

Annual Financial Report

VALNEVA SE, Lyon

December 31, 2014

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TABLE OF CONTENTS

+ VALNEVA SE STATUTORY FINANCIAL STATEMENTS	I_1
1. BALANCE SHEET	I_1
› 1.1. Assets	I_1
› 1.2. Shareholders' equity & liabilities	I_3
2. INCOME STATEMENT	I_4
3. CASH FLOW STATEMENT	I_6
4. NOTES TO THE FINANCIAL STATEMENTS	I_8
› 4.1. Key events of the year	I_8
› 4.2. Accounting Policies and Methods	I_8
› 4.3. Notes to the balance sheet	I_18
› 4.4. Notes to the income statement	I_45
5. OTHER INFORMATION	I_54
› 5.1. Commitments and contingent liabilities	I_54
› 5.2. Information concerning related parties	I_57
› 5.3. Dilutive instruments	I_59
› 5.4. Subsidiaries and associates	I_60
› 5.5. Market risks	I_61
› 5.6. Subsequent events	I_61
+ VALNEVA SE CONSOLIDATED FINANCIAL STATEMENTS	II_1
1. CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME	II_1
2. CONSOLIDATED BALANCE SHEET	II_3
3. CONSOLIDATED CASH FLOW STATEMENT	II_4
4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	II_5
5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	II_6
› Note 1: General information	II_6
› Note 2: Summary of significant accounting policies	II_7
› Note 3: Financial risk management	II_20
› Note 4: Critical accounting estimates and judgments	II_23
› Note 5: Segment information	II_24
› Note 6: Expenses by nature	II_27
› Note 7: Employee benefit expense	II_29
› Note 8: Other income/(expenses), net	II_29
› Note 9: Finance income/(expenses), net	II_30



› Note 10: Income tax	II_31
› Note 11: Earnings/Losses per share	II_34
› Note 12: Property, plant and equipment	II_35
› Note 13: Intangible assets and Goodwill	II_37
› Note 14: Financial instruments	II_40
› Note 15: Financial assets	II_44
› Note 16: Inventories	II_44
› Note 17: Trade receivables	II_45
› Note 18: Other assets	II_45
› Note 19: Cash, cash equivalents and short-term deposits	II_46
› Note 20: Assets and Liabilities held for sale and discontinued operations	II_46
› Note 21: Share capital, share premium and other regulated reserves	II_48
› Note 22: Retained earnings and other reserves	II_49
› Note 23: Share-based payments	II_50
› Note 24: Borrowings	II_53
› Note 25: Trade payables and accruals	II_55
› Note 26: Tax and employee-related liabilities	II_55
› Note 27: Other liabilities and provisions	II_56
› Note 28: Cash used in operations	II_58
› Note 29: Commitments and contingencies	II_59
› Note 30: Business combination	II_60
› Note 31: Related-party transactions	II_62
› Note 32: Pro Forma Information related to the merger with Intercell	II_63
› Note 33: Events after the reporting period	II_67
+ EXCERPT FROM THE MANAGEMENT BOARD ANNUAL REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014	III_1
1. BUSINESS DEVELOPMENT, RESULTS AND FINANCIAL POSITION OF THE COMPANY AND GROUP ..	III_2
› 1.1. Valneva group (IFRS)	III_2
› 1.2. Valneva SE (French GAAP accounts)	III_6
2. PRINCIPAL RISKS AND UNCERTAINTIES INCURRED BY THE COMPANY AND GROUP	III_10
3. FINANCIAL RISKS	III_16
4. SHARE BUYBACK PROGRAMS	III_16
› 4.1. Purchases of shares under article L.225-208 under the French Commercial Code	III_16
› 4.2. Purchases of shares under article L.225-209 under the French Commercial Code	III_16
5. FACTORS LIKELY TO HAVE AN IMPACT IN CASE OF A PUBLIC OFFERING	III_18
› 5.1. Company capital structure at December 31, 2014	III_18
› 5.2. Restrictions under the articles of association on the exercise of voting rights or the transfer of shares disclosed in accordance with article L.233-11 of the French Commercial Code	III_20
› 5.3. Direct or indirect holdings in the share capital of the Company of which it is informed under articles L233-7 and L233-12 of said code	III_22
› 5.4. List of all security holders with special control rights and description of said rights	III_25



› 5.5. Control mechanisms provided for in a potential employee stock ownership system where control rights are not exercised by the latter.....	III_25
› 5.6. Shareholders' agreements known to the Company and which may result in share transfer and voting rights restrictions.....	III_25
› 5.7. Rules and regulations pertaining to the appointment and replacement of Management Board members and modifications to the articles of association.....	III_27
› 5.8. Powers of the Management Board in particular for the issuance and buyback of shares	III_27
› 5.9. Agreements concluded by the Company that may be modified or terminated in the event of a change in control of the Company.....	III_48
› 5.10. Agreements providing for indemnities to Management Board members or employees in the event of resignation, dismissal without just and sufficient cause or termination of employment resulting from a public offering	III_48
6. AUTHORIZATIONS FOR CAPITAL INCREASES.....	III_58
 + REPORT BY THE CHAIRMAN OF THE SUPERVISORY BOARD	IV_1
1. COMPOSITION OF THE SUPERVISORY BOARD	IV_2
› 1.1. Supervisory Board members appointed by shareholders	IV_2
› 1.2. Other appointments held by Supervisory Board members and permanent representatives	IV_6
› 1.3. Independence of members of the Supervisory Board	IV_6
2. CONDITIONS OF PREPARATION AND ORGANISATION OF THE WORK OF THE SUPERVISORY BOARD FOR THE FISCAL YEAR ENDED 31 DECEMBER 2014	IV_8
› 2.1. Role and work of the Supervisory Board of Valneva.....	IV_8
› 2.2. Committees	IV_14
3. SPECIAL PROCEDURES FOR THE PARTICIPATION OF SHAREHOLDERS IN GENERAL MEETINGS....	IV_17
4. INTERNAL CONTROL PROCEDURES RELATING TO OPERATING AND FUNCTIONAL PROCESSES..	IV_18
› 4.1. Purpose of internal control procedures and inherent limitations.....	IV_18
› 4.2. General organization and implementation of internal control procedures	IV_18
5. LIMITATIONS IMPOSED ON THE POWERS OF THE MANAGING DIRECTOR BY THE BOARD	IV_26
6. PRINCIPLES AND RULES TO DETERMINE REMUNERATION.....	IV_26
› 6.1. Combination of employment contracts with a position of corporate officer	IV_26
› 6.2. Fixed remuneration	IV_26
› 6.3. Variable remuneration.....	IV_27
› 6.4. Stock option and/or bonus share plans.....	IV_27
› 6.5. Severance benefits	IV_28
› 6.6. Supplementary retirement schemes.....	IV_28
› 6.7. Attendance fees	IV_28
7. INFORMATION ON THE SHAREHOLDING STRUCTURE AND ITEMS WITH A POTENTIAL IMPACT ON PUBLIC OFFERINGS.....	IV_29



+ STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS	V_1
1. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS	V_3
2. JUSTIFICATION OF OUR ASSESSMENTS	V_3
3. SPECIFIC VERIFICATION	V_4
+ STATUTORY AUDITORS' REPORT ON THE STATUTORY FINANCIAL STATEMENTS	VI_1
1. OPINION ON THE FINANCIAL STATEMENTS	VI_3
2. JUSTIFICATION OF OUR ASSESSMENTS	VI_3
3. SPECIFIC VERIFICATIONS AND INFORMATION	VI_4
+ STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE ON THE REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD	VII_1
1. INFORMATION CONCERNING THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELAT- ING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION	VII_3
2. OTHER INFORMATION	VII_3
+ ENGLISH TRANSLATION OF THE ANNUAL FINANCIAL REPORT ATTESTATION	VIII_1
DECLARATION BY THE PERSONS RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT	VIII_1



VALNEVA SE STATUTORY FINANCIAL STATEMENTS

1. BALANCE SHEET

1.1. Assets

HEADINGS (IN EUR THOUSANDS)	NOTE	GROSS VALUE	DEPRE- CIATION, AMORTI- ZATION & PROVI- SIONS	DECEMBER 31,	
				2014	2013
INTANGIBLE FIXED ASSETS	4.3.1				
<i>Research and development expenses</i>		8.604	5.007	3.597	4.110
<i>Concessions, patents and similar rights</i>		8.264	6.405	1.860	4.940
<i>Goodwill</i>		8.124	4.017	4.107	8.117
<i>Other intangible assets in process</i>		105		105	1
PROPERTY, PLANT AND EQUIPMENT	4.3.2				
<i>Land</i>		677	123	554	582
<i>Constructions</i>		6.174	1.917	4.257	4.585
<i>Plan, machinery and equipment</i>		4.323	2.855	1.469	1.539
<i>Other PPE</i>		682	481	201	225
<i>Tangible fixed assets under construction</i>				0	9
<i>Prepayments</i>		0		0	0
LONG-TERM INVESTMENTS	4.3.3				
<i>Non-consolidated investments</i>		137.928	0	137.928	127.923
<i>Receivables on non-consolidated invest- ments</i>				0	0
<i>Loans</i>		130		130	117
<i>Other financial assets</i>		1.293	413	881	841
TOTAL NON-CURRENT ASSETS		176.305	21.217	155.088	152.988



HEADINGS (IN EUR THOUSANDS)	NOTE	GROSS VALUE	DEPRE- CIATION, AMORTI- ZATION & PROVI- SIONS	DECEMBER 31,	
				2014	2013
INVENTORIES AND WORK IN PROGRESS					
	4.3.4				
<i>Raw materials and supplies</i>		737	52	685	360
<i>Work-in-progress</i>				0	0
RECEIVABLES					
<i>Trade receivables and related accounts</i>	4.3.5	404		404	384
<i>Other receivables</i>	4.3.6	33.482	129	33.352	41.345
<i>Called up capital</i>		0		0	0
OTHER CURRENT ASSETS					
<i>Marketable securities</i>	4.3.7.b			0	1.390
<i>Cash at bank and in hand</i>	4.3.7.a	9.314		9.314	12.677
ACCRUAL ACCOUNTS					
<i>Prepaid expenses</i>	4.3.8	250		250	205
TOTAL CURRENT ASSETS		44.186	182	44.005	56.361
<i>Unrealized losses on foreign exchange</i>		4		4	211
TOTAL ASSETS		220.495	21.398	199.097	209.560



1.2. Shareholders' equity & liabilities

HEADINGS (IN EUR THOUSANDS)	NOTE	2014	2013
<i>Share capital or individual share (of which paid up: 3,168)</i>		8.631	8.385
<i>Additional paid-in capital</i>		175.041	166.656
<i>Tax-driven reserves (of which provision for exchange rate fluctuations)</i>		52.832	52.832
<i>Retained earnings/(accumulated deficit)</i>		-43.832	-33.880
NET INCOME (LOSS) FOR THE YEAR		-14.883	-9.952
<i>Investment grants</i>	4.3.11	418	458
<i>Tax-driven provisions</i>		659	815
SHAREHOLDERS' EQUITY	4.3.10	178.866	185.314
<i>Subordinated grants</i>		3.951	4.201
OTHER EQUITY	4.3.12	3.951	4.201
<i>Provisions for contingencies</i>		129	223
<i>Provisions for losses</i>		163	23
PROVISIONS FOR CONTINGENCIES AND LOSSES	4.3.13	292	246
BORROWINGS			
<i>Bank borrowings</i>	4.3.14	9.614	10.981
OPERATING PAYABLES			
<i>Trade payables and related accounts</i>	4.3.15	1.833	1.579
<i>Tax and employee-related liabilities</i>	4.3.16	1.137	1.111
OTHER PAYABLES			
<i>Payables on fixed assets and equivalent</i>	4.3.17	1.578	4.505
<i>Other payables</i>	4.3.17	1.822	41
ACCRUAL ACCOUNTS			
<i>Deferred income</i>	4.3.18	0	1.583
TOTAL LIABILITIES		15.984	19.800
<i>Unrealized losses on foreign exchange</i>		3	
TOTAL EQUITY AND LIABILITIES		199.097	209.560



2. INCOME STATEMENT

INCOME STATEMENT (MULTIPLE-STEP) HEADINGS (IN EUR THOUSANDS)	FRANCE	EXPORT	NOTE	DECEMBER 31,	
				2014	2013
<i>Sale of trade goods</i>					2
<i>Sales of services</i>	135	1.267	4.4.1	1.402	1.688
NET SALES	135	1.267		1.402	1.691
<i>Change in inventory of own production of goods and services</i>				0	0
<i>Own production of goods and services capitalized</i>			4.4.2	152	284
<i>Grants</i>			4.4.3	278	1.190
<i>Reversals of depreciation, amortization and provisions, expense reclassifications</i>			4.4.5	291	145
<i>Other income</i>			4.4.4	1.090	465
OPERATING INCOME				3.212	3.775
<i>Purchase of trade goods</i>				0	2
<i>Purchases of raw materials and other supplies (including customs duties)</i>				1.226	1.071
<i>Change in inventory (raw materials and supplies)</i>				-377	254
<i>Other purchases and external expenses</i>			4.4.6	8.265	5.767
<i>Taxes other than on income and related payments</i>			4.4.7	196	231
<i>Wages and salaries</i>			4.4.8.b	3.261	4.268
<i>Social charges</i>			4.4.8.b	1.428	1.933
ALLOWANCES FOR DEPRECIATION AND AMORTISATION, PROVISIONS					
<i>For fixed assets</i>			4.4.9	1.971	2.760
<i>For current assets</i>			4.4.9	52	0
<i>For contingencies and losses</i>			4.4.9	254	0
<i>Other expenses</i>				318	214
OPERATING EXPENSES				16.593	16.501
INCOME (LOSS) FROM ORDINARY ACTIVITIES				-13.381	-12.726
JOINT VENTURE OPERATIONS					
FINANCIAL INCOME					
<i>Financial income from non-consolidated investments</i>				533	168
<i>Income from other marketable securities and receivables capitalized</i>				0	0
<i>Other interests and similar income</i>				157	183
<i>Reversals of provisions and expense reclassifications</i>			4.4.9	270	2
<i>Foreign exchange gains</i>				14	56
<i>Net proceeds from the disposal of marketable securities</i>				0	17.615
FINANCIAL INCOME				973	18.024



INCOME STATEMENT (MULTIPLE-STEP) HEADINGS (IN EUR THOUSANDS)	FRANCE	EXPORT	NOTE	DECEMBER 31,	
				2014	2013
<i>Amortization and charges to provisions for financial items</i>			4.4.9	0	655
<i>Interest and similar expenses</i>				210	605
<i>Foreign exchange losses</i>				223	1
<i>Net charges on disposals of marketable securities</i>				0	17.576
FINANCIAL EXPENSES				434	18.837
NET FINANCIAL INCOME (EXPENSE)			4.4.10	540	-814
INCOME (LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX AND EXCEPTIONAL ITEMS				-12.841	-13.540
<i>Exceptional income from non-capital transactions</i>				2.500	2
<i>Exceptional income from capital transactions</i>				40	5.129
<i>Reversals of provisions and expense reclassifications</i>			4.4.9	157	185
EXCEPTIONAL INCOME				2.697	5.317
<i>Exceptional expenses on non-capital transactions</i>				0	
<i>Exceptional expenses on capital transactions</i>				3	3.736
<i>Exceptional depreciation, amortization and provisions</i>			4.4.9	6.702	33
EXCEPTIONAL EXPENSES				6.705	3.768
NET EXCEPTIONAL ITEMS			4.4.11	-4.008	1.548
<i>Corporate income tax</i>			4.4.12.a	-1.965	-2.039
TOTAL INCOME				6.883	27.115
TOTAL EXPENSES				21.766	37.068
PROFIT OR LOSS				-14.883	-9.952
<i>Basic net earnings per share (in euros)</i>			4.4.13	-0,26	-0,18
<i>Diluted net earnings per share (in euros)</i>			4.4.13	-0,26	-0,18



3. CASH FLOW STATEMENT

CASH FLOW STATEMENT (IN EUR THOUSANDS)		DECEMBER 31,	
		2014	2013
<i>Cash flow from operating activities:</i>			
<i>Net income/(loss)</i>		-14.883	-9.952
<i>Income and expenses with no impact on cash or unrelated to operating activities</i>			
› Operating depreciation and amortization expenses		2.277	2.760
› Reversals of operating depreciation and amortization expenses		-21	-106
› Financial depreciation and amortization expenses		-270	654
› Exceptional depreciation and amortization		6.702	33
› Reversals of exceptional provisions		-157	-185
› Expense reclassifications on capitalized assets		-152	-284
› Amount of grants recognized under income		-40	-129
› (Gains)/losses on disposal of assets		3	-1.264
› Cancellation of operating/exceptional receivables		0	0
Operating cash flows		-6.540	-8.475
<i>Change in other current assets and liabilities:</i>			
› Inventories		-377	254
› Trade receivables and related accounts		1	663
› Trade payables and related accounts		254	-2.158
› Other receivables		8.017	-30.063
› Prepayments and accrued income		162	1.189
› Tax and employee-related liabilities		25	-550
› Other accruals and deferred income		1.784	899
› Accruals and deferred income		-1.583	5
Net cash from (used in) operating activities		1.743	-38.235
<i>Cash flow from investing activities</i>			
› Purchase of intangible fixed assets:		-163	-14
› Purchase of property, plant and equipment		-402	-570
› Purchase of long-term investments		-10.019	-671
› Net capital expenditure		0	5.000
› Change in working capital requirements with regard to assets		-2.927	-2.244
Net cash used in investing activities		-13.510	1.501



CASH FLOW STATEMENT (IN EUR THOUSANDS)	DECEMBER 31,	
	2014	2013
Cash flow from financing activities		
› New borrowings	1.835	6.264
› Repayment of borrowings	-3.197	-20.454
› Subordinated grants received/repaid	-250	-178
› Investment grants received	0	0
› Capital increase	9.137	40.747
› Transaction costs charged to merger premium	-505	-8.868
Net cash from financing activities	7.019	17.511
Net change in cash and cash equivalents	-4.748	-19.222
Opening cash, cash equivalents and marketable securities	14.062	11.979
Cash contribution - Smol simplified merger (TUP) + Intercell AG merger	0	21.305
Closing cash, cash equivalents and marketable securities	9.314	14.062
Net change in cash and cash equivalents	-4.748	-19.222



4. NOTES TO THE FINANCIAL STATEMENTS

4.1. Key events of the year

Annual highlights of the year included:

- + The equity line set up in May 2014 resulted in a capital increase of EUR 240,000 and share premium of EUR 8,716,000.
- + Take up of the capital increase of the subsidiary Valneva Austria GMBH amounted to EUR 10 million.
- + The renegotiation of the SC World debt relating to the ISAAC technology acquired in March 2011 generated exceptional income of EUR 2.5 million.
- + The launch, in partnership with Blink Therapeutics Ltd., of a new biotech company: On December 11, 2014, Valneva and UK company BliNK Therapeutics Ltd (“BliNK Therapeutics”) announced the creation of a private company specialized in the discovery of innovative monoclonal antibodies to be headquartered in Lyon, France and named BliNK Biomedical SA and to which Valneva SE will contribute assets relating to the VIVA|Screen® technology.
- + The contribution agreement between Valneva SE and BliNK SAS was executed on December 23, 2014. On that basis, BliNK Biomedical SAS will be held by Valneva (by approximately 48.2 percent), Kurma Biofund I (by approximately 30.6 percent - the historic investor of BliNK Therapeutics), different funds managed by Idinvest (for approximately 6.8 percent), the Cancer Research Technology (approximately 10.5 percent) and the founders of BliNK Therapeutics Ltd (with approximately 3.7 percent).
- + The provision for the impairment of intangible assets relating to the VIVA|Screen® technology for EUR 6.7 million following the valuation of this technology in the contribution agreement executed with BliNK Biomedical SAS.

4.2. Accounting Policies and Methods

+ 4.2.1. Basis of presentation and compliance statement

The financial statements have been drawn up in accordance with French generally accepted accounting principles in line with the requirements of Regulation 99-03 of the French Accounting Regulation Committee relating to the official chart of accounts for 1999, and in accordance with the fundamental accounting principles of prudence, going concern, consistency and accruals, the time period concept and general financial statements preparation and presentation rules.

Items are recorded in the financial statements in accordance with the historical cost method.

The financial information is expressed in thousands of euros and was approved by the Executive Board on 19 March 2015.



+ 4.2.2. *Use of and changes in estimates*

To produce this financial information, the company's management has to make estimates and assumptions that affect the carrying amount of the assets and liabilities, income and expenses, and the information disclosed in the notes.

Management makes these estimates and assessments continuously based on its past experience and various other factors considered reasonable that form the basis of these assessments.

The figures that appear in its future financial statements are likely to differ from these estimates should the assumptions change or the conditions differ.

The main significant estimates made by the Company's management relate notably to the valuation of intangible fixed assets and provisions.

+ 4.2.3. *Unrealized foreign exchange gains and losses*

Foreign currency income and expense items are translated in the accounts at the exchange rate prevailing on the transaction date. Foreign-currency denominated receivables, payables and cash balances are recorded in the balance sheet at the closing exchange rate. Translation differences resulting from the retranslation of foreign-currency denominated receivables and payables at the closing exchange rate are recorded in "Unrealized foreign exchange gains/losses" in the balance sheet. A contingency provision is recorded to cover all unrealized foreign exchange losses.

+ 4.2.4. *Intangible fixed assets*

With the exception of the specific cases mentioned below, intangible fixed assets are recognized at cost.

Intangible fixed assets with finite useful lives are amortized over their expected period of use. This amortization period is determined on a case-by-case basis according to the nature and characteristics of the items included under this heading.

Intangible assets with indefinite useful lives are not amortized but are subject to systematic annual impairment tests.

+ 4.2.5. *Research and development expenses*

Research expenditure is expensed as and when incurred.

According to the option offered under the French Official Chart of Accounts, development expenditures are capitalized and recognized as intangible assets only if the Company considers all of the following criteria are met:



The technical feasibility of completing the intangible asset so that it will be available for use or sale;

- › The intention to complete the intangible asset and use or sell it;
- › Its ability to use or sell the intangible asset;
- › How the intangible asset will generate probable future economic benefits;
- › The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- › The ability to measure reliably expenditures attributable to the intangible asset during its development

When these conditions are not fulfilled, development expenditures are treated as expenses. When a project for which development expenditures have been capitalized no longer meets one of the criteria defined above, the asset is canceled.

Development expenditures recorded as intangible assets include staff costs (wages and social charges) allocated to the development projects, the cost of raw materials and services, external services and the depreciation and amortization of fixed assets.

When development expenditures are capitalized, economic amortization begins at the start of the commercial use of products resulting from this development work. Economic amortization is calculated on a straight-line basis over an estimated useful life for projects of 10 years. Moreover, in accordance with the doctrine of the French tax administration, the Company records accelerated depreciation expenses on recognition of assets in accordance with the straight-line method over five years.

+ 4.2.6. *Goodwill - concessions, patents and similar rights*

Goodwill was generated from the merger premium resulting from the simplified merger (Transmission Universelle de Patrimoine) of Humalys carried out in 2010.

For the purposes of its business activity, the Company uses patent licenses. These licenses generate “guaranteed payments” for the owners and royalties. According to French tax regulations, the amount capitalized for these licenses includes the “guaranteed payments” and an amount reflecting the estimated future royalties to be paid (the offsetting entry is recognized in “Amounts payable in respect of fixed assets and related accounts”). Each year, these future royalties are re-estimated according to the expected royalties to be paid, and discounted.

The amount of “guaranteed payments” is amortized over the shorter of the license term or the patent protection period (normally 13 and 15 years). Estimated royalties are amortized every year according to the royalties outstanding during the year and actual payments are expensed to “Amounts payable on fixed assets and related accounts.”

Computer software is recognized at cost and amortized over two years using the straight-line method. An accelerated tax depreciation was applied to acquisitions prior to December 31, 2013.

+ 4.2.7. Property, plant and equipment

Tangible fixed assets are recognized at purchase cost or, where necessary, production cost. Depreciation is calculated using the straight-line method over the estimated useful life of the assets. No residual value is included in the depreciable amount of the tangible fixed assets on their date of acquisition as the Company expects to use them over their useful life. However, the residual value and useful life of tangible fixed assets are reviewed annually by the Company and any changes are included in the calculation of the assets' depreciable amount.

The estimated useful lives are as follows:

Constructions

› Buildings	
– Structure	25 years
– Roofing	25 years
– Weatherboarding	25 years
– Exterior woodwork	20 years
– Interior partitions	20 years
– General installations	
– Fluid and energy systems	10 to 15 years
– Air treatment	10 years
– Ventilation and air conditioning	10 years
– Buildings on land owned by third parties	8 to 10 years

Land

– Land improvements	10 years
– Plantations	10 years

Plant, machinery and equipment 4 to 10 years

Vehicles 4 years

Office and computer equipment 3 to 10 years

Furniture 4 to 10 years

+ 4.2.8. Impairment of assets

Intangible and tangible fixed assets are subject to impairment tests once there is an indication of loss in value. To assess whether there is any indication that an asset may be impaired, the Company considers the following external and internal indications:

- › External indications:
 - The asset's market value has declined significantly (more than it would be expected as a result of the passage of time or normal use);
 - Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;
 - Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to decrease the asset's recoverable amount and/or value in use materially.



› Internal indicators:

- Evidence is available of obsolescence or physical damage of an asset not provided by the depreciation or amortization schedule;
- Significant changes in the extent to which, or manner in which, an asset is used or is expected to be used;
- The economic performance of an asset is, or will be, worse than expected;
- A significant decline in the future cash flows generated by the company.

Where there is an indication of loss in value, an impairment test is carried out: the net carrying amount of the capitalized asset is compared with its present value.

The net carrying amount of an asset is its gross value less accumulated depreciation (or amortization) and impairment.

Present value is an estimate determined, according to the market and the asset's utility for the Company, by comparing fair value and value in use. Fair value is the amount obtainable from the sale of an asset in an arm's length transaction, less the costs of disposal.

The value in use is the value of the future cash flows expected to arise from the continuing use of an asset and from its disposal. The Company considers value in use to be non-discounted expected net cash flows that are determined using budgetary data approved by the Executive Board.

In application of these principles, since the prior year 3D Screen platform development expenditures have been fully written off since 2012.

Furthermore, an asset impairment expense was recorded for the VIVA Screen platform to adjust its value to the amount defined in the agreement for its contribution to the new company, BliNK Biomedical SAS.

+ 4.2.9. *Borrowing costs*

Any borrowing costs incurred by the company to finance tangible and intangible fixed assets are expensed as and when incurred.

+ 4.2.10. *Financial assets*

Non-consolidated investments consist of the acquisition cost of Valneva Toyama Japan and Valneva Austria GMBH securities tendered in connection with the merger of 28 May 2013 in addition to securities of the Swedish company, Vaccines Holdings Sweden AB acquired in December 2014.

The securities of Valneva Austria GMBH were increased by EUR 10 million in December 2014 for the purpose of the subsidiary's recapitalization.

At the end of the reporting period, the Company determines their value in use (defined as the amount that the company would accept to pay for this interest if it had to acquire it).

When the value in use of these financial assets is lower than their carrying amount, a provision for impairment is recorded for the difference.

Concerning Valneva Austria GMBH shares, an impairment test was conducted at the end of the reporting period to ensure that there was no loss in value.

The other long-term investments include deposits and bonds paid to the lessors for the leasing of premises, a liquidity agreement concluded in connection with the Company's listing for the purpose of ensuring the liquidity and orderly trading of its shares. A provision for impairment is recognized for financial assets where their carrying amount exceeds their recoverable amount at the balance sheet date, or in respect to the liquidity agreement, for the difference between the carrying value and the estimated recoverable value calculated on the basis of the average share price for the month preceding the end of the reporting period.

Furthermore, pursuant to the merger with Intercell AG, Valneva SE had recorded 124,322 shares in treasury for a value of EUR 646,350, corresponding to financial compensation paid by the company to former Intercell shareholders who exercised their exit right.

+ 4.2.11. *Inventories*

Inventories are stated at cost using the weighted average cost price. Provisions are recognized on the basis of the net realizable value.

+ 4.2.12. *Receivables and related accounts*

Receivables are stated at nominal value. A provision for impairment is recognized where the carrying amount exceeds the recoverable amount.

+ 4.2.13. *Cash at bank and in hand*

Cash at bank and in hand includes ready cash in current bank accounts.

+ 4.2.14. *Marketable securities*

Marketable securities include mutual funds, time deposits and medium-term notes that can be assigned or sold at very short notice and present no significant risk of impairment.

A provision for impairment is recognized where the carrying amount exceeds the recoverable amount.

+ 4.2.15. *Employee commitments*

The Company's employees are entitled to retirement severance benefits. Since December 31, 2005, the corresponding commitments are paid according to the rights vested by the recipients in the form of provisions.

For defined benefit plans, retirement costs are determined once a year using the projected unit credit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to determine the final obligation.



The final obligation is then discounted. These calculations mainly use the following assumptions:

- › a discount rate;
- › a salary escalation rate; and
- › and employee turnover rate.

The gains and losses arising from changes in the actuarial assumptions are recognized in the income statement.

For basic schemes and defined contribution plans, the company recognizes the contributions as expenses when payable, as it has no obligations over and above the amount of contributions paid.

+ 4.2.16. *Grant income*

Operating grants are recognized upon the signature of the contracts.

Investment grants are recognized in liabilities under “Investment grants” within shareholders’ equity. These grants are transferred to income (under “Other exceptional income”) as and when economic amortization and accelerated amortization charges are recognized for the assets financed by these grants.

Operating grants are recognized in “Other operating income” at the same rate as the expenses financed by the grants.

+ 4.2.17. *Subordinated grants*

Subordinated grants are recognized in liabilities under “Subordinated grants”. In the event of a failure to complete work, the debt waiver is recognized in “Other exceptional income” for grants used to finance projects recognized under “Development expenditure”, and in “Operating grants” for grants used for research or development projects not capitalized in the balance sheet.

+ 4.2.18. *Provisions for contingencies and losses*

Provisions for contingencies and losses are recognized where the Company has an obligation towards a third party and it is probable or certain that it will recognize an outflow of resources for the benefit of this third party without consideration. These provisions are estimated using the most likely assumptions at the balance sheet date.

+ 4.2.19. *Payables*

Payables are stated at nominal amount.



+ 4.2.20. Revenues

Valneva's know-how and intellectual property are focused in the following two areas:

- › (i) The manufacture of vaccines. Valneva offers research and commercial licenses for its EBx[®] cell lines to biotechnology companies and the pharmaceutical industry for the production of viral vaccines;
- › (ii) The perfection of systems for producing ("expressing") recombinant therapeutic proteins and monoclonal antibodies. Valneva works with biotechnology companies and offers them research licenses for its EBx[®] embryonic stem cell lines for the production of recombinant proteins;

Sales generated by Valneva originate from:

- › Research services performed on behalf of customers under the commercial agreements mentioned above;
- › The sale of rights to use biological "material", particularly for testing by customers before license agreements are signed.
- › When services are re-invoiced to the subsidiary Valneva Austria GMBH.

For research services, sales are recognized according to the completion of the services provided by the agreements. Sales with respect to the rights to use biological "material" are recognized upon delivery to the customers.

Any reductions, discounts or rebates granted to customers are recognized as a deduction of sales as and when revenue is recognized.

+ 4.2.21. Operating grants

Operating grants are recognized in "Other operating income" at the same rate as the expenses financed by the grants.

+ 4.2.22. Other income

Other income includes mainly:

- › lump-sum payments for license concessions;
- › royalties.

The lump-sum payments for license concessions are due by the partners upon the achievement of various milestones. Usually, an up-front payment is due at the beginning of the contract and additional payments are due upon the achievement of "milestones". The income is recognized according to the invoicing performed under contractual terms.

Royalties are recognized in income according to the sales generated over the period by the partners.



+ 4.2.23. Staff costs

CICE wage tax credit

The CICE (crédit d'impôt pour la compétitivité et l'emploi) corresponds to a tax credit granted to companies with salaried employees reducing social security charges. The CICE rate tax credit must be allocated against income tax payable for the year in which the wages taken into account for the calculation of CICE were paid.

The CICE 2014 resulted in a reduction in social security charges in the income statement by EUR 69,000.

Unused tax credits may be carried forward over the three years following the year in which they were recognized. The fraction not applied at the end of this period is repaid to the Company.

Receivables relating to Research Tax Credits (RTC) for 2013 (EUR 71,000) and 2014 (EUR 69,000) will be paid back in 2017 and 2018 and for that reason have not yet been allocated to expenses.

+ 4.2.24. Net exceptional items

Exceptional income and expenses are items which, due to their unusual nature and the fact that they are not recurrent, cannot be considered as inherent to the Company's normal operations, such as disposals or scrapping of assets, accelerated tax depreciation or amortization charges or reversals, shares of investment grants recognized in income, debt waivers with regard to subordinated grants, etc.

In 2014, the renegotiation of SC World's debt generated exceptional income of EUR 2.5 million while the impairment of assets relating to VIVA Screen generated an exceptional expense of EUR 6.7 million.

+ 4.2.25. Income tax

Corporate income tax includes the current taxes for the period less any tax credits, particularly research tax credits.

a. Current tax

Current tax is determined using the taxable income for the period which may differ from accounting income following add-backs and deductions of certain items of income and expense, depending on the prevailing tax positions, and using the tax rate enacted at the balance sheet date.

b. Research tax credit

Manufacturing and trading companies taxed according to the actual regime that incur research expenditure may benefit from a tax credit.

The tax credit is calculated for each calendar year and utilized against the tax payable by the Company for the year in which the research expenditure was incurred. Unused tax credits may be



carried forward over the three years following the year in which they were recognized. The fraction not applied against corporate income tax at the end of this period is repaid to the Company.

In accordance with article 41 of the Finance Act 2010-1657 of 29 December 2010, the Company no longer benefits from the provision providing for an early refund of its surplus research tax credit. In effect, because it is now part of a group, it no longer meets the EU definition of an SME and in consequence the company is no longer eligible for the early refund provision.

Receivables relating to Research Tax Credits (RTC) for 2010, 2011 and 2012 were collateralized with BPI in April 2013 and June 2014 for the 2013 RTC; the 2010 RTC was repaid in June 2014.

+ 4.2.26. *Earnings per share/diluted earnings per share*

Basic net earnings per share are calculated using the weighted average number of shares outstanding during the period.

The average number of outstanding shares is calculated according to the various changes in the Company's share capital, and adjusted, where appropriate, by the number of treasury shares held by the Company.

Diluted net earnings per share are calculated by dividing net income by the number of ordinary shares outstanding plus all potentially dilutive ordinary shares. If a net loss is recognized for the period, diluted net earnings per share are the same as basic net earnings per share.



4.3. Notes to the balance sheet

+ 4.3.1 - Net intangible fixed assets

a. Change from January 1, 2014 to December 31, 2014

IN THOUSANDS OF EUROS	CHANGES IN THE PERIOD				AT DECEMBER 31, 2014
	AT JANUARY 1, 2014	INCREASE	DE- CREASE	OTHER CHANGES	
<i>Preliminary expenses</i>	0	0	0	0	0
<i>Development expenditure</i>	8.453	152	0	0	8.604
<i>Goodwill</i>	8.117	7	0	0	8.124
<i>Concessions, patents and rights</i>	8.082	2	0	0	8.084
<i>Software</i>	130	50	0	0	180
<i>In progress</i>	1	105	-1	0	105
<i>Other</i>	0	0	0	0	0
Gross intangible fixed assets	24.783	315	-1	0	25.097
<i>Preliminary expenses</i>	0	0	0	0	0
<i>Development expenditure¹</i>	5.572	665	0	0	6.237
<i>Goodwill²</i>	0	4.017	0	0	4.017
<i>Concessions, patents and rights³</i>	1.919	3.121	0	0	5.041
<i>Software</i>	124	11	0	0	135
Total amortization and impairment	7.615	7.814	0	0	15.429
Net intangible fixed assets	17.167	-7.499	-1	0	9.668
<i>Development expenditure</i>	778	0	-156	0	623
<i>Concessions, patents and rights</i>	0	0	0	0	0
<i>Software</i>	2	1	0	0	2
Total accelerated tax depreciation or amortization	780	1	-156	0	625
Net tax value of intangible fixed assets	16.387	-7.500	155	0	9.042
¹ Of which exceptional impairment	1.229				1.229
² Of which exceptional impairment		4.017			4.017
³ Of which exceptional impairment		2.683			2.683



Development expenditure

In 2014, a new development expenditure of EUR 152,000 was capitalized in accordance with the accounting policy described in Note 4.2.5.

Commercial goodwill

Goodwill corresponding to the difference between the book value of the holding in the receiving company and the transfer value of the net assets received (mali de confusion) arising from the simplified merger (TUP) with Humalys in 2010 was written down by EUR 4,017,000 following the valuation of the VIVA Screen technology in the contribution agreement providing for the transfer to BLiNK Biomedical SAS.

Concessions, patents and rights

An impairment expense of EUR 2,683,000 was recorded for SC World's technology. This impairment follows the valuation of the VIVA Screen technology and the contribution agreement providing for the transfer to BLiNK Biomedical SAS.



b. Change from January 1, 2013 to December 31, 2013

IN THOUSANDS OF EUROS	AT JANUARY 1, 2013	CHANGES IN THE PERIOD			AT DECEMBER 31, 2013
		INCREASE	DE- CREASE	OTHER CHANGES	
<i>Preliminary expenses</i>	0	0	0	0	0
<i>Development expenditure</i>	8.169	284	0	0	8.453
<i>Goodwill</i>	8.111	6	0	0	8.117
<i>Concessions, patents and rights</i>	8.082	0	0	0	8.082
<i>Software</i>	313	7	-190	0	130
<i>In progress</i>	0	1	0	0	1
<i>Other</i>	0	0	0	0	0
Gross intangible fixed assets	24.675	297	-190	0	24.783
<i>Preliminary expenses</i>	0	0	0	0	0
<i>Development expenditure¹</i>	4.900	672	0	0	5.572
<i>Concessions, patents and rights</i>	1.473	446	0	0	1.919
<i>Software</i>	284	29	-190	0	124
Total accelerated amortization and impairment	6.657	1.148	-190	0	7.615
Net intangible fixed assets	18.018	-850	-0	0	17.167
<i>Development expenditure</i>	934	0	-156	0	778
<i>Concessions, patents and rights</i>	0	0	0	0	0
<i>Software</i>	28	1	-28	0	2
Total accelerated tax depreciation or amortization	962	1	-183	0	780
Net tax value of intangible fixed assets	17.056	-852	183	0	16.387
¹ Of which exceptional impairment	1.226	3	0	0	1.229

Development expenditure

In 2013, a new development expenditure of EUR 284,000 was capitalized in accordance with the accounting policy described in Note 4.2.5.

Concessions, patents and rights

The derecognition of software was linked both to the sale of selected equipment to BE Vaccines SAS for EUR 91,000 and the derecognition of obsolete software for EUR 99,000.



+ 4.3.2 - Net property, plant and equipment

a. Change from January 1, 2014 to December 31, 2014

IN THOUSANDS OF EUROS	AT JANUARY 1, 2014	CHANGES IN THE PERIOD			AT DECEMBER 31, 2014
		INCREASE	DE- CREASE	OTHER CHANGES	
<i>Land</i>	677	0	0	0	677
<i>Buildings on own land</i>	3.025	0	0	0	3.025
<i>Buildings on land of third parties</i>	553	4	0	0	557
<i>Building installations and improvements</i>	2.561	32	-1	0	2.591
<i>Plant, machinery and equipment.</i>	3.991	350	-17	0	4.323
<i>General installations and improvements</i>	42	0	0	0	42
<i>Vehicles</i>	18	0	0	0	18
<i>Office, IT equipment, furniture</i>	605	25	-10	0	620
<i>Recoverable packaging</i>	2	0	0	0	2
<i>Tangible fixed assets under construction</i>	9	-9	0	0	-0
<i>Prepayments</i>	0	0	0	0	0
Gross intangible fixed assets	11.483	402	-29	0	11.856
<i>Land</i>	95	28	0	0	123
<i>Buildings on own land</i>	472	133	0	0	605
<i>Buildings on land of third parties</i>	129	62	0	0	191
<i>Building installations and improvements</i>	954	168	-1	0	1.121
<i>Plant, machinery and equipment.</i>	2.418	417	-14	0	2.821
<i>General installations and improvements</i>	13	3	0	0	16
<i>Vehicles</i>	18	0	0	0	18
<i>Office, IT equipment, furniture</i>	409	46	-10	0	445
<i>Recoverable packaging</i>	2	0	0	0	2
Total depreciation	4.509	858	-26	0	5.341
<i>Impairment</i>	0	0	0	0	0
<i>Plant, machinery and equipment</i>	34	0	0	0	34
Net intangible fixed assets	6.940	-456	-3	0	6.481
<i>Plant, machinery and equipment.</i>	35	0	-1	0	34
Total accelerated tax depreciation or amortization	35	0	-1	0	34
Net tax value of intangible fixed assets	6.905	-456	-2	0	6.447

EUR 106,000 in capital expenditures were incurred for fixtures and laboratory equipment for the Lyon site and EUR 244,000 for Saint-Herblain.



b. Change from January 1, 2013 to December 31, 2013

IN THOUSANDS OF EUROS	AT JANUARY 1, 2013	CHANGES IN THE PERIOD			AT DECEMBER 31, 2013
		INCREASE	DE- CREASE	OTHER CHANGES	
<i>Land</i>	1.010	4	-337	0	677
<i>Buildings on own land</i>	4.703	0	-1.678	0	3.025
<i>Buildings on land of third parties</i>	572	9	-28	0	553
<i>Building installations and improvements</i>	3.908	135	-1.483	0	2.561
<i>Plant, machinery and equipment.</i>	8.195	363	-4.567	0	3.991
<i>General installations and improvements</i>	580	18	-556	0	42
<i>Vehicles</i>	37	0	-20	0	17
<i>Office, IT equipment, furniture</i>	908	32	-335	0	605
<i>Recoverable packaging</i>	5	0	-2	0	3
<i>Tangible fixed assets under construction</i>	23	9	-23	0	9
<i>Prepayments</i>	0	0	0	0	0
Gross intangible fixed assets	19.941	569	-9.027	0	11.483
<i>Land</i>	123	34	-62	0	95
<i>Buildings on own land</i>	877	197	-603	0	471
<i>Buildings on land of third parties</i>	88	64	-23	0	129
<i>Building installations and improvements</i>	1.668	307	-1.019	0	955
<i>Plant, machinery and equipment.</i>	4.639	865	-3.086	0	2.418
<i>General installations and improvements</i>	169	38	-194	0	13
<i>Vehicles</i>	37	0	-20	0	17
<i>Office, IT equipment, furniture</i>	560	110	-261	0	409
<i>Recoverable packaging</i>	5	0	-2	0	3
Total depreciation	8.166	1.615	-5.272	0	4.509
<i>Impairment</i>	0	0	0	0	0
<i>Plant, machinery and equipment</i>	7	27	0	0	34
Net intangible fixed assets	11.768	-1.073	-3.756	0	6.940
<i>Plant, machinery and equipment.</i>	36	0	-0	0	35
Total accelerated tax depreciation or amortization	36	0	-0	0	35
Net tax value of intangible fixed assets	11.732	-1.073	-3.755	0	6.904

EUR 48,000 in capital expenditures were incurred for fixtures and laboratory equipment for the Lyon site and EUR 521,000 for Saint-Herblain.

Derecognition of tangible fixed assets concerned exclusively the sale of the building and various equipment to BE Vaccines SAS.



+ 4.3.3 - Long-term investments

a. Change from January 1, 2014 to December 31, 2014

IN THOUSANDS OF EUROS	CHANGES IN THE PERIOD			AT DECEMBER 31, 2014
	AT JANUARY 1, 2014	ACQUISITIONS / MERGER CONTRIBUTION	DISPOSALS	
<i>Non-consolidated investments</i>	127.923	10.005	0	137.928
<i>Receivables on non-consolidated investments</i>	0	0	0	0
<i>Loans¹</i>	117	13	0	130
<i>Deposits and bonds</i>	47	0	0	47
<i>Treasury shares</i>	646	0	0	646
<i>Liquidity agreement</i>	600	0	0	600
Gross value	129.333	10.019	0	139.352
<i>Non-consolidated investments</i>	0	0	0	0
<i>Depreciation of deposits and bonds</i>	8	0	0	8
<i>Treasury shares impairment</i>	123	-26	0	97
<i>Liquidity agreement impairment</i>	321	-14	0	307
Total depreciation	453	-40	0	413
Total net long-term investments	128.880	10.059	0	138.939
<i>Non-consolidated investments</i>	0	0	0	0
Total accelerated tax depreciation or amortization	0	0	0	0
Net tax value	128.880	10.059	0	138.939

¹Long-term loans in connection with social housing levies

The increase in non-consolidated investments reflects on the one hand, the injection of EUR 10 million on December 12, 2014 into Valneva Austria GMBH for the recapitalization of this subsidiary, and on the other hand, the acquisition of securities of Goldcup (renamed Vaccines Holdings Sweden AB) for SEK 50,000 (EUR 5 thousand) in December 2014 in preparation for the proposed acquisition.

124,322 treasury shares represent EUR 646,350 and correspond to financial compensation the company paid to former Intercell shareholders having exercised their exit right account for the increase in treasury shares.

The liquidity agreement concluded in July 2007 amounted to EUR 600,000 at December 31, 2014. Assets held under this liquidity agreement included cash plus 26,722 shares at December 31, 2014. The portion in shares has been valued on the basis of the average trading price for December 2014 resulted in the reversal of an allowance for impairment for EUR 14,000. On that basis, the impairment at December 31, 2014 was EUR 307,000.



A reversal of an allowance for impairment of EUR 26,000 for treasury shares was recorded according to this same principle of measurement at December 31, 2014. At December 31, 2014, the remaining amount of this provision amounted to EUR 97,000.

Portfolio of shares held in treasury

	NUMBER OF SHARES AT 12/31/2014	GROSS	PROVISION	NET
<i>Liquidity agreement</i>	26.722	425	307	118
<i>Financial compensation</i>	124.322	646	97	549

b. Change from January 1, 2013 to December 31, 2013

IN THOUSANDS OF EUROS	AT JANUARY 1, 2013	ACQUI- SIONS	DISPO- SALS	AT DECEM- BER 31, 2013
<i>Non-consolidated investments</i>	47	127.876	-1	127.922
<i>Receivables on non-consolidated invest- ments</i>	0	0	0	0
<i>Loans¹</i>	98	19	0	117
<i>Deposits and bonds</i>	40	8	-1	47
<i>Treasury shares</i>	0	646	0	646
<i>Liquidity agreement</i>	601	0	-1	600
Gross value	786	128.549	-3	129.332
<i>Non-consolidated investments</i>	1	0	-1	0
<i>Depreciation of deposits and bonds</i>	8	0	0	8
<i>Treasury shares impairment</i>	0	123	0	123
<i>Liquidity agreement impairment</i>	107	214	0	321
Total depreciation	116	338	-1	453
Total net long-term investments	670	128.211	-2	128.880
<i>Non-consolidated investments</i>	0	0	0	0
Total accelerated tax depreciation or amortization	0	0	0	0
Net tax value	670	128.211	-2	128.880

¹Long-term loans in connection with social housing levies

The increase in non-consolidated investments reflects the contribution of the total amount of Intercell Austria AG shares in connection with the merger of May 28, 2013.

Also in connection with this merger, 124,322 treasury shares representing EUR 646,350 and corresponding to financial compensation the company paid to former Intercell shareholders having exercised their exit right account for the increase in treasury shares.



The liquidity agreement concluded in July 2007 amounted to EUR 600,000 at December 31, 2013. Assets held under this liquidity agreement included cash plus 41,216 shares at 12/31/2013. The portion in shares has been valued on the basis of the average trading price for December 2013 requiring an additional allowance for impairment for EUR 214,000. On that basis, the impairment at December 31, 2013 was EUR 321,000.

A provision for impairment of EUR 123,000 for treasury shares was recorded according to this same principle of valuation at December 31, 2013.

Portfolio of shares held in treasury

	NUMBER OF SHARES AT 31/12/2013	GROSS	PROVISION	NET
<i>Liquidity agreement</i>	41.216	495	321	173
<i>Financial compensation</i>	124.322	646	123	523

+ 4.3.4 Inventories and work-in-progress

a. Change from January 1, 2014 to December 31, 2014

IN THOUSANDS OF EUROS	AT JANUARY 1, 2014	INCREASE	DECREASE	AT DECEMBER 31, 2014
<i>Raw materials and supplies</i>	360	377	0	737
<i>Impairment</i>	0	-52	0	-52
Total	360	325	0	685

A provision for impairment of EUR 52,000 was recorded at December 31, 2014 relating to small laboratory consumables no longer adapted to current processes.

b. Change from January 1, 2013 to December 31, 2013

IN THOUSANDS OF EUROS	AT JANUARY 1, 2013	INCREASE	DECREASE	AT DECEMBER 31, 2013
<i>Raw materials and supplies</i>	614	0	254	360
Total	614	0	254	360



+ 4.3.5 – Trade receivables and related accounts

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
<i>Customers</i>	404	380
<i>Doubtful trade receivables</i>	0	25
Gross value	404	405
<i>Prov. for impairment of trade receivables</i>	0	-21
Total trade receivables(net value)	404	384

a. Change from January 1, 2014 to December 31, 2014

IN THOUSANDS OF EUROS	GROSS	UP TO 1 YEAR	MORE THAN 1 YEAR
<i>Customers</i>	362	362	0
<i>Doubtful trade receivables</i>	0	0	0
<i>Trade receivables – sales invoice accruals</i>	42	42	0
Total	404	404	0

b. Change from January 1, 2013 to December 31, 2013

IN THOUSANDS OF EUROS	GROSS	UP TO 1 YEAR	MORE THAN 1 YEAR
<i>Customers</i>	132	132	0
<i>Doubtful trade receivables</i>	25	0	25
<i>Trade receivables – sales invoice accruals</i>	248	248	0
Total	405	380	25



+ 4.3.6 Other receivables

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
<i>Income tax</i>	8.955	9.064
<i>VAT</i>	379	311
<i>Grant income</i>	1.299	2.598
<i>Vivalis Japan treasury advances</i>	129	607
<i>Provision for impairment of Vivalis Japan treasury advances</i>	-129	-153
<i>Treasury advances to Valneva GMBH</i>	21.985	26.965
<i>Other operating receivables</i>	735	254
<i>Amounts receivable on disposal of assets</i>	0	1.700
Total other receivables (net value)	33.352	41.345

Other operating receivables include costs relating to the rights issue carried out to finance the Crucell Sweden AB acquisition in 2015 in the amount of EUR 493,000.

The corporate income tax receivables virtually all concern the Research Tax Credit (RTC) and the CICE (crédit d'impôt compétitivité emploi) wage tax credit.

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
<i>2014 RTC</i>	1.965	0
<i>2013 RTC</i>	2.039	2.039
<i>2012 RTC</i>	2.759	2.759
<i>2011 RTC</i>	2.046	2.046
<i>2010 RTC</i>	0	2.144
<i>CICE 2014 tax credit</i>	70	0
<i>CICE 2013 tax credit</i>	71	71
<i>Miscellaneous tax reductions</i>	5	5
Total corporate income tax receivables (net value)	8.955	9.064



At December 31, 2014, receivables in respect of grants and advances break down as follows:

IN THOUSANDS OF EUROS	ALLOCA- TED	REVERSED	PAID	BALANCE
<i>DIACT (2008)</i>	550	460	220	-130
<i>OSEO (2009)</i>	6.016	164	4.742	1.110
<i>NANTES (2009)</i>	894		894	0
<i>ANR (2010)</i>	541	76	465	0
<i>FEDER</i>	1.500	298	752	450
<i>FUI RHONES ALPES</i>	374	276	112	-15
<i>FUI PAYS DE LOIRE</i>	628	430	314	-116
Total grants and advances	10.503	1.705	7.499	1.299

a. At December 31, 2014

IN THOUSANDS OF EUROS	GROSS	UP TO 1 YEAR	MORE THAN 1 YEAR
<i>Income tax</i>	8.955	2.046	6.909
<i>VAT</i>	379	379	0
<i>Grant income</i>	1.299	1.299	0
<i>Vivalis Japan treasury advances</i>	129	129	0
<i>Provision for impairment of Vivalis Japan treasury advances</i>	-129	-129	0
<i>Treasury advances to Valneva GMBH</i>	21.985	21.985	0
<i>Other operating receivables</i>	735	735	0
<i>Amounts receivable on disposal of assets</i>	0	0	0
Total	33.352	26.443	6.909



b. At December 31, 2013

IN THOUSANDS OF EUROS	GROSS	UP TO 1 YEAR	MORE THAN 1 YEAR
<i>Income tax</i>	9.064	2.144	6.920
<i>VAT</i>	311	311	0
<i>Grant income</i>	2.598	478	2.120
<i>Vivalis Japan treasury advances</i>	607	607	0
<i>Provision for impairment of Vivalis Japan treasury advances</i>	-153	-153	0
<i>Treasury advances to Valneva GMBH</i>	26.965	26.965	0
<i>Other operating receivables</i>	254	250	4
<i>Amounts receivable on disposal of assets</i>	1.700	1.700	0
Total	41.345	32.301	9.044

+ 4.3.7. Net cash flow

a. Cash flow items

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
<i>Cash at bank and in hand¹</i>	9.314	10.317
<i>Fixed term deposits</i>	0	2.360
<i>Marketable securities²</i>	0	1.390
Cash assets	9.314	14.067
<i>Bank facilities</i>	0	5
Cash liabilities	0	5
Net cash flow	9.314	14.062
¹ of which notes sent for collection or discounting	0	0
² of which accrued income on certain assets	0	0



b. Marketable securities and term deposits

The Company applies a conservative and prudent strategy of financial management. The company's assets are allocated among several French banking institutions and several different investment vehicles. All marketable securities were sold in early 2014 while time deposits reached maturity on December 31, 2014.

Change from January 1, 2014 to December 31, 2014

IN THOUSANDS OF EUROS	AT JANUARY 1, 2014	ACQUI- SIONS	DISPO- SALS	AT DECEM- BER 31, 2014
<i>Open-ended investment fund (SICAV)</i>	390		-390	0
<i>Mutual funds</i>	0		0	0
<i>Medium-term notes / Certificates of deposit</i>	1.000		-1.000	0
Total	1.390	0	-1.390	0

Position at December 31, 2014

IN THOUSANDS OF EUROS	HISTORIC VALUE	MARKET PRICE	ACCRUED INTEREST
<i>Open-ended investment fund (SICAV)</i>	0	0	0
<i>Mutual funds</i>	0	0	0
<i>Certificates of deposit</i>	0	0	0
Total	0	0	0

Change from January 1, 2013 to December 31, 2013

IN THOUSANDS OF EUROS	AT JANUARY 1, 2013	ACQUI- SIONS	DISPO- SALS	AT DECEM- BER 31, 2013
<i>Open-ended investment fund (SICAV)</i>	747	39.565	-39.923	390
<i>Mutual funds</i>	1	0		0
<i>Medium-term notes / Certificates of deposit</i>	1.000	0	0	1.000
Total	1.748	39.565	-39.924	1.390



Position at December 31, 2013

IN THOUSANDS OF EUROS	HISTORIC VALUE	MARKET PRICE	ACCRUED INTEREST
<i>Open-ended investment fund (SICAV)</i>	390	390	0
<i>Mutual funds</i>	0	0	0
<i>Certificates of deposit</i>	1.000	1.000	98
Total	1.390	1.390	98

+ 4.3.8 Prepaid expenses

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
<i>Office supplies</i>	1	3
<i>Maintenance and repairs</i>	25	24
<i>Leasing expenses</i>	9	1
<i>Rent and service charges</i>	32	0
<i>Insurance premiums</i>	118	134
<i>Documentation</i>	11	5
<i>Conventions</i>	2	16
<i>Fees</i>	17	0
<i>Advertising</i>	3	0
<i>Bank services</i>	7	7
<i>Site security services</i>	2	2
<i>Social charges</i>	0	6
<i>Royalties for licenses, patents</i>	22	7
Total	250	205



+ 4.3.9. Accrued income

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
<i>Receivables on non-consolidated investments</i>	0	0
<i>Accrued interest on liquid assets under the equity agreement</i>	0	0
<i>Trade receivables and related accounts</i>	42	248
<i>Other receivables</i>	55	55
<i>Marketable securities (certificates of deposit)</i>	0	0
<i>Bank - accrued interest on time deposits</i>	19	298
Total accrued income¹	116	601

¹for 2013: amount up to one year: €601,000

¹for 2014: amount up to one year: €116,000

+ 4.3.10 - Shareholders' equity

a. Change from January 1, 2014 to December 31, 2014

IN THOUSANDS OF EUROS	AT JANUARY 1, 2014	CHANGES IN THE PERIOD			AT DECEMBER 31, 2014
		INCREASE	DE- CREASE	OTHER CHANGES	
<i>Share capital</i>	8.384	246	0	0	8.631
<i>Share premiums</i>	166.656	8.385	0	0	175.041
<i>Regulated reserves</i>	52.832	0	0	0	52.832
<i>Retained earnings/(accumulated deficit)</i>	-33.880	0	0	-9.952	-43.832
Net income/(loss) for the year	-9.952	0	-14.883	9.952	-14.883
<i>Net investment grants</i>	458	0	-40	0	418
<i>Tax-driven provisions</i>	816	0	2	-157	660
Total shareholders' equity	185.314	8.631	-14.922	-157	178.866



Share capital

At December 31, 2014, the share capital in the amount of EUR 8,631,000 was comprised of 57,540,948 shares including 56,351,833 ordinary shares each with a par value of EUR 0.15 and 17,836,719 preferred shares with a par value of EUR 0.01.

Valneva SE and Crédit Agricole CIB (CACIB) executed an agreement on May 6, 2014 to establish an equity line for up to 10 percent of the share capital in the form of an issue of equity warrants.

On May 12, 2014, the Management Board decided to issue 5,474,633 warrants (bons d'émissions d'actions or BEA) permitting the issuance of 5,474,633 new ordinary shares, that once exercised, will represent the equivalent of 10 percent of the ordinary shares.

500,000, 600,000 and once again, 500,000 such warrants were exercised on May 21, 2014 and June 25, 2014 resulting in the issuance of respectively 500,000, 600,000 and 500,000 ordinary shares.

These three issues resulted in an increase in the share capital of EUR 240,000 and share premium of EUR 8,716,000.

Restricted shares were granted for no consideration (bonus shares) in the amount of EUR 6,000.

At December 31, 2014, 20.58 percent (rounded off) of the share capital was mainly held by the "Groupe Grimaud La Corbière S.A." holding company, 9.56 percent by BPI and 64.50 percent by the free float. The remaining capital is primarily held by financial investors, employees and management.

Other equity

EUR 325,000 relating to transaction costs for the equity line were charged against additional paid-in capital.

No dividend was paid in 2014.



b. Change from January 1, 2013 to December 31, 2013

IN THOUSANDS OF EUROS	AT	CHANGES IN THE PERIOD			AT
	JANUARY 1, 2013	INCREASE	DE- CREASE	OTHER CHANGES	DECEMBER 31, 2013
<i>Share capital</i>	3.219	5.165	0	0	8.384
<i>Share premiums</i>	62.414	104.242	0	0	166.656
<i>Regulated reserves</i>	12	52.820	0	0	52.832
<i>Retained earnings/(accumulated deficit)</i>	-21.922	0	0	-11.958	-33.880
Net income/(loss) for the year	-11.958	0	-9.952	11.958	-9.952
<i>Net investment grants</i>	587	0	-129	0	458
<i>Tax-driven provisions</i>	998	0	3	-185	816
Total shareholders' equity	33.350	162.228	-10.079	-185	185.313

Share capital

At December 31, 2013, the share capital in the amount of EUR 8,384,000 was comprised of 55,898,115 shares including 54,709,000 ordinary shares each with a par value of EUR 0.15 and 17,836,719 preferred shares with a par value of EUR 0.01.

In connection with the merger with Intercell AG resulting in the formation of Valneva SE, the Company issued 17,836,719 new ordinary shares and 17,836,719 new preferred shares, resulting in a capital increase by the Company of 2,676,004 for ordinary shares and EUR 178,000 for preferred shares

The new ordinary shares carry the same rights as existing ordinary shares, including entitlement to dividends as from 1 January, 2013. Each preferred share will be converted into 0.4810 new ordinary shares upon the issuance of a market authorization in the United States or Europe for the Group vaccine against the *Pseudomonas aeruginosa*, and within a period of seven years from the merger completion date (subject to fulfillment of certain financial conditions). If this above-mentioned condition is not fulfilled within this seven-year period, the preferred shares will be canceled and repaid at their nominal value of EUR 0.01 per share.

On 4 July 2013, Valneva SE finalized a capital increase launched in June 2013 by the issuance of pre-emptive subscription rights. This financing transaction generated proceeds of EUR 40,188,000 (including EUR 2,274,000 from the capital increase and EUR 37,913,000 in issue premium) and resulted in the issuance of 15,165,215 new ordinary shares with an offering price of EUR 2.65 per share. These new ordinary shares have a settlement date and were listed on 5 July, 2013. The new ordinary shares carry all rights attaching to share ownership ("immediate dividend rights" or dividends rights as from their issue date).



Furthermore, the Company issued 244,537 new ordinary shares (345,086 in 2012) pursuant to the exercise of stock options in progress resulting in a capital increase of EUR 37,000 (EUR 358,000 in 2012) and an increase in issue premium of EUR 306,000.

At December 31, 2013, 21.19 percent (rounded off) of the share capital was mainly held by the "Groupe Grimaud La Corbière S.A." holding company, 9.84 percent by BPI and 62.88 percent by the free float. The remaining capital is primarily held by financial investors, employees and management.

Other equity

At the time of the merger, the difference between the net assets contributed by the transferor (EUR 135 million) and the nominal value of the capital increase of the transferee (EUR 2,854,000) was recorded as a merger premium for the amount of EUR 127,711,000. From this premium, EUR 52,820,000 were transferred to a restricted reserve account to prevent a capital payment effect.

Furthermore, EUR 8,868,000 relating to the merger and capital increase costs were charged to additional paid-in capital.

No dividend was paid in 2013.

+ 4.3.11 - Investment grants

IN THOUSANDS OF EUROS	MENRT 04G608	REGION NANTES	MINEFI 6075	REGION EPF	REGION EPF
<i>Amount granted</i>	441	500	954	111	137
<i>Grant date</i>	01/05 2005	09/13 2005	08/11 2006	10/12 2006	10/12 2006
Net amount at 01/01/2011	75	162	23	50	81
<i>Grant for 2011</i>	0	0	0	0	0
<i>Reclassifications into operating grants</i>	0	0	0	0	0
<i>Grant transferred to 2011 net income</i>	14	63	22	7	10
Net amount at 12/31/2011	61	99	1	43	71
<i>Grant for 2012</i>	0	0	0	0	0
<i>Reclassifications into operating grants</i>	0	0	0	0	0
<i>Grant transferred to 2012 net income</i>	15	55	1	6	10
Net amount at 12/31/2012	46	44	0	37	61
<i>Grant transferred to 2013 net income</i>	13	42	0	6	10
Net amount at 12/31/2013	33	2	0	31	51
<i>Grant transferred to 2014 net income</i>	7	2	0	6	10
Net amount at 12/31/2014	26	0	0	25	41



IN THOUSANDS OF EUROS	REGION EPF	REGION ENERGIE	OSEO VIVABIO	DEPT 44 NVX LABO	TOTAL
<i>Amount granted</i>	115	15	556	87	
<i>Grant date</i>	10/12 2006	12/15 2008	06/26 2009	10/13 2009	
Net amount at 01/01/2011	83	13	422	85	994
<i>Grant for 2011</i>	0	0	0	0	0
<i>Reclassifications into operating grants</i>	0	0	-116	0	-116
<i>Grant transferred to 2011 net income</i>	10	3	14	3	146
Net amount at 12/31/2011	73	10	292	82	732
<i>Grant for 2012</i>	0	0	0	0	0
<i>Reclassifications into operating grants</i>	0	0	0	0	0
<i>Grant transferred to 2012 net income</i>	11	2	41	4	145
Net amount at 12/31/2012	62	8	251	78	587
<i>Grant transferred to 2013 net income</i>	11	2	42	3	129
Net amount at 12/31/2013	51	6	209	75	458
<i>Grant transferred to 2014 net income</i>	10	1	0	3	40
Net amount at 12/31/2014	41	5	209	71	418

+ 4.3.12 - Subordinated grants

IN THOUSANDS OF EUROS	REGION PDL	OSEO VIVABIO	NANTES METROP.	TOTAL
<i>Amount granted</i>	894	2.770	894	4.558
<i>Grant date</i>	05/22 2009	06/26 2009	11/16 2009	
Net amount at 01/01/2011	894	2.770	894	4.558
<i>Grant for 2011</i>	0	0	0	0
<i>Repayment during 2011</i>	0	0	0	0
Net amount at 12/31/2011	894	2.770	894	4.558
<i>Grant for 2012</i>	0	0	0	0
<i>Repayment during 2012</i>	-178	0	0	-178
Net amount at 12/31/2012	716	2.770	894	4.380
<i>Grant for 2013</i>	0	0	0	0
<i>Repayment during 2013</i>	-179	0	0	-179
Net amount at 12/31/2013	537	2.770	894	4.201
<i>Repayment during 2014</i>	-179	0	-72	-250
Net amount at 12/31/2014	358	2.770	822	3.951



+ 4.3.13. Provisions for contingencies and losses

a. Change from January 1, 2014 to December 31, 2014

IN THOUSANDS OF EUROS	CHANGES IN THE PERIOD				AT DECEM- BER 31, 2014
	AT JANUARY 1, 2014	REVERSALS			
	CHARGE	USED	NOT USED		
<i>Disputes</i>	12	0	0	0	12
<i>Foreign exchange risk</i>	211	0	-207	0	4
<i>Retirement severance benefits</i>	23	141	0	0	164
<i>Miscellaneous risks</i>	0	113	0	0	113
<i>Minimum annual CIT charge</i>	0	0	0	0	0
Total provisions for contingencies and losses	245	254	-207	0	292
<i>- of which operating</i>	35	254	0	0	289
<i>- of which financial</i>	210	0	-207	0	3
<i>- of which exceptional</i>	0	0	0	0	0

A provision for contingencies and expenses was recorded for EUR 113,000. This concerns the evaluation of an unjustified amount (EUR 443,000) by BPI France in connection with the renegotiation of a grant for the Vivabio project.

The risk is valued at EUR 322,000. This amount is based on the best possible estimate from information available at the end of the reporting period.

The provision for EUR 113,000 results from the measurement of the risk (EUR 322,000) less the amount of the investment grant not yet written back to income (EUR 209,000).



b. Change from January 1, 2013 to December 31, 2013

IN THOUSANDS OF EUROS	CHANGES IN THE PERIOD				AT DECEM- BER 31, 2013
	AT JANUARY 1, 2013	REVERSALS			
	CHARGE	USED	NOT USED		
<i>Disputes</i>	12	0	0	0	12
<i>Foreign exchange risk</i>	46	164	0	0	210
<i>Retirement severance benefits</i>	129		0	-106	23
<i>Minimum annual CIT charge</i>	0	0	0	0	0
Total provisions for contingencies and losses	187	164	0	-106	245
<i>- of which operating</i>	141		0	-106	35
<i>- of which financial</i>	46	164	0	0	210
<i>- of which exceptional</i>	0	0	0	0	0



+ 4.3.14. Borrowings

IN THOUSANDS OF EUROS		DECEMBER 31,	
		2014	2013
CA €800,000 loan of 12/31/2009 ¹	3-month Euribor floating rate + 1.10%	400	480
CA €500,000 loan of 16/07/2012 ¹	3-month Euribor floating rate + 1.40%	276	376
CM €1.2 million loan of 8/10/2007 ¹	3-month Euribor floating rate + 0.70%	0	43
CM €1.2 million loan of 08/08/08 ¹	5.45% fixed rate	152	347
CM €600,000 loan of 23/12/2009 ¹	3-month Euribor floating rate + 1.25%	300	360
CM €1,030,000 loan of 18/06/2010 ¹	2.70% fixed rate	369	516
CM €1.2 million loan of 5/5/2011 ¹	3-month Euribor floating rate + 0.70%	601	772
CM €500,000 loan of 05/07/2012 ¹	3-month Euribor floating rate + 1.40%	276	376
CE €400,000 loan of 10/08/2007 ¹	3-month Euribor floating rate + 0.70%	0	50
CE €300,000 loan of 25/07/08 ¹	5.40% fixed rate	51	100
CE €600,000 loan of 23/12/2009 ¹	1-month Euribor floating rate + 1.20%	300	360
CE €500,000 loan of 31/07/2012 ¹	1-month Euribor floating rate + 1.30%	281	379
LCL €500,000 loan of 23/12/2009 ¹	1-month Euribor floating rate + 1.25%	250	301
LCL €470,000 loan of 30/07/2010 ¹	3-month Euribor floating rate + 0.80%	185	252
RTC credit mobilization	1-month Euribor floating rate + 1.7%	6,168	6,264
Current bank facilities, bank credit balances		5	5
Total		9.613	10.981

¹of which accrued interest €15,000

The dates indicated are those for the beginning of the repayment schedule.

* No covenants exist under loans used to finance a portion of the work related to the construction of the laboratories of Valneva and their equipment.

Since 2010, through Groupe Grimaud (GLC), the company has been covered by several interest rate hedging contracts.



In 2011, an interest rate hedging contract was set up for EUR 1,500,000 and increased to EUR 2,300,000 at December 31, 2013. This contract was terminated on December 31, 2014.

This second contract was implemented on September 1, 2011 for a four-year period.

This interest rate swap agreement provided for payment to GLC each quarter of 3-month Euribor plus a fixed-rate amount of 1.82 percent.

In 2012, a third interest rate hedging contract was set up for EUR 385,000 and reduced to EUR 325,400 at December 31, 2013 and EUR 270,400 at December 31, 2014.

This last contract was implemented on October 17, 2012 for a seven-year period.

This interest rate swap agreement provides for a payment to GLC each month at 1-month Euribor plus a fixed-rate amount of 0.58 percent.

The fair value of this last contract in progress represented a loss of EUR 3,000 at December 31, 2014.

a. At December 31, 2014

IN THOUSANDS OF EUROS	GROSS	UP TO 1 YEAR	MORE THAN 1 YEAR	MORE THAN 5 YEARS
<i>Total financial debt</i>	9.613	7.317	2.296	0
<i>of which loans secured during the year</i>	6.159			
<i>of which loans repaid during the year</i>	3.202			

b. At December 31, 2013

IN THOUSANDS OF EUROS	GROSS	UP TO 1 YEAR	MORE THAN 1 YEAR	MORE THAN 5 YEARS
<i>Total financial debt</i>	10.981	7.547	3.184	250
<i>of which loans secured during the year</i>	6.264			
<i>of which loans repaid during the year</i>	1.994			

Loans obtained in the period correspond for 2013 and 2014 to the Research Tax Credits (RTC) collateralized with BPI.



+ 4.3.15. Trade payables and related accounts

a. At December 31, 2014

IN THOUSANDS OF EUROS	GROSS	UP TO 1 YEAR	MORE THAN 1 YEAR	MORE THAN 5 YEARS
<i>Operating payables</i>	660	660	0	0
<i>Notes payable</i>	0	0	0	0
<i>Operating payables – purchase invoice accruals</i>	1.173	1.173	0	0
Total	1.833	1.833	0	0

b. At December 31, 2013

IN THOUSANDS OF EUROS	GROSS	UP TO 1 YEAR	MORE THAN 1 YEAR	MORE THAN 5 YEARS
<i>Operating payables</i>	1.032	1.032	0	0
<i>Notes payable</i>	0	0	0	0
<i>Operating payables – purchase invoice accruals</i>	547	547	0	0
Total	1.579	1.579	0	0

+ 4.3.16. Tax and employee-related liabilities

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
<i>VAT due</i>	28	51
<i>Other taxes</i>	26	0
<i>Wages and salaries</i>	624	412
<i>Social charges</i>	458	648
<i>Other employee-related liabilities</i>	0	0
Total tax and employee-related liabilities¹	1.137	1.111
'up to 1 year	1.137	1.111
more than 1 and less than 5 years	0	0
more than 5 years	0	0



+ 4.3.17. Other payables

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
<i>Payables on non-consolidated investments</i>	6	1
<i>Amounts due in respect of fixed asset purchases</i>	1.572	4.503
<i>Other trade payables</i>	14	41
Total other payables	1.592	4.545

Payables on non-consolidated investments correspond to the earnout payment in connection with Humalys shares for EUR 6,000.

Amounts due with respect to fixed asset purchases include both estimated future royalties to be paid for license concessions (See note 4.2.6) and debt incurred from the technology acquired in 2011 from SC World. This latter amount stood at EUR 3,900,000 at December 31, 2013.

A payment of EUR 400,000 was made on April 26, 2014 and a renegotiation with SC World on November 4, 2014 resulted in a new agreement for the terms of payment. The debt was reduced to EUR 1 million compared to EUR 3.5 million initially owed.

a. At December 31, 2014

IN THOUSANDS OF EUROS	GROSS	UP TO 1 YEAR	MORE THAN 1 YEAR	MORE THAN 5 YEARS
<i>Payables on non-consolidated investments</i>	6	6		
<i>Payables to fixed asset suppliers</i>	1.479	440	1.040	0
<i>Payables to fixed asset suppliers – purchase invoice accruals</i>	93	93		
<i>Other payables</i>	14	14		
Total	1.592	553	1.040	0



b. At December 31, 2013

IN THOUSANDS OF EUROS	GROSS	UP TO 1 YEAR	MORE THAN 1 YEAR	MORE THAN 5 YEARS
<i>Payables on non-consolidated investments</i>	1	1		
<i>Payables to fixed asset suppliers</i>	4.410	545	3.865	0
<i>Fourn. Amounts due in respect of fixed asset purchases – purchase invoice accruals</i>	93	93		
<i>Other payables</i>	41	41		
Total	4.545	680	3.865	0

+ 4.3.18. Deferred income

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
<i>Operating grants</i>	0	1.577
<i>Research services and royalties</i>	0	5
Total deferred income	0	1.582

a. At December 31, 2014

IN THOUSANDS OF EUROS	GROSS	UP TO 1 YEAR	MORE THAN 1 YEAR	MORE THAN 5 YEARS
<i>Operating grants</i>	0	0	0	0
<i>Research services and royalties</i>	0	0	0	0
Total	0	0	0	0

b. At December 31, 2013

IN THOUSANDS OF EUROS	GROSS	UP TO 1 YEAR	MORE THAN 1 YEAR	MORE THAN 5 YEARS
<i>Operating grants</i>	1.577	702	876	0
<i>Research services and royalties</i>	5	5	0	0
Total	1.583	707	876	0



At December 31, 2014, no deferred income remained, with all income relating to grants having been granted recognized on December 31, 2014.

At December 31, 2013, deferred income included on the one hand operating grants:

- › an outstanding amount of EUR 130,000 from a grant of EUR 220,000 (with EUR 550,000 initially planned in December 2008); EUR 30,000 was transferred to income for 2009, EUR 160,000 for 2010 and EUR 40,000 for 2011. In 2012, a charge to income of EUR 110,000 was recognized as a consequence of headcount reduction of employees on permanent contracts in Nantes constituting the basis for the grant. This trend continued in 2013 with this grant reduced to EUR 90,000 with the charge of EUR 30,000 to the income statement.
- › EUR 419,000 outstanding from a grant obtained in March 2013 for a total amount of EUR 1,500,000. Only EUR 1,081,000 were recognized under income in 2013,
- › EUR 327,000 outstanding from a grant obtained in June 2013 for a total of EUR 374,000. The share of income relating to fiscal 2013 amounted to EUR 47,000,
- › EUR 537,000 outstanding from the grant issued in December 2013 for a total amount of EUR 628,000. Expenses incurred in the period relating to this grant made it possible to generate EUR 91,000 in income for 2013,
- › EUR 164,000 outstanding from a grant obtained in June 2009 for a total amount of EUR 2,690,000. In 2011, EUR 116,000 of this grant initially classified as an investment grant were reclassified as an operating grant. The amount transferred to income was EUR 1,569,000 in 2009, EUR 718,000 in 2010 and EUR 355,000 in 2011. No income was recognized in 2012 and 2013.

And on the other hand, EUR 5,000 for research services representing amounts invoiced to customers at the beginning of the period and corresponding to work to be completed by Valneva during the following year.

+ 4.3.19. Accrued expenses

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
<i>Trade payables and related accounts</i>	1.173	547
<i>Tax and employee-related liabilities</i>	948	735
<i>Payables on fixed assets and equivalent</i>	93	93
<i>Borrowings and financial liabilities</i>	20	23
<i>Other payables</i>	14	41
Total accrued expenses¹	2.248	1.438

¹payables up to 1 year



4.4. Notes to the income statement

+ 4.4.1. Net sales

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
<i>Sale of trade goods</i>	0	2
<i>Research services</i>	309	1.273
<i>Other services</i>	1.093	416
Total	1.402	1.691

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
<i>Sales in France</i>	135	591
<i>Export sales</i>	1.267	1.100
Total	1.402	1.691

+ 4.4.2. Own production of goods and services capitalized

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
<i>Development expenditure</i>	152	284
<i>Long-term investments</i>	0	0
<i>Property, plant and equipment</i>	0	0
Total	152	284

+ 4.4.3. Grants

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
<i>ANRT</i>	0	-2
<i>DIACT</i>	0	-30
<i>FEDER</i>	121	1.081
<i>FUI RHONE ALPES</i>	51	47
<i>FUI PAYS DE LOIRE</i>	106	91
<i>OSEO</i>	0	0
<i>Other</i>	0	3
Total	278	1.190



Valneva SE was a recipient of three new grants in the 2013:

- + FEDER provided a grant for EUR 1,500,000 in March 2013 for the 2009-2014 period; EUR 1,081,000 were recognized under income in 2013 whereas most of the expenses related to prior periods. EUR 121,000 corresponding to expenses of the period were recognized under income in 2014.
- + The Rhône Alpes FUI provided a grant for EUR 374,000 in October 2013, with EUR 47,000 recognized under income in 2013 and EUR 51,000 in 2014.
- + The Pays de Loire FUI provided a grant for EUR 628,000 in December 2013, with EUR 91,000 recognized under income in 2013 and EUR 106,000 in 2014.

In 2009, OSEO provided a “VIVABIO” grant totaling EUR 2,806,000. Pursuant to the suspension of research programs, no income was recognized in 2013 and 2014.

+ 4.4.4. Other income

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
<i>Upfront fees and milestone payments</i>	1.090	465
<i>Other</i>	1	0
Total	1.090	465

+ 4.4.5. Reversals of depreciation, amortization and provisions and expense reclassifications

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
<i>Reversal of provisions for retirement severance benefits</i>	0	106
<i>Reversals of provisions for trade receivables</i>	21	0
<i>Reversals of provisions for contingencies and losses</i>	0	0
<i>Operating expense reclassifications</i>	270	39
Total	291	145



+ 4.4.6. Purchases and external expenses

MAIN EXPENSE ITEMS (IN THOUSANDS OF EUROS)	DECEMBER 31,	
	2014	2013
<i>Work by various third parties</i>	1.523	1.463
<i>Fees</i>	2.673	1.576
<i>Maintenance and repairs</i>	366	549
<i>Administrative services</i>	2.155	327
<i>Temporary personnel</i>	60	36
<i>Travel expenses</i>	309	340
<i>Electricity</i>	173	161
<i>Symposiums, seminars, conferences</i>	76	125
<i>Post and telephone expenses</i>	109	172
<i>Entertainment expenses</i>	86	158
<i>Property leasing</i>	135	70
<i>Sundry transport expenses</i>	53	79
<i>Advertising, publications, public relations</i>	28	105
<i>Insurance premiums</i>	272	225
<i>Waste management</i>	36	52
<i>Training fees</i>	15	41
<i>Analyses</i>	0	45
<i>Bank services</i>	58	51
<i>Natural gas</i>	27	42
<i>Leasing expenses</i>	55	62
<i>Water</i>	2	12
<i>Other</i>	55	76
Total	8.265	5.767

The administrative services line item (EUR 2,155,000) includes amounts re-invoiced for services by the subsidiary Valneva Austria GMBH for EUR 2,111,000 for 2013 and 2014.



+ 4.4.7. Taxes, duties and related amounts

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
Taxes on remuneration	84	100
<i>Training</i>	48	73
<i>Apprentices tax</i>	21	28
<i>Other taxes / remuneration (FNAL)</i>	15	0
Other taxes	112	131
<i>Local taxes</i>	51	82
<i>Local business tax</i>	0	0
<i>CFE - CVAE regional business tax</i>	7	-3
<i>Company vehicle tax</i>	4	5
<i>Corporate Social Solidarity Contribution C3S tax</i>	3	4
<i>Minimum annual CIT charge</i>	0	0
<i>Employer contribution for handicapped workers</i>	3	11
<i>Withholding taxes</i>	37	4
<i>Stamp and registration duties</i>	3	3
<i>Other taxes</i>	4	26
Total	196	231

+ 4.4.8. Personnel

a. Employees

AVERAGE NUMBER OF EMPLOYEES	DECEMBER 31,	
	2014	2013
<i>Executives and higher intellectual professions</i>	51	56
<i>Intermediate professions</i>	5	25
<i>Employees</i>	3	2
<i>Workers</i>	0	0
<i>Seconded personnel</i>	0	0
Total	59	84

Employees present at December 31, 2014: 58 employees of which 57 on permanent contracts and 1 on fixed term contract.
 Employees present at December 31, 2013: 66 employees of which 62 on permanent contracts and 4 on fixed term contract



b. Personnel costs

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
<i>Wages and salaries</i>	3.261	4.267
<i>Social charges</i>	1.394	1.853
<i>CICE wage tax credit</i>	-70	-71
<i>Other personnel expenses</i>	104	151
Total	4.689	6.200

c. Remuneration paid to Executive Board and Supervisory Board members

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
<i>Fixed compensation</i>		348
<i>Variable compensation</i>		116
<i>Fringe benefits</i>		8
All Executive Board members	0	472
<i>Attendance fees</i>	243	157
All Supervisory Board members	243	157
TOTAL	243	629
Bonus share grants		
<i>Executive Board members</i>	none	33.333
<i>Supervisory Board members</i>	none	none
Stock options (number of shares subscribed)	0	209.952
<i>Executive Board members</i>	none	209.952
<i>Supervisory Board members</i>	0	0
Equity warrants (number of shares subscribed)	0	0
<i>Executive Board members</i>	0	0
<i>Supervisory Board members</i>	0	0

Valneva SE was managed in 2014 by a Chairman. Because indicating the remuneration of management bodies would lead to the disclosure of individual compensation, this amount is accordingly not communicated.



d. Individual training rights

	DECEMBER 31,	
	2014	2013
<i>Rights vested in hours during the year</i>	1.028	1.177
<i>Training hours accumulated but unclaimed</i>	4.616	4.599

Pursuant to the position of the French National Accounting Council, provisions are not recorded for individual rights to training.

e. Employee benefits

Assumptions used for the valuation of pension benefits

	DECEMBER 31,	
	2014	2013
<i>Discount rate</i>	1,80%	3,17%
<i>Salary increase rate</i>	2,00%	2,50%
<i>Social security charge rate</i>	45,00%	47,99%
<i>Employee turnover rate by age</i>	Detailed	12,45%

2014 DATA	SUPERVISORY STAFF	MANAGEMENT EMPLOYEES	OFFICE EMPLOYEES & WORKERS
<i>20-29 years</i>	39.00 %	45.90 %	18.00 %
<i>30-29 years</i>	19.40 %	23.00 %	9.00 %
<i>40-29 years</i>	6.80 %	7.60 %	3.06 %
<i>50-29 years</i>	0.00 %	0.00 %	0.00 %
<i>60 years and older</i>	0.00 %	0.00 %	0.00 %



Change in net commitments and reconciliation of the provision

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
Commitment at the beginning of period	23	129
Commitment at the end of period	163	23
Provision at the beginning of period	23	129
<i>Humalys TUP merger contribution</i>	0	0
<i>Charge for the period</i>	141	0
<i>Reversal of the period</i>	0	-106
Provision at the end of period	163	23

The commitment for 2014 increased whereas headcount declined on the one hand in light of the turnover rate by age brackets in 2014 compared to a single rate in 2013 and on the other hand by a change in the discount rate.

+ 4.4.9. Depreciation, amortization & impairment of fixed assets

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
<i>Intangible fixed assets</i>	1.114	1.144
<i>Property, plant and equipment</i>	858	1.616
Total fixed assets (A)	1.971	2.760
<i>Employee commitments</i>	141	0
<i>Provisions for operating contingencies and losses</i>	113	0
Total provisions (B)	254	0
Total net charges excluding current assets (C=A+B)	2.225	2.760
<i>Trade receivables and other current assets</i>	52	0
Total assets (D)	52	0
Exceptional amortization (E=C+D)***	2.277	2.760
<i>Provisions for unrealized foreign exchange losses</i>	0	164
<i>Provision for current account advances</i>	0	152
<i>Provisions for impairment of long-term investments</i>	0	337
Total financial assets (F)	0	654
<i>Exceptional amortization of fixed assets (G)</i>	0	0
<i>Provisions for impairment of fixed assets (H)</i>	6.701	30
<i>Accelerated tax depreciation or amortization of fixed assets (I)</i>	-156	-182
<i>Other provisions (J)</i>	0	0
Total exceptional items (K=G+H+I+J)	6.545	-153



The provision for the impairment of property, plant and equipment (EUR 6,704,000) relates to the VIVA Screen technology contributed to BLINK Biomedical SAS.

+ 4.4.10. Net income/(loss) from financial items

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
<i>Revenue from marketable securities and deposits</i>	157	198
<i>Interest on borrowings</i>	-185	-180
<i>Interest on convertible bond debt</i>	0	-382
<i>Interest on current accounts</i>	533	193
<i>Translation adjustments</i>	-3	-110
<i>Impairment of financial assets /reversals</i>	63	-489
<i>Other</i>	-25	-43
Net financial income/(expense)	540	-813

+ 4.4.11. Net exceptional items

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
<i>Net income on disposals</i>	-3	1,264
<i>Amortization and provisions, net of reversals on tangible fixed assets</i>	0	-27
<i>Amortization and provisions, net of reversals on intangible fixed assets</i>	-6,701	-3
<i>Accelerated tax depreciation and amortization charges and reversals</i>	156	182
<i>Share of grant transferred to income</i>	40	129
<i>2010 Humalys income tax allocated to prior period losses</i>	0	0
<i>Misc. / renegotiation of debt on fixed assets</i>	2,500	2
Net exceptional items	-4,008	1,548

In 2014, the renegotiation of SC World generated exceptional income of EUR 2.5 million while the impairment of assets relating to VIVA Screen generated an exceptional expense of EUR 6.7 million.

**+ 4.4.12. Income tax****a. Income tax charges****Effective tax rate**

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
<i>Net income/(loss)</i>	-14.883	-9.952
<i>Income tax</i>	-1.965	-2.039
Net loss before tax	-16.849	-11.991
Effective tax rate	0	0

b. Tax losses carried forward

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
<i>Losses carried forward at the beginning of the period</i>	67.421	47.806
<i>Losses generated during period</i>	13.749	19.615
<i>Losses utilized during period</i>	0	0
<i>Prior losses used</i>		
<i>Losses expired during period</i>		
Losses carried forward at the end of the period	81.169	67.421

c. Deferred tax assets and deferred tax liabilities

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
<i>Deferred tax assets (investment grants and accelerated tax depreciation or amortization)</i>	359	424
Deferred tax liabilities		
- Corporate Social Solidarity Contribution (C3S)	1	1
- Capital grants taxable at time of allotment	0	0
- Operating grants taxable at time of allotment	0	526
- Unrealised gains from UCITS	0	0
- Employee profit-sharing	0	0
Total deferred tax assets/deferred tax liabilities	358	-103

+ 4.4.13. Earnings per share

		DECEMBER 31,	
		2014	2013
<i>Basic net loss (in euros)</i>	(a)	-8.346.327	-9.952.449
<i>Average number of shares outstanding:</i>	(b)	56.846.809	40.328.234
<i>Total number of potential shares</i>	(c)	69.923.691	58.483.614
<i>Basic net earnings per share (in euros)</i>	(a) / (b)	-0,15	-0,25

In light of the net loss, diluted earnings per share are considered identical to basic earnings.

5. OTHER INFORMATION

5.1. Commitments and contingent liabilities

+ 5.1.1. - Debt guarantee by collateral

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
- Equipment pledge	600	771
- pledges on non-consolidated investments ¹	137.876	127.876

¹Valneva Austria GMBH securities in connection with the financing transaction with Pharmakon.



+ 5.1.2. Off-balance sheet commitments

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
Commitments given		
- Commitment on Pharmakon Advisors Valneva Austria GMBH loan ¹	37.768	34.979
- potential earn out payment on investment securities ²	4.954	4.961
- sourcing commitment with a supplier	619	490
- commitment with a service provider		
- property lease commitment	680	810
- comfort letter in favor of Valneva GMBH ⁴	8.662	9.968
- equipment financing lease	47	1
- financial returns on OSEO reimbursable loans ³	6.230	6.230
- financial returns and repayment of subordinated grants	220	220
- mortgage on loans	1.250	1.500
- interest payable on loans	91	175
Total commitments given	60.521	59.334
Commitments received		
- grant from Dept 44 - Laennec construction	45	45
- bonds received from the Grimaud Group parent company		
CRCA 10-year loan	0	0
CM 10-year loan	0	0
CM 7-year loan	519	947
CEP 10-year loan	0	0
CEP 7-year loan	0	50
CEP 5-year loan	281	391
LCL 7-year loan	185	257
- guarantee received from CRCA		
payables on non-consolidated investments		
- credit line granted by CRCA	50	50
- Credit line granted by LCL		50
- Credit line granted by CEP		50
- Credit line granted by CM	50	50
Total commitments received	1.130	1.890

¹Principal and interest until maturity for the Pharmakon loan guaranteed by Valneva SE

²The maximum earn out is EUR 5.5 million over a 15 year period (2025) less EUR 539,000 for the amount owed from 2010 to 2014 (See 4.3.3).

³The maximum amount repayable of reimbursable loans under the Vivabio program is EUR 9 million over a maximum period of nine years from the obligating event for repayment of the financing for EUR 2,771,000 (See note 4.3.12).

⁴on lease installments payable until the end of the property lease in 2023.

**+ 5.1.3. Contingent liabilities**

There are no significant cases of litigation in progress.

No provision has been recorded by the company in respect to stock option, equity warrant and bonus share plans. In effect, the company intends to issue new shares in connection with future grants and subscriptions.

+ 5.1.4. Auditors' fees

	PWC IN € (EXCL. TAX)		DELOITTE IN € (EXCL. TAX)	
	2014	2013	2014	2013
<i>Audit</i>				
<i>Statutory auditing</i>	110.730	44.000	113.954	46.657
<i>Capital increase</i>	78.150		66.000	95.460
<i>Merger</i>		77.731		40.738
<i>Accessory missions</i>			4.180	2.060
Subtotal	188.880	121.731	184.134	184.914
<i>Other services</i>				
<i>Legal, tax, labor issues</i>				
<i>Other directly related procedures</i>				
<i>Accessory missions</i>				
Subtotal	0	0	0	0
Total	188.880	121.731	184.134	184.914



5.2. Information concerning related parties

Related parties concerned relations with Grimaud Group and companies of the Grimaud Group¹, relations with the subsidiary Valnevas Toyama Japan⁽²⁾, and since the merger of May 28, 2013, relations with the subsidiary Valneva Austria GMBH⁽³⁾.

- + (1) For the Grimaud Group and Grimaud Group companies, services rendered related to either normal operating activities (interest rate swap allocation agreement) or regulated activities (guarantees). For fiscal 2014 EUR 35,000 excluding tax were invoiced for these services including EUR 10,000 for trade payables at December 31, 2014
- + (2) Valneva Toyama Japan invoiced Valneva EUR 411,000 for supplies and EUR 154,000 for operating expenses with EUR 48,000 under trade payables at December 31, 2014.
- + (3) In December 2013, Valneva SE guaranteed a EUR 30 million dollar loan to Pharmakon (Biopharma) for Valneva Austria GmbH. The purpose of this loan is to support growth in sales of the Japanese encephalitis vaccine of Valneva, IXIARO/JESPECT and to promote the company's portfolio of vaccine candidates. In February 2014, an agreement was signed between the two parties whereby Valneva SE charges interest to Valneva Austria for this guarantee of 0.77 percent applied to the remaining loan amount outstanding. For 2014, interest thus invoiced amounted to EUR 196,000.

An agreement effective as from May 28, 2013 between Valneva SE and Valneva Austria GMBH establishes the guidelines for the re-invoicing of services between these two companies.

In 2014, Valneva SE re-invoiced EUR 1,089,000 (with EUR 367,000 for 2013).

In 2014, Valneva Austria GMBH re-invoiced EUR 3,093,000 (with EUR 1,163,000 for 2013).

These invoices were recognized in the current account balance (showing a credit balance for the net amount of EUR 1,808,000 at December 31, 2014).

In October 2013, a loan agreement was executed between Valneva SE and Valneva Austria GMBH for EUR 30 million subject to a rate of interest of 3-month Euribor plus 1 percent.

EUR 15 million are payable on December 31, 2015 (EUR 8,015,000 was repaid on December 31, 2014).

EUR 15 million will be repaid after Valneva Austria GMBH has repaid the Pharmakon debt (Biopharma).



IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	2013
Financial assets		
- Non-consolidated investments	137.928	127.923
- Receivables on non-consolidated investments		
Receivables		
Trade receivables and related accounts		
Other receivables	21.985	27.419
Payables		
- Borrowings and miscellaneous debt		
- Trade payables and related accounts	58	193
Payables on fixed assets and equivalent		
Other payables	2.004	
Revenues	1.089	
Financial income	533	168
Exceptional income		
Reclassification of operating expenses		
Operating expenses		
- Purchase of raw materials and other supplies		
Other purchases and external expenses	3.668	1.192
- Other operating purchases		
Financial expense		
- Interest and similar expense	25	38



5.3. Dilutive instruments

Valneva SE's share capital after the exercise of different dilutive instruments at December 31, 2014 - Statutory accounting presentation

		SHARES HELD	% ^a	DILUTIVE IN- STRUMENTS	BREAKDOWN OF SHARE CAPITAL AFTER THE EXERCISE OF DILUTIVE INS- TRUMENTS	%
Groupe Grimaud La Corbière^b		11.843.327	20,58	0	11.843.327	16,94
BPI France Participations SA		5.499.863	9,56	0	5.499.863	7,87
Management Board Members	Total Board Members	524.746	0,91	414.552	938.432	1,34
	<i>Franck Grimaud</i>	375.140	0,65	208.300	583.440	0,83
	<i>Thomas Lingelbach</i>	98.978	0,17	101.719	200.459	0,29
	<i>Reinhard Kandra</i>	50.628	0,09	104.533	154.533	0,22
Non-officer employees		133.685	0,23	692.560	826.245	1,18
Other private individual share holders		1.455.922	2,53	27.743	1.482.164	2,12
<i>Of which private individual shareholders of the Grimaud family and Financière Grand Champ SAS^{bc}</i>		834.542	1,45	0	834.542	1,19
<i>Of which investors</i>		172.266	0,30	0	172.266	0,25
<i>Of which independent members of the Supervisory Board</i>	<i>Alain Munoz</i>	41.800	0,07	1.968	43.768	0,06
	<i>Michel Greco</i>	618	0,00	4.170	4.756	0,01
	<i>James Sulat</i>	13.500	0,02	0	13.500	0,02
	<i>Alexander Von Gabain (c)</i>	23.517	0,04	10.605	32.653	0,05
<i>Other private individual investors with shares in registered form</i>		369.679	0,64	11.000	380.679	0,54
Other bearer shares		36.896.657	64,12	0	36.896.657	52,77
Other preferred shares		1.186.748	2,06	8.562.369	8.562.369	12,25
Warrants not yet exercised		n.a.	n.a.	3.874.633	3.874.633	5,54
TOTAL		57.540.948	100,00	13.571.857	69.923.690	100,00

^aThis rate is calculated in reference to a share capital totaling 57.540.948 Valneva shares, divided into 56.351.833 ordinary shares and 11.843.719 preferred shares with a nominal value of €0.01 written down.

^bThe "Grimaud Family Shareholders Group" is comprised of the private shareholders of the Grimaud Group and Financière Grand Champ SAS.

^cSecurities mentioned in the column "Shares held" include bearer shares and/or preferred shares written down to a nominal value of €0.15, as applicable.



5.4. Subdiaries and associates

NAME	SHARE CA- PITAL	OWNER- SHIP INTEREST ²	GROSS CARRYING VALUE OF SHARES	LOANS, ADVANCE- CES ⁴	NET SALES ⁶
	EQUITY ¹	DIVIDENDS ³	NET CARRYING VALUE OF SHARES	GUARAN- TEES ⁵	PROFIT OR LOSS ⁷
SUBSIDIARIES (>50%-held)					
<i>Valneva Toyama Japan</i>	¥ 5,660,000	100,00 %	46.471 €	129.469 € ¥ 18,803,000	¥ 89,394,000
	¥ 1,913,000	0 €	46.471 €	0 €	¥ (3 045 000)
<i>Valneva Austria GMBH</i>	10.070.000 € 276.770.237 €	100,00 % 0 €	137.876.224 € 137.876.224 €	21.984.919 € 0	34.366.000 € (11.511.800) €
<i>Vaccines Holdings Sweden AB</i>	SEK 50000 SEK 0	100,00 % 0 €	5.268 € 5.268 €	0 € 0 €	0 € 0 €

¹Equity = equity other than earnings and share capital

²Ownership interest = percentage held by Valneva at 31/12/2013

³Dividends = dividends received by Valneva in 2013

⁴Loans, advances = loans, financial advances, current account advances

⁵Guarantees = outstanding balance of guarantees given by Valneva

⁶Net sales = sales excluding tax

⁷Profit or loss = reported net income or loss of the last financial period

⁸2014 IFRS figures



5.5. Market risks

+ 5.5.1 Interest rate risks

The Company is exposed to market risks in connection with hedging both of its liquid assets and of its medium and long-term indebtedness.

As far as its liquid assets are concerned, exchange rate risk is controlled by procedures for monitoring and validation existing at the Company level. Liquid assets are also mainly invested in term deposits guaranteed on maturity offering a high degree of security (See note 4.3.7);

The Company has also obtained loans to finance its investments. At December 31, 2014, borrowings totaled EUR 9,613,000 including fixed rate debt of EUR 570,000 (See note 4.3.14). Floating rates are based on the 3-month and 1-month Euribor benchmarks.

At December 31, 2014, the Company was covered by an interest rate hedging contract through its parent company. In consequence, its exposure to risks relating to variable-rate debt is limited.

+ 5.5.2 Exchange rate risks

The Company's exposure to exchange rate risks involving the US dollar or any other currency is limited. Therefore, at this stage of its development, the Company has taken no steps to protect its business against exchange rate risks. The Company will monitor its exchange rate exposure in relation to changes in its situation. The Company's strategy is to use the euro as the main currency when signing contracts. The Company could enter into contracts, however, in the future to cover exchange rate fluctuations if it appeared necessary and if the risks were deemed to be material.

5.6. Subsequent events

Valneva SE and BliNK Therapeutics confirmed on January 20, 2015 the completion of the creation of BliNK Biomedical SAS as announced on December 11, 2014 (with retroactive effect on January 1, 2015)

On February 4, 2015 Valneva SE announced the success of the EUR 45 million rights issue intended to finance a portion of the Dukoral® vaccine acquisition.

On February 10, 2015, Valneva SE announced the finalization of the acquisition of Crucell Sweden AB and all assets, licenses and privileges related to Dukoral® as well as the Nordics vaccine distribution business of the seller and its affiliates.



Translation disclaimer: This document is a free translation of the French language version of the French GAAP annual financial statements of Valneva SE for the twelve-month period ended December 31, 2014 produced for the convenience of English speaking readers. In the event of any ambiguity or conflict between statements or other items contained herein and the original French version, the relevant statement or item of the French version shall prevail. While all possible care has been taken to ensure that this translation is an accurate representation of the original French document, this English version has not been audited by the company's statutory auditors and in all matters of interpretation of information, views or opinions expressed therein, only the original language version of the document in French is legally binding. As such, this translation may not be relied upon to sustain any legal claim, nor be used as the basis of any legal opinion and Valneva SE expressly disclaims all liability for any inaccuracy herein.



VALNEVA SE CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED INCOME STATEMENT

EUR IN THOUSANDS (EXCEPT PER SHARE AMOUNTS)	NOTE	YEAR ENDED DECEMBER 31,	
		2014	2013
<i>Product sales</i>	5	28,124	23,239
<i>Revenues from collaborations, licensing and services</i>	5	8,799	7,206
Revenues		36,922	30,445
<i>Grant income</i>		5,506	5,546
Revenues and Grants		42,429	35,991
<i>Cost of goods and services</i>	6/7	(17,144)	(16,508)
<i>Research and development expenses</i>	6/7	(22,242)	(21,423)
<i>General, selling and administrative expenses</i>	6/7	(14,142)	(14,720)
<i>Other income and expenses, net</i>	8	(395)	1,157
<i>Amortization and impairment</i>	6/7	(12,323)	(5,353)
OPERATING LOSS		(23,817)	(20,856)
<i>Finance income</i>	9	2,273	200
<i>Finance expenses</i>	9	(4,394)	(2,969)
LOSS BEFORE INCOME TAX		(25,938)	(23,625)
<i>Income tax</i>	10	(334)	(348)
LOSS FROM CONTINUING OPERATIONS		(26,272)	(23,973)
<i>Loss from discontinued operations</i>	20	-	(137)
LOSS FOR THE YEAR		(26,272)	(24,110)
Losses per share			
<i>for loss from continuing operations attributable to the equity holders of the Company, expressed in EUR per share (basic and diluted)</i>			
	11	(0.47)	(0.61)



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR IN THOUSANDS	NOTE	YEAR ENDED DECEMBER 31,	
		2014	2013
Loss for the year		(26,272)	(24,110)
Other comprehensive income/(loss)			
- Items that are or may be reclassified subsequently to profit or loss			
- Currency translation differences	22	(2,626)	1,636
- Total items that are or may be reclassified subsequently to profit or loss		(2,626)	1,636
Other comprehensive income/(loss) for the year, net of tax		(2,626)	1,636
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		(28,897)	(22,474)



2. CONSOLIDATED BALANCE SHEET

EUR IN THOUSANDS	NOTE	AT DECEMBER 31,	
		2014	2013
ASSETS			
Non-current assets		166,567	191,045
<i>Intangible assets and goodwill</i>	13	105,204	125,403
<i>Property, plant and equipment</i>	12	41,611	45,067
<i>Other non-current assets</i>	18	19,753	20,575
Current assets		52,967	63,346
<i>Inventories</i>	16	7,282	4,819
<i>Trade receivables</i>	17	6,850	7,570
<i>Other current assets</i>	18	9,366	10,791
<i>Current financial assets</i>	15	19	3,658
<i>Cash, cash equivalents and short-term deposits</i>	19	29,449	36,509
Assets held for sale	20	7,982	-
TOTAL ASSETS		227,517	254,391
EQUITY			
Capital and reserves attributable to the Company's equity holders		124,444	144,111
<i>Share capital</i>	21	8,453	8,206
<i>Share premium and other regulated reserves</i>	21	206,707	198,322
<i>Retained earnings and other reserves</i>	22	(64,444)	(38,308)
<i>Net result for the period</i>		(26,272)	(24,110)
LIABILITIES			
Non-current liabilities		75,704	82,181
<i>Borrowings</i>	24	66,036	64,902
<i>Other non-current liabilities and provisions</i>	27	9,668	17,279
Current liabilities		26,387	28,100
<i>Borrowings</i>	24	7,117	6,381
<i>Trade payables and accruals</i>	25	11,009	11,388
<i>Tax and employee-related liabilities</i>	26	5,398	5,096
<i>Other current liabilities and provisions</i>	27	2,862	5,235
Liabilities held for sale	20	982	-
TOTAL LIABILITIES		103,073	110,280
TOTAL EQUITY AND LIABILITIES		227,517	254,391



3. CONSOLIDATED CASH FLOW STATEMENT

EUR IN THOUSANDS	NOTE	YEAR ENDED DECEMBER 31,	
		2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Loss for the year</i>		(26,272)	(24,110)
<i>Depreciation and amortization</i>	12/13	12,359	9,056
<i>Impairment</i>	12/13	4,095	92
<i>Share-based payments</i>	21	530	179
<i>Income tax</i>	10	334	348
<i>Other adjustments for reconciliation to cash used in operations</i>	28	(2,439)	(1,739)
<i>Changes in working capital</i>	28	(938)	(3,311)
Cash used in operations	28	(12,332)	(19,485)
<i>Interest paid</i>	9	(2,227)	(1,121)
<i>Income tax paid</i>	10	(385)	(296)
Net cash used in operating activities		(14,944)	(20,903)
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Acquisition of other businesses, net cash acquired</i>	30	-	11,615
<i>Purchases of property, plant and equipment</i>	12/28	(946)	(1,375)
<i>Proceeds from sale of property, plant and equipment</i>	28	1,712	3,144
<i>Purchases of intangible assets</i>	13	(2,792)	(1,899)
<i>Purchases of financial assets</i>		(13,616)	-
<i>Proceeds from sale of financial assets</i>		17,130	10,037
<i>Interest received</i>		505	332
Net cash generated from investing activities		1,993	21,855
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Proceeds from issuance of common stock, net of costs of equity transactions</i>	21	8,632	37,621
<i>Disposal/(Purchase) of treasury shares</i>		69	(684)
<i>Proceeds from borrowings</i>	24	1,656	27,646
<i>Repayment of borrowings</i>	24	(5,083)	(29,893)
Net cash generated from financing activities		5,274	34,689
Net change in cash and cash equivalents		(7,677)	35,641
<i>Cash at beginning of the year</i>		36,509	832
<i>Exchange gains/(losses) on cash</i>		25	36
Cash at end of the year	19	28,857	36,509
Cash, cash equivalents, and financial assets at end of the year		29,468	40,167



4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR IN THOUSANDS	NOTE	SHARE CAPITAL	SHARE PREMIUM AND OTHER REGULATED RESERVES	RETAINED EARNINGS AND OTHER RESERVES	NET RESULT	TOTAL EQUITY
Balance as of January 1, 2013		3,219	62,414	(24,598)	(14,841)	26,194
<i>Total comprehensive loss</i>		-	-	1,636	(24,110)	(22,474)
<i>Income appropriation</i>		-	-	(14,841)	14,841	-
<i>Employee share option plan:</i>						
- value of employee services	23	-	-	179	-	179
- exercise of share options	21/23	37	307	-	-	343
<i>Treasury shares</i>	22	-	-	(684)	-	(684)
<i>Issuance of common stock (merger with Intercell see note 30, May 2013)</i>	21	2,676	100,599	-	-	103,275
<i>Issuance of common stock, July 2013</i>	21	2,275	37,913	-	-	40,188
<i>Cost of equity transactions, net of tax</i>	21	-	(2,910)	-	-	(2,910)
		4,987	135,909	(13,710)	(9,269)	117,917
Balance as of December 31, 2013		8,206	198,322	(38,308)	(24,110)	144,111
Balance as of January 1, 2014		8,206	198,322	(38,308)	(24,110)	144,111
<i>Total comprehensive loss</i>		-	-	(2,626)	(26,272)	(28,897)
<i>Income appropriation</i>		-	-	(24,110)	24,110	-
<i>Employee share option plan:</i>						
- value of employee services	23	-	-	530	-	530
- exercise of share options	21/23	6	(6)	-	-	-
<i>Treasury shares</i>	22	-	-	69	-	69
<i>Issuance of common stock, May and June 2014</i>	21	240	8,716	-	-	8,956
<i>Cost of equity transactions, net of tax</i>	21	-	(325)	-	-	(325)
		246	8,385	(26,136)	(2,162)	(19,667)
Balance as of December 31, 2014		8,453	206,707	(64,444)	(26,272)	124,444



5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: General information

Valneva SE – together with its subsidiaries – (hereafter named “Group” or “Company”) is a European biotech company focusing on vaccines. It was created in 2013 through the merger between Intercell AG and Vivalis SA. Valneva’s mission is to develop, manufacture and commercialize innovative vaccines with a vision to protect people from infectious diseases. The Company makes focused R&D investments in promising product candidates either through in-house programs or in collaboration with industrial external partners and achieves growing financial contributions from commercial products, striving towards financial self-sustainability.

Valneva generates diversified revenue from its marketed product, commercial partnerships around a portfolio of product candidates (in-house and partnered), and licensed technology platforms (EB66® cell line, VIVA|Screen® antibody discovery technology until end of 2014 – see note 13, and the IC31® adjuvant) developed by Valneva. Related business activities include product research and development, regulatory and clinical activities, manufacturing of commercial product and advanced clinical product candidates, as well as administrative, corporate development, and marketing and sales activities.

The Company’s first product on the market – IXIARO®/JESPECT® – is a vaccine to prevent Japanese Encephalitis (JE). It is a next-generation vaccine against most common forms of vaccine-preventable cause of encephalitis in Asia, and is licensed in more than thirty countries. A comparable vaccine for endemic markets based on Valneva’s technology was launched in 2012 by Biological E. Ltd. under the trade name JEEV® in India and has received WHO prequalification.

In February 2015, the Company completed the acquisition of Crucell Sweden AB, including a vaccine distribution business in the Nordic countries and all assets, licenses and privileges related to Dukoral®, a vaccine against cholera and traveler’s diarrhea caused by ETEC. The acquisition included the purchase of a manufacturing site in Solna (Sweden).

Valneva SE is a European Company (Societas Europaea) under French law with an Executive Board and Supervisory Board having its registered headquarters located in 69007 Lyon, 70 Rue Saint-Jean de Dieu. The primary listing of Valneva’s shares is on the NYSE Euronext Paris and they are also traded on the Vienna Stock Exchange.

Valneva SE directly or indirectly holds interests in the following subsidiaries:

NAME	COUNTRY OF INCORPORATION	INTEREST HELD AT DECEMBER 31,	
		2014	2013
Smol Therapeutics SAS	FR	0%	100%
Vivalis Toyama Japan KK	JP	100%	100%
Valneva Austria GmbH	AT	100%	100%
Valneva Scotland Ltd.	UK	100%	100%
Intercell USA, Inc.	USA	100%	100%
Elatos GmbH	AT	100%	100%
Vaccines Holdings Sweden AB	SE	100%	-



The closing date for the consolidated financial statements is December 31 of each year. As Valneva Austria GmbH (former Intercell AG), Valneva Scotland Ltd. (former Intercell Biomedical, Ltd), Intercell USA and Elatos have been acquired by the end of May 2013, these companies started to be included in the consolidated financial statements 2013 on June 1, 2013.

On December 30, 2013, Valneva SE resolved to dissolve its wholly owned subsidiary, Smol Therapeutics SAS, without liquidation via a universal transfer of its assets to Valneva SE. Removal of Smol Therapeutics SAS from the Trade and Companies Registry was effective on January 23, 2014.

The Company is incorporated in Lyon where it also maintained its core center for antibody discovery programs until the end of 2014. The Valneva SE site in Nantes includes both general and administrative functions and R&D facilities which are used for the development of the EB66[®] cell line and the vaccine programs as well as antibody discovery based on the VIVAIScreen[®] platform. Valneva Austria GmbH, Vienna, Austria, focuses on vaccines and pre-clinical and clinical development activities. Valneva Scotland Ltd., Livingston, United Kingdom, operates a dedicated biologics manufacturing facility used for production of the Company's Japanese Encephalitis vaccine. The workforce of Intercell USA, Inc. focused on maximizing the value of IXIARO[®]/JESPECT[®] until the end of 2013. Beginning in 2014 Intercell USA now supports legal functions and the sales team. Elatos GmbH, Vienna, Austria, performed research on the antibody platform eMAB in 2013. Valneva Toyama Japan KK, Toyama, Japan, performed research on the antibody platform VIVAIScreen[®] in 2013.

In December 2014 the Swedish subsidiary Goldcup 10618 AB was formed, which was subsequently renamed to Vaccines Holdings Sweden AB, and served as the vehicle for the acquisition of Crucell Sweden AB including a vaccine distribution business in the Nordic countries and all assets, licenses and privileges related to Dukoral[®], a vaccine against cholera and traveler's diarrhea caused by ETEC in February 2015 (see note 33).

These consolidated financial statements have been approved and authorized for issue by the Management Board on March 18, 2015.

Note 2: Summary of significant accounting policies

On May 28, 2013, the Company completed its merger with Intercell AG. As a result of the merger, Intercell's business has been included in the Group's full year consolidated financial statements under IFRS from the merger closing date. Therefore, 2013 and 2014 results under IFRS are not fully comparable. While the results of Vivalis SA (now Valneva SE) were fully included in the income statement of the full year 2013, the results from the ex-Intercell operations were only included starting from June 2013.

Pro-forma comparator figures including the Intercell business for the full year 2013 and excluding one-time effects due to the merger were prepared for illustrative purposes only. For a detailed explanation of pro-forma assumptions and reconciliation to IFRS results, please refer to note 32.

The principal accounting policies applied in preparing these consolidated financial statements are outlined below. These policies have been consistently applied to all years presented.

**+ Note 2.1 – Basis of presentation**

These 2014 Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), which comprise IFRS (International Financial Reporting Standards), IAS (International Accounting Standard), and their interpretations, SIC (Standards Interpretations Committee) and IFRIC (International financial Reporting Interpretations Committee) as adopted by the European Union.

The preparation of financial statements in conformity with IFRS as adopted by the European Union requires the use of certain crit-

ical accounting estimates. It also requires the Company's management to exercise its judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas, where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

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. ■

+ Note 2.2 – Impact of new, revised or amended Standards and Interpretations**a. New and amended standards adopted by the Company**

STANDARD/INTERPRETATION/AMENDMENT		EFFECTIVE DATE	EXPECTED EFFECTS
IFRS 10 / IFRS 12 / IAS 27 amendment	Investment Entities	Jan 1, 2014	None
IAS 32 - amendment	Financial instruments: Presentation – offsetting financial assets and financial liabilities	Jan 1, 2014	None
IAS 36 - amendment	Impairment of assets – disclosures on recoverable amount	Jan 1, 2014	None
IAS 39 - amendment	Financial instruments: recognition and measurement – relief from discontinuing hedge accounting	Jan 1, 2014	None
IFRS 10	Consolidated financial statements	Jan 1, 2014	None
IFRS 11	Joint Arrangements	Jan 1, 2014	None
IFRS 12	Disclosures of interests in other entities	Jan 1, 2014	None
IFRIC 21	“Levies” – interpretation of IAS 37 “Provisions, contingent liabilities and contingent assets”	Jan 1, 2014	None

There are no IFRSs or IFRIC interpretations effective for the first time for the financial year beginning on or after January 1, 2014 that would be expected to have a material impact on the Company. ■



b. New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2014, and not early adopted.

STANDARD/INTERPRETATION/AMENDMENT		EFFECTIVE DATE	EXPECTED EFFECTS
IFRS 9	Financial instruments: Classification and Measurement	Jan 1, 2018	Change in the accounting treatment of fair value changes in financial instruments previously classified as available for sale
IFRS 14	Regulatory Deferral Accounts	Jan 1, 2016	None
IFRS 15	Revenue from Contracts with Customers	Jan 1, 2017	Impact to be assessed
IFRS 10 / IFRS 12 / IAS 28 amendment	Investment Entities: Applying the Consolidation Exception	Jan 1, 2016	None
IAS 1 amendment	Disclosure Initiative	Jan 1, 2016	Impact to be assessed
IAS 27 amendment	Equity Method in Separate Financial Statements	Jan 1, 2016	None
IFRS 10 / IAS 28 amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Jan 1, 2016	None
IAS 16 / IAS 41 amendment	Bearer Plants	Jan 1, 2016	None
IAS 16 / IAS 38 amendment	Clarification of Acceptable Methods of Depreciation and Amortization	Jan 1, 2016	None
IFRS 11 amendment	Accounting for Acquisitions of Interests in Joint Operations	Jan 1, 2016	None
	Annual improvements to IFRSs 2012-2014 Cycle	July 1, 2016	Impact to be assessed
IAS 19 amendment	Defined Benefit Plans: Employee Contributions	July 1, 2014	Impact to be assessed
	Annual improvements to IFRSs 2011-2013 Cycle	July 1, 2014	Impact to be assessed
	Annual improvements to IFRSs 2010-2012 Cycle	July 1, 2014	Impact to be assessed

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company. ■



+ Note 2.3 – Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Company uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed as incurred. Identifiable assets acquired, liabilities, and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired the difference is recognized directly in the income statement.

Inter-company transactions, balances, and unrealized gains on transactions between group companies are eliminated. ■

+ Note 2.4 – Segment reporting

Operating segments are reported in a manner consistent with the internal reporting, provided to the chief operating decision maker. The Group identified the Management Board as the "chief operating decision maker". The Management Board reviews the consolidated operating results regularly to make decisions about resources and to assess overall performance.

For further disclosure see note 5. ■

+ Note 2.5 – Foreign currency translation

a. Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Euros, which is the reporting Company's functional and presentation currency.

b. Transactions and balances

Foreign currency transactions are converted into the functional currency using exchange rates applicable on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the income statement.

Change in the fair value of monetary securities denominated in foreign currency and classified as "available-for-sale" is analyzed by considering translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differenc-



es related to changes in amortized cost are accounted for in profit or loss. Other changes in the carrying amount are accounted for in other comprehensive income and are shown as other reserves.

c. Subsidiaries

The results and financial position of all subsidiaries (none of which having the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are converted into the presentation currency as follows:

- › (i) Assets and liabilities presented for each balance sheet are converted according to the exchange rate valid on the balance sheet date;
- › (ii) Income and expenses for each income statement are converted at monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are converted on the dates of the transactions); and
- › (iii) All resulting exchange differences are recognized as other comprehensive income and are shown as other reserves.

Upon consolidation, exchange differences arising from the conversion of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments are taken into shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that had been recorded in equity are recognized in the income statement as part of the gain or loss on sale. ■

+ Note 2.6 – Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue and the costs incurred in the transaction can be reliably measured. Revenue comprises the fair value of the consideration received or receivable in the course of the Company's ordinary activities for product sales, the grant of licenses, license options, or commercialization rights, royalties, and for services performed in collaboration with, or on behalf of, licensees, partners or customers under the commercial agreements, as well as grants from governmental and non-governmental organizations designated to remunerate approved scientific research activities. Revenue is shown net of value-added tax, rebates, and discounts, and after eliminating sales within the Company. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognized as follows:

a. Product Sales

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon delivery of the goods. In cases where the goods are sold via a distributor and where the consideration consists of a fixed part and a variable part that is only payable upon the distributor's sale of the product to the ultimate purchaser, the fixed consideration is recognized when the Company has delivered products to the distributor, the distributor has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the distributor's acceptance of the products. The variable part of such consideration is recognized as soon as the distributor has sold the product to the market and all conditions for the Company to receive the variable consideration have been met. The Company does not operate any loyalty programs.



b. Revenues from collaborations and licensing and Services

The Company generates revenues from collaboration and license agreements for its product candidates and proprietary technologies. The terms of such agreements include license fees payable as initial fees, annual license maintenance fees, and fees to be paid upon achievement of milestones, as well as license option fees and fees for the performance of research services. In addition, the Company's collaboration and licensing arrangements generally provide for royalties payable on the licensee's future sales of products developed within the scope of the license agreement.

Under certain arrangements, the Company assumes multiple performance obligations, such as granting licenses and commercialization rights, supplying products or materials, and/or providing research services. If the fair value of the components of such an arrangement can be reliably determined, then revenue is recorded separately for each component. If it is not possible to determine the fair value of each element of an arrangement and no specific element is considerably more significant than any other element, then revenue is recognized on a straight-line basis over the life of the agreement.

The Company recognizes initial fees for the granting of licenses under non-cancelable contracts, which permit the licensee to freely exploit the licensed intellectual property rights when such rights are assigned and associated know-how is delivered. Additional non-refundable license fees to be paid upon the achievement of certain milestones are recognized as revenue when such a milestone has been achieved.

Under certain arrangements, the Company receives non-refundable up-front fees for granting license options, which allow the licensee to obtain, upon execution of the option, a license for specific intellectual property rights

on pre-defined terms and conditions. Such option premiums are deferred and amortized over the option period and the arrangement is not considered to give rise to a financial asset or liability.

Fees received for the performance of research services are recognized as revenue when the service has been rendered and the collectability of the receivable is deemed probable. Up-front and milestone payments received for the future performance of research services are deferred and recognized when the research has been performed. Non-refundable milestone payments received for research services already rendered are recognized as revenue when received.

c. Grant income

Grants from governmental agencies and non-governmental organizations are recognized at their fair value where there is reasonable assurance that the grant will be received and the Company will comply with all conditions.

Grant monies received as reimbursement of approved research and development expenses are recognized as revenue when the respective expenses have been incurred and there is reasonable assurance that funds will be received. Advance payments received under such grants are deferred and recognized when these conditions have been met.

Government grant monies received to support the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

Research and development tax credit granted by tax authorities are accounted for as grants under IAS20. In consequence, the portion of the research tax credit covering operating expenses is recognized in the income



statement under “Grants” in “Revenues and Grants” and the portion covering capitalized development expenditures under “Intangible assets” is recorded as deduction from the assets relating to.

d. Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. ■

+ Note 2.7 – Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Company leases certain property, plant and equipment. Leases of property, plant and equipment, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period (“effective interest rate method”). The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset. ■

+ Note 2.8 – Property, plant and equipment

Property, plant and equipment mainly comprise a manufacturing facility and leasehold improvements in rented office and laboratory space. All property, plants and equipment are stated at historical cost less depreciation and less impairment losses when necessary. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and that the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Property, plant and equipment include machinery, for which validation is required to bring the asset to its working condition. The costs of such validation activities are capitalized together with the cost of the asset. Validation costs beyond the normal validation costs, which are usually required to bring an asset to its working condition are expensed immediately. The usual validation costs are capitalized on the asset and depreciated over the remaining life of the asset or the shorter period until the next validation is usually required.

Depreciation of assets is calculated using the straight-line method to allocate their cost amounts to their residual values over their estimated useful lives, as follows:

- › Buildings, leasehold improvements
8 - 40 years
- › Machinery, laboratory equipment
2 - 15 years
- › Furniture, fittings and office equipment
4 - 10 years
- › Hardware
3 - 5 years



The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement "other income and expenses, net". ■

+ Note 2.9 – Intangible assets

a. Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and implement the specific software. These costs are amortized on a straight-line basis over their estimated useful lives, generally three to five years.

Costs associated with developing or maintaining computer software programs are recognized as expenses when they have been incurred.

b. Acquired R&D technology and projects

Acquired R&D technology projects are capitalized. Amortization of the intangible asset over its useful life starts when the product has been fully developed and is ready for use. These costs are amortized on a straight-line basis over their useful lives. This useful life is determined on a case-by-case basis according to the nature and characteristics of the items included under this heading. As long as the useful life is indefinite, in-process research and development projects are tested annually for impairment and carried at cost less accumulated impairment losses. Furthermore, assets with an indefinite useful life and assets that are subject to amortization are reviewed for impairment whenever events or changes

in circumstances indicate that the carrying amount may not be recoverable. The current acquired R&D technology and projects are amortized over a period between five and 17 years.

c. Development costs

Research expenses are recognized as expenses when they have been incurred. Development expenses incurred on clinical projects (related to the design and testing of new or significantly improved products) are recognized as intangible assets when the following criteria have been fulfilled:

- › (a) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- › (b) Management intends to complete the intangible asset and to utilize or sell it;
- › (c) There is an ability to utilize or sell the intangible asset;
- › (d) It can be demonstrated how the intangible asset will generate probable future economic benefits;
- › (e) Adequate technical, financial, and/or other resources to complete the development and to utilize or sell the intangible asset are available; and
- › (f) The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as expense when they have been incurred. Development costs that have been previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use on a straight-line basis over its useful life, generally 10-15 years.

d. Goodwill

Goodwill, which is a residual element, is determined as the difference between (IFRS 3.32):

- › 1. First, the sum of the following items:
 - a. the purchase price under the takeover, generally measured at fair value at the acquisition date;
 - b. the amount of minority interests in the acquiree determined in accordance with IFRS 3; and
 - c. for step acquisitions, fair value at the acquisition date of the share interest held by the acquirer in the acquiree before the takeover;
- › 2. Secondly, the net assets acquired and liabilities assumed, valued in accordance with IFRS.

The buyer has a choice for each business combination to recognize either a partial goodwill (corresponding to its percentage holding only) or a full goodwill (also including goodwill for minority interests) (IFRS 3.19). ■

+ Note 2.10 – Impairment of non-financial assets

Assets that have an indefinite useful life, as goodwill, acquired R&D technology and projects and capitalized in-process research and development projects not ready for use, are not subject to amortization and are tested annually for impairment. Furthermore, assets that have an indefinite useful life and assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling costs and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets,

other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. ■

+ Note 2.11 Non-current assets and liabilities (or disposal groups) held for sale

Non-current assets or liabilities (or disposal groups) are classified as assets or liabilities held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. ■

+ Note 2.12 – Financial assets

The Company classifies its financial assets into the following categories: a. loans and receivables, and b. available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

a. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods, or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except those with maturities beyond 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as “trade receivables and other assets” in the balance sheet (see note 2.15).

b. Available-for-sale financial assets

Available-for-sale financial assets are those intended to be held for an indefinite period of time and which may be sold in respect to needs for liquidity or changes in interest rates, exchange rates or equity prices. Assets in this category are classified as current assets if they are expected to be realized within 12 months of the balance sheet date.



Purchases and sales of financial assets are recognized on the trade date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs and available-for-sale financial assets are subsequently carried at fair value. Financial assets are derecognized when such a financial asset has been transferred or substantially all risks and rewards of ownership have been transferred, or when the rights to receive cash flows from the financial asset have expired.

Changes in the fair value of financial assets denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in profit or loss. Changes in the fair value of monetary securities classified as available-for-sale are recognized in other comprehensive income and are shown as other reserves.

When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as "realized fair value gains or losses". The fair value of shares in an investment fund is determined by the daily redemption price at which such shares can be sold, as quoted by the fund, based on the fund's net asset value. Interest on available-for-sale financial assets calculated using the effective interest method is recognized in the income statement as part of financial income. ■

+ Note 2.13 – Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance sheet date.

The valuation techniques utilized for establishing the fair values of assets and liabilities are based on observable and unobserva-

ble inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect management's market assumptions.

The fair value of instruments that are quoted in active markets are determined using the quoted prices where they represent those at which regularly and recently occurring transactions take place. Furthermore the company uses valuation techniques to establish the fair value of instruments where prices, quoted in active markets, are not available. ■

+ Note 2.14 – Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method, specifically the first-expiry first-out (FEFO) method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity) are stated at standard costs. The variances between the actual costs and the standard costs are calculated in every financial reporting period and allocated to the corresponding category of inventory, so there is no difference between actual and standard costs. It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provisions for faulty products are included in the value of inventories. ■

+ Note 2.15 – Trade receivables and other assets

Trade receivables and other assets are initially recognized at fair value. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the profit or loss. ■



+ *Note 2.16 – Cash, cash equivalents and short-term deposits*

Cash includes cash in hand, and deposits held at call with banks. Cash equivalents include time deposits and medium-term notes that can be assigned or sold on very short notice and are subject to insignificant risk of changes in value in response to fluctuations in interest rates. Restrictions on the remittance of cash and cash equivalents are described, if any, in note 19. ■

+ *Note 2.17 – Share capital, share premium and other regulated reserves, retained earnings and other reserves, and net result*

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any, from the proceeds.

When the Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly-attributable incremental costs (net of income taxes, if any) is deducted from equity attributable to the Company's equity holders until the shares are canceled, reissued or otherwise disposed of. In cases where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and related income tax effects, is included in equity attributable to the Company's equity holders.

The profit or loss for the year is fully included in net result while other comprehensive income solely affects retained earnings and other reserves. ■

+ *Note 2.18 – Trade payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. Trade payables are recognized initially at fair value. Short-term trade payables are subsequently measured at the repayment amount. ■

+ *Note 2.19 – Borrowings*

Borrowings are initially recognized at fair value if determinable, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. ■

+ *Note 2.20 – Current and deferred income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively. The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regula-

tion is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit/loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not be reversed within the foreseeable future. ■

+ Note 2.21 – Employee benefits

a. Share-based payments

Equity-settled transactions

The Company operates an equity-settled, share-based compensation plan. The fair value of such share-based compensation is recognized as an expense for employee services received in exchange for the grant of the op-

tions. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Annually, the Company revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, and makes a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to nominal capital (nominal value) and share premium (amount exceeding nominal value) when the options are exercised.

b. Bonus plans

The Company recognizes a liability and an expense for bonuses. The Company recognizes a liability when it has assumed a contractual obligation or where there is a past practice that has created a constructive obligation.

c. Employee commitments

Some group companies provide retirement termination benefits to their retirees.

For defined benefit plans, retirement costs are determined once a year using the projected unit credit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to determine the final obligation. The final obligation is then discounted. These calculations mainly use the following assumptions:

- › a discount rate;
- › a salary increase rate;
- › an employee turnover rate.



Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

For basic schemes and defined contribution plans, the Company recognizes the contributions as expenses when payable, as it has no obligations over and above the amount of contributions paid. ■

+ Note 2.22 – Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties concerning the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are not recognized for future operating losses. ■

+ 2.23 Deferred Revenues

Deferred Revenues are comprised of advanced payments from collaboration partners (especially option fees) and conditional advances from subordinated grants. These are recognized under “other non-current liabilities” and “other current liabilities” according to their maturity. In the event of a failure to complete the work, the debt waiver is recognized in “other net income and expense” for grants used to finance projects recognized under “development expenditure”, and in “Operating grants” for grants used for research or development projects not capitalized in the balance sheet. ■



Note 3: Financial risk management

+ Note 3.1 – Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk, and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Financial risk management is carried out by the CFO under the close supervision of the Management Board. The CFO identifies, evaluates, and manages financial risks. The Management Board submits regular reports on its risk management systems, including the management of financial risks, to the audit committee of the Supervisory Board.

a. Market risk

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. Dollar ("USD"), the British Pound ("GBP"), whereas the foreign exchange risk exposure to some other currencies, including the Australian and the Canadian Dollar, the Swiss Franc and the Japanese Yen is relatively limited. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.

The objective of the Company is to limit the potential negative impact of the foreign exchange rate changes, for example by currency conversion of cash and cash equivalents denominated in foreign currency.

The Company has certain investments in foreign operations, the net assets of which are exposed to foreign currency translation risk.

At December 31, 2014, if the USD had weakened by 10% against the EUR, with all other variables held constant, pre-tax loss for the year would have been lower by EUR 2,060 thousand (2013: EUR 587 thousand higher), mainly as a result of foreign exchange gains on the translation of USD-denominated borrowings and trade payables, partly offset by a negative effect from cash equivalents and trade receivables. Income was more sensitive to fluctuations in the EUR/USD exchange rate at the balance sheet date in 2014 than it was in 2013 mainly because of the decreased amount of USD-denominated trade receivables and cash equivalents and the increased USD-denominated borrowings and trade payables.

At December 31, 2014, if the GBP had weakened by 10% against the EUR, with all other variables held constant, pre-tax loss for the year would have been EUR 261 thousand higher (2013: EUR 57 thousand). Income was more sensitive to fluctuations in the EUR/GBP exchange rate at the balance sheet date in 2014 than it was in 2013 mainly because of the increased amount of GBP-denominated cash equivalents.

Interest rate risk

The Company is exposed to market risks in connection with hedging both of its liquid assets and of its medium and long-term indebtedness and borrowings subject to variable interest rates.

Borrowings issued at variable rates expose the Company to cash flow interest rate risk, which is offset by cash and financial assets held at variable rates. During 2014 and 2013, the Company's investments at variable rate as well as the borrowings at variable rate were denominated in EUR and in USD.

The Company analyzes its interest rate exposure on a dynamic basis. Based on this analysis, the Company calculated the impact on



profit and loss of a defined interest rate shift. The same interest rate shift was used for all currencies. The calculation only includes investments in financial instruments and cash in banks that represent major interest-bearing positions. As of the balance sheet date, the calculated impact on income before tax of a 0.25% shift would be an increase or decrease of EUR 36 thousand (2013: EUR 27 thousand).

b. Credit risk

The Company is exposed to credit risk. The Company holds bank accounts, cash balances, and securities at quality financial institutions with high credit ratings. To monitor the credit quality of its counterparts, the Company relies on credit ratings as published by specialized rating agencies such as Standard & Poor's, Moody's, and Fitch. The Company has policies that limit the amount of credit exposure to any single financial institution. The Company is also exposed to credit risk from its trade debtors, as its collaborations, licensing and services income arises from a small number of transactions. The Company has policies in place to enter into such transactions only

with highly reputable, financially sound counterparts. If customers are independently rated, these ratings are used. Otherwise, in the case that there is no independent rating, risk management assesses the credit quality of the customer, taking into account its financial position, past experience, and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The credit quality of financial assets is described in note 14.3.

c. Liquidity risk

The Company is exposed to liquidity risk resulting from the maturity of its financial liabilities. Furthermore, liquidity risk is resulting from the fact that the Company's operating cash flow is subject to fluctuations during accounting periods. Prudent liquidity risk management therefore implies maintaining sufficient cash and marketable securities in order to satisfy ongoing operating requirements and the ability to close out market positions. Extraordinary conditions on the financial markets may, however, temporarily restrict the possibility to liquidate certain financial assets.



The table below analyzes the Company's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

AT DECEMBER 31, 2013 EUR IN THOUSANDS	LESS THAN 1 YEAR	BET- WEEN 1 AND 3 YEARS	BET- WEEN 3 AND 5 YEARS	OVER 5 YEARS	TOTAL
<i>Borrowings (excluding finance lease liabilities)¹</i>	5,401	17,849	26,128	2,333	51,711
<i>Finance lease liabilities</i>	980	2,045	2,045	27,353	32,423
<i>Trade payables and accruals²</i>	11,030	-	-	-	11,030
<i>Tax and employee-related liabilities³</i>	3,044	-	-	-	3,044
<i>Other liabilities and provisions⁴</i>	203	2,942	1,259	1,925	6,330
	20,658	22,836	29,432	31,611	104,537

AT DECEMBER 31, 2014 EUR IN THOUSANDS	LESS THAN 1 YEAR	BET- WEEN 1 AND 3 YEARS	BET- WEEN 3 AND 5 YEARS	OVER 5 YEARS	TOTAL
<i>Borrowings (excluding finance lease liabilities)¹</i>	6,282	25,572	9,544	1,701	43,099
<i>Finance lease liabilities</i>	836	1,693	1,722	25,804	30,054
<i>Trade payables and accruals²</i>	10,734	-	-	-	10,734
<i>Tax and employee-related liabilities³</i>	3,278	-	-	-	3,278
<i>Other liabilities and provisions⁴</i>	23	-	178	9	210
	21,152	27,265	11,444	27,514	87,375

¹The categories in this disclosure are determined by IAS 39. Finance leases are mostly outside the scope of IAS 39 but they remain within the scope of IFRS 7. Therefore, finance leases have been shown separately.

²Accruals for taxes are excluded from the trade payables and accruals balance, as this analysis is required only for financial instruments.

³Social security and other tax payables are excluded from the tax and employee-related liabilities balance, as this analysis is required only for financial instruments.

⁴Deferred income and provisions are excluded from the other liabilities and provisions balance, as this analysis is required only for financial instruments.

The fair values as well as the book values of the Company's borrowings are disclosed in note 24. To manage liquidity risk, the Company holds sufficient cash balances and generally invests in securities that can be promptly converted into cash. ■

**+ Note 3.2 – Accounting for hedging activities**

At the balance sheet date, the Company does engage in hedging activities. For more information see note 14.2. ■

+ Note 3.3 – Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide benefits for shareholders and for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company actively manages its funds to primarily ensure liquidity and principal preservation while seeking to maximize returns. The Company's cash and short-term investments are located at several different banks and financial investments are made in liquid, highly diversified investment instruments in balanced risk categories. In order to maintain or adjust the capital structure, the Company may issue new shares or sell assets to reduce debt.

Consistent with its stage of development as a biotech company with lower cash flows from product sales than R&D expenses, the Company principally relies on equity financing. Capital consists of "equity" as shown in the consolidated balance sheet. ■

+ Note 3.4 – Fair value estimation

The fair value of financial instruments traded on active markets (such as available-for-sale securities) is based on market prices or dealer quotes at the balance sheet date.

The fair value of financial instruments not traded on an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing upon each balance sheet date, such as estimated discounted cash flows and market prices or dealer quotes for similar instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the relatively short maturity of the respective instruments. The fair value of investment funds held as available-for-sale financial assets is based on current bid rates offered by the investment fund manager based on the current market price of the fund's assets on the balance sheet date. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments. ■

Note 4: Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

+ Note 4.1 – Critical accounting estimates and assumptions

To produce this financial information, the Company's management has to make estimates and assumptions that affect the carry-

ing amount of the assets and liabilities, income and expenses, and the information disclosed in the notes.

The Management makes these estimates and assessments continuously based on its past



experience and various other factors considered reasonable that form the basis of these assessments.

The figures that appear in its future financial statements are likely to differ from these estimates should the assumptions change or the conditions differ.

The main significant estimates made by the Company's management relate primarily to the valuation of goodwill, other intangible assets (amortization period of development expenditures and acquired technologies), other liabilities for amounts owed as earn out payments to the sellers of certain acquired assets, revenue recognition (for licensing income recognized over the projected development period; for income from grants, measured according to cost incurred compared to the budget), as well as the variable component of a loan from Pharmakon, which is accounted for based on budgeted future sales figures. ■

+ *Note 4.2 – Critical judgments in applying the entity's accounting policies*

Revenue recognition

The Company generates revenues from collaboration and license agreements for its product candidates and proprietary technologies. Such agreements usually provide for multiple performance obligations and multiple fee components. Management's judgment is required to determine whether such different elements of an agreement are, from the partner's perspective, viewed as one transaction or as separately identifiable components, and, where revenue recognition criteria are applied separately to multiple components of an agreement, to determine the fair value of each component of an arrangement. ■

Note 5: Segment information

As of January 1, 2014 the Group changed its internal reporting process in the course of the comprehensive business integration project following the merger of Vivalis and Intercell in May 2013, which included the introduction of new financial business reporting structures. Therefore the segments consist of following:

- + "Products" (marketed vaccines, currently the Group's JEV vaccine);
- + "Technologies and services" (services and inventions in commercialization stage, i.e. revenue-generating through collaboration, service and licensing agreements, including EB66®, VivalScreen®, and IC31®);
- + "Product R&D" (proprietary research and development programs aiming to generate new approvable products in order to generate future cash flows from product sales or from commercialization through partnering with pharmaceutical companies).

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



Note 5.1 – Income statement aggregates by segment:

Income statement aggregates by segment for the year ended December 31, 2013

EUR IN THOUSANDS	PRO- DUCTS	TECHNO- LOGIES AND SER- VICES	PRODUCT R&D	CORPE- RATE OVER- HEAD	TOTAL
<i>Revenues and grants</i>	23,239	6,974	5,778	-	35,991
<i>Cost of goods and services</i>	(16,508)	-	-	-	(16,508)
<i>Research and development expenses</i>	(1,508)	(11,416)	(8,500)	-	(21,423)
<i>General, selling and administrative expenses</i>	(4,344)	(1,269)	-	(9,107)	(14,720)
<i>Other income and expenses, net</i>	-	-	-	1,157	1,157
<i>Amortization and impairment</i>	(3,697)	(1,655)	-	-	(5,353)
Operating loss	(2,819)	(7,366)	(2,722)	(7,950)	(20,856)
<i>Finance income/loss and income tax</i>	-	-	-	(3,117)	(3,117)
Loss from continuing operations	(2,819)	(7,366)	(2,722)	(11,067)	(23,973)

Income statement aggregates by segment for the year ended December 31, 2014

EUR IN THOUSANDS	PRO- DUCTS	TECHNO- LOGIES AND SER- VICES	PRODUCT R&D	CORPE- RATE OVER- HEAD	TOTAL
<i>Revenues and grants</i>	28,289	5,067	9,072	-	42,429
<i>Cost of goods and services</i>	(15,565)	(1,578)	-	-	(17,144)
<i>Research and development expenses</i>	(3,749)	(4,231)	(14,262)	-	(22,242)
<i>General, selling and administrative expenses</i>	(1,193)	(874)	-	(12,074)	(14,142)
<i>Other income and expenses, net</i>	-	-	-	(395)	(395)
<i>Amortization and impairment</i>	(6,637)	(5,686)	-	-	(12,323)
Operating loss	1,144	(7,302)	(5,190)	(12,469)	(23,817)
<i>Finance income/loss and income tax</i>	-	-	-	(2,455)	(2,455)
Loss from continuing operations	1,144	(7,302)	(5,190)	(14,924)	(26,272)



+ Note 5.2 – Geographical segments:

In presenting information on the basis of geographical segments, segment revenue is based on the final location where our distribution partner sells the product or the customer/partner is located. Segment assets are based on the geographical location of the assets.

Revenues per geographical segment

EUR IN THOUSANDS	YEAR ENDED DECEMBER 31,	
	2014	2013
<i>France</i>	4,845	5,338
<i>Europe – without France</i>	16,844	12,157
<i>North America</i>	19,160	18,055
<i>Other</i>	1,580	440
Revenues	42,429	35,991

Non-current assets per geographical segment

EUR IN THOUSANDS	AT DECEMBER 31,	
	2014	2013
<i>France</i>	7,833	23,059
<i>Europe – without France</i>	138,269	146,590
<i>North America</i>	712	662
<i>Other</i>	-	159
Non-current assets	146,814	170,470

Non-current assets for this purpose consist of property, plant and equipment and intangible assets. ■

+ Note 5.3 – Information about major customers

Collaboration and licensing revenue from the two largest customers amounted to EUR 5,054 thousand (2013: EUR 3,539 thousand) and EUR 1,328 thousand (2013: EUR 1,151 thousand), respectively. Product sales to the largest customer amounted to EUR 27,781 thousand (2013: EUR 12,709 thousand). ■

**Note 6: Expenses by nature**

Cost of goods and services, research and development expenses, general, selling, and administrative expenses, and amortization and impairment include the following items by nature of cost

EUR IN THOUSANDS	YEAR ENDED DECEMBER 31,	
	2014	2013
<i>Consulting and other purchased services</i>	14,662	11,325
<i>Employee benefit expense (note 7)</i>	21,864	17,781
<i>Depreciation and amortization</i>	12,359	9,055
<i>Impairment</i>	4,095	92
<i>Building and energy costs</i>	3,244	2,556
<i>Raw materials and consumables used</i>	2,060	3,320
<i>Supply, office and IT-costs</i>	677	864
<i>Travel and transportation costs</i>	762	827
<i>Advertising costs</i>	25	3,174
<i>License fees and royalties</i>	3,836	2,472
<i>Other expenses</i>	134	143
<i>Amounts capitalized as development costs and changes in inventory</i>	2,133	6,532
Total	65,851	58,141
<i>Reclassification of business disposal</i>	-	(137)
Cost of goods and services, research and development expenses, general, selling, and administrative expenses, and amortization and impairment	65,851	58,004



Fees charged by the statutory auditors and members of their network to the Group

EUR IN THOUSANDS EXCL. VAT	YEAR ENDED DECEMBER 31, 2014		YEAR ENDED DECEMBER 31, 2013	
	PwC	Deloitte & Associés	PwC	Deloitte & Associés
Audit				
<i>Statutory audit</i>				
- Valneva SE	111	114	44	46
- Fully consolidated subsidiaries	53	44	50	32
<i>Audit procedures in relation with the merger with Intercell AG</i>	-	-	78	41
<i>Audit procedures in relation with the issuance of common stock in July 2013</i>	-	-	-	95
<i>Audit procedures in relation with the issuance of common stock in February 2015</i>	78	66	-	-
<i>Other procedures and services direct related to the statutory auditor's engagement</i>				
- Valneva SE	-	4	-	2
- Fully consolidated subsidiaries	17	16	28	-
Audit sub-total	258	245	200	217
Other services				
<i>Legal, tax, labor issues</i>				
- Valneva SE	-	-	-	-
- Fully consolidated subsidiaries	-	-	-	2
<i>Other directly related procedures</i>	-	-	-	-
<i>Accessory missions</i>	-	-	-	-
Other services sub-total	-	-	-	2
Fees charged by the statutory auditors and members of their network	258	245	200	219

**Note 7: Employee benefit expense**

Employee benefit expenses include the following

EUR IN THOUSANDS	YEAR ENDED DECEMBER 31,	
	2014	2013
<i>Salaries</i>	16,483	13,335
<i>Social security contributions</i>	4,236	3,666
<i>Training and education</i>	292	317
<i>Share options granted to management and employees</i>	528	173
<i>Other employee benefits</i>	325	290
Employee benefit expense	21,864	17,781

During the year 2014, the Group had an average of 275 employees (2013: 193 employees). ■

Note 8: Other income/(expenses), net

Other income, net of other expenses, includes the following

EUR IN THOUSANDS	YEAR ENDED DECEMBER 31,	
	2014	2013
<i>Taxes, duties, fees, charges, other than income tax</i>	(258)	(282)
<i>Gain/(loss) on disposal of fixed assets, net</i>	(63)	1,260
<i>Miscellaneous income/(expenses), net</i>	(74)	180
Other income/(expenses), net	(395)	1,157

The gain on disposal of fixed assets, net in the previous year includes a gain of EUR 1,312 thousand resulting from the sale of the Group's Clinical Manufacturing Operations (CMO) in Nantes to Biological E, a leading Indian biopharmaceutical company, which was finalized in November 2013. ■

**Note 9: Finance income/(expenses), net**

EUR IN THOUSANDS	YEAR ENDED DECEMBER 31,	
	2014	2013
Finance income		
- Interest income from bank deposits	132	177
- Interest income from other parties	93	14
- Realized gain from the sale of current financial assets	-	9
- Gains on financial assets/liabilities	48	-
- Foreign exchange gains	1,999	-
	2,273	200
Finance expense		
- Interest expense to banks and government agencies	(190)	(115)
- Interest expense on other loans	(4,204)	(1,097)
- Losses on financial assets/liabilities	-	(50)
- Foreign exchange losses	-	(1,707)
	(4,394)	(2,969)
Finance income/(expenses), net	(2,121)	(2,769)

The Group benefits from government assistance through arranging borrowing facilities that would have otherwise not been available to the Company. This assistance includes guarantees for the amount outstanding. For more information see note 24. ■

**Note 10: Income tax****+ Note 10.1 – Tax income/(expense)**

Income tax is comprised of current and deferred tax

EUR IN THOUSANDS	YEAR ENDED DECEMBER 31,	
	2014	2013
<i>Current tax</i>	(315)	(386)
<i>Deferred tax</i>	(19)	38
Income tax	(334)	(348)

The individual entities' reconciliations – prepared on the basis of the tax rates applicable in each country and while taking consolidation procedures into account – have been summarized in the reconciliation below. The estimated tax charge is reconciled to the effective tax charge disclosed.

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

EUR IN THOUSANDS	YEAR ENDED DECEMBER 31,	
	2014	2013
Loss before tax	(25,938)	(23,762)
<i>Tax calculated at domestic tax rates applicable to profits in the respective countries</i>	7,650	6,675
<i>Income not subject to tax</i>	1,828	156
<i>Expenses not deductible for tax purposes</i>	(1,602)	(533)
<i>Deferred tax asset not recognized</i>	(8,163)	(7,957)
<i>Adjustments in respect of prior years</i>	(20)	226
<i>Effect of change in applicable tax rate</i>	2	11
<i>Exchange differences</i>	(4)	1,073
<i>Minimum income tax</i>	(3)	-
<i>Withholding tax</i>	(23)	-
Income tax	(334)	(348)

In light of losses incurred, the effective tax rate is not presented. ■

*Note 10.2 – Deferred tax*

As of December 31, 2014 the deferred tax asset of EUR 338,797 thousand (2013: EUR 374,363 thousand) are not recognized as there was no sufficient evidence that adequate taxable profit will be available against which the unused tax losses can be utilize in the foreseeable future.

As of December 31, 2014 the Group has tax losses carried forward of EUR 422,023 thousand (2013: EUR 392,033 thousand), of which EUR 81,169 thousands are related to Valneva SE in France (2013: EUR 67,421 thousand), EUR 322,984 are related to Valneva Austria GmbH and Elatos GmbH in Austria (2013: EUR 306,789 thousand) and EUR 17,871 thousand are related to Intercell USA, Inc in U.S. (2013: EUR 17,824 thousand).

Tax losses carried forward in Austria and France have no expiry date, whereas the tax loss from U.S. entities will begin to expire in the year 2023 if unused.

The offset amounts are as follows:

EUR IN THOUSANDS	YEAR ENDED DECEMBER 31,	
	2014	2013
Deferred tax assets		
- <i>Deferred tax asset to be recovered after more than 12 months</i>	21,774	21,893
- <i>Deferred tax asset to be recovered within 12 months</i>	1,569	1,604
Total deferred tax assets	23,343	23,496
Deferred tax liabilities		
- <i>Deferred tax liability to be recovered after more than 12 months</i>	(23,259)	(23,422)
- <i>Deferred tax liability to be recovered within 12 months</i>	(187)	(153)
Total deferred tax liability	(23,446)	(23,575)
Deferred tax, net	(103)	(79)

The gross movement on the deferred income tax account is as follows:

EUR IN THOUSANDS	YEAR ENDED DECEMBER 31,	
	2014	2013
<i>Beginning of year</i>	(79)	-
<i>Exchange differences</i>	(6)	3
<i>Acquisition of subsidiary / PPA adjustment</i>	-	(119)
<i>Income statement charge</i>	(18)	37
End of year	(103)	(79)



The deferred tax assets and liabilities are allocable to the various balance sheet items as follows:

EUR IN THOUSANDS	YEAR ENDED DECEMBER 31,	
	2014	2013
Deferred tax asset from		
<i>Tax losses carried forward</i>	115,015	106,365
<i>Fixed assets</i>	1,051	1,532
<i>Other items</i>	2,390	2,547
<i>Non-recognition of deferred tax assets</i>	(95,114)	(86,948)
Total deferred tax assets	23,343	23,496
Deferred tax liability from		
<i>Accelerated tax depreciation</i>	(300)	(439)
<i>Fixed assets</i>	(226)	(234)
<i>Intangible assets</i>	(22,780)	(22,748)
<i>Other items</i>	(140)	(154)
Total deferred tax liability	(23,446)	(23,575)
Deferred tax, net	(103)	(79)

The income tax rate in the United Kingdom has been reduced from 23% to 21%. The deferred tax assets and liabilities presented above as at December 31, 2014 have been adjusted for this change in tax rates.

The resulting deferred tax assets were only recognized for entities where sufficient evidence has been provided that adequate taxable profit will be available against which the unused tax losses can be utilized in the foreseeable future. ■

**Note 11: Earnings/Losses per share**

Basic earnings/losses per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of outstanding shares during the year, excluding shares purchased by the Company and held as treasury shares (note 22).

	YEAR ENDED DECEMBER 31,	
	2014	2013
<i>Net loss from continuing operations attributable to equity holders of the Company (EUR in thousands)</i>	(26,272)	(23,973)
<i>Weighted average number of outstanding shares</i>	55,493,043	39,343,185
Basic earnings/(losses) from continuing operations per share (EUR per share)	(0.47)	(0.61)

Diluted losses per share equal basic losses per share, because the conversion of all potentially dilutive shares (outstanding preferred shares, share options, bonus shares, and equity warrants) (see notes 21 and 23) would result in a decrease in the loss per share and is therefore not to be treated as dilutive. ■



Note 12: Property, plant and equipment

EUR IN THOUSANDS	LAND, BUILDINGS AND LEASE-HOLD IMPROVEMENTS	MANUFACTURING AND LABORATORY EQUIPMENT	COMPUTER HARDWARE	FURNITURE, FITTINGS AND OTHER	ASSETS IN THE COURSE OF CONSTRUCTION	TOTAL
January 1, 2013						
<i>Cost</i>	10,745	8,193	510	440	23	19,911
<i>Accumulated depreciation and impairment</i>	(2,679)	(4,539)	(371)	(232)	-	(7,820)
Net book value	8,066	3,654	140	208	23	12,091
Year ended December 31, 2013						
<i>Opening net book value</i>	8,066	3,654	140	208	23	12,091
<i>Exchange rate differences</i>	106	24	-	-	-	130
<i>Acquisition of subsidiary (note 30)</i>	35,698	2,817	119	516	-	39,150
<i>Additions</i>	153	567	58	20	-	798
<i>Reclassification</i>	23	-	-	-	(23)	-
<i>Disposals</i>	(2,179)	(1,483)	(48)	(28)	-	(3,738)
<i>Depreciation charge</i>	(1,627)	(1,454)	(125)	(110)	-	(3,316)
<i>Impairment charge</i>	-	(48)	-	-	-	(48)
Closing net book value	40,240	4,076	143	607	-	45,067
December 31, 2013						
<i>Cost</i>	51,181	18,456	1,471	1,390	-	72,497
<i>Accumulated depreciation and impairment</i>	(10,941)	(14,379)	(1,327)	(782)	-	(27,430)
Net book value	40,240	4,076	143	607	-	45,067



EUR IN THOUSANDS	LAND, BUILDINGS AND LEASE-HOLD IMPROVEMENTS	MANUFACTURING AND LABORATORY EQUIPMENT	COMPUTER HARDWARE	FURNITURE, FITTINGS AND OTHER	ASSETS IN THE COURSE OF CONSTRUCTION	TOTAL
Year ended December 31, 2014						
<i>Opening net book value</i>	40,240	4,076	143	607	-	45,067
<i>Exchange rate differences</i>	287	70	5	11	-	372
<i>Additions</i>	71	953	85	18	-	1,127
<i>Reclassification</i>	(9)	-	-	-	-	(9)
<i>Disposals</i>	-	(176)	(1)	(1)	-	(177)
<i>Depreciation charge</i>	(2,455)	(1,243)	(88)	(125)	-	(3,911)
<i>Impairment charge</i>	-	(235)	-	-	-	(235)
<i>Transferred to Assets held for sale</i>	-	(560)	(12)	(52)	-	(623)
Closing net book value	38,134	2,886	132	458	-	41,611
December 31, 2014						
<i>Cost</i>	51,899	18,072	1,386	1,305	-	72,661
<i>Accumulated depreciation and impairment</i>	(13,765)	(15,186)	(1,254)	(846)	-	(31,050)
Net book value	38,134	2,886	132	458	-	41,611

Depreciation and amortization expenses of EUR 1,384 thousand (2013: EUR 2,344 thousand) were charged to research and development expenses and EUR 28 thousand (2013: EUR 86 thousand) to general, selling, and administrative expenses.

Operating property leases amounting to EUR 365 thousand (2013: EUR 303 thousand) are included in the income statement.

Property, plant and equipment contain the following amounts where the Group is a lessee under a finance lease agreement for the office and research laboratory building in Vienna, including a waiver of termination right for 15 years as well as a purchase option:

EUR IN THOUSANDS	BUILDINGS AND LEASE-HOLD IMPROVEMENTS	MANUFACTURING AND LABORATORY EQUIPMENT	COMPUTER HARDWARE	FURNITURE, FITTINGS AND OTHER	ASSETS IN THE COURSE OF CONSTRUCTION	TOTAL
December 31, 2014						
<i>Cost</i>	34,795	-	-	-	-	34,795
<i>Accumulated depreciation</i>	(5,098)	-	-	-	-	(5,098)
Net book value	29,697	-	-	-	-	29,697



Note 13: Intangible assets and Goodwill

EUR IN THOUSANDS	SOFT-WARE	ACQUI-RED R&D TECHNO-LOGY AND PROJECTS	DEVELOP-MENT COSTS	GOOD-WILL	ADVANCE PAYMENTS	TOTAL
January 1, 2013						
<i>Cost</i>	313	17,333	5,959	341	-	23,946
<i>Accumulated amortizati-on and impairment</i>	(285)	(2,950)	(3,340)	-	-	(6,575)
Net book value	29	14,383	2,618	341	-	17,371
Year ended December 31, 2013						
<i>Opening net book value</i>	29	14,383	2,618	341	-	17,371
<i>Exchange rate differences</i>	-	57	-	-	-	57
<i>Acquisition of subsidiary (note 30)</i>	476	111,356	-	-	-	111,832
<i>Additions</i>	23	90	1,681	9	1	1,804
<i>Reclassification</i>	-	-	-	-	-	-
<i>Disposals</i>	-	-	-	-	-	-
<i>Amortization charge</i>	(229)	(4,861)	(569)	-	-	(5,660)
Closing net book value	299	121,023	3,730	350	1	125,403
December 31, 2013						
<i>Cost</i>	2,334	131,800	13,617	350	1	148,102
<i>Accumulated amortizati-on and impairment</i>	(2,036)	(10,776)	(9,887)	-	-	(22,699)
Net book value	299	121,023	3,730	350	1	125,403



EUR IN THOUSANDS	SOFT-WARE	ACQUI-RED R&D TECHNO-LOGY AND PROJECTS	DEVELOP-MENT COSTS	GOOD-WILL	ADVANCE PAYMENTS	TOTAL
Year ended December 31, 2014						
<i>Opening net book value</i>	299	121,023	3,730	350	1	125,403
<i>Exchange rate differences</i>	8	340	20	-	-	367
<i>Additions</i>	228	198	1,649	-	95	2,170
<i>Reclassification</i>	-	194	-	-	9	202
<i>Disposals</i>	-	(23)	63	(350)	-	(310)
<i>Amortization charge</i>	(240)	(7,519)	(757)	-	-	(8,516)
<i>Impairment charge</i>	-	(7,263)	-	-	-	(7,263)
<i>Transferred to Assets held for sale</i>	-	(6,816)	(33)	-	-	(6,849)
Closing net book value	294	100,134	4,672	-	105	105,204
December 31, 2014						
<i>Cost</i>	2,420	113,608	16,698	-	105	132,831
<i>Accumulated amortization and impairment</i>	(2,127)	(13,474)	(12,026)	-	-	(27,627)
Net book value	294	100,134	4,672	-	105	105,204

+ Note 13.1 – Significant intangible assets

Intangible assets primarily relate to in-process R&D projects, the Japanese Encephalitis vaccine, the Pseudomonas vaccine and the VivalScreen® technology. The Japanese Encephalitis and Pseudomonas vaccine were acquired through the Business combination with Intercell, see note 30.

The impairment charge of EUR 7,263 thousand is related to the antibody technologies as VivalScreen® and eMAB® and was netted in the profit and loss statements with the related changes from the a financial liability, which was amended due to the change of the agreement in relation with the new structure of this technology. For more information see note 20 and note 34.2. ■

+ Note 13.2 – Impairment testing of in-process research & development projects

a. Impairment testing of in-process research & Development projects

The book values of capitalized in-process research and development projects have been assessed annually for impairment testing purposes using the risk-adjusted discounted cash flow method. Management reviews the business performance based on in-process research & development projects. The recoverable amounts of these projects have been determined based on value-in-use calculations.

The calculations use post tax risk-adjusted cash flow projections based on the Company's long-range business model including the Management's best estimate on probability of

success of the respective projects (risk-adjustment) and a discount rate of 9.15% per annum.

The discount rate of 9.15% per annum is based on 1.59% risk-free rate, 6.50% market risk premium, and a beta of 1.16.

The long range business model covers a period of 20 years and therefore accounts for all project related cash flows from the development stage over the market entry until the market phase-out (project life cycle) of the relevant projects.

There was no impairment of in-process research & development projects in the year 2013 and 2014.

b. Impairment testing for Assets held for sale

VivalScreen® is a proprietary platform for monoclonal antibody discovery, which combines the two acquired technologies Humalex and ISAAC. Humalex was acquired in 2010 through the acquisition of Humalys and ISAAC was acquired from the Japanese company SC WORLD in 2011. Valneva used the technologies to generate partnering revenues from collaboration with Sanofi and for proprietary antibody projects which might be partnered at a later stage.

In late 2014 Valneva announced the creation of BLINK Biomedical SAS, a private company specialized in the discovery of innovative monoclonal antibodies – see note 34.2. As a consideration for the in-kind contribution of its antibody assets, Valneva SE received 3,012 shares in BLINK Therapeutics SAS. Following its creation by contributions in kind from Valneva and Kurma, BLINK conducted a Round A financing in which an independent new investor, subscribed for new shares in BLINK. The consideration paid for these new shares was EUR 2,324 per share. Because no other transactions in BLINK shares have since occurred the market value of a BLINK share is deemed to be EUR 2,324 (fair value category level 3). This results in a total market value of EUR 7,000 thousand for Valneva's 3,012 shares in BLINK. As liabilities held for sale in

the amount of EUR 982 thousand were also identified, the gross amount of the respective intangible assets held for sale amounts to EUR 7,982 thousand, representing the value based on the selling price determined on a third party market base.

In connection with the spin-off of the VivalScreen® technology management decided to stop the development of the eMAB® technology. As there is no internal use and no external market the technology was re-valued to zero.

Therefore the value of intangible assets relating to Valneva's antibody technologies has been impaired by EUR 4,095 thousand in 2014. ■

+ Note 13.3 – Sensitivity to changes in assumptions

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

- › Probability of project success
- › Discount rate

The result of the acquired research and development projects is inherently uncertain and the Company may experience delays or failures in clinical trials. A failure to demonstrate safety and efficacy in clinical product development of one of the acquired research and development projects would result in an impairment loss.

The net present value calculation uses a discount rate of 9.15%. An increase in the discount rate of 0.08% to 9.23% would trigger an impairment loss. Furthermore, an increase in the discount rate of one percentage point would result in an additional impairment loss of EUR 1.0 million.

The net present value calculation uses a probability of success rate of 10% to 50% for acquired products in the stage of research and development. A decrease in the probability of success rate of five percentage points would result in an additional impairment loss of EUR 3.3 million. ■



Note 14: Financial instruments

+ Note 14.1 – Financial instruments by category

DECEMBER 31, 2013 EUR IN THOUSANDS	LOANS AND RECEIVABLES	TOTAL
Assets as per balance sheet		
<i>Trade receivables</i>	7,570	7,570
<i>Other assets¹</i>	15,823	15,823
<i>Financial assets</i>	3,658	3,658
<i>Cash and cash equivalents</i>	36,509	36,509
Assets	63,560	63,560

DECEMBER 31, 2013 EUR IN THOUSANDS	LIABILITIES AT FAIR VALUE THROUGH PRO- FIT AND LOSS	OTHER FINANCIAL LIABILITIES	TOTAL
Liabilities as per balance sheet			
<i>Borrowings (excluding finance lease liabilities)²</i>	-	40,246	40,246
<i>Finance lease liabilities</i>	-	31,037	31,037
<i>Trade payables and accruals³</i>	-	11,030	11,030
<i>Tax and employee-related liabilities⁴</i>	-	3,044	3,044
<i>Other liabilities and provisions⁵</i>	50	5,139	5,190
Liabilities	50	90,496	90,547

¹Prepayments and tax receivables are excluded from the other assets balance, as this analysis is required only for financial instruments.

²The categories in this disclosure are determined by IAS 39. Finance leases are mostly outside the scope of IAS 39 but they remain within the scope of IFRS 7. Therefore, finance leases have been shown separately.

³Accruals for taxes are excluded from the trade payables and accruals balance, as this analysis is required only for financial instruments.

⁴Social security and other tax payables are excluded from the tax and employee-related liabilities balance, as this analysis is required only for financial instruments.

⁵Deferred income and provisions are excluded from the other liabilities and provisions balance, as this analysis is required only for financial instruments.



DECEMBER 31, 2014 EUR IN THOUSANDS	LOANS AND RECEIVABLES	TOTAL
Assets as per balance sheet		
<i>Trade receivables</i>	6,850	6,850
<i>Other assets¹</i>	12,950	12,950
<i>Financial assets</i>	19	19
<i>Cash and cash equivalents</i>	29,449	29,449
Assets	49,268	49,268

DECEMBER 31, 2014 EUR IN THOUSANDS	LIABILITIES AT FAIR VALUE THROUGH PRO- FIT AND LOSS	OTHER FINANCIAL LIABILITIES	TOTAL
Liabilities as per balance sheet			
<i>Borrowings (excluding finance lease liabilities)²</i>	-	43,099	43,099
<i>Finance lease liabilities</i>	-	30,054	30,054
<i>Trade payables and accruals³</i>	-	10,734	10,734
<i>Tax and employee-related liabilities⁴</i>	-	3,278	3,278
<i>Other liabilities and provisions⁵</i>	3	208	210
<i>Liabilities held for sale</i>	-	982	982
Liabilities	3	88,355	88,358

¹Prepayments and tax receivables are excluded from the other assets balance, as this analysis is required only for financial instruments.

²The categories in this disclosure are determined by IAS 39. Finance leases are mostly outside the scope of IAS 39 but they remain within the scope of IFRS 7. Therefore, finance leases have been shown separately.

³Accruals for taxes are excluded from the trade payables and accruals balance, as this analysis is required only for financial instruments.

⁴Social security and other tax payables are excluded from the tax and employee-related liabilities balance, as this analysis is required only for financial instruments.

⁵Deferred income and provisions are excluded from the other liabilities and provisions balance, as this analysis is required only for financial instruments.



+ Note 14.2 – Fair value measurements

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- › Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- › Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- › Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

DECEMBER 31, 2013 EUR IN THOUSANDS	LEVEL 3	TOTAL
Other liabilities and provisions		
<i>Derivative financial instruments</i>	50	50
Other liabilities and provisions	50	50

DECEMBER 31, 2014 EUR IN THOUSANDS	LEVEL 2	TOTAL
Other liabilities and provisions		
<i>Derivative financial instruments</i>	3	3
Other liabilities and provisions	3	3

At December 31, 2014, the fair value of these swaps was not material. The categorization was amended to Level 2 due to updated measurement information.

Since 2010, the Company has been covered by an interest rate hedging contract through the parent company Grimaud La Corbière SA (GLC).

In 2011, an interest rate hedging contract was set up for EUR 800 thousand which increased to EUR 1,500 thousand at December 31, 2012 then to EUR 2,300 thousand at December 31, 2013. This contract was implemented on September 1, 2011 for a four-year period. This interest rate swap agreement provides for payment to GLC each quarter of 3-month Euribor plus a fixed-rate amount of 1.82%. This contract has been cancelled as of December 31, 2014.

In 2012, an interest rate hedging contract was set up for EUR 394 thousand and reduced to EUR 385 thousand at December 31, 2012 then to EUR 325 thousand at December 31, 2013 and to EUR 270 thousand at December 31, 2014. This contract was implemented on October 17, 2012 for a seven-year period. This interest rate swap agreement provides for a payment to GLC each month at 1-month Euribor plus a fixed-rate amount of 0.58%. ■



+ Note 14.3 – Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates as follows:

EUR IN THOUSANDS	AT DECEMBER 31,	
	2014	2013
Trade receivables		
<i>Receivables from governmental institutions</i>	3	2
<i>AA</i>	6,324	7,315
<i>A</i>	-	47
<i>Counterparties without external credit rating</i>	522	205
Trade receivables	6,850	7,570
Other assets		
<i>Receivables from governmental institutions</i>	1,299	2,598
<i>A</i>	175	105
<i>Counterparties without external credit rating or rating below A</i>	11,477	13,120
Other assets	12,950	15,823
Financial assets		
<i>A</i>	19	3,658
Financial assets	19	3,658
Cash and cash equivalents		
<i>A</i>	23,729	36,506
<i>Counterparties without external credit rating or rating below A</i>	5,720	3
Cash and cash equivalents	29,449	36,509

The rating information refers to long-term credit rating as published by Standard & Poor's or another rating organisation (equivalent to the Standard & Poor's rating).

The maximum exposure to credit risk at the reporting date is the fair value of the financial assets. ■

**Note 15: Financial assets**

EUR IN THOUSANDS	AT DECEMBER 31,	
	2014	2013
<i>Non-current</i>	333	226
<i>Current</i>	19	3,658
Financial assets	352	3,884

Non-current financial assets are included in other non-current assets. ■

Note 16: Inventories

EUR IN THOUSANDS	AT DECEMBER 31,	
	2014	2013
<i>Raw materials</i>	582	672
<i>Work in progress</i>	5,891	4,147
<i>Finished goods</i>	811	-
Inventory	7,283	4,819

The cost of inventories recognized as an expense and included in “cost of sales” amounted to EUR 12,481 thousand (2013: EUR 14,469 thousand). The cost of inventories recognized as an expense includes EUR 819 thousand (2013: EUR 4,273 thousand) in respect of write-ups of inventory to net realizable value.

The Group uses standard costs to calculate the inventory cost of finished goods and work in progress. ■

**Note 17: Trade receivables**

Trade receivables and other assets include the following:

EUR IN THOUSANDS	AT DECEMBER 31,	
	2014	2013
Trade receivables	6,850	7,590
Less: provision for impairment of receivables	-	(21)
Trade receivables, net	6,850	7,570

At December 31, 2011, trade receivables subject to a repayment plan in 2010 amounting to EUR 21 thousand were reclassified as bad debt, following default and with provisions recorded for their full amount. During the years 2014 and 2013, no impairment losses have been recognized. The amount of trade receivables past due in 2014 amounted to EUR 62 thousand.

The fair values of trade receivables equal their book values. ■

Note 18: Other assets

Other assets include the following:

EUR IN THOUSANDS	AT DECEMBER 31,	
	2014	2013
Prepaid expenses	995	1,047
Non-current financial assets	333	226
Other receivables	27,791	30,092
	29,119	31,365
Less non-current portion	(19,753)	(20,575)
Current portion	9,366	10,791

The fair values of trade and other receivables equal their book values. Other receivables include various deposits and advances, R&D tax credit receivables, tax receivables and consumables and supplies on stock. ■

**Note 19: Cash, cash equivalents and short-term deposits**

Cash and cash equivalents include cash-at-bank and in-hand, mutual funds, as well as short-term bank deposits with a maturity of less than 3 months.

As of December 31, 2014, cash and cash equivalents include EUR 592 thousand (December 31, 2013: EUR 0) for which there are restrictions on remittances.

EUR IN THOUSANDS	AT DECEMBER 31,	
	2014	2013
<i>Cash in hand</i>	2	3
<i>Cash at bank</i>	27,571	14,944
<i>Short-term bank deposits (maturity less than 3 months)</i>	1,284	21,173
<i>Mutual funds</i>	-	390
<i>Restricted cash</i>	592	-
Cash, cash equivalents and short-term deposits	29,449	36,509

Note 20: Assets and Liabilities held for sale and discontinued operations

In 2012, the Company decided to sell and subsequently discontinue its drug discovery business. The respective financials are shown below as of December 31, 2013.

In January 2015 the Company founded BliNK Biomedical SAS – see note 34.2. Valneva SE contributed assets and liabilities in conjunction with the VIVA|Screen* technology, which are subsequently shown as held for sale as of December 2014.

+ Note 20.1 – Breakdown of Assets held for sale and discontinued operations

EUR IN THOUSANDS	AT DECEMBER 31,	
	2014	2013
<i>Intangible assets – gross amounts</i>	17,430	1,101
<i>Intangible assets – amortization</i>	(4,971)	(26)
<i>Intangible assets – impairment</i>	(5,610)	(1,075)
Intangible assets – net amounts	6,849	-
<i>Property, plant and equipment – gross amounts</i>	967	102
<i>Property, plant and equipment – depreciation</i>	(343)	(62)
<i>Property, plant and equipment – impairment</i>	-	(40)
Property, plant and equipment – net amounts	623	-
<i>Inventories</i>	510	-
Inventories – net amounts	510	-
Total Assets held for sale & discontinued operations	7,982	-



+ Note 20.2 – Liabilities associated with discontinued operations

As of December 31, 2013, there are no liabilities associated with discontinued operations.

Liabilities held for sale in conjunction with the founding of BLINK Biomedical SAS amounted to EUR 982 thousand as of December 31, 2014. ■

+ Note 20.3 – Income/(Loss) from discontinued operations

EUR IN THOUSANDS	YEAR ENDED DECEMBER 31,	
	2014	2013
<i>Grant income</i>	-	-
<i>Consulting and other purchased services</i>	-	-
<i>Employee benefit expense</i>	-	-
<i>Depreciation, amortization and write-off</i>	-	(137)
<i>Raw materials and consumables used</i>	-	-
<i>Amounts capitalized as development costs and changes in inventory</i>	-	-
<i>Other expenses</i>	-	-
<i>Taxes, duties, fees, charges, other than income tax</i>	-	-
Income/(Loss) from discontinued operations	-	(137)

■

+ Note 20.4 – Cash flows from discontinued operations

EUR IN THOUSANDS	YEAR ENDED DECEMBER 31,	
	2014	2013
<i>Net cash used in operating activities</i>	-	-
<i>Net cash generated from/(used in) investing activities</i>	-	-
<i>Net cash generated from/(used in) financing activities</i>	-	-
Net change in cash and cash equivalents	-	-

■


Note 21: Share capital, share premium and other regulated reserves

EUR IN THOUSANDS (EXCEPT NUMBERS OF SHARES)	NUMBER OF SHARES	SHARE CAPITAL	SHARE PREMIUM	OTHER REGULATED RESERVES*	TOTAL SHARE CAPI- TAL, SHARE PREMIUM AND OTHER REGULATED RESERVES
Balance at January 1, 2013	21,462,529	3,219	62,414	-	65,633
<i>Employee share option plan:</i>					
- exercise of share options	244,537	37	307	-	343
<i>Issuance of common stock (merger with Intercell see note 30, May 2013)</i>	17,836,719	2,676	47,779	52,820	103,275
<i>Issuance of common stock, July 2013</i>	15,165,215	2,275	37,913	-	40,188
<i>Cost of equity transactions, net of tax</i>	-	-	(2,910)	-	(2,910)
Balance at December 31, 2013	54,709,000	8,206	145,502	52,820	206,529
Balance at January 1, 2014	54,709,000	8,206	145,502	52,820	206,529
<i>Employee share option plan:</i>					
- exercise of share options	42,333	6	(6)	-	-
<i>Issuance of common stock, May and June 2014</i>	1,600,000	240	8,716	-	8,956
<i>Cost of equity transactions, net of tax</i>	-	-	(325)	-	(325)
Balance at December 31, 2014	56,351,333	8,453	153,887	52,820	215,160

*Regulated non-distributable reserve relating to the merger with Intercell AG

Increases of share capital

In April 2014 the Company set up an equity line with Crédit Agricole CIB enabling the Company to place newly issued shares of up to 10 percent of its ordinary share capital. The equity line has been implemented by way of issuance of 5,474,633 equity warrants subscribed by Crédit Agricole CIB which are exercisable exclusively upon Valneva's request in several tranches within 24 months from the issue date of the warrants. The Company has exercised three tranches, one at the end of May and two at the end of June leading to the creation of 1.6 million new shares for total gross proceeds amounting to EUR 8,956 thousand. The new shares have subsequently been sold on the market by Crédit Agricole CIB. For each tranche, the subscription price of the shares issued upon exercise of the equity warrants represented a 5% discount to the volume weighted average price of Valneva's shares during the three trading days preceding the pricing date.



In addition, the Company issued 42,333 (2013: 244,537) new ordinary shares in connection with the exercise of stock options during the reporting period, resulting in an increase in the share capital of EUR 6 thousand (2013: EUR 37 thousand).

Conditional and authorized capital

The Company has 1,072,860 shares of conditional capital to service the exercise of existing stock options (note 23).

The General Meeting decided on June 26, 2014 that the nominal amount of increases in share capital which can be carried out, immediately or in the future, may not under any circumstances exceed a maximum overall amount of three million (3,000,000) euros or the equivalent value in a foreign currency, to which amount will be added, if applicable, the supplementary amount of shares or securities to be issued for the purposes of any adjustments to be made in accordance with applicable legislative or regulatory provisions and, if applicable, with contractual stipulations providing for other forms of adjustment, in order to preserve the rights of the holders of securities giving access to capital. ■

Note 22: Retained earnings and other reserves

EUR IN THOUSANDS	CURRENCY TRANSLATION	TREASURY SHARES	RETAINED EARNINGS	TOTAL
Balance at January 1, 2013	29	(457)	(24,171)	(24,598)
<i>Currency translation differences</i>	1,636	-	-	1,636
<i>Income appropriation</i>	-	-	(14,841)	(14,841)
<i>Employee share option plan:</i>				
- value of employee services	-	-	179	179
<i>Purchase/Sale of treasury shares</i>	-	(684)	-	(684)
Balance at December 31, 2013	1,666	(1,141)	(38,833)	(38,308)
Balance at January 1, 2014	1,666	(1,141)	(38,833)	(38,308)
<i>Currency translation differences</i>	(2,626)	-	-	(2,626)
<i>Income appropriation</i>	-	-	(24,110)	(24,110)
<i>Employee share option plan:</i>				
- value of employee services	-	-	530	530
<i>Purchase/Sale of treasury shares</i>	-	69	-	69
Balance at December 31, 2014	(960)	(1,072)	(62,413)	(64,444)

The Company has not received a dividend and has not paid a dividend to its shareholders in the years ended December 31, 2014 and 2013. ■

Note 23: Share-based payments

+ Note 23.1 – Stock option plans

Share options are granted to members of the Management Board and to employees (Employee Stock Option Plan – ESOP). Options granted in the year 2005 are exercisable after a vesting period of four years and on achievement of objectives. Options granted in the years 2006 and 2010 may be exercised as soon as certain objectives – partly conditioned to entity financial performances – are achieved. Options granted from 2013 onwards are exercisable for the first time in two equal portions after being held for two and for four years (the vesting period). All options expire no later than ten years after being granted. Options are not transferable or negotiable and unvested options lapse without compensation upon termination of employment with the Company (cancellation). Options granted from 2013 onwards become exercisable with the effectiveness of the takeover of more than 50% of the outstanding voting rights of the Company.

Changes in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2014			2013		
	<i>Number of options</i>	<i>Number of shares available</i>	<i>Average exercise price in EUR per share</i>	<i>Number of options</i>	<i>Number of shares available</i>	<i>Average exercise price in EUR per share</i>
<i>Outstanding at January 1</i>	1,022,640	1,140,160	3.08	9,768	305,944	1.88
<i>Granted</i>	-	-	-	1,049,250	1,049,250	3.21
<i>Forfeited</i>	(67,300)	67,300	3.21	(34,650)	34,650	3.21
<i>Exercised</i>	-	-	-	(1,728)	190,704	1.80
Outstanding at year end	955,340	1,072,860	3.07	1,022,640	1,140,160	3.08
<i>Exercisable at year end</i>	8,040	125,560		8,040	125,560	

No Options have been exercised in 2014 (2013: 190,704 shares exercised at a price of EUR 1.80 per share). The weighted average value per share at the time of option exercise was EUR 4.88 in 2013.



Share options outstanding at the end of the period have the following expiry dates and exercise prices:

EXPIRY DATE	EXERCISE PRICE IN EUR PER SHARE	NUMBER OF OPTIONS AT DECEMBER 31,	
		2014	2013
2015 - 2016	1.80	1,040	1,040
2020	5.19	7,000	7,000
2023	3.21	947,300	1,014,600
		955,340	1,022,640

In 2014, no options were granted. The weighted average grant-date fair value of options granted during the year 2013 was EUR 1.61. The fair value of the granted options was determined using the Black Scholes valuation model. The significant inputs into the models were:

	2013
Expected volatility (%)	43.3
Expected vesting period (term in years)	2.00 - 4.00
Risk-free interest rate (%)	0.17 - 0.54

**+ Note 23.2 – Bonus shares**

In 2011 and 2013, the Company established free share plans for employees that are divided into several tranches.

The definitive grant of these shares takes place after a vesting period of two or four years and a holding period of two years.

Changes in the bonus shares outstanding are as follows:

NUMBER OF BONUS SHARES		
	2014	2013
<i>Outstanding at January 1</i>	97,333	108,166
<i>Granted</i>	0	52,000
<i>Forfeited</i>	(15,500)	(9,000)
<i>Definitively granted</i>	(42,833)	(53,833)
Outstanding at year end	39,000	97,333

+ Note 23.3 – Equity warrants

In 2011 the Company granted equity warrants to members of the Supervisory Board. The warrants vest in four equal portions after one, two, three and four years. The subscription price of the equity warrants granted in the year 2011 amounts to EUR 5.17 per share.

Changes in the equity warrants outstanding are as follows:

NUMBER OF EQUITY WARRANTS		
	2014	2013
<i>Outstanding at January 1</i>	11,250	16,875
<i>Forfeited</i>	(5,625)	(5,625)
Outstanding at year end	5,625	11,250

**Note 24: Borrowings**

Borrowings of the Company at year-end include the following:

EUR IN THOUSANDS	AT DECEMBER 31,	
	2014	2013
Non-current		
<i>Bank borrowings</i>	3,536	5,656
<i>Other loans</i>	33,281	29,189
<i>Finance lease liabilities</i>	29,219	30,057
	66,036	64,902
Current		
<i>Bank borrowings</i>	3,339	3,158
<i>Other loans</i>	2,943	2,242
<i>Finance lease liabilities</i>	836	980
	7,117	6,381
Total borrowings	73,153	71,283

The maturity of non-current borrowings is as follows:

EUR IN THOUSANDS	AT DECEMBER 31,	
	2014	2013
<i>Between 1 and 2 years</i>	13,276	8,820
<i>Between 2 and 3 years</i>	13,989	9,623
<i>Between 3 and 4 years</i>	9,766	9,686
<i>Between 4 and 5 years</i>	1,500	7,754
<i>Over 5 years</i>	27,505	29,018
Non-current borrowings	66,036	64,902

The carrying amounts of the Company's borrowings are denominated in the following currencies:

EUR IN THOUSANDS	AT DECEMBER 31,	
	2014	2013
<i>EUR</i>	47,048	50,307
<i>USD</i>	26,105	20,976
Total borrowings	73,153	71,283



+ Note 24.1 – Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. ■

+ Note 24.2 – Bank borrowings and other loans secured

As at December 31, 2014, EUR 16,653 thousand of the outstanding bank borrowings and other loans are guaranteed, secured, or pledged. These bank borrowings and other loans are related to financing of R&D expenses, Fixed assets and CIR (R&D Tax credit France) mobilization and have various conditions (interest rates) and terms (maturities).

The following table presents the fair value of guaranteed bank borrowings and other loans without taking the interest subsidy into consideration, based on an estimated arms' length interest rate of 6.17% at year-end 2014:

EUR IN THOUSANDS		AT DECEMBER 31, 2013	
		<i>Carrying amounts</i>	<i>Fair values</i>
<i>Bank borrowings</i>		6,543	6,003
<i>Other loans (excluding the other loan described in note 24.3)</i>		10,110	8,133
Guaranteed, secured, or pledged borrowings		16,653	14,137

+ Note 24.3 – Other loans

On December 20, 2013 the Group received a USD 30 million financing from an investment fund managed by Pharmakon Advisors for its Austrian subsidiary Valneva Austria GmbH. The loan extends over a five year period and carries a fixed interest rate of 9.5%. As from 2016, the company will pay a 2.6% royalty to Pharmakon on its IXIARO®/JESPECT® sales during the term of the loan. The fixed interest rate and the royalty payable in connection with the loan are both recognized as finance expenses. The finance expenses are calculated using the effective interest method and are therefore recognized pro rata to the outstanding principal in each accounting period until the loan is fully amortized. The foreign currency valuation is done at each balance sheet date and resulting exchange gains or losses are shown as finance income/expenses. The asset-based loan is guaranteed by Valneva SE and secured by a security interest on the incoming funds from Valneva's marketing partner relating to IXIARO®/JESPECT® and on the shares of the Group's Austrian and Scottish subsidiaries, which hold the key IXIARO®/JESPECT® assets. At December 31, 2014 the book values of the assets pledged amounted to EUR 275,328 thousand (2013: EUR 277,224 thousand).



The loan is included in the balance sheet item “borrowings”.

EUR IN THOUSANDS	2013	2014
Balance at January 1	-	21,023
<i>Proceeds of issue</i>	22,041	-
<i>Transaction costs</i>	(829)	-
<i>Net proceeds of issue</i>	21,212	-
<i>Accrued interest and royalty expense</i>	91	3,816
<i>Payment of interest</i>	-	(1,646)
<i>Foreign exchange valuation</i>	(280)	2,912
Balance at December 31	21,023	26,105
<i>Less non-current portion</i>	(20,961)	(25,514)
Current portion	62	592

Note 25: Trade payables and accruals

Trade payables and accruals include the following:

EUR IN THOUSANDS	AT DECEMBER 31,	
	2014	2013
<i>Trade payables</i>	5,192	6,487
<i>Accrued expenses</i>	5,817	4,901
	11,009	11,388
<i>Less non-current portion</i>	-	-
Current portion	11,009	11,388

Note 26: Tax and employee-related liabilities

EUR IN THOUSANDS	AT DECEMBER 31,	
	2014	2013
<i>Social security and other taxes</i>	2,121	2,052
<i>Employee-related liabilities</i>	3,278	3,044
	5,398	5,096
<i>Less non-current portion</i>	-	-
Current portion	5,398	5,096

**Note 27: Other liabilities and provisions**

EUR IN THOUSANDS	AT DECEMBER 31,	
	2014	2013
<i>Deferred income</i>	11,859	16,820
<i>Other financial liabilities</i>	210	5,190
<i>Deferred tax liabilities</i>	103	79
<i>Provisions for employee commitments</i>	163	23
<i>Other liabilities</i>	58	32
<i>Other provisions</i>	135	371
	12,529	22,514
<i>Less non-current portion</i>	(9,668)	(17,279)
Current portion	2,862	5,235

+ Note 27.1 – Deferred Income

EUR IN THOUSANDS	AT DECEMBER 31,	
	2014	2013
<i>Arising from collaboration and licensing agreements</i>	10,812	15,906
<i>Arising from government grants</i>	1,047	914
	11,859	16,820
<i>Less non-current portion</i>	(9,197)	(12,172)
Current portion	2,662	4,648

+ Note 27.2 – Provisions for employee commitments**a. Assumptions used**

AT DECEMBER 31,		
	2014	2013
<i>Discount rate</i>	1.80%	3.17%
<i>Salary increase rate</i>	2.0%	2.5%
<i>Turnover rate</i>	0%-45.90%	12.45%
<i>Social security rate</i>	45.00%	47.99%
<i>Average remaining lifespan of employees (in years)</i>	20	29



b. Changes in defined benefit obligation

Present value of obligation development

EUR IN THOUSANDS	2014	2013
Balance at January 1	23	130
<i>Current service cost</i>	-	4
<i>Remeasurements</i>	140	(110)
<i>Benefit payments</i>	-	-
Balance at December 31	163	23

+ Note 27.3 – Other provisions

EUR IN THOUSANDS	2014	2013
<i>Non-current</i>	-	-
<i>Current</i>	135	371
Provisions	135	371
Balance at January 1	371	12
<i>Acquisition of subsidiary (note 30)</i>	-	18
<i>Charged to the income statement:</i>		
- <i>Additional provision</i>	113	350
- <i>Reversed provision</i>	-	-
<i>Used provisions</i>	(350)	(9)
<i>Exchange differences</i>	1	(1)
Balance at December 31	135	371

Legal obligations

Other liabilities and provisions include a provision of EUR 135 thousands in connection with the repayment of a received R&D grant. The raised claim by the grantor is presently in negotiation. ■



Note 28: Cash used in operations

The following table shows the adjustments to reconcile net loss to net cash used in operations:

EUR IN THOUSANDS	NOTE	YEAR ENDED DECEMBER 31,	
		2014	2013
Loss for the year		(26,272)	(24,110)
Adjustments for			
- Depreciation and amortization	12/13	12,359	9,056
- Impairment fixed assets/intangibles	12/13	4,095	92
- Share-based payments	23	530	179
- Income tax	10	334	348
- (Profit)/Loss from disposal of property, plant and equipment	8	63	(1,260)
- Other non-cash income/expense		(1,034)	1,321
- Fair value gains/losses on derivative financial instruments	9	(48)	50
- Gain on disposal of financial assets	9	-	(9)
- Interest income	9	(226)	(191)
- Interest expense	9	4,394	1,212
- Changes in other long-term assets and liabilities		(5,589)	(2,862)
Changes in working capital (excluding the effects of acquisition and exchange rate differences on consolidation):			
- Inventory		(1,870)	5,646
- Trade and other receivables		(279)	(3,381)
- Trade and other payables and provisions		1,211	(5,576)
Cash used in operations		(12,332)	(19,485)

The following table shows the adjustments to reconcile net profit/loss from the disposal of property, plant and equipment to proceeds from the disposal of property, plant and equipment:

EUR IN THOUSANDS	AT DECEMBER 31,	
	2014	2013
Net book value	75	3,740
Profit/(Loss) on disposal of property, plant and equipment	(63)	1,260
Proceeds from disposal of property, plant and equipment	12	5,000

In the previous year, the proceeds from the disposal of property, plant and equipment related to the sale of the Group's Clinical Manufacturing Operations (CMO) in Nantes to Biological E., which was finalized in November 2013. The final payment amounting to EUR 1.700 thousand was received in October 2014. ■

**Note 29: Commitments and contingencies****a. Capital commitments**

There were no capital expenditure contracted for at December 31, 2014, and December 31, 2013.

b. Operating lease commitments

Future aggregate minimum lease commitments under non-cancelable operating leases are as follows:

EUR IN THOUSANDS	AT DECEMBER 31,	
	2014	2013
<i>Not later than 1 year</i>	265	191
<i>Later than 1 year and not later than 5 years</i>	672	634
<i>Later than 5 years</i>	32	162
Operating lease commitments	970	986

The Company leases office space, cars and equipment.

c. Other commitments and guarantees

The other commitments consisted of:

EUR IN THOUSANDS	AT DECEMBER 31,	
	2014	2013
<i>Potential earn out payment on investment securities</i>	4,954	3,781
<i>Commitment with a supplier and subcontractors</i>	619	490
<i>Loans and grants</i>	7,790	8,124
<i>Other</i>	47	1
Other commitments	13,410	12,396

The guarantees and pledges consisted of:

EUR IN THOUSANDS	AT DECEMBER 31,	
	2014	2013
<i>Equipment pledge</i>	600	771
<i>Pledges on consolidate investments</i>	285,426	286,446
<i>Pledges on non-consolidated investments</i>	-	-
Guarantees and pledges	286,026	287,217

**Note 30: Business combination**

On May 28, 2013, the Company completed its merger with Intercell AG. Intercell AG, with its fully owned subsidiaries Intercell Austria AG (now Valneva Austria GmbH), Intercell Biomedical Ltd (now Valneva Scotland Ltd.), Intercell USA, Inc. and Elatos GmbH (together “Intercell”) was a biotechnology company engaged in the research, development and commercialization of vaccines and monoclonal antibodies against a variety of infectious diseases to tackle high unmet medical needs and reduce suffering across the world.

Intercell’s marketed vaccine to prevent Japanese Encephalitis (JE) – IXIARO®/JESPECT® was a next generation vaccine against the most common vaccine-preventable cause of encephalitis in Asia licensed for use in adults and children in more than thirty countries. A comparable vaccine for endemic markets based on Intercell’s technology was launched in 2012 by Biological E. Ltd. under the trade name JEEV® in India. Intercell’s technology base included novel platforms, such as the IC31® adjuvant technology and the proprietary human monoclonal antibody discovery system eMAB®, upon which Intercell had entered into strategic partnerships with a number of leading pharmaceutical companies, including Merck & Co., Inc., and Sanofi. Intercell’s pipeline of investigational products included a *Pseudomonas aeruginosa* vaccine candidate (Phase II/III), a vaccine candidate against infections with *C. difficile* (Phase I) as well as numerous investigative vaccine programs using the Intercell’s IC31® adjuvant, e.g. in a Tuberculosis vaccine candidate (Phase II). Intercell had in-house cGMP capability to manufacture both clinical and commercial biologicals at its fully owned site in Livingston, Scotland. The manufacturing site was currently dedicated to the production of Intercell’s novel Japanese Encephalitis vaccine. It was licensed and operated under a Manufacturing Authorisation granted by the Medicines and Healthcare products Regulatory Agency (MHRA) and it was also registered by the FDA.

The merger was accomplished through a stock-for-stock exchange of 17,836,719 newly issued ordinary Valneva shares, totalling a fair value of EUR 101.0m, and 17,836,719 newly issued preferred Valneva shares, totalling a fair value of EUR 2.3m.

The acquired assets and liabilities remain located in Austria, UK and USA, and have been included in the Company’s assets and liabilities as of June 1, 2013. Intercell was consolidated from June 1, 2013 onwards.

From the merger completion date through December 31, 2013, the acquired business contributed revenue and grants of EUR 29,362 thousand and a net loss of EUR 14,658 thousand to the Group’s consolidated income. If the transaction had occurred on January 1, 2013, the Group’s consolidated revenues and grants would have been EUR 43,684 thousand, and its net loss would have been EUR 54,062 thousand, of which EUR 14,932 thousand result from non-recurring merger transaction costs and costs related to the repayment of Intercell debt in connection with the merger.



Details of net assets acquired are as follows:

PURCHASE CONSIDERATION	EUR IN THOUSANDS
- Fair value of exchange shares issued as ordinary shares	100,956
- Fair value of exchange shares issued as preferred shares	2,319
Total purchase consideration	103,275
<i>Fair value of net assets acquired</i>	103,275
<i>Goodwill</i>	0

The fair value of the Valneva ordinary and preferred shares issued as consideration for the acquisition of Intercell shares was determined using the opening stock exchange price on the merger completion date.

The fair value of the assets and liabilities acquired through the business combination are as follows:

EUR IN THOUSANDS	FAIR VALUE	ACQUIREE'S CARRYING AMOUNT
<i>Cash, cash equivalents and financial assets</i>	16,220	16,220
<i>Property, plant and equipment, hardware</i>	39,150	39,150
<i>Intangible assets</i>	111,832	62,080
<i>Other non-current assets</i>	11,299	11,299
<i>Inventories</i>	10,354	10,354
<i>Trade and other receivables</i>	10,381	10,381
<i>Non-current liabilities</i>	(45,950)	(45,950)
<i>Trade and other payables</i>	(18,592)	(18,592)
<i>Other current liabilities</i>	(31,419)	(25,866)
Net assets acquired	103,275	59,076

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

EUR IN THOUSANDS	
<i>Cash consideration</i>	0
<i>Cash and cash equivalents in acquired business</i>	13,619
Cash inflow through acquisition	13,619

No adjustments have been made in the twelve months period following the initial accounting for the business combination. Therefore the values reported as of December 31, 2013 are final.

**Note 31: Related-party transactions****+ Note 31.1 – Purchases of services**

Related parties concerned relations with companies of the Grimaud Group. These concerned both a group management agreement and the provision of services and miscellaneous items by the Grimaud Group to Valneva SE. These services consist of either normal operating activities (interest rate swap allocation agreement) or regulated activities (guarantees).

Furthermore, on March 28, 2007, the Supervisory Board authorized Valneva SE's Executive Board to conclude a group management agreement with Grimaud Group. Under the terms of this agreement, the latter ensures a role of coordinating Group management and ensuring a consistent performances and profitability. This agreement was concluded for one year subject to tacit renewal. This agreement has been terminated with Grimaud Group as of October 31, 2013.

EUR IN THOUSANDS	YEAR ENDED DECEMBER 31,	
	2014	2013
<i>Purchases of services:</i>		
- Operating activities	35	283
- Group management	-	189
Purchases of services	35	471

+ Note 31.2 – Key management compensation

The aggregate compensation of the members of the Company's Management Board includes the following:

EUR IN THOUSANDS	YEAR ENDED DECEMBER 31,	
	2014	2013
<i>Salaries and other short-term employee benefits</i>	1,421	2,010
<i>Other long-term benefits</i>	14	14
<i>Share-based payments (stock compensation expense)</i>	131	33
Key management compensation	1,566	2,057

+ Note 31.3– Supervisory Board compensation

The aggregate compensation of the members of the Company's Supervisory Board amounted to EUR 243 thousand (2013: EUR 163 thousand). In the year 2011, the Company granted equity warrants to certain members of the Supervisory Board. For more information see note 23.3.

**Note 32: Pro Forma Information related to the merger with Intercell****+ Note 32.1 – Background to the preparation of the merger pro forma information**

On May 28, 2013, the Company completed its merger with Intercell AG. Intercell AG, with its fully owned subsidiaries Intercell Austria AG, Intercell Biomedical Ltd, Intercell USA, Inc. and Elatos GmbH (together “Intercell”) was a biotechnology company engaged in the research, development and commercialization of vaccines and monoclonal antibodies against a variety of infectious diseases to tackle high unmet medical needs and reduce suffering across the world.

The merger was accomplished through a stock-for-stock exchange of 17,836,719 newly issued ordinary Valneva shares, totalling a fair value of EUR 101.0 million, and 17,836,719 newly issued preferred Valneva shares, totalling a fair value of EUR 2.3 million.

The pro forma consolidated income statement for the year ended on December 31, 2013 reflects the consolidated results of the Valneva Group as if the merger between Vivalis and Intercell had occurred on January 1, 2013. The pro forma adjustments are based on available information and on assumptions that are considered reasonable by Valneva Group.

The prior-year pro forma financial information (hereafter referred to as the “Pro Forma Financial Information”) is presented exclusively for illustrative purposes and does not provide for an indication of the results of operating activities or the financial position of Valneva SE that would have been obtained for the period ending on December 31, 2013 if the Merger had been completed at the date considered. Similarly, it does not provide for an indication of the future results of operating activities or financial position of Valneva SE. ■



+ Note 32.2 – Income statement for the year ended December 31, 2014 and pro forma income statement for the year ended December 31, 2013

Pro forma income statement (unaudited)

EUR IN THOUSANDS	FULL YEAR ENDED DECEMBER 31,	
	2014	Pro forma 2013
<i>Product sales</i>	28,124	27,212
<i>Revenues from collaborations, licensing and services</i>	8,799	10,814
Revenues	36,922	38,026
<i>Grant income</i>	5,506	5,658
Revenues and Grants	42,429	43,684
<i>Cost of goods and services</i>	(17,144)	(20,003)
<i>Research and development expenses</i>	(22,242)	(30,786)
<i>General, selling and administrative expenses</i>	(14,142)	(20,790)
<i>Other income and expenses, net</i>	(395)	1,820
<i>Amortization and impairment</i>	(12,323)	(6,469)
OPERATING PROFIT/(LOSS)	(23,817)	(32,543)
<i>Finance income</i>	2,273	288
<i>Finance expenses</i>	(4,394)	(6,159)
PROFIT/(LOSS) BEFORE INCOME TAX	(25,938)	(38,414)
<i>Income tax</i>	(334)	(351)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	(26,272)	(38,765)
<i>Loss from discontinued operations</i>	-	(137)
PROFIT/(LOSS) FOR THE PERIOD	(26,272)	(38,902)



+ Note 32.3 – Reconciliation to the Company's consolidated financial statements under IFRS

EUR IN THOUSANDS	FULL YEAR ENDED DECEMBER 31, 2013			
(unaudited)	Valneva reported income statement (IFRS)	Valneva reported income statement (IFRS)	Pro forma adjustments - exclusion of Merger related costs	Adjusted pro forma income statement
Product sales	23,239	3,973		27,212
Revenues from collaborations, licensing and services	7,206	3,608		10,814
Revenues	30,445	7,582		38,026
Grant income	5,546	112		5,658
Revenues and Grants	35,991	7,694		43,684
Cost of goods and services	(16,508)	(3,494)		(20,003)
Research and development expenses	(21,423)	(9,719)	356 ⁽¹⁾	(30,786)
General, selling and administrative expenses	(14,720)	(11,397)	5,327 ⁽¹⁾⁽²⁾	(20,790)
Other income and expenses, net	1,157	663		1,820
Amortization and impairment	(5,353)	(1,117)		(6,469)
OPERATING PROFIT/(LOSS)	(20,856)	(17,370)		(32,543)
Finance income	200	89		288
Finance expenses	(2,969)	(12,128)	8,937 ⁽³⁾	(6,159)
PROFIT/(LOSS) BEFORE INCOME TAX	(23,625)	(29,409)		(38,414)
Income tax	(348)	(3)		(351)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	(23,973)	(29,412)		(38,765)
Loss from assets held for sale or discontinued operations	(137)	-		(137)
PROFIT/(LOSS) FOR THE PERIOD	(24,110)	(29,412)		(38,902)

The main adjustments in the year ended December 31, 2013 are the following:

- ▶ 1. Cancellation of the impact of the accelerated vesting as the Intercell AG stock option plans provided for a change of control provision. Pursuant to this provision, all existing options become exercisable when more than 50% of Intercell AG voting rights are transferred. The acceleration of the vesting period of the stock options of EUR 0.9 million was cancelled.
- ▶ 2. Cancellation of the impact of merger costs of EUR 4.7 million incurred by Intercell in order to perform the merger. These items represent significant charges that impact current results, but have been considered unrelated to the Company's ongoing operations and performance.
- ▶ 3. Cancellation of the finance expense of EUR 8.9 million recognized in the consolidated income statement at December 31, 2013, for remeasurement of borrowings (due to the merger a change in control premium was paid to the lender in regard to borrowings); ■



+ Note 32.4 – Basis of preparation

The Pro Forma Financial Information was prepared based on published historical data of Vivalis SA, Intercell AG and Valneva SE, which was subject to a number of presentation re-classifications.

a. Regulatory framework

The Pro Forma Financial Information has been prepared in accordance with AMF Instruction 2007-05 of October 2, 2007 and article 222-2 of the AMF General Regulation.

b. Acquisition

The merger has been treated in the Pro Forma Financial Information as an acquisition of Intercell by Vivalis, if analysed in terms of the criteria provided for by IFRS 3r, applicable as of December 31, 2013. This reflects the legal treatment of the transaction pursuant to which Vivalis SA is the absorbing company and will be the company issuing new shares to Intercell AG shareholders in consideration for the Merger.

c. Reclassifications and harmonization of accounting principles

The Pro Forma Financial Information has been prepared in accordance with the IFRS accounting standards that are applied in the financial statements for the year ended December 31, 2013 published by Valneva SE.

Some items have been reclassified in the pro forma consolidated financial information drawn up in accordance with IFRS, in order to account for differences in the presentation of the balance sheets and income statements of the two groups and to align their financial statements with the provisional presentation chosen by the consolidated group.

An analysis has also been completed in order to identify any pro forma adjustments to be recognized, in order to harmonize the accounting principles applied to similar transactions. No significant difference was identified in this analysis.

d. Underlying assumptions

The Pro Forma Financial Information was prepared on the basis of:

- › Audited consolidated IFRS financial statements for the Valneva SE Group merged, at December 31, 2013
- › Unaudited consolidated IFRS financial statements for Intercell AG for the first five months of 2013

The pro forma adjustments to the pro forma consolidated income statements for the years ended on December 31, 2013 were calculated on the assumption that the merger had been completed on January 1, 2013.

The Pro Forma Financial Information is presented exclusively for illustrative purposes and does not provide for an indication of the results of operating activities or the financial position of Valneva SE that would have been obtained for the period ending December 31, 2013 if the Merger had been completed at the dates considered. Similarly, it does not provide for an indication of the future results of operating activities or financial position of Valneva SE.

All pro forma adjustments relate directly to the merger.

Only those adjustments that can be documented and for which reliable estimates can be made are taken into account.



For example, the pro forma consolidated financial information does not reflect:

- › cost savings, other synergies and value creation that may result from the merger;
- › specific factors that could result from clauses in the merger agreement, or from restructuring or consolidation costs that may be incurred because of the merger;
- › Potential impact of the asset-disposal program planned for after the merger;
- › Any tax expense or tax income potentially resulting from the new group structure;
- › The potential impact resulting from changes in the financial structure of Valneva SE.

Note 33: Events after the reporting period

+ Note 33.1 – Crucell Sweden

On January 5, 2015, Valneva entered into a Sale and Purchase Agreement with Crucell Holland BV, by which we envisaged to acquire the Crucell Assets. The parties to the Sale and Purchase Agreement agreed to close the transaction once certain closing conditions are fulfilled, in particular the completion of an equity and/or debt fundraising such that the Company had sufficient immediately available funds to pay the purchase price at completion. The Sale and Purchase Agreement provides for a working capital adjustment mechanism to the Acquisition price which will be calculated as the difference between an agreed working capital level and the actual working capital as on the completion date. The resulting adjustment to the Acquisition price will result in a payment to be either made or received by the Company depending on the shortfall or surplus, respectively, to the agreed working capital level. The Acquisition is expected to add cash generating assets to the Company's business. The carve-out consolidated revenue from Crucell Sweden, Dukoral® and Nordics Trade amounted to EUR 36.4 million in the year ended December 31, 2014.

e. Intragroup transactions

To the best of the two companies' knowledge, there were no intragroup transactions among companies in the consolidated Group that might have had a significant impact on the income statements of the merged group at December 31, 2013. ■

The agreed aggregate Acquisition price amounts to EUR 45 million (the "Acquisition Price") and is split into three payments: EUR 3 million of cash consideration as on the signing date, EUR 32 million to be paid upon the completion of the transaction and EUR 10 million to be paid upon completion of the transfer, installation and qualification of certain assets related to a packaging line for the Dukoral® product. The Acquisition and the three components of the acquisition consideration are viewed as a single transaction.

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



The Acquisition was financed through a combination of debt and equity. The latter was raised through a public rights issue with shareholders preferential subscription rights, which was launched on January 12, 2015 and closed on February 4, 2015. The final gross proceeds of the rights issue amounted to EUR 45.0 million, corresponding to the issuance of 18,231,466 new ordinary shares, at a subscription price of EUR 2.47 per new ordinary share. The debt part of the acquisition financing was raised through a loan facility put in place with Athyrium in an amount of EUR 15 million.

The Acquisition closed on February 9, 2015. As of the date of these consolidated financial statements the purchase price allocation is still to be done ■

+ *Note 33.2 – BliNK Biomedical*

In late 2014 Valneva announced the creation of BliNK Biomedical SAS, a private company specialized in the discovery of innovative monoclonal antibodies. The new company was founded together with UK Company BliNK Therapeutics Ltd in January 2015. Valneva contributed assets and liabilities in conjunction with the VIVA|Screen® technology, which are subsequently shown as held for sale as of December 31, 2014. The new company, which will benefit from the combination of two validated antibody discovery platforms, has already secured its first round of financing.

The creation of BliNK Biomedical SAS will give Valneva's antibody business the necessary structure and prospects to expand into novel antibody discovery fields outside of infectious diseases while offering a new investment opportunity for future additional shareholders. While Valneva intends to retain a substantial ownership interest in the new entity, BliNK Biomedical SAS will be run as an independent business by its own management team. ■

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VALNEVA

An European company (Societas Europaea or SE) with a Management and a Supervisory Board
Share capital: EUR 11,365,862.04
Registered office: 70, rue Saint Jean de Dieu, 69007 Lyon
Lyon Companies Register (RCS) No. 422 497 560

Ladies and Gentlemen,

We hereby provide you with the information required for the Valneva Group Annual Financial Report, with respect to the year ended December 31, 2014.

We remain at your disposal to provide you with any further details and additional information you may need.

THE MANAGEMENT BOARD

Thomas Lingelbach
Chairman of the Management Board

Franck Grimaud
Managing Director



EXCERPT FROM THE MANAGEMENT BOARD ANNUAL REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

1. BUSINESS DEVELOPMENT, RESULTS AND FINANCIAL POSITION OF THE COMPANY AND GROUP

1.1. Valneva group (IFRS)

+ Financial Review

Key Financial Information (Audited)

EUR IN THOUSANDS	3 MONTHS ENDED DEC 31,		12 MONTHS ENDED DEC. 31,		
	2014	2013	2014	2013	2013 pro forma
Revenues & Grants	13,113	11,640	42,429	35,991	43,684
Net profit/(loss)	(11,520)	(6,028)	(26,272)	(24,110)	(38,902)
EBITDA	(3,754)	(1,273)	(7,364)	(11,709)	(20,402)
Net operating cash flow	(7,846)	1,130	(14,944)	(20,903)	n/a
Cash, short-term deposits and marketable securities, end of period	29,468	40,167	29,468	40,167	40,167

Note: As a result of the merger between Vivalis SA and Intercell AG, Intercell's business has been included in the Group's consolidated financial statements from the merger closing date May 28, 2013. Therefore, the 2014 and 2013 IFRS results are not fully comparable as the ex-Intercell operations were only included for the period 2013 starting from June 2013. Pro-forma figures including the Intercell business for the 2013 period and excluding one-time effects due to the merger were prepared for illustrative purposes only. For detailed explanation of pro-forma assumptions and reconciliation to IFRS results, please refer to note 32 of the Consolidated Financial Statements 2014 (www.valneva.com).



+ Revenues and grants

Valneva's aggregate revenues and grants increased from EUR 36.0 million in the year 2013 to EUR 42.4 million in the year 2014. This increase was mainly due to the contribution of ex-Intercell revenues to the business as a result of the merger of Vivalis and Intercell to form Valneva. Compared to the previous year on a pro forma basis (combining Intercell's revenues and grants in the first five months of 2013 with Valneva's revenues and grants since June) revenues and grants slightly decreased from EUR 43.7 million in 2013 to EUR 42.4 million in 2014. This decrease was mainly due to a decrease in revenues from collaborations and licensing.

IXIARO®/JESPECT® product sales contributed EUR 28.1 million to revenues in 2014. On a pro-forma basis full year 2013 product sales were EUR 27.2 million representing an increase of 3.4% in 2014 despite the transition in the U.S. military sales responsibility to Novartis from late 2013 onward which resulted in Valneva now recognizing only two thirds of the total sales revenue to the U.S. military instead of 100% previously.

Revenues from collaborations and licensing increased from EUR 7.2 million in 2013 to EUR 8.8 million in 2014. On pro forma basis revenues from collaborations and licensing decreased from EUR 10.8 million in 2013 to EUR 8.8 million in the full year 2014 due to a decrease in revenues from EB66® cell line technology from EUR 3.7 million in the year 2013 to EUR 2.3 million in the year 2014 and a decrease in revenues from the VivalScreen® antibody platform from EUR 2.9 million in the year 2013 to EUR 1.7 million in the year 2014.

Grant income amounted to EUR 5.5 million in 2014 and was flat compared to 2013. On a pro forma basis grant income was EUR 5.7 million in the year 2013.



+ Operating result and EBITDA

The operating loss increased from EUR 20.9 million in 2013 to EUR 23.8 million in 2014. On a pro forma basis, the operating loss decreased by EUR 8.7 million, or 26.8%, from EUR 32.5 million in the year 2013 to EUR 23.8 million in the year 2014. This decrease was mainly due to cost synergies and prioritization of R&D activities in connection with the merger, including savings as a result of the disposal of the CMO business in the fourth quarter 2013.

Cost of goods and services increased by EUR 0.6 million from EUR 16.5 million in the year ended 2013 to EUR 17.1 million in the year 2014. The gross margin on the Japanese Encephalitis product improved from 29.0% in 2013 to 44.7% in the full year 2014. On a pro forma basis cost of goods and services decreased by EUR 2.9 million from EUR 20.0 million in the full year 2013 to EUR 17.1 million in the year 2014.

Research and Development expenses (“R&D”) increased by EUR 0.8 million from EUR 21.4 million in the year ended 2013 to EUR 22.2 million in the year 2014. On a pro forma basis R&D expenses decreased by EUR 8.5 million. This decrease resulted from R&D pipeline prioritization and cost synergies, implemented as part of the merger integration, as well as timing effects in connection with clinical trial costs and savings as a result of the disposal of the CMO business in the fourth quarter 2013.

General, selling and administrative expenses (“SG&A”) decreased slightly from EUR 14.7 million in the year 2013 to EUR 14.1 million in the year 2014. On a pro forma basis SG&A expenses decreased by 32.0% from EUR 20.8 million in the year 2013. The transition of the U.S. military sales responsibility to Novartis contributed significantly to the reduction of selling expenses in 2014 in comparison to 2013.

Amortization and impairment charges increased by EUR 7.0 million from EUR 5.4 million in the year 2013 to EUR 12.3 million in the year 2014. In 2014 an impairment charge of EUR 4.1 million in connection with the antibody business was recognized as the Company decided to change the strategy on the antibody business.

Valneva’s EBITDA improved to minus EUR 7.4 million in the year 2014 from minus EUR 11.7 million in year 2013. On a pro-forma basis, the 2014 EBITDA improvement was 63.9% compared minus EUR 20.4 million in the same period of the previous year. EBITDA was calculated by excluding depreciation, amortization and impairment from the operating loss recorded in the condensed consolidated income statement under IFRS.



+ *Net result*

Valneva's net loss in the year 2014 was EUR 26.3 million compared to EUR 24.1 million for the same period of the previous year. On a pro-forma basis, the net loss decreased by 32.5% to EUR 26.3 million in the year 2014 from EUR 38.9 million in year 2013. The decrease reflects the progress made in both, the merger consolidation and the cost saving projects.

+ *Cash flow and liquidity*

Net cash used in operating activities decreased by EUR 6.0 million from EUR 20.9 million in the year 2013 to EUR 14.9 million in the year 2014. This decrease reflects the financial progress in cash-flow relevant operating expenses, whereas non-cash expenses such as depreciation, amortization and impairment charges have increased.

The purchases of intangible assets and property, plant and equipment (net of proceeds from sale of such assets) amounted to EUR 2.0 million in the year 2014 and to EUR 0.1 million in the year 2013.

Cash in-flows from financing activities were EUR 5.3 million in the year 2014 and EUR 34.7 million in the year 2013. In the year 2014, net cash generated from financing activities resulted primarily from a capital increase through the Company's equity line, which was partially offset by repayments of borrowings. In the year 2013, net cash generated from financing activities resulted primarily from the net proceeds of a capital increase completed in July 2013.

+ *Cash position at year-end*

Liquid funds at December 31, 2014 stood at EUR 29.5 million compared to EUR 40.2 million at the end of December 2013 and consisted of EUR 28.9 million cash and EUR 0.6 million restricted cash.



1.2. Valneva SE (French GAAP accounts)

The financial statements of the Company have been prepared in accordance with French generally accepted accounting principles as defined by the French accounting standards committee (comité de la réglementation comptable or CRC).

+ Operating income

Operating income amounted to EUR 3.21 million, up from EUR 3.78 million for fiscal 2013.

Revenue came to EUR 1.4 million for 2014 compared to EUR 1.7 million in 2013.

Other operating income (mainly grants and licensing income) came to EUR 1.8 million in 2014, up from EUR 2.1 million the prior year.

+ Operating expenses

Operating expenses amounted to EUR 16.6 million, up from EUR 16.5 million for fiscal 2013.

Purchases of raw materials and external expenses represented EUR 9.1 million in 2014 compared to EUR 7.1 million in 2013. Purchases of raw materials were down by EUR 0.5 million in 2014 whereas external expenses rose by EUR 2.5 million. This latter increase reflects both fees from strategic transactions in the amount of EUR 1.3 million and charge-backs for services provided by the Austrian subsidiary Valneva Austria GmbH for EUR 2.1 million.

Staff costs amounted to EUR 4.7 million in 2014 compared to EUR 6.2 million in 2013.

Allowances for depreciation and amortization represented EUR 2.0 million in 2014 compared to EUR 2.8 million in 2013.

The decline in expenses across all line items reflects mainly the discontinuation of the biologicals CMO operation associated with its sale to Biological E in the 2013 fourth quarter.

+ Income/(loss) from ordinary activities

The operating loss from ordinary activities for the year ended December 31, 2014 was EUR 13.3 million, up from EUR 12.7 million in the prior year.



+ *Net financial income/(expense)*

Net financial expense came to EUR 0.5 million for 2014 compared to an expense of EUR 0.8 million in 2013. This increase reflected:

- › a decrease in the amortization and depreciation by EUR 0.7 million, compared to 2013;
- › an increase in the inter-company interest income by EUR 0.4 million in 2014 compared to the prior year.

+ *Net exceptional items*

Net exceptional items resulted in an expense of EUR 4 million in 2014 compared to income of EUR 1.5 million in 2013.

In 2013, the EUR 1.5 million corresponded to the net gain from the disposal of the clinical manufacturing operations based in Nantes sold to Biological E.

2014, the renegotiation of the SC World debt, linked to the VIVA|Screen® technology, generated proceeds of EUR 2.5 million whereas intangible assets linked to this same technology were written down in the amount of EUR 6.7 million.

+ *Corporate income tax*

The negative income tax item corresponds to research tax credit (RTC). This came to EUR 2 million in 2014, unchanged from the prior year.

+ *Net income/(loss)*

The net loss for 2014 was EUR 15 million compared to EUR 10 million in the prior year.

+ *Fixed assets*

Fixed assets rose from EUR 153 million in 2013 to EUR 155 million in 2014 (net value).

This increase is mainly due to the EUR 10 million increase in by the Valneva Austria GmbH securities, following the subsidiary's recapitalization, as well as a EUR 6.7 million impairment charge relating to VIVA|Screen® technology intangible assets.



+ *Current assets*

Current assets came to EUR 44 million in 2014, up from EUR 56.4 million in 2013.

This increase is mainly due to partial repayment of the EUR 5 million advance granted by the Company to its Austrian subsidiary, and payment in 2014 of the EUR 1.7 million receivable for Biological E., the EUR 1.3 million decrease in grants receivable and a EUR 4.8 million decrease in cash.

+ *Shareholders' equity*

Shareholders equity rose from EUR 185.3 million at December 31, 2013 to EUR 178.9 million at December 31, 2014 with detailed explanations on this change provided in the notes to the statutory accounts (point 4.3.10).

This change reflects mainly corporate actions involving a EUR 0.2 million capital increase and share premium of 8.4 million.

+ *Liabilities*

Total debt decreased in the period from EUR 19.8 million to EUR 16 million.

Total borrowings declined from EUR 10.99 million in 2013 to EUR 9.61 million in 2014. This change reflects mainly the EUR 1.3 million in debt installment payments and the monetization of 2013 Research Tax Credits that were offset by repayment of the 2010 Research Tax Credit (EUR 0.1 million).

Operating payables rose from EUR 2.7 million to EUR 2.9 million, mainly due to the increase in the "Suppliers; accrued expenses" line item.

Payables to suppliers of fixed assets declined from EUR 4.5 million at the end of 2013 to EUR 1.6 million at the end of 2014, reflecting the reduction in SC World debt linked to the VIVA|Screen® technology for EUR 2.9 million.



+ *Cash*

Cash came to EUR 9.3 million at December 31, 2014, down from EUR 14.1 million one year earlier.

Net cash provided by operating activities represented an inflow of EUR 1.8 million at December 31, 2014 compared to an outflow of EUR 38.2 million at December 31, 2013, and reflecting:

- › cash flow for the period representing an outflow of EUR 6.5 million;
- › partial repayment of the EUR 5 million advance granted by the Company to the Austrian subsidiary;
- › payment of the EUR 1.7 million receivable for Biological E.;
- › the EUR 1.8 million increase in the line item for financial liabilities corresponding to the current account balance of the Austrian subsidiary at the end of 2014.

Net cash from (used in) investing activities represented an outflow of EUR 13.5 million in 2014 compared to an outflow of EUR 1.5 million in 2013, and reflecting mainly:

- › the increase in Valneva Austria GmbH securities in the amount of EUR 10 million following the capital increase for the subsidiary for its recapitalization.
- › the EUR 2.9 million decrease in the SC World debt linked to the VIVA|Screen® technology.

Net cash from financing activities amounted to EUR 7 million in 2014 compared to EUR 17.5 million in 2013. This decrease reflects the EUR 8.6 million from the capital increase and the EUR 1.4 million in loan repayments.



2. PRINCIPAL RISKS AND UNCERTAINTIES INCURRED BY THE COMPANY AND GROUP

Pursuing biotech innovation includes the inherent risk of failure and the Company is therefore exposed to significant industry-specific risks. Valneva is subject to additional risks because (a) it has launched its first product, a Japanese encephalitis vaccine, which has not yet generated sufficient revenues to ensure the Company's sustainable development, and (b) it has recently acquired the company "Crucell Sweden AB" (now renamed "Valneva Sweden AB"), the Dukoral vaccine and a distribution business in Nordic countries (collectively, the "Vaccine Manufacturing and Distribution Division" or the "Division"). 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, in particular the following:

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

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

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

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

The packaging and labeling equipment should be transferred from Madrid (Spain) to Solna (Sweden). During this transfer, it will not be possible to package any Dukoral product. Any damage that might be caused to this equipment during its transfer or validation would have adverse consequences on Valneva's business.



Labeling and packaging of DUKORAL® products were assured in Madrid, Spain, by an affiliate of the seller of the Division. This equipment is being transferred to Solna. Valneva currently believes it will be possible for the installation to be back on line in June 2015. During this transfer and until the installations in Solna are back on line, it will not be possible for any DUKORAL® product to be packaged or labeled, and by extension put on the market. Sales will however be made possible by the use of products that have already been already labeled and packaged provided by the seller of the Division. Inventories of products thus labeled and packaged have already been made available to cover this period in sufficient quantities to meet expected demand.

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

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

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

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

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



+ Other risk factors:

The Company needs to gain further market acceptance for its *Japanese encephalitis vaccine* in order to recover the significant development costs it has incurred. Valneva may be unable to successfully market and sell its Japanese Encephalitis (JE) vaccine 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. The 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 payors, legislative efforts to control or reduce health care costs or reform government healthcare programs, and the ability of customers to pay or be reimbursed for treatment costs. Demand for Valneva's JE vaccine may be adversely affected by international, national or local events or economic conditions that affect consumers' willingness to travel, such as security concerns relating to threatened or actual terrorist attacks, armed conflicts or recent crises in the global economy.

The Company's *manufacturing facilities* in Livingston, Scotland, and Solna, Sweden, are, and will continue to be, significant factors in growing revenues from product sales and maintaining control over production costs. The manufacturing of biological materials is a complex undertaking and technical problems may occur. Valneva may experience delays, be unsuccessful in manufacturing or face difficulties in the ability to manufacture its products according to market demands. Biological manufacturing is subject to government regulation and regular inspection. It is not possible to predict the changes that regulatory authorities may require during the life cycle of a novel vaccine. Such changes may be costly and may affect the Company's sales and marketing and product revenue expectations. The failure of our product manufacturing facility to comply with regulatory requirements, including current Good Manufacturing Practices, could give rise to regulatory actions or suspension or revocations of manufacturing licenses and result in failure to supply. The risk of suspension or revocation of a manufacturer's license also applies to third party manufacturers and contractors with whom the Company contracts for manufacturing and services.

The Company's manufacturing facility in Livingston, Scotland, is the *sole source of commercial quantities* of the JE vaccine. The Company's manufacturing facility in Solna, Sweden, is the sole source of commercial quantities of the Dukoral vaccine. The destruction of either of these facilities by fire or other disastrous events would prevent the Company from manufacturing the relevant product and therefore cause considerable losses. Its business requires the use of hazardous materials, which increases the Company's exposure to dangerous and costly accidents that may result in accidental contamination or injury to people or the environment. In addition, the business is subject to stringent environmental health and safety and other laws, regulations and standards, which result in costs related to compliance and remediation efforts that may adversely affect the Company's performance and financial condition.



The Company's sales largely depend upon (i) the maintenance, renewal or transfer of *marketing authorizations* granted by regulatory authorities, (ii) the therapeutic indications approved by such authorities, (iii) recommendations issued by authorities or advisory bodies, and (iv) the regulatory status of the Company's products, e.g. prescription or over-the-counter (OTC), reimbursable or not, etc... Any difficulty or delay in maintaining, renewing, amending or transferring marketing authorizations, or any changes in the scope or terms of such authorizations or regulatory status, may adversely affect the Company's revenues, profits and financial condition.

The development and success of the Company's commercial vaccines and several of its product candidates are dependent upon the performance of third-party manufacturers and contractors. Should these manufacturers and contractors fail to meet requirements, the development and commercialization of the Company's product and product candidates may be limited or delayed, which would have a material adverse effect on the Company's business, financial condition, and results of operations.

The Company's *R&D activities*, and in particular its late-stage clinical trial programs, are expensive and time-consuming. The result of these R&D activities is inherently uncertain and the Company may experience delays or failures in the development of its EB66 platform or in clinical trials. In order to continue to develop and commercialize its product candidates, the Company will require regulatory approvals from the U.S. Food and Drug Administration (FDA), the European Medicines Agency (EMA), and other relevant regulatory agencies, which may be delayed or denied if the Company cannot establish the safety and efficacy of its product candidates. Adverse events or lack of efficacy in its clinical trials may force the Company to stop development of its product candidates, prevent regulatory approval of its product candidates, or impact its existing products which could materially harm its business.

The vaccine industry is highly competitive, and if the Company's *competitors* commercialize their products more quickly than Valneva or develop alternatives to Valneva's products or sell competing products at lower prices, the Company might lose a significant share of the expected market.

The Company's ability to commercialize its product candidates or to license its technologies partially depends on the ability to obtain and maintain adequate protection of its *intellectual property rights* in the U.S., the EU, and elsewhere. If the Company's efforts to protect its intellectual property rights are not sufficient, competitors may use its technologies to create competing products, erode the Company's competitive advantage, and capture all or part of its expected market share. The Company's efforts to avoid infringing, or to defend itself against any claims of infringement of the intellectual property rights of third parties may be costly and, if unsuccessful, may result in limited or prohibited commercialization of its product candidates or licensing of its technologies, subject it to royalties or other fees, or force it to redesign its product candidates.



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

Furthermore, announcements regarding changes in the achievement of *expected value inflection points* for Valneva's existing development programs, delays in receiving *regulatory approvals*, obstacles hindering product commercialization or realignment of Valneva's operations could be perceived negatively by investors, consumers, or others in the market and thus damage Valneva's reputation, contribute towards a lower share price or otherwise adversely affect Valneva's business, financial condition, results of operation, and prospects. Under certain conditions such an event could occur with one of Valneva's major projects, such as its product candidate, a *Pseudomonas* vaccine, which is currently in a phase II/III clinical trial. Following a review of initial data, the Company and its development partner have decided to continue the trial. Preliminary data from the full trial are expected at the end of 2015 or the beginning of 2016.

Future business opportunities or a delay or failure in the development or commercialization of one or more of the Company's product candidates may result in *requirements for additional funding*, which may only be available, if at all, with unfavorable consequences or on unfavorable terms. If the Company is not able to fulfill investor or analyst expectations, its ability to raise financing may be adversely affected.

Any failure to appropriately *monitor and manage the Company's development* as well as any failure to successfully integrate businesses acquired in the future may have a material adverse effect on the Company's business, financial condition, and results of operations. If we undertake a merger or acquisition, the process of integrating our existing operations with any newly acquired or merger partner business, technology, service or product could be expensive and time consuming and may result in unforeseen operating difficulties and expenditures. The development and commercialization of the Company's product candidates may be delayed if Valneva is unable to recruit and retain qualified personnel or if any of the key members of the Management or scientific staff discontinues his or her employment or consulting relationship with the Company.



Impairment of intangible assets may lead to substantial losses in Valneva's profit and loss statement. The Company's balance sheet includes substantial intangible assets from development stage projects and technologies, which have been gained through business combinations. If the Company is not able to successfully develop these products and technologies and to generate future cash flows from such products and technologies, it may never be able to recover the consideration paid to acquire such intangible assets and, as a consequence, will have to impair the corresponding intangible asset. Such impairment of intangible assets would result in substantial losses in the profit and loss statement.

The use of any of Valneva's product candidates in clinical trials and the sale of any of Valneva's current or future products will subject the Company to potential *liability* or product liability claims. The Company's clinical trial liability and product liability insurance coverage may not be sufficient to cover liability or product liability claims, which Valneva may incur as a result of the use of its product candidates in clinical trials or the sale of current and future products, or may cease to be available at a reasonable cost in the future.

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

Recent poor development in the *credit markets* and financial services industries, and the general deterioration in *global economic conditions* could decrease consumer discretionary spending and global growth rates, impair Valneva's ability to raise money to fund the expansion of its operations, adversely affect Valneva partners' ability or willingness to further develop and commercialize partnered products or impair the value of, or returns on, Valneva's investments. The Company is exposed to market risk, including price risk and cash flow and fair-value interest rate risk and it is exposed to credit risks.

In addition, operating results may be negatively affected by exposure to *foreign exchange* and other economic risk factors. Valneva may not be able to use *tax loss carry-forwards* to offset future taxable income and as a consequence may face higher future tax obligations than expected and/or may have to repay tax credits.

Further risk factors are set out in detail in the registration document of Valneva filed with the AMF on 30 April 2014 under number D.14-0444.



3. FINANCIAL RISKS

The Group is exposed to the financial risks (market risks, credit risks, liquidity risks) such as described in the consolidated financial statements for the year 2014, Note no. 3.

4. SHARE BUYBACK PROGRAMS

In compliance with the provisions of Article L.225-211 subsection 2 of the French Commercial Code, we hereby report to you on transactions undertaken under the provisions of Article L.225-208 and L.225-209 of said code.

4.1. Purchases of shares under article L.225-208 under the French Commercial Code

For the record, the Company did not purchase any of its own shares under article L.225-208 of the French Commercial Code in the 2014 financial year.

4.2. Purchases of shares under article L.225-209 under the French Commercial Code

+ 4.2.1. Share buyback program implemented for the purposes of the liquidity agreement

The General Meeting of June 26, 2014 (resolution nine) authorized the share buyback program for 18 months from the date of the meeting.

Since July 6, 2007, the Company has maintained a liquidity agreement with the financial institution, Natixis. The purpose of this agreement is notably to ensure the liquidity and orderly trading of the Company's shares and contain the scope of price fluctuations not justified by market trends.

In accordance with Article L.225-209 of the French Commercial Code and within the framework of the liquidity agreement, the Company acquired 2,009,502 shares and sold 2,023,996 shares in 2014 for an average purchase price of EUR 5.37 (EUR 4.79 in 2013) and an average sale price of EUR 5.37 per share (EUR 4.81 in 2013). Valneva has not paid any execution fees.

On December 31, 2014, Valneva held, in connection with this liquidity agreement, 26,722 shares, corresponding to an amount on the closing date of December 31, 2014 of EUR 174,757.08 (with a nominal value of EUR 4,008.30, or 0.05%¹ of the share capital at December 31, 2014 compared to 0.07%² at December 31, 2013)

¹This rate is calculated in reference to a share capital totaling 57,540,948 Valneva shares, divided into 56,351,833 ordinary shares and 17,836,719 preferred shares with a nominal value of EUR 0.01 written down to a nominal value of EUR 0.15 per share.

²This rate is calculated in reference to a share capital of 55,898,115 Valneva shares, divided into 54,709,000 ordinary shares and 17,836,719 preferred shares representing a nominal value of EUR 0.15 per share.



+ 4.2.2. *Treasury shares held in connection with the “exit right” linked to the merger of May 28, 2013 with Intercell AG*

At December 31, 2014, the Company held 124,332 own shares with a nominal value of EUR 0.15 per share and the same number of preferred shares with a nominal value of EUR 0.01. The Company holds these shares as a direct result of the share buyback related to the merger with Intercell AG and the “exit” right offered to the latter’s shareholders, combined with the simultaneous implementation of consideration for the merger, as defined in Article 3 of the Merger Agreement in its 16 December 2012 version.

1. Implementation of the exit right

In accordance with applicable Austrian legislation, Intercell AG shareholders who objected to the resolutions concerning approval of the merger and Merger Agreement at the Intercell General Meeting during which they were asked to express their position on the transaction, were granted an “exit” right consisting of financial compensation paid by the acquiring company in exchange for their Intercell shares.

This financial compensation, applicable to a maximum number of 4,138,800 Intercell shares, was set at 1.69 euros per Intercell share, implying therefore a maximum global amount of compensation of EUR 6,994,572.

Erste Group Bank AG was appointed as receiver such that, at the completion of the merger, it would:

- › Receive the shares held by exiting Intercell shareholders;
- › Receive the new ordinary shares and the preferred shares to which the exiting Intercell shareholders would have been entitled had they not exercised their exit right;
- › Sell the new ordinary shares and preferred shares to Valneva at a price equal to or greater than the amount of the financial compensation offered in place of said new ordinary shares and preferred shares;
- › Receive the proceeds from the sale of new ordinary shares and preferred shares to Valneva;
- › If necessary, withdraw from the bank guarantee established as security the total amount of the financial compensation requested by exiting Intercell shareholders; and
- › Pay the financial compensation.

At the time of the merger, the Company had to purchase a total of nearly 382,529 ordinary shares from exiting Intercell shareholders under the share buyback program implemented by Valneva at the Combined General Meeting of 7 March 2013, in accordance with Article L.225-209 of the French Commercial Code.



2. Application of consideration for the merger, as defined in the Merger Agreement

As consideration for the contribution by the acquired company, Intercell AG, of the totality of its assets and liabilities to the acquiring company, Vivalis, the Merger Agreement set out that Intercell shareholders would receive new ordinary shares and preferred shares of the acquiring company in exchange for their shares. The shares would be exchanged at the time of the merger and at a ratio calculated according to the valuation given to the shares of each company party to the merger.

The exchange ratio offered to shareholders of the acquiring company and the acquired company under the merger was set at 13 new ordinary shares and 13 preferred shares of the acquiring company for 40 shares of the acquired company.

Valneva having acquired nearly 382,529 ordinary Intercell shares following implementation of the exit right of exiting Intercell shareholders, the Company was able to acquire a total of 124,322 Valneva ordinary shares and 124,322 Valneva preferred shares.

5. FACTORS LIKELY TO HAVE AN IMPACT IN CASE OF A PUBLIC OFFERING

5.1. Company capital structure at December 31, 2014

At December 31, 2014, the Company's share capital stood at EUR 8,631,142.14 divided into

- + 56,351,833 ordinary shares with a par value of EUR 0.15 each and
- + 17,836,719 preferred shares with a par value of EUR 0.01 each.

The theoretical number of corresponding voting rights (including voting rights having been suspended such as those associated with treasury shares) is 56,351,833.



A description of Valneva's capital structure (at December 31, 2014, end of the business day) is presented below:

Valneva's capital structure at December 31, 2014 (end of business day)

		SHARES HELD	% ^a	NUMBER OF THEO- RETICAL VOTING RIGHTS, INCLUDING SUSPENDED VOTING RIGHTS	%
Groupe Grimaud La Corbière^b		11 843 327	20,58	11 843 327	21,02
BPI France Participations SA		5 499 863	9,56	5 499 863	9,76
Management Board Members	Total Board Members	524 746	0,91	523 880	0,93
	<i>Franck Grimaud</i>	375 140	0,65	375 140	0,67
	<i>Thomas Lingelbach</i>	98 978	0,17	98 740	0,18
	<i>Reinhard Kander</i>	50 628	0,09	50 000	0,09
Non-officer employees		133 685	0,23	133 685	0,24
Other private individual share holders		1 455 922	2,53	1 454 421	2,58
<i>Of which private individual shareholders of the Grimaud family and Financière Grand Champ SAS^{b,c}</i>		834 542	1,45	834 542	1,48
<i>Of which investors</i>		172 266	0,30	172 266	0,31
<i>Of which independent members of the Supervisory Board</i>					
	<i>Alain Munoz</i>	41 800	0,07	41 800	0,07
	<i>Michel Greco</i>	618	0,00	586	0,00
	<i>James Sulat</i>	13 500	0,02	13 500	0,02
	<i>Alexander Von Gabain^c</i>	23 517	0,04	22 048	0,04
<i>Other private individual investors with shares in registered form</i>		369 679	0,64	369 679	0,66
Other bearer shares		36 896 657	64,12	36 896 657	65,48
Other preferred shares		1 186 748	2,06	0	0,00
TOTAL		57 540 948	100,00	56 351 833	100,00

^aThis rate is calculated in reference to a share capital totaling 57,540,948 Valneva shares, divided into 56,351,833 ordinary shares and 17,836,719 preferred shares with a nominal value of EUR 0.01 written down to a nominal value of EUR 0.15 per share.

^bThe «Grimaud Family Shareholding Group» is comprised of Groupe Grimaud La Corbière, private shareholders of the Grimaud family and Financière Grand Champ SAS.

^cSecurities mentioned in the column «Shares held» include bearer shares and/or preferred shares written down to a nominal value of EUR 0.15, as applicable.



5.2. Restrictions under the articles of association on the exercise of voting rights or the transfer of shares disclosed in accordance with article L.233-11 of the French Commercial Code

+ 5.2.1. Restrictions relating to double voting rights

It should be noted that prior to the merger of Vivalis SA and Intercell AG, shareholders of the Company benefited from a double voting right for registered ordinary shares held for at least two years, under the terms set out in the Articles of Association.

Following the merger and pursuant to the 16 December 2012 version of the Merger Agreement, it was agreed that the double voting right for holders of Vivalis ordinary shares would be cancelled and that a new system of double voting rights would be instituted, to take effect two years after the merger, i.e. 28 May 2015.

Article 13 of the articles of association thus stipulates, *“Ordinary shares fully paid up for which it is evidenced that they have been held in registered form in the name of the same shareholder for at least two years from the registration of the Company as a European company, carry a double voting right in respect to that granted to other ordinary shares [of the Company], according to the portion of share capital they represent. This double voting right is also conferred, upon the issue of shares during a share capital increase by capitalization of reserves, profits or issue premiums, to the registered ordinary shares granted free of consideration to a shareholder for previous ordinary shares already carrying this double voting right.”*

+ 5.2.2. Restrictions on voting rights exercisable in General Meetings

The Company’s articles of association imposed certain restrictions on voting rights exercisable in General Meetings. On this basis, *“regardless of the number of ordinary shares directly or indirectly held, a shareholder acting alone or in concert may not express, by way of the votes which it submits, whether in its own name or as a proxy during a General Meeting, more than 29.9% of the votes attached to the ordinary shares issued and with attached voting rights at the date of the General Meeting. This cap shall apply to shareholders acting in concert according to Article L.233-10 of the French Commercial Code, the voting rights of such shareholders to be aggregated for this purpose. If the cap is to apply to one or more shareholders, the quorum and majority rules shall be determined for each General Meeting by taking into account the number of voting rights that could be validly exercised by the relevant shareholders. This cap shall apply for a period of five (5) years from the registration of the Company as a European Company with the trade and companies register.”*



+ 5.2.3. *Clauses of agreements reported to the Company in application of article L.233-11 of the French Commercial Code*

The Company was not informed in 2014 of any new contractual provisions providing for preferential terms and conditions for the sale and purchase of Valneva shares concerning at least 0.5% of the Company's capital or voting rights.

Readers are nevertheless invited to refer to Section 5.6 of this Annual Report, with respect to the Shareholders Agreement executed on July 5, 2013 between Groupe Grimaud La Corbière ("GGLC"), France's Strategic Investment Fund (*Fonds stratégique d'Investissement* or FSI), today named "Bpifrance Participations", Franck Grimaud, Majid Mehtali, Thomas Lingelbach and Reinhard Kandra.

**5.3. Direct or indirect holdings in the share capital of the Company of which it is informed under articles L233-7 and L233-12 of said code**

According to the articles of association, in addition to the legal obligation to inform the Company of ownership of certain proportions of the share capital and to carry out any declaration of intent arising therefrom, any natural person or legal entity, acting on his/her/its own or in concert, owning or ceasing to own a proportion of the share capital or voting rights equal to two per cent (2%) or any multiple of this percentage, is obliged to inform the Company thereof, within a period of four trading days, of the crossing one of these thresholds, stating the total number of shares, the corresponding voting rights and securities giving access to capital that it owns individually or in concert.

During fiscal 2014, Valneva was informed that the following thresholds were crossed:

+ Statements of La Financière Grand Champ SAS

+ Financière Grand Champ SAS declared, for the purposes of regularization, having crossed the thresholds for itself and for the following persons with which it acted in concert:

- › Groupe Grimaud La Corbière, its subsidiary over which it exercises control and with which it is considered to act in concert in accordance with article L.233-10 II 2° of the French Commercial Code,
- › Frédéric Grimaud, Chairman of Groupe Grimaud La Corbière, considered to act in concert in accordance with article L.233-10 II 1° of the French Commercial Code,
- › Joseph Grimaud, Marie-Thérèse Grimaud, Renée Grimaud, Thomas Grimaud, Odile Grimaud Chateigner, Agnès Grimaud, Anne Marie Grimaud, Bruno Grimaud, partners of Financière Grand Champ, considered to be acting in concert in accordance with article L.233-10 II 4° of the French Commercial Code,

(refer to jointly as the “*Grimaud Family Shareholding Group*”)

having crossed below on May 28, 2013 the statutory threshold of 2/3 of the voting rights and 50% and 1/3 of the capital and voting rights of the Company.

On this occasion, the Grimaud Family Shareholding Group accordingly also crossed below all statutory thresholds between 30% and 52% of the Company’s capital and between 30% and 66% of the Company’s voting rights.



On May 28 2013, the Grimaud Family Shareholding Group accordingly held a total amount of 11,568,195 Valneva shares representing an equivalent amount of voting rights or 28.54% of the capital and 29.41% of the voting rights of the Company³, breaking down as follows:

	AT JANUARY 1, 2013	ACQUI- SIONS	DISPO- SALS	AT DECEM- BER 31, 2013
<i>Groupe Grimaud La Corbière</i>	10,885,280	26.86	10,885,280	27.67
<i>Financière Grand Champ</i>	277,700	0.69	277,700	0.71
<i>Frédéric Grimaud</i>	203,052	0.50	203,052	0.52
<i>Joseph Grimaud</i>	115,699	0.29	115,699	0.29
<i>Marie Thérèse Grimaud</i>	50,000	0.12	50,000	0.13
<i>Renée Grimaud</i>	35,000	0.09	35,000	0.09
	780	NS	780	NS
<i>Anne Marie Grimaud</i>	480	NS	480	NS
<i>Thomas Grimaud</i>	100	NS	100	NS
<i>Odile Grimaud Chateigner</i>	62	NS	62	NS
<i>Bruno Grimaud</i>	42	NS	42	NS
TOTAL Grimaud Family Shareholding Group	11,568,195	28.54	11,568,195	29.41

- + The crossing of the thresholds results from the merger between Vivalis SA (having become “Valneva SE”) and Intercell AG, effective as from May 28, 2013⁴.

Groupe Grimaud La Corbière furthermore declared having, on this same occasion, individually crossed below the statutory thresholds of 50% and 1/3 of the Company’s capital and voting rights. Groupe Grimaud La Corbière therefore also crossed below individually all statutory thresholds between 28% and 50% of the Company’s capital and between 28% and 64% of the Company’s voting rights.

- + Financière Grand Champ SAS thereupon declared, for the purposes of regularization, both for itself and other members of the Grimaud Family Shareholding Group, having crossed below, on July 5, 2013 the statutory threshold of 25% of the Company’s capital and voting rights. On this occasion, the Grimaud Family Shareholding Group accordingly crossed below all statutory thresholds between 24% and 28% of the Company’s capital and voting rights.

On July 5, 2013, the Grimaud Family Shareholding Group accordingly held a total of 12,727,397 Valneva ordinary shares representing an equivalent amount of voting rights or 22.82% of the capital and 23.31% of the voting rights of the Company⁵, breaking down as follows:

³Based on a capital made up of 39,339,385 ordinary shares with a nominal value of EUR 0.15 per share and 17,836,719 preferred shares with a nominal value of EUR 0.01 per share or 40,528,500 shares, in light of the nominal value of the shares representing 39,339,385 voting rights in application of subsection 2 of article 223-11 of the AMF General Regulation.

⁴See in particular Document E filed with the AMF (No. 13-003) on January 23, 2013

⁵Based on a capital made up of 54,594,780 ordinary shares with a nominal value of EUR 0.15 per share and 17,836,719 preferred shares with a nominal value of EUR 0.01 per share or 55,783,895 shares, in light of the nominal value of the shares representing 54,594,780 voting rights in application of subsection 2 of article 223-11 of the AMF General Regulation.



	NUMBER OF SHARES	% OF CAPITAL	NUMBER OF VOTING RIGHTS	% OF VOTING RIGHTS
<i>Groupe Grimaud La Corbière</i>	11,843,327	21.23	11,843,327	21.69
<i>Financière Grand Champ</i>	384,505	0.69	384,505	0.70
<i>Frédéric Grimaud</i>	235,127	0.42	235,127	0.43
<i>Joseph Grimaud</i>	145,284	0.26	145,284	0.27
<i>Marie Thérèse Grimaud</i>	69,230	0.12	69,230	0.13
<i>Renée Grimaud</i>	48,460	0.09	48,460	0.09
<i>Agnès Grimaud</i>	780	NS	780	NS
<i>Anne Marie Grimaud</i>	480	NS	480	NS
<i>Thomas Grimaud</i>	100	NS	100	NS
<i>Odile Grimaud Chateigner</i>	62	NS	62	NS
<i>Bruno Grimaud</i>	42	NS	42	NS
TOTAL Grimaud Family Shareholding Group	12,727,397	22.82	12,727,397	23.31

The crossing of the thresholds results from the increase in capital by maintaining preferential subscription rights of shareholders decided by the Company on June 13, 2013⁶. The settlement-delivery and admission of the new shares to trading thereafter took effect on July 5, 2013.

Groupe Grimaud La Corbière furthermore declared having, on this same occasion, individually crossed below this same statutory threshold of 25% of the Company's capital and voting rights. Groupe Grimaud La Corbière therefore also crossed below individually all statutory thresholds between 22% and 26% of the Company's capital and voting rights.

+ Statement of EPIC BPI-Groupe

- ▶ The French public undertaking (Etablissement Public Industriel et Commercial) BPI-Groupe (formally "EPIC OSEO") - hereafter "*EPIC BPI-Group*" - declared having crossed below on May 29, 2014, the statutory threshold of 10% the Company's voting rights, via Bpifrance Participations SA (formally "FSI" - a company controlled by BPI-Groupe SA).

On May 29, 2014, EPIC BPI-Group therefore held indirectly through Bpifrance Participations SA, 5,499,863 shares and voting rights of the Company or 9.74% of the capital and 9.95% of the voting rights⁷.

The crossing of this threshold results from the issue of 500,000 new ordinary shares of the Company following the exercise of equity warrants (Bons d'Emission d'Actions) in connection with the equity line set up by the Company.

⁶See the original French Securities Note filed with the AMF (Visa No. 13-0275).

⁷Based on a capital made up of 55,246,333 ordinary shares with a nominal value of EUR 0.15 per share and 17,836,719 preferred shares with a nominal value of EUR 0.01 per share or 56,435,448 shares, in light of the nominal value of the shares representing 55,246,333 voting rights in application of subsection 2 of article 223-11 of the AMF General Regulation.

**5.4. List of all security holders with special control rights and description of said rights**

The Company is not aware of the existence of special control rights.

5.5. Control mechanisms provided for in a potential employee stock ownership system where control rights are not exercised by the latter

The Company has not implemented an employee stock ownership system potentially including mechanisms of control when the control rights are not exercised by the personnel.

5.6. Shareholders' agreements known to the Company and which may result in share transfer and voting rights restrictions

A Shareholders Agreement was executed on July 5, 2013 between Groupe Grimaud La Corbière (“GGLC”), France’s Strategic Investment Fund (*Fonds stratégique d’Investissement* or FSI), renamed “Bpifrance Participations”), Franck Grimaud, Majid Mehtali, Thomas Lingelbach and Reinhard Kandera.

The Shareholders Agreement was executed in connection with the capital increase maintaining preferential subscription rights by Valneva for approximately EUR 40 million for which the prospectus was submitted for clearance with the French Financial Markets Authority (Visa no.°13-0275) and which follows the creation of Valneva from the merger of Vivalis and Intercell.

The Shareholders Agreement’s main provisions are as follows :

+ Agreement to not act in concert

Bpifrance Participations, GGLC and the Management Board members do not intend to act in concert vis-à-vis Valneva. In particular, by entering into this Agreement, Bpifrance Participations wishes to maintain its financial interests in Valneva.

+ Governance**Composition of the Supervisory Board**

- › The Agreement notes that Vivalis’ General Meeting of Shareholders of March 7, 2013, convened to approve the merger and capital increase, nominated the following individuals as initial members of the Supervisory Board for a 3-year term: (i) three candidates put forth by GGLC (Frédéric Grimaud, Michel Greco and Alain Munoz) whose terms took effect at the date of the merger between Vivalis and Intercell, (ii) three candidates put forth by Intercell (James Sulat, Alexander Von Gabain and Hans Wigzell) whose terms took effect at the date of the merger between Vivalis and Intercell, and (iii) one candidate put forth by Bpifrance Participations (Anne-Marie Graffin) whose term took effect at the date of settlement and delivery of the capital increase.
- › The Supervisory Board member nominated by Bpifrance Participations also sits on the Compensation and Appointments Committee.



- › Throughout the term of the Agreement, GGLC and Bpifrance Participations will make every effort to abide by these principles for allocating seats on the Board.
- › Bpifrance Participations will also be appointed as a Non-Voting Observer (*Censeur*) on the Supervisory Board for a term of three years as of the date of settlement and delivery of the capital increase.
- › Supervisory Board decisions are taken by simple majority of those members in attendance or represented, with the exception of (i) certain decisions requiring a qualified majority of 4 of the 7 members (budget, business plan, appointment and removal of Management Board members, distribution of dividends, draft resolutions for Extraordinary General Meetings, capital increases, etc.), and (ii) any decision for international relocation of Valneva's head office or a research and development center operated by Valneva in France, which shall require a unanimous vote. For these two types of decision, the quorum (required only upon the first call) shall be the majority of the members with at least one representative nominated by each of GGLC, Intercell and Bpifrance Participations. Upon the second call, the quorum shall be the majority of Supervisory Board members.

Composition of the Management Board

The Shareholders Agreement notes that Management Board members, appointed for 3-year terms as of the date of the merger between Vivalis and Intercell, are (i) two candidates put forth by GGLC (Franck Grimaud and Majid Mehtali) and (ii) two candidates put forth by the Intercell Supervisory Board (Thomas Lingelbach and Reinhard Kandra).

Following the death of Majid Mehtali in August 2013, the Company's Management Board was made up of three members at the date of this Annual Report, namely Messrs. Franck Grimaud, Thomas Lingelbach and Reinhard Kandra.

+ Transfer of shares

Lock-up commitment

Bpifrance Participations shall be subject to a two-year lock-up commitment for its shares. This period shall be four years for GGLC (subject to certain exceptions such as a relief clause applicable to 50% of its securities as of the third anniversary of the Agreement). Management Board members shall be bound by a 3-year lock-up (subject to certain exceptions such as selected cases of dismissal as well as a relief clause applicable to 20% of their securities).

Unrestricted transfers

Transfers between affiliates will not be subject to restrictions (subject to the customary conditions: membership, joint liability of the transferor, etc.). Likewise, there is no restriction for contributions of Valneva securities by a party to a public offering.



Right of first refusal

Following the lock-up period, any transfer of securities by Groupe Grimaud or the FSI (without prejudice to the abovementioned free transfers) shall be subject to a right of first refusal granted to Bpifrance Participations or GGLC, according to the circumstances, at the price offered by the transferor. Should this right be waived, the transferor shall be entitled to transfer the securities in question by any means for a period of three months, and at a sale price equal to or greater than the price offered to GGLC or Bpifrance Participations.

Anti-dilution

Should Valneva wish to carry out a capital increase (in cash) liable to have a dilutive effect on Bpifrance Participations' stake in the Company, GGLC shall, at the request of Bpifrance Participations, make every effort to take measures guaranteeing that Bpifrance Participations' interest in the Company is maintained at its previous level.

+ Duration of Agreement

The Agreement is concluded for a period of six years renewable by successive one-year periods, unless prior notice of termination is given by one of the parties.

5.7. Rules and regulations pertaining to the appointment and replacement of Management Board members and modifications to the articles of association

The rules and regulations applicable in this area comply with the provisions of the articles of association and the law.

5.8. Powers of the Management Board in particular for the issuance and buyback of shares

With regards to the powers of the Management Board, especially for issuance and buyback of shares, the powers are those provided for by statute and regulations applying to European companies with a Management Board and a Supervisory Board.



+ 5.8.1. Information on authorizations for stock option and/or restricted share unit plans

Combined General Meeting of June 7, 2011

OPERATION	RESOLUTION	DURATION OF THE AUTHORIZATION	TERMS AND MAXIMUM AMOUNT OF THE CAPITAL INCREASE/REDUCTION	STATUS OF THE AUTHORIZATION
<i>Issuance of stock options to subscribe for shares</i>	15	38 months, i.e. until August 7, 2014	<p>The Management Board is authorized to grant employees and officers of the Company and its subsidiaries, 7,500 stock options, each conferring a right to subscribe for one ordinary share of the Company, it being specified that the entire issue undertaken under this resolution shall be included under the maximum authorization set in resolution sixteen of this shareholders' meeting;</p> <p>The subscription price of the shares shall equal 80% of the average price of the shares over the twenty trading days preceding the date of grant by the Management Board.</p> <p>In addition, in respect to setting the subscription price for shares, the Management Board may not apply any advantage or discount on the price set according to legal conditions at the time options are granted.</p> <p>Protection of the interest of recipients of options</p> <p>If the company proceeds with (i) a repayment or reduction of share capital, (ii) a grant of restricted shares, the capitalization of reserves, earnings or share premium, (iii) a distribution of reserves or share premium, (iv) a modification of the allocation of earnings by the creation of preferred shares, (v) an issue of new shares, in any form whatsoever, conferring rights to the share capital or securities conferring rights to the grant of equity securities with preferential subscription rights in favor of shareholders, the rights of recipients of stock options must be safeguarded in accordance with the provisions provided for by Articles L.228-99 of the French Commercial Code.</p> <p>The Management Board shall designate the beneficiaries of the plan, determine the amount of subscriptions pursuant to the exercise of options, set the date as of which stock options may be exercised and the maximum period for exercising options.</p> <p>This authorization entails the express waiver in favor of the recipients of the options by the shareholders of their preferential subscription rights to shares that will be issued as options are exercised.</p>	<p>Authorization still in force</p> <p>***</p> <p>Authorization not yet used</p> <p>***</p> <p>Balance of the authorization:</p> <p>The maximum amount of the authorization for the issuance of options to subscribe for shares has been reached through the grant of restricted share units for no consideration under resolution 16 of the combined shareholders' meeting of June 7, 2011 (see below)</p>



OPERATION	RESOLUTION	DURATION OF THE AUTHORIZATION	TERMS AND MAXIMUM AMOUNT OF THE CAPITAL INCREASE/REDUCTION	STATUS OF THE AUTHORIZATION
<i>Issue of restricted share units, repurchase by the Company of its shares on the market for this purpose</i>	16	38 months, i.e. until August 7, 2014	<p>Authorization granted to the Management Board to make, on one or more occasions grants of existing or future shares, of the Company to selected categories of beneficiaries whose identity shall be determined by the Management Board from among:</p> <ul style="list-style-type: none"> › Salaried employees of the Group and its subsidiaries; › Members of the Management Board and executive officers of its subsidiaries. <p>The vesting period following which the grant of ordinary shares to the beneficiaries shall become definitive, subject to any conditions determined by the Management Board, is set at a minimum of two years and except in cases of disability of the beneficiary recognized under Article L. 225-197-1 I of the French Commercial Code, from the date of final grant of the shares.</p> <p>Beneficiaries must hold the shares freely granted to them for a minimum of two years after the shares have been fully vested, except cases where the beneficiary is recognized as ineligible in compliance with Article L. 225-197-1 I of the French Commercial Code.</p> <p>The total number of ordinary shares that may be freely granted under this authorization may not exceed 7,500 shares or 0.03 % of the share capital of the Company on the date of this authorization, it being specified that any issue undertaken under this resolution shall be included under the maximum amount set forth in resolution fifteen of this General Meeting;</p> <p>In compliance with Article L225-132 of the French Commercial Code, the decision of the shareholders' meeting entails automatic waiver in favor of the recipients of restricted shares by the shareholders of their preferential subscription rights for ordinary shares issued as capital increases are carried out through the capitalization of reserves, earnings or share premium, decided by the Management Board, under this authority, and any rights to the portion of reserves, earnings or share premium thus capitalized, on condition that the grant of said shares to recipients becomes definitive after the vesting period.</p>	<p>Authorization still in force</p> <p>***</p> <p>Authorization used in connection with the implementation of the restricted share unit plan of the Company No. 3 – tranche 2, of July 24, 2013, for 7,500 shares</p> <p>***</p> <p>Balance of the authorization:</p> <p>the maximum amount of the authorization for the grant of restricted share units for no consideration has been reached</p>



Combined General Meeting of June 4, 2012

OPERATION	RESOLUTION	DURATION OF THE AUTHORIZATION	TERMS AND MAXIMUM AMOUNT OF THE CAPITAL INCREASE/REDUCTION	STATUS OF THE AUTHORIZATION
<i>Issuance of stock options to subscribe for shares</i>	16	38 months, i.e. until August 04, 2015	<p>The Management Board is authorized to grant employees and officers of the Company and its subsidiaries, 157,000 stock options, each conferring a right to subscribe for one ordinary share of the Company, it being specified that the entire issue undertaken under this resolution shall be included under the maximum authorization set in resolution seventeen of this shareholders' meeting;</p> <p>The subscription price of the shares shall equal 80% of the average price of the shares over the twenty trading days preceding the date of grant by the Management Board.</p> <p>In addition, in respect to setting the subscription price for shares, the Management Board may not apply any advantage or discount on the price set according to legal conditions at the time options are granted.</p> <p>Protection of the interest of recipients of options</p> <p>If the Company proceeds with (i) a repayment or reduction of share capital, (ii) a grant of restricted shares, the capitalization of reserves, earnings or share premium, (iii) a distribution of reserves or share premium, (iv) a modification of the allocation of earnings by the creation of preferred shares, (v) an issue of new shares, in any form whatsoever, conferring rights to the share capital or securities conferring rights to the grant of equity securities with preferential subscription rights in favor of shareholders, the rights of recipients of stock options must be safeguarded in accordance with the provisions provided for by Articles L.228-99 of the French Commercial Code.</p> <p>The Management Board shall designate the beneficiaries of the plan, determine the amount of subscriptions pursuant to the exercise of options, set the date as of which stock options may be exercised and the maximum period for exercising options.</p> <p>This authorization entails the express waiver in favor of the recipients of the options by the shareholders of their preferential subscription rights to shares that will be issued as options are exercised.</p>	<p>Authorization still in force</p> <p>***</p> <p>Authorization not yet used</p> <p>***</p> <p>Balance of the authorization:</p> <p>a number of options corresponding to the creation of an amount not to exceed 120,000 ordinary Valneva shares may be issued under this resolution (whereby it is understood that this maximum amount will be deducted from the number of restricted share units granted for no consideration under resolution seventeen of the combined general meeting of June 4, 2012 (see below)</p>



OPERATION	RESOLUTION	DURATION OF THE AUTHORIZATION	TERMS AND MAXIMUM AMOUNT OF THE CAPITAL INCREASE/REDUCTION	STATUS OF THE AUTHORIZATION
<i>Issue of restricted share units, repurchase by the Company of its shares on the market for this purpose</i>	17	38 months, i.e. until August 4, 2015	<p>Authorization granted to the Management Board to make, on one or more occasions grants of existing or future shares, of the Company to selected categories of beneficiaries whose identity shall be determined by the Management Board from among:</p> <ul style="list-style-type: none"> › Salaried employees of the Group and its subsidiaries; › Members of the Management Board and executive officers of its subsidiaries. <p>The vesting period following which the grant of ordinary shares to the beneficiaries shall become definitive, subject to any conditions determined by the Management Board, is set at a minimum of two years and except in cases of disability of the beneficiary recognized under Article L. 225-197-1 I of the French Commercial Code, from the date of final grant of the shares.</p> <p>Beneficiaries must hold the shares freely granted to them for a minimum of two years after the shares have been fully vested, except cases where the beneficiary is recognized as ineligible in compliance with Article L. 225-197-1 I of the French Commercial Code.</p> <p>The total number of ordinary shares that may be freely granted under this authorization may not exceed 157,000 shares or 0.74 % of the share capital of the Company on the date of this authorization, it being specified that any issue undertaken under this resolution shall be included under the maximum amount set forth in resolution sixteen of this General Meeting;</p> <p>In compliance with Article L225-132 of the French Commercial Code, the decision of the shareholders' meeting entails automatic waiver in favor of the recipients of restricted shares by the shareholders of their preferential subscription rights for ordinary shares issued as capital increases are carried out through the capitalization of reserves, earnings or share premium, decided by the Management Board, under this authority, and any rights to the portion of reserves, earnings or share premium thus capitalized, on condition that the grant of said shares to recipients becomes definitive after the vesting period.</p>	<p>Authorization still in force</p> <p>***</p> <p>Authorization used in connection with the implementation of a restricted share unit plan of the Company No. 3 – tranche 2, of July 24, 2013, for 37.000 shares</p> <p>***</p> <p>Balance of the authorization:</p> <p>120,000 restricted share may be issued under this resolution (whereby it is understood that this maximum amount will be deducted from the number of stock options granted under resolution sixteen of the combined general meeting of June 4, 2012 (see above)</p>



Combined General Meeting of June 26, 2014

OPERATION	RESOLUTION	DURATION OF THE AUTHORIZATION	TERMS AND MAXIMUM AMOUNT OF THE CAPITAL INCREASE/REDUCTION	STATUS OF THE AUTHORIZATION
<i>Issuance of stock options to subscribe for shares</i>	20	38 months, i.e. until August 26, 2017	<ul style="list-style-type: none"> › Authorization given to the Management Board to grant to employees and executive officers of the Company and its subsidiaries, options conferring a right to subscribe for new ordinary shares of the Company; › The total number of options granted under this authorization may not give rise to the right to subscribe to a total number of shares representing more than 4% of the capital of the Company on the grant date; › The subscription price of the shares shall equal 100% of the average price of the shares over the twenty trading days preceding the date of grant by the Management Board. The Management Board may not apply any advantage or discount on the price set according to legal conditions at the time options are granted; <p>Protection of the interest of recipients of options</p> <ul style="list-style-type: none"> › If the Company proceeds with (i) a repayment or reduction of the share capital, (ii) a grant of restricted shares, the capitalization of reserves, earnings or share premium, (iii) a distribution of reserves or share premium, (iv) a modification of the allocation of earnings by the creation of preferred shares, (v) an issue of new shares, in any form whatsoever, conferring rights to the share capital or securities conferring rights to the grant of equity securities with preferential subscription rights in favor of shareholders, the rights of recipients of stock options must be safeguarded in accordance with the provisions provided for by Articles L.228-99 of the French Commercial Code. › The Management Board shall designate the beneficiaries of the plan, determine the amount of subscriptions pursuant to the exercise of options, set the date as of which stock options may be exercised and the maximum period for exercising options. › This authorization entails the express waiver in favor of the recipients of the options by the shareholders of their preferential subscription rights to shares that will be issued as options are exercised. 	<p>Authorization still in force</p> <p>***</p> <p>Authorization not yet used</p> <p>***</p> <p>Balance of the authorization:</p> <p>possibility to issue a total number of options giving rise to the right to subscribe to a total number of shares representing 4% maximum of the capital of the Company on the grant date</p> <p>***</p> <p>This authorization replaces the authorization given by the General Meeting of June 28, 2013.</p>



OPERATION	RESOLUTION	DURATION OF THE AUTHORIZATION	TERMS AND MAXIMUM AMOUNT OF THE CAPITAL INCREASE/REDUCTION	STATUS OF THE AUTHORIZATION
<i>Issue of restricted share units, repurchase by the Company of its shares on the market for this purpose</i>	21	38 months, i.e. until August 26, 2017	<ul style="list-style-type: none"> › Authorization granted to the Management Board to make, on one or more occasions grants of existing or future shares, of the Company to selected categories of beneficiaries whose identity shall be determined by the Management Board from among: <ul style="list-style-type: none"> – Salaried employees of the Group and its subsidiaries; – Members of the Management Board and executive officers of its subsidiaries. › The vesting period following which the grant of ordinary shares to the beneficiaries shall become definitive is set by the General Meeting at a minimum of two years and except cases where the beneficiary is recognized as ineligible in compliance with Article L. 225-197-1 I of the French Commercial Code; › The shareholders decide that recipients must hold the shares freely granted to them for a minimum of two years after the shares have been fully vested, except cases where the beneficiary is recognized as ineligible in compliance with article L. 225-197-1 I of the French Commercial Code. › The total number of ordinary shares granted for no consideration pursuant to this authorization may not represent more than 2% of the capital of the Company on the grant date; › Existing shares that may be granted may be acquired in accordance with Article L 225-208 of the French Commercial Code; › In compliance with Article L. 225-132 of the French Commercial Code, the decision of the shareholders' meeting entails automatic waiver in favor of the recipients of restricted shares by the shareholders of their preferential subscription rights for ordinary shares issued as capital increases are carried out through the capitalization of reserves, earnings or share premium, decided by the Management Board, under this authority, and any rights to the portion of reserves, earnings or share premium thus capitalized, on condition that the grant of said shares to recipients becomes definitive after the vesting period. 	<p>Authorization still in force</p> <p>***</p> <p>Authorization not yet used</p> <p>***</p> <p>Balance of the authorization:</p> <p>possibility to issue a total number of ordinary shares granted for no consideration representing 2% maximum of the capital of the Company on the grant date</p> <p>***</p> <p>This authorization replaces the authorization given by the General Meeting of June 28, 2013.</p>



+ 5.8.2. Other capital authorized in FY 2014

Combined General Meeting of June 26, 2014

OPERATION	RESOLUTION	DURATION OF THE AUTHORIZATION	TERMS AND MAXIMUM AMOUNT OF THE CAPITAL INCREASE/REDUCTION	STATUS OF THE AUTHORIZATION
<i>Issuance of equity warrants</i>	11	18 months (under resolution 12 of this AGM) or until December 26, 2015	<p>The purpose of this resolution is to authorize the issuance without consideration of 153,000 equity warrants (“BSA 25 issue”) entailing the cancellation of preferential subscription rights for individual non-salaried members of the Company’s Supervisory Board, whereby the Meeting assigns the Management Board with the task of drawing up the list of beneficiaries for this category and the number of warrants to be granted.</p> <p>Characteristics of BSA 25 Equity warrants</p> <p>Form BSA 25 warrants will be created exclusively in registered form.</p> <p>Term Each BSA 25 warrant will be exercisable over a maximum period of five (5) years. As a result, at the end of the exercisable period and subject to the provisions set forth below, BSA 25 warrants that have not been exercised will immediately become null and void.</p> <p>Transfer All BSA 25 warrants shall be freely transferable.</p> <p>Issue price Each BSA 25 warrant will be issued free of charge.</p>	<p>Authorization still in force</p> <p>***</p> <p>Authorization not yet used</p> <p>***</p> <p>Balance of the authorization:</p> <p>possibility to issue 153,000 equity warrants (“BSA 25 issue») permitting the subscription of a total number of 153,000 new ordinary shares of the Company</p>



OPERATION	RE-SOLUTION	DURATION OF THE AUTHORIZATION	TERMS AND MAXIMUM AMOUNT OF THE CAPITAL INCREASE/REDUCTION	STATUS OF THE AUTHORIZATION
			<p>Exercise price</p> <p>Each BSA 25 warrant will permit subscription for one new share of the Company. The subscription price for this share shall equal the average closing price for the last 20 trading days as of the grant date by the Management Board.</p> <p>The subscription price shall be payable in full on subscription either in cash or by means of offsetting certain, liquid and payable debts.</p> <p>The Management Board has been vested with all powers for the purpose of, in particular:</p> <ul style="list-style-type: none">› setting the final terms and conditions for issuing the BSA 25 warrants according to the criteria set forth in this resolution and notably determining the subscription period for the BSA 25 warrants;› The General Meeting authorizes the Management Board to increase the capital by a maximum amount EUR 22,950 by issuing no more than 153,000 new shares, each with a nominal value of EUR 0.15, by payment of a subscription price as defined above, as a result of the exercising of all or some of the BSA 25 warrants.› take all measures necessary for the proper execution of the BSA 25 equity warrant issue;› receive subscription orders for shares from the exercise of BSA 25 warrants and payments of the subscription price;› record the number and amount of shares issued from the exercise of BSA 25 warrants;› take all measures required, including issuing additional new shares, or, in compliance with the law, preserve the rights of BSA 25 warrant holders;› carry out, in accordance with the law, formalities resulting from the corresponding capital increases and amend the articles of association in consequence, and› take all measures and carry out all formalities that are useful for the BSA 25 warrant issue or the creation of shares to be issued upon the exercise of said warrants, and more generally, do all that is required in accordance with the laws and regulations in force.	



OPERATION	RESOLUTION	DURATION OF THE AUTHORIZATION	TERMS AND MAXIMUM AMOUNT OF THE CAPITAL INCREASE/REDUCTION	STATUS OF THE AUTHORIZATION
<i>Capital increase through the issuance of ordinary shares and all securities conferring rights to the capital maintaining preferential subscription rights</i>	13	26 months, i.e. until August 26, 2016	<ul style="list-style-type: none"> › The possibility of one or more capital increases immediately and/or in the future by issuing ordinary shares of the Company or any security granting access in any way, immediately and/or in the future, to the capital of the Company; › The total nominal amount of increases in share capital which can be carried out, immediately or in the future, under the powers granted by the general meeting by this resolution, may not under any circumstances exceed a maximum overall amount of three million (EUR 3,000,000) euros or the equivalent value in a foreign currency, to which will be added, if applicable, the additional amount of shares or securities to be issued for the purposes of any adjustments to be made in accordance with applicable legislative or regulatory provisions and, if applicable, with contractual stipulations providing for other forms of adjustment, in order to preserve the rights of the holders of securities giving access to capital; › The shareholders may exercise, in accordance with legal and regulatory provisions in force, their preferential rights to subscribe on the basis of irrevocable entitlement (à titre <i>irréductible</i>) for ordinary shares and securities under this resolution and the Management Board may furthermore establish in favor of shareholders a right to apply for excess shares subject to reduction (à titre <i>réductible</i>) that may be exercised in proportion to their rights and within the limit of their demand; 	<p>Authorization still in force</p> <p>***</p> <p>Authorization used for the share capital increase of February 6, 2014 for a nominal amount of EUR 2,734,719.90</p> <p>***</p> <p>Balance of the authorization:</p> <p>Authorization available for use in connection with a new capital increase for a maximum nominal amount of EUR 265,280.10 (see below resolution no. 19 of the Company's combined general meeting of June 26, 2014)</p> <p>***</p> <p>Authorization replacing and canceling,</p> <p>solely for the future and the unused portion, the authorization having been granted by resolution eighteen of the Company's combined general meeting of June 28, 2013.</p>



OPERATION	RE-SOLUTION	DURATION OF THE AUTHORIZATION	TERMS AND MAXIMUM AMOUNT OF THE CAPITAL INCREASE/REDUCTION	STATUS OF THE AUTHORIZATION
			<p>If take-up for shares on the basis of irrevocable entitlement (à titre <i>irréductible</i>) with respect to exact rights and, when applicable, for excess shares subject to reduction (à titre <i>réductible</i>), should fail to account for the entire issue of the shares or securities as defined above, the Management Board may offer all or part of the securities not taken up to the public;</p> <p>› Securities giving access to shares in the Company thereby issued may consist of debt securities or be linked to the issuing of such securities, or else enable the issue thereof as intermediate securities. These debt securities may or may not be for an unlimited term, may or may not be subordinate, and may be issued in France or abroad, either in euros or in another currency, or in any other monetary units established by reference to several currencies. The maximal nominal amount of debt securities thereby issued may not exceed seventy million euros (EUR 70.000.000) or the equivalent value at the exchange rate prevailing on the date of the issue decision, but will be independent of the amount of debt securities not giving access to capital for which the issue may otherwise be authorized. They may have a fixed or variable interest rate, with or without capitalization, may be redeemed with or without a premium, and may be depreciated. The securities may also be purchased on the stock market or offered for sale or exchange by the Company.</p> <p>› This delegation of authority automatically entails shareholders' waiver of their preferential right to subscribe for the shares to which these securities could give a right, for the benefit of the owners of securities giving access to the capital of the Company immediately or in the future issued pursuant to this delegation.</p>	



OPERATION	RESOLUTION	DURATION OF THE AUTHORIZATION	TERMS AND MAXIMUM AMOUNT OF THE CAPITAL INCREASE/REDUCTION	STATUS OF THE AUTHORIZATION
<i>Capital increase through the issuance of ordinary shares and all securities conferring rights to the capital, through a public offering, cancelling preferential subscription rights though including an option for a priority period</i>	14	26 months, i.e. until August 26, 2016	<ul style="list-style-type: none"> › The possibility of one or more capital increases immediately or in the future by issuing ordinary shares of the Company or any security granting access in any way, immediately and/or in the future, to the capital of the Company; › The maximum nominal amount of increases in share capital which can be carried out, immediately or in the future, may not under any circumstances exceed a maximum overall amount net of issue premium of three million (EUR 3,000,000) euros or the equivalent value in a foreign currency, to which amount will be added, if applicable, the additional amount of shares or securities to be issued for the purposes of any adjustments to be made in accordance with applicable laws and regulations and, if applicable, with contractual provisions providing for other forms of adjustment, in order to preserve the rights of the holders of securities giving access to the capital; › The Company may carry out the capital increases through a public offering of securities; › Shareholders' preferential subscription rights to shares and securities giving access to the capital of the Company under this resolution will be cancelled. The Management Board may nevertheless grant the shareholders, pursuant to Article L. 225-135, paragraph 5, of the French Commercial Code, a priority subscription period for a time period that it will establish in accordance with applicable laws and regulations and for all or part of the issue. This priority subscription period shall not result in the creation of negotiable rights and must be exercised in proportion to the number of shares owned by each shareholder; 	<p>Authorization still in force</p> <p>***</p> <p>Authorization not yet used</p> <p>***</p> <p>Balance of the authorization:</p> <p>Authorization available for use in connection with a capital increase for a maximum nominal amount of EUR 265,280.10 (see below resolution no. 19 of the Company's combined general meeting of June 26, 2014)</p> <p>***</p> <p>Authorization replacing and canceling,</p> <p>solely for the future and the unused portion, the authorization having been granted by resolution nineteen of the Company's combined general meeting of June 28, 2013.</p>



OPERATION	RE-SOLUTION	DURATION OF THE AUTHORIZATION	TERMS AND MAXIMUM AMOUNT OF THE CAPITAL INCREASE/REDUCTION	STATUS OF THE AUTHORIZATION
			<ul style="list-style-type: none">› Securities giving access to shares in the Company thereby issued may consist of debt securities or be linked to the issuing of such securities, or else enable the issue thereof as intermediate securities. These debt securities may or may not be for an unlimited term, may or may not be subordinate, and may be issued in France or abroad, either in euros or in another currency, or in any other monetary units established by reference to several currencies. The maximal nominal amount of debt securities thereby issued cannot exceed a nominal amount of seventy million euros (EUR 70,000,000) or the equivalent value at the exchange rate prevailing on the date of the issue decision, but will be independent of the amount of debt securities not giving access to the capital for which the issue may otherwise be authorized. They may be subject to a fixed or variable interest rate, with or without capitalization, and be the subject of redemption, with or without a premium, or amortization, of any kind, with the possibility for the securities to be bought on the stock market or offered for sale or exchange by the Company;› The issue price of new shares that may be issued under this delegation of authority, will be determined by the Management Board, with the option of sub-delegation under the conditions laid down by law;- (i) the issue price for the ordinary shares shall at least equal the minimum amount provided for by the laws and regulations in force at the time this delegation of authority is used, after adjusting, if applicable, this amount to take into account the difference in the date of record (or currently the volume-weighted average price for the last three trading days on NYSE Euronext Paris preceding the pricing of subscription for the capital increase, that may be reduced by a maximum discount of 5% in accordance with article L. 225-136 and article R. 225-119 of the French Commercial Code), and- (ii).the issue price for the securities will be the amount immediately received by the Company, increased by, as applicable, the amount that may be subsequently received by the Company, so that for each ordinary share issued pursuant to the issuance of the securities, represents an amount at least equal to the amount referred to above in point “(i)” after adjustment, if applicable in order to take into account the difference in the date of record;	



OPERATION	RESOLUTION	DURATION OF THE AUTHORIZATION	TERMS AND MAXIMUM AMOUNT OF THE CAPITAL INCREASE/REDUCTION	STATUS OF THE AUTHORIZATION
			<ul style="list-style-type: none"> › This delegation of authority automatically entails shareholders' waiver of their preferential right to subscribe for the shares to which these securities could give a right, for the benefit of the owners of securities giving access to the capital of the Company immediately or in the future issued pursuant to this delegation. 	
<i>Capitalization of reserves, earnings or premium</i>	15	26 months, i.e. until August 26, 2016	<ul style="list-style-type: none"> › Possibility of one or more capital increases through capitalization of premiums, reserves, earnings, etc. in the form of restricted shares to be issued or by increasing the par value of existing shares, or a combination of the two; › The overall nominal amount of increases in share capital carried out immediately or in the future pursuant to this resolution may not under any circumstances exceed a total of three million (EUR 3,000,000) euros. › As applicable, in accordance with the provisions of article L. 225-130 of the French Commercial Code, resulting fractional rights shall not be negotiable and the corresponding shares shall be sold. The proceeds from the sale will be allocated to rights holders within the time frame imposed by regulations or no later than thirty (30) days from the date the whole number of shares thus granted has been recorded in their account; 	<p>Authorization still in force</p> <p>***</p> <p>Authorization used in connection with definitive restricted share grants after the general meeting of June 26, 2014 for an amount totaling EUR 825</p> <p>***</p> <p>Balance of the authorization:</p> <p>Authorization available for use in connection with a new capital increase for a maximum nominal amount of EUR 265,280.10 (see below resolution no. 19 of the Company's combined general meeting of June 26, 2014)</p> <p>***</p> <p>Authorization replacing and canceling,</p> <p>solely for the future and the unused portion, the authorization having been granted by resolution twenty of the Company's combined general meeting of June 28, 2013</p>



OPERATION	RESOLUTION	DURATION OF THE AUTHORIZATION	TERMS AND MAXIMUM AMOUNT OF THE CAPITAL INCREASE/REDUCTION	STATUS OF THE AUTHORIZATION
<i>Capital increase by issuance of shares and/or securities giving present and/or future access to the Company's share capital with cancellation of preferential subscription rights through private placement.</i>	16	26 months, i.e. until August 26, 2016	<ul style="list-style-type: none"> › The possibility of one or more capital increases immediately or in the future by issuing ordinary shares of the Company or any security granting access in any way, immediately or in the future, to the capital of the Company, by private placement as provided for by article L. 411-2 II of the French monetary and financial code; › The total amount of capital increases that may be carried out, immediately and/or in the future, may not exceed the maximum amount provided for by applicable regulation, or 20% of the share capital per year, and whereby it is specified that to this maximum amount will be added, as applicable, the nominal amount of shares to be issued in accordance with the provisions of the law and contractual provisions to preserve the rights of holders of securities giving access to the capital; › Cancellation of shareholders' preferential right to subscribe for shares and securities giving access to the capital of the Company to which the present resolution relates; › Securities giving access to shares in the Company thereby issued may consist of debt securities or be linked to the issuing of such securities, or else enable the issue thereof as intermediate securities. These debt securities may or may not be for an unlimited term, may or may not be subordinate, and may be issued in France or abroad, either in euros or in another currency, or in any other monetary units established by reference to several currencies. The maximal nominal amount of debt securities thereby issued cannot exceed seventy million euros (EUR 70,000,000) or the equivalent value at the exchange rate prevailing on the date of the issue decision, but will be independent of the amount of debt securities not giving access to capital for which the issue may otherwise be authorized. They may be subject to a fixed or variable interest rate, with or without capitalization, and be the subject of redemption, with or without a premium, or amortization, of any kind, with the possibility for the securities to be bought on the stock market or offered for sale or exchange by the Company. 	<p>Authorization still in force</p> <p>***</p> <p>Authorization not yet used</p> <p>***</p> <p>Balance of the authorization:</p> <p>Authorization available for use in connection with a capital increase for a maximum nominal amount of EUR 265,280.10 (see below resolution no. 19 of the Company's combined general meeting of June 26, 2014)</p> <p>***</p> <p>Authorization replacing and canceling,</p> <p>solely for the future and the unused portion, the authorization having been granted by resolution twenty-one of the Company's combined general meeting of June 28, 2013</p>



OPERATION	RE-SOLUTION	DURATION OF THE AUTHORIZATION	TERMS AND MAXIMUM AMOUNT OF THE CAPITAL INCREASE/REDUCTION	STATUS OF THE AUTHORIZATION
			<ul style="list-style-type: none">› The issue price of new shares that may be issued under this delegation, in accordance with articles L. 225-136 1 and R.225-119 of the French Commercial Code, will be set by the Management Board under the following conditions:<ul style="list-style-type: none">– The issue price for shares directly issued shall at least equal the minimum provided by applicable legal and regulatory provisions on the issue date (i.e. on this date, the volume-weighted average price of the share on NYSE Euronext Paris calculated over a period of three trading days preceding the price-fixing date minus a discount of 5%);– The issue price of securities giving access to the share capital will be such that the amount immediately received by the Company, increased, as applicable, by amounts it may subsequently receive, will be for each ordinary share issued pursuant to the issuance of these securities, at least equal to the minimum subscription price as defined in the above paragraph;› This delegation of authority automatically entails shareholders' waiver of their preferential right to subscribe for the shares to which these securities could give a right, for the benefit of the owners of securities giving access to the capital of the Company immediately or in the future issued pursuant to this delegation.	



OPERATION	RESOLUTION	DURATION OF THE AUTHORIZATION	TERMS AND MAXIMUM AMOUNT OF THE CAPITAL INCREASE/REDUCTION	STATUS OF THE AUTHORIZATION
<i>Delegation of authority given to the Management Board to increase the share capital by issuing ordinary shares of the Company and/or securities giving present and/or future access to the Company's share capital with cancellation of shareholders' preferential subscription rights, to set the issue price according to procedures determined by the general meeting within the limit of 10% of the share capital per year</i>	17	26 months, i.e. until August 26, 2016	<ul style="list-style-type: none"> › Authorization given to the Management Board, which may be further delegated under the conditions provided for by law, to set the price of a capital increase, decided in connection with the preceding resolutions fourteen and/or sixteen, by issuing shares of the Company and/or securities giving present or future access to the share capital (whether for new or existing shares) of the company, with cancellation of shareholders' preferential subscription right by means of public offering(s) and/or, according to the case, offering(s) referred to in article L.411-2 of the French monetary and financial code, by derogation of the price conditions provided for by resolutions fourteen and sixteen above as follows: the issue price may not be lower than, at the choice of the Management Board, the weighted average price on NYSE Euronext Paris for a period of between three and ninety consecutive trading days preceding the pricing of the issue, subject to a possible discount not exceeding 20%; › The maximum nominal amount of capital increases which may be carried out immediately or in the future, under this authorization may not exceed 10% of the Company's share capital (whereby this limit shall be determined on the date of this General Meeting, it being specified that to this maximum amount will be added, as applicable, the additional number of shares to be issued, to preserve, in accordance with the law and, as applicable, contractual provisions providing for other cases for adjustments, the rights of holders of securities giving access to a share of the Company's share capital) within the limit of the maximum increase in capital provided for under resolution fourteen or according to the case, resolution sixteen and the maximum capital increase provided for by resolution nineteen from which it is deducted; 	<p>Authorization still in force</p> <p>***</p> <p>Balance of the authorization:</p> <p>Authorization available for use in connection with a capital increase for a maximum nominal amount of EUR 265,280.10 (see below resolution no. 19 of the Company's combined general meeting of June 26, 2014)</p> <p>***</p> <p>Authorization not yet used</p>



OPERATION	RESOLUTION	DURATION OF THE AUTHORIZATION	TERMS AND MAXIMUM AMOUNT OF THE CAPITAL INCREASE/REDUCTION	STATUS OF THE AUTHORIZATION
<i>Increase in the share capital by the issuance of shares and/or securities giving immediate and/or future access to the capital of the Company, canceling the preferential subscription rights in consideration for contributions in kind for equity securities or other securities giving access to the capital.</i>	18	26 months, i.e. until August 26, 2016	<ul style="list-style-type: none"> › Authorization given to the Management Board to increase the share capital by the issuance of shares and/or securities giving immediate and/or future access to the capital of the Company as consideration for contributions in kind granted to the Company and consisting of equity securities or other securities giving access to the capital, within the limit of 10 % of the share capital adjusted for transactions occurring after the General Meeting affecting this capital, when the provisions of Article L. 225-148 of the French Commercial Code are not applicable; › Cancellation of the preferential subscription rights of the shareholders to securities covered by this resolution; 	<p>Authorization still in force</p> <p>***</p> <p>Authorization not yet used</p> <p>***</p> <p>Balance of the authorization:</p> <p>Authorization available for use in connection with a new capital increase for a maximum nominal amount of EUR 265,280.10 (see below resolution no. 19 of the Company's combined general meeting of June 26, 2014)</p> <p>***</p> <p>Authorization replacing and canceling,</p> <p>solely for the future and the unused portion, the authorization having been granted by resolution twenty-two of the Company's combined general meeting of June 28, 2013</p>

Resolution 19:

The maximum aggregate amount of capital increases that may be carried out with immediate effect or in the future under resolutions thirteen to eighteen may not exceed three million euros (EUR 3,000,000), it being specified that to this maximum aggregate amount will be added the supplementary amount of shares or securities to be issued for the purposes of any adjustments to be made in accordance with applicable legal or regulatory provisions and, if applicable, with contractual provisions providing for other forms of adjustment, in order to preserve the rights of the holders of securities or giving immediate and/or future access to the capital;



+ 5.8.3. Shares held by the Company; authorizations for share buyback programs and for the cancellation of shares of the Company

Combined general meeting of June 26, 2014

OPERATION	RESOLUTION	DURATION OF THE AUTHORIZATION	TERMS AND MAXIMUM AMOUNT OF THE CAPITAL INCREASE/REDUCTION	STATUS OF THE AUTHORIZATION
<i>Authorization and powers given to the Management Board for purchase by the Company of own shares</i>	9	18 months, i.e. until December 26, 2015	<p>The purpose of the resolution is to allow the Company to buy back its own shares under the conditions set out in Articles L225-209 of the French Commercial Code and articles 241-1 <i>et seq</i> of the General Regulation of the French Financial Markets Authority, which may be delegated in turn under the conditions provided for by law;</p> <p>The shares on this basis may be purchased, sold or transferred, on one or more occasions, at any time, including during public offerings, and by any means, and in particular by intervening on the market or off-market, including through block trades, with the exception of use of derivatives. There is no limitation on the use of block trades to purchase or transfer shares under this authorization.</p> <p>The Company may:</p> <ul style="list-style-type: none"> › acquire its own shares for up to 5% of the shares making up the share capital as adjusted according to actions subsequent to this decision and after deducting treasury shares, for a price per share equal to EUR 10. However, when shares are purchased to promote liquidity under the conditions defined by the French Financial Market Authority's General Regulations, the number of shares to be taken into account for calculating this 5% limit will equal the number of shares purchased minus shares resold during the authorization period. Furthermore, the number of shares acquired by the Company to be held and subsequently used in payment or exchange in connection with a merger, spinoff or contribution may not exceed 5% of the share capital, after adjustments for corporate actions occurring after this decision; › selling or transferring by any means all or part of the shares thus acquired; › or cancel said shares by reducing the share capital, subject to the adoption of resolution ten and within the limit of 5% of the Company's share capital per 24 month period. 	<p>Authorization still in force</p> <p>***</p> <p>Authorization used in connection with a liquidity agreement concluded with <i>Natixis</i> (see Section 4.2.1 of this Annual Report).</p> <p>***</p> <p>Authorization canceling</p> <p>the authorization issued for the same purpose by the combined general meeting of March 7, 2013</p>



OPERATION	RE-SOLUTION	DURATION OF THE AUTHORIZATION	TERMS AND MAXIMUM AMOUNT OF THE CAPITAL INCREASE/REDUCTION	STATUS OF THE AUTHORIZATION
			<p>In the case of a capital increase through the capitalization of reserves and the grant of restricted share units, stock splits or reverse stock splits, the prices indicated above will be adjusted by a multiplier equal to the ratio between the number of shares making up the share capital before the transaction and the number of shares thereafter.</p> <p>Under this program, shares may be purchased for the following purposes:</p> <ul style="list-style-type: none">› ensure an orderly market for the share price in connection with a liquidity agreement in compliance with the conduct of business rules of the French association of financial market professionals (AMAFI) concluded with an investment service provider acting in an independent manner;› holding the shares thus acquired for subsequent use as payment or exchange in connection with financial transactions or acquisitions, in accordance with applicable regulations;› canceling the shares thus acquired, subject to adoption by the extraordinary general meeting of the resolution authorizing the Management Board to reduce the share capital by canceling treasury shares;› cover for stock option plans reserved for employees or other share grants according to the conditions provided for by articles L.3332-1 <i>et seq.</i> and R.3332-4 of the French labor code or grants to employees and/or corporate officers of the Company or companies referred to in article L.225-197-2 of the French Commercial Code or share grants linked to employee profit-sharing schemes. <p>The maximum amount of funds destined for this program is fifteen million euros.</p>	



OPERATION	RESOLUTION	DURATION OF THE AUTHORIZATION	TERMS AND MAXIMUM AMOUNT OF THE CAPITAL INCREASE/REDUCTION	STATUS OF THE AUTHORIZATION
<i>Authorization given to the Management Board to cancel treasury shares held by the Company</i>	10	18 months, i.e. until December 26, 2015	<p>The purpose of this resolution is to authorize the Management Board to:</p> <ul style="list-style-type: none">› cancel, upon its own decision, on one or more occasions, the shares acquired by the Company in connection with article L.225-209 of the French Commercial Code and the share buyback program referred to in resolution nine, within the limit of 10% of the capital, subject to adjustments that may be made for corporate actions that may affect it after this decision by twenty-four month periods, and to reduce the share capital by the corresponding amount, by charging the difference between the purchase price of shares thus canceled and their nominal amount to premium and available reserve accounts,› record the completion of the capital increase(s), modifying in consequence the articles of association, and fulfilling all necessary formalities.	<p>Authorization still in force</p> <p>***</p> <p>Authorization canceling the authorization for the same purpose issued by the combined general meeting of March 7, 2013</p>



5.9. Agreements concluded by the Company that may be modified or terminated in the event of a change in control of the Company

As disclosed in paragraph 1.2.5 of the 2013 Annual Report, a USD 30 million loan was granted to Valneva Austria GmbH, an Austrian subsidiary of the Company, by an investment fund managed by *Pharmakon Advisors*.

In the event of a change in control of the Company, this loan shall be subject to prepayment, with certain additional indemnities, from which are deducted interest payments already made.

5.10. Agreements providing for indemnities to Management Board members or employees in the event of resignation, dismissal without just and sufficient cause or termination of employment resulting from a public offering

There exist no agreements providing for the payment of indemnities to employees in the event of resignation, dismissal without just and sufficient cause or termination of employment resulting from a public offering.

In contrast, for members of the Company's Management Board, provisions exist for certain indemnities on termination of their offices and/or functions under the terms of a Management Agreement ("*MA*") or an Employment and Management Agreement ("*EMA*") executed between with the Company or its subsidiary Valneva Austria GmbH, according to the case.



Termination of duties cases provided in the «Management Agreement» and «Employment and Management Agreements»

THOMAS LINGELBACH

CHAIRMAN OF THE MANAGEMENT BOARD OF THE COMPANY -
EMPLOYEE OF VALNEVA AUSTRIA GMBH
HOLDER OF AN EMPLOYMENT AND MANAGEMENT AGREEMENT
ENTERED INTO WITH VALNEVA AUSTRIA GMBH

- › Removal of a Board Member *for cause* :
 - The EMA of Mr. Lingelbach will be *automatically terminated* (in particular if the reason for the removal constitutes *a good cause* within the meaning of Austrian law – See Sec 27 of the Austria White Collar Workers Act).
 - In such case Mr. Lingelbach shall have *no further claims for future remuneration*.
- › Removal of a Board Member *solely by serving notice* sent by Valneva Austria GmbH:
 - A notice period for a minimum *of four weeks* (ending on the last day of the current calendar month).
 - Mr. Lingelbach shall be entitled (i) to payment of *remuneration until the end of the Initial Term* of his EMA, or for three years as from May 28, 2013; and (ii) payment of *a pro rata of bonus*, payment for his *life insurance/disability insurance* premiums, and reimbursement *of professional expenses* and *benefits in kind for the period until expiry of the notice period*.
- › Resignation of a Board Member *for cause* (See. Sec 75 par 4 of the Austrian Stock Corporation Act):
 - If this resignation is made for a *good cause* (in particular within the meaning of Austrian law – See. Sec 26 of the Austrian White Collar Workers Act), *or any other similar basis*, Mr. Lingelbach will be entitled to *payment of his remuneration and pro rata bonus* until the end of the Initial Term of his EMA or for three years as from May 28, 2013.
- › Resignation of a Board Member *solely by serving notice*:
 - › A notice period for a minimum of four *weeks* (ending on the last day of the current calendar month).
 - › If *Mr. Lingelbach remains subject to a contractual non-compete clause* set within his EMA, he will be entitled to *payment of his remuneration and pro rata bonus for the duration of the competition prohibition*, or for 12 months as from term of his EMA.
 - › If *Valneva Austria GmbH releases Mr. Lingelbach from the obligations of his contractual non-compete clause* set within his EMA, he shall not be entitled to *any further remuneration after expiry of the notice period*.
- › Termination of the EMA *by mutual consent with Valneva Austria GmbH*:
 - Mr. Lingelbach shall be entitled to his *remuneration and pro rata bonus until the end of the Initial Term* of his EMA or for three years as from May 28, 2013.
 - Mr. Lingelbach will be entitled to these indemnities even if the proposal for termination was made by him.



THOMAS LINGELBACH

CHAIRMAN OF THE MANAGEMENT BOARD OF THE COMPANY -
EMPLOYEE OF VALNEVA AUSTRIA GMBH
HOLDER OF AN EMPLOYMENT AND MANAGEMENT AGREEMENT
ENTERED INTO WITH VALNEVA AUSTRIA GMBH

› The case of the *interlocking directorships and executive offices*;

The EMA of Mr. Lingelbach provides that in addition to his status as salaried employee, Mr. Lingelbach may also be a member of the Management Board, or exercise any similar position (notably Chairman and CEO), within entities directly or indirectly controlling, controlled or by under joint control of Valneva Austria GmbH (with such offices/functions hereafter referred to as a "*Group Management Position*").

Whereas, and *subject to the terms relating to the removal of Mr. Lingelbach from the Management Board for cause* see above):

- it is understood that *if one of the Group Management Positions exercised by Mr. Lingelbach is terminated*:
 - (i) *by resignation* of Mr. Lingelbach; or
 - (ii) *by removal* at the initiative of the Group entity concerned by the Management Position in question,and,
 - (i) before expiration of the Initial Term of the EMA of Mr. Lingelbach (or three years as from May 28, 2013);
 - (ii) and due to *circumstances involving a legal, functional or actual reduction* of Mr. Lingelbach's responsibilities for such Group Management Position (including resulting from the law or the operating organization of the Group),

Mr. Lingelbach shall *be entitled to his remuneration and pro rata bonus until the end of the Initial Term of his EMA*.

- Nevertheless, *in the absence of circumstances involving a concrete reduction in the responsibilities* of Mr. Lingelbach for the Group Management Position in question, he will then be entitled to his *remuneration and pro rata bonus until the first of one of the following events*: (i) Mr. Lingelbach obtains an alternative (full-time) employment with an equivalent or similar level of remuneration or (ii) expiration of the Initial Term of his EMA.

Mr. Lingelbach is not subject to the statutory provisions of the Austrian Corporate Staff and Self-Employment Provision Act.



FRANCK GRIMAUD

MANAGEMENT BOARD MEMBER
HOLDER OF MANAGEMENT AGREEMENT ENTERED INTO WITH VALNEVA SE

› *Removal of the Board Member for due cause* (in accordance with article L.225-61 of the French Commercial Code) :

- The MA of Mr. Grimaud will be *automatically canceled*.
- In such case Mr. Grimaud shall have *no further claims for future remuneration*.

› *Removal of a Board Member solely by serving notice* sent by Valneva SE:

- A notice period for a *minimum of four weeks* (ending on the last day of the current calendar month).
- Mr. Grimaud shall be entitled (i) to payment of *remuneration until the end of the Initial Term* of his MA, or for three years as from May 28, 2013; and (ii) payment of his **pro rata bonus** (provided he has fulfilled the objectives defined by the Supervisory Board in accordance with article L.225-90-1 of the French Commercial Code), payment for his **life insurance/disability** insurance premiums, and reimbursement of *professional expenses* and *benefits in kind for the period until expiry of the notice period*.

› *Resignation of a Management Board member solely by serving notice:*

- A notice period for a *minimum of four weeks* (ending on the last day of the current calendar month).
- *If Mr. Grimaud remains subject to a contractual non-compete clause* set within his MA, he will be entitled to *payment of his remuneration and pro rata bonus for the duration of the competition prohibition*, or for 12 months as from term of his MA provided he has fulfilled the objectives defined by the Supervisory Board in accordance with article L.225-90-1 of the French Commercial Code.
- *If Valneva SE releases Mr. Grimaud from the obligations of his contractual non-compete clause* set within his MA, he shall not be entitled to *any further remuneration after expiry of the notice period*.

› *Termination of the MA by mutual consent with Valneva SE:*

- Mr. Grimaud shall be entitled to payment of his *remuneration and pro rata bonus* (provided he has fulfilled the objectives defined by the Supervisory Board in accordance with article L.225-90-1 of the French Commercial Code) *until expiration of the Initial Term* of his MA, or three years as from May 28, 2013.
- Mr. Grimaud will be entitled to these indemnities even if the proposal for termination was made by him.



FRANCK GRIMAUD

MANAGEMENT BOARD MEMBER
HOLDER OF MANAGEMENT AGREEMENT ENTERED INTO WITH VALNEVA SE› The case of the *interlocking directorships and executive offices*:

The MA of Mr. Grimaud provides that he may be a member of the Management Board, or exercise any similar position (notably Chairman and CEO), within entities directly or indirectly controlling, controlled by or under joint control of Valneva SE (with such offices/functions hereafter referred to as a "*Group Management Position*").

Whereas, and *subject to the terms relating to the removal of Mr. Grimaud from the Management Board for cause* see above):

- it is understood that *if one of the Group Management Positions exercise by Mr. Grimaud is terminated*:
 - (i) *by resignation* of Mr. Grimaud; or
 - (ii) *by removal* at the initiative of the Group entity concerned by the Management Position in question,*and*,
 - (i) before expiration of the Initial Term of the MA of Mr. Grimaud (or three years as from May 28, 2013);
 - (ii) and due to *circumstances involving a legal, functional or actual reduction* of Mr. Grimaud's responsibilities for such Group Management Position (including resulting from the law or the operating organization of the Group),
- Mr. Grimaud shall be entitled to payment of his *remuneration and pro rata bonus* (provided he has fulfilled the objectives defined by the Supervisory Board in accordance with article L.225-90-1 of the French Commercial Code) *until expiration of the Initial Term of his MA*.
- Nevertheless, *in the absence of circumstances involving a concrete reduction in the responsibilities* of Mr. Grimaud for the Group Management Position in question he will then be entitled to his *remuneration and pro rata bonus* (provided he has fulfilled the objectives defined by the Supervisory Board in accordance with article L.225-90-1 of the French Commercial Code) *until the first of one of the following events*: (i) Mr. Franck Grimaud obtains an alternative (full-time) employment with an equivalent or similar level of remuneration or (ii) expiration of the Initial Term of his MA.

In general, *the contract and rights of Mr. Grimaud are subject to French company law*, and not French labor will, due to the fact that M. Franck Grimaud's rights are derived not from his status as an employee but rather his status as a corporate officer.



REINHARD KANDERA

MANAGEMENT BOARD MEMBER
EMPLOYEE OF VALNEVA AUSTRIA GMBH
HOLDER OF AN EMPLOYMENT AND MANAGEMENT AGREEMENT EN-
TERED INTO WITH VALNEVA AUSTRIA GMBH

- › Removal of a Management Board member *for cause*:
 - The EMA of Mr. Kanderer will be *automatically terminated* (in particular if the reason for the removal constitutes *a good cause* within the meaning of Austrian law – See Sec 27 of the Austria White Collar Workers Act).
 - In such case Mr. Kanderer shall have *no further claims to future remuneration*.
- › Removal of a Board Member *solely by serving notice* sent by Valneva Austria GmbH:
 - A notice period for a *minimum of four weeks* (ending on the last day of the current calendar month).
 - Mr. Kanderer shall be entitled (i) to payment of *remuneration until the end of the Initial Term* of his EMA, or for three years as from May 28, 2013; and (ii) payment of *a pro rata of bonus*, payment for his *life insurance/disability insurance* premiums, and reimbursement of *professional expenses* and *benefits in kind for the period until expiry of the notice period*.
- › Resignation of a Board Member *for cause* (See. Sec 75 par 4 of the Austrian Stock Corporation Act):
 - If this resignation is made for *a good cause* (in particular within the meaning of Austrian law – See. Sec 26 of the Austria White Collar Workers Act), *or any other similar basis*, Mr. Kanderer will be entitled to *payment of his remuneration and pro rata bonus* until the end of the Initial Term of his EMA or for three years as from May 28, 2013.
- › Resignation of a Management Board member *solely by serving notice*:
 - A notice period for a *minimum of four weeks* (ending on the last day of the current calendar month).
 - *If Mr. Kanderer remains subject to a contractual non-compete clause* set within his EMA, he will be entitled to *payment of his remuneration and pro rata bonus for the duration of the competition prohibition*, or for 12 months as from term of his EMA.
 - *If Valneva Austria GmbH releases Mr. Kanderer from the obligations of his contractual non-compete clause* set within his EMA, he shall not be entitled to *any further remuneration after expiry of the notice period*.
- › Termination of the EMA *by mutual consent with Valneva Austria GmbH*:
 - Mr. Kanderer shall be entitled to his *remuneration and pro rata bonus until the end of the Initial Term* of his EMA or for three years as from May 28, 2013.
 - Mr. Kanderer will be entitled to these indemnities even if the proposal for termination was made by him.



REINHARD KANDERA

MANAGEMENT BOARD MEMBER
EMPLOYEE OF VALNEVA AUSTRIA GMBH
HOLDER OF AN EMPLOYMENT AND MANAGEMENT AGREEMENT EN-
TERED INTO WITH VALNEVA AUSTRIA GMBH

› The case of the *interlocking directorships and executive offices*:

The EMA of Mr. Kanderer provides that in addition to his status as salaried employee, Mr. Kanderer may also be a Board Member, or exercise any similar position (notably Chairman and CEO), within entities directly or indirectly controlling, controlled by or under joint control of Valneva Austria GmbH (with such offices/functions hereafter referred to as a "*Group Management Position*").

Whereupon, and *subject to the terms relating to the removal of Mr. Kanderer from the Management Board for cause* see above):

- it is understood that *if one of the Group Management Positions exercised by Mr. Kanderer is terminated*:
 - (i) *by resignation* of Mr. Kanderer; or
 - (ii) *by removal* at the initiative of the Group entity concerned by the Management Position in question,*and*,
 - (i) before expiration of the Initial Term of the EMA of Mr. Kanderer (or three years as from May 28, 2013);
 - (ii) and due to *circumstances involving a legal, functional or actual reduction* of Mr. Kanderer's responsibilities for such Group Management Position (including resulting from the law or the operating organization of the Group), Mr. Kanderer shall *be entitled to his remuneration and pro rata bonus until the end of the Initial Term of his EMA*.
- Nevertheless, *in the absence of circumstances involving a concrete reduction in the responsibilities* of Mr. Kanderer for the Group Management Position in question, he will then be entitled to his *remuneration and pro rata bonus until the first of one of the following events*: (i) Mr. Kanderer obtains an alternative (full-time) employment with an equivalent or similar level of remuneration or (ii) expiration of the Initial Term of his EMA.

Mr. Kanderer is not subject to the statutory provisions of the Austrian Corporate Staff and Self-Employment Provision Act.



Additional provisions specifically linked with the non-compete commitments contained in the «Management Agreement» and «Employment and Management Agreements»

THOMAS LINGELBACH

CHAIRMAN OF THE MANAGEMENT BOARD OF THE COMPANY -
EMPLOYEE OF VALNEVA AUSTRIA GMBH
HOLDER OF AN EMPLOYMENT AND MANAGEMENT AGREEMENT
ENTERED INTO WITH VALNEVA AUSTRIA GMBH

- › In case the Supervisory Board of Valneva SE does not waive the following, the Board Member shall - for a period of one year following the termination of his EMA - not be gainfully employed with a competitor for whichever reason, especially in the fields of serums.
- › “Being gainfully employed” means in particular (but not limited to) that the Board Member:
 - enters into a contractual relationship with a competitor of Valneva Austria GmbH, be it as white-collar employee, consultant or in a similar position;
 - becomes direct or indirect owner or shareholder of a home or foreign competitor of Valneva Austria GmbH, except for the investment in listed stock corporations for investment reasons only;
 - becomes member of a legal (representative) body of a competitor of Valneva Austria GmbH, especially in the management board, the supervisory board or as counsel or consultant, even if the services are not remunerated.
- › In any case, this non-competition clause shall apply in the case of justified termination of the EMA/revocation of the board membership on cause by Valneva Austria GmbH (Sec 27. of the Austrian White Collar Workers Act) or unjustified premature termination on cause by the Board Member (Sec. 26 of the Austrian White Collar Workers Act).
- › In the case of any other termination mode, this non-competition clause shall only apply if the Board Member has served the Company and/or Valneva Austria GmbH as Board Member for at least three years on the whole, and provided that the entire remuneration is paid for the 12 months’ non-compete period.
- › Furthermore, the Board Member shall not - for a period of 12 months following the termination of his EMA induce personnel, freelancer, consultants or members of the Scientific Board, in whichever form, to terminate their employment contracts with Valneva Austria GmbH.
- › The Board Member is subject to the legal restraint on competition pursuant to Sec. 79 of the Austrian Stock Corporation Act.



FRANCK GRIMAUD

MANAGEMENT BOARD MEMBER
HOLDER OF MANAGEMENT AGREEMENT ENTERED INTO WITH VAL-
NEVA SE

- › In case the Supervisory Board of Valneva SE does not waive the following, the Board Member shall - for a period of one year following the termination of his MA - not be gainfully employed with a competitor for whichever reason, especially in the fields of serums.
 - › “Being gainfully employed” means in particular (but not limited to) that the Board Member:
 - enters into a contractual relationship with a competitor of Valneva SE/ Valneva Austria GmbH, be it as white-collar employee, consultant or in a similar position;
 - becomes direct or indirect owner or shareholder of a home or foreign competitor of Valneva SE/ Valneva Austria GmbH , except for the investment in listed stock corporations for investment reasons only;
 - becomes member of a legal (representative) body of a competitor of Valneva SE/ Valneva Austria GmbH, especially in the management board, the supervisory board or as counsel or consultant, even if the services are not remunerated.
 - › In any case, this non-competition clause shall apply in the case of justified termination of the MA/revocation of the board membership on good cause by the Company, or for termination of the MA by the Board Member, except if this termination is due to circumstances involving legal, functional or actual diminution of the Board Member’s responsibilities within his Management Board member function or similar position within the Valneva Group, such diminution not being itself due to circumstances likely to justify a revocation for good cause or any applicable similar ground of removal under the relevant jurisdiction.
 - › In the case of any other termination mode, this non-competition clause shall only apply, if the Board Member has served the Company and/or Valneva Austria GmbH as Board Member for at least three years on the whole, and provided that the entire remuneration is paid for the 12 months’ non-compete period.
 - › Furthermore, the Board Member shall not - for a period of 12 months following the termination of his MA - induce personnel, free lancer, consultants or members of the Scientific Board in whichever form to terminate their employment contracts with Valneva SE.
-



REINHARD KANDERA

MANAGEMENT BOARD MEMBER
EMPLOYEE OF VALNEVA AUSTRIA GMBH
HOLDER OF AN EMPLOYMENT AND MANAGEMENT AGREEMENT EN-
TERED INTO WITH VALNEVA AUSTRIA GMBH

- › In case the Supervisory Board of Valneva SE does not waive the following, the Board Member shall - for a period of one year following the termination of his EMA - not be gainfully employed with a competitor for whichever reason, especially in the fields of serums.
 - › “Being gainfully employed” means in particular (but not limited to) that the Board Member:
 - enters into a contractual relationship with a competitor of Valneva Austria GmbH, be it as white-collar employee, consultant or in a similar position;
 - becomes direct or indirect owner or shareholder of a home or foreign competitor of Valneva Austria GmbH, except for the investment in listed stock corporations for investment reasons only;
 - becomes member of a legal (representative) body of a competitor of Valneva Austria GmbH, especially in the management board, the supervisory board or as counsel or consultant, even if the services are not remunerated.
 - › In any case, this non-competition clause shall apply in the case of justified termination of the EMA/revocation of the board membership on cause by Valneva Austria GmbH (Sec 27. of the Austrian White Collar Workers Act) or unjustified premature termination on cause by the Board Member (Sec. 26 of the Austrian White Collar Workers Act).
 - › In the case of any other termination mode, this non-competition clause shall only apply if the Board Member has served the Company and/or Valneva Austria GmbH as Board Member for at least three years on the whole, and provided that the entire remuneration is paid for the 12 months’ non-compete period.
 - › Furthermore, the Board Member shall not - for a period of 12 months following the termination of his EMA induce personnel, freelancer, consultants or members of the Scientific Board, in whichever form, to terminate their employment contracts with Valneva Austria GmbH.
 - › The Board Member is subject to the legal restraint on competition pursuant to Sec. 79 of the Austrian Stock Corporation Act.
-



6. AUTHORIZATIONS FOR CAPITAL INCREASES

In compliance with the provisions of Article L.225-100 subsection 7 of the French Commercial Code, information is provided below on authorizations granted to the Management Board by the General Meeting to proceed with capital increases in accordance with articles L.225-129-1 and L.225-129-2 of said code and uses made of these authorizations in the period ended 31 December 2014.

Regarding firstly such delegations of authority granted in 2014 by your General Meeting of June 26, 2014 to the Management Board to proceed with capital increases (other than those relating to the implementation of stock option or restricted share unit plans), readers are invited to refer to this point in Section 5.8.2 of the Annual Report.

Regarding authorizations in progress relating specifically to the issuance of stock options and restricted share units, readers should refer to this point in Section 5.8.1 of this Annual Report.



VALNEVA

Société Européenne with a Management Board and a Supervisory Board

Share capital: EUR 11,365,862.04

Registered office: 70, rue Saint Jean de Dieu, 69007 Lyon

Lyon Companies Register (RCS) No. 422 497 560

REPORT BY THE CHAIRMAN OF THE SUPERVISORY BOARD ON THE PREPARATION AND ORGANIZATION CONDITIONS OF THE SUPERVISORY BOARD AND THE INTERNAL CONTROL PROCEDURES IMPLEMENTED BY THE COMPANY

ARTICLE L.225-68 SUBSECTION 7 OF THE FRENCH COMMERCIAL CODE

To the shareholders,

In accordance with the provisions of article L.225-68, subsection 7, of the French Commercial Code, I hereby report to you on:

- + the composition of your board;
- + the conditions for the preparation and organization of the work of your Supervisory Board for the fiscal year ended 31 December 2014;
- + special procedures relating to the participation of shareholders in general meetings;
- + the internal control procedures implemented by the company;
- + risk management procedures;
- + the principles and rules established for determining remuneration and benefits granted to officers.

This report was approved by the Supervisory Board on March 19, 2015.

This report was drawn up in the light of market recommendations and in particular the guidelines set out by the AMF for small and mid-caps in the “Internal Control Reference Framework” published on 22 July 2010.

In 2010, the Supervisory Board adopted the corporate governance code for small and mid-caps published in December 2009 by MiddleNext. The Company implements most recommendations of this code. This report states those recommendations which the Company does not implement and the reasons for that, according to the “comply or explain” principle.

Valneva SE (hereinafter “*the Company*” or “*Valneva*”) is a European biotech company focusing on vaccines, striving to become a leader in its field.



REPORT BY THE CHAIRMAN OF THE SUPERVISORY BOARD

1. COMPOSITION OF THE SUPERVISORY BOARD

1.1. Supervisory Board members appointed by shareholders

Your Supervisory Board has seven members, all being individuals.

NAME	APPOINTMENT	SHARES OWNED AS OF 18 MARCH 2015	NUMBER OF EQUITY WARRANTS AS OF 18 MARCH 2015
Frédéric Grimaud <i>Chairman of the Supervisory Board</i>	(Appointed by the EGM of 12 December 2012, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	257,996 ordinary shares	0
Alain Munoz <i>Member of the Supervisory Board</i>	(Appointed by the EGM of 12 December 2012, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	41,800 ordinary shares	1,875
Michel Greco <i>Member of the Supervisory Board</i>	(Appointed by the EGM of 12 December 2012, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	› 586 ordinary shares › 486 preferred shares	3,750
James Sulat <i>Vice Chairman of the Supervisory Board Member of the Supervisory Board</i>	(Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	17,867 ordinary shares	0
Hans Wigzell <i>Member of the Supervisory Board</i>	(Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	0	0
Alexander Von Gabain <i>Member of the Supervisory Board</i>	(Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	› 38,218 ordinary shares › 22,048 preferred shares	0
Anne-Marie Graffin <i>Member of the Supervisory Board</i>	(Appointed by the EGM of 7 March 2013, term to expire at the AGM called to rule on the accounts for the fiscal year ending 31 December 2015)	0	0



Frédéric Grimaud - Chairman of the Supervisory Board (age 50): After setting up a company providing services to businesses in the field of motivational management of human resources and quality, he joined the Grimaud family group in 1988, initially taking on commercial responsibilities in France. At the beginning of the 1990s, he headed the group's international development and later become involved in initiating biotech projects before assuming general management responsibilities and finally the chairmanship of the Management Board of Grimaud Group in the early 2000s.

Alain Munoz - Supervisory Board member (age 65): A graduate in cardiology and anaesthesia/resuscitation, Alain Munoz is a medical doctor, former staff doctor and hospital clinic manager. After being Vice-President of international development at Sanofi, he was Senior Vice-Chairman of the pharmaceutical division of the Fournier Group for ten years. Under his management, a number of drugs received international marketing licenses (in particular Adenocard®, Cordarone®, Plavix®, Tricor®, and Esclim®). Dr Munoz was a member of the Scientific Council ("Scientific Advisory Board") of the Drugs Agency (Agence du Médicament). He runs his own company focusing on the development of drugs and is an Management Board member of several European biotechnology companies.

Michel Greco - Supervisory Board member (age 71): Michel Greco is a graduate of the Institute of Political Science (Institut d'Etudes Politiques) in Paris (1965) and holds an MBA from Western Ontario University / Richard Ivey Business School (Canada, 1968). Managing Director of Aventis Pasteur for five years, Michel Greco has 35 years' experience in the pharmaceutical and vaccine industry. He is currently member of the Board of Immuteq, Texcell, Noraker and Synthelis.

James Sulat - Supervisory Board member (age 64) - Mr Sulat, an American national, holds Master's Degrees in Business Administration and Health Administration from Stanford University. Mr Sulat has been a member of the Intercell AG Supervisory Board since January 2005. Mr Sulat currently serves as Vice-Chair of the Supervisory Board and Chairman of the Company's Audit and Governance Committee. He is currently a member of the Board of Directors of Momenta Pharmaceuticals, Inc., AMAG Pharmaceuticals, Inc., and diaDexus, Inc.. Mr Sulat served as Chief Executive Officer and Chief Financial Officer of the biopharmaceutical company Maxygen, Inc. from October 2009 until June 2013, while also serving on the Board of Directors. He also served as Chief Executive Officer, President, Chief Financial Officer and member of the Board of Directors of Memory Pharmaceuticals Corp. Mr Sulat further served as Chief Financial Officer of R.R. Donnelley & Sons Co., of Chiron Corporation and of Stanford Health Services, Inc.

Hans Wigzell - Supervisory Board member (age 76) - A Swedish national, Professor Wigzell holds Doctorates in medicine and science from Karolinska Institute. Prof. Wigzell has been a member of the Intercell AG (now Valneva) Supervisory Board since May 2006. He also sits on the Boards of Directors of Karolinska Development AB, Raysearch AB, SOBI AB and Sarepta Therapeutics. He has been President of the Stockholm School of Entrepreneurship since 2000.



Alexander Von Gabain – Supervisory Board member (age 65) – An Austrian national, Professor Alexander von Gabain is currently Deputy Vice-Chancellor for Innovation and Commercial Outreach at the Karolinska Institute in Stockholm and was appointed to this position in 2014. He obtained his Ph.D. in Molecular Biology at the University of Heidelberg, held a post-doctorate position at the Stanford University, was Professor at the Karolinska Institute in Stockholm, as well as advisor to biotech industries. From 1992 to 1998, as Chair of Microbiology at the University of Vienna, he was involved in building a public-private partnership with Boehringer Ingelheim. In 1998, he co-founded Intercell AG, led the company as CEO until it was floated on the Stock Exchange in 2005 and remained CSO until 2009. In 2011 he re-entered the Intercell Supervisory Board, and he remained a Board member after Intercell AG merged with Vivalis SA to create the biotech company “Valneva”, listed in Paris and Vienna, in 2013. He has co-founded further biotech companies and since 2007 has been holding the position of Chairman of the business incubator of the Viennese Universities, initiating more than 140 start-ups. From 2008 until 2014, he served on the Governing Board of the European Institute of Innovation and Technology (EIT) and was the chairman of this Board from 2011 until the end of his term. Under his leadership, the EIT has evolved into an EC innovation fund, with a €2.8 billion budget that has enabled the EIT to implement further Knowledge and Innovation Communities until 2018. A large number of publications, patents, book chapters, and editions of books have documented his passion for biomedical innovation. His achievements have been recognized by prestigious industrial awards, academic prizes and honorable memberships, including the Swedish Royal Academy of Engineering Science.

Anne-Marie Graffin – Supervisory Board member (age 53) – A French national, Ms Anne-Marie Graffin holds a degree from ESSEC Paris. After beginning her pharmaceutical career in the group Fournier (URGO Soin et Santé) and Johnson & Johnson (RoC SA), Ms Graffin joined Sanofi Pasteur MSD in 1998. She rose from the position of Executive Director to that of Vice-President for Business Management, and finally to European Vice-President President Office with a seat on the Executive Committee until 2010. Today, Ms Graffin is an expert and independent director for industrial pharmaceutical companies and biotechnology firms. Ms Anne-Marie Graffin served as director of the Austrian company Themis Bioscience GmbH and is currently a member of Nanobiotix' Supervisory Board.



- + a. Supervisory Board members elected by employees
None.
- + b. Shareholders' Observers (Censeurs)
 - › 1. BpiFrance Participations, represented by Maïlys Ferrere, *Directrice d'investissement* ;
 - › 2. Athyrium Capital Management LP, represented by Laurent Hermouet, Managing Director.
- + c. Co-optations
None.
- + d. Number of qualifying shares to be held by each Supervisory Board member
None.
- + e. Number of female members
In compliance with article L.225-37 of the French Commercial Code (law of 27 January 2011), we hereby report to you on the application of the principle for a balanced representation of women and men on the Board. Our Supervisory Board has one female member. The Company is currently not in compliance with the statutory requirement that not less than 20% of Supervisory Board members are female.
- + f. Term of office
Recommendation 10 of the MiddleNext code does not include provisions with respect to the term. In contrast, it is recommended that the Board ensure that the terms of appointments be adapted, within the limits established by the law, to the specific characteristics of the company. The terms of Supervisory Board members are set by the Article of Associations at three years (one year being understood as the period between two consecutive annual general assemblies), in accordance with the law.



1.2. Other appointments held by Supervisory Board members and permanent representatives

A list of the other directorships or officer positions held by the Company's Supervisory Board members is included in Section 19.2 of the Management Board report for 2014.

The AMF report on corporate governance and internal control of 8 December 2009 (§1.3.1) draws attention to the issue of multiple appointments. The members of the Supervisory Board comply with the rules governing the holding of multiple appointments provided for in articles L.225-21 and L.233-16 of the French Commercial Code. The members of the Supervisory Board do not simultaneously hold more than five appointments as Director or member of the Supervisory Board of other companies with a head office in France, being understood that a. this number does not include directorships or supervisory board memberships in companies controlled by the Company, in the meaning of article L.233-16 of the French Commercial Code, and b. directorships in companies whose shares are not listed on a regulated stock market within the meaning of article L.233-16 of the French Commercial Code, and which are held by a single company, count as one directorship, provided that the number of such directorships does not exceed five.

1.3. Independence of members of the Supervisory Board

+ 1.3.1. Criteria for independence of the Supervisory Board members

We apply the criteria for the definition of independent Supervisory Board members as set forth in the MiddleNext code (recommendation No. 8):

“Four criteria have been retained to determine the independence of members of the board defined as the absence of any material financial, contractual or family relationship that could compromise their free exercise of judgment and notably, board members shall not:

- › be a current employee or corporate officer of the company or a company of its group or have been so within the past three years;
- › be a significant customer, supplier or banker of the company or its group, or for which the company or its group represents a significant part of its business;
- › be a main shareholder of the company;
- › be related by close family ties to an executive officer or a main shareholder;
- › have been an auditor of the corporation within the previous three years.”



+ 1.3.2. Number of Supervisory Board members qualified as independent

According to the criteria for independence defined above, the Company considers that Messrs. Greco, Munoz, Sulat, Von Gabain and Wigzell meet all these criteria and consequently are independent members. Therefore, the Company meets recommendation No. 8 of the MiddleNext code.

+ 1.3.3. Conflicts of interest involving the Management Board, the Supervisory Board and general management bodies

With the exception of Frédéric Grimaud who is second cousin of Franck Grimaud, Management Board member of the Company, there is no family relationship between any other Supervisory Board members of the Company;

To the best knowledge of the Company, there is no potential conflict of interest between the duties of the members of the Management Board and the Supervisory Board and their private interests and/or other duties.

To the best knowledge of the Company, there are no agreements or any agreement with certain major shareholders, customers, suppliers or others, pursuant to which a member of the Management Board or the Supervisory Board of the Company has been appointed in that capacity.

However, in 2013 the members of the Company's Management Board accepted some restrictions on the sale of their stake in the Company. Please refer to Section 15.6 of the Annual Management Board Report for 2014, concerning the Shareholder agreement signed on July 5, 2013 between Groupe Grimaud La Corbière, Bpifrance Participations, Mr. Franck Grimaud, Mr. Majid Mehtali, Mr. Thomas Lingelbach and Mr. Reinhard Kandra.

+ 1.3.4. Other persons present at Supervisory Board meetings

Management Board members are invited to attend every Supervisory Board meeting. Thomas Lingelbach, Chairman of the Management Board, Franck Grimaud, Managing Director, and Reinhard Kandra, CFO, have been present at all Supervisory Board meetings held since the merger with Intercell AG.

Also attending these meetings are Frédéric Jacotot, General Counsel and Secretary, and Mailys Ferrère, representing Bpifrance Participations, Observer. From the Dukoral acquisition in February 2015, Mr. Laurent Hermouet, representing Athyrium Capital Management LP, Observer, has also been attending Supervisory Board meetings.

The joint auditors are also invited to those Supervisory Board meetings that examine the half-year and annual financial statements.



2. CONDITIONS OF PREPARATION AND ORGANISATION OF THE WORK OF THE SUPERVISORY BOARD FOR THE FISCAL YEAR ENDED 31 DECEMBER 2014

2.1. Role and work of the Supervisory Board of Valneva

+ 2.1.1. Role of the Board

The Supervisory Board shall exercise permanent control of the management of the Company carried out by the Management Board.

It shall appoint the members of the Management Board and set their remuneration. It shall designate the Chairman of the Management Board and possibly the chief executive officers. It may also pronounce their dismissal under the conditions provided by law and by the Articles of Association of the Company.

It shall convene the General Meeting of shareholders, in the absence of convening by the Management Board.

It shall carry out the verifications and inspections which it considers appropriate at any time of the year and may order the forwarding of documents which it considers necessary for carrying out its mission.

By a majority of present or represented members, pursuant to current legal and regulatory provisions, the Supervisory Board shall authorize the following agreements and operations, prior to their conclusion:

- › (i) any assignment of property in kind;
- › (ii) any total or partial assignment of investments;
- › (iii) any establishment of sureties, as well as securities, endorsements and guarantees; and
- › (iv) any agreement referred to in article 22 of these Articles of association and subject, according to article L.229-7 of the French Commercial Code, to the rules set forth in articles L.225-89 through L.225-90 of the French Commercial Code, which relates to the Supervisory Board's approval of regulated agreements, to the exception of agreements related to standard transactions concluded under ordinary conditions.



With a majority representing more than half of its members in office (i.e. for the first Supervisory Board, by a majority of 4 out of the 7 members in office), the Supervisory Board authorizes, prior to their conclusion, the following agreements and transactions:

- › (i) approval of the annual budget;
- › (ii) approval of the business plan;
- › (iii) appointment and revocation of the members of the Management Board (Directoire) and executive officers, decision on their remuneration and leaving terms;
- › (iv) submission of draft resolutions to the shareholders' meeting relating to any distribution (including distribution of dividends or reserves) to the shareholders;
- › (v) approval of material changes in accounting policies;
- › (vi) submission of draft resolutions to the extraordinary shareholders' meeting and exercise of delegations of authority or delegations of powers granted by the shareholders' meeting and relating to the issue of shares or securities granting access, immediately and/or in the future, to the share capital of the Company;
- › (vii) share capital reductions and share buy-back programs;
- › (viii) submission of draft resolutions to the shareholders' meeting relating to any amendment of the Articles of Association;
- › (ix) acquisition and disposal of business branches, equity interests or assets for an amount exceeding EUR 1 million as well as any lease management (location-gérance) of all or part of the fonds de commerce, except for the transactions previously submitted and approved as part of the annual budget or business plan;
- › (x) assignments of rights relating to, and the licensing of antibodies, vaccines or related products for an amount exceeding EUR 1.5 million;
- › (xi) implementation of any capital expenditure for an amount exceeding EUR 1 million not previously submitted and approved as part of the annual budget;
- › (xii) implementation of any expense for recruiting a team for a total annual gross compensation (including social charges and withholding taxes) of EUR 1.5 million in the first year, and not previously submitted and approved as part of the annual budget;
- › (xiii) any implementation, refinancing or amendment to the terms of any borrowings (including any bonds) for an amount exceeding EUR 1 million, and not previously submitted and approved as part of the annual budget;



- › (xiv) allocation of options entitling their holders to subscribe to newly issued shares (options de souscription d'actions) or to acquire existing shares (options d'acquisition d'actions), allocation of free shares or other plans in favor of the Management Board members and key employees (i.e. employees with an annual gross compensation in excess of EUR 100,000) ;any merger, spin-off, contribution, winding-up, liquidation or other reorganization;
- › (xv) any merger, demerger, asset contribution, dissolution, liquidation or other restructurings;
- › (xvi) any settlement or compromise relating to any litigation of an amount exceeding EUR 500,000, provided that any settlement or compromise relating to a litigation of an amount exceeding EUR 250,000 will be reviewed by the audit committee of the Supervisory Board;
- › (xvii) any material change in the business; and
- › (xviii) any agreement or undertaking to do any of the foregoing.

At the annual Ordinary General Meeting, the Supervisory Board shall present its observations on the report by the Management Board, as well as on the annual financial statements to the Annual Ordinary General Meeting of shareholders.

The Supervisory Board may grant all of the special mandates or specific missions to one or several of its members, for one or several given objects.

The Supervisory Board may also appoint, from among its members, one or several specialized committees, the composition and attributions of which it shall set and which shall carry out their activities at its liability, without the said attributions having the object of delegating to the committees the powers exclusively attributed to the Supervisory Board by the law or these Articles of Association, or the effect of reducing limiting the powers of the Supervisory Board.



+ 2.1.2. *Holding of the board meetings and attendance rate*

The Valneva Supervisory Board met 16 times in the 2014 fiscal year. The average attendance rate of the Supervisory Board was 93.65%. The Supervisory Board members thus comply with recommendation No. 7 of the MiddleNext code relating to the Board's conduct of business rules and notably meeting attendance.

A record of attendance is signed by all Supervisory Board members present.

However, it has to be noted that not all members of the Supervisory Board could be present at the combined general meeting of shareholders held on 26 June 2014; therefore, the Company did not fully comply with recommendation No. 7 of the MiddleNext code relating to the Board's conduct of business and notably meeting attendance.

Minutes are made for each meeting of the Supervisory board and state all decisions on agenda items. The agenda may be amended during the meeting. Draft minutes are submitted to every Supervisory Board member before the next Supervisory Board meeting, and are then approved and signed during such next Supervisory Board meeting.

+ 2.1.3. *Notification of meetings to Supervisory Board members and statutory auditors*

Each year, Valneva makes a provisional schedule of the Supervisory Board meetings of the following calendar year.

Furthermore, Valneva sends the Supervisory Board a meeting notice by email to the Supervisory Board members and by registered letter with acknowledgment to the joint auditors, approximately 8 days before the meeting is to be held,.

In advance of the Supervisory Board meeting, all documents, technical files and information necessary for the performance of their duties is provided to the seven members and the observers. The Management Board may inform the Supervisory Board members of major events and provide all additional information outside meetings. The Company in consequence applies Recommendation 11 of the MiddleNext code.

Furthermore, Supervisory Board members are reminded of the confidential nature of items provided to them, including both the documents themselves as well as the accompanying e-mails or correspondence (MiddleNext Code Recommendation No. 7).



+ 2.1.4. Purpose of meetings

For the year 2014, the Supervisory Board considered or decided on the following matters:

- › Amendments to intercompany loan agreement;
- › Intercompany agreement regarding the Company's obligations under the Biopharma Secured Investments III Holdings Cayman LP/Valneva Austria GmbH loan agreement;
- › Management Board performance appraisal and bonus for 2013;
- › Business updates;
- › Unaudited 2013 results;
- › 5-year plan updates;
- › Management Board goals and objectives for 2014;
- › Statutory financial statements for 2013;
- › Consolidated financial statements and management report for 2013;
- › "Vigilance points" under the MiddleNext governance code;
- › Authorization for the purpose of deciding a capital increase in cash without preferential subscription rights by way of a private placement and entering into the placement agreement with the banks;
- › Stock options;
- › Supervisory Board report to shareholders;
- › Special management reports;
- › SB Chairman's report on SB functioning and the company's internal control procedures;
- › Draft resolutions to be submitted to shareholders;
- › Related party transactions;
- › Company policy on equal treatment;
- › Authorization for the purpose of deciding the issuance of warrants without preferential subscription rights by way of a private placement within the framework of the setting up of an equity line;
- › Strategic projects;
- › Guarantees to be given in connection with strategic projects;
- › Quarterly reports from the Management Board;
- › SB member's fees;
- › Discharge of Valneva Austria GmbH's managing directors;
- › Recapitalization of Valneva Austria GmbH;
- › Review of consolidated half-year financial statements and management report;
- › Risk management;
- › JEV strategy;
- › R&D strategy;
- › Expiration of equity warrants;
- › Intercompany services agreement;
- › SB self-evaluation;
- › 2015 budget;
- › Intercompany services agreement.



+ 2.1.5. *Internal Rules of the Supervisory Board*

In compliance with recommendation No. 6 of the MiddleNext Code, the Valneva Supervisory Board has Internal Rules, which can be found on the Valneva website: www.valneva.com. A hardcopy can also be requested at the following address: VALNEVA, 6, rue Alain Bombard, 44821 SAINT-HERBLAIN CEDEX, FRANCE, or at the following e-mail address: investors@valneva.com.

This charter sets forth the missions and objectives of the Supervisory Board and its committees, as well as its operating procedures.

+ 2.1.6. *Evaluation of the work of the Supervisory Board*

In compliance with Recommendation 15 of the MiddleNext Code, the Supervisory Board conducted an evaluation of its work by preparing an evaluation form, asking its members to fill it out and discussing the results in its November 20, 2014 meeting.



2.2. Committees

In compliance with Recommendation No. 12 of the MiddleNext Code, the Company creates committees in light of its own situation.

+ 2.2.1. Nomination and compensation Committee

Composition

The nomination and compensation Committee is composed of 4 Members, as follows:

- › Alain MUNOZ, Chairman of the Committee
- › Michel GRECO
- › Alexander VON GABAIN
- › Anne-Marie GRAFFIN

The Committee meets as often as required to serve the Company's interest, and at least twice per year.

Duties

The Committee issues proposals to the Board on all aspects of top managers' appointment and remuneration.

It draws up succession plans for corporate officers and Members of the Supervisory Board so as to be able to propose replacements to the Supervisory Board when a seat falls vacant.

As part of its Duties, the Committee has the following specific responsibilities:

- › a. With respect to appointments, the Committee shall:
 - issue recommendations on the appropriateness of appointments, revocation, dismissal and renewal of appointment of the Members and Chairman of the Supervisory Board, of members and Chairman of the Committees and of members and Chairman of the Management Board, and to issue recommendations on the candidates considered, in terms of expertise, availability, appropriateness and complementarity with other Members and Management Board members;
 - be in a position at any time to formulate proposals on potential successors to the Chairman of the Management Board or to the Chairman of the Supervisory Board; and
 - issue recommendations, upon Management Board request, on the acceptance of and resignation by the Company from any office as member of the board of directors or any equivalent body of another company and on the appointment and dismissal of permanent representatives of the Company on such board of directors or equivalent bodies;



› b. In the area of remuneration, the Committee shall:

- examine and make proposals with respect to the various components of corporate officers' (including Management Board members) remuneration, the allocation of incentive bonuses and all the provisions relating to retirement benefits and any other kind of benefit;
- ensure the consistency of these rules with the annual assessment of the corporate officer's performance and with the Company's strategy, and verify that these rules are applied properly;
- make recommendations to the Supervisory Board relating to the overall amount of Members' attendance fees to be proposed to the general meeting of shareholders and on the allocation of these attendance fees between Members of the Supervisory Board;
- examine the Management Board's policy and projects with respect to rights issues reserved to employees; and assist the Board in the drafting of sections of the annual report that fall within its scope.

+ 2.2.2. *Audit and governance Committee*

Composition

The Audit and Governance Committee is composed of 3 Members, as follows:

- › James SULAT, Chairman of the Committee
- › Michel GRECO
- › Hans WIGZELL

The Committee meets as often as required to serve the Company's interest, and at least twice per year.

Duties

The Committee shall deal with questions of accounting and audit and prepare the adoption of the financial statements and monitor the implementation of proper risk management processes. In addition, the Committee shall monitor the independence of the statutory auditors, especially with respect to the additional services provided to the Company (audit-related and non-audit-related services). The Committee shall review the reports issued by the statutory auditors, the Management Board and the Supervisory Board.

The Committee shall also provide advice on and monitor the implementation of the corporate governance and corporate compliance policies of the Company.



As part of its purpose, the Committee shall have the following specific responsibilities:

- › review, audit and monitor the implementation of and issue recommendations on the following items:
 - scope of consolidation , accounting methods and audit procedures ;
 - quarterly, half-yearly and annual financial statements, and in particular provisions, material risks and off-balance sheet commitments;
 - accounting positions relating to material transactions;
 - proposed adoptions of material changes to accounting methods;
 - Company's financial position;
 - review by the statutory auditors of the half year and annual statutory accounts and consolidated financial statements; and
 - procedures for preparing information provided to shareholders and to the market and Company press releases relating to accounting and financial information;
- › oversight of the statutory auditors and monitoring of the independence of the statutory auditors:
 - steering of the selection procedure applicable to the statutory auditors;
 - submission of recommendations to the Board on the Management Board 's proposals to the general meeting of shareholders with respect to appointing, replacing and reappointing the statutory auditors;
 - assessment of the amount of fees paid to the statutory auditors and recommendation thereon to the Management Board; and
 - monitoring that the statutory auditors comply with the rules governing their independence;
- › oversight of internal audit procedures and monitoring the efficiency of internal and risk management procedures:
 - submission of recommendations on the mission and organization of the Company's internal audit department and its action plan;
 - review of the main conclusions made by the internal audit department within its work, followed by a report to the Board; and
 - review of the contribution of the internal audit department within the evaluation of the risk management process and of the internal control.

The Committee meets prior to any Supervisory Board meeting called to deliberate on the review or approval of the financial statements, the financial management report, presentation of budgets for the coming year, or the review of risks and internal control procedures.

The Committee's review of the financial statements shall be accompanied by a presentation by the statutory auditors highlighting the key points not only of the results but also of the accounting choices made, and a presentation by the finance department of the Company's risk exposure and significant off-balance sheet commitments.



+ 2.2.3. Strategy committee

A strategy Committee has been provided for under the Internal Rules of the Supervisory Board. However, this Committee is not yet effective.

The main provisions relating to this Committee in the Internal Rules of the Supervisory Board are hereinafter set out:

Composition and operation

The strategy Committee shall be composed of at least three Members or their permanent representatives appointed by the Supervisory Board.

The Committee shall meet as often as required to serve the Company's interest, and at least twice per year.

Duties

The Committee shall:

- › review and issue recommendations to the Supervisory Board on projects for the strategic plans and annual budgets of the Company drawn up by the Management Board. In this respect, the Committee may interview the Management Board members on the assumptions applied in drawing up the said plans;
- › review and issue recommendations to the Supervisory Board on the creation of any business division or subsidiary, on investments in any business division or on the acquisition of any equity interest in a country in which the Company does not operate;
- › review and issue recommendations to the Supervisory Board on all proposed mergers, spin-offs or asset transfers in connection with the Company; and
- › review and issue recommendations to the Supervisory Board on any transaction entailing a significant alteration in the scope of the business activities of the Company and its subsidiaries.

3. SPECIAL PROCEDURES FOR THE PARTICIPATION OF SHAREHOLDERS IN GENERAL MEETINGS

Procedures concerning the participation of shareholders in general meetings are described in article 27 of the Articles of Association of the company that can be consulted (in French) at Valneva's website: www.valneva.com. A hardcopy can also be requested at the following address: VALNEVA, 6, rue Alain Bombard, 44821 SAINT-HERBLAIN CEDEX, FRANCE, or at the following e-mail address: investors@valneva.com.



4. INTERNAL CONTROL PROCEDURES RELATING TO OPERATING AND FUNCTIONAL PROCESSES

4.1. Purpose of internal control procedures and inherent limitations

The purpose of internal control is to ensure:

- + compliance with laws and regulations;
- + the application of instructions and priorities set by the Management Board;
- + the effective functioning of internal control procedures of the Company; notably contributing to safeguarding its assets;
- + the reliability of financial information.

The objective of the internal control system is to prevent and manage risks inherent in the company's operations and the risks of errors or fraud, particularly in the accounting and finance areas. As in all systems of control, it cannot provide an absolute guarantee of eliminating these risks.

4.2. General organization and implementation of internal control procedures

+ 4.2.1. Participants in internal control processes

Given the size of the Company, Valneva does not currently have a dedicated internal control department. In contrast, a number of parties are responsible for and intervene in the area of internal control, including first and foremost, the Management Board, the Supervisory Board and its two committees. In addition, the Executive Committee, the Financial department, the Legal department, and the Quality assurance team also play a major role.

The Management Board

The Management Board defines the objectives of the Company as well as the resources to be deployed to attain these objectives. To this purpose, the Management Board ensures compliance with these objectives.

The Management Board must ensure that acts of management or the conduct of operations as well as the behavior of personnel adhere to the framework defined by the priorities set for the Company's activities by the corporate bodies, the laws and applicable regulations and by the values, standards and internal rules of the Company.

The Supervisory Board

The role of the Supervisory Board in the area of internal control is presented in the first part of this report. This board is assisted in this mission by two committees.



The Executive Committee

The EC currently includes eleven members:

- › Thomas Lingelbach, CEO
- › Franck Grimaud, CBO
- › Reinhard Kandra, CFO
- › Frédéric Jacotot, General Counsel
- › Kerstin Westritschnig, Clinical and Medical Affairs
- › Nick Maishman, Manufacturing
- › Frédéric Legros, Business Development
- › Jason Golan, Marketing & Sales
- › Olivier Jankowitsch, Alliance Management
- › Andreas Meinke, Preclinical and Translational Research
- › Klaus Schwamborn, Discovery Research & Innovation

The Executive Committee is chaired by the CEO.

The Executive Committee meets once a month to review the performance of the company, notably from a commercial and management perspective. The EC confirms that the objectives set by the Management Board and approved by the Supervisory Board are respected. It also considers all operating and organizational issues placed on the agenda by each of its members.

At the end of each meeting, a report is drafted and given to all participants with a list of action points.

The Finance department

The Chief Finance Officer ensures the conformity with accounting and financial regulations. He also provides the Management Board with cost accounting and financial information serving as tools for the budget management of the company.

The Legal department

The General Counsel is responsible for safeguarding the Company's legal interests and ensuring compliance with applicable laws and regulations.

Quality assurance

Valneva manufactures marketed vaccines pre-clinical and clinical batches of vaccines and proteins. Valneva also manufactures master cell or virus banks. For this purpose, Valneva must comply with regulations developed by several governmental authorities and is subject to inspection by regulatory authorities.

To ensure compliance with the regulatory requirements, Valneva has a quality assurance department and quality assurance systems. In compliance with Good Manufacturing Practice (GMP), internal and external audits are conducted to ensure compliance with GMP and implementation of the relevant procedures.



+ 4.2.2. Internal control procedures

4.2.2.1. Analysis of risks

Valneva conducted an in-depth analysis of its risks. Risks incurred by Valneva are described in detail in Sections 5 & 6 of the Annual Management Board Report 2014 of the Company. These include:

- › Risks relating to the Company's business
- › Financial risks
- › Legal risks
- › Market risks

4.2.2.2. Internal control procedures implemented other than those relating to the production of accounting and financial information

Procedures are established to ensure that the main risks are managed internally in accordance with the objectives defined by the Company's Management Board.

In respect of business-related risks, telephone or video conference meetings of each department head and the Risk Manager are organized.

With respect to scientific matters, the Company also retains the services of consultants on certain specific topics to validate its choices.

Concerning intellectual property risks, the Company has an intellectual property manager that ensures permanent oversight by conducting notably reviews of the status of intellectual property with the assistance of a specialized firm. For every new activity launched, studies are conducted. Studies are also conducted regularly for the older technologies. The Company can in this way determine if there is a need to acquire a new license.

As an additional measure, the Company has taken out insurance policies covering the main insurable risks for amounts that it deems to be compatible with the nature of its business. For example, risks related to product liability are covered up to twenty million euros.

The Company thus safeguards its property and intangible assets. The Company has in addition established systems for the double storage of data and its cells at different sites.

For market and financial risks, the Company monitors its cash position on a monthly basis.

In the light of current volatility in financial markets, the Company applies a conservative and prudent strategy of financial management. The Company's assets are allocated among several French, UK and Austrian banking institutions with several different vehicles in each (open-end investment funds, mutual funds, fixed-term accounts, etc.).



With respect to UCITS funds, the Company favors use of money market funds. Valneva excludes use of SICAV open-ended investment funds and mutual funds that seek to boost their performance by investing in risk assets.

For risks related to accounting and financial information, details on procedures adopted are presented in the following section.

+ 4.2.3. *Internal control procedures relating to the preparation of accounting and financial information*

4.2.3.1. *Internal control objectives relating to accounting and financial information*

Internal control procedures relating to the processing of accounting and financial information are destined to ensure:

- › Reliability of the Company's financial statements established in accordance with French GAAP;
- › Reliability of the Company's consolidated financial statements established in accordance with IFRS;
- › Effective management of risks of errors, fraud, inaccuracies or omissions of material information in the financial statements concerning the financial position and the assets and liabilities of the Company.

4.2.3.2. *Participants*

These include the Management Board, the Finance department, under the oversight of the Supervisory Board and the Audit Committee.

The accounting and financial organization is based on the principle of the separation of functions and the knowledge of the responsibilities of each function.

The separation of functions is effective as the Finance department is split into accounting and controlling function, whereas the purchasing department is a separate department.

Concerning the knowledge of the responsibilities of each, an organization chart exists with a description of each function. In addition, a number of procedures exist, particularly in the area of purchasing.



4.2.3.3. Forward-looking management tools

The medium-term business plan is an internal document drafted by the Management Board. Its purpose is to define the objectives of the Company over a period of a few years with a breakdown of specific objectives for each activity. It is updated on a regular basis in the light of decisions concerning strategic priorities and market developments.

The budget is established according to IFRS after the Management Board has defined the strategic priorities. Every year, the controlling function meets with all department managers and project heads. The controlling function then gives the different options to the Management Board.

The Management Board, according to the priorities developed in the business plan, makes choices concerning operating expenses, capital expenditure and human resources. This budget is presented to the Executive Committee. The budget is then submitted to the Supervisory Board for approval.

Each quarter, or more often if significant impacts are foreseen, the controlling department drives a forecast process based on the last actual quarterly results and makes a forecast for the remaining months of the then current fiscal year, with the same granularity as in the initial budget process. The related profit and loss and cash position forecasts are presented to the Executive Committee and then submitted to the Supervisory Board for information.

The Supervisory Board is informed of the Company's profit and loss statement and cash position monthly, and is given a detailed presentation of the profit and loss statement and cash position in comparison to the budget in quarterly meetings.

All these documents are for internal use only and are not available to the public.

4.2.3.4. Intermediate balances

Every month the Finance department produces an IFRS statement of intermediate balances in accordance with IAS 34 and applies the general principles for periodic closings. These intermediate balances are also restated in a cost accounting format by project to serve as a tool for monitoring business performances.

A schedule for producing monthly balances is drafted by Valneva's Finance department and the accounting departments of the subsidiaries including a breakdown of tasks, the party responsible for each task and deadlines for completion. The deadlines for the remittance of documents according to this schedule are validated by all parties.

Intermediate balances are established by combining information from financial and cost accounting data. For cost accounting data, the controlling department has different software applications to record the amount of time worked by each employee, and a software application for managing purchases of consumables by project.



Intermediate monthly financial reports are provided to each manager and department head for his or her area of responsibility and to the Executive Committee, the Management Board and the Supervisory Board, thus providing a tool to monitor actual results in relation to budget.

All these documents are for internal use only and are not available to the public.

In the light of its size, Valneva is not subject to obligations relating to the prevention of corporate difficulties. In consequence, it does not make financial documents and reports designed for this purpose.

4.2.3.5. Preparation of financial statements

a. Participants

The annual statutory financial statements are prepared by the Head of Accounting in France, while the annual consolidated financial statements and the interim consolidated financial statements are prepared under IFRS rules by Valneva's Head of Corporate Accounting and Tax and the accounting departments of the Valneva entities.

For tax matters, the team also uses tax lawyers that primarily provide advice in the following areas:

- › tax matters, tax techniques or the interpretation of regulations;
- › assessment of year-end tax statements prepared by the accounting department (statement 2065 and related schedules).

b. Information collection and processing

Information is collected in the same way as for intermediate balances.

For the annual consolidated and unconsolidated financial statements, a work program for tasks is drafted by the Valneva's financial department providing a detailed breakdown of tasks, the party responsible for each task and deadlines for completion. The deadlines for the remittance of documents according to this schedule are validated by all parties.

The financial department also drafts a document listing all points that need to be verified to identify risks and avoid any risk of fraud or errors.

Furthermore, accounting options relating to key points (for example the treatment of development expenditure and the amortization of capitalized development expenditure, the evaluation of inventory, the interpretation of complex material contracts) are discussed in meetings organized prior to the closing of annual and interim financial statements. This is also the case for changes in accounting principles that would have a material impact on the presentation of financial statements. Participants include the Chief Financial Officer, the Chief Business Officer, the Chief Executive Officer of Valneva, Valneva's Head of Corporate Accounting and Tax.



A meeting is subsequently organized for the purpose of taking into account the observations of the joint auditors. This meeting is attended by the Chief Financial Officer, the Chief Business Officer, the Chief Executive Officer of Valneva Management Board, Valneva's Head of Corporate Accounting and Tax, Group accountant and the Head of Accounting of Valneva SE. The joint auditors are also present at the meeting.

Additional meetings may be organized as needed to ensure that accounting and financial information contained in the different statutory documents (Management Board reports, Management Board meeting minutes, Supervisory Board reports, Supervisory Board meeting minutes, agendas and draft resolutions of shareholders' meetings) remain coherent with the accounting.

The consolidated financial statements of Valneva Group and the separate financial statements are audited by the joint auditors, Deloitte et Associés, represented by Mr. Gros and PwC, represented by Mr. Charron.

The half year interim financial statements are subject to a limited review by the joint auditors, whereas the quarterly interim financial statements are not reviewed by the joint auditors.

c. Accounting and financial information systems

The accounts for the fiscal year 2013 are maintained on an AS400 mainframe using an accounting application ("GAEL") and Microsoft Dynamics AX ("AX"). Since the beginning of 2014, all entities of the Valneva group have switched to the Microsoft Dynamics AX system, as the ERP system of the Valneva group.

"AX" interfaces with the payroll, the cash management software and the cost accounting database (named "Controlling cube"). Valneva performs regular reconciliations between these different applications.

Fixed assets and depreciation and amortization are also processed by AX.

Since the beginning of 2014, supplier invoices have been recorded through the ERP system "AX".

At year-end, AX accounting data for the Valneva SE entity is then transferred to the « Etats Comptables et Fiscaux » software application of SAGE in order to:

- › establish separate annual financial statements under French GAAP on the basis of the official format;
- › establish the 2065 tax declaration and the related schedules;
- › electronically transmit the tax statement.

Regularly, computer data is backed up and stored on magnetic tapes that are themselves stored for safekeeping in a safe.



As for source data (contracts, minutes, etc.), an original and a copy exist for each document. A copy of each of these documents is maintained at one of the Valneva sites (generally, at the site concerned by such document), while copies are shared through the internal network of the Company (with restricted access).

d. Identification and analysis of risk affecting accounting and financial information

When the financial statements are prepared, the Finance department follows a document listing all tasks, operations and controls that need to be verified to identify risks and avoid any risk of fraud or errors.

In addition, Valneva has documented the key processes by identifying the key controls.

e. Oversight

The Company carries out normal oversight for example on account closings such as conducting stock counts or performing bank reconciliations.

The Company has a matrix for authorizing purchases and invoices and has documented the key processes by identifying the key controls.

f. Other accounting and financial information destined for shareholders

In connection with special corporate actions (the issue of stock options, the exercise of the corresponding rights, capital increases, etc.), it may be necessary to provide shareholders with accounting and financial information. This information is, according to its nature and the specific obligations that apply to the operation in question, prepared in coordination with Valneva's Management and the General Counsel to be incorporated in statutory documents.

These operations are frequently subject to a report of the joint auditors and/or and equity auditor.

4.2.3.6. Financial and accounting communication

The Finance and Legal departments have established a schedule for the publication of mandatory disclosures.

The Registration Document is drafted jointly by the Finance and Legal departments and reviewed by the Company's auditors.



5. LIMITATIONS IMPOSED ON THE POWERS OF THE MANAGING DIRECTOR BY THE BOARD

Obligations to disclose limitations imposed by the Supervisory Board on the powers of the Managing Director only concern French public limited companies (*sociétés anonymes*) governed by a Board of Directors. Valneva is a *Société Européenne* with a dual system of governance composed of a Management Board and a Supervisory Board and, therefore, is not concerned.

6. PRINCIPLES AND RULES TO DETERMINE REMUNERATION

The Company implements Recommendation 2 of the MiddleNext Code on the determination and transparency of the compensation of directors and officers. The Company presents the principles governing its compensation policy below.

6.1. Combination of employment contracts with a position of corporate officer

MiddleNext Code recommendation No. 1 provides that the suitability of holding an employment contract while serving as a corporate officer shall be determined by the Board and in light of regulations.

For companies with a Management Board and a Supervisory Board, this recommendation applies to the Chairman of the Management Board.

The Chairman of the Company's Management Board does not have any employment contract with Valneva SE; however, he has such a contract with Valneva SE's subsidiary "Valneva Austria GmbH". This contract complies with Austrian law and was entered into prior to the Vivalis/Intercell merger and the appointment of Mr. Lingelbach as Chairman of the Company's Management Board.

6.2. Fixed remuneration

Management Board members receive fixed remuneration as well as fringe benefits.

For information, the fixed remuneration is based on an assessment of the market, the individual performances of the officer and his or her responsibilities (MiddleNext Code, recommendation No. 2).

Concerning fringe benefits, one member of the Management Board has unemployment insurance paid by the Company. The Company also provides and pays for a revocable (combined) death and endowment insurance. Two members of the Management Board currently benefit from this death and endowment insurance.

Further information on the fixed remuneration and fringe benefits of Management Board members for the fiscal year 2014 is provided in Section 21.1 of the Annual Management Board Report for 2014.



6.3. Variable remuneration

Board members receive variable remuneration, with the variable part representing a percentage of the fixed remuneration.

The variable portion is paid only after the Supervisory Board has determined that the relevant goals and objectives have been met. Goals and objectives are set by the Board based on recommendations by the Nomination and Compensation Committee.

The Supervisory Board is authorized to grant variable remuneration only on the basis of clearly defined rules.

The goals and objectives are set for each officer according to the goals and objectives of the Company. A coefficient is associated with each objective.

Generally, a review of the progress or achievement of goals and objectives is made in the middle of each year by the Nomination and Compensation Committee.

Further information on the variable remuneration of Management Board members for the fiscal year 2014 is provided in Section 21.1 of the Annual Management Board Report for 2014.

6.4. Stock option and/or bonus share plans

Concerning stock options and bonus share plans, for the purpose of providing incentives and developing loyalty, the Company has always been willing to make its employees benefit from stock options or free shares, by putting in place several plans (see Section 13.2 of the Company's Annual Management Board Report for 2014). The Company consequently implements MiddleNext code recommendation No. 5 on stock options and free shares. The number of options or shares granted to each employee notably depends on his or her job category.

No new stock options or free shares were granted in 2014.

The granting of free shares or options to corporate officers have been linked to the achievement of major goals of the Company in the past. However, certain stock options or bonus shares may be granted to corporate officers without reference to performance criteria. In this respect, the Company does not apply MiddleNext code recommendation No. 5 on the exercise and vesting conditions for bonus shares and stock options. In contrast, the Company links the vesting of shares or the exercise of stock options to criteria of attendance (except in case of divestitures), because the primary objective of the Company is to provide incentives for the retention of its officers and key managers. The Company in this way ensures that it provides an attractive level of compensation in line with that generally used in the pharmaceutical industry. However, as the Company cannot provide the same level of remuneration as that of the pharmaceutical industry, the grant of stock options and/or bonus shares provides a means for offsetting this difference.

A percentage of bonus shares or shares resulting from the exercise of stock options (usually 20%) must be kept by the Corporate officers until the officers no longer perform their duties.



Most stock option plans do not include a discount on the exercise price. However, the 2013 stock option plan provided for a 10% discount on the average Euronext Paris closing share price over the twenty trading days immediately preceding the date the options were granted.

Further information on stock-options and free shares granted to company officers is available in the special reports of the Management Board made in accordance with articles L.225-177 to L.225-186 and articles L.225-197-1 to L.225-197-3 of the French Commercial Code, as well as in Section 21 of the Annual Management Board Report for 2014.

6.5. Severance benefits

MiddleNext Code recommendation No. 3 provides guidelines with regard to "golden handshakes" for corporate officers.

The Company has set terms and conditions for the severance package of its corporate officers. Those concerning Franck Grimaud are included in his "Management Agreement" with the Company. The severance terms applying to Thomas Lingelbach and Reinhard Kandra are set out in their "Employment and Management Agreement" with the Company's subsidiary "Valneva Austria GmbH".

Please refer to Section 21.1.5 of the Annual Management Board Report for 2014 for further information on the severance package of Management Board members.

Some pieces of the corporate officers' severance package do not comply with MiddleNext Code recommendation No. 3.

6.6. Supplementary retirement schemes

The Company has no supplementary retirement scheme. Consequently, MiddleNext Code recommendation No. 4 is not applicable.

6.7. Attendance fees

On June 28, 2013, the shareholders voted and granted the Supervisory Board EUR 240,000 as attendance fees for the period from June 1, 2013 until May 31, 2014. On June 26, 2014, the shareholders voted and granted the Supervisory Board EUR 250,000 as attendance fees for the period from June 1, 2014 until May 31, 2015. In contrast to MiddleNext Code recommendation No. 14, payment of these fees is not contingent upon meeting attendance. In practice, the Company has not experienced any difficulty in respect of attendance (see Section 2.1.2 of this Report), and its members generally are present and remain available to fulfil their duties.



7. INFORMATION ON THE SHAREHOLDING STRUCTURE AND ITEMS WITH A POTENTIAL IMPACT ON PUBLIC OFFERINGS

In compliance with Article L.225-100-3 of the French Commercial Code, information on the shareholding structure and items with a potential impact on public offerings is provided in Section 15 of the Annual Management Board Report for 2014.

March 19, 2015

Frédéric Grimaud

Chairman of the Supervisory Board



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**Statutory auditors' report on the
consolidated financial statements**

Year ended December 31, 2014



STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2014

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking users. The Statutory Auditors' report on the consolidated financial statements includes information specifically required by French law in all audit reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report on the consolidated financial statements should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In accordance with our appointment as Statutory Auditors at your Annual General Meeting, we hereby report to you for the year ended December 31, 2014 on:

- + the audit of the accompanying consolidated financial statements of VALNEVA,
- + the justification of our assessments;
- + the specific verification required by law.

The consolidated financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements, based on our audit.



1. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2014 and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the European Union.

Without qualifying our opinion, we draw your attention:

- + to the matter set out in the Note 2 “Summary of significant accounting policies” to the consolidated financial statements on the merger between Vivalis and Intercell, which implies that fiscal years 2013 and 2014 cannot be relevantly compared;
- + to the matter set out in Note 33 “Events after the reporting period” to the consolidated financial statements related to the acquisition of Crucell Sweden AB completed on February 9, 2015.

2. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters.

Intangible assets, the net amounts of which total €105.2 million as of December 31, 2014, have been subject to impairment tests in accordance with the methods set forth in the Note 2 “Summary of significant accounting policies” to the consolidated financial statements. We have examined the methods used to perform these tests based on value in use and reviewed the consistency of the assumptions used with forecasts taken from the strategic plans prepared for each of the activities or divisions under the Group’s control. We have also verified that the Note 13 “Intangible assets and Goodwill” to the consolidated financial statements provides appropriate disclosure.

These assessments were performed as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of our opinion in the first part of this report.



3. SPECIFIC VERIFICATION

In accordance with professional standards applicable in France, we have also verified, pursuant to the law, the information relating to the Group given in the management report.

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

NEUILLY-SUR-SEINE AND MARSEILLE, MARCH 19, 2015
THE STATUTORY AUDITORS

PricewaterhouseCoopers Audit

French original signed by
Thierry CHARRON

Deloitte & Associés

French original signed by
Vincent GROS



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69007 LYON

**Statutory auditors' report on the
statutory financial statements**

Year ended December 31, 2014



STATUTORY AUDITORS' REPORT ON THE STATUTORY FINANCIAL STATEMENTS

Year ended December 31, 2014

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

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, we hereby report to you, for the year ended December 31, 2014 on:

- + the audit of the accompanying financial statements of VALNEVA;
- + the justification of our assessments;
- + the specific verifications and information required by law.

These financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.



1. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sample techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2014 and of the results of its operations for the year then ended in accordance with French accounting principles.

Without qualifying our opinion, we also draw your attention to the matter set out in Note 5.6 "Events after the reporting period" to the financial statements related to the acquisition of Crucell Sweden AB completed on February 9, 2015.

2. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters.

Intangible assets and investments in subsidiaries, the net amounts of which total respectively € 9,669 thousand and € 137,928 thousand as of December 31, 2014, have been subject to impairment tests in accordance with the methods set forth in the Notes 4.2.8 "Impairment of assets" and 4.2.10 "Long-term investments" to the financial statements. We have examined the methods used to perform these tests based on value in use and reviewed the consistency of the assumptions used with forecasts taken from the strategic plans prepared for each of the activities or divisions under the Group's control. We have also verified that the note to the financial statements mentioned above provides appropriate disclosure.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.



3. SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Management Board, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L.225-102-1 of the French Commercial Code (Code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have ensured that the required information concerning the names of the principal shareholders and holders of the voting rights have been properly disclosed in the management report.

NEUILLY-SUR-SEINE AND MARSEILLE, MARCH 19, 2015
THE STATUTORY AUDITORS

PricewaterhouseCoopers Audit

French original signed by
Thierry CHARRON

Deloitte & Associés

French original signed by
Vincent GROS



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VALNEVA

Société Européenne
Gerland PlazaTechSud
70, rue Saint-Jean-de-Dieu
69007 LYON

**Statutory Auditors' Report prepared in accordance
with Article L. 225-235 of the French Commercial Code
on the Report of the Chairman of the Supervisory Board**

Year ended December 31, 2014



STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE
WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE
ON THE REPORT OF THE CHAIRMAN
OF THE SUPERVISORY BOARD

Year ended December 31, 2014

This is a free translation into English of the Statutory Auditors' 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,

As Statutory Auditors of Valneva and in accordance with Article L. 225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-68 of the French Commercial Code for the year ended December 31, 2014.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by Article L. 225-68 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- + to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information; and
- + to attest that the Chairman's report sets out the other information required by Article L. 225-68 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.



1. INFORMATION CONCERNING THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

Professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted in:

- + obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and the existing documentation;
- + obtaining an understanding of the work performed to support the information given in the report and the existing documentation;
- + determining whether any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the report of the Chairman of the Supervisory Board, prepared in accordance with Article L. 225-68 of the French Commercial Code.

2. OTHER INFORMATION

We attest that the report of the Chairman of the Supervisory Board sets out the other information required by Article L. 225-68 of the French Commercial Code.

NEUILLY-SUR-SEINE AND MARSEILLE, MARCH 19, 2015
THE STATUTORY AUDITORS

PricewaterhouseCoopers Audit

French original signed by
Thierry CHARRON

Deloitte & Associés

French original signed by
Vincent GROS



ENGLISH TRANSLATION OF THE ANNUAL FINANCIAL REPORT ATTESTATION

for information only

DECLARATION BY THE PERSONS RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

“We hereby declare that, to the best of our knowledge, the information contained in this Annual Financial Report is in accordance with the facts and contains no omission likely to affect its import.

We further hereby declare that, to the best of our knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and present a fair view of the assets, liabilities, financial position and results of the Company and all the other companies included in the scope of consolidation, and that the Management report gives a fair description of the business developments, results and financial position of the Company and all the other companies included in the scope of consolidation, as well as a description of the main risks and contingencies which the Company may face.”

Thomas Lingelbach
Chairman of the Management Board

Franck Grimaud
Managing Director

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