) for adult travelers (18-65 years) was approved by the EMA in 2015 as well as Health Canada and the FDA in 2018.

In March 2020, the FDA approved the extension of IXIARO®'s shelf life from 24 months to 36 months[4], an important achievement supporting supply management flexibility.

For the past ten years, the Company, together with its marketing & distribution partners, has successfully increased penetration reflected by repeated double-digit year on year sales growth until the COVID-19 pandemic occurred earlier this year.

Valneva distributes IXIARO® directly to the US Government's Department of Defense (DoD). In January 2020, the DoD exercised an option to purchase 80,000 additional IXIARO® doses bringing the total value of the contract signed with the DoD in January 2019 to $70 million[5]. During the first half of 2020, the DoD issued a Request For Proposal (RFP) for the supply of Japanese encephalitis vaccines to the U.S. military. As sole supplier of the only U.S. FDA approved Japanese encephalitis vaccine, Valneva has responded to this RFP and expects to enter into a new contract with the DoD imminently. Based on the RFP, Valneva expects the contract to cover a total of three years (one base year and two further years via options) providing, for the first time, longer demand visibility which is especially important at a time when the travel market is hit by the COVID-19 outbreak.

In the first half of 2020, revenues from IXIARO®/JESPECT® product sales reached €28.4 million compared to €45.1 million in the first half of 2019. Sales were affected by the impact of the COVID-19 outbreak on the travel market primarily in the second quarter of the year.

Cholera / ETEC[6] vaccine (DUKORAL®)

Valneva's cholera vaccine DUKORAL® is authorized and available for travelers of the European Union, Canada and Australia, with approved indications for prevention of diarrhea caused by ETEC[3] in certain non-EU 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,

[4] *Valneva Announces FDA Approval of IXIARO® Shelf Life Extension to 36 Months; New US Military RFP Issued*
[5] *Valneva: US DoD Exercises Option on IXIARO® Supply Contract Bringing Total Value to $70 Million*
[6] *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.*

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 2020, revenues from DUKORAL® sales reached €12.1 million compared to €15.2 million in the first half of 2019. DUKORAL® sales were also adversely impacted by the COVID-19 crisis in the second quarter of the year.

1.2.2 Other additional sources of revenues

Third-party distribution

To further leverage its commercial infrastructure, Valneva distributes certain third-party vaccines.

In the first half of 2020, total revenues from third party distribution were €0.4 million compared to €1.4 million in the first half of 2019.

Technologies and services

Revenues from the Technologies and Services segment were €5.6 million in the first half of 2020 compared to €3.4 million in the first half of 2019.

The Technologies and Services segment primarily includes R&D services provided by Valneva to third parties including process and assay development as well as production and testing of Clinical Trial Material (CTM).

In June 2020, Valneva and Batavia Biosciences entered into a collaboration agreement to accelerate market-access of a low-cost inactivated polio vaccine (IPV)[7]. Under the terms of the agreement, Valneva will manufacture clinical trial material in its state-of-the-art GMP polio manufacturing facility operated under GAPIII[8] polio containment in Solna, Sweden. In return, Valneva will receive an upfront payment and monthly service fees. This agreement came in addition to the agreement signed with Hookipa[9] in 2018 and validates the Swedish team's long heritage in vaccines development and manufacturing.

1.2.3 Vaccine Research & Development (R&D)

Valneva is dedicated to the development of innovative vaccines in areas of high, unmet medical needs.

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

Valneva strives to develop products towards marketing approval; the Company will also continue to evaluate monetizing its R&D assets through licensing and partnering as recently illustrated by the signing of an unprecedented collaboration for its Lyme disease vaccine[10].

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[7] *Batavia Biosciences and Valneva Collaborate to Accelerate Development of Low-cost Inactivated Polio Vaccine*

[8] *The Global Action Plan, third edition (GAPIII) was established by the World Health Organization in December 2014 to minimize the risk of reestablishing the circulation of poliovirus from potentially infectious samples stored in facilities, including laboratories*

[9] *Valneva and HOOKIPA Sign a Collaboration and Manufacturing Agreement*

[10] *Valneva and Pfizer Announce Collaboration to Co-Develop and Commercialize Lyme Disease Vaccine, VLA15*

Vaccine candidates under development

Valneva currently focuses its pre-clinical and clinical development activities on its unique vaccine candidates against Lyme disease, chikungunya and, most recently, COVID-19.

Lyme disease vaccine candidate – VLA15

Lyme disease is a systemic infection caused by *Borrelia* bacteria transmitted to humans by infected *Ixodes* ticks[11]. It is considered the most common vector borne illness in the Northern Hemisphere.

According to the US Centers for Disease Control and Prevention (CDC), approximately 300,000[12] Americans are diagnosed with Lyme disease each year with at least a further 200,000 cases in Europe[13]. 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), heart (carditis) or the central nervous system. The medical need for vaccination against Lyme disease is steadily increasing as the disease footprint widens[14].

Valneva has developed a multivalent vaccine candidate, VLA15, which is currently the only active vaccine program in clinical development against Lyme disease. The program was granted Fast Track designation by the U.S. Food and Drug Administration (FDA) in July 2017[15] and, in April 2020, the Company signed a major partnering deal with Pfizer Inc. for the late stage development and future commercialization of VLA15[16].

Valneva and Pfizer will work closely together throughout the development of VLA15. Valneva is eligible to receive a total of $308 million including a $130 million upfront payment received in May 2020. Under the terms of the agreement, Valneva will fund 30% of all development costs through completion of the development program and, in return, Pfizer will pay Valneva tiered royalties starting at 19%. Pfizer will lead late-stage development and have sole control over commercialization.

In July 2020, Valneva reported positive initial results for the first Phase 2 study (VLA15-201) of Lyme disease vaccine candidate VLA15[17]. The study met its endpoints. Compared to Phase 1, the higher doses used in this trial elicited higher antibody responses across all serotypes with Seroconversion Rates (SCR) in the highest dose ranging from 81.5% (ST1) to 95.8% (ST2). In the age group comparable to the age group investigated in Phase 1 (18-49 years), SCRs ranged from 85.6% to 97%. The immunological response in older adults, one of the main target groups for a Lyme vaccine, is particularly encouraging. Results did not indicate that prior exposure to Lyme (sero-positivity) has an impact on immunogenicity or safety. As part of further Phase 2 data to be released in a few months, an analysis of the functionality of

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

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

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

[14] *New Scientist, Lyme disease is set to explode and we still don't have a vaccine; March 29, 2017* https://www.newscientist.com/article/mg23431195-800-lyme-disease-is-set-to-explode-and-you-cant-protect-yourself/

[15] *Valneva Receives FDA Fast Track Designation for its Lyme Disease Vaccine Candidate VLA15*

[16] *Valneva and Pfizer Announce Collaboration to Co-Develop and Commercialize Lyme Disease Vaccine, VLA15*

[17] *Valneva Announces Positive Initial Results for Phase 2 Study of Lyme Disease Vaccine Candidate*

the antibodies generated with VLA15 will be conducted. In close collaboration with regulatory authorities, Valneva has developed a Serum Bactericidal Antibody assay ("SBA") for that purpose.

VLA15 was generally safe across all dose and age groups tested. No related Serious Adverse Events (SAEs) were observed with VLA15 in this study in any treatment group. Reactogenicity decreased with subsequent vaccinations. Overall, the tolerability profile, including rates of fever, appeared to be comparable to other lipidated recombinant vaccines or lipid-containing formulations.

This first Phase 2 study, conducted in the EU and US, included 572 healthy adults aged 18 to 65 years. In the main study phase, 452 subjects received one of two dose levels (either 135µg or 180µg) of VLA15 (approximately 180 subjects each) in three injections (Days 1, 29 and 57) or placebo (approximately 90 subjects). Immunogenicity was measured by determining IgG antibodies against each of the six most prevalent Outer Surface Protein A serotypes of Lyme borreliosis in the US and Europe covered by the vaccine. The endpoint readout was immunogenicity at Day 85 (one month after finalization of primary immunization).

Valneva expects to report initial results for the second Phase 2 study, VLA15-202, within a few months. In the VLA15-202 study, identical doses to the VLA15-201 study were tested using a longer vaccination schedule (Days 1, 57 and 180).

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. Chikungunya virus causes clinical illness in 72-92% of infected humans around 4 to 7 days after an infected mosquito bite. Complications resulting from the disease include visual, neurological, heart and gastrointestinal manifestations; fatalities have been reported (case fatality rates of 0.1% to 4.9% from epidemics)[18] in elderly patients at higher risk. Chikungunya outbreaks have been reported in Asia, Africa, the Americas and in Europe. As of 2017, there have been more than one million reported cases in the Americas[19] and the economic impact is considered to be significant (e.g. Colombia outbreak 2014: $73.6m[20]). The medical and economic burden is expected to grow as the CHIKV primary mosquito vectors continue to further spread geographically. There are no preventive vaccines or effective treatments available and, as such, chikungunya is considered to be a major public health threat.

Valneva has developed a unique vaccine candidate, VLA1553, which is the only single-shot target product profile vaccine in clinical development today. The program was granted Fast Track designation by the FDA in December 2018[21]. Valneva plans to take VLA1553 to market with the prospect of leveraging major manufacturing and commercial synergies primarily focusing on the traveler vaccine market. To make VLA1553 also accessible to Low and Middle Income Countries (LMIC), Valneva and the Butantan Institute in Brazil signed a binding term sheet in May 2020 for the development, manufacturing and marketing of VLA1553[22]. The collaboration will be effective upon the signing of definitive agreements and will fall within

[18] *WHO, PAHO*
[19] *PAHO/WHO data: Number of reported cases of Chikungunya Fever in the Americas – EW 51 (December 22, 2017)*
[20] *Cardona-Ospina et al., Trans R Soc Trip Med Hyg 2015*
[21] *Valneva PR: Valneva Awarded FDA Fast Track Designation for Chikungunya vaccine candidate*
[22] *Valneva to Partner with Instituto Butantan on Single-Shot Chikungunya Vaccine for Low- and Middle- Income Countries*

the framework of the $23.4 million funding which Valneva received from the Coalition for Epidemic Preparedness Innovations (CEPI) in July 2019[23].

During the first half of 2020, VLA1553's complete Phase 1 data were published in the peer-reviewed medical journal *The Lancet Infectious Diseases*[24]. *The Lancet* paper provides a detailed analysis of the unique Phase 1 results, which served as a basis for the Company´s End of Phase 2 meeting with the U.S. FDA[25] and will enable direct progression into Phase 3 as soon as the COVID-19 situation permits. Valneva is currently advancing all necessary activities, including with its Contract Research Organization (CRO) and intends to initiate the pivotal Phase 3 study in the fourth quarter as planned.

The global market potential for chikungunya vaccines is estimated at up to $500 million and the traveler market at around $250 million [26].

The sponsor of the first chikungunya vaccine approved in the U.S. will be eligible to receive a Priority Review Voucher (PRV).

SARS-CoV-2 vaccine candidate – VLA2001

SARS-CoV-2 is a new coronavirus identified in late 2019 and belongs to a family of enveloped RNA viruses that include MERS and SARS, both of which caused serious human infections of respiratory system. The virus, which causes a disease named COVID-19, has never before been found in humans. Since this outbreak was first reported in late-2019, the virus has infected over 18 million people and has caused over 690,000 reported deaths (as of August 3, 2020). It has been declared a pandemic by the World Health Organization (WHO). Currently, there is no vaccine available for COVID-19.

In April 2020, Valneva initiated a program aiming to rapidly develop a vaccine against SARS-COV-2, the pathogen that causes COVID-19[27].
Valneva is leveraging its technical and platform capabilities derived from IXIARO®, the Company's commercial vaccine product indicated for active immunization for the prevention of Japanese encephalitis, to develop an inactivated, whole virus vaccine candidate. The Company is collaborating with Dynavax to evaluate the adjuvant CpG 1018, which is a component of the U.S. FDA-approved HEPLISAV-B® vaccine.

In July 2020, Valneva reached an agreement in principle with the UK government to provide up to 100 million doses of its SARS-CoV-2 vaccine candidate, to be manufactured at its facilities in Livingston, Scotland[28]. Valneva and the UK government have now entered into a binding preliminary agreement by which the Government will provide initial funding of over £10m to support fund expansion of Valneva's UK-based manufacturing facilities. Valneva and the UK government will seek to finalize a full supply agreement in the next few weeks, including further investments in manufacturing and clinical trials. As part of its broader COVID-19 response, Valneva plans to further invest in its manufacturing facility in Livingston, Scotland and also in Solna, Sweden. Valneva is also in discussions with further potential customers for the vaccine.

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[23] *CEPI awards up to $23.4 million to Valneva for late-stage development of a single-dose Chikungunya vaccine*
[24] *Valneva Announces Publication in The Lancet of Complete Phase 1 Data for its Single-Shot Chikungunya Vaccine Candidate*
[25] *Valneva Reports Positive End-of-Phase 2 Chikungunya Meeting with the U.S. FDA; Sets Stage for Phase 3 Study*
[26] *Chikungunya. L.E.K. interviews, research and analysis for traveler vaccine market*
[27] *Valneva and Dynavax Announce Collaboration to Advance Vaccine Development for COVID-19*
[28] *Valneva Confirms Participation in UK Government COVID-19 Vaccine Response Program*

Valneva has ramped up its Biosafety Level 3 laboratory capabilities at its sites in Nantes, Vienna and Livingston. Assuming that preclinical activities are successful and that requisite financing is in place, Valneva plans to commence clinical studies by the end of 2020 with the objective to achieve first regulatory approval in the second half of 2021, subject to the appropriate regulatory authority requirements.

1.2.4 Other business updates

Valneva announced a new $85 million financing arrangement with leading US healthcare funds and confirmed its strategy to list on Nasdaq

In February 2020, Valneva announced a broad debt financing transaction with funds managed by leading US-based healthcare investment firms Deerfield Management Company and OrbiMed[29]. Both firms provided their financing to support Valneva's long-term strategy. The transaction included an initial fixed rate straight debt of $60 million (at a high, single digit interest rate) and flexible terms allowing Valneva to draw down an additional $25 million of capital upon similar terms in the next 12 months. Amortization payments will start in three years and the loan will mature in six years. The Company has used proceeds to repay its loan from the European Investment Bank (EIB) and to continue advancing its leading vaccine development programs in the short term.
Valneva also confirmed its intention, subject to approval by the Company's shareholders, to list on Nasdaq in 2021.

Modification to minimum revenue covenant under financing arrangement

Owing to (a) deferred recognition of revenues from the Pfizer deal under IFRS rules and (b) the forecasted product sales in the context of the COVID-19 pandemic, the Company was at risk of not meeting the minimum revenue covenant (€115 million on a 12-month rolling basis assessed monthly) under its Credit Agreement with its lenders, OrbiMed and Deerfield. Following discussions, an agreement was reached at the end of July whereby this minimum revenue covenant will not apply until December 31, 2020, inclusive in exchange for a minimum cash requirement of €75 million (instead of €35 million) during that period.
Valneva also confirmed its intention, subject to approval by the Company's shareholders, to list on Nasdaq in 2021.

Valneva finalized repurchase of preferred shares

In June 2020, Valneva confirmed that it had finalized the repurchase of its preferred shares (VLAP – FR0011472943) at their nominal value of one euro cent per share and that these shares had been canceled in accordance with Section 13.3 of the Company's Articles. In addition, Valneva specified that these shares were delisted from Euronext Paris and that the Company's share capital was now €13,642,040.55. Valneva's ordinary shares (VLA – FR0004056851) remain traded on Euronext Paris.

Valneva announced the appointment of two new Supervisory Board members

In June 2020, Valneva announced the appointment, for a three-year term, of Ms. Johanna Willemina Pattenier, MD, PhD, based in Switzerland and Ms. Sharon Elizabeth Tetlow, MBA, based in the U.S., to Valneva's Supervisory Board. Mr. Alexander von Gabain, Ms. Lisa Shaw-Marotto and Ms. Sandra Poole

[29] *Valneva Announces New $85 Million Financing Arrangement with Leading US Healthcare Funds Deerfield and OrbiMed*

stepped down from Valneva's Supervisory Board. Mr. Alexander Von Gabain has been appointed to Valneva's Scientific Advisory Board (SAB) and will remain an observer to the Supervisory Board.

1.3 Financial Review

FIRST HALF 2020 FINANCIAL REVIEW
(unaudited, consolidated under IFRS)

Revenues

Valneva's total revenues in the first half of 2020 were €47.9 million compared to €54.5 million in the first half of 2019. Revenues in the first half of 2019 included negative revenues related to the termination of the Strategic Alliance Agreement (SAA) with GSK amounting to €10.7 million. Excluding the termination effect, total revenues would have amounted to €65.2 million in the first half of 2019.

Product sales revenues in the first half of 2020 strongly declined to €40.9 million compared to €61.6 million in the same period of 2019. On a CER[30] basis, product sales declined by 35% compared to the first half of 2019 with both commercial vaccines impacted by COVID-19 related consequences on the travel market. The sales decline was primarily driven by a 38% decrease at CER in IXIARO®/JESPECT® sales while DUKORAL® sales declined by 20.8% at CER compared to the first half of 2019.

Other Revenues, including revenues from collaborations, licensing and services, amounted to €7.0 million in the first half of 2020 and included for the first time revenues related to the Lyme R&D collaboration agreement with Pfizer. In the comparator period of 2019, negative Other Revenues amounting to €7.1 million were reported, including the effect of the termination of the SAA with GSK. Excluding the termination effect, other revenues would have amounted to €3.6 million in the first half of 2019.

Operating result and EBITDA

Costs of goods and services sold (COGS) were €21.1 million in the first half of 2020. Gross margin on product sales amounted to 59.1% compared to 66.1% in the first half of 2019, with the decline mainly related to provisions taken for excess stock. COGS of €10.4 million were related to IXIARO®/JESPECT® sales, yielding a product gross margin of 63.3%. €6 million of COGS were related to DUKORAL® sales, yielding a product gross margin of 50.5%. Of the remaining COGS in the first half of 2020, €0.3 million were related to the Third Party Product distribution business and €4.4 million were related to cost of services. In the first half of 2019, overall COGS were €23.1 million, of which €20.9 million related to cost of goods and €2.2 million related to cost of services.

Research and development expenses in the first half of 2020 continued to strongly increase, more than doubling to €33 million compared to €14.1 million in the first quarter of 2019. This was driven by planned increased investments into Valneva's clinical stage vaccine candidates, notably Lyme and chikungunya. Marketing and distribution expenses in the first half of 2020 amounted to €10 million compared to €11.8 million in the first half of 2019. The decrease was the result of lower marketing and distribution spend across all Valneva's direct markets due to declining product sales. In the first half of 2020, general and administrative expenses increased to €10.6 million from €8.8 million in the first half of 2019, mainly driven by increased costs to support corporate project activities as well as costs related to employee share

[30] *CER: Constant Exchange Rate; H1 2019 actuals restated to H1 2020 average exchange rates*

option program. Amortization and impairment charges of fixed assets/intangibles in the first half of 2020 remained unchanged compared to the same period of 2019 and amounted to €1.4 million.

Other income, net of other expenses in the first half of 2020 increased to €6.5 million from €3 million in the first half of 2019. This increase was mainly driven by increased R&D tax credit directly resulting from increased R&D spend and the income from the CEPI funding related to Valneva's chikungunya R&D program.

Valneva recorded an operating loss of €21.9 million in the first half of 2020 compared to €1.7 million in the first half of 2019. EBITDA loss in the first half of 2020 was €17.2 million compared to an EBITDA profit of €2.4 million in the first half of 2019.

Net result

In the first half of 2020, Valneva generated a net loss amounting to €25.6 million compared to a net loss of €2.4 million in the first half of 2019.

Finance costs and currency effects in the first half of 2020 resulted in a net finance expense of €5.6 million, compared to a net finance expense of €0.5 million in the first half of 2019. The increase of expenses was the result of increased interest charges related to the newly entered financing arrangement with the US Healthcare Funds Deerfield and OrbiMed as well as foreign currency losses.

Cash flow and liquidity

Net cash generated by operating activities in the first half of 2020 amounted to €113.2 million compared to €13.3 million in the first half of 2019 mainly driven by the $130 million upfront payment received from Pfizer related to the Lyme R&D collaboration agreement.

Cash outflows from investing activities in the first half of 2020 amounted to €1.8 million, compared to €3.8 million in the first half of 2019 mainly as a result of purchases of equipment.

Cash inflows from financing activities amounted to €24.5 million in the first half of 2020 and consisted mainly of €48.8 million net proceeds from the financing arrangement with the US Healthcare Funds Deerfield and OrbiMed, offset by €20 million repayments of borrowings to the European Investment Bank (EIB). Cash outflows from financing activities amounted to €16.6 million in the first half of 2019, which included the repayment of the Biopharma (Pharmakon) loan of €11.3 million.

Liquid funds on June 30, 2020 strongly increased and stood at €200 million compared to €64.4 million on December 31, 2019. The main change was driven by the $130 million upfront payment related to the Lyme collaboration agreement with Pfizer and proceeds from the new debt line net of loan repayment to the European Investment Bank (EIB) in March 2020.

1.4 Operational and Strategic Outlook FY 2020

Noting the ongoing COVID-19 pandemic impact on Valneva's travelers vaccines sales business and the likely revenue recognition of the Pfizer deal, Valneva has previously updated its guidance[31].
Subject to continuing uncertainty regarding the ongoing COVID-19 pandemic, Valneva forecasts total 2020 revenues of €120 million to €140 million, broadly in line with its original guidance[32]. This comprises

[31] *Valneva Reports Q1 Results and Updates 2020 Guidance Following Major Lyme Partnering Deal*
[32] *Valneva Reports Record Product Sales and Major Pipeline Progress in 2019*

approximately €70 million to €80 million of product sales revenues, €40 million to €50 million to be recognized resulting from revenue recognition from the Lyme partnership with Pfizer and approximately €10 million of Service and Technology revenues.

Taking into account the ongoing COVID-19 situation, Valneva expects that its sales could return to 2019 levels in 2022 with the expected sales recovery of its two commercial products and the marketing and distribution partnership with Bavarian Nordic announced in June 2020.

The successful development of a SARS-CoV-2 vaccine could accelerate that timeline. Valneva projects R&D investments of up to €80 million in 2020 including Lyme-related costs, noting the new Lyme collaboration, the chikungunya Phase 3 initiation in the fourth quarter (as previously announced) and the initial investment in the Company´s SARS-CoV-2 vaccine candidate.

Since the start of the COVID-19 outbreak, cost containment measures have been implemented across the Company and government support mechanisms have been used where possible.

Valneva now estimates EBITDA of between zero and negative €10 million in 2020 (compared to its original guidance of up to €35 million negative EBITDA)

Strategically, Valneva will continue to leverage its strong and validated R&D capabilities to unlock shareholder value. Continuing the strong execution of its Lyme disease vaccine development and getting its chikungunya vaccine to market remain the key elements of the Company´s strategy. Turning the COVID-19 crisis into a business opportunity for the Company is a short-term focus.

1.5 Risk Factors

The development of innovative products includes the inherent risk of failure and the Company is therefore exposed to significant industry-specific risks. Valneva is subject to additional risks because most of its revenues, other than licensing revenues and grants, arise from two commercialized vaccines only, namely DUKORAL® and IXIARO®/JESPECT®, and these belong to the market segment of travel vaccines which has been severely affected by the COVID-19 pandemic and is now expected to recover slowly. Management has established 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 the following:

Slow recovery of product sales. In the context of the COVID-19 pandemic, Valneva plans for product sales recovery based on resumption of travel as expected by the travel industry, notably airlines. If international travel does not resume as quickly or as much as planned; for example because a vaccine is not available as swiftly as expected, Valneva's revenues will be severely affected, and the Company may not be able to complete (or contribute to) the development of its vaccine candidates against chikungunya or the Lyme disease, without additional financing. Such additional financing may then be very difficult to get under those circumstances. In order to mitigate this risk, Valneva has implemented a cost containment program, is in the process of finalizing definitive distribution agreements with Bavarian Nordic[33] and constantly monitors the current and forecasted situation of international travel. Further factors may also affect the level of product sales in future, including recommendations by global and local health organizations, a potential review of approved indications by health authorities, the ability of customers to pay for treatment costs and, for DUKORAL®, stronger competition. While the Company takes every effort

[33] *Valneva and Bavarian Nordic Announce Marketing and Distribution Partnership*

to support review processes in the best interest of travelers, it cannot be ruled out that existing vaccination recommendations or indications may change in the future.

Failure to develop Valneva's COVID-19 vaccine candidate or to obtain the required financing. Valneva will develop this vaccine candidate only if it can find financing sources to support the costs of development. Even though preliminary financing has been obtained from the UK government very recently, the Company may fail to enter into a definitive agreement with the UK government[34] and/or other financing sources to finance the clinical trials and the industrial investments for its COVID-19 vaccine candidate. Even though a definitive agreement is entered into, it may be terminated early. Further, the development of this vaccine may fail, for a variety of possible reasons including but not limited to technical or scientific failures, inability to enter into agreements with key suppliers, inability or unwillingness of key suppliers to provide equipment or materials on time, competition to recruit patients for clinical trials, rejection by health authorities of clinical trial or marketing applications, etc… While a failure to develop this vaccine candidate is unlikely to threaten Valneva's existence and operations, considering the Company's other programs and activities, Valneva may suffer financial losses due to the expenses then incurred. Further, Valneva's stock price and market capitalization have significantly increased since Valneva announced its COVID-19 program; therefore, these may be severely affected if Valneva stops this development.

Manufacturing and procurement risks. 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 and will be the sole source of clinical materials for the chikungunya and COVID-19 vaccine candidates. 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 or its clinical trial centers 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

[34] *Valneva Confirms Participation in UK Government COVID-19 Vaccine Response Program*

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 manufacturer and supply of the Company's commercial vaccines and 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.

Product development failures. The Company's R&D activities, and in particular the clinical development of its Lyme, chikungunya and COVID-19 vaccine candidates, 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.

Lyme vaccine partnership. The Company's strategic partnership with Pfizer to develop and commercialize Valneva's Lyme vaccine[35] is of critical importance to the Company. If this partnership fails or is terminated for any reason, the Company may be unable to find another partner and will not have sufficient financial resources to complete phase 3 development alone.

Litigation. Risks associated with **litigation** are set out in note 16 to the H1 financial statements (section 3 of this report).

BREXIT. Valneva owns a key manufacturing plant in Livingston, Scotland. The final phase of BREXIT on January 1, 2021, in the absence of a commercial agreement between the UK and the European Union, may increase Valneva's costs. Importation of IXIARO® bulk material into Germany for fill & finish at Valneva's contractor may become difficult or take more time. Valneva has prepared for the absence of a commercial agreement, notably by setting up safety stocks, thus minimizing the impact of border crossing problems, and by reviewing its product release processes for IXIARO®.

Further risk factors are set out in Valneva's universal registration document filed with the AMF on March 30, 2020 under number D.20-0217.

1.6 Related Parties' transactions

In the first six months of 2020 and 2019, there was no transaction or change in transactions between related parties which materially affected Valneva's financial position or performance.

[35] *Valneva and Pfizer Announce Collaboration to Co-Develop and Commercialize Lyme Disease Vaccine, VLA15*

2. STATUTORY AUDITORS' REVIEW REPORT ON THE HALF YEAR FINANCIAL INFORMATION (PERIOD FROM JANUARY 1 TO JUNE 30, 2020)

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 period from January 1 to June 30 2020
- the verification of the information presented in the half-year management report.

These condensed half-year consolidated financial statements were prepared under the responsibility of the management board on August 3, 2020 on the basis of the information available at that date in the evolving context of the crisis related to COVID-19 and of difficulties in assessing its impact and future prospects. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the half-yearly management report commenting the condensed half-yearly consolidated financial statements subject to our review prepared on August 3, 2020. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Neuilly-sur-Seine and Bordeaux, August 3, 2020

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit	Deloitte & Associés
Cedric Mazille	Stephane Lemanissier

3. CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT AS OF JUNE 30, 2020

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

€ in thousand (except per share amounts)	**Note**	**Six months ended June 30, 2020**	**2019**
Product sales	4	40,942	61,610
Revenues from collaboration, licensing and services	4	6,965	(7,100)
Revenues		**47,907**	**54,511**
Cost of goods and services		(21,140)	(23,094)
Research and development expenses		(33,047)	(14,084)
Marketing and distribution expenses		(10,046)	(11,796)
General and administrative expenses		(10,615)	(8,849)
Other income and expenses, net	5	6,453	3,006
Amortization and impairment of fixed assets/intangibles		(1,440)	(1,441)
OPERATING LOSS		**(21,928)**	**(1,746)**
Finance income		549	692
Finance expenses	7	(6,109)	(1,188)
Result from investments in associates		90	738
LOSS BEFORE INCOME TAX		**(27,398)**	**(1,504)**
Income tax		1,759	(896)
LOSS FOR THE PERIOD		**(25,639)**	**(2,401)**
Losses per share for profit/loss for the period attributable to the equity holders of the Company, expressed in € per share			
▪ **basic**		**(0.28)**	**(0.03)**
▪ **diluted**		**(0.28)**	**(0.03)**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Six months ended June 30,	
€ in thousand	**Note**	**2020**	**2019**
Loss for the period		**(25,639)**	**(2,401)**
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Currency translation differences		(673)	(487)
Items that will not be reclassified to profit or loss			
Defined benefit plan actuarial gains/(losses)		-	-
Other comprehensive loss for the period, net of tax		**(673)**	**(487)**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		**(26,312)**	**(2,887)**

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

€ in thousand	Note	June 30, 2020	December 31, 2019
ASSETS			
Non-current assets		**135,902**	**135,561**
Intangible assets	8	39,973	41,813
Right of use assets		48,131	49,334
Property, plant and equipment		19,516	20,003
Equity-accounted investees		2,353	2,263
Other non-current assets	9	18,922	17,161
Deferred tax assets		7,008	4,988
Current assets		**253,446**	**129,162**
Inventories	11	30,494	25,772
Trade receivables	12	7,524	24,030
Other current assets	9	15,382	14,921
Cash and cash equivalents	10	200,046	64,439
TOTAL ASSETS		**389,349**	**264,723**
Capital and reserves attributable to the Company's equity holders		**111,059**	**135,153**
Share capital		13,642	13,642
Share premium and other regulated reserves		297,740	297,732
Retained earnings and other reserves		(174,683)	(174,476)
Loss for the period		(25,639)	(1,744)
LIABILITIES			
Non-current liabilities		**173,566**	**88,269**
Borrowings	13	47,326	24,317
Lease liabilities		55,402	56,592
Contract liabilities and refund liabilities	14	69,221	6,837
Provisions		835	426
Other liabilities		782	97
Current liabilities		**104,723**	**41,300**
Borrowings	13	7,823	1,999
Trade payables and accruals		19,778	16,567
Income tax liability		2,550	2,458
Tax and employee-related liabilities		10,233	10,624
Lease liabilities		2,401	2,308
Contract liabilities and refund liabilities	14	55,482	1,142
Provisions		2,369	2,315
Other liabilities		4,087	3,886
TOTAL LIABILITIES		**278 289**	**129,569**
TOTAL EQUITY AND LIABILITIES		**389,349**	**264,723**

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

€ in thousand	Note	Six months ended June 30, 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period		(25,639)	(2,401)
Depreciation and amortization		4,687	4,109
Share-based payments		2,631	921
Income tax		(1,759)	896
Other adjustments for reconciliation to cash used in operations	15	69,164	5,096
Changes in working capital	15	64,382	5,363
Cash generated from operations	**15**	**113,466**	**13,985**
Income tax paid		(247)	(696)
Net cash generated from operating activities		**113,219**	**13,289**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(1,816)	(3,787)
Purchases of intangible assets		(82)	(117)
Purchases of financial assets		-	-
Interest received		67	116
Net cash generated used in investing activities		**(1,831)**	**(3,788)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common stock, net of costs of equity transactions		8	(2,492)
Disposal/(Purchase) of treasury shares		99	(16)
Proceeds from borrowings, net of transaction costs	13	48,773	-
Repayment of borrowings	13	(21,521)	(11,269)
Payment of lease liabilities		(1,082)	(2,008)
Interest paid		(1,791)	(831)
Net cash generated from/(used in) financing activities		**24,468**	**(16,617)**
Net change in cash and cash equivalents		**135,874**	**(7,115)**
Cash at beginning of the period		64,439	77,084
Exchange losses on cash		(267)	(24)
Cash at end of the period		**200,046**	**69,944**
Cash and cash equivalents at end of the period		**200,046**	**69,944**

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, 2019	**13,638**	**297,720**	**(171,435)**	**3,264**	**143,186**
Changes in Accounting Policy – Initial Application of IFRS 16	-	-	(9,474)	-	(9,474)
Restated balance as of January 1, 2019	**13,638**	**297,720**	**(180,909)**	**3,264**	**133,712**
Total comprehensive loss	-	-	(487)	(2,401)	(2,887)
Income appropriation	-	-	3,264	(3,264)	-
Share-based payments					
- value of services	-	-	907	-	907
- exercises	-	8	-	-	8
Treasury shares	-	-	(16)	-	(16)
	-	8	3,668	(5,664)	(1,989)
Balance as of June 30, 2019	**13,638**	**297,728**	**(177,241)**	**(2,401)**	**131,724**

Balance as of January 1, 2020	**13,642**	**297,732**	**(174,476)**	**(1,744)**	**135,153**
Total comprehensive loss	-	-	(673)	(25,639)	(26,312)
Income appropriation	-	-	(1,744)	1,744	-
Share-based payments					
- value of services	-	-	2,112	-	2,112
- exercises	-	8	-	-	8
Treasury shares	-	-	98	-	98
	-	8	(207)	(23,895)	(24,094)
Balance as of June 30, 2020	13,642	297,740	(174,683)	(25,639)	111,059

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, 2020 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, 2019 available in French and in English on 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 2019, except for the adoption of new standards effective as of 1 January 2020.

No standards or interpretations were early adopted, if they are not mandatorily applicable in 2020.

A few amended standards became applicable for the current reporting period. The group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

For ease of presentation, numbers have been rounded and, where indicated, are presented in thousands of Euros. Calculations, however, are based on exact figures. Therefore, the sum of the numbers in a column of a table may not conform to the total figure displayed in the column.

SIGNIFICANT EVENTS OF THE PERIOD

COVID-19

Valneva is constantly reviewing the impact of the COVID-19 pandemic and is actively managing its operations to maintain business continuity while taking measures to protect the health and wellbeing of its employees, their families and the local communities in which they live and work. The Group has instituted a partial work from home policy and for critical areas of its business that necessitate employees to be onsite, such as certain R&D and manufacturing functions, Valneva implemented strategies to promote additional social distancing. The continuous supply of Valneva's products to its patients and customers is of utmost priority to Valneva. Valneva's scientific and commercial teams are in close dialogue with their partners and are providing project-specific information on a real-time basis.

While uncertainty remains around the duration, severity and geographic scope of the COVID-19 outbreak, the Group is well positioned to deal with the crisis. At the end of June 2020, Valneva reported cash of €200.0 million. Valneva is also well placed to take further cost management measures if required and has commenced a review of non-mission critical projects and expenses.

Impact from COVID-19	Note	
Revenues from contracts with customers	4	Decline of revenues of Commercialized vaccines in second quarter
Impairment testing	8	Impairment test on intangible assets performed after triggering events – no impairment as of June 30, 2020
Inventories	11	€1.5 million negative impact in income statement due to lower sales expectations
Trade receivables	12	Update of expected credit loss assessed - only minor impact in Group´s figures
COVID-19 R&D program	17	Agreement with the UK government to provide up to 100 million doses of its SARS-CoV-2 vaccine candidate

Brexit

The Group is of the opinion that Brexit may increase its costs and adversely affect some of the main risks to which the Company is exposed, e.g. by increasing risks related to currency exchange fluctuations, manufacturing & supply, customs duties and tax. Future performance of the business may also be impacted, as the manufacturing of bulk material for the IXIARO® product is conducted in the United Kingdom. Furthermore, Valneva uses a distribution site located in the UK to sell its products and some third party products on the local market. Valneva UK Ltd reported a revenue of €1.7 million in the six month ended June 30, 2020. Valneva has prepared for a “Hard Brexit”, notably by setting up some safety stocks, thus minimizing the impact of border crossing problems following Brexit and by reviewing its product release processes for IXIARO®. If no agreement is reached between the UK and the EU at the end of the transition period on December 31, 2020, the time and cost in getting critical materials, biological samples & services from the EU into UK (and vice versa) may be extended and approvals by regulatory authorities may be adversely affected.

Significant agreements signed in the period

In April 2020, a new collaboration to co-develop and commercialize the Lyme disease vaccine was signed with Pfizer Inc (NYSE: PFE). This agreement included a $130 million upfront payment, which has been received in June 2020. While Valneva will fund 30% of all development costs through completion of the development program, €69.4 m have been recognized as (discounted) refund liabilities, €45.6 million are treated as contract liabilities and will be realized within the next 12 months. The agreement includes R&D and service performance obligations for which revenue is recognized over time as well as a license performance obligation for which revenue will be recognized at a point in time when Pfizer can benefit and use the license, which is expected to occur in the second half of 2020. In H1 2020, €1.3 million were recognized as R&D and service revenue already. For more details see Note 4 and 14.

In April 2020, Valneva and Dynavax announced a collaboration to advance vaccine development for COVID-19. Dynavax is providing CpG 1018, the adjuvant contained in U.S. FDA-approved HEPLISAV-B vaccine, to support the development of Valneva’s COVID-19 vaccine candidate, while Valneva is leveraging its technical and platform capabilities to develop an inactivated, whole virus vaccine candidate against the current coronavirus threat. In addition, Valneva reached agreement in principle with the UK government to provide up to 100 million doses of its SARS-CoV-2 vaccine candidate. This agreement was signed in July. For more information see Note 17.

In June 2020, Valneva and Batavia Biosciences agreed to collaborate to accelerate development of a low-cost inactivated Polio vaccine. Under the terms of the agreement, Valneva will manufacture the sIPV Vaccine for clinical trial purposes in its GMP polio manufacturing facility in Solna, Sweden, using Batavia's process. The operative work will start in H2 2020.

In June 2020, Valneva and Bavarian Nordic A/S (OMX: BAVA) announced a marketing and distribution partnership for the marketing and distribution of their commercial products. Valneva will commercialize Bavarian Nordic's marketed vaccines leveraging its commercial infrastructure in Canada, UK, France and Austria. Valneva will also take responsibility for Belgium and the Netherlands. The partnership includes vaccines that protect against rabies, Japanese Encephalitis, tick-borne encephalitis and cholera, and will be set up in H2 2020.

2. Group structure

List of direct or indirect interests:

Name	Country of incorporation	Consolidation method	June 30, 2020	December 31, 2019
BliNK Biomedical SAS	FR	Equity method	48.9%	48.9%
Vaccines Holdings Sweden AB	SE	Full	100%	100%
Valneva Austria GmbH	AT	Full	100%	100%
Valneva Canada Inc.	CA	Full	100%	100%
Valneva France SAS	FR	Full	100%	100%
Valneva Scotland Ltd.	UK	Full	100%	100%
Valneva Sweden AB	SE	Full	100%	100%
Valneva UK Ltd.	UK	Full	100%	100%
Valneva USA, Inc.	US	Full	100%	100%

3. Segment reporting

The individual segments consist of 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, including the Lyme and Chikungunya project)
- "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, 2020 the Group changed its internal reporting process and amended the following allocation rule: G&A costs previously reported under Corporate Overhead have been fully allocated to the three operational segments based on estimated level of activities supporting the 3 segments. About 56% of previously unallocated G&A costs were allocated to Commercialized Vaccines, 36.5% to Vaccine

Candidates and 7.5% to Technologies & Services using a combination of revenues and FTEs as the basis to allocate costs to the segments.

Segment reporting information for earlier periods has been restated to conform to these changes.

Income statement aggregates by segment for the six months ended June 30, 2019:

€ in thousand	Commercialized vaccines	Vaccine candidates	Technologies and services	Corporate Overhead	Total
Revenues	61,705	(10,552)	3,357	-	54,511
Cost of goods and services	(20,873)	-	(2,221)	-	(23,094)
Research and development expenses	(1,939)	(11,558)	(587)	-	(14,084)
Marketing and distribution expenses	(11,204)	(462)	(130)	-	(11,796)
General and administrative expenses	(5,209)	(2,885)	(755)	-	(8,849)
Other income and expenses, net	7	2,520	230	250	3,006
Amortization and impairment of fixed assets/intangibles	(1,385)	(5)	(50)	-	(1,441)
Operating profit/(loss)	**21,102**	**(22,942)**	**(156)**	**250**	**(1,746)**
Finance income/expenses and income tax	-	-	-	(654)	(654)
Profit/(Loss) for the period	**21,102**	**(22,941)**	**(156)**	**(404)**	**(2,401)**

Income statement aggregates by segment for the six months ended June 30, 2020:

€ in thousand	Commercialized vaccines	Vaccine candidates	Technologies and services	Corporate Overhead	Total
Revenues	40,942	1,333	5,632	-	47,907
Cost of goods and services	(16,764)	-	(4,376)	-	(21,140)
Research and development expenses	(1,514)	(31,106)	(427)	-	(33,047)
Marketing and distribution expenses	(9,817)	(179)	(50)	-	(10,046)
General and administrative expenses	(6,564)	(3,274)	(777)	-	(10,615)
Other income and expenses, net	71	6,142	107	133	6,453
Amortization and impairment of fixed assets/intangibles	(1,384)	(10)	(46)	-	(1,440)
Operating profit/(loss)	**4,969**	**(27,094)**	**64**	**133**	**(21,928)**
Finance income/expenses and income tax	-	-	-	(3,711)	(3,711)
Profit/(Loss) for the period	**4,969**	**(27,094)**	**64**	**(3,578)**	**(25,639)**

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, 2019 € in thousand	Commer-cialized vaccines	Vaccine candidates	Techno-logies and services	Total
Revenues from contracts with customers	61,705	(10,552)	2,688	53,842
Other revenues	-	-	669	669
Revenues	**61,705**	**(10,552)**	**3,357**	**54,511**

Six months ended June 30, 2020 € in thousand	Commer-cialized vaccines	Vaccine candidates	Techno-logies and services	Total
Revenues from contracts with customers	40,942	1,333	5,121	47,396
Other revenues	-	-	511	511
Revenues	**40,942**	**1,333**	**5,632**	**47,907**

Commercialized vaccines revenues were affected by the worldwide reduction in travelling due to the COVID-19 pandemic. While the sales of Commercialized vaccines were not significantly impacted in the first quarter, sales in the second quarter have been impacted.

Valneva's total revenues for the first half of 2019 included a one-time effect related to the discontinuation of the Strategic Alliance Agreement (SAA) with GSK in June 2019. A negative effect of net €10.7 million was included in Valneva's revenues from collaboration and licensing reflecting both the current and future payment obligations related to the termination of the SAA.

€ in thousand	June 30, 2019
Settlement fee (fixed)	(9,000)
Settlement fee (variable; excluding financing component)	(5,987)
Release of SAA related contract liabilities	4,274
Net one-time effect of SAA termination	**(10,714)**

The revenue from the new collaboration agreement with Pfizer is recognized in the segment Vaccine candidates in 2020.

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

Type of goods or service

Six months ended June 30, 2019 € in thousand	Commer-cialized vaccines	Vaccine candidates	Techno-logies and services	Total
JEV® product	45,156	-	-	45,156
DUKORAL® product	15,195	-	-	15,195
Third party products	1,355	-	-	1,355
Others	-	(10,552)	2,688	(7,863)
Revenues from contracts with customers	**61,705**	**(10,552)**	**2,688**	**53,842**

Six months ended June 30, 2020 € in thousand	Commer-cialized vaccines	Vaccine candidates	Techno-logies and services	Total
JEV® product	28,406	-	-	28,406
DUKORAL® product	12,140	-	-	12,140
Third party products	396	-	-	396
Others	-	1,333	5,121	6,454
Revenues from contracts with customers	**40,942**	**1,333**	**5,121**	**47,396**

Geographical markets

Six months ended June 30, 2019 € in thousand	Commer-cialized vaccines	Vaccine candidates	Techno-logies and services	Total
United States	32,033	162	10	32,205
Canada	12,499	-	-	12,499
Germany	2,714	-	-	2,714
Austria	834	-	1,908	2,742
Nordics	5,447	-	2	5,450
United Kingdom	3,632	-	15	3,647
Switzerland	-	(10,714)	-	(10,714)
Other Europe	3,037	-	252	3,289
Rest of World	1,510	-	500	2,010
Revenues from contracts with customers	**61,705**	**(10,552)**	**2,688**	**53,842**

Six months ended June 30, 2020 € in thousand	Commer-cialized vaccines	Vaccine candidates	Techno-logies and services	Total
United States	19,068	1,333	-	20,401
Canada	8,126	-	-	8,126
Germany	4,441	-	50	4,491
Austria	324	-	3,420	3,744
Nordics	2,691	-	-	2,691
United Kingdom	1,653	-	707	2,360
Switzerland	218	-	-	218
Other Europe	1,321	-	679	2,000
Rest of World	3,099	-	264	3,363
Revenues from contracts with customers	**40,942**	**1,333**	**5,121**	**47,396**

Sales channels

Six months ended June 30, 2019 € in thousand	Commer-cialized vaccines	Vaccine candidates	Techno-logies and services	Total
Direct product sales	54,444	-	-	54,444
Sales through distributors and other revenues	7,261	(10,552)	2,688	(602)
Revenues from contracts with customers	**61,705**	**(10,552)**	**2,688**	**53,842**

Six months ended June 30, 2020 € in thousand	Commer-cialized vaccines	Vaccine candidates	Techno-logies and services	Total
Direct product sales	30,874	-	-	30,874
Sales through distributors and other revenues	10,068	1,333	5,121	16,522
Revenues from contracts with customers	**40,942**	**1,333**	**5,121**	**47,396**

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. Other income/(expenses), net

Other income/(expenses), net include the following:

€ in thousand	Six months ended June 30, 2020	2019
R&D tax credit	3,889	2,806

Grant income	2,995	(50)
Profit/(loss) on disposal of fixed assets, net	(7)	(12)
Taxes, duties, fees, charges, other than income tax	(116)	(99)
Miscellaneous income/(expenses), net	(308)	361
Other income/(expenses), net	**6,453**	**3,006**

In July 2019 the Group signed a funding agreement with Coalition for Epidemic Preparedness Innovations (CEPI). Valneva will receive up to $23.4 million for vaccine manufacturing and late-stage clinical development of a single-dose, live attenuated vaccine (VLA1553) against chikungunya. In line with CEPI's commitment to equitable access, the funding will underwrite a partnership effort to accelerate regulatory approval of Valneva's single-dose Chikungunya vaccine for use in regions where outbreaks occur and support WHO prequalification to facilitate broader access in lower and middle income countries. CEPI money is treated under IAS 20 and presented as other income. As of June 30, 2020, Valneva recognized €2.4 million of grant income related to CEPI (June 30, 2019: zero), and €0.6 million grants from government authorities related to the current COVID-19 pandemic situation.

6. EBITDA

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

	Six months ended June 30,	
€ in thousand	**2020**	**2019**
Operating profit/(loss)	(21,928)	(1,746)
Depreciation	1,729	1,128
Amortization	2,958	2,981
Impairment on intangibles and fixed assets		-
EBITDA	**(17,241)**	**2,362**

7. Finance expense

	Six months ended June 30,	
€ in thousand	**2020**	**2019**
Interest expense to banks	(1,255)	(114)
Interest expense on other loans	(2,208)	(485)
Interest expenses on lease liabilities	(447)	(463)
Fair value losses on derivative financial instruments	-	(126)
Foreign exchange losses, net	(2,200)	-
Finance expense	**(6,109)**	**(1,188)**

For more detail see Note 13.

8. Intangible assets

8.1 Significant intangible assets

Significant intangible assets with an indefinite useful life are comprised solely of the Lyme disease vaccine candidate (VLA15) amounting to €3.3 million (December 31, 2019: €3.3 million).

Significant intangible assets with definite useful life are comprised primarily of the already commercialized vaccine against Japanese encephalitis (IXIARO® / JESPECT®) with acquisition costs amounting to €78.2 million and a net book value amounting to €34.6 million (December 31, 2019: €36.2 million). Other intangible assets with a definite useful life are comprised primarily of the IC31® technology amounting to €0.5 million (December 31, 2019: €0.5 million) and the EB66® technology amounting to €0.2 million (December 31, 2019: €0.2 million).

8.2 Impairment testing

The book values of capitalized in-process Research & Development projects have been assessed annually for impairment testing purposes using the risk-adjusted discounted cash flow method. The Lyme disease program VLA15 is currently the only active R&D program for which a book value is carried on the balance sheet (€3.3 million as of June 30, 2020). The announcement regarding Valneva's collaboration with Pfizer on April 30, 2020 has not been identified as a downside triggering event, therefore no impairment testing has been performed.

Impairment tests have been performed on the intangible assets related to Valneva's JEV vaccine IXIARO® and DUKORAL®.

Given the expected decrease in IXIARO® annual product sales in 2020 due to the Covid-19 crisis and travel restrictions a triggering event was identified and an impairment test has been performed. As a basis, the long range business model including product specific financial plans covering a period of 15 years is used. Business plan assumptions have been revised to reflect the current forecast.

The calculation uses post tax risk-adjusted cash flow projections and a discount rate of 7.73% (December 31, 2019: 10.21% per annum).

The discount rate of 7.73% (December 31, 2019: 10.21% per annum) is based on 0.01% risk-free rate (December 31, 2019: 0.34%), 8.55% market risk premium (December 31, 2019: 8.73%), -0.27% country risk premium (December 31, 2019: -0.27%), 0.18% currency risk (December 31, 2019: 0.18%), a levered beta of 1.01 (December 31, 2019: 1.26), and a peer group related equity-capital ratio.

An impairment test has for the first time also been performed for DUKORAL® as a reduction in expected product sales has also been identified as a triggering event. While there are no material intangible assets held for DUKORAL® the carrying value of Fixed and RoU Assets as well as Working Capital (net book value of € 32.5 million as of June 30, 2020) was tested according to the same methodology.

Similar to IXIARO® the company's long range business model including assumptions on market size / market share, product sales and resulting profitability over a 5 ½ -year period as well as a Terminal Value for the period beyond 5 ½ years has been used as a basis to calculate the value in use.

The calculation uses post tax risk-adjusted cash flow projections and a discount rate of 8.77%.

The discount rate of 8.77% is based on 0.11% risk-free rate, 8.53% market risk premium, 0.23% country risk premium, 0.02% currency risk, a levered beta of 1.12 and a peer group related equity-capital ratio.

Impairment tests for both IXIARO® and DUKORAL® have resulted in no impairment losses.

8.3 Sensitivity to changes in assumptions

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

- discount rate
- reduction of expected revenues/royalties.

The net present value calculation for IXIARO® uses a discount rate of 7.73% (December 31, 2019: 10.21%). An increase in the discount rate of 8,853 basis points from 7.73 % to 96.26 %% would trigger an impairment loss (December 31, 2019: increase of 5,855 basis points from 10.21% to 68.76%). Furthermore, an increase in the discount rate of one percentage point would result in no impairment loss.

The net present value calculations are based upon assumptions regarding market size and expected sales volumes resulting in sales value expectations. An additional reduction in revenues of 10.0% would result in no impairment loss in 2020 (December 31, 2019: no loss).

The net present value calculation for DUKORAL® uses a discount rate of 8.77%. An increase in the discount rate of 7 basis points from 8.77% to 8.84% would trigger an impairment loss. Furthermore, an increase in the discount rate of one percentage point would result in an impairment loss of €4.6 million.

The net present value calculations are based upon assumptions regarding market size, market share and expected sales volumes resulting in sales value expectations. An additional reduction in revenues of 10.0% would result in an impairment loss of €1.8 million in 2020.

9. Other assets

Other assets include the following:

€ in thousand	June 30, 2020	December 31, 2019
Prepaid expenses	2,531	1,798
Non-current financial assets	472	367
Current financial assets	-	-
Contract costs	2,912	-
Other receivables	28,388	29,916
	34,304	**32,081**
Less non-current portion	(18,922)	(17,161)
Current portion	**15,382**	**14,921**

The fair values of other assets equal their book values. Other receivables include deposits and advances amounting to €17.1 million (December 31, 2019: €19.4 million), R&D tax credit receivables amounting to €9.0 million (December 31, 2019: €5.9 million), contract costs related to the new collaboration agreement with Pfizer (See Note 1) of €2.9 million, and tax receivables and consumables and supplies on stock amounting to €2.7 million (December 31, 2019: €5.0 million).

10. Cash and cash equivalents

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

€ in thousand	June 30, 2020	December 31, 2019
Cash in hand	6	10
Cash at bank	190,040	39,429
Short-term bank deposits (maturity less than 3 months)	10,000	25,000
Restricted cash	-	-
Cash and cash equivalents	**200,046**	**64,439**

As of June 30, 2020, there were no cash and cash equivalents with restrictions on remittances (December 31, 2019: € 0 thousand). The minimum liquidity requirement for the Group according to the debt financing agreement with US Healthcare Funds Deerfield and OrbiMed (See Note 13) is €35.0 million. Cash net of the US Healthcare Funds Deerfield and OrbiMed financial liability amounts to €150.5 million as of June 30, 2020.

11. Inventories

Inventory include the following:

€ in thousand	June 30, 2020	December 31, 2019
Raw materials	3,785	4,073
Work in progress	14,510	12,714
Finished goods	12,199	8,984
Inventory	**30,494**	**25,772**

The cost of inventories is recognized as an expense and is included in the position "Cost of goods and services" amounted to €21.1 million (June 30, 2019: €23.1 million), of which €0.2 million (2019: €2.8 million) related to faulty products, which were written off.

Given the expected reductions in product sales related to Valneva's commercial stage vaccines IXIARO® and DUKORAL® due to the current COVID-19 pandemic, the Company has performed a review of both commercial and raw material inventories and has included provisions in the financial result for the period ending June 30, 2020. Commercial inventories not carrying a minimum residual shelf-life at the expected time of sale on the basis of the most current sales expectations have been provisioned at the level of COGS/Manufacturing costs per dose. A €1.2 million addition to the provision has been included. In addition, raw material inventories, which will likely not be consumed before the respective date of expiry have been provisioned for an amount of €0.3 million.

12. Trade receivables

Trade receivables include the following:

€ in thousand	June 30, 2020	December 31, 2019
Trade receivables	7,596	24,030
Less: provision for impairment of receivables	(72)	-
Trade receivables, net	**7,524**	**24,030**

As of June 30, 2020, impairment losses amounted to €72 thousand have been recognized due to the update of our expected credit loss assessment (December 31, 2019: €0 thousand), especially related to the COVID-19 situation.

13. Borrowings

Borrowings of the Group include the following:

€ in thousand	June 30, 2020	December 31, 2019
Non-current		
Bank borrowings	-	19,759
Other loans	47,326	4,558
	47,326	**24,317**
Current		
Bank borrowings	-	-
Other loans	7,823	1,999
	7,823	**1,999**
Total borrowings	**55,149**	**26,316**

In February 2020, Valneva Austria GmbH signed a debt financing agreement with US Healthcare Funds Deerfield and OrbiMed. The transaction value is up to $85 million. Amortization payments will start in 3 years, while the loan will mature in 6 years. The intended use of proceeds was to repay existing borrowings from the European Investment Bank and allow the Group to continue to advance its leading Lyme and chikungunya development programs in the short term. As of June 30, 2020, $60.0 million had been drawn down in two tranches. The interest rate is 9.95%. The loan is secured by collateral over the Company's material subsidiaries. Furthermore, the loan agreement contains covenants, including a minimum liquidity on a consolidated basis in the amount of €35.0 million and minimum consolidated net revenue in the amount of €115.0 million on a consecutive twelve consecutive month basis. If the Group's consolidated revenues on a twelve-month rolling basis (excluding grants) were to fall below €115.0 million, Valneva would not be able to comply with the minimum revenue clause in the financing agreement with Deerfield and OrbiMed, which could result in additional costs (up to 10 additional points of interest over the duration of the default) and/or an early repayment obligation (payment of the principal increased by 8% and of an indemnity representing the interests expected until March 2023). Following discussions, an agreement was reached at the end of July whereby this minimum revenue covenant will not apply until December 31, 2020, inclusive, in exchange for a minimum cash requirement of €75 million (instead of €35 million) during that period. The Group does not expect these limitations to affect its ability to meet its cash obligations.

The corresponding liability is included in other loans (€49.5 million non-current and €5.3 million current as of June 30, 2020).

The bank borrowings from the European Investment Bank have been fully repaid (€20.0 million). The Group had to pay €600 thousand penalty for early repayment of the loan. These costs are included in Finance expenses in the consolidated income statement.

14. Contract liabilities and refund liabilities

€ in thousand	June 30, 2020	December 31, 2019
Contract liabilities	48,874	1,426
Refund liabilities	75,830	6,553
	124,703	**7,979**
Less non-current portion	(69,221)	(6,837)
Current portion	**55,482**	**1,142**

The major amount of €115.0 million is related to the new collaboration with Pfizer Inc. (for more details see Note 1). While €69.4 million thereof have been recognized as refund liabilities as Valneva will fund 30% of Phase 3 study costs performed by Pfizer, € 45.6 million is treated as contract liabilities and will be realized within the next 12 months.

€ 6.2 million (December 31, 2019: € 6.1 million) of non-current refund liabilities are related to the expected payment to GSK related to the termination of the strategic alliance agreements, signed in June 2019.

€ 2.3 million (December 31, 2019: €1.4 million) are related to other upfront payments received from customers, which are included in the contract liabilities, whereas € 0.4 million are non-current (December 31, 2019: € 0.7 million). € 0.2 million (December 31, 2019: € 0.5 million) are related to refund labilities to customers related to rebate programs.

15. Cash Flow information

The following table shows the adjustments to reconcile net loss to net cash generated from operations:

€ in thousand	Six months ended June 30,	
	2020	2019
Loss for the year	**(25,639)**	**(2,401)**
Adjustments for		
▪ Depreciation and amortization	4,687	4,109
▪ Share-based payments	2,631	921
▪ Income tax	(1,759)	896
▪ Dividends received from associated companies	-	433
▪ (Profit)/loss from disposal of fixed assets	7	12
▪ Share of (profit)/loss from associates	(90)	(738)
▪ Fair value (gains)/losses on derivative financial instruments	-	84
▪ Other non-cash income/expense	1,945	(496)
▪ Interest income	(74)	(116)
▪ Interest expense	3,909	1,062
Other adjustments for reconciliation to cash used in operations:		
▪ Changes in long term contract and refund liabilities	62,332	(1,985)
▪ Changes in other long-term assets and liabilities	1,135	6,840
Changes in working capital (excluding the effects of acquisition and exchange rate differences on consolidation):		
▪ Inventory	(6,274)	(1,919)
▪ Trade and other receivables	15,812	(5,971)
▪ Short term contract and refund liabilities	54,344	(440)
▪ Trade, other payables and provisions	500	13,693
Cash generated from operations	**113,466**	**13,985**

Changes in other long-term contract and refund liabilities include €62.7 million (refund liability) from collaboration with Pfizer, €52.3 million are included in short term contract and refund liabilities (See Notes 1 and 14).

16. 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 either the cash compensation paid to departing shareholders or the exchange ratio between Intercell and Valneva shares used in the merger. Valneva is discussing potential settlement agreements. Valneva therefore holds a provision of €2.2 million of settlement costs and additional costs in connection with such potential settlement. €0.1 million of additional expenses related to this litigation is included in "other expenses" in the period ended June 30, 2020

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. A first instance decision in the Humalys case is expected at the beginning of 2021. After consultation with its external advisors, Valneva 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.

17. Events after the reporting period

On July 20, 2020, Valneva has reached agreement in principle with the UK government to provide up to 100 million doses of its SARS-CoV-2 vaccine candidate, to be manufactured at its facilities in Livingston, Scotland. The UK government is expected to contribute to UK clinical studies costs and is negotiating funding to expand Valneva's Scottish facility. On July 31, 2020, Valneva and the UK government have entered into a binding preliminary agreement by which the Government will provide initial funding of over £10 million to support expansion of Valneva's UK-based manufacturing facilities. Valneva and the UK government will seek to finalize a full supply agreement in the next few weeks, including further investments in manufacturing and clinical trials. As part of its broader COVID-19 response, Valneva plans to further invest in its manufacturing facility in Livingston, Scotland and also in Solna, Sweden.

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, 2020 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