Valneva

Registration Document
(Including the 2014 Annual Financial Report)

A European company (*Societas Europaea* or SE) with a Management and a Supervisory Board
Registered Office: 70, Rue Saint Jean de Dieu, 69007 Lyon
Lyon Companies Register (RCS) No. 422 497 560

This Registration Document was filed with the French financial market authority (*Autorité des Marchés Financiers* or AMF) on June 16, 2015 in compliance with article 212-13 of the AMF General Regulation. It may be used in connection with a financial transaction only if accompanied by a memorandum approved by the AMF. The original French language version of this document was prepared by the issuer and is binding on its signatories. This is a free translation of the French original document. In the event of any discrepancy between the French version and the English translation the French version shall prevail in all cases.

Incorporation by reference:

In accordance with the provisions of article 28 of Commission Regulation (EC) No. 809/2004 of April 29, 2004, this Registration Document incorporates the following information by reference:

+ For fiscal year 2013: the historical consolidated accounts, the Auditors' reports, the management report (and in particular Section 1.2.4) and financial highlights, included in Valneva's Registration Document filed with AMF on April 29, 2014 (No. D.14-0444).

+ For fiscal year 2012: the historical consolidated accounts, the Auditors' reports, the management report (in particular Section 9) and financial highlights included in Valneva's Registration Document filed with the AMF on April 30, 2013 (No. D.13-0479).

Dear readers,

Major decisions were taken and actions implemented in 2014 to further developing Valneva into a leading independent, global pure-play vaccine biotech company.

Following the creation of Valneva in 2013 we focused and consolidated the business including divestitures and acquisitions and could subsequently significantly increase the Company's financial performance without jeopardizing investment into our key R&D activities.

We are continuing to expand by deploying a strategy for revenue growth and value creation based on our three pillars:

- **A broadened portfolio of commercialized vaccines**;
- **The development of our three vaccine candidates (related to *Pseudomonas*, *C. Difficile* and *Lyme Borreliosis*);**
- **Our EB66® cell line technology.**

Looking ahead, our revenues and profits should enable us to self-finance our R&D pipeline and reach our goal to become a leading global and independent vaccine company.

But only the hard work, the expertise and the dedication of our people will make our goal achievable; our employees are our most valuable asset and greatest strength. Valneva has grown very rapidly and today counts nearly 400 employees operating across its seven sites.

There are exciting years ahead of us and all together, we take pride in building up and being a part of Valneva!



Thomas LINGELBACH
President & Chief Executive Officer, Chairman of the Management Board



Franck GRIMAUD
Deputy CEO, Management Board member



Reinhard KANDERA
Chief Financial Officer, Management Board member

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GENERAL INTRODUCTORY COMMENTS

In this Registration Document, unless stated otherwise, the terms "**Company**", "**Valneva**", and "**We**" refer to Valneva SE, while the term "**Group**" refers to Valneva SE and its subsidiaries.

This Registration Document contains forward-looking statements about the Group's targets and forecasts, especially in Section 1.4.4.2. Such statements may in certain cases be identified by the use of the future or conditional tense or by forward-looking words including but not limited to "believes", "targets", "anticipates", "intends", "should", "aims", "estimates", "considers", "wishes" and "may". These statements are based on data, assumptions and estimates that the Company considers to be reasonable. They are subject to change or adjustment owing to uncertainties arising from unpredictable outcomes inherent to all Research and Development activities, as well as in the economic, financial, competitive, regulatory and climatic environment. In addition, the Group's business activities and its ability to meet its targets and forecasts may be affected by the occurrence of risk factors described in Section 1.5 – "Risk factors" of this Registration Document. Furthermore, attainment of the targets and forecasts implies the success of the strategy presented in Section 1.3.2.2 – "Strategy" of this Registration Document.

The Company makes no undertaking and gives no guarantee as to attainment of the targets and forecasts shown in this Registration Document. Investors are invited to carefully consider all risks detailed in Section 1.5 of this Registration Document before making any investment decision. One or more of these risks may have an adverse effect on the Group's condition, financial results or on its targets and forecasts. Furthermore, other risks not yet identified or considered as significant by the Group could have the same adverse effects, and investors may lose all or part of their investment.

This Registration Document also contains details of the markets in which the Group operates. This information is notably taken from research produced by external organizations. Given the very rapid pace of change in the pharmaceutical sector in France and the rest of the world, this information may prove to be erroneous or out of date.

Forward-looking statements, targets and forecasts shown in this Registration Document may be affected by risks, either known or unknown, uncertainties, and other factors that may lead to the Group's future results of operations, performance and achievements differing significantly from the stated or implied targets and forecasts. These factors may include changes in economic or trading conditions and regulations, as well as the factors set forth in Section 1.5 – "Risk factors" of this Registration Document.

INDICATIVE FINANCIAL REPORTING TIMETABLE

Q4 / Full Year Sales
March 20, 2015

Q1 2015 results
May 12, 2015

Annual Shareholders Meeting, Paris
June 25, 2015

Ex-dividend date*
July 6, 2015

Dividend payment date*
July 8, 2015

H1 2015 Results
August 31, 2015

Q3 2015 results
November 10, 2015

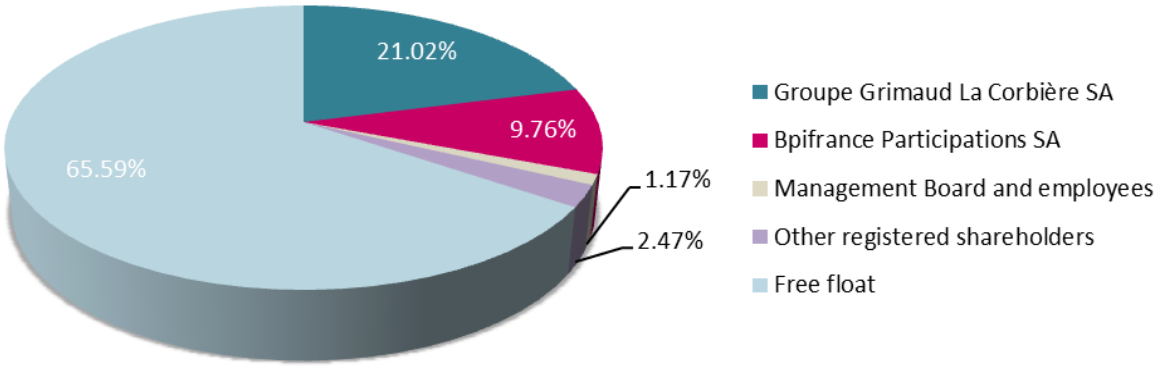
This financial calendar is for indicative purposes only and the Group could change its publication dates should it deem it necessary.

* The ex-dividend and dividend payment dates are only given solely for the purpose of complying with the requirements of financial market authorities and do not guarantee the payment of a dividend by the Company.

COMPANY STOCK MARKET AND SHAREHOLDER INFORMATION

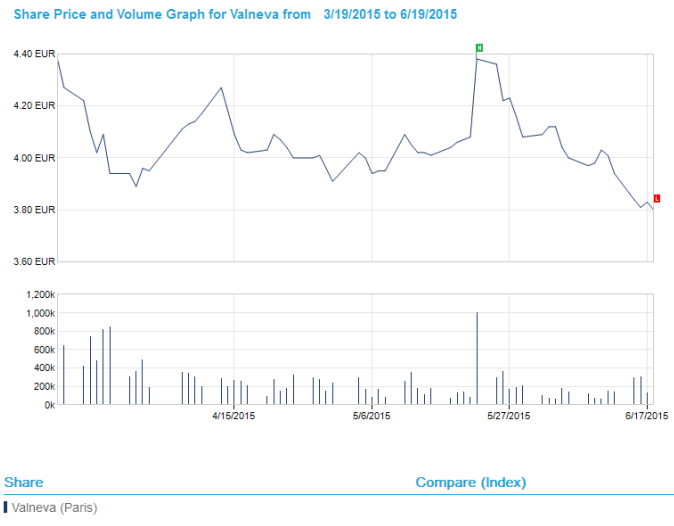
Valneva shares are traded in Segment B of Euronext Paris (ticker: VLA.PA - ISIN code: FR0004056851) and are eligible for Deferred Settlement Service (SRD). The Group is a component of the SBF 120 index. Valneva shares are also traded on the "Prime Market" of the Vienna stock exchange (ticker: VALNEVA SE ST - ISIN code: FR0004056851).

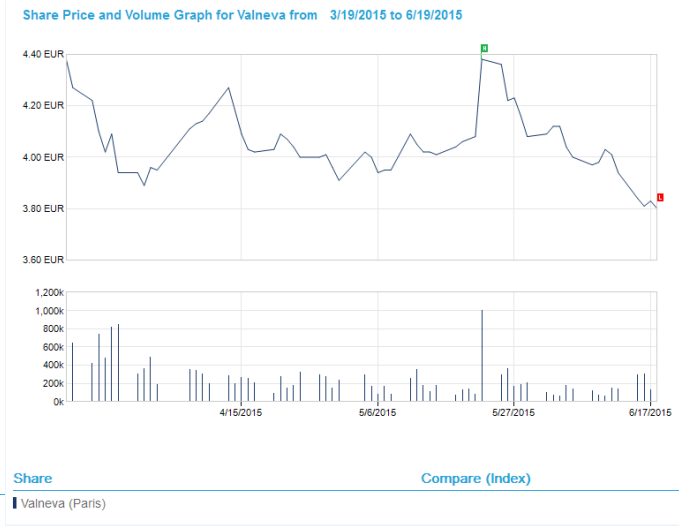
Shareholding structure as of December 31, 2014



The shareholder base is calculated in reference to a total share capital of 56,351,833 ordinary Valneva of EUR 0.15 per share. Valneva preferred shares (17,836,719 shares with a value of EUR 0.01 per share) are not taken into account in this calculation. Excluding (a) the shareholding of Groupe Grimaud La Corbière which to date holds 16.21 percent of the Company's share capital, and (b) the free float which accounts to date for 70.81 percent, there have been no other changes in the shareholder structure since December 31, 2014. For further information on changes in the shareholder structure, readers are invited to consult Section 1.1.3.1 of this Registration Document.

VLA.PA and VALNEVA SE ST share price trends and trading activity for 2014





At December 31, 2014, the Company had a market capitalization on Euronext Paris of approximately EUR 238 million.

1. PRESENTATION OF THE GROUP AND ITS BUSINESS

1.1. Selected financial information

1.1.1. Financial data and key figures

Selected financial information

Financial information presented below originates from the Group's audited annual financial statements and the unaudited interim financial statements.

- **CONSOLIDATED INCOME STATEMENT**

AMOUNTS IN THOUSAND EUR (EXCEPT PER SHARE AMOUNTS)	YEAR ENDED DECEMBER 31		
	2014	***2013***	***2012***
Product sales	28,124	23,239	-
Revenues from collaborations, licensing and services	8,799	7,206	3,431
Revenues	**36,922**	**30,445**	**3,431**
Grant income	5,506	5,546	2,478
Revenues and grants	**42,429**	**35,991**	**5,909**
Cost of goods and services sold	(17,144)	(16,508)	-
Research and Development expenses	(22,242)	(21,423)	(11,095)
Selling, general and administrative expenses	(14,142)	(14,720)	(5,625)
Other net income and expense	(395)	1,157	(292)
Allowances for depreciation and amortization and provisions for impairment	(12,323)	(5,353)	(1,790)
OPERATING PROFIT/ LOSS	**(23,817)**	**(20,856)**	**(12,833)**
Financial income	2,273	200	477
Financial expense	(4,394)	(2,969)	(533)
INCOME (LOSS) BEFORE TAX	**(25,938)**	**(23,625)**	**(12,889)**
Income tax	(334)	(348)	(96)
INCOME (LOSS) FROM CONTINUING OPERATIONS	**(26,272)**	**(23,973)**	**(12,985)**
Income/(loss) from discontinued operations	-	(137)	(1,856)
NET INCOME/(LOSS) FOR THE YEAR	**(26,272)**	**(24,110)**	**(14,841)**
Earnings (losses) per share *for loss from continuing operations attributable to the equity holders of the Company, expressed in EUR per share (basic and diluted)*	(0.47)	(0.61)	(0.61)

(Source: Audited annual consolidated financial statements of Valneva SE (prior Vivalis SA) as of and for the years ended December 31, 2012, 2013 and 2014)

- **CONSOLIDATED BALANCE SHEET**

AMOUNTS IN THOUSAND EUR	YEAR ENDED DECEMBER 31		
	2014	***2013***	***2012***
ASSETS			
Non-current assets	166,567	191,045	38,446
Current assets	52,967	63,346	15,083
Assets held for sale	7,982	-	137
TOTAL ASSETS	**227,517**	**254,391**	**53,667**
SHAREHOLDERS' EQUITY			
Capital and reserves attributable to the Company's equity holders	**124,444**	**144,111**	**26,194**
LIABILITIES			
Non-current liabilities	75,704	82,181	17,664
Current liabilities	26,387	28,100	9,808
Liabilities held for sale	982	-	-
TOTAL LIABILITIES	**103,073**	**110,280**	**27,472**
TOTAL EQUITY AND LIABILITIES	**227,517**	**254,391**	**53,667**

(Source: Audited annual consolidated financial statements of Valneva SE (prior Vivalis SA) as of and for the years ended December 31, 2012, 2013 and 2014)

- **CONSOLIDATED CASH FLOW STATEMENT**

AMOUNTS IN THOUSAND EUR	YEAR ENDED DECEMBER 31		
	2014	***2013***	***2012***
Net cash used in operating activities	(14,944)	(20,903)	(13,444)
Net cash generated from/(used in) financing activities	1,993	21,855	4,334
Net cash generated from/(used in) financing activities	5,274	34,689	172
Net change in cash and cash equivalents	(7,677)	35,641	(8,938)
Cash and cash equivalents at end of the period	28,857	36,509	832
Cash, cash equivalents and current financial assets at end of the year	**29,468**	**40,167**	**12,056**

(Source: Audited annual consolidated financial statements of Valneva SE (prior Vivalis SA) as of and for the years ended December 31, 2012, 2013 and 2014)

- **PRO FORMA INCOME STATEMENT (UNAUDITED)**

AMOUNTS IN THOUSAND EUR	YEAR ENDED DECEMBER 31	
	2014	***Pro forma 2013***
Product sales	28,124	27,212
Revenues from collaborations, licensing and services	8,799	10,814
Revenues	**36,922**	**38,026**
Grant income	5,506	5,658
Revenues and grants	**42,429**	**4,684**
Cost of goods and services sold	(17,144)	(20,003)
Research and Development expenses	(22,242)	(30,786)
Selling, general and administrative expenses	(14,142)	(20,790)
Other operating income and expenses, net	(395)	1.820
Depreciation, amortization and impairment	(12,323)	(6,469)
OPERATING PROFIT/ LOSS	**(23,817)**	**(32,543)**
Financial income	2,273	288
Financial expense	(4,394)	(6,159)
INCOME BEFORE TAX	**(25,938)**	**(38,414)**
Income tax	(334)	(351)
INCOME (LOSS) FROM CONTINUING OPERATIONS	**(26,272)**	**(38,765)**
Income/(loss) from discontinued operations	-	(137)
NET INCOME/(LOSS) FOR THE YEAR	**(26,272)**	**(38,902)**

1.1.2. Annual operating highlights

Operating highlights for the Group for 2014 were as follows:

- Aeras initiates Phase II clinical trial of a Tuberculosis vaccine candidate using IC31® adjuvant;
- Approval and launch in South America of a second veterinary vaccine produced on the EB66® cell line;
- Continuation of the Phase II/III clinical trial for its Pseudomonas aeruginosa vaccine candidate;
- First ever marketing authorization in Japan for a human vaccine produced in the EB66® cell line;
- Valneva and Adimmune partner to commercialize Japanese encephalitis vaccine in Taiwan;
- First ever marketing approval in Europe for a vaccine produced in the EB66® cell line;
- Texas A&M inauguration of EB66®-based influenza vaccine facility in Texas;
- Publication of pre-clinical data for its Lyme/ Borrelia vaccine candidate in international scientific journal PLOS ONE showing vaccine candidate can provide good safety and immunogenicity;
- Publication of first phase II data of Valneva's Tuberculosis vaccine candidate formulated with IC31® adjuvant showing good safety and immunogenicity;
- Valneva and Blink Therapeutics Ltd. announce launch of new biotech company specialized in the discovery of innovative monoclonal antibodies;
- Start of Phase II clinical trial of its Clostridium difficile vaccine candidate.

1.1.2.1. Aeras initiates Phase II clinical trial of a Tuberculosis vaccine candidate using IC31® adjuvant;

On March 11, 2014, the Company distributed the following press release issued by Aeras, a nonprofit biotech advancing the development of Tuberculosis vaccines for the world, about the initiation of a Phase II randomized clinical trial for their Tuberculosis (TB) vaccine candidate Aeras-404 using Valneva's IC31® proprietary adjuvant.

Aeras-404 (also designated as H4IC) is a novel vaccine candidate developed jointly by Aeras, Statens Serum Institut (**SSI**), a state-owned enterprise under the Danish Ministry of Health and Prevention, integrated in the national Danish health services, tasked with preventing and controlling infectious diseases, biological threats and congenital disorders, and Sanofi Pasteur. It has already been tested in four Phase I studies which showed an acceptable safety profile and immunogenicity.

Aeras thus announced the initiation of the first randomized, controlled Tuberculosis (TB) vaccine trial designed to study prevention of Mycobacterium Tuberculosis (Mtb) infection by vaccination. The Phase II study of the TB vaccine candidate, H4+IC31® (AERAS-404), will evaluate its safety, immunogenicity, and ability to prevent infection by Mtb, the bacterium that causes TB. The trial, which will be conducted in South Africa, will also evaluate BCG revaccination.

The randomized, placebo-controlled, partially blinded trial will enrol 990 adolescents in the Western Cape Province. The South African Tuberculosis Vaccine Initiative (SATVI) will conduct this Phase II trial in healthy adolescents who have been previously vaccinated with BCG as infants. One-third of the participants will receive a revaccination with BCG; one-third will receive vaccination with H4+ IC31®, and one-third will receive a placebo. Infection will be determined with

the use of commercially available interferon gamma release assays. Models indicate that an effective vaccine given to adolescents and adults, who bear the brunt of the TB burden, could have a dramatic impact on the global TB epidemic, preventing tens of millions of cases and millions of deaths from the disease.

Preliminary results are expected at the end of 2015. If this initial study in adolescents shows that revaccination with BCG or vaccination with H4+ IC31® prevents infection with Mtb, then additional larger scale efficacy studies looking at the impact on TB disease in more diverse populations would be warranted.

1.1.2.2. Approval and launch in South America of a second veterinary vaccine produced in the EB66® cell line

On March 13, 2014, the Company announced the approval and launch of a second veterinary vaccine produced in the EB66® cell line. The vaccine for the prevention of inclusion body hepatitis virus (IBH) was developed by Lima (Peru) based biopharmaceutical company FARVET SAC (FARVET), and will be available for sale in Peru and several other South American countries.

Inclusion body hepatitis is an acute disease of young chickens associated with anemia and hemorrhagic disorders. The vaccine is routinely used in many Central and South American countries. FARVET, which licensed the EB66® cell line in June 2012, developed and launched the IBH vaccine into the market in only 20 months.

1.1.2.3. Continuation of the Phase II/III clinical trial for its Pseudomonas aeruginosa vaccine candidate

On March 24, 2014 the Company announced the continuation of the current phase II/III clinical trial of its Pseudomonas aeruginosa vaccine candidate IC43.

Valneva's Pseudomonas aeruginosa vaccine candidate is targeted for ventilated intensive care patients, who are vaccinated after ICU admission and are at particular risk of life threatening Pseudomonas infections. Targeted patients include more than 700 000 persons in Europe and US.

Valneva and its co-development partner decided to continue the trial following different assessments including analyses conducted by a Data Monitoring Committee (DMC) and after consultation with two European regulatory agencies and experts.

The continuation decision was also taken since the interim analysis showed a clinically meaningful reduction in all-cause mortality rates for the vaccine group as compared to placebo and no safety concerns were observed. These findings were in-line with previous Phase II results.

Valneva resumed recruitment for the trial in progress in 2014. Preliminary results are expected at the end of 2015 / early 2016.

Although the difference on all-cause mortality between vaccine and placebo groups on day 28 (primary endpoint) at interim analysis was smaller than initially pre-specified, the development partners concurred to progress with the original sample size to potentially achieve statistical significance in this pivotal trial earlier on a potential route to licensure. The company is however also considering the option to extend the study further if needed and justified.



1.1.2.4. First ever marketing authorization in Japan for a human vaccine produced in the EB66® cell line;

On March 24, 2014, the Company announced that the Chemo-Sero Therapeutic Research Institute (Kaketsuken), a co-development partner to GlaxoSmithKline (GSK), received the marketing authorization in Japan for a pandemic H5N1 influenza vaccine produced in Valneva's EB66® cell line.

The preventative vaccine is the first human vaccine produced in EB66® cells to be approved by any regulatory authority in the world. The vaccine has been developed in accordance to the Japanese government's plan to rapidly respond to an influenza pandemic both before and during an outbreak, and has been approved for prophylaxis of pandemic H5N1 influenza.

Kaketsuken has recently completed the construction of a state-of-the-art manufacturing facility in Kumamoto. Following a Japanese national directive, Kaketsuken will produce pandemic H5N1 vaccine for more than 40 million people within six months after the virus strain for vaccine production is decided.

1.1.2.5. Valneva and Adimmune partner to commercialize Japanese encephalitis vaccine in Taiwan

On April 10, 2014, the Company announced that it had granted vaccine manufacturer Adimmune Corporation certain exclusive rights to its Japanese encephalitis (JE) vaccine in Taiwan. Adimmune will be entitled to register and commercialize Valneva´s JE vaccine under a local trade name and to develop, manufacture and commercialize such a vaccine from bulk product delivered by Valneva.

Japanese encephalitis is recognized as a major public health issue in Asia, as evidenced by its inclusion into the national vaccination schedules of many endemic countries in Asia including Taiwan. Adimmune has worked with the Taiwanese Center for Disease Control and Prevention for decades to ensure supply of its mouse-brain derived JE vaccine, for which public tenders have historically reached a level of 600,000 doses per year. The Taiwanese Advisory Committee on Immunization Practices (ACIP) has recently recommended the introduction of a more modern, cell culture-derived vaccine.

1.1.2.6. First ever marketing approval in Europe for a vaccine produced in the EB66® cell line;

On May 19, 2014, the Company announced the first ever marketing approval in Europe for a vaccine produced in the EB66® cell line. The marketing authorization was granted by the European Medicines Agency (EMA) for the prevention of Muscovy Duck Parvovirus (MDPV).

MDPV is a contagious disease which causes high morbidity and mortality in one to three weeks-old ducklings and is a well-recognized hazard of commercial duck production. The disease, which has been reported from all major duck farming countries in Europe and other countries including the former Soviet Union, Israel, China, Vietnam and Japan, remains a serious problem in countries where Muscovy ducks are farmed intensively.

1.1.2.7. Texas A&M inauguration of EB66®-based influenza vaccine facility;

The Company joined GlaxoSmithKline (GSK) in celebrating the site dedication of the Texas A&M Pandemic Influenza Vaccine Facility in Texas, which is on track for completion of construction by



the end of 2015, to be followed by start-up phase in 2016. This new facility will provide the capabilities to manufacture bulk antigen for GSK's next generation pandemic influenza vaccine, based on Valneva's proprietary EB66® cell line, to help protect the United States against global influenza pandemics.

After completion of construction and subsequent validation of the facility to manufacture pandemic bulk antigen, the facility is expected to have the capacity to produce, within four months of a declared influenza pandemic and availability of acceptable virus seeds, the bulk antigen needed for up to 50 million doses of EB66®-based adjuvanted pandemic influenza vaccine for use by the US government in the event of an influenza pandemic.

1.1.2.8. Publication of pre-clinical data for its Lyme/ Borrelia vaccine candidate in international scientific journal PLOS ONE showing vaccine candidate can provide good safety and immunogenicity;

On November 25, 2014, the Company announced that an article, presenting for the first time the pre- clinical data of its novel vaccine candidate for prevention of Lyme borreliosis, was published in PLOS ONE, the largest scientific journal in the world by volume.
The article entitled "Design and development of a novel vaccine for protection against Lyme borreliosis" details for the first time Valneva´s Borrelia/Lyme borreliosis vaccine approach, with design, proof-of-concept studies and preclinical data on protection.

The publication reveals that Valneva's vaccine candidate, a multivalent, protein subunit based vaccine, has the potential to provide protection against the majority of Borrelia species pathogenic for humans. Lyme borreliosis is caused by at least four species of Borrelia and is transmitted via the bite of an infected tick. Delayed or inadequate treatment can lead to very serious symptoms, involving the joints, heart, and central nervous system, which can be disabling. There is currently no vaccine available to protect humans against Lyme borreliosis, the most common vector-borne infection in the Northern hemisphere.

1.1.2.9. Publication of first phase II data of Valneva's Tuberculosis vaccine candidate formulated with IC31® adjuvant showing good safety and immunogenicity;

On December 10, 2014 Valneva announced that the Statens Serum Institut's (SSI) novel Tuberculosis (TB) vaccine candidate H1/IC31® formulated with Valneva's proprietary adjuvant IC31® showed good safety and immunogenicity in Phase II clinical trial in HIV-infected adults.

H1/IC31® is a recombinant subunit vaccine based on two important TB antigens (Ag85B and ESAT-6) developed by SSI and formulated with Valneva's proprietary adjuvant IC31®, ultimately targeted toward adults and adolescents.

The results of the randomized, double-blind, clinical phase II trial initiated and led by Prof Churchyard from the Aurum Institute NPC, South Africa, were published in an article written by Dr. Reither of the Swiss Tropical and Public Health Institute (TPH) in the scientific publication PLOS ONE*. The aim of the trial, which was conducted in South Africa and Tanzania, was to evaluate the immunogenicity and safety of two doses of the TB vaccine candidate H1/IC31® in 48 HIV-positive adults (between 18 and 55 years of age).

According to the article, the vaccine candidate H1/IC31® was well tolerated and safe in HIV-infected adults with a CD4+ Lymphocyte count greater than 350 cells/mm^3. It did not affect HIV viral load and induced a specific and durable immune response against TB.

SSI is also conducting a second Phase II clinical study to assess the safety and immunogenicity of the H1/IC31® vaccine candidate in 240 adolescents.

1.1.2.10. Launch with BliNK Therapeutics Ltd. of a new biotech company specialized in the discovery of innovative monoclonal antibodies

On December 11, 2014 the Company 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 to be named BliNK Biomedical SAS.

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. BliNK Biomedical SAS' powerful B cell technology will enable the isolation of antibody- producing cells for difficult targets for which other platforms have failed to deliver. This cutting-edge technology will be based on the combination of two validated platforms, BliNK Therapeutics' IVV and Valneva's VIVA|Screen®, which have already both succeeded in delivering high quality human antibodies. With the combined highly efficient process, an unprecedented capability to screen and identify extremely rare antibody-secreting cells will be achieved. This unique capability represents a major competitive advantage compared to other technologies.

The closing of the transaction for the creation of BliNK Biomedical SAS was announced on January 20, 2015 (with retroactive effect on January 1, 2015) with all conditions precedent having been met, including the absence of material adverse events and the consent of certain third parties. BliNK Biomedical SAS is today 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).

1.1.2.11. Start of Phase II clinical trial of its Clostridium difficile vaccine candidate

On December 18, 2014, Valneva announced the initiation of the Phase II clinical trial of its VLA84 prophylactic vaccine candidate against Clostridium difficile (C. difficile), the main cause of nosocomial diarrhea. Data from the Phase I study in healthy elderly and adults showed good safety and immunogenicity of the vaccine candidate, and indicated functionality of induced antibodies, supporting the Company's decision to progress the vaccine candidate into Phase II.

The Phase II study (VLA84-201) will enroll 500 healthy subjects aged 50 years and older. This age group represents the target population for a prophylactic C. difficile vaccine as the risk to contract the infection-associated disease increases with age. The randomized, placebo-controlled, observer-blind study will be conducted in Germany as well as in the United States under an Investigational New Drug application (IND). It aims to confirm the optimal dose and formulation of the vaccine in two different age groups and to generate sufficient additional clinical data to advance the program into Phase III.

Valneva expects to announce the first results of the Phase II study at the end of 2015.

Valneva's C. difficile vaccine is part of the Strategic Alliance Agreement (SAA) which was signed between Valneva Austria GmbH and Novartis in 2007. Following completion of Phase II clinical development and if Novartis opts-in, Valneva will have the right, at its option, to either co-develop

and profit-share with Novartis or to receive potential milestones for the remaining development period along with royalties tied to sales performance.

1.1.3. Recent events

1.1.3.1. Acquisition of Crucell Sweden AB and all assets, licenses and privileges related to Dukoral® as well as a Nordics vaccine distribution business of the seller and its affiliates

1.1.3.1.1. Signature of the Sale and Purchase Agreement

On January 5, 2015, Valneva announced that it has entered into a Sale and Purchase Agreement with Crucell Holland B.V. to acquire Crucell Sweden AB ("**Crucell Sweden**") and all assets, licenses and privileges related to Dukoral®, a vaccine against Cholera and traveller's diarrhea caused by ETEC, as well as a Nordics vaccine distribution business of the seller and its affiliates (the "**Acquisition**"). The agreement entails in particular the purchase of the manufacturing site in Solna (Sweden) and will comprise approximately 115 employees (FTEs).

The purpose of this transaction for consideration amounting to EUR 45 million is to:

- Complement Valneva's product portfolio that includes a Japanese encephalitis vaccine by creating critical mass in traveller's vaccines and adding commercial infrastructure,
- Add cash generating assets with long-term upside potential,
- Unlock synergies to further support Valneva´s development towards financial sustainability,
- Create a fully-integrated vaccines player with scarcity value in an attractive pharmaceutical segment.

Financing of the Acquisition

In order to finance the Acquisition and progress the development of its clinical stage vaccine pipeline products, Valneva announced its intention to launch a capital increase with preferential subscription rights (the "**Rights Issue**"). This Rights Issue would enable the Company to raise approximately EUR 45 million, of which EUR 30 million will be used to finance the Acquisition. The remaining amount will allow Valneva to efficiently integrate the acquired assets and pursue the on-going development of its pre-commercial products portfolio.

In this context, Valneva has already received the support of Bpifrance Participations ("Bpifrance"), one of its two principal shareholders, Groupe Grimaud La Corbière and Bpifrance Participations as well as from certain funds affiliated with two international life sciences investors, Athyrium Capital Management LLC and Capital Ventures International.

In aggregate, subscription commitments from Bpifrance, Athyrium Capital Management LLC, Capital Ventures International and Groupe Grimaud La Corbière amount to approximately EUR 20 million, i.e. approximately 44 percent of the contemplated Rights Issue.

Credit Agricole Corporate and Investment Bank, and Kempen & Co. will act as Joint Bookrunners of the Rights Issue and, subject to customary conditions, committed to underwrite the balance of the Rights Issue.

Additionally, in order to finance the balance of the Acquisition, a newly formed Swedish acquisition subsidiary of Valneva has entered into a EUR 15 million term loan facility from funds



managed by Athyrium. The loan, which is guaranteed by Valneva, extends over a 5 year period and carries a fixed yearly interest rate of 11 percent payable in cash on a quarterly basis.

1.1.3.1.2. Launch of a capital increase with shareholders preferential subscription rights

Following its announcement on January 5, 2015, on January 12, 2015, the Company announced, the launch of a capital increase with preferential subscription rights for holders of ordinary shares for a gross amount of approximately EUR 45 million (the "**Acquisition Price**") with estimated net proceeds from the rights issue of approximately EUR 42 million.

Main terms and conditions of the Rights Issue

+ The share capital increase was carried out with preferential subscription rights of holders of ordinary shares by the issuance of 18,231,466 new ordinary shares at a price of EUR 2.47 per share (comprised of the EUR 0.15 nominal value and issue premium of EUR 2.32 per share), representing a total gross amount of EUR 45,031,721.02 (including issue premium);

+ Each holder of Valneva ordinary shares will receive one preferential subscription right for each ordinary share registered for accounting purposes in their securities accounts as of the close of trading on January 14, 2015. 34 preferential subscription rights will entitle the holder to subscribe on the basis of exact rights ("*à titre irréductible*") to 11 new ordinary shares. Subscriptions for excess shares subject to reduction ("*à titre réductible*") will be accepted;

+ Theoretical value of each preferential subscription right : EUR 0.38 (based on the closing price of the existing Valneva shares on January 12, 2015 of EUR 4.02) The subscription price represents a 38.56 percent discount to the closing price of Valneva's shares on January 12, 2015 and a 32.16 percent discount to the theoretical ex-right price;

+ The offer was open to the public in France only.

Subscription commitments and underwriting of the offering

+ Groupe Grimaud la Corbière ("**Groupe Grimaud**"), holding 11,843,327 Valneva's existing ordinary shares representing approximately 21 percent of the Company's ordinary share capital on the date hereof, has irrevocably undertaken (a) to sell 4,851,494 and 6,256,884 preferential subscription rights to Athyrium Opportunities II Acquisition LP ("Athyrium") and Capital Ventures International, respectively, (b) to exercise the amount of 734,944 preferential subscription rights not sold, allowing for subscription on an irreducible basis for 237,776 new ordinary shares representing EUR 587,306.72 and (c) to place an order subject to reduction for 216,907 new ordinary shares representing a maximum amount of EUR 535,760.29 in order to fulfil its commitment to reinvest the total proceeds from the sale of these preferential subscription rights in this Rights Issue.

+ Athyrium, not yet a shareholder of the Company as of the date of the launch, has irrevocably undertaken to subscribe for a maximum amount of EUR 3,876,914.47. In this context, Athyrium has undertaken to acquire from Groupe Grimaud 4,851,494 preferential subscription rights at a price of EUR 0.23 per preferential subscription right and to subscribe for new ordinary shares on an irreducible basis by exercising a total of 4,851,494 preferential subscription rights, for a total number of 1,569,601 new ordinary

shares, representing a subscription amount of EUR 3,876,914.47. For a period of five years following the settlement of the Offering and for as long as Athyrium holds 80 percent of those new shares subscribed, Athyrium is entitled to appoint one board observer to the Company's Supervisory Board to participate, with consultative voice only, in the meetings of the supervisory board and its committees.

+ Capital Ventures International, not yet a shareholder of the Company as of the date hereof, has irrevocably undertaken to subscribe for a maximum amount of EUR 5 million in new ordinary shares. In this context, Capital Ventures International has undertaken to acquire from Groupe Grimaud 6,256,884 preferential subscription rights for a total price consideration of EUR 1 and to subscribe for new ordinary shares on an irreducible basis by exercising the total number of 6,256,884 preferential subscription rights thus acquired, for a total number of 2,024,286 new ordinary shares, representing a subscription amount of EUR 4,999,986.42. Furthermore, Capital Ventures International has reserved the right to place an order for excess shares subject to reduction.

+ Bpifrance Participations, holding 5,499,863 existing ordinary shares representing approximately 10 percent of the Company's ordinary share capital on the date hereof, has irrevocably undertaken to subscribe for a maximum amount of EUR 10 million in new ordinary shares. In particular, Bpifrance Participations has irrevocably undertaken to subscribe on an irreducible basis for 1,779,360 new ordinary shares for EUR 4,395,019.20 and to place an order subject to reduction in the amount of 2,269,222 new ordinary shares for a maximum amount of EUR 5,604,978.34.

In total, the undertakings to subscribe for shares on an irreducible basis and, as applicable, subject to reduction, by Bpifrance Participations, Athyrium, Capital Ventures International and Groupe Grimaud, represent approximately EUR 20 million or 44.4 percent of the Rights Issue.

The remaining part of the Rights Issue not covered by the subscription commitments of Bpifrance, Athyrium, Capital Ventures International and Groupe Grimaud, represents EUR 25 million and is subject to Crédit Agricole Corporate and Investment Bank, Kempen & Co N.V. and Valneva.

The members of the Management Board have also indicated their intent to subscribe for new ordinary shares in the Rights Issue by selling a portion of their preferential subscription rights and using the proceeds from that sale to subscribe for the capital increase by exercising the remaining portion of their preferential subscription rights.

Lock-up commitment

Bpifrance Participations, Groupe Grimaud and Athyrium have agreed to a lock-up for a period ending 90 days after the settlement date of the Rights Issue, subject to certain customary exceptions, except that Groupe Grimaud may pledge the shares it holds as well as those acquired in the Rights Issue.

The Company entered into a 180-day lock-up commitment vis-à-vis the Joint Bookrunners, subject to certain customary exceptions.

Timetable of the rights issue

The subscription period for the new shares ran from January 15, 2015 to the close of trading on January 28, 2015. During this period, the preferential subscription rights were listed and traded on the regulated market of Euronext in Paris ("**Euronext Paris**") under ISIN code FR0012444842.

1.1.3.1.3. Successful completion of the EUR 45 million capital increase

On February 4, 2015, Valneva announced the completion of its capital increase with shareholders preferential subscription rights launched on January 12, 2015 (the "**Rights Issue**"). The final gross proceeds of the Rights Issue amount to EUR 45,031,721.02, corresponding to the issuance of 18,231,466 new ordinary shares, at a subscription price of EUR 2.47 per new ordinary share. Total subscription orders for the Rights Issue amounted to approximately EUR 81.1 million, i.e. a subscription rate of approximately 180 percent.

- 17,272,706 new ordinary shares were subscribed on the basis of exact rights by irrevocable entitlement ("*à titre irréductible*"), representing approximately 94.7 percent of the new ordinary shares to be issued.
- Subscription orders for excess shares on a reducible basis ("*à titre réductible*") amounted to 15,551,112 new ordinary shares and were, as a result, satisfied only in part, i.e. for 958,760 new ordinary shares.
- Final subscription ratio of the 18.2 million offered new shares: 180 percent.
- Final gross proceeds: EUR 45,031,721.02
- Estimated net proceeds: EUR 42 million.
- Preferential subscription rights not exercised at the end of the subscription period, i.e. at the close of trading on January 28, 2015 automatically became null and void.

Upon completion of the Rights Issue and fulfilment of their subscription commitments described in the Securities Note (as defined below), Groupe Grimaud la Corbière, Bpifrance Participations, Capital Ventures International and Athyrium will hold respectively 16.2 percent, 10 percent, 3 percent and 2.1 percent of the Company's share capital

The settlement-delivery and the listing of the new ordinary shares took effect on February 6, 2015. The new ordinary shares were immediately fungible with the Company's existing ordinary shares and will be admitted to trading on the regulated market of Euronext in Paris as well as on the Prime Market segment of the Vienna Stock Exchange on the same listing line under the same ISIN code FR0004056851.

Post Rights Issue, the Company's share capital amounted to EUR 11,365,862.04, corresponding to 74,583,299 ordinary shares with a nominal value of EUR 0.15 each and 17,836,719 preferred shares with a nominal value of EUR 0.01 each.

1.1.3.1.4. Closing of the Crucell Sweden AB acquisition

On February 10, 2015, Valneva announced that it had completed the acquisition of Crucell Sweden AB, the Nordics vaccine distribution business of the seller (Crucell Holland B.V., a subsidiary of Johnson & Johnson) and its affiliates and all assets, licenses and privileges related to Dukoral®, a vaccine against Cholera and traveller's diarrhea caused by ETEC.

The acquired business generated revenues of EUR 38 million in 2013 and EUR 23 million in the first nine months of 2014 from the sales of the Dukoral® vaccine and the distribution of several other vaccines for third parties.

1.1.3.2. Confirmation of BliNK Biomedical's launch in financing

Please refer to Section 1.1.2.10 of this Registration Document.

1.1.3.3. Grant of exclusive worldwide license to Immune Targeting Systems for the development of hepatitis B vaccines in combination with the IC31® adjuvant

On January 29, 2015, Valneva and UK company Immune Targeting Systems (ITS) Ltd. announced that they have signed an exclusive worldwide commercial license agreement, granting Immune Targeting Systems the rights to research, develop and commercialize Hepatitis B vaccine candidates in combination with Valneva's IC31® Adjuvant.

Immune Targeting Systems is a company supported by Novartis Venture Fund, HealthCap, Truffle Capital, Esperante Ventures and London SME and focused on the development of T-cell vaccines to highly mutated viruses and to cancers utilizing its proprietary long-peptide based Depovaccine® platform.

Hepatitis B is a serious infection of the liver caused by the hepatitis B virus and is considered a major global health problem. According to the Hepatitis B Foundation, an estimated 1 million people worldwide die each year from Hepatitis B and its complications. In the US alone over 12 million people have already been infected (1 out of 20 people). Although there are several approved drugs to treat Chronic Hepatitis B (CHB), they only slow down the virus and rarely get rid of it completely. Identifying a functional or complete cure for hepatitis B infection remains a significant area of unmet medical need.

Financial terms of the agreement were not disclosed but include an upfront payment. If successful, product candidates from these agreements may lead to additional cash payments for achieved milestones along with future royalties on net sales.

1.1.3.4. Approval of an EB66®-based prototype influenza vaccine in Japan

On March 26, 2015, Valneva announced that the Chemo-Sero-Therapeutic Research Institute (Kaketsuken) just received manufacturing and marketing approval for a cell culture pandemic influenza vaccine (prototype) (General name: Emulsion Cell Culture Influenza HA Vaccine (Prototype)), following a request for manufacturing and marketing approval made in September 2014. In March 2014, Kaketsuken had already received a marketing authorization in Japan for its Pandemic Influenza Vaccine (H5N1), which was the first human vaccine ever produced in the EB66® cell line.

The prototype vaccine against pandemic flu produced in the EB66® cell line is the result of a co-development between GlaxoSmithKline and Kaketsuken. A "Prototype" Vaccine is a model vaccine developed and manufactured using a model virus for pandemic vaccine production, and is a mock vaccine with immunogenicity and safety confirmed in humans. When a pandemic is declared, it can be rapidly adapted by using the identified virus strain.

Receiving approval for the Prototype Vaccine means that if a pandemic occurs in Japan, then any type of pandemic Influenza vaccine - once the actual virus strain responsible is identified- can be manufactured and supplied to the Ministry of Health in a short period of time. Kaketsuken has

recently completed the construction of a state-of-the-art manufacturing facility in Kumamoto (*see* Section 1.1.2.7 of this Registration Document) enabling the company to produce pandemic vaccine for more than 40 million people within six months after the virus strain for vaccine production is decided*. This represents a production capacity of more than 80 million doses.

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Information on recent events is also provided in Note 33 to the Group's consolidated financial statements for fiscal year 2014 (see Section 4.1 of this Registration Document).

1.2. Overview of the Group and its development

1.2.1. General presentation of the Group's business

1.2.1.1. About Valneva

Valneva is a European biotechnology company focused on vaccine development.

Formed in 2013 through the merger of Vivalis SA and Intercell AG, Valneva SE is a European biotechnology company with the mission of protecting populations against infectious diseases by developing, manufacturing and commercializing innovative vaccines.

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

Valneva´s portfolio includes two commercial vaccines for travelers: a first one for the prevention of Japanese encephalitis (IXIARO®), and a second one (Dukoral®) indicated for the prevention of and protection against traveller's diarrhea caused by ETEC (Enterotoxigenic escherichia coli) and/or Cholera. Valneva has proprietary vaccines in development including candidates against Pseudomonas aeruginosa, Clostridium difficile and Lyme Borreliosis.

A variety of partnerships with leading pharmaceutical companies complements the Group's value proposition and includes vaccines being developed using Valneva´s innovative and validated technology platforms (EB66® vaccine production cell line, IC31® adjuvant).

The Group's vision and mission

As it builds the foundations for its growth ambitions, Valneva has been consolidating key activities and processes of the former pre-merger companies, Vivalis SA and Intercell AG, refocusing the Group's activities and strengthening the employees' sense of belonging to a single Group.

- *Our vision: advancing vaccines to protect lives*

Valneva's "raison d'être" is to provide innovative prophylactic and therapeutic immunization solutions to improve people's health and quality of life.

- *Our mission*

Valneva's mission is to become a European Biotech leader in vaccine development.

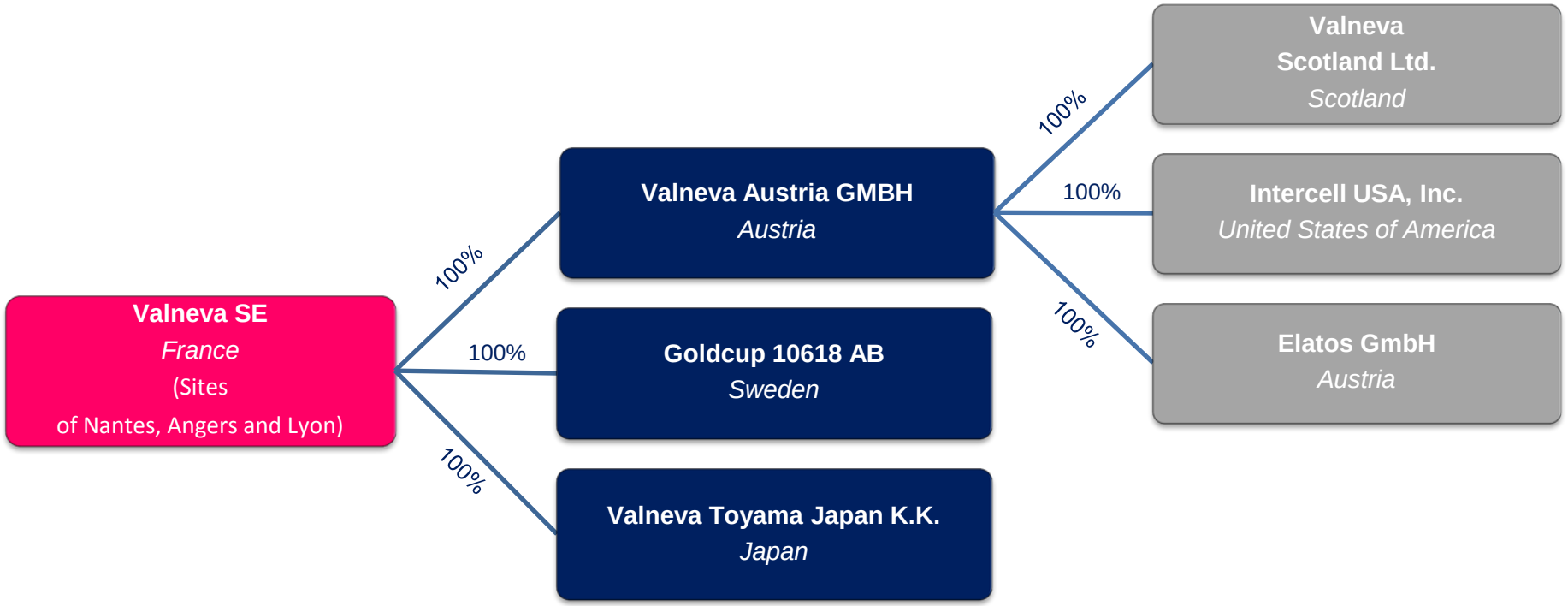
1.2.1.2. Significant events in the development of the Group's business

In addition to the merger of Vivalis SA and Intercell AG on March 28, 2013 (refer in particular to the Document E filed with the AMF on January 23, 2013 (No. E.13-0003), the Registration Document filed with the AMF on April 29, 2014 (No. D.14-0444) and the Registration Document filed with the AMF on April 30, 2013 (No. D.13-0479), since then, a certain number of significant events have also impacted the Company's structure and commercial operations.

For a detailed description of the operating highlights occurring since the merger, readers are invited to refer to Section1.1.1.4 of the Registration Document filed with the AMF on April 30, 2013 (No. D.13-0479), as well as Sections 1.1.2 and 1.1.3 of this Registration Document.

1.2.2. Group organization

1.2.2.1. At December 31, 2014



Group organization chart at December 31, 2014
Percentages correspond to the percentage of capital held in each company.

The Company, which also carries out its own economic activity, held three wholly owned subsidiaries at December 31, 2014:

+ Goldcup 10618 AB;
+ Valneva Austria GMBH; and
+ Valneva Toyama Japan KK.

1.2.2.1.1. Valneva Austria GMBH

Valneva Austria GmbH is a fully-owned research subsidiary, working in the fields of vaccination, and providing also activities linked with product development (technical/clinical), quality control, management of regulatory affairs, as well as general and administrative services.

At December 31, 2014, the team was composed of 132 employees.

Financial highlights of the subsidiary at December 31, 2014:

- Shareholders' equity: EUR 275.328.437,75
- Operating revenue: EUR -9.335.472,11
- Result: EUR -11.511.799,64
- - Total assets: EUR 375.910.431,31

(Data presented on an IFRS-basis as the local GAAP statutory accounts were not available on the Registration Document date)

Valneva Austria GmbH entered into a framework agreement with Valneva for the provision of services effective as from May 28, 2013, whereby these companies provide business support services to each other (company management, accounting, human resources, legal affairs, business development, intellectual property, communications) and also Research and Development services. For further information, readers are invited to consult Section 5.6 of this Registration Document.

In addition, Valneva Austria GmbH holds three wholly-owned subsidiaries:

+ Intercell USA, Inc.: a subsidiary responsible for marketing and sales of the vaccine against Japanese encephalitis to the U.S. army and the private market, as well as international sales through distribution partners.

  At December 31, 2014, the team was composed of 2 employees.

Financial highlights of the subsidiary at December 31, 2014:

- Shareholders' equity: EUR -27.706.382,30
- Operating revenue: EUR 135.546,10
- Result: EUR -245.400,70
- Total assets: EUR 803.486,87

(Data presented on an IFRS-basis as the local GAAP statutory accounts were not available on the Registration Document date)

+ Valneva Scotland Ltd.: This subsidiary is primarily involved in the production of the IXIARO®/JESPECT® vaccine against Japanese encephalitis.

At December 31, 2014, the team was composed of 86 employees.

Financial highlights of the subsidiary at December 31, 2014:

- Shareholders' equity: EUR 10.097.540,53
- Operating revenue: EUR 892.621,55
- Result: EUR 470.474,34
- Total assets: EUR 17.389.904,93

(Data presented on an IFRS-basis as the local GAAP statutory accounts were not available on the Registration Document date)

+ ELATOS GmbH: a subsidiary created in January 2013. Its activities were originally related to the proprietary platform eMAB®, which contributes to the discovery of monoclonal antibodies.

Financial highlights of the subsidiary at December 31, 2014:

- Shareholders' equity: EUR -775.319,47
- Operating revenue: EUR -1.776.682,91
- Result: EUR -1.788.761,53
- Total assets: EUR 38.826,87

(Data presented on an IFRS-basis as the local GAAP statutory accounts were not available on the Registration Document date)

1.2.2.1.2. Goldcup 10618 AB

Goldcup 10618 AB (renamed "Vaccines Holdings Sweden AB" as of January 15, 2015) is a wholly-owned subsidiary of Valneva SE, created in December 2014 in preparation of the Crucell Sweden AB acquisition (see Section 1.1.3.1 of this Registration Document).

Financial highlights of the subsidiary's corporate financial statements at December 31, 2014:

- Shareholders' equity: SEK 50,000
- Operating revenue: SEK 0
- Result: SEK 0
- Total assets: SEK 50,000

***

Company holdings include only Group companies; for a description of the Group structure, readers are invited to refer to Note 1 of the consolidated financial statements for fiscal year 2014 presented in Section 4.1 of this Registration Document). The financial impacts of the companies that are members of the Group structure are included in the annexes to the consolidated financial statements (Section 4.1 of this Registration Document).

Additional financial information is provided in Note 5.4 to the Valneva's separate parent company financial statements for fiscal year 2014 (see Section 4.3 of this Registration Document).

1.2.2.1.3. Valneva Toyama Japan K.K.

Valneva Toyama Japan K.K. (formerly "Vivalis Toyama Japan K.K.") is a subsidiary established on April 18, 2011 as part of the asset acquisition from the Japanese company SC World.

Valneva Toyama Japan KK is a *Kabushiki Kaisha* with a capital of ¥5,660,000.

This subsidiary, whose R&D activities have been stopped at the end of December 2013, worked closely with VALNEVA SE's Lyon site to develop the VIVA|Screen® technology platform for the discovery of new antibodies.

At December 31, 2014, one part-time employee remained with responsibility for business development operations.

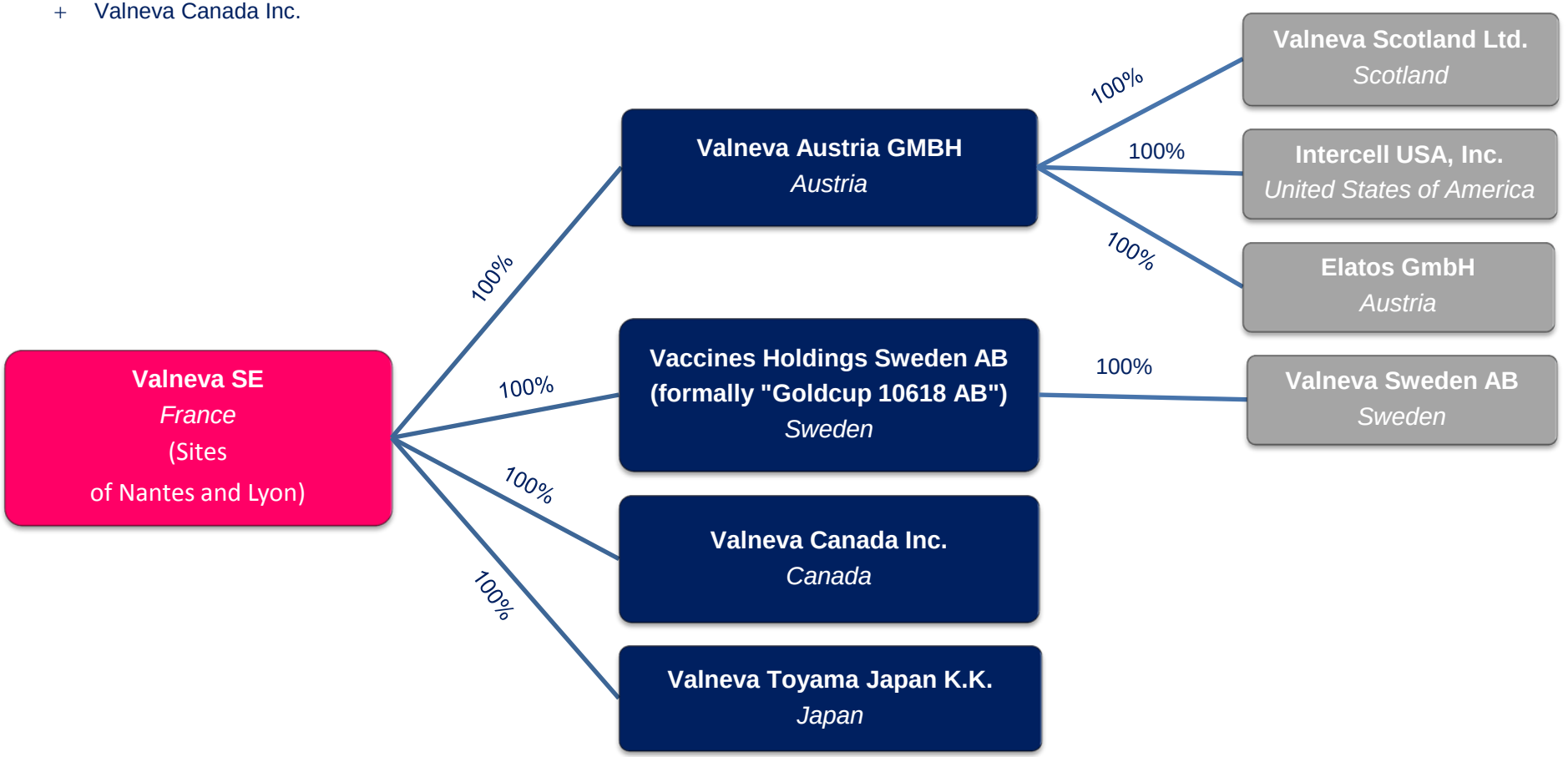
Financial highlights of the subsidiary's corporate financial statements at December 31, 2014:

- Shareholders' equity: 4,527,669 JPY
- Operating revenue: 84.394.258 JPY
- Result: 3,045,739 JPY
- Total assets: 24.453.623 JPY

1.2.2.2. Changes in the Group structure since December 31, 2014

In connection with the acquisition of Crucell Sweden AB, assets, licenses and privileges linked to the Dukoral® vaccine, as well as the Nordics vaccine distribution operations of the seller and its affiliates (see Section 1.1.3.1 of this Registration Document), two new companies were integrated into Valneva Group in January and February 2015:

+ Valneva Sweden AB; and
+ Valneva Canada Inc.



Group organization chart at May 31, 2015

Percentages correspond to the percentage of capital held in each company.

1.2.2.2.1. Valneva Sweden AB

Valneva Sweden AB, based in Solna, Sweden, was consolidated by the Group on February 10, 2015, and on that basis is wholly owned by Vaccines Holding Sweden AB.

Valneva Sweden AB is focused on the production and sales of Dukoral® vaccines, against Cholera and Enterotoxigenic escherichia coli (E. coli) bacterium, both transmitted through the ingestion of contaminated food or water.

As of May 31, 2015, Valneva Sweden AB had 132 employees.

1.2.2.2.2. Valneva Canada Inc.

Valneva Canada Inc. was created on January 30, 2015. This sub-subsidiary of Valneva includes a team devoted primarily to marketing and promoting the Dukoral® vaccine.

As of May 31, 2015, Valneva Canada Inc. had 2 employees.

1.2.3. Property, plant and equipment

As at the filing date of this Registration Document, the Group owned the following facilities:

- a 3,178 m² building located at 6, rue Alain Bombard in Saint-Herblain, France, close to the CHU Nord in Nantes, and used as laboratories and offices;
- a 35,607 square feet plant in Livingston, Scotland, United Kingdom, used to manufacture the Group's Japanese encephalitis vaccine.

As at the filing date of this Registration Document, the Group leased the following facilities:

- a 14,321 m² building at Campus Vienna Biocenter 3, 1030 Vienna, Austria, used as laboratories and offices;
- premises of 717 m² at 70 rue Saint Jean de Dieu in Lyon, France, used as laboratories and offices for antibody research. These premises also house the Company's registered office.
- 3.789 ft^2 of offices in Gaithersburg, Maryland, United States;
- 12,166 m² located at sis Gunnar Asplunds allé 16, SE-171 63, in Solna, Sweden, breaking down as follows:
  - Production: 4,765 m² for production activities and also housing laboratories and offices;
  - Technical operations: 165 m² of laboratories and offices
  - Inactivated poliovirus vaccine (IPV): 763 m² of space for the development and manufacture of components for the IPV vaccine candidate in addition to laboratories and office space;
  - Distribution: 1,119 m² for pick and pack activities in addition to office space;
  - Quality control: 995 m² of laboratories and offices
  - 1,903 m² of office space subleased to third parties;
  - 2,456 m² of administrative premises and common areas.

***

For environmental factors having a potential impact on uses by the issuer of its intangible assets, readers are invited to refer to this point in the company's CSR report in Section 3.1 of this Registration Document.

1.3. Description of the Group's activities

1.3.1. Group products and technologies

Valneva manufactures a vaccine for the prevention of Japanese encephalitis (IXIARO®). In 2014, the Company's consolidated revenues and grants amounted to EUR 42.4 million, 66.3 percent of which were coming from IXIARO®/JESPECT® sales. In February 2015, Valneva acquired the Dukoral® Vaccine, together with the associated production assets.

Valneva also generates revenues from the licensing of its proprietary technology platforms (EB66® cell line, VIVA|Screen® antibody discovery technology and the IC31® adjuvant) to leading pharmaceutical companies worldwide.

1.3.1.1. Product: IXIARO®/JESPECT®

Active substance and indications

Valneva's Japanese encephalitis vaccine is a purified, inactivated vaccine, which is administered in a convenient two-dose schedule. Each dose of IXIARO®/JESPECT® contains approximately 6 mcg of purified and inactivated JEV proteins and 250 mcg of aluminium hydroxide. The vaccine is indicated for the prevention of Japanese encephalitis - a mosquito-borne flavivirus – for people traveling or living in endemic regions.

In the U.S. and in the EU member states (including Norway, Liechtenstein and Iceland) Israel, Hong Kong and Singapore, the vaccine is indicated for active immunization against Japanese encephalitis in adults and infants aged 2 months and older. In Canada and Australia it is licensed for those above the age of 18.

Research and Development

The Food and Drug Administration (FDA) and the European Commission granted marketing authorization for the IXIARO® vaccine in the US and the 27 countries of the European Union respectively, in March and April 2009.

In June 2012, the Company submitted applications for the pediatric indication of the vaccine to the regulatory agencies EMA and FDA. Following this submission, the pediatric indication was granted Orphan Drug Status by the FDA, allowing substantial reduction of fees payable and waivers during the pre- and post-approval phases for this pediatric indication

In December 2012, the CHMP of the European Medicines Agency (EMA) came to a positive opinion on the Marketing Authorization for IXIARO® in children and in February 2013, the vaccine received approval by the European Commission for use in children from the age of 2 months.

In May 2013, the FDA also granted a marketing authorization for the pediatric indication of the vaccine before granting a 7 years orphan drug market exclusivity period for the pediatric indication in October 2013.

Marketing

In 2006, Valneva (formerly Intercell) granted Novartis worldwide marketing and distribution rights for IXIARO® with the exception of Australia, Korea, Japan and certain other Asian markets. Beginning of 2014, Valneva amended its Marketing and Distribution Agreement (MDA) with its partner to

include minimum sales growth targets and secure planned levels of sales for the coming years. In March 2015, in the context of a global activities swap agreement announced in 2014, Novartis sold its vaccines division (except flu) to GSK.

In Australia and New Zealand, the vaccine® is marketed and distributed by bioCSL under the name JESPECT®.

In April 2014, the Company granted vaccine manufacturer Adimmune Corporation certain exclusive rights to its Japanese encephalitis (JE) vaccine in Taiwan. Under the terms of the agreement, Adimmune is entitled to register and commercialize Valneva´s JE vaccine under a local trade name and to develop, manufacture and commercialize such a vaccine from bulk product delivered by Valneva

Intellectual property

Please refer to Section 1.3.3.2.2 of this Registration Document.

1.3.1.2. Dukoral®

Active substance and indications

Dukoral® is indicated for active immunization against disease caused by *Vibrio Cholerae* serogroup O1 in adults and children from 2 years of age and over traveling to endemic/epidemic areas.

Depending on the country, Dukoral® is indicated for protection against Cholera or against Cholera and ETEC (*Enterotoxigenic escherichia coli*) or against travellers' diarrhea caused by ETEC and Cholera.

- *Countries in which Dukoral® is indicated for protection against Cholera*: the European Union (including Iceland and Norway) Australia, Hong Kong, South Korea and the United Arab Emirates.

- *Countries in which Dukoral® is indicated for protection against Cholera and ETEC bacteria contamination*: Bangladesh, Benin, Brazil, Burkina Faso, Cameroon, Chile, Congo (Brazzaville), Curaçao, Gabon, Ivory Coast, Kenya, Madagascar, Malaysia, Mauritius, Mexico, New Zealand, the Philippines, Senegal, Singapore, South Africa, Switzerland, Tanzania, Thailand, Trinidad and Tobago, Uruguay and Zanzibar.

- *Countries in which Dukoral® is indicated against travellers' diarrhea caused by ETEC and Cholera:* Canada.

Dukoral® is taken orally with bicarbonate buffer, which protects the antigens from the gastric acid. The vaccine acts by inducing antibodies against both the bacterial components and CTB. The antibacterial intestinal antibodies prevent the bacteria from attaching to the intestinal wall, thereby impeding colonization of *V. Cholerae* O1. The anti-toxin intestinal antibodies prevent the Cholera toxin from binding to the intestinal mucosal surface, thereby preventing the toxin-mediated diarrheal symptoms.

Research and Development

Approximately 50 clinical trials, involving more than 250,000 subjects, were conducted on Dukoral®.

Dukoral® was first granted authorization for use in Sweden in 1991. In 2004, Dukoral® was granted a marketing authorization by the European commission (through the "centralized" procedure) for European Union members (including Norway and Iceland) and also was pre-qualified by the WHO.

Today, this vaccine is authorized for use in more than 50 countries.

Marketing

Dukoral® is the only approved traveller's vaccine against Cholera / Travellers' Diarrhea caused by ETEC. Other vaccines authorized for this indication are produced locally for use limited to the national territory concerned (for example, Shanchol™, mORCVAX™ and OraVacs).

1.3.1.3. EB66® cell line

Technology

Valneva's EB66® cell line is a highly efficient platform for vaccine production. It is derived from duck embryonic stem cells and today represents a compelling alternative to the use of chicken eggs for large scale manufacturing of human and veterinary vaccines. To date, Valneva has more than 35 research and commercial agreements with the world's largest pharmaceutical companies for the licensing of its EB66® platform.

More than 20 different families of viruses have been shown to efficiently propagate in EB66® cells.

Marketing

After a marketing authorization was received for an EB66®-based prophylactic vaccine against Egg Drop Syndrome (EDS) by the Chemo-Sero Therapeutic Research Institute (Kaketsuken) in 2012, on March 13, 2014 Valneva announced a second marketing approval in Europe for a veterinary vaccine produced in the EB66® cell line. The vaccine for the prevention of inclusion body hepatitis virus (IBH) was developed by Lima (Peru) based biopharmaceutical company FARVET SAC (FARVET), and will be available for sale in Peru and several other South American countries (see Section 1.1.2.2 of this Registration Document).

In late March, 2014, the Company announced that the Chemo-Sero Therapeutic Research Institute (Kaketsuken), a co-development partner to GlaxoSmithKline (GSK) furthermore announced that it received the marketing authorization in Japan for its pandemic H5N1 influenza vaccine produced in Valneva's EB66® cell line. The preventative vaccine is the first human vaccine produced in EB66® cells to be approved by any regulatory authority in the world (see Section 1.1.2.4 of this Registration Document).

Finally, on March 26, 2015 Valneva SE announced that the Chemo-Sero-Therapeutic Research Institute (Kaketsuken) just received manufacturing and marketing approval for a cell culture pandemic influenza vaccine (prototype). This development is a product of the co-development partnerships between GlaxoSmithKline and Kaketsuken (see Section 1.1.3.4 of this Registration Document).

To date, Valneva has received EUR 32 million in upfront, milestones and research fees. The Company could be eligible for additional milestones of up to EUR 90 million from existing licenses along with future royalties.

Intellectual property

Please refer to Section 1.3.3.2.2 of this Registration Document.

1.3.1.4. Adjuvant IC31®

Technology

Valneva's IC31® is a totally synthetic vaccine adjuvant designed to target antigens and improve vaccine response. The unmet need in population groups which do not respond sufficiently to conventional vaccines (for example, elderly people) and the difficulties in eliciting meaningful responses to novel prophylactic and therapeutic vaccines for indications such as Malaria, Tuberculosis and cancer, increase the need for adjuvants such as IC31®.

Pre-clinical models have demonstrated that IC31® is a safe and potent adjuvant both for prophylactic and therapeutic vaccines, stimulating strong T-cell (type 1) immune responses as well as protective efficacy. Additionally, eight clinical trials have proven IC31® to be a very safe and immunogenic adjuvant in human patients. Patients receiving IC31® have reported good local tolerance with no systemic adverse effects reported during clinical studies.

Valneva has granted multiple research licenses to different partners to evaluate IC31® in new vaccine formulations and additional collaborations have been initiated in the field of cancer and Tuberculosis.

In the field of Tuberculosis (TB), Valneva is collaborating with the Statens Serum Institut (SSI). Three clinical vaccine candidates, all formulated with Valneva´s IC31® adjuvant, are currently being tested in Phase I and II clinical trials. In March 2014, Aeras announced the initiation of a Phase II randomized clinical trial for its Tuberculosis (TB) vaccine candidate Aeras-404 using Valneva's IC31® proprietary adjuvant (see Section 1.1.2.1 of this Registration Document).

On January 29, 2015, Valneva SE and UK company Immune Targeting Systems (ITS) Ltd announced they had signed an exclusive worldwide commercial license agreement. The agreement grants Immune Targeting Systems the rights to research, develop and commercialize Hepatitis B vaccine candidates in combination with Valneva's IC31® Adjuvant (see Section 1.1.3.3 of this Registration Document).

Licenses and collaborations granted to date represent a significant potential source of revenues from milestones payments to which future mid-digit royalties on sales could be added.

Intellectual property

Please refer to Section 1.3.3.2.2 of this Registration Document.

1.3.1.5. The VIVA│Screen® antibody discovery platform:

Valneva's VIVA│Screen® technology is an innovative, microarray-based single cell screening proprietary technology that allows the rapid high-throughput analysis and discovery of high value fully human therapeutic antibodies directly from human donors.

This technology was successfully applied for a series of infectious and non-infectious targets and allowed the discovery of a large number of highly potent native human antibodies.

Beginning 2015, the VIVA|Screen® antibody discovery platform was contributed by the Company to a new biotech company named Blink Biomedical SAS, specialized in the discovery of innovative antibodies, created in partnership with Blink Therapeutics Ltd. (see Section 1.1.2.10 of this Registration Document). VIVA|Screen® is accordingly no longer part of Valneva's proprietary technologies.

1.3.2. Market and strategies

1.3.2.1. Main markets

1.3.2.1.1. General data

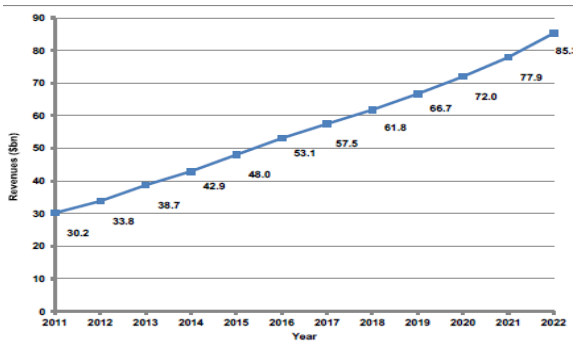
The biotech industry is highly competitive and has experienced an increased level of horizontal and vertical concentration in recent years. Because of extremely high Research and Development costs mostly coupled with little revenue in the years of development, many biotech companies are being taken over by big pharmas or are part of further industry consolidation. In addition, significant changes in the sales and marketing of pharmaceutical products are currently occurring in the US and European pharmaceutical markets, including a decrease in the flexibility of pricing and a strengthening of cost control measures as health care cost management has now become a priority worldwide.
The Group's strategy is to focus its Research and Development program on the development of new products for unmet medical needs and where the health economic benefits are self-evident.

However, for certain product candidates, the Group may have to compete with other pharmaceutical companies, which are developing similar products.

1.3.2.1.2. Competitive position

- **The human vaccines market**

Industry and market background
Having re-emerged over the last decade as a growing business area within the life science sector, the global vaccine market offers significant opportunity for future growth.
It is expected to grow from approximately $30bn in revenues in 2012 to $85bn by 2022, representing a CAGR of 9 percent between 2011 and 2022.

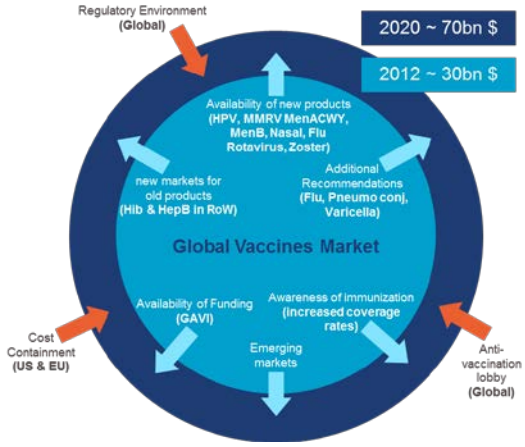


Source: World Vaccines Market 2012-2011, Visiongain, 2011

Key growth drivers in the market are anticipated to be:

+ favorable cost-benefit profile to governments and other healthcare providers;
+ limited risk from generic competition;
+ additional recommendations and increased coverage rates;
+ new therapeutic areas like hospital infections, allergy and cancer which are currently dominated by pharmaceutical treatments.

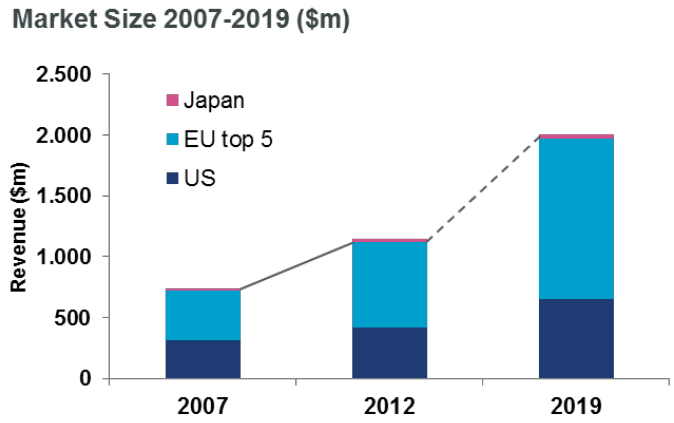
The opportunities clearly outweigh the threats within this market:



Source: internal

Travel vaccines market

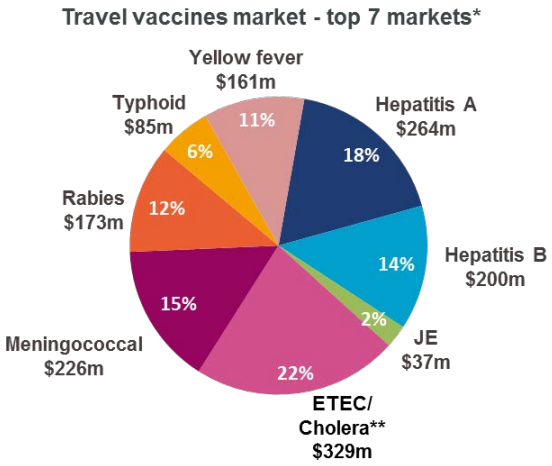
US$2 billion are expected between now and 2019, in the seven Main countries active in this market.



Source: GBI Research Travel Vaccine Market to 2019 - May 2013
* United States, UK, Spain, Italy, France, Germany, Japan (not included for JE)

Key growth drivers in the market are anticipated to be:

+ a growth in the number of travelers, including for selected population segments (older persons);
+ an increase in the vaccination rate in response to improved awareness about the illness and up-to-date recommendations.
+ the availability of more effective and safer vaccines;
+ expanded indications for example for infants or older persons;
+ a change in geographical reach for the vectorial transmission of the illness (for example for Chikungunya, Lyme disease, etc.).



Source: GBI Research Travel Vaccine Market to 2019 - May 2013
* United States, UK, Spain, Italy, France, Germany, and Japan (not included for JE)
** ETEC/ Cholera = global predicted demand, source: PATH /bvgh The Case for Investment in ETEC vaccines, March 2011 http://www.bvgh.org/Portals/0/Reports/2011_03_the_case_for_investment_in_enterotoxigenic_e_coli_vaccines.pdf and VacZine Analytics TD 2011

Since the GSK/Novartis swap agreement in early 2015, the worldwide vaccine market is now dominated by four major players (Sanofi, GSK, Pfizer and Merck), accounting by themselves for 70 percent to 80 percent of revenue. The global vaccine market is projected to rise to $43.5 billion by 2018, growing at a CAGR of 12.65 percent.
(**Source:** http://www.researchandmarkets.com/research/sdfqn9/human_vaccine)

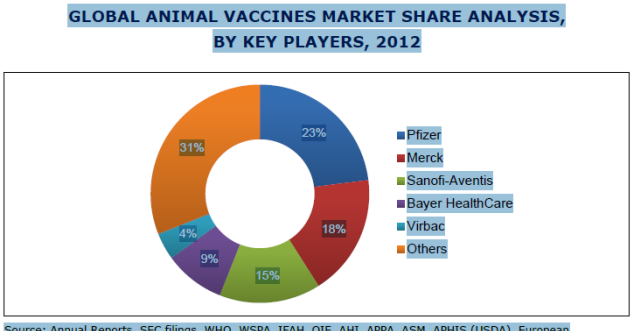
Valneva has partnered technologies or programs with most of the major players. The company´s proprietary vaccines product and vaccines development programs target the innovative areas of hospital-acquired infections (C. difficile) as well as travel / tick-or mosquito transmitted diseases (Japanese encephalitis, Lyme / Borrelia).

As described in Section 1.3.1.1, the Group´s JE-Vaccine is marketed and distributed by GSK. The Pseudomonas vaccine candidate is under a co-development setting with GSK who has also certain opt-in rights for the C. diff and Lyme/Borrelia programs.

The two most important exclusive EB66® license agreements have been entered into with GSK et and its co-development partner Kaketsuken (Influenza vaccines) and with Jianshun Biosciences (an exclusive license agreement to market the EB66® cell line in China) (see Section 1.3.1.3 of this Registration Document).

- **The veterinary vaccine market**

The global veterinary vaccine market was estimated at US$5.4 billion in 2012 and may reach a US$8.6 billion in 2018 representing a CAGR of 8.1 percent between 2013 and 2018 (**Source**: Animal/veterinary vaccines market, Global Forecast to 2018, MarketsandMarkets).



The main players in this market today include Zoetis, Merck Animal Health, Sanofi Aventis (ex Merial), Bayer Healthcare and Virbac (**Source**: Animal/veterinary vaccines market, Global Forecast to 2018, MarketsandMarkets).

JEV/Travel vaccines

The global Japanese encephalitis therapeutics market contributed 6 percent to the global travel vaccine therapeutics market in 2010 (**Source**: GBI Research, *Travel Vaccines Market to 2017* April 2011). Japanese encephalitis therapeutics market revenues were $170m in 2010, with revenues increasing from $59m in 2002 to $170m in 2010, at a CAGR of 14 percent (**Source**: GBI Research: Travel Vaccines Market to 2017, April 2011*)*

The Japanese encephalitis therapeutics market is projected to grow at a CAGR of 23 percent for the forecast period 2010 to 2017 (**Source**: GBI Research: Travel Vaccines Market to 2017; April 2011).

The increase in revenues can be attributed to an increase in outbound travel, increased vaccination coverage in travellers and the launch of additional, second generation vaccines during the interval. Higher incidence of Japanese encephalitis in the emerging economies like India and China will also play an important role in the growth of the market. According to the CDC (Center for Disease Control), the local incidence rates range from 1-10 cases per 100,000 persons. It can reach 100 cases per 100,000 populations during outbreaks. A Japanese encephalitis outbreak occurred in Uttar Pradesh, India, in the year 2005, which accounted for 5,000 cases and 1,000 deaths. The higher incidence and severity of disease symptoms will lead to an increase in vaccination coverage for vaccine preventable diseases in the future.

The numbers of travelers vaccinated with Japanese encephalitis vaccine are forecasted to increase to 2.8 million in 2017, at a CAGR of 21 percent.

Table 64: Japanese Encephalitis Therapeutics Market, Global, Vaccinated Travelers Forecasts (million), 2010-2017

Year	2010	2011	2012	2013	2014	2015	2016	2017	CAGR (%)
Total Travelers (million)	941	987	1,041	1,099	1,159	1,223	1,291	1,362	5
Travelers Vaccinated with Japanese Encephalitis Vaccine (million)	0.7	1.2	1.6	2.0	2.4	2.7	2.8	2.8	21

Source: GBI Research, CDC, UNWTO

able 64: Japanese encephalitis Therapeutics Market, Global, Vaccinated Travelers Forecasts (million), 2010-2017 : Marché mondial de l'encéphalite japonaise, estimation du nombre de voyageurs vaccinés (en millions), 2010-2017
Year: années
Total travelers (million) : Total de voyageurs (en millions)
Travelers Vaccinated with Japanese encephalitis Vaccine (million) : Nombre de voyageurs vaccinés contre l'encéphalite japonaise (en millions)
UNWTO : OMT
***Source:** GBI Research, Travel Vaccines Market to 2017 April 2011).*

Valneva´s commercial vaccine against Japanese encephalitis (IXIARO®/JESPECT®) is the only approved and available vaccine for travelers from the key travel markets of EU and U.S. to JE-endemic areas and for the respective military personnel forward deployed to those areas.

In the different endemic territories there are a number of locally manufactured and approved first generation, mouse-brain derived JE-Vaccines. In the meantime a few second generation JE

vaccines got approved in certain territories (Biken (Japan) / Inactivated vero-cell based; Chengdu (China) / live-attenuated; Sanofi-Pasteur (Australia / some Asian territories) / Live-attenuated; chimeric YF backbone – based vaccine) but it is the Company's opinion that none of these is likely to be approved in the EU or the US in the foreseeable future. In Australia, which is the only country where the Company´s JE-Vaccine (JESPECT®) is in direct competition, Valneva has approximately a 30 percent market share (in volume).

Cholera:

The Dukoral® vaccine of Valneva is the only vaccine against Cholera authorized and available for travelers of the European Union, Canada and Australia (countries in which the vaccine received WHO prequalification) and with an indication for ETEC approved in certain countries. Canada, Nordic countries and Australia accounts for approximately 80 percent of its sales.

The Dukoral® market may be broadly segmented between the travelers market and the market for endemic illnesses:

+ The travelers market is of interest with approximately 331,000,000 travelers to Asia, South America and Africa in 2013 (**Source**: UNWTO Tourism Highlights 2014);

+ The market of endemic illnesses is not currently a target market in light of a rate of sales lower than 3 percent.

Sales trends are driven by typical factors associated with travellers' vaccines, including the number of travelers in endemic regions, national recommendations, awareness about the illness and the perception of risk by health practitioners and tourists. A widespread indication for traveller's diarrhea in Canada, associated with promotional efforts, have resulted in higher penetration rates in this market.

Other Cholera vaccine products exist that are distributed locally. However, Asian manufacturers dominate distribution in local markets, and in particular for the Cholera vaccine.

PaxVax, based in the United States, has developed with the support of public grants a Cholera vaccine candidate (oral only) currently in phase III (in the United States only). The trial demonstration of the vaccine's protection against ETEC was not successful in the phase I study, which limits the competitive potential of the vaccine compared to Dukoral® in key markets (such as, for example, Canada). In conclusion, competitive pressure in key markets is considered to be low over the medium-term.

Competitive landscape of Cholera vaccines

	Dukoral	Shanchol	mORC-VAX	OraVacs	PXVX0200
Company	Crucell	Shanta Biotecnics (Sanofi)	VaBiotech	United Labs	PaxVax
Country of origin	Sweden	India	Vietnam	China	United States
Type of vaccine	Oral (with buffer)	Oral	Oral	Oral in capsule	Oral
Indication	Cholera (and ETEC)	Cholera only	Cholera only	Cholera and ETEC	Cholera
Registration status	Registered across the globe WHO pre-qualified	India only, pending WHO pre-qualification	Vietnam only	China only	US only
Efficacy	Long term ++ Short term +++	Long term +++ Short term ++	Long term Unknown short term Unknown	Long term ++ Short term +++	Under development
Tolerability	+++	+++	Unknown	+++	Under development
Characteristics	WC-rCTB	WC (no rCTB)	WC (no rCTB)	WC-rCTB	Live attenuated
Comments			Capacity 3M doses, only of local use	Significant penetration in China	1st Phase III results announced 07/2014, first studies on-going

- **Pseudomonas aeruginosa**

Pseudomonas bacteria cause ~20 percent of nosocomial infections, representing the no. 1 cause of ICU-related pneumonia and No. 2 cause of all nosocomial pneumonia (Source: Pseudomonas Infection, Selina SP Chen, Russell W Steele, MD – Chapter on Epidemiology http://emedicine.medscape.com/article/970904-overview#a0199). Pseudomonas aeruginosa colonization of ventilated patients is associated with increased mortality rate (**Source**: Robert Koch Institut: Gesundheitsbericht des Bundes Heft 8: Nosokomiale Infektionen, p. 13).

High costs and mortality associated with these infections and high antibiotic resistance underpin the high medical need.

Prevention or treatment measures are desired and considered clinically meaningful for patients requiring ventilation, patients undergoing surgery or invasive procedures, burn patients or chronically ill patients and those requiring broad antibiotic treatment.

Despite the launch of a new antibiotic treatment and continued development of monoclonal antibodies, we believe there is a strong medical need for a Pseudomonas active vaccine.

The market potential is calculated based on mechanically ventilated medical related ICU admissions (Valneva´s current target population for its Pseudomonas vaccine candidate is estimated at $400m - $1bn subject to sustained survival, treatment efficacy and respective treatment adoptions, recommendations and reimbursement structures (**Source**: internal)

Valneva´s vaccine is the most advanced vaccine product candidate worldwide. Besides anti-biotics, Pseudomonas approaches are either linked to vaccines or antibodies. Apart from the Company's vaccine candidate, there are currently a few vaccines in pre-clinical development (Astrogenetix, Glykovaxyn, Vaxdyn) and a few active antibody programs (KaloBio (partner Sanofi-Pasteur), Phase II, Kenta Phase II and many others in pre-clinical stages).

Clostridium Difficile ("C. diff.")

The incidence of C. diff infections ("CDI") has been increasing over recent years, fueling the need for effective treatment and disease prevention. The incidence of C. diff appears to be increasing in all markets with the exception of the UK, where government mandated infection control efforts have been successful.

US incidence rates are currently ~3-4 times higher than in all other markets including the UK. In Europe, available data indicate that incidence rates are rising, although they remain well below those in the US unless there is a rapid rise in incidence rates over the next five years.

Despite the launch of a new antibiotic treatment and continued development of monoclonal antibodies, the Company believes there is still a strong medical need for a C. diff active vaccine. The number of respective active pre-clinical and clinical development programs by different companies supports and underlines the Company´s assessment.

Three potential markets have been identified for a C. diff vaccine. (**Source**: *Clostridium difficile Market View, VacZine Analytics; January 2014):*

+ The **Community prophylaxis (PX) market** with age or risk-based vaccination strategies is estimated in the range of $43m - $415m/yr in 2020 (US, Canada, Australia, Major 5 EU, other EU for a three-dose vaccine launched in 2016) with the highest value obtained

($415m/yr) in case of vaccine recommendation for all persons aged 65yrs or older. The commercial potential in other risk groups, such as residents of LTCF (Long-Term Care Facilities) is lower but the opportunity may be more realistic;

+ The **Prevention of CDI recurrences (TX) markets** following first episodes in combination with antibiotics is estimated between $42m - $210 m/yr in 2020 (based on ~ 380,000 initial CDI cases in 2020).

+ The **Hospital prophylaxis (PX) market** for patients at risk from CDI is estimated in the range of $72m - $970m/yr in 2020 for people at heightened risk for CDI at admissions (>65 yrs with prolonged antibiotics treatment). A rapidly acting vaccine is a critical success factor for this market segment.

Valneva´s C.Diff vaccine candidate, currently in Phase II, is the second most advanced vaccine candidate. Sanofi-Pasteur has just initiated a Phase III clinical trial and Pfizer's vaccine candidate is in Phase I. Different monoclonal antibody approaches are in different clinical (up to and including Phase III) and pre-clinical stages. However those approaches are currently likely to not target primary prevention. Different novel antibiotics targeting C.Diff. are at different stages of development or have been licensed in the past years.

EB66® cell line

The Company believes that its potential target market for its EB66® cell-line consists of all vaccines currently produced on embryonated chicken eggs. This includes, in particular, in human medicine, large volume traditional vaccines such as vaccines for the flu, measles or mumps, yellow fever and smallpox, but also new-generation vaccines against the poxvirus or Newcastle Disease Virus family, currently being developed by companies such as Sanofi-Pasteur, Pfizer, Merck, Transgene or Bavarian Nordic, and numerous veterinary vaccines.

There are a few modern, highly characterized cell-lines which are either in development or already part of approved vaccines, especially in the human vaccines space (e.g. MDCK (CSL Bio), PerC6 (Janssen), insect cells (Protein Sciences). However, many of those have not been available for licensing and hence their respective non-proprietary usage might be limited. Upcoming new technologies and platforms like those based on plants might also represent a competition in the future (e.g. Medicago).

- **The flu vaccine market**

The flu vaccine market deserves special attention because of its size and its specific characteristics owing to the regular mutation of the flu virus. The Company believes that the EB66® cell line should be particularly pertinent in this segment.

Globally, the influenza virus causes around 3-5 million cases of severe illness per year with an estimated 250,000 – 500,000 deaths and around 1 billion infections. The highest disease burden is observed in populations ≥65 years and < 2 years (**Source**: WHO). An annual vaccination is appreciated as the most effective method for protection with vaccine efficacy 60 percent - 90 percent.

The global competitive landscape is dominated by key Western vaccine manufacturers but limited product differentiation is leading to commoditization and price pressure.



The global demand for influenza vaccine is estimated at 450m doses or US$4.2 billion (2012) (**Source**: VacZine Analytics, Seasonal influenza vaccination, June 2012) with 80 percent of doses produced from 7 western manufacturers, GSK being one of the largest.

Global market growth opportunities exist and are driven by broadened recommendations. The shift from standard trivalent (TIV) to quadrivalent (QIV) products also gradually replaces standard TIV products. A potential shift in technology offers opportunities for higher price premiums given increased clinical benefits vs. other life-cycle strategies.

- **The recombinant cancer vaccine market**

A potentially significant growth in the vaccines market is expected from vaccines that are no longer aimed at an infectious antigen as in the case of antiviral vaccines, but at genes that are found in great quantities ('over-expressed') in cancer cells.

Compared to traditional anti-infection vaccines, these vaccines are usually therapeutic rather than prophylactic (they allow treatment of cancer patients) and are likely to be available at prices that bear no relationship to the prices of traditional prophylactic vaccines.

A "recombinant vaccine" should be understood to mean a vaccine 'built' around (i) a gene associated with the proliferation of a type of cancer, modified to remove its threat, (ii) a vector, that is to say a vehicle enabling presentation to the organism of the gene against which it is hoped to make it react, and, if applicable, (iii) a 'booster' capable of strengthening the organism's immune system.

Vectors, apart from a few rare exceptions, are viruses that naturally tend to penetrate cells in order to infect them and, more particularly, three types of virus: alphaviruses, adenoviruses and certain viruses from the poxvirus family (including MVA, Modified Vaccinia (Virus) Ankara).

The latter family of viruses is important for Valneva because many companies (e.g. Bavarian Nordic, Geovax, Mérial, Transgène, etc.) are in the process of developing poxvirus based vaccine candidates. The Group is currently working on a significant number based on existing license agreements.

1.3.2.2. Group strategy

The merger of Intercell and Vivalis in May 2013 has created an integrated biotech company with greater scale and diversification, a strengthened financial profile and complementary talents and capabilities. Valneva's ambition is to become a European biotech leader in vaccine development and commercialization.

Valneva expects to achieve financial sustainability by:

+ maximizing the value of its existing portfolio of commercialized vaccines;
+ developing in-house clinical candidates to their next value inflection points and bringing new vaccines to the market;
+ Leveraging the potential of its main technology platforms (EB66®, IC31®), internally or through commercial collaborations;
+ Improving Valneva's financial performance by focusing on development activities and optimizing the use of resources, with a view to reaching profitability for each of the Group's business activity;

- By strengthening Valneva's existing value proposition by adopting a roll-up strategy integrating new commercialized vaccines into the Group portfolio.

1.3.3. Research and Development, patents and licenses

1.3.3.1. Research and Development

The Group's Research and Development ambition is to address unmet medical needs by developing innovative vaccine candidates leading to the development of treatments for infectious diseases targets.

The internal Research and Development efforts also include supporting partners by providing different services.

1.3.3.1.1. Research and Development centers

Valneva has two main Research and Development centers:

- Vienna, Austria; and
- Nantes, France.

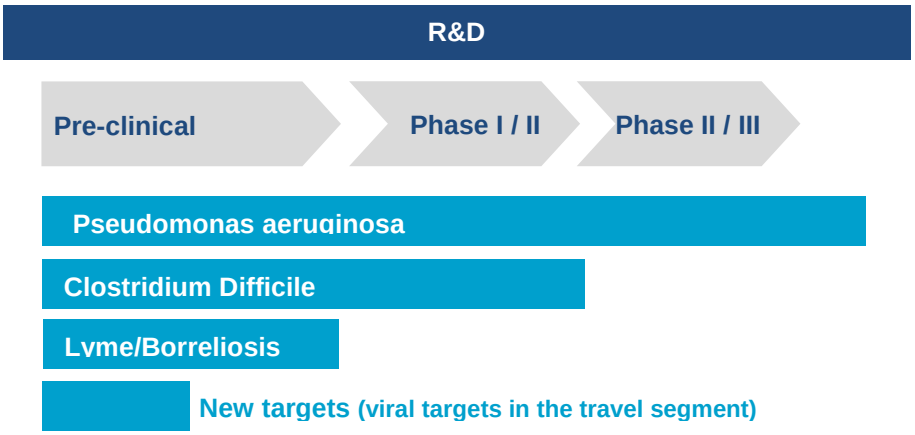
In Vienna, the R&D teams focus on vaccines and pre-clinical and clinical development activities. In addition to using its latest-stage laboratory facilities for R&D activities, the site holds a certificate of Good Manufacturing Practice (GMP) from the Austrian Agency for Health and Food Safety (AGES) for its Quality Control laboratories and was successfully licensed by the US Food and Drug Administration (FDA).
In Nantes, the R&D teams focus on cell technologies including further development of the EB66® cell line as well as vaccines research.

1.3.3.1.2. Portfolio of Research and Development programs

Valneva is focusing its R&D investments on the most promising product candidates. The Company's current proprietary product pipeline includes vaccine candidates against Pseudomonas (Phase II/III), C. difficile (Phase I) and Lyme / Borreliosis (Investigational New Drug application ready).

Valneva has furthermore recently launched new research programs focusing on the travel vaccine segment and other indications with important unmet medical needs with the goal bringing them to clinical trials.

In addition, there are multiple programs in different clinical stages based on Valneva´s proprietary technologies (as indicated in the graph below):



Research and Development process

Before a biopharmaceutical drug can potentially reach regulatory approvals and licensure it must undergo multiple steps of testing and development activities. Pre-clinical and clinical trials must be conducted to demonstrate safety, efficacy, and consistent quality of the product candidates. Clinical trials are normally conducted in different phases as described below.

+ Phase I clinical trials are executed in a limited trial participant population as a first trial in human subjects to test for safety and immunogenicity (property of eliciting an immune response) in healthy individuals. There can also be subsequent clinical supportive Phase I trials in the intended patient populations.

+ Phase II clinical trials are conducted in a limited number of subjects in the intended population to evaluate safety and immunogenicity and to determine dosage tolerance and optimal dosage levels. At this stage, if the therapeutic activity and tolerance of the drug candidate are confirmed, a decision may be made to advance to Phase III clinical trials.

+ Phase III clinical trials are undertaken in large patient populations to provide statistically significant evidence of clinical efficacy, further safety data, clinical lot-to-lot consistency and other information – subject to specific regulatory advice.

+ Phase IV – these studies are conducted after market launch of the product. They aim to find out more about the vaccine in practice.

Products in development

Pseudomonas aeruginosa vaccine candidate

At the end of March 2014, Valneva SE announced the continuation of the current phase II/III clinical trial of its Pseudomonas aeruginosa vaccine candidate IC43 (see Section 1.1.2.3 of this Registration Document). Valneva and its partner Novartis decided to continue the trial following different assessments including analyses conducted by a Data Monitoring Committee (DMC) and after consultation with two European regulatory agencies and experts.

Valneva resumed recruitment for the trial in progress in the second quarter of 2014. The Company plans to recruit 400 new patients in 40 different sites, with 394 patients already enrolled in the study. The Company is however also considering the option to extend the study further if needed and justified. Preliminary results for phase II/III are expected at the end of 2015 / early 2016.

C. difficile vaccine candidate

At the end of September 2013, Valneva announced positive Phase I results for its vaccine candidate to prevent C. difficile infections, the leading cause of nosocomial diarrhea. It showed a favorable safety and tolerability profile in both study populations, elderly subjects and adults, with local tolerability being even better in elderly subjects. The vaccine candidate was also highly immunogenic in elderly subjects and was able to induce similar immune responses to Clostridium difficile toxins A and B as the ones observed in adults.

Based on those findings including follow-up data and comparison to other vaccine candidates in development, Valneva initiated a Phase II on 500 healthy subjects 50 years and older in Germany and the United States in Q4 2014 (see Section 1.1.2.11 of this Registration Document). Recruitment for this trial was recently completed and the first results are expected in the Q4 2015.

Borrelia (Lyme disease)

Valneva has developed a multivalent, protein subunit based Vaccine candidate. This candidate has been completed and an application has been filed for the vaccine candidate for a new drug IND (Investigational New Drug application), involving regulatory recommendations and consultation procedures.

To date, there is currently no vaccine available to protect humans against Lyme disease. .According to the Centers for Disease Control and Prevention (CDC) 300,000 Americans are diagnosed each year with Lyme disease and the disease spread keeps increasing.

1.3.3.1.3. Capitalized Research and Development expenditures

Readers are invited to refer to Note 13 to the Company's consolidated financial statements for fiscal year 2014 (see Section 4.1 of this Registration Document).

1.3.3.2. Intellectual property

The Group's intellectual property strategy consists of:

a) seeking protection for its products, its technologies and its processes by actively using the patent-, trademark- and trade secrets systems in Europe, the United States, Japan, China and other jurisdictions with business interest; and

b) defending and if needed enforcing its property rights in selected jurisdictions, and

c) reviewing and monitoring third party patent rights in order to establish and ensure the unencumbered use and operation of its products, product candidates and technologies in the jurisdictions with business interest.

1.3.3.2.1. Patents and patent applications

The Group considers that protection of technologies and products by patents and patent applications is essential to the success of its businesses.

On May 5, 2015, the Group held under its control 258 patents, 41 of which were issued in the big 5 EU countries, Germany, France, UK, Spain and Italy, and 28 in the United States.

In 2014 18 patents were issued to the Group. At the same time, the Group had 93 patent applications pending including 28 pending European and 2 pending international patent applications.

The European and international patent applications by definition designate a large number of countries in which protection can be obtained later. In practice, many of these applications will result in the issuance of patents in the initially designated countries which are considered important by the Group. Consequently, the 28 applications in Europe and the 2 international patent applications ("PCT") are likely to lead to a significantly larger number than 30 national patents issued (i.e. the sum of the European and international patent applications pending).

In countries where the Group seeks legal protection through patents, the duration of legal protection of a particular product, method or use is generally 20 years from the filing date. This protection may be extended in some countries, particularly in the European Union, Japan, South

Korea, Australia and the United States. The protection, which may also vary by country, depends on the type of patent and its scope. In most industrialized countries, any new active substance, formulation, indication or manufacturing process may be legally protected. The Group conducts ongoing checks to protect its inventions and to act against any infringement of its patents.

1.3.3.2.2. Patent applications and patents for the main products, technologies and product candidates

The estimated patent expiry date ranges of patents and patent applications currently held and licensed by the Group for its main products, candidates and technologies are provided below.

The Group expects further new patent applications to be filed in particular for its product candidates and technologies.

JEV vaccine

The Group's JEV marketed vaccine was initially developed by Cheil Jedang Corporation, VaccGen International LLC and the Walter Reed Army Institute of Research (WRAIR). The Group was subsequently granted an authorization to develop, manufacture, distribute, market and otherwise commercially exploit its JEV vaccine worldwide, except for the Caribbean through an exclusive sub-license agreement signed in 2003 and subsequent amendments, and based on its rights under licensing arrangements with VaccGen International LLC, itself held by Cheil Jedang Corporation and WRAIR.

Valneva has also entered into a license agreement with Sanofi Pasteur S.A. under which it obtained a non-exclusive worldwide license for certain patent rights related to its JEV vaccine.

The Group has not detected any additional patent applications or enforceable patent rights of third parties that would interfere with the development and commercialization of our JEV vaccine in Europe or the United States.

Furthermore, the patent protection of JEV also benefits from a recent improvement of the adjuvant technology by the Group that is used for this product and may be useful for the protection of other products.

Dukoral®

Valneva acquired the product Dukoral® in the 2015 first quarter (see Section 1.1.3.1 of this Registration Document). Dukoral® is no longer covered by any patent protection.

EB66® cell platform

In 1999, the *Institut National de la Recherche Agronomique* (National Institute of Agronomic Research – INRA), the *Centre National de la Recherche Scientifique* (National Centre of Scientific Research CNRS) and the *Ecole Normale Superieure de Lyon* granted Valneva an exclusive license for their basic technology relating to culture media and methods of producing avian embryonic stem cells using these media.

The Group has filed a number of patent applications covering the establishment of embryonic derived cell lines, their use for production of biologicals, and production process development.

Today, the Company has granted nearly 35 licenses for the EB66® technology throughout the world to major pharmaceutical companies, with an average seven new licenses granted per year.

Pseudomonas vaccine

The Group's vaccine was developed by Chiron Corporation, now Novartis. Under an exclusive license agreement, Novartis has granted Valneva the right to develop, and commercialize this Pseudomonas vaccine worldwide. The Group has filed a number of patent applications covering the developed indication and detailed composition of the active component.

Adjuvant IC31®

The Group's IC31® technologies have been protected by a number of Intercell proprietary patents and patent applications. A number of patents covering the use of our IC31® technology in various aspects have already been granted in several territories, including Europe and US.

Clostridium difficile

In 2009, the Company entered into a conditional intellectual property assignment from TechLab Therapeutics LLC for specific intellectual property rights relevant for the Company's C. difficile vaccine TechLab may receive certain milestone payments and royalties on sales should this vaccines candidate progress towards licensure and later commercialization.

The Group has furthermore filed a number of patent applications covering the active construct, the developed indication and formulation and its use of the active component.

Borrelia vaccine

The Group's Borrelia vaccine is currently developed in house based on a proprietary approach. The Group has filed patent applications covering the Borrelia construct as well as uses and formulations thereto.

Estimated patent expiry date ranges of patents and patent applications currently held and licensed by the Group for its main products, candidates and technologies. These listed ranges are estimates at this particular moment and may change over time. Commercial partners are also indicated for each products, candidates and technologies.

Product, Product Candidate, Technology	Main aspects that are protected or planned to be protected by patents (own or in-licensed)	Estimated Patent Expiration Date Range (depending on country and use)	Commercial partners
Japanese encephalitis Vaccine, IXIARO®, JESPECT®, JEVAL®	Product, Formulation, Use, Manufacturing Process	2018 to 2032	GSK, CLS, Biological E., Adimmune
DUKORAL®	-	Expired	GSK
EB66®and partnered programs (only EB66® part)	Product, Use, Manufacturing Process	2023 to 2033	Kaketsuken, GSK, Sanofi Pasteur, Delta-Vir, Transgene, Geovax, Merial, Merck Animal Health and others
Pseudomonas aeruginosa	Product, Formulation, Use, Manufacturing Process	2031 to 2036	In-house, GSK option

Product, Product Candidate, Technology	Main aspects that are protected or planned to be protected by patents (own or in-licensed)	Estimated Patent Expiration Date Range (depending on country and use)	Commercial partners
IC31® partnered programs (only IC31® part)	Product, Formulation, Use, Manufacturing Process	2021 to 2031	GSK, Sanofi, SSI, AERAS, and others
Clostridium difficile	Product, Formulation, Use, Manufacturing Process	2031 to 2036	In-house, GSK option
Borrelia	Product, Formulation, Use, Manufacturing Process	2033 to 2039	In-house, GSK option

1.3.3.2.3. Other protection mechanisms

The Group's core technologies, product and many of our product candidate development projects depend upon the knowledge, experience and skills of our scientific and technical personnel. To protect rights to our trade secrets, proprietary know-how and technology, we generally require all employees, contractors, advisors and collaborators to enter into confidentiality agreements that prohibit the disclosure of confidential information. Agreements with employees and consultants also require disclosure and assignment to us of any ideas, developments, discoveries and inventions.

The expiration of the patent for a product may result in significant competition due to the emergence of biosimilar products, and a strong reduction of product sales which benefited from patent protection. However, the vaccine field is largely protected from such substitutions as regulatory and manufacturing complexity has for now blocked the pathway in the developed markets for vaccine biosimilars. This of course may change in the future. Thus, in many cases, the Group may still continue to reap commercial benefits from product manufacturing secrets, even when the patents for the product have expired.

1.3.3.2.4. Trademarks and domain names

Trademark rights are obtained under national trademarks, international registrations or EU-wide trademarks. Registrations are generally granted for a period of ten years and are indefinitely renewable, although in some cases, their maintenance is related to the continued use of the trademark.

Regarding trademarks, the Group, in particular, holds the product names used and related names to the product names. These trademarks enjoy mainly protection for pharmaceutical products included in Class 5 and for services in Class 42 of the International Classification of Products and Services.

The Group's key products, technologies and product candidates, namely JESPECT®, Dukoral®, EB66® and IC31®,and the number of trademarks held by the Group at May 18, 2015 are shown in the table below.

Brands and trademarks Number of registrations

Trademarks	Number of registrations or applications
JESPECT®	45
DUKORAL®	83
EB66®	31
IC31®	31
Valneva	54
SBL trademarks	25

The Group also holds registrations for the company names which make up the Group, as well as the slogan and logo which constitute its graphic charter. The Group defends its trademark rights by forming oppositions against deposits of identical or similar trademarks and initiates, if such is the case, legal actions to have its rights recognized.

At 31 December 2013, the Group had 22 domain names (reserved or in the process of being reserved).

1.3.3.3. Dependence of the Group on patents, licenses, industrial, commercial or financial contracts or new manufacturing processes

For a description of the degree of the Group's dependence on patents, licenses, industrial, commercial or financial contracts or new manufacturing processes, please refer to Sections 1.5.1.9, 1.1.5.1.13, 1.5.2.2.1 to 1.5.2.2.3 and Section 1.5.2.2.5, of this Registration Document.

1.3.4. Investments

1.3.4.1. Mergers and acquisitions

On January 5, 2015, Valneva entered into a Sale and Purchase Agreement with Crucell Holland BV, by which the Company 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 fund-raising such that the Company had sufficient immediately available funds to pay the Acquisition 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.

The agreed aggregate Acquisition Price amounts to EUR 45 million 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;
- 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 traveller'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 component 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 (see Section 1.1.3.1 of this Registration Document).

1.3.4.2. Research and Development expenses

Research and Development expenses include the costs associated with Research and Development conducted by us or for us by outside contractors, research partners and clinical study partners and expenses associated with Research and Development carried out by us in connection with strategic collaboration and licensing agreements. The most expensive stages in the regulatory approval process in the United States and the EU are late-stage clinical trials, which are the longest and largest trials conducted during the approval process. By contrast, pre-clinical Research and Development expenses primarily depend on the number of scientific staff employed.

The following table sets forth our Research and Development expenses for our JEV vaccine and the major product candidates for the years ended December 31, 2012, 2014 and 2014:

In EUR thousands	**Year ended December 31,**		
JEV vaccine	**2012 (unaudited)**	**2013 (unaudited)**	**2014 (unaudited)**
EB66®	-	1,508	3,749
VIVA|Screen®	7,293	4,545	2,723
Other research projects	3,802	5,467	-
Total	-	9,903	15,770
	11,095	**21,423**	**22,242**

(Source: Valneva internal information)

1.3.4.3. Additions to intangible assets

Additions to intangible assets in the year ended December 31, 2014 amounted to EUR 2.2 million, of which EUR 1.6 million was attributable to development costs for the acquisition of software.

1.3.4.4. Main current and planned investments

At the current Group structure, the 2015 budget concerns only tangible fixed assets for an amount of EUR 1.7 million intended for acquiring research equipment and renewing manufacturing

equipment, as well as approximately EUR 0.7 million to acquire software, mainly to update the Valneva ERP (Microsoft AX). These investments will be financed by grants and own funds.

1.4. Analysis and full-year results

1.4.1. Business development, results and financial position of the Company and Group

1.4.1.1. Valneva Group (IFRS)

Financial review

Key financial information

In EUR thousands	3 months, ended December 31,		12 months, ended December 31,		
	2014	**2013**	**2014**	**2013**	**2013 pro forma**
Revenues and 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

** Unaudited information*
*** Audited information*

(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 explanations of pro-forma assumptions and reconciliation to IFRS results, please refer to Note 32 of Valneva's consolidated financial statements 2014 reproduced in Section 4.1 of this Registration Document.

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 2013) 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 percent 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 percent 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 VIVA|Screen® 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 percent, 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 percent in 2013 to 44.7 percent 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 percent 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 percent compared to 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 percent to

EUR 26.3 million in the year 2014 from EUR 38.9 million in year 2013. This 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 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 compared to EUR 0.1 million in the year 2013.

Cash in-flows from financing activities were EUR 5.3 million in the year 2014 compared to 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.

1.4.1.2. 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 in 2014, up from EUR 3.78 million for fiscal year 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 year 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 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.

In 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 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 the 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, in Section 4.3.10 (see Section 4.3 of this Registration Document).

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 in 2013, to EUR 16 million in 2014.

Total borrowings declined from EUR 10.99 million in 2013 to EUR 9.61 million in 2014. This change reflects mainly the EUR 1.37 million in debt instalment 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.

***

For additional information on the Group's financial position (data and key figures), please refer to Sections 1.1.1, 4.1 and 4.3 of this Registration Document.

Results (and other key aggregates) of the company for the last five years:

NATURE OF ITEM	2010	2011	2012	2013	2014
I- Capital at the end of the year					
Share capital (in euros)	3,149,047.05	3,167,616.45	3,219,379.35	8,384,717.19	8,631,142.14
Number of ordinary shares	20,993,647	21,117,443	21,462,529	54,709,000 (a)	56,351,833 (a)
Maximum number of shares to be created by conversion of bonds:	0	0	0	0	0
II- Operations and income for the year (in euros)					
Revenue excluding tax and financial income	1,747,577	2,334,447	2,764,334	19,714,054	2,375,385
Income before tax employee profit-sharing and depreciation allowance and provisions	-5,158,706	-7,496,532	-11,712,495	-8,836,658	-8,318,013
Tax on profit (income if negative)	-2,088,820	-2,042,621	-2,758,828	-2,038,859	-1,965,473
Employee profit-sharing due for the year	0	0	0	0	0
Income after tax employee profit-sharing and depreciation allowance and provisions.	-5,319,293	-8,387,554	-11,957,883	-9,952,449	-14,883,482.38
Distributed income	0	0	0	0	0
III- Earnings per share (in euros)					
Income after tax and employee profit-sharing but before depreciation allowances and provisions	-0.15	-0.26	-0.42	-0.12	-0.11
Income after tax employee profit-sharing and depreciation allowance and provisions.	-0.25	-0.40	-0.56	-0.18	-0.26
Dividend per share (indicate if gross or net)	0	0	0	0	0.00
IV- Personnel					
Average headcount for the period	87	105	104	84	59
Annual payroll (in euros)	3,944,381	4,633,895	4,686,250	4,267,644	3,261,008
Total of amounts paid for social benefits for the year (social security, social welfare programs, etc.) (in euros)	1,811,994	2,151,831	2,090,362	1,933,195	1,427,891

(a) This does not include Valneva's preferred shares (17,836,719 in total, i.e. around 1,189,115 Valneva's ordinary shares, once the preferred shares are written down to the nominal value of Valneva's ordinary shares)

1.4.2. Major agreements and partnerships

Valneva markets its Japanese encephalitis vaccine primarily through GSK (formally Novartis Vaccines & Diagnostics) under the terms of a multinational marketing and distribution agreement for this product.

The Group also supports its own R&D by entering into partnership agreements with major pharmaceutical companies. Over the years, Valneva has also signed licensing agreements for the use of its proprietary technologies such as the EB66® cell line vaccine production platform.

In early 2015, Valneva completed two major deals:

- the in-kind contribution to Blink Biomedical SAS of its VIVA|Screen® antibody research platform (see Sections 1.1.2.10 and 1.1.3.2 of this Registration Document);
- the acquisition of Crucell Sweden AB, the Dukoral® vaccine and the Nordics vaccine distribution business (see Section 1.1.3.1 of this Registration Document).

1.4.2.1. Strategic Alliance Agreement with GSK

In July 2007, Intercell (now Valneva Austria GmbH) and Novartis (now GSK, following the GSK-Novartis asset swap in March 2015) formed a strategic partnership to accelerate innovation in vaccines development for infectious diseases. Valneva granted GSK opt-in rights for the development, manufacturing and commercialization of Valneva's non-partnered novel vaccine targets after the completion of Phase II clinical trials (or earlier at GSK's discretion). Valneva retains the right to either co-develop and profit-share with GSK, or to receive potential milestones of EUR 120 million after Phase II for the remaining development period and royalties tied to sales performance, for each product for which GSK opts in.

The Pseudomonas aeruginosa vaccine candidate is covered by this strategic agreement and subject to special provision whereby GSK cofinances the phase II/III study in progress and is entitled to exercise the option mentioned above at the end of the study.

1.4.2.2. Agreements for Japanese Encephalitis Vaccine

In June 2006, Intercell (now Valneva Austria GmbH) announced it had agreed on a Marketing and Distribution Agreement (MDA) with Novartis for its Japanese Encephalitis Vaccine IXIARO®. The deal covered the travelers market in the United States and Europe, and certain other markets in Asia and Latin America where the product was not partnered.

For the marketing and distribution of the vaccine in Australia, where the disease is endemic, Valneva partnered with CSL Limited in 2005.

In 2005, Valneva also signed an agreement with the leading Indian biopharmaceutical Company Biological E. Ltd. for the development, manufacturing, marketing and distribution in India and the Indian subcontinent of the Group's Japanese Encephalitis vaccine. The product was successfully approved by the Indian regulatory authorities in 2011 under the trade name JEEV®.

At the beginning of April 2014, Valneva also announced that it had granted vaccine manufacturer Adimmune Corporation certain exclusive rights to its Japanese encephalitis (JE) vaccine in Taiwan. Adimmune will be entitled to register and commercialize Valneva´s JE vaccine under a local trade

name and to develop, manufacture and commercialize the vaccine from bulk product delivered by Valneva.

1.4.2.3. Agreements and partnerships on EB66® cell line

To date, Valneva has more than 35 research and commercial agreements with the world's largest pharmaceutical companies including GSK, Sanofi, Zoetis, Merial and others for the licensing of its EB66® technology, among which are 7 commercial licenses for human vaccines and 10 commercial licenses for veterinary vaccines (excluding the JSB China license referred to below).

In March 2015, Valneva announced the signature of a license agreement with Jianshun Biosciences Ltd. Under the terms of this agreement, Jianshun Biosciences Ltd is granted rights to sublicense Valneva's EB66® cell line to Chinese vaccine companies which will then be able to develop, manufacture and commercialize, in the People's Republic of China territory only, human and veterinary viral vaccines (excluding influenza) using the EB66® cell line. Valneva will receive an upfront license payment of EUR 2.5 million and an additional payment of EUR 0.5 million in 2016, as well as annual maintenance fees and 50% of total revenues payable to Jianshun Biosciences Ltd from its sub licensees.

1.4.2.4. Agreement on the in-kind contribution linked to Viva\|Screen®

In December 2014, Valneva announced an agreement, implemented in January 2015, with the shareholders of the UK company Blink Therapeutics Ltd. to create a new company, Blink Biomedical SAS, specialized in the discovery of innovative antibodies, entailing an in-kind contribution by Valneva of its VIVA\|Screen® technology (see Sections 1.1.2.10, 1.1.3.2 and 1.3.1.5 of this Registration Document).

1.4.2.5. Agreements on IC31®

Valneva has granted multiple research licenses to different partners to evaluate IC31® in new vaccine formulations.

In March 2004, Valneva Austria AG (formerly Intercell) signed a cooperation and license agreement with Statens Serum Institut (SSI) to develop a Tuberculosis vaccine using the Company's IC31® adjuvant. The clinical development will be conducted by SSI while Valneva will receive upfront and milestone payments and share the profits from future product sales.

In January 2015, Valneva announced an exclusive worldwide commercial license agreement with the UK company Immune Targeting Systems Ltd. for the development of hepatitis B vaccines in combination with the IC31® adjuvant (see Section 1.1.3.3 of this Registration Document).

1.4.2.6. Sale and Purchase Agreement for the acquisition of Crucell Sweden AB and Dukoral®

In January 2015, Valneva announced that it entered into an agreement with Crucell Holland BV, a Johnson & Johnson subsidiary, to acquire Crucell Sweden AB, the Dukoral® vaccine and the Nordics vaccine distribution business for a price of approximately EUR 45 million. This agreement which entered into effect in February 2015, covers the purchase of the Dukoral® vaccine production installations in Solna (Sweden) and the transfer of approximately 115 employees (FTEs). This acquisition was financed by a EUR 15 million loan (described in Section 1.4.2.7 of this Registration Document) and a EUR 45 million capital increase, through a public offering, with EUR 30 million used to finance the acquisition, successfully carried out in February 2015.

1.4.2.7. Financial agreements

In December 2013, Valneva announced that it had secured a USD 30 million financing from an investment fund managed by Pharmakon Advisors for its Austrian subsidiary Valneva Austria GmbH. The loan, guaranteed by the pledge of the shares of Valneva's Austrian and Scottish subsidiaries, and payment to a restricted bank account of sales from Valneva's Japanese encephalitis vaccine IXIARO®/JESPECT® originating from Valneva's commercial partners, has been allocated primarily to grow sales of Valneva's Japanese Encephalitis Vaccine (IXIARO®/JESPECT®), and to finance clinical trials of the Company's vaccine candidates. This five-year loan is subject to annual interest of 9.5 percent, and, as from 2016, will be subject to a fee of 2.6 percent on IXIARO® /JESPECT® vaccine sales revenues made during its term and is to be gradually paid back in cash.

In January 2015, Valneva announced in connection with the acquisition of Crucell Sweden AB, the Dukoral vaccine and the Nordics vaccine distribution business, the signature by its subsidiary, Vaccines Holdings Sweden AB of a EUR 15 million loan agreement with investment funds managed by Athyrium Capital Management. This loan, guaranteed by the company and different security interest on the relevant assets, financed part of this acquisition. Concluded for a five-year period, it is subject to annual interest of 11 percent payable quarterly in cash and to be repayable in full in cash on maturity.

1.4.2.8. Distribution agreements

In connection with the distribution business for third parties in the Nordic countries, the Group distributes different vaccines of Novartis Vaccines and Diagnostics (now GSK) in these countries, through two distribution agreements reaching maturity on 31 December 2015.

On the filing date of this registration document, the Group is negotiating different distribution agreement for Dukoral®, in addition to those that currently exist for this product. Existing agreements include in particular those with Novartis (now GSK) for Germany and Austria and an agreement with CSL for Australia, New Zealand and certain Pacific region territories.

1.4.3. Analysis of Full Year Results

Financial information presented in this Section concerns fiscal year 2014 for the period ended December 31, 2014. The 2014 consolidated financial statements presented herein include information relating to two fiscal years of 2013 and 2014.

Readers are invited to read the present analysis of the financial position and results of Valneva for fiscal years 2013 and 2014 with the consolidated financial statements of the Group and the related Notes thereon presented in Section 4.1 of this Registration Document. Information on performance, cash, future shareholder's equity of the Group and any other financial information other than historical financial information given in this Section have to be considered as forecasts. The relevance of these forecasts depends on facts and circumstances which may or may not arise and particularly on risk factors that are described in more detail in Section 1.5 of this Registration Document. The financial position and results of the Group could, as a result, significantly differ from those indicated or suggested in this Section.

Preliminary remark: Intercell's business has been included in the Group's consolidated financial statements from the merger closing date May 28, 2013. Therefore, 2012 and 2013 results are not fully comparable. While the results of Vivalis SA (now Valneva SE) were fully included in the 2013 income statement, the results from the ex-Intercell operations were only included for the seven month period, starting of June 2013.

1.4.3.1. Comparison of consolidated revenues and grants for the full year of 2014 and 2013

1.4.3.1.1. Revenues and grants

The following table sets forth the major components of Valneva's revenues and grants for the years ended December 31, 2014 and 2013:

In EUR thousands	Year ended December 31,		Change	
	2014	2013	In value	In %
Product sales	28,124	23,239	4,885	21.0
Revenues from collaborations and licensing	8,799	7,206	1,593	22,1
Grant income	5,506	5,546	(40)	(0.7)
Total revenues and grants	**42,429**	**35,991**	**6,438**	**17,9**

(Source: (Source: Audited annual consolidated financial statements of Valneva SE as of and for the year ended December 31, 2014 and 2013)

The Group's aggregate revenues and grants increased by EUR 6.4 million, or 17.9 percent, from EUR 36.0 million in the year ended December 31, 2013 to EUR 42.4 million in the year ended December 31, 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.

1.4.3.1.2. Total revenues and grants by business segment

The following table sets forth the revenues and grants by business segment for the years ended December 31, 2014 and 2013.

In EUR thousands	Year ended December 31,		Change	
2014	2014	2013	In value	In %
Products	28,289	23,239	5,050	21.7
Technologies and services	5,067	6,974	(1,907)	(27,3)
Product R&D	9,072	5.778	3.294	57.0
Total revenues and grants	**42.429**	**35.991**	**6.438**	**17.9**

(Source: (Source: Audited annual consolidated financial statements of Valneva SE as of and for the year ended December 31, 2014 and 2013)

1.4.3.1.3. Product sales

Product sales are coming solely from sales of the marketed JEV-Vaccine IXIARO®/JESPECT® from the ex-Intercell business. Product sales are included in the Valneva numbers for the period following the merger closing, i.e. from June to December 2013.

As a percentage of total revenues and grants, product sales represented 66.3 percent in the year ended December 31, 2014 compared to 64.6 percent in the year ended December 31, 2013.

The following table sets forth the geographical split of the Group's product sales for the years ended December 31, 2014 and 2013:

In EUR thousands	Year ended December 31,		Change	
	2014	2013	In value	In %
France	915	612	303	49.5
Europe excluding France	7,552	5,148	2,404	46.7
North America*	18,532	17,372	1,160	6.7
Other**	1,125	107	1,018	951.4
Total Product sales	**28,124**	**23,239**	**4,885**	**21.0**

(Source: Internal information of Valneva)
(*) "North America" refers to the United States of America and to Canada.
(**) The term "other" refers to rest of world.

1.4.3.1.4. Revenues from collaborations, licensing and services

The Group's revenues from collaborations, licensing and services increased by EUR 1.6 million, or 22.1 percent, from EUR 7.2 million in the year ended December 31, 2013 to EUR 8.8 million in the year ended December 31, 2014. As a percentage of total revenues and grants, our revenues from collaborations and licensing were 20.7 percent in the year ended December 31, 2014, and 20.0 percent in the year ended December 31, 2013.

The increase in the year ended December 31, 2014 compared to the year ended December 31, 2013 of EUR 1.6 million was primarily due to additional Ex-Intercell revenues from collaborations and licensing since the merger date.

The following table sets forth the business segment split of our revenue from collaborations, licensing and services for the years ended December 31, 2014 and 2013:

In EUR thousands	Year ended December 31,		Change	
	2014	2013	In value	In %
Products	135	-	135	n.a.
Technologies and services	3,570	3,673	(103)	(2.8)
Product R&D	5,094	3,533	1,561	44.2
Total revenues from collaboration and licensing	**8,799**	**7,206**	**1,593**	**22.1**

(Source: Internal information of Valneva)

The following table sets forth the geographical split of our revenue from collaborations, licensing and services for the years ended December 31, 2014 and 2013:

In EUR thousands	Year ended December 31,		Change	
	2014	2013	In value	In %
France	1,632	1,349	283	21.0
Europe excluding France	6,083	4,841	1,242	25.7
North America	628	683	(55)	(8.1)
Other**	456	333	123	36.9
Total revenues from collaboration and licensing	**8,799**	**7,206**	**1,593**	**22.1**

(Source: Internal information of Valneva)

(*) "North America" refers to the United States of America and to Canada.
(**) The term "other" refers to rest of world.

1.4.3.1.5. Grant income

The Group's grant income included grants from public agencies as well as Research and Development tax credits. Grant income remained flat at EUR 5.5 million for the years ended December 31, 2013 and 2014. As a percentage of total revenues and grants, our grant income was 13.0 percent in the year ended December 31, 2014, and 15.4 percent in the year ended December 31, 2013.

The following table sets forth the business segment split of the Group's grant income for the years ended December 31, 2014 and 2013:

In EUR thousands	**Year ended December 31,**		**Change**	
	2014	**2013**	**In value**	**In %**
Products	30	-	30	n.a.
Technologies and services	1,497	3,301	(1,804)	(54,7)
Product R&D	3,978	2,245	1,733	77.2
Total revenues from collaboration and licensing	**5.506**	**5.546**	**(40)**	**(0,7)**

(Source: Internal information of Valneva)

The following table sets forth the geographical split of the Group's grant income for the years ended December 31, 2014 and 2013:

In EUR thousands	**Year ended December 31,**		**Change**	
	2014	**2013**	**In value**	**In %**
France	2.297	3.377	(1.080)	(32.0)
Europe excluding France	3.209	2.169	1.040	47.9
North America	-	-	-	-
Other**	-	-	-	-
Total Grant income	**5.506**	**5.546**	**(40)**	**(0.7)**

(Source: Internal information of Valneva)

(*) North America refers to the United States of America and to Canada.
(**) The term "other" refers to rest of world.

1.4.3.2. Comparison of consolidated income statement for the full year of 2014 and 2013

	Year ended December 31, 2014		Year ended December 31, 2013		
	In EUR thousands	% of revenues and grants	In EUR Thousands	% of revenues and grants	% change
Product sales	28,124	66,3	23,239	64,6	21,0
Revenues from collaborations, licensing and services	8,799	20.7	7,206	20,0	22.1
Revenues	**36,922**	**87,0**	**30,445**	**84,6**	**21,3**
Grant income	5,506	13,0	5,546	15,4	(0.7)
Revenues and grants	**42,429**	**100.0**	**35,991**	**100.0**	**17.9**
Cost of goods and services sold	(17,144)	(40,4)	(16,508)	(45.9)	3.9
Research and Development expenses	(22,242)	(52.4)	(21,423)	(59.5)	3.8
General, selling and administrative expenses	(14,142)	(33,3)	(14,720)	(40.9)	(3.9)
Other income and expenses, net	(395)	(0,9)	1,157	3.2	(134.1)
Depreciation, amortization and impairment	(12,323)	(29,0)	(5,353)	(14.9)	130.2
Operating loss	**(23,817)**	**(56,1)**	**(20,856)**	**(57.9)**	**14.2**
Financial income	2,273	5,4	200	0.6	1.036,5
Financial expense	(4,394)	(10,4)	(2,969)	(8,2)	48.0
Income (loss) before income tax	**(25,938)**	**(61,1)**	**(23,625)**	**(65,6)**	**9.8**
Income tax	(334)	(0.8)	(348)	(1.0)	(4.0)
Income (loss) from continuing operations	**(26,272)**	**(61,9)**	**(23,973)**	**(66.6)**	**9.6**
Income/(loss) from discontinued operations	-	-	(137)	(0.4)	(100.0)
Net income/(loss) for the year	**(26,272)**	**(61,9)**	**(24,110)**	**(67.0)**	**9.0**

Source: Audited annual consolidated financial statements of Valneva SE as of and for the years ended December 31, 2014 and 2013 and internal information of Valneva)

1.4.3.2.1. Cost of goods and services

Cost of goods and services resulted solely from sales of the marketed JEV-Vaccine IXIARO®/JESPECT® from the ex-Intercell business and are included in the Valneva numbers for the period following the merger closing, i.e. from June to December 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 percent in 2013 to 44.7 percent in the full year 2014.

Costs of EUR 12.7 million were directly attributable to vaccine sales and an amount of EUR 4.4 million was due to write offs of unfinished and finished products.

1.4.3.2.2. Research and Development expenses

The Group's Research and Development expenses increased by EUR 0.8 million, or 3.8 percent, from EUR 21.4 million in year ended December 31, 2013 to EUR 22.2 million in the year ended December 31, 2014. As a percentage of total revenues and grants, the Group's Research and Development expenses were 59.5 percent in the year ended December 31, 2013 and 52.4 percent in the year ended December 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.

The following table sets forth the major components of the Research and Development expenses for the years ended December 31, 2014 and 2013. Due to the fact that Research and Development expenses and manufacturing expenses are partially incurred in the same organizational units, manufacturing expenses are included in the below presentation of cost components and then deducted as "capitalization of inventory" at the end.

In EUR thousands	**Year ended December 31**		**Change**	
	2014	**2013**	**In value**	**In %**
Employee benefit expense	(11,699)	(9,746)	(1,953)	20.0
Consulting and other purchased services	(9,764)	(7,691)	(2,073)	27.0
Raw materials and consumables used	(2,006)	(3,292)	1.286	(39.1)
Impairment and depreciation	(1,384)	(2,481)	1.097	(44.2)
License fees	(705)	(431)	(274)	63.6
Other expenses	(7,035)	(5,855)	(1,180)	20.2
Less: amounts capitalized as development costs and inventory	10.348	7.937	2.411	30.4
Research and Development expenses	**(22,242)**	**(21,560)**	**(682)**	**3.2**

(Source: Internal information of Valneva)

1.4.3.2.3. Selling, general and administrative expenses

The Group's selling, general and administrative expenses decreased slightly by EUR 0.6 million, or 3.9 percent, from EUR 14.7 million in the year ended December 31, 2013 to EUR 14.1 million in the year ended December 31, 2014. As a percentage of total revenues and grants the selling, general and administrative expenses were 40.9 percent in the year ended December 31, 2013, and 33.3 percent in the year ended December 31, 2014.

On a pro forma basis SG&A expenses decreased by 32.0 percent 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.

The following table sets forth the major components of selling, general and administrative expenses for the years ended December 31, 2014 and 2013:

In EUR thousands	Year ended December 31		Change	
	2014	2013	In value	In %
Social charges	(7,644)	(6,372)	(1,272)	20.0
Consulting and other purchased services	(4,331)	(3,347)	(984)	29.4
Marketing and advertising	(25)	(3,174)	3.149	(99.2)
Impairment, depreciation and amortization	(28)	(86)	58	(67.4)
Other expenses	(2,114)	(1,741)	(373)	21.4
Total Selling, General and Administrative expenses	**(14,142)**	**(14,720)**	**578**	**(3.9)**

(Source: Internal information of Valneva)

1.4.3.2.4. Other operating income and expenses, net

The Group's other income and expenses, net, changed by EUR 1.6 million, from net other income of EUR 1.2 million in the year ended December 31, 2013 to net other expenses of EUR 0.4 million in the year ended December 31, 2014.

The following table sets forth the major components of the Group's other income and expenses, net for the years ended December 31, 2014 and 2013:

In EUR thousands	Year ended December 31		Change	
	2014	2013	In value	In %
Taxes, duties, fees, charges, other than income tax	(258)	(282)	24	(8.5)
Gains/losses on sale of fixed assets and assets for held for sale, net	(63)	1,260	(1,323)	(105,0)
Other income/expenses	(74)	180	(254)	(141.1)
Other income and expenses, net	**(395)**	**1,157**	**(1,552)**	**(134.1)**

(Source: Internal information of Valneva)

1.4.3.2.5. Amortization, depreciation and impairment

Amortization, depreciation and impairment increased by EUR 7.0 million from EUR 5.4 million in the year ended December 31, 2013 to EUR 12.3 million in the year ended December 31, 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.

1.4.3.2.6. Finance income/(expense), net

The following table sets forth the major components of financial income/(expenses), net for the years ended December 31, 2014 and 2013:

In EUR thousands	Year ended December 31,		Change	
	2014	2013	In value	In %
Financial income				
Interest income from bank deposits and other	226	191	35	18.3
Interest income on available-for-sale financial assets	-	1	(1)	(100.0)
Realized gains from the sale of available-for-sale financial assets	-	9	(9)	(100.0)
Change in fair value of financial assets and liabilities	48	-	48	-
Net foreign exchange gain	1,999	-	1,999	-
	2,273	200	2,073	1,036.5
Finance expense				
Interest expense to banks and government agencies	(190)	(433)	243	(56.1)
Interest expense to other	(4,204)	(779)	(3,425)	439,7
Change in fair value of financial assets and liabilities	-	(50)	50	(100.0)
Net foreign exchange loss	-	(1,707)	1,707	(100.0)
	(4,394)	(2,969)	(1.425)	48.0
Total finance income/(expense), net	**(2.121)**	**(2.769)**	**648**	**(23.4)**

(Source: Internal information of Valneva)

Net Finance expenses decreased by EUR 0.6 million from EUR 2.8 million in the year ended December 31, 2013 to EUR 2.1 million in the year ended December 31, 2014. This decrease was primarily because of foreign exchange gains due to favorable foreign exchange rate changes

1.4.3.2.7. Income tax income/(expense)

Income tax expenses remained flat at EUR 0.3 million in the year ended December 31, 2014 and 2013.

1.4.3.3. Comparison of income statement for the year ended December 31, 2104 and pro forma income statements for the year ended December 31, 2013

In EUR thousands	Year ended December 31,	
	2014	**2013**
Product sales	28,124	27,212
Revenues from collaborations, licensing and services	8,799	10,814
Revenues	**36,922**	**38,026**
Grant income	5,506	5,658
Revenues and grants	**42,429**	**43,684**
Cost of goods sold	(17,144)	(20,003)
Research and Development expenses	(22,242)	(30,786)
Selling, general and administrative expenses	(14,142)	(20,790)
Other operating income and expenses, net	(395)	1,820
Amortization, depreciation and impairment	(12,323)	(6,469)
OPERATING PROFIT/ LOSS	**(23,817)**	**(32,543)**
Financial income	2,273	288
Financial expense	(4,394)	(6,159)
INCOME BEFORE TAX	**(25,938)**	**(38,414)**
Income tax	(334)	(351)
INCOME (LOSS) FROM CONTINUING OPERATIONS	**(26,272)**	**(38,765)**
Income/(loss) from discontinued operations	-	(137)
NET INCOME/(LOSS) FOR THE YEAR	**(26,272)**	**(38,902)**

1.4.3.3.1. Pro Forma Revenues and Grants

Pro forma full-year product sales (IXIARO®/JESPECT) for 2014 amounted to EUR 28.1, up 3.4 percent from EUR 27.2 million in 2013 despite the transition in the U.S. military sales responsibility to Novartis which resulted in Valneva now recognizing only two thirds of the total sales revenue to the U.S. military instead of 100 percent previously.

Revenues from collaborations, licensing and services decreased on a pro-forma basis 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 mil-lion in the year 2014 and a decrease in revenues from the VIVA|Screen® antibody platform from EUR 2.9 million in the year 2013 to EUR 1.7 million in the year 2014.

Grant income slightly decreased from EUR 5.7 million in 2013 to EUR 5.5 million in 2014.

1.4.3.3.2. Pro forma operating expenses

On a pro forma basis the operating expenses (Cost of goods and services, R&D, SG&A, other income/expense, amortization and impairment) decreased by 13.1 percent or EUR 10.0 million from EUR 76.2 million in 2013 to EUR 66.2 million in 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.

1.4.3.3.3. Pro forma net result

On a pro-forma basis, the net loss decreased by 32.5 percent 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.

1.4.4. Significant post-closing events - Group business trends and outlook

1.4.4.1. Significant post-closing events

For information on significant post-closing events occurring between December 31, 2014 and the filing date of this Registration Document, please refer to Section 1.1.3 of this Registration Document.

1.4.4.2. Objectives

In connection with the management of its commercial operations, the Group establishes financial and operating targets for future and present financial periods.

In preparing these targets, Group management used the same accounting rules used to prepare its IFRS financial statements.

Based on information available to date, the Group has established the following financial targets for 2015:

+ Valneva anticipates steady growth for IXIARO®/JESPECT®, while the Company's sales for 2015 should benefit from the recent acquisition of the Dukoral® vaccine and the Nordics distribution business (see Section 1.1.3.1 of this management report)

+ The Company anticipates growth in total IFRS revenue in 2015 which is expected to exceed EUR 70 million. Furthermore, Valneva intends to continue focusing on achieving financial sustainability, while actively support advances of its key R&D programs.

These targets have been based on forward-looking data and, as such, are subject to uncertainties. The success of the Group's strategy and action plan, its revenue and/or financial position may differ from the targets presented above, namely in the event of the occurrence of one of the risks described in the Section Risk Factors should occur (see Section 1.5 of this Registration Document) or any other risk not thus far identified.

1.4.4.3. Trends

Highlights of 2015 included the Group's integration of "Crucell Sweden AB" acquired in February 2015 and renamed "Valneva Sweden AB", the Dukoral® vaccine (see Section 1.1.3.1 of this Registration Document) and the Nordics vaccine distribution business. The Group will now focus on creating and developing a commercial infrastructure for the Dukoral® vaccine, including a network of distributors in most countries, commercial subsidiaries in Canada and the United Kingdom and a commercial infrastructure originating from Crucell in the Nordic countries.

1.4.5. Liquidity and Capital Resources

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 in cash and EUR 0.6 million in restricted cash. Currently, the Group does not have any significant short-term working capital lines or other unused sources of liquidity.

1.4.5.1. Capital resources

The Group funds its operations primarily through equity and secured debt. In the year 2014, gross proceeds of EUR 9.0 million were raised through a capital increase completed in May and June.

At December 31, 2014 the Group's borrowings were EUR 73.2 million, of which EUR 6.9 million were bank borrowings, EUR 30.1 million were finance lease liabilities and EUR 36.2 million were other liabilities. EUR 66.1 million of the Group's borrowings had a maturity of more than one year, including EUR 27.5 million that had a maturity of more than five years.

Other loans include a USD 30 million loan financing which the Group's Austrian subsidiary secured in December 2013. The loan extends over a five year period and carries a fixed interest rate of 9.5 percent. In addition, Valneva will pay a 2.6 percent royalty to the lender on its IXIARO®/JESPECT® sales during the term of the loan. The 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. The loan agreement includes customary covenants for the Group's Austrian subsidiary, including limitations on indebtedness and new business activities as well as limitations for payments of dividends and other disbursements to its parent company Valneva SE. The Company does not expect these limitations to impact its ability to meet its cash obligation.

Finally, to finance the acquisition of Crucell Sweden AB, including the assets and authorizations associated with the Dukoral® vaccine and the Nordics distribution operations of the selling entity and its affiliates, and to continue to develop vaccines currently in clinical trials, in early 2015, Valneva launched a capital increase with preferential subscription rights (see Section 1.1.3.1 of this Registration Document). This rights issue enabled the Company to raise approximately EUR 45 million, of which EUR 30 million will be used to finance the acquisition of assets. The remaining amount will allow Valneva to efficiently integrate the assets thus acquired and pursue the on-going development of its pre-commercial products portfolio. Additionally, the Swedish subsidiary of Valneva has entered into a EUR 15 million term loan facility from funds managed by Athyrium. The loan, which is guaranteed by Valneva SE, extends over a 5 year period and carries a fixed yearly interest rate of 11 percent payable in cash on a quarterly basis.

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For additional information on the Company's capital resources and borrowings to finance its activities, please refer to Notes 21 and 24 of the Company's consolidated financial statements for fiscal year 2014 (see Section 4.1 of this Registration Document).

1.4.5.2. Cash flow

The following table sets forth the Group's condensed cash flow information for the years ended December 31, 2014 and 2013:

EUR IN THOUSANDS	YEAR ENDED AT DECEMBER 31,	
	2014	*2013*
Net cash used in operating activities		
Net cash used in operating activities	**(14,944)**	**(20,903)**
Cash flow from investing activities		
Net cash generated from investing activities	**1,993**	**21,855**
Net cash generated from financing activities		
Proceeds from the issuance of common stock, net of costs of equity transactions and purchase of treasury shares	8,632	37,621
Disposal/(Purchase) of treasury shares	69	(684)
Proceeds from borrowings	1,656	27,646
Repayment of borrowings	(5,083)	(29,893)
Net cash generated from/(used in) financing activities	**5,274**	**34,689**
Cash and cash equivalents at end of the period	**28,857**	**36,509**
Cash, cash equivalents and current financial assets at end of the year	**29,468**	**40,167**

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.

Cash in-flows from investing activities have been of EUR 2.0 million in the year 2014, compared to EUR 21.9 million in the year 2013, comprising, in 2013, EUR 13.6 million linked to the merger by exchange of shares with Intercell AG. The purchases of intangible assets and property, plant and equipment (net of proceeds from sale of such assets) amounted to EUR 2 million in the year 2014 compared to EUR 0.1 million in the year 2013.

Cash in-flows from financing activities were EUR 5.3 million in the year 2014 compared to 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.

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For additional information on the Company's cash flow at December 31, 2014, please refer to the cash flow statement provided in Section 3 of the consolidated financial statements for fiscal year 2014 and Note 28 thereto (see Section 4.1 of this Registration Document).

1.4.5.3. Funding requirements and anticipated financing sources

For the foreseeable future, the Group's funding requirements will primarily consist of Research and Development and manufacturing expenses relating to the development and commercialization of its core technologies and product candidates currently in the product pipeline. The Group expects to make substantial investments in Research and Development in order to realize the value of its technologies and product candidates. These investments will require a substantial portion of any profits that the Group may receive from the sales of its commercial JEV vaccine and from

partnering of its EB66® technology. The Group intends to fund its future investment needs from its current liquid reserves and from proceeds of equity and debt financing activities, as reasonable.

1.4.6. Income appropriation

After all expenses, taxes, depreciation and amortization charges, the separate annual financial statements presented in Section 4.3 of this Registration Document showed a loss of EUR 14,883,482.38.

On that basis, it is proposed that the loss of EUR 14,883,482.38 the period be appropriated to the accumulated deficit that would be thus increased from EUR 43,832,409.55 to EUR 58.715.891,93.

1.4.7. Non-tax deductible expenses

In compliance with the provisions of article 223 *quater* and 223 *quinquiès* of the French general tax code (*Code Général des Impôts*), we hereby inform you that the financial statements for the period under review do not take into account any expenses which are not deductible from taxable income such as those referred to by articles 39.4 and 39.5 (Subsection 10) of said code, except for non-deductible surplus lease payments for passenger vehicles for EUR 2,043.

1.4.8. Suppliers' terms of payment

Article L.441-6, Subsection 9, of the French commercial code stipulates that the time frame agreed upon by the parties for the settlement of amounts due cannot exceed forty-five days end of month, or sixty days from the date on which the invoice is issued. Barring any agreement, maximum delay is 30 days from the date of receipt of the goods or of the performance of the service.

With respect to invoices issued by Valneva's suppliers unpaid at year-end 2014, the aged trial balance for payables breaks down as follows:

In euros	30 days	60 days	Over 60 days	Total outstanding at December 31, 2014
Amounts due to trade suppliers as at December 31, 2014	EUR 591,998.85	EUR 56,545.46	EUR 2,916.75	EUR 651,461.06
Amounts due to equipment suppliers as at December 31, 2014	EUR 1,021,228.62	EUR 5,052.00	EUR 365,223.87	EUR 1,391,504.49
Commercial paper (trade bills) outstanding at December 31, 2014	EUR 0	EUR 0	EUR 0	EUR 0
Total	**EUR 1,613,227.47**	**EUR 61,597.46**	**EUR 368,140.62**	**EUR 2,042,965.55**

With respect to invoices issued by Valneva's suppliers unpaid at year-end 2013, the aged trial balance of the payables breaks down as follows:

In euros	30 days	60 days	Over 60 days	Total outstanding at December 31, 2013
Amounts due to trade suppliers as at December 31, 2013	EUR 940,753.04	EUR 28,191.33	EUR 62,863.53	EUR 1,031,807.90
Amounts due to equipment suppliers as at December 31, 2013	EUR 138,528.83	EUR 0	EUR 4,272,066.85	EUR 4,410,595.68
Commercial paper (trade bills) outstanding at December 31, 2013	EUR 0	EUR 0	EUR 0	EUR 0
Total	**EUR 1,079,281.87**	**EUR 21,191.33**	**EUR 4,334,930.38**	**EUR 5,442,403.58**

1.4.9. Information on dividends

In compliance with article 243 bis of the French general tax code (*Code Général des Impôts*), we inform you that the Company has paid no dividends since its creation.

1.5. Risk factors

The Group has carried out a review of the risks that could have a significant adverse effect on its business, financial standing, results and ability to achieve its goals. The Group is of the opinion that there are no significant risks other than those listed below.

Investors are invited to review and consider all the information in this Registration Document, including the risk factors described in Section 1.5. The Group has carried out a review of its risks. The risks presented below are, at the date this Registration Document was filed, those that could have a material adverse effect on the Group, its activity, financial position, earnings or prospects if they were to materialize. At the date of filing of this Registration Document, the Company has not identified any governmental, economic, budgetary, monetary or political risk factors or strategies that have materially affected or could materially affect, directly or indirectly, the Group's operations, other than those listed below. Nevertheless, other risks or uncertainties of which the Company is not aware or which are currently insignificant could become important risk factors with a material adverse effect on the on the Group, its activity, financial situation, earnings or prospects.

There is an inherent risk of failure in biotechnological innovation, and the Group is thus exposed to specific industrial risks. Valneva it is furthermore subject to an additional risk factor relating to, on the one hand, the marketing of its first product, a Japanese encephalitis vaccine, which to date has not yet generated sufficient revenues to finance the Group's sustainable development, and on the other hand, the acquisition of Crucell Sweden AB (renamed "Valneva Sweden AB"), the Dukoral vaccine and the Nordics distribution activities (referred to jointly as "**Vaccine Manufacturing and Distribution Division**" or the "**Division**"). Moreover, the Group, which has suffered significant losses since its inception, is exposed to liquidity risk and the risk of never achieving sustained profitability.

For information on the procedures set up to identify, manage and reduce risk, please refer to the Chairman of the Supervisory Board's report of 2014 on the conditions under which the work of the Supervisory Board is organized and prepared and on internal control procedures (see Section 3.1.2 of this document)

1.5.1. Specific risks relating to the Group's business

1.5.1.1. Risks relating to the acquisition of the Vaccine Manufacturing and Distribution Division

a) 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.

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

The Group is building a distribution and marketing network that will include a new team in Canada and strengthen its teams in Nordic countries. Other markets will be covered by third-party

distributors. Interim agreements have been entered into with the selling party in order to ensure continuity in operations while the Group puts into place its own network.

c) The geographical breakdown for Dukoral® product sales is imbalanced. In addition, no team dedicated to marketing or promoting the Dukoral® product is 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.

The Dukoral® product is currently distributed by entities affiliated with the selling entity of the Division or by third-party distributors in a number of territories. Despite this, the geographical sales mix for the Dukoral® product is imbalanced and Canada is by far the largest market, generating nearly 50 percent of total revenues linked to the sale of the Dukoral® product.
In addition, no team dedicated to marketing or promoting the Dukoral® product located in Canada has been transferred to Valneva in connection with the Vaccine Manufacturing and Distribution Division acquisition. Valneva is in the process of forming its own teams and marketing and promotional organization in Canada.

d) 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 Nordics 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 Valneva is not successful in maintaining or replacing relations with these third-party manufacturers, the resulting loss in revenues could adversely affect the Valneva's operations.

1.5.1.2. Risk associated with dependence on two products

To date, the Group only has two marketed products, namely its Japanese encephalitis (JE) vaccine and Dukoral®, and is dependent on the sales results of these products. Future revenues from this product may be affected by a number of factors, including (i) the performance of distributors, (ii) serious adverse events linked or suspected to be linked to the product, (iii) public distrust of vaccines or adjuvants or (iv) unfavorable developments with respect to therapeutic indications or recommendations, or the terms of reimbursement or coverage.

1.5.1.3. Risk of marketing failure

The Group needs its first commercial product, the Japanese encephalitis (JE) vaccine, to see greater recognition on the market, in order to recover the significant development costs incurred. The Group may fail to reach sales targets for its two commercial products and may not be able to develop and market product candidates as planned. The ability to market product candidates will depend on the degree of acceptance by the market, and in particular by the Group's main clients, the clients of the Group's strategic partners, and the medical community. Products' degree of market acceptance and also its capacity to meet its sales objectives depend on a number of factors, including the recommendations of local and international health organizations, reimbursement by health authorities and health insurance providers, legislative efforts to control or reduce healthcare spending, reforms to modify social security programs, and the ability of customers to pay or be reimbursed for the cost of medical treatments. Demand for Valneva's commercial vaccines could also be affected by international or local events or circumstances, especially those prompting consumers and businesses to restrict travel, such as security issues subsequent to terrorist threats or attacks, war or economic crises.

1.5.1.4. Risks relating to production

The Group's manufacturing facilities in Livingston, Scotland, and Solna, Sweden, plays and will play an important role in driving revenue growth and controlling production costs. The manufacture of biological material is a complex undertaking and technical problems may occur. The Group may experience delays, fail to successfully manufacture, or encounter difficulties in aligning its capacity to manufacture its vaccines and meet market demand. The manufacture of biological material is subject to detailed regulations and routine inspections. It is impossible to predict the changes that regulatory authorities may require during the life cycle of a new vaccine. Such changes may prove costly and affect the Group's sales and its sales forecasts. Failure to comply with Good Manufacturing Practices or other regulatory requirements could potentially lead to suspension or revocation of production licenses, and impede the provision of products by the Group. The risk of suspension or revocation of a production license also exists for third parties with whom the Group has entered into manufacturing or supply agreements.

The Group's production facility in Livingston, Scotland, is the sole producer of the Japanese encephalitis vaccine. The Group's production facility in Solna, Sweden, is the sole producer of the Dukoral vaccine. Were one of the sites to be destroyed or seriously damaged by fire or by any other event, the Group might not be able to produce the vaccine in question which could lead to considerable losses. The Group's activity requires the use of hazardous materials, thereby increasing the Group's exposure to dangerous and costly accidents that could bring about accidental contamination, personal injury, or environmental impacts. The Company is subject to strict environmental and safety standards, in addition to other laws and regulations, which could generate compliance-related costs that may affect the performance of the Company and its financial position.

1.5.1.5. Risks relating to market authorizations

The Group's revenues are largely dependent on (i) maintaining, renewing or transferring marketing authorizations granted by health authorities, (ii) therapeutic indications authorized by these authorities, (iii) recommendations issued by authorities or advisory bodies and (iv) the regulatory status of the Company's products, for example products subject to prescription or not, products eligible for reimbursement or not, etc. Any difficulty or delay experienced in maintaining, renewing, amending or transferring marketing authorizations, or any change in the terms or scope of these authorizations or regulatory status, could adversely affect the Company's revenues, financial performance and financial condition.

1.5.1.6. Risk of failure or delay in the development of the EB66® cell line

Marketing authorizations for veterinary vaccines produced in the EB66® cell line were obtained by the Chemo-Sero Therapeutic Research Institute (Kaketsuken) in Japan in 2012, and by FARVET SAC in Peru in 2014 (see Section 1.1.2.2 of this Registration Document). The first authorization to market a H5N1 pandemic human vaccine produced on the EB66® cell line was obtained by Kaketsuken, a partner of GlaxoSmithKline (GSK) for product development, in Japan, in March 2014 (see Section 1.1.2.4 of this Registration Document). However, European and American health authorities have not yet authorized marketing of a vaccine produced on the EB66® cell line for human use. No assurance can be given that health authorities will approve such vaccines in other countries, or will approve other kinds of vaccines developed in the EB66® cell line.

Any difficulty a licensee encounters in obtaining an authorization to market a vaccine produced on the EB66® cell line could result in additional work, delay the development of the Valneva licensee, or even cause a breakdown in the relations with the licensee and with other licensees informed of

this fact. To address this risk, the Company has already contacted regulatory authorities both in Europe and the US in order to validate its policy for the qualification of its cell line. Lastly, at the request of its clients it may provide all useful information relating to the EB66® line and participate in formal or informal meetings on the regulatory qualification strategy for products manufactured by its clients. Any failure or delay in the development of the EB66® cell line could have a material impact on the Company's business, its earnings, financial position and prospects.

1.5.1.7. Risks relating to developing products of Group licensees

The development of new medicines (vaccines or therapeutic proteins) is a long, expensive and uncertain process that aims to demonstrate the therapeutic benefit and safety of the drugs.

If the products of Group licensees prove less effective than originally expected or have unacceptable side effects, Group licensees may halt development of these products. In such a situation, the Group would not receive all milestone payments expected on the developments in question or royalties on the sales of the final product, which could have a material adverse effect on the Group's activity, earnings, financial situation and prospects.

1.5.1.8. Risks relating to developing Group products;

The Group's Research and Development (R&D) activities, and especially its programs in the clinical trial phase, are costly and time-consuming (please refer to Section 1.3 of this Registration Document for a description of these activities). The results of R&D are inherently uncertain, and the Group may experience delays or failures in clinical trials. To continue to develop and market its product candidates, the Group will have to obtain authorizations from authorities such as the US Food and Drug Administration (FDA), the European Medicines Agency (EMA) and other health organizations. These authorizations may be delayed or denied if the Group is not able to meet regulatory requirements, particularly those concerning the safety and effectiveness of its product candidates. Changes in regulatory requirements, adverse effects or ineffectiveness in clinical trials may force the Group to halt development of its product candidates, prevent regulatory approval of its product candidates, or have an adverse effect on existing products and activities.

1.5.1.9. Risk of dependence with respect to current and future strategic partnerships;

To develop and market its products, the Group has entered and will enter into collaboration agreements, distribution agreements, research licenses and commercial licenses with biopharmaceutical and pharmaceutical companies and, less frequently, with academic institutions (please refer to Section 1.4.2 of this Registration Document for a description of the main agreements). These agreements are necessary for the research, development, manufacturing or the marketing of Group products. The Group may fail to keep these agreements in force or to establish new agreements on acceptable terms, which could significantly limit or delay its ability to develop and market its products, and thus to reap the benefits of its R&D programs and technologies. The success of strategic partnerships depends in part on the performance of the strategic partners, over which the Group has little or no control. Partners may postpone or terminate one or more of these strategic partnerships, develop alternative products independently or in collaboration with a third party, and thus compete with the Group's product candidates or technologies. They may also fail to commit sufficient resources to the development or marketing of Group product candidates that depend on partnerships or collaborations, or may not live up to the Group's expectations. If one of these risks were to occur, the development of certain products could be stopped and/or the marketing of certain products discontinued, prevented or delayed, which would have a material adverse effect on the Group's activities, financial situation or operating results.

1.5.1.10. Risks relating to major events affecting the development or marketing of Group products

Announcements concerning changes in the achievement of milestones for development programs in progress, delays in obtaining regulatory authorizations, obstacle preventing the marketing of products or the restructuring of Valneva operations could be negatively viewed by investors, consumers or other market participants, and in this way adversely affect the Company's reputation and contribute to a reduction in the share price, or adversely affect the Company's business, financial position, operating results and outlook. Subject to certain conditions, such events could occur for major Valneva projects, and namely the experimental Pseudomonas vaccine currently in the clinical phase II / III clinical. After assessing the initial results, the Group and its development partner have decided to continue with this trial. Preliminary results concerning the entire trial are expected at the end of 2015 or early 2016.

1.5.1.11. Risks relating to the need to keep, attract and retain key staff

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

Moreover, the Group will need to recruit new executive managers and qualified personnel, particularly in the marketing and sales areas, to develop its business. The Group competes with other companies and organizations to recruit and retain highly qualified individuals. This competition is extremely intense, and the Group may not be able to attract or retain key talent on terms that are acceptable from an economic standpoint.
Any failure to keep, attract and retain these key staff members could prevent Valneva from achieving its overall objectives and have a material impact on its business, results of operations, financial position, and prospects.

The Company's Austrian subsidiary has taken out a "key person" insurance (a permanent disability / death insurance policy in which such subsidiary is the beneficiary) in connection with two members of the Company's Management Board, Mr. Thomas Lingelbach and Mr. Reinhard Kandera.

1.5.1.12. Risks associated with internal and external growth

Any failure in the monitoring and management of the Group's development, as well as any failure to successfully integrate businesses or products acquired in the future could have a material adverse effect on the Group's activity, financial situation and operating results. If the Group proceeds with a new merger or acquisition, the integration of its existing activities, technologies, products or services with any newly acquired or merged company could be lengthy and costly and could lead to difficulties and unforeseen expenditures.

1.5.1.13. Risks related to the quality and availability of products and services delivered by suppliers

The development and success of the Group's commercialized vaccines and vaccine candidates are dependent on the performance of third-party manufacturers and contracting parties. The quality and availability of goods, equipment and services supplied by these third parties are key to the Group´s development and sustainability.

The Group is just one of the customers of these suppliers. If a supplier, for commercial, strategic or other reasons, were no longer to offer a given material, product or service or no longer to produce or provide it in sufficient quantities or to a standard of quality required by the Group, manufacturing and sale of the Group's products, including product candidates, could be prevented, limited or delayed. This in turn would have a material adverse effect on the Group's activities, financial situation and earnings. For example, fetal bovine serum, a critical and scarce raw material used in the manufacturing of the Japanese encephalitis vaccine, may not be available in the required quantities in the future.

1.5.1.14. Risks related to competition

The markets in which the Group operates – namely technologies for the development and manufacturing of vaccines and research, development and marketing of vaccines – are characterized by rapidly changing environments and technologies, the prevalence of products protected by intellectual property rights, and fierce competition. If the Group's competitors market their products faster than Valneva, develop alternatives to Valneva products, or sell competing products at lower prices, the Group could lose a significant share of the target market.

1.5.1.15. Risks related to the use of hazardous substances in R&D

As part of its Research and Development, the Group uses hazardous and biological materials, solvents and other potentially genotoxic chemicals. Its employees handle recombinant genetic material, genetically modified organisms and viruses. The Group, therefore, is required to comply with numerous laws or regulations.

If it should fail to comply with the applicable law and regulations, obtain required authorizations or have these authorizations withdrawn, the Group might have to pay fines and suspend all or some of its R&D operations. Compliance with environmental, health and safety regulations incurs considerable costs, and the Group may have to pay significant expenses to comply with future legislation and regulations.

Although we believe that our safety procedures comply with applicable regulations, the risk of an accident or accidental contamination cannot be completely ruled out. In the event of an accident or contamination, the Group could face claims, which would mean it might have to incur potentially significant costs to compensate victims and repair damage and could have a negative impact on its income and its financial position.

1.5.2. Other risks

1.5.2.1. Financial risks

1.5.2.1.1. Historical operating losses - Risks related to expected future losses

At December 31, 2014, accumulated net losses for the Group (retained earnings) under IFRS amounted to EUR 89.4 million including a loss of EUR 26.3 million for the fiscal year ended December 31, 2014.

Even though the Group expects its operating loss to decrease in the coming years, it cannot exclude the possibility of new operating losses higher-than-expected, particularly in the event of a disruption or decrease in one of the Group's sources of revenues, which would have a material adverse effect on its results, financial position and outlook.

1.5.2.1.2. Uncertainty of additional funding and future capital requirements

In 2014, the Group raised EUR 9 million in financing from an equity line. In early 2015, the Group raised EUR 45 million through a capital increase and obtained a 15 million loan. However, it still expects to require more capital in the future to continue its Research and Development and develop its portfolio of new and existing products. The Group may be unable to finance its growth itself, which would lead it to seek other sources of financing, through new capital increases and/or borrowing. An inability to meet the expectations of its investors and/or unfavorable economic conditions or credit markets could affect the Group's ability to obtain financing.

The Group's future capital requirements depend on a number of factors, such as:

- higher costs and slower progress than expected in its Research and Development programs;
- costs of preparing, filing, defending and Maintaining its patents and other intellectual property rights;
- costs incurred to meet technological and market developments, to enter into and/or Maintain collaboration agreements within the anticipated time-frame and to efficiently manufacture and market its products;
- new opportunities to develop promising new products or to acquire technologies, products or companies; and
- higher costs and longer lead times than anticipated to obtain regulatory approval, including time to prepare applications and file them with regulatory authorities.

The Group may be unable to raise sufficient capital on acceptable terms, or to raise funds at all, when needed. If the necessary funds are not forthcoming, the Group may have to:

- delay, reduce or even cancel Research and Development programs;
- reduce its workforce;
- close some of its sites;
- obtain funds through partnership agreements that could require it to relinquish rights on some of its technologies or products that it would not have otherwise relinquished;
- grant licenses or enter into new collaborative arrangements that may be less attractive than those that would have otherwise been possible; or
- consider selling assets or even merging with another company.

Moreover, insofar as the Group may raise capital by issuing new shares, existing Group shareholders could see their stakes diluted. Financing via new borrowings, where possible, could also include restrictive conditions.

If one or more of these risks should occur, it might have a material impact on the Group, its results of operations, financial position, prospects and the situation of its shareholders.

1.5.2.1.3. Liquidity risk

The Group has carried out a specific review of its liquidity risk and is of the opinion that it is able to meet its future payment commitments.

The Group is exposed to liquidity risk due to (a) the maturity of its financial liabilities and the fluctuations of its operating cash-flow (please refer to point 3.1(c)of Note 3 of the consolidated financial statements and to the maturity table included therein, in Section 4.1 of this Registration Document), and (b) the potential implementation of early repayment clauses in loan or grant

agreements, especially regarding the USD 30 million loan and the EUR 15 million loan referred to in Sections 1.1.3.1, 1.3.4.1, 1.4.5.1 and 5.2.6 of this Registration Document. Early repayment of this loan may be required in various situations, particularly in the event of a sharp decline in operating margins on sales of one of the vaccines, default, or the occurrence of an event having a material adverse effect on the Group's sales, operations or financial position.

1.5.2.1.4. Dilution risk

In connection with its strategy for motivating its managers, employees and consultants, the Group has, since it was created, regularly granted or issued, stock options and equity warrants. In the future, the Group may grant or issue new securities carrying the right to receive shares, including bonus shares. The Company was also authorized by the General Meeting of Shareholders of June 26, 2014 to carry out capital increases via private placement representing up to 20 percent of the capital.
The exercise of instruments giving access to outstanding capital, any award or new issue of such instruments, or capital increase via private placement would result in a significant dilution of shareholders' interests.

1.5.2.1.5. Risk of impairment of intangible assets

Impairment of intangible assets could lead to substantial losses in the Group's accounts. The Group's balance sheet includes significant intangible assets from projects and technologies under development and which were acquired during business combinations (please refer to Note 13 to the 2014 consolidated financial statements in Section 4.1 of this Registration Document). If the Group is unable to successfully develop these projects and technologies and to generate future cash flows from them, it may in such case never have the opportunity to recover the sums invested to acquire these assets, thereby compromising their value. Such impairment of intangible assets would result in substantial losses in the Group's accounts.

1.5.2.1.6. Risk of losing tax deficits

In the future, the Group may not be able to use its tax-loss carryforwards and may therefore be obliged to pay higher taxes than expected and/or to reimburse tax credits (refer to Note 10.2 to the 2014 consolidated financial statements, in Section 4.1 of this document).

1.5.2.2. Legal risks

1.5.2.2.1. Risks related to patents

A large proportion of the Group's patent portfolio relating to its technologies and products consists of pending patent applications. No assurance can be given that these applications will lead to patents or that, if patents are granted, they will not be challenged, declared invalid, or bypassed, or that they will provide effective protection against competition and third party patents covering similar technologies. The absence of sufficiently broad protection and the invalidation or bypassing of patents could have a negative impact on the Group. In addition, the Group's commercial success depends on its ability to develop products and technologies that do not infringe on competitors' patents. The Group cannot be certain that it is the first to design an invention and file a patent application, especially given that publication of patent applications takes place 18 months after filing in most countries.

It is important for the success of its business that the Group be able to obtain, Maintain and ensure compliance with its patents and intellectual property rights in Europe, the United States and other countries. However, it cannot be ruled out the possibility that:

- the Group fails to develop new patentable inventions;
- patents issued or licensed to the Group or its partners are challenged and held to be invalid, or the Group cannot enforce them;
- patent applications do not result in patents granted;
- the scope of protection conferred by a patent could be insufficient to protect the Group against infringements or competition;
- third parties claim rights to products, patents or other intellectual property owned or licensed by the Group.

Granting of a patent does not guarantee its validity or application. Actions in court or at the relevant offices may prove necessary to ensure compliance with the Group's intellectual property rights, protect its trade secrets, or determine the validity and scope of its intellectual property rights. Any dispute could result in considerable expenses being incurred, reduce the profits of the Group and fail to provide the protection sought. The Group's competitors may successfully challenge the validity or scope of these patents. This could reduce the scope of these patents. In addition, patents may be successfully infringed or bypassed. As a result, the rights of the Group to issued patents may not provide the expected protection against competitors.

The issue of patents in the field of biology is highly complex and involves a range of legal, scientific and factual issues. Although there is a general trend toward standardization of the approach in the area of patents relating to the patentability of inventions in the field of cells and their uses by the three main global patent bodies in the United States, Europe and Japan, there is still some uncertainty in this area, particularly as regards the interpretation of the scope of the claims that may be granted, an issue that is still governed by national law.

Moreover, developments or changes in interpretation of the laws governing intellectual property in Europe, the United States or other countries could allow competitors to use the Group's findings, or to develop or market Valneva products and technologies without financial compensation. The laws of certain countries do not protect intellectual property rights in the same way as in Europe or the United States, and procedures and rules necessary to defend Valneva's rights may not exist in these countries.

If the Group's efforts to protect its intellectual property rights are insufficient, competitors could use the technologies developed by the Group to create competing products, reduce or eliminate the Group's competitive advantage and take all or part of the Group's target market share.

1.5.2.2.2. Dependence on third parties and access to certain technologies;

The Group has obtained licenses for certain technologies and products in specific projects. No assurance can be given that the in-licensed patents and patent applications will not be challenged, declared invalid, or bypassed, or that they will provide effective protection against competition. In addition, Valneva expects, in particular for its pipeline products, that it may be necessary to obtain additional licenses on third-party patents to continue its Research and Development. If such licenses cannot be obtained on acceptable terms, Valneva may not be able to pursue certain developments and market selected products. Also, licensors may be entitled to terminate the agreements if Valneva fails to meet its contractual obligations. Finally, clauses may contain terms and conditions of implementation that vary, depending on the contract.

The following core technologies and products of the Group are currently subject to third party licenses:

- the Group's JEV marketed vaccine was developed by Cheil Jedang Corporation, VaccGen International LLC (VaccGen) and the Walter Reed Army Institute of Research (WRAIR). VaccGen International LLC granted the Group the right to develop, manufacture, distribute, market and otherwise commercially exploit the JEV vaccine worldwide, except for the Caribbean. The Group has entered into a license agreement with Sanofi Pasteur S.A. under which it obtained a non-exclusive worldwide license for certain intellectual property rights related to the JEV vaccine. The Group has not detected any other third party patent or patent application that may interfere with the development and commercialization of its JEV vaccine. However, for the reasons explained above, this does not give full certainty that no third party rights may be infringed;
- the EB66® cell line was developed in house but certain initial work was done with INRA/CNRS/ENS Lyon jointly. An exclusive worldwide license was subsequently granted on certain patent rights and know-how by INRA/CNRS/ENS Lyon;
- the Pseudomonas aeruginosa vaccine candidate was initially developed by Chiron Corporation, now Novartis. Under an exclusive license agreement, Novartis has granted the Group the right to develop, and commercialize this Pseudomonas vaccine worldwide (refer to Section 1.3.3.2.2 of this document on the Novartis option).

The termination of a license, the Group's inability to obtain licenses, or the ineffectiveness of such a license as explained above could have a material adverse effect on the Group's business.

1.5.2.2.3. Specific risks related to third-party patents and intellectual property rights

As the biotechnology industry grows, new patents on technologies and products are granted. The probability, therefore, increases of seeing the Group's technologies and products face risks of infringing third party patents, particularly patents covering new techniques for the production of viral vaccines or recombinant proteins, the specific elements of these techniques or the use of the platform for screening compounds of interest, particularly for therapeutic purposes. Legal action could thus be brought against the Group or its partners, which could entail substantial costs.

If proceedings continue for their full term, the Group may be forced to stop or delay research, development, manufacture or sale of products or processes, which would have a material impact on its operations.

Any action brought against the Group seeking payment of damages or to stop its operations in manufacturing or marketing products or processes thereby called into question, or even requiring it to request a license from a third party to be able to continue its activities, may have a negative impact on the prospects and the finances of the Company. There is no guarantee that the Group could successfully defend its position or obtain a license under economically acceptable terms.

Many lawsuits for infringement of intellectual property rights are filed in the pharmaceutical and biotechnology industry. In addition to proceedings brought directly against the Group, the latter could be party to litigation such as opposition proceedings before the European Patent Office (EPO) or interference proceedings at the U.S. Patent and Trade mark Office (USPTO) relating to the intellectual property rights for its products and technologies. Even in the event of a favorable ruling, defense costs could be substantial. Some Valneva competitors have much greater resources and could more easily bear the costs of complex litigation. Proceedings or disputes of this kind could also be very time-consuming as far as the managers of the Group are concerned. The

uncertainty surrounding how to proceed in the event of a dispute could have a material adverse effect on the Group's competitiveness.

The Group's efforts to avoid infringing and defend its rights against third parties regarding intellectual property could also be costly and, if unsuccessful, could lead to the restriction or prohibition of the marketing of its product candidates or its licensed products, or could require the Company to redesign its product candidates.

The Group may be unable to generate revenue from products based on its technologies or from its own products, if a third party does not grant the Group or its licensees the required license, or if it offers such a license on financially unacceptable terms. The Group may then have to modify its potential technologies and products, or avoid/stop certain activities. The licensees of the Group may face exactly the same problems.

If one or more of these risks were realized, it could have a material impact on the Group's business, results of operations, financial position, and prospects.

1.5.2.2.4. Risks related to the Group's trademarks

The trademarks of the Group are important elements of the identity of the Group and of its products. Although all major trademarks were filed in the Group's current markets and in countries where future sales are expected, other companies in the pharmaceutical industry could use or attempt to use parts of these marks, causing confusion for third parties.

1.5.2.2.5. Risks related to potential conflicts with licensees, partners and distributors

The Group has granted licenses to use its EB66® platform and its IC31® adjuvant and distribution rights for its vaccines. The Group co-finances the development of its Pseudomonas aeruginosa vaccine with Novartis in under the terms of the Strategic Alliance Agreement (see Sections 1.3.3.1.2 and 1.4.2.1 of this Registration Document). The Group may have difficulties collecting the amounts owed by its licensees, distributors and partners. The Group may have to spend large sums to recover these amounts due or may not be able to recover them at all.

1.5.2.2.6. Risks related to the inability to protect the confidentiality of the Group and its know how;

The Group regularly provides information and biological samples to public and private entities for the purpose of conducting tests for research or signing off on commercial projects. In both cases, the Group relies on the use of confidentiality agreements. Its business also depends on its proprietary unpatented technologies, processes, know-how and data that the Group considers to be trade secrets, some of which it protects by entering into confidentiality agreements with its employees, consultants, and certain partners and subcontractors. It cannot be ruled out that these agreements or other means of protecting trade secrets will fail to provide the protection sought, or will be breached, or that the Group will not have any appropriate solutions to combat such breaches, or that its trade secrets will be disclosed to its competitors or developed independently by them.
If one or more of these risks were realized, it could have a material impact on the Group's business, results of operations, financial position, and prospects.

1.5.2.2.7. Risks relating to incurring liability on the basis of the products

The Group is exposed to risk of claims and potential liability for defective products in clinical trials on product candidates and in the marketing and sale of its vaccines. The Group's product and

clinical trial liability insurance may not be sufficient, and the Group may be held liable for the use of these product candidates in clinical trials or the sale of current or future products. This could pose a serious threat to its activities, earnings, financial situation and prospects. In the future, this type of insurance may no longer be available at reasonable prices (refer to Section 1.5.3 of this Registration Document for further information on Group insurance policies).

1.5.2.2.8. Disputes

Following the merger between Vivalis and Intercell, some former Intercell shareholders initiated legal proceedings before the Commercial Court of Vienna to revise the amount of compensation offered to existing shareholders and the exchange ratio between Intercell and Valneva shares. If the court decides to increase the financial compensation, every former Intercell shareholder who opted for financial compensation instead of exchange would be entitled to an increase, even if he or she was not a party to the dispute. If the court decides to revise the exchange ratio, there is legal uncertainty as to whether the court could extend this revision to all former Intercell shareholders who exchanged their shares, even if they were not party to the dispute. There is therefore a risk that Valneva will be forced to compensate all shareholders following the reevaluation of the exchange ratio. If so, these payments could have a material adverse effect on Valneva's activities, earnings and prospects.

The Company has no knowledge, during the past 12 months, of any other governmental, legal or arbitration proceedings (including pending or threatening litigation of which the Company has knowledge) that might have or recently had a material impact on the financial position or profitability of the Company and/or the Group.

1.5.2.2.9. Risks relating to ethical, legal or social problems regarding the use of genetic technologies and animal materials that may affect regulatory approvals, patentability or market acceptance of the Group's technology

Success in marketing the Group's technologies and products partly depends on market acceptance of its technologies and products for the prevention or treatment of diseases affecting people and animals. Using genetic technologies and materials of animal origin could raise ethical, legal or social problems, and could therefore affect the success of the marketing of the Group's technologies and products.

If one or more of these risks were realized, it could have a material impact on the Group's business, results of operations, financial position, and prospects.

1.5.2.2.10. Risks associated with concentration of ownership

The two largest shareholders of the Company, namely Groupe Grimaud La Corbière and Bpifrance Participations, hold a significant percentage of the share capital of the Company (15.96 percent and 9.83 percent[1], respectively) and of the voting rights (26.43 percent and 8.57 percent[2], respectively). Such concentration may have a significant adverse effect on the Company's share price.

[1] This rate is calculated by reference to a total share capital of 75,852,214 Valneva shares, divided into 74,663,099 ordinary shares and 17,836,719 preferred shares brought down to a nominal value of EUR 0.15.
[2] This rate is calculated by reference to a total number of (gross of theoretical) voting rights of 86,980,615 at May 28, 2015.

1.5.2.3. Market Risks

1.5.2.3.1. Currency risk

The Group, through its marketing & distribution partners, conducts some sales and manufactures its products outside the euro zone and is therefore exposed to currency risk, particularly with respect to the U.S. Dollar, the Canadian Dollar, the Swedish Krona and the British Pound. The Group has not entered into a hedging agreement to date, and its operating results could be affected if effective hedging arrangements were not made in the future (For additional information on foreign exchange risks, refer to Note 3.1(a) of the 2014 consolidated financial statements in Section 4.1 of this Registration Document).

1.5.2.3.2. Interest rate risk and credit risk

The Group is exposed to interest rate risk in connection with managing both its liquid assets and medium- and long-term debts.

For additional information on interest rate risks, refer to Note 3.1(a) to the 2014 consolidated financial statements in Section 4.1 of this Registration Document.

For additional information on credit risks, refer to Note 3.1(b) to the 2014 consolidated financial statements in Section 4.1 of this Registration Document.

1.5.2.3.3. Share price risk

The Company is not exposed to a risk on the price of its own shares except (i) with respect to the treasury shares resulting from the merger process (see Section 5.1.3.2 of this Registration Document) and (ii) the liquidity contract with Natixis (see Section 5.1.3.3 of this Registration Document).

1.5.3. Insurance and coverage of risks

The Company has taken out policies covering the main insurable risks for values it deems compatible with the nature of its business. Charges paid by the Company and its subsidiaries for all insurance policies in 2014 amounted to EUR 665,165.81 for the fiscal year.

Main Valneva SE group policies:

Risks covered	Insurer	Term/expiration
BU/ All-risk insurance max. EUR 25 million p.a.	Allianz Elementar Versicherungs AG	Renewed yearly unless terminated at three months' prior notice (earliest October 1st, 2015)
Transport insurance	HDI Versicherung	Renewed yearly unless terminated at three months' prior notice (earliest October 1, 2015)
Product liability insurance m EUR 20 million (per claim, p.a.)	Chubb Insurance Company of Europe SE	Renewed yearly unless terminated at three months' prior notice (earliest October 1, 2015)
D&O[3]	XL Insurance Company Limited	Valid for period: May 26, 2014 – May 25, 2015
Corporate travel insurance	Europaeische Reiseversicherungs AG	Terminated at one month's prior notice (earliest January 1, 2015)

[3] Covers any pecuniary consequences of loss or damage resulting from any claims brought against the directors and officers, binding their civil liability whether individual or joint, and attributable to any professional misconduct, whether actual or alleged, committed by them in performing their managerial duties. This policy is also subject to certain conditions and restrictions of common practice for similar contracts.

The Group also has other insurance policies in place, but these are less important than those described above.

The Company cannot ensure that it will always be able to keep, and if applicable, obtain, similar insurance coverage at an acceptable cost, which may mean it has to accept insurance policies that are more expensive and take on a higher level of risk itself, particularly as it develops its business, especially in bio-production. The occurrence of one or more large claims, even if covered by its insurance, could seriously affect its operations and its financial position, given the interruption to its operations that could result from such a claim, the time taken for insurance companies to pay any recovery, damage exceeding insured limits in policies, and, finally, the increase in premiums that would result.

Given the prospects of the Group, as described in Sections 1.4.4.2 and 1.4.4.3 of this Registration Document, the Company anticipates that its insurance premiums will continue to rise, while remaining immaterial compared to its Research and Development expenses, annual losses and the value of its assets.

1.5.4. Disputes

Please refer to Sections 1.5.2.2.5 and 1.5.2.2.8 of this Registration Document.

2. CORPORATE GOVERNANCE

2.1. Management and Supervisory bodies

Since the Extraordinary General Meeting of 29 November 2002, the Company has been organized on the basis of a Management Board and a Supervisory Board. Prior to that time, the Company was organized as a French public limited company (*Société Anonyme*) with a Board of Directors.

This governance model was not changed by the merger with Intercell AG in May 2013.

2.1.1. Members of the Management and Supervisory bodies

2.1.1.1. Management Board members

In accordance with decisions 1, 2 and 4 taken by the Company's Supervisory Board on May 10, 2013, the Management Board is currently composed of the following members:

Name	Offices and positions held by the Management Board member, outside the Company, in 2014	Other offices and positions held by the Management Board member, outside the Company, in the last five fiscal years (2013-2009)
Thomas LINGELBACH **Chairman of the Management Board, President & CEO of Valneva SE** (Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending December 31, 2015)	+ **Vaccines Holdings Sweden AB** (formerly « Goldcup 10618 AB ») Board Member, Chair of the Board (December 2014 to this day) + **Elatos GmbH** *Geschäftsführer* (Manager) (December 2013 to this day) + **Valneva Austria GmbH** (formerly « Intercell Austria AG ») *Geschäftsführer* (Manager) (August 2013 to this day) + **Intercell USA Inc.** (formerly « IOMAY Corporation ») President & Chief Executive Officer (November 2012 to this day) Director (August 2008 to this day) + **Valneva Scotland Ltd.** (formerly « Intercell Biomedical Ltd. ») Director (December 2006 to this day)	+ **Intercell AG** Chief Executive Officer (2011-2013) Chief Operating Officer (2007-2011) + **Intercell Austria AG** President & Chief Executive Officer (2013) + **Intercell USA Inc.** President & CEO (2001-2009)

Name	Offices and positions held by the Management Board member, outside the Company, in 2014	Other offices and positions held by the Management Board member, outside the Company, in the last five fiscal years (2013-2009)
Franck GRIMAUD **Member of the Management Board, Deputy CEO and Managing Director of Valneva SE** (Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending December 31, 2015)	+ **Vaccines Holdings Sweden AB** (formerly « Goldcup 10618 AB ») Board Member, Managing Director (December 2014 to this day) + **Valneva Austria GmbH** (formerly « Intercell Austria GmbH ») *Geschäftsführer* (Manager) (August 2013 to this day) + **Atlanpole Biothérapies** Board member and Vice President (January 2012 à December 2014) + **Valneva Toyama Japan K.K.** (formerly « Vivalis Toyama Japan K.K. ») Representative Director & President (April 2011 to this day) + **Grimaud Deyang Animal Co Ltd.** (China) Board member (September 2000 to this day) + **Chengdu Grimaud Breeding Co Ltd.** (China) Board member (January 2000 to this day)	+ **SMOL Therapeutics SAS** (Company transferred through transfer of its assets and liabilities on December 30, 2013) Managing Director President (2013) + **Intercell Austria AG** Chief Business Officer (2013) + **Humalys** (Company transferred through transfer of its assets and liabilities) President (2010 - 2011) + **TCL Pharma (France)** Board member (Until 2010)
Reinhard KANDERA **Member of the Management Board & CFO of Valneva SE** (Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending December 31, 2015)	+ **Vaccines Holdings Sweden AB** (formerly « Goldcup 10618 AB ») Board Member (December 2014 to this day) + **Elatos GmbH** *Geschäftsführer* (Manager) (December 2013 to this day) + **Valneva Austria GmbH** (formerly « Intercell Austria AG ») *Geschäftsführer* (Manager) (August 2013 to this day) + **Intercell USA Inc.** Director (April 2012 to this day) Secretary (February 2012 to this day) + **Valneva Scotland Ltd**. (formerly « Intercell Biomedical Ltd. ») Secretary (2009-2014) Director (February 2004 to this day)	+ **Intercell Austria AG** Chief Financial Officer (2013) Vice-Chairman of the Supervisory Board of the company (2013) + **Intercell AG** Chief Financial Officer (2009-2013) + **Intercell USA Inc.** Chief Financial Officer (2009-2012)

The Business address of M. Franck Grimaud corresponds to Valneva SE's main site, located at: 6 rue Alain Bombard, 44800 Saint-Herblain, Nantes, France.

However, the Business address of M. Thomas Lingelbach and M. Reinhard Kandera corresponds to the site of Valneva Austria GmbH, Valneva SE's Austrian subsidiary, located at: Campus Vienna Biocenter 3, 1030, Vienna, Austria.

As far as the Company is aware:

- no Management Board member has been convicted of fraud over the last five years;
- no Management Board member has been associated with any bankruptcy, sequestration or liquidation proceeding over the last five years;
- no Management Board member has been the subject of any official public incrimination or sanction pronounced by any statutory or regulatory authorities (including professional bodies) over the last five years; and
- no Management Board member has been prevented by any court from acting as a member of any Board of Directors or Management or Supervisory body of an issuer, or from participating in the management or conduct of the business and affairs of an issuer over the last five years.

2.1.1.2. Supervisory Board members

In accordance with Resolutions 2, 5 and 6 of the Company's General Meetings of December 12, 2012, and Resolutions 12 to 15 of the Company's General Meetings of March 7, 2013, the Supervisory Board is currently composed of the following members:

Name	Offices and positions held by the Supervisory Board member, outside the Company, in 2014	Other offices and positions held by the Supervisory Board member, outside the Company, in the last five fiscal years (2013-2009)
Frédéric GRIMAUD **Chairman of the Supervisory Board of Valneva SE** (Appointed by the EGM of December 12, 2012, end of term of office at the AGM called to rule on the accounts for the fiscal year ending December 31, 2015)	+ **Ovogenetics Holding BV** Director (December 2014 to this day) + **Grimaud Frères Holding SAS** Permanent Representative of the company Groupe Grimaud La Corbière in its capacity as President of the company Grimaud Frères Holding SAS (December 2014 to this day) + **Choice Genetics SAS** Nomination and Compensation Committee member (November 2014 to this day) Chair of the Board (October 2014 to this day) President (January 2008 to this day) + **Blue Genetics Vietnam** Chairman of the Council (July 2014 to this day) + **Galor SAS** President (November 2013 to this day) + **Blue Genetics Mexico** Chair of the Board (July 2013 to this day) + **Blue Genetics Holding SAS** President (May 2013 to this day)	+ **Intercell Austria AG** Supervisory Board member + **Bucolica NV** (Holland) Board member (Until March 13, 2010) + **Hubbard Co. Ltd** (Thailand) (Company voluntary liquidated on February 12, 2010) Board member + **Hubbard Holding Co. Ltd** (Thailand) (Company voluntary liquidated on February 12, 2010) Board member + **Grimaud (Malaysia) SDN BHD** Chair of the Board (Company voluntary liquidated) + **Canarderie de la Ronde** President (Until June 25, 2009)

Name	Offices and positions held by the Supervisory Board member, outside the Company, in 2014	Other offices and positions held by the Supervisory Board member, outside the Company, in the last five fiscal years (2013-2009)
	+ **Hubbard SAS** Permanent Representative of the company Hubbard Holding SAS in its capacity as President of the company Hubbard SAS (February 2013 to this day)	
	+ **Choice Genetics Vietnam** Chairman of the Council (January 2013 to this day)	
	+ **Pen Ar Lan SA** Chair of the Board (November 2011 to this day)	
	+ **Grimaud Vietnam Company Limited** Chairman of the Management Committee (August 2011 to October 2014) President (June 2009 to this day)	
	+ **Novogen** President (July 2008 to this day)	
	+ **Choice Genetics USA LLC** Board member (May 2008 to this day)	
	+ **Hubbard Polska Sp Zoo** (Poland) Supervisory Board member (2006 to this day)	
	+ **La Couvée SAS** Member of the Steering and Management Committe (June 2005 to this day)	
	+ **Hubbard Holding SAS** President (April 2005 to this day)	
	+ **Hubbard LLC** (USA) Chairman of the Board (March 2005 to this day)	
	+ **Groupe Grimaud La Corbière SA** Chairman of the Management Board (June 2004 to this day)	
	+ **Grimaud Frères Sélection SAS** President (November 2002 to this day)	
	+ **Hypharm SAS** President (November 2002 to this day)	
	+ **Filavie SAS** President (November 2002 to this day)	
	+ **Grimaud (Putian) Breeding Farm Co Ltd** (China) Chair of the Board (December 2000 to this day)	

Name	Offices and positions held by the Supervisory Board member, outside the Company, in 2014	Other offices and positions held by the Supervisory Board member, outside the Company, in the last five fiscal years (2013-2009)
	+ **Grimaud (Deyang) Animal Health Co Ltd** (Chine) Chair of the Board (November 2000 to this day) + **Grimaud Italia SRL** (Italie) Board member (2000 to this day) + **Chengdu Grimaud Breeding Farm Ltd** (China) Chair of the Board (October 1996 to this day) + **France Food Alliance SAS** Permanent Representative of the company Groupe Grimaud La Corbière in its capacity as Supervisory Board member (November 2007 to July 2014)	
Alain MUNOZ **Supervisory Board member at Valneva SE** *Independent member* (Appointed by the EGM of December 12, 2012, end of term of office at the AGM called to rule on the accounts for the fiscal year ending December 31, 2015)	+ **Hybrigenics SA** Board member (October 2011 to this day) + **Genticel SA** Supervisory Board member (March 2010 to this day) + **Medesis Pharma SA** Supervisory Board member (October 2009 to September 2014) + **Auris Medical** Supervisory Board member (December 2007 to April 2015) + **Zealand pharma (Denmark)** Supervisory Board member (November 2007 to this day) + **SARL Science and Business** Manager (2000 to this day)	+ **Amistad Pharma SAS** President + **Novagali Pharma** Chairman of the Supervisory Board + **Erytech SA** Supervisory Board member + **Intercell Austria AG** Supervisory Board member
Michel GRECO **Supervisory Board member at Valneva SE** *Independent member* (Appointed by the EGM of December 12, 2012, end of term of office at the AGM called to rule on the accounts for the fiscal year ending December 31, 2015)	+ **Synthelis SAS** Board member (January 2014 to this day) + **Texcell France** Board member (October 2010 to this day) + **Hôpital de Fourvière** de Lyon Board member (2007 to this day) + **Noraker SAS** President (2007 to March 2015) + **Immutep France** Administrateur (September 2005 to October 2014)	+ **Intercell Austria AG** Supervisory Board member + **Glycovaxyn** (Suisse) Chairman of the Board (Until July 1, 2013) + **Intercell AG** Chairman of the Supervisory Board (Until December 2012) + **IVI « International Vaccine Institute »** Board member (Until 2010) + **Argos Therapeutics** (USA) Board member (Until beginning of 2012) + **International Aids Vaccine Initiative** (New York) Board member (2003-2012)

Name	Offices and positions held by the Supervisory Board member, outside the Company, in 2014	Other offices and positions held by the Supervisory Board member, outside the Company, in the last five fiscal years (2013-2009)
	+ **Centre hospitalier St Joseph – St Luc** (Lyon) President (2004 to this day) + **Institut de Pharmacie Industrielle** (Lyon) Deputy manager and Board member (2003 to March 2015)	+ **Aeras TB Vaccines Foundation** (Washington) Board member (2003-2012)
James SULAT **Vice-Chairman of the Supervisory Board of Valneva SE** *Independent member* (Appointed by the EGM of March 7, 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending December 31, 2015)	+ **AMAG Pharmaceuticals, Inc.** Member of the Board of Directors (April 2014 to this day) Audit Committee member (April 2014 to this day) Transactions Committee member (April 2014 to this day) + **Momenta Pharmaceuticals Inc.** Chairman of the Board of Directors (December 2008 to this day) Audit Committee member (June 2008 to this day) Nominations and Corporate Governance Committee member (June 2008 to this day)	+ **Intercell AG** Supervisory Board member (2005-2013) + **Intercell Austria AG** Vice-Chairman of the Supervisory Board + **Maxygen, Inc.** Managing Director CFO Board member
Hans WIGZELL **Supervisory Board member at Valneva SE** *Independent member* (Appointed by the EGM of March 7, 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending December 31, 2015)	+ **Karolinska Development AB** Board of Directors Member (Ongoing) + **Raysearch AB** Board of Directors Member (Ongoing) + **SOBI AB** Board of Directors Member (Ongoing) + **Sarepta Therapeutics** Board of Directors Member (Ongoing) + **Stockholm School of Entrepreneurship** Chairman (Ongoing)	+ **Intercell AG** Supervisory Board member
Alexander VON GABAIN **Supervisory Board member at Valneva SE** *Independent member* (Appointed by the EGM of March 7, 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending December 31, 2015)	+ **European Institute of Innovation and Technology, EIT,** Budapest & Bruxelles Chairman of the Governing Board (February 2011 to July 2014) + **Business incubator of the Viennese Universities, Inits,** Vienne Chairman of the Supervisory Board (April 2007 to this day) + **Karolinska Institute, Stockholm** Deputy Vice-Chancellor (August 2014 to this day)	+ **Functional Genetics** Supervisory Board member + **INiTS Universitäres Gründerservice Wien GmbH** Chairman of the Supervisory Board + **Intercell Austria AG** Chairman of the Supervisory Board + **Institut Karolinska** Foreign Associate Professor + **Zytoprotec Ltd.** Scientific advisor

Name	Offices and positions held by the Supervisory Board member, outside the Company, in 2014	Other offices and positions held by the Supervisory Board member, outside the Company, in the last five fiscal years (2013-2009)
	+ **Max Perutz Laboratories, Vienna University** Professor of Microbiology (January 1993 to this day)	+ **WHO committee Stop Tuberculosis** Member
Anne-Marie Graffin **Supervisory Board member at Valneva SE** (Appointed by the EGM of March 7, 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending December 31, 2015)	+ **Nanobiotix** Supervisory Board member (January 2014 to this day) + **SARL SMAG Consulting** Manager (September 2011 to this day) + **Themis Bioscience GmbH** Board member (July 2012 to January 2015)	+ **Sanofi Pasteur MSD** Vice –President (Until December 2010) + **Sanofi pasteur MSD S.A Espagne** Board member + **Sanofi pasteur MSD S.A Portugal** Board member + **Sanofi pasteur MSD Limited UK** Board member + **Sanofi pasteur MSD Limited Irlande** Board member + **Sanofi pasteur MSD S.A Portugal** Board member

For an additional description of the experience of the Supervisory Board members, please refer to Section 1.1 of the 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 (Section 2.3 of this Registration Document).

The Business address of the Supervisory Board is the registered office of the Company: 70, rue Saint Jean de Dieu, 69007 LYON.

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As far as the Company is aware:

+ no member of the Supervisory Board has been convicted of fraud over the last five years;
+ apart from Frédéric Grimaud, who was a board member of Grimaud Malaysia SDN BHD Hubbard Holding Co Ltd (Thailand) and Hubbard Co Ltd., both voluntary liquidated, no Supervisory Board member has been associated with any bankruptcy, sequestration or liquidation over the last five years;
+ no Supervisory Board member has been the subject of any official public incrimination or sanction pronounced by any statutory or regulatory authorities (including professional bodies) over the last five years; and
+ no Supervisory Board member has been prevented by any court from acting as a member of any board of directors or management or supervisory body of an issuer, or from participating in the management or conduct of the business and affairs of an issuer over the last five years.

2.1.2. Rules governing the Management and Supervisory bodies and conflicts of interests

2.1.2.1. Rules governing the Management Board

2.1.2.1.1. Rules provided by the Articles of Association of the Company

Please, refer to Section 5.3.2 of this Registration Document.

2.1.2.1.2. Rules provided in the Internal Rules of the Management Board

Internal Rules of the Management Board aims to give further details with regard to the duties of the Management Board and its operating procedures, in accordance with the law and the Articles of Association of the Company, as well as the corporate governance rules that applies for publicly traded companies.

The main provisions of the Internal Rules of the Management Board of the Company, such as amended on November 25, 2013, are as follows:

Number of members/Meetings

Pursuant to the Articles of Association, there may be at least two members and no more than seven members of the Management Board.

The Management Board shall meet at least once each calendar month and written minutes of such meetings shall be prepared.

Powers and distribution

The Management Board has the most extensive powers for acting in all circumstances in the name of the Company and shall exercise these within the limits of the Company object and subject to those expressly attributed by law to the Supervisory Board and to the General Meetings of shareholders and those which require the prior authorization of the Supervisory Board, as specified in article 19 of the Company's Articles of Association.

Any limitation on the powers of the Management Board shall be unenforceable against third parties.

The members of the Management Board work to lead the Company. All powers of the Management Board are exercised collegially and all liability is joint and several.

However, pursuant to Article R.225-39 of the French commercial code, and further to the authorization of the Supervisory Board, members of the Management Board divide the supervision of the business of the Company as follows:

+ Thomas Lingelbach, President and CEO, Chairman of the Management Board:
    - Chair, Management Board
    - Technical Operations/Development
    - Human Resources / Internal communications
    - Clinical and commercial manufacturing
    - Quality and regulatory compliance
    - Clinical development, Medical product management and pharmacovigilance
    - Corporate Compliance.

- Franck Grimaud, President and CBO:
  - Corporate Development,
  - Business Development
  - Sales and Marketing,
  - Alliance Management,
  - Corporate and Investors communication
  - Legal Affairs

- Reinhard Kandera, CFO:
  - Accounting,
  - Controlling
  - Tax
  - Investor Relations
  - IT

Activities supervised by all Management Board members, and especially by Mr. Thomas Lingelbach and Mr. Franck Grimaud:

- Scientific management and oversight
- Intellectual property
- R&D antibodies projects
- R&D cell technologies projects
- R&D vaccines projects

In spite of such distribution, the individual actions of each member of the Management Board are deemed to have been collegially made. As such, all members of the Management Board are bound by these individual actions and jointly and severally liable for them.

At the monthly Management Board meetings, the Management Board has to be informed of the decisions taken by those of its members which have received the particular business functions mentioned above.

Delegation of Powers/Signing Authorities

The President & CEO ("*President du Directoire*") / Chairman of the Management Board as well as the President & CBO ("*Directeur Général")* can convey their respective authority to another member of the Management Board or to any other person ("**the Agent**") to represent the Company vis-à-vis third parties in certain specific areas covered by the delegation, subject to the following conditions:

- the scope of the delegation of powers must be limited: They may not delegate all of his/their management powers. The terms of the delegation must, therefore, be specific and limited in nature.
- in principle, the Agent can commit the Company with respect to third parties only to the extent of the authority which was given to him.

Any agreements, contracts or commitments (each an "**Agreement**") made on behalf of the Company must be agreed and signed by the President and CEO ("*President du Directoire*") and the President and CBO ("*Directeur Général*") unless such Agreement represents a total value of less than EUR 500,000, in which case:

- if such Agreement represents a total value of more than EUR 100,000, such agreement may be signed by either one Management Board member and one Executive Committee member, or alternatively by 2 Management Board members ,
- if such Agreement represents a total value of less than EUR 100,000, it may be signed by 2 persons that are either Executive Committee members or Management Board members.

Limitations on the powers of the President & CEO ("*Président du Directoire*") or the President & CBO ("*Directeur Général*") shall be unenforceable against third parties.

Mutual Information

The members of the Management Board have a duty to mutually consult with each other about:

- the most important decisions made by the Board, or decisions made in the area of activity for which they are responsible within the Company (see hereinbefore), particularly actions intended to develop or adapt the business of the Company;
- more generally, all actions related to the implementation of the Company's general strategy shall be referred to the Management Board.

Reporting duty to the Supervisory Board

In accordance with article L.225-68, Subsection 4, of the French commercial code, the Management Board shall quarterly submit to the Supervisory Board a written report on the course of the business and the Company's affairs.

The President & CEO ("*President du Directoire*") and the President & CBO ("*Directeur Général*") shall meet regularly, either in person or by telephone, with the Chairperson of the Supervisory Board.

Confidentiality

In compliance with article L.225-92 of the French commercial code, all members of the Management Board or people attending Board meetings are bound by professional secrecy with respect to discussions and deliberations of the Board as well as any information they may receive in the course of their duties.

All members of the Management Board or people attending Board meetings are bound to non-disclosure of any such information outside the Management Board.

Compliance

All members of the Management Board or people attending Board meetings undertake to comply with Valneva insider policy. All members of the Management Board are responsible for maintaining the commitments set forth in the Company's Code of Conduct in connection with all of the business conducted by themselves and by the functions reporting to them.

2.1.2.2. Rules governing the Supervisory Board

2.1.2.2.1. Rules provided by the Articles of Association of the Company

Please, refer to Section 2.1 of the 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 (Section 2.3 of this Registration Document), as well as to Section 5.3.2 of this Registration Document.

2.1.2.2.2. Rules provided by the Internal Rules of the Supervisory Board

The main provisions of the Internal Rules of the Supervisory Board of the Company, such as approved during its meeting held on May 31, 2013, are as follows:

Independence and duty to speak

Each Supervisory Board Member shall ensure he or she retains his or her independence of judgment, decision and action. He or she undertakes not to be influenced by any element outside the Company's corporate interest that it is his or her duty to pursue.

Each Supervisory Board Member shall disclose to the Supervisory Board any matter that might come to his or her attention and which he or she considers as likely to affect the Company's corporate interest.

Each Supervisory Board Member shall express his or her questions or opinions to ensure that the Company's corporate interest is pursued at any time and shall do his or her best effort to convince other Supervisory Board Members in order to ensure that such interest is pursued. In the event there is a disagreement between the Supervisory Board Members during a meeting of the Supervisory Board, the dissenting Supervisory Board Member may request that his or her position be recorded in the minutes of the meeting.

Independence and conflict of interest

Each Supervisory Board Member shall do his or her best effort to avoid any conflict arising between his or her interests and the Company's corporate interest. He or she shall inform the Supervisory Board as soon as he or she becomes aware of any conflict of interests or potential conflict of interests, and subsequently refrain from taking part in discussions and voting on any related resolutions.

Loyalty and good faith

Each Supervisory Board Member and Attendee shall refrain from acting in any way that might go against the corporate interest of the Company and shall act in good faith in all circumstances.

Each Supervisory Board Member shall undertake to comply with all the decisions adopted by the Supervisory Board which are in compliance with applicable laws and regulations.

Confidentiality

In accordance with article L.225-92 of the French commercial code, each Supervisory Board Member and Attendee shall be bound by professional secrecy with respect to discussions and

deliberations of the Board and committees of the Supervisory Board, as well as any information he or she may receive in the course of his or her duties.

Each Supervisory Board Member or Attendee shall be bound not to disclose any such information outside the Board.

Insider policy

Each Supervisory Board Member and Attendee shall comply with the Company's insider policy.

Diligence

By accepting his or her office of Supervisory Board Member, each Supervisory Board Member undertakes to devote the necessary time, care and attentions to his or her duties, in accordance with applicable laws and regulations. Unless genuinely unable to do so, each Supervisory Board Member shall attend all meetings of the Supervisory Board and Committee meetings of which he or she is a member.

Each Supervisory Board Member shall resign from his or her office as Supervisory Board Member in the event he or she considers not being in a position to carry out his or her duties in accordance with the application laws and regulations and/or the Internal Rules.

Professionalism

Each Supervisory Board Member shall contribute to the collegiate administration and efficiency of the work of the Board and of any Committee. He or she shall make any recommendation which might improve the Board procedures.

Each Supervisory Board Member shall have a duty to ensure that the deliberations of the Board are taken in the Company's corporate interest and recorded in the minutes of the meetings.

Committees – common provisions

The Board may decide to set up within itself Committees, to facilitate the proper operation of the Supervisory Board and to contribute effectively in the preparation of its decisions.

A Committee's mission is to study the issues and projects which the Supervisory Board or its Chairman refers to it for consideration, to prepare the work and decisions of the Supervisory Board relating to its subject and projects, and to report the findings to the Supervisory Board in the form of reports, proposals, opinions, information or recommendations.

Committees shall perform their duties under the responsibility of the Supervisory Board. No Committee may deal, on its own initiative, with issues which extend beyond the specific context of its missions. Committees shall have no power to take decisions.

2.1.2.3. Conflicts of interests regarding Management and Supervisory bodies

The Management Board and the Supervisory Board are respectively currently composed of three and seven members such as listed above (see Section 2.1.1 of this Registration Document).

In addition to the Committees mentioned above (see Section 2.1.3 of this Registration Document), the Company has five members of the Supervisory Board of the Company believes that they meet

the independence criteria defined by the Code MiddleNext published in December 2009 (Recommendation # 8), namely:

- not being an employee or corporate officer of the Company or of its affiliates and has not been during the last three years;
- not being a customer, supplier or banker of the Company, its Group or to which the Company or its Group represents a significant part of the activity;
- not being a reference shareholder of the Company;
- not having close family ties with a corporate officer or a significant shareholder;
- not having been an auditor of the Company for the past three years."

Moreover, with the exception of Franck Grimaud, Management Board member of the Company, who is second cousin of Frédéric Grimaud, Chairman of the Supervisory Board of the Company, there is no family relationship between any other Management and Supervisory Board members of the Company.
In consideration of these statements, to the best knowledge of the Company, there is no potential conflict of interests between the duties, in respect of the Company, 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 concluded with 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 as member of the administrative, management or supervisory bodies, or member of senior management.

However, some restrictions were accepted in 2013 by the Management Board members of the Company, for the sale of their stake in the Company. Please, refer to Section 5.2.4 of this Registration Document, concerning the Shareholders' 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 Kandera.

2.1.2.4. Service agreements

There are no service agreements binding the members of the Supervisory Board to the Company or to one of its affiliates.

However, the members of the Management Board are, depending on the case, parties to an "Employment and Management Agreement" or a "Management Agreement".

These agreements, concluded since December 12, 2012 between the Management Board members and the Company Valneva SE or its affiliate Valneva Austria GmbH, depending on the case, provide for the rules of compensation and benefits for each of such members, in counterpart of their corporate positions and functions within the Group. For additional information, please refer to Sections 2.2.2.2, 2.2.2.7 and 5.6 of this Registration Document.

2.1.3. Specialized Committees

For a description of the Committees set up by the Company so far, please refer to Section 2.2 of the 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 (see Section 2.3 of this Registration Document).

2.1.4. Transaction on the Company's shares by the Company's officers

No transaction on the Company' shares made by the Company's officers (as referred to in article L.621-18-2 of the French monetary and financial code) has to be reported with respect to fiscal year 2014.

2.2. Remuneration and benefits granted to the Management and Supervisory Board members

The information presented in this Registration Document applies to compensation allocated to members of the Management and Supervisory Boards by:

- the Company;
- the companies controlled, pursuant to article L.233-16 of the French commercial code, by the Company in which the office is exercised;
- the companies controlled, pursuant to article L.233-16 of the French commercial code, by the Company(ies) controlling the Company in which the office is exercised;
- the company(ies) controlling pursuant to the same article the Company in which the office is exercised;

in consideration for services they provide to companies of the Group.

The amounts presented below are on a gross basis before tax.

2.2.1. Shareholding of the Management and Supervisory Board members in the share capital of the Company

Values hereinafter indicated have been calculated by reference to a total share capital of 75,852,214 Valneva shares, divided into 74,663,099 ordinary shares and 17,836,719 preferred shares with a nominal value of EUR 0.01, brought down to a nominal value of EUR 0.15.

2.2.1.1. Shareholding of the Management Board members at May 31, 2015

Name	Shares held on May 31, 2015	Number of stock options held by the Management Board members and number of shares entitled to result from these stock-options
Thomas LINGELBACH Chairman of the Management Board	**124,443 shares** (i.e. 0.16% of the share capital of the Company) Divided as follows: + 124,205 ordinary shares + 3,575 preferred shares	**100,000 stock-options** ⇨ Giving right to subscribe to **109,961 ordinary shares**
Franck GRIMAUD Management Board member	**477,787 ordinary shares** (i.e. 0.63% of the share capital of the Company)	**100,250 stock-options** ⇨ Giving right to subscribe to **141,300 ordinary shares**
Reinhard KANDERA Management Board member	**57,074 actions** (i.e. 0.08% of the share capital of the Company) Divided as follows: + 56,446 ordinary shares + 9,425 preferred shares	**100,000 stock-options** ⇨ Giving right to subscribe to **109,961 ordinary shares**

2.2.1.2. Shareholding of the Supervisory Board members at May 31, 2015

Name	Shares held on May 31, 2015	Number of warrants (BSA) held by the Management Board members and number of shares entitled to result from these warrants
Frédéric GRIMAUD Chairman of the Supervisory Board	**257,996 ordinary shares** (i.e. 0.34% of the share capital of the Company)	0
Alain MUNOZ Member of the Supervisory Board	**41,800 ordinary shares** (i.e. 0.06% d of the share capital of the Company)	1,875 (giving right to the subscription of **2,156 ordinary shares)**
Michel GRECO Member of the Supervisory Board	**618 shares** Divided as follows: + 586 ordinary shares + 486 preferred shares	3,750 (giving right to the subscription of **4,312 ordinary shares)**
James SULAT Vice-President of the Supervisory Board Member of the Supervisory Board	**17,867 ordinary shares** (i.e. 0.02% of the share capital of the Company)	0
Hans WIGZELL Member of the Supervisory Board	0	0
Alexander VON GABAIN Member of the Supervisory Board	**39,687 shares** (i.e. 0.05% of the share capital of the Company) Divided as follows: + 38,218 ordinary shares + 22,048 preferred shares	0
Anne-Marie GRAFFIN Member of the Supervisory Board	0	0

2.2.2. Remuneration of the Management Board members

2.2.2.1. Summary of the remuneration granted to the Management Board members

Thomas LINGELBACH, Chairman of the Management Board, President & CEO of Valneva SE		
	2014	**2013**
Remuneration payable for the period	549,167.36 €	Amount set for the post-Intercell merger AG period (as from May 28, 2013): EUR 540,298.10
Measurement of multi-year variable remuneration granted in the period	0 €	EUR 0
Measurement of options granted in the period	0 €	EUR 160,936.47
Measurement of bonus shares granted in the period	0 €	EUR 0
Total Thomas LINGELBACH	**549,167.36 €**	**EUR 701,234.57**

Franck GRIMAUD, Management Board member, President & CBO of Valneva SE		
	2014	**2013**
Remuneration payable for the period	From EUR 269,405.30 to EUR 408,605.30	Amount set for the pre-Intercell AG merger period (current period up to May 28, 2013): EUR 163,947 Amount set for the post-Intercell AG merger period (as from May 28, 2013): EUR 251,157 to EUR 390,357
Measurement of multi-year variable remuneration granted in the period	EUR 0	EUR 0
Measurement of options granted in the period	EUR 0	EUR 160,936.47
Measurement of bonus shares granted in the period	EUR 0	EUR 0
Total Franck GRIMAUD	**From EUR 269,405.30 to EUR 408,605.30**	Amount set for the pre-Intercell AG merger period (current period up to May 28, 2013): **EUR 324,883.47** Amount set for the post-Intercell AG merger period (as from May 28, 2013): **EUR 412,093.47 to EUR 551,293.47**

Reinhard KANDERA, Management Board member & CFO of Valneva SE		
	2014	**2013**
Remuneration payable for the period	**EUR 411,906.04**	Amount set for the post-Intercell AG merger period (as from May 28, 2013): EUR 409,200
Measurement of multi-year variable remuneration granted in the period	0 €	EUR 0
Measurement of options granted in the period	0 €	EUR 160,936.47
Measurement of bonus shares granted in the period	0 €	EUR 0
Total Reinhard KANDERA	**EUR 411,906.04**	**EUR 570,136.47**

2.2.2.2. Presentation of individual compensation

Thomas Lingelbach, Chairman of the Management Board, President & CEO of Valneva SE					
		2014		**2013** **For the post-Intercell AG merger period** **(from May 28 2013 to December 31, 2013)**	
		Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Fixed compensation		EUR 320,000 payable in 14 equal instalments	EUR 320,000	EUR 320,000 payable in 14 equal instalments (As set by the Supervisory Board of Valneva SE for the year 2013)	EUR 228,571.43
Annual variable remuneration (a)		Maximum 60% of gross annual salary, i.e. EUR 192,000	EUR 158,784 (Amount paid with respect to 2013 objectives)	Maximum 60% of gross annual salary i.e. EUR 192,000 Amount set by the Supervisory Board of Valneva SE for the year 2013)	EUR 133,000 Amount paid with respect to 2012 objectives by Intercell AG, and for the period from January to May 2013)
Multi-year variable remuneration		EUR 0	EUR 0	EUR 0	EUR 0
Exceptional remuneration		EUR 0	EUR 0	EUR 0	EUR 640,000 (b)
Attendance fees		EUR 0	EUR 0	EUR 0	EUR 0
Fringe benefits	**Car rental**	Maximum EUR 1,100 per month, or EUR 13,200 for year 2014 Insurance: EUR 2,755.36 for a complete year of insurance	EUR 13,526.19 i.e.: • EUR 10,770.83 for car leasing • EUR 2,755.36 for car insurance	Maximum EUR 1,100 per month, or EUR 13,200 for year 2013	EUR 7,261.77
	Death and endowment policy	Maximum EUR 1000 per month, or EUR 12,000 for year 2014	EUR 12,000	Maximum EUR 1,000 per month, or EUR 12,000 for year 2013	EUR 7,000
	Reimbursement of home-workplace journeys made by flights and of associated costs (c)	EUR 9,212	EUR 9,212	EUR 3,098.10	EUR 3,098.10
TOTAL		**EUR 549,167.36**	**EUR 513,522.19**	**EUR 540,298.10**	**EUR 1,018,931.30**

(a) The variable portion is linked to annual performance and depends on the achievement of quantitative and qualitative objectives relating to the strategy of the Company, research programs and earnings. These objectives are set according to the recommendation of the compensation and nomination committee. A preliminary performance review is undertaken midyear by the Compensation and Nomination Committee. Achievement of objectives is then validated by the Supervisory Board on the recommendation of the Compensation and Nomination Committee. The amounts set out in the "Amounts due" column represent the maximum amounts that may be granted if all the objectives are met.

(b) Amount paid in July 2013 under a Conditional Settlement Agreement dated as of December 16, 2012 between Intercell AG, Vivalis SA and Thomas Lingelbach.
This payment was in consideration for a waiver of the rights granted by Intercell AG to Mr. Lingelbach in case of change of control of the company "Intercell AG" (rights granted by a "Change of Control Agreement" signed in November 2009 and amended in May 2011), and was also intended to allow Mr. Lingelbach to acquire shares of the Company after the Vivalis / Intercell merger.

(c) The Management and Employment Agreement concluded between M. Thomas LINGELBACH and Valneva Austria GmbH provides that M. LINGELBACH be reimbursed for the costs of weekend flights between Hometown and sites of Valneva, including of its affiliates, these costs including the transfers from and to the airport.

Franck Grimaud, Management Board member, President & CBO of Valneva SE							
		2014		**2013** **For the period post-merger with Intercell AG** **(from May 28 2013 to December 31, 2013)**		**2013** **For the pre-Intercell AG merger period** **(from January 1, 2013 to January 28, 2013)**	
		Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**	**Amounts due**	**Amounts paid**
Fixed compensation		From EUR 153,000 - EUR 240,000 (straight-line increase in remuneration over the next 3 years following completion of the merger with Intercell AG) Payable in 12 instalments	EUR 194,932.68	From EUR 153,000- EUR 240,000 (straight-line increase in remuneration over the next 3 years following completion of the merger with Intercell AG) Payable in 12 instalments (As set by the Supervisory Board of Valneva SE for the year 2013)	EUR 114,707.39	EUR 157,590 (As set by the Supervisory Board of Valneva SE for the year 2013)	EUR 52,530
Annual variable remuneration (a)		Maximum 60% of gross annual salary i.e. EUR 91,800 to EUR 144,000	EUR 92,803.24 (Amount paid with respect to 2013 objectives)	Maximum 60% of gross annual salary i.e. EUR 91,800 to EUR 144,000 Amount set by the Supervisory Board of Valneva SE for the year 2013)	EUR 0	EUR 0 (Amount fixed with respect to the 2013 objectives not yet fixed by the Supervisory Board of Vivalis for the pre-merger period. The Supervisory Board of Vivalis indicated that this amount will be set when the merger is completed.)	EUR 17,671.50 (Amount paid with respect to 2012 objectives)
Multi-year variable remuneration		EUR 0	EUR 0	EUR 0	EUR 0	EUR 0	EUR 0
Exceptional remuneration		EUR 0	EUR 0	EUR 0	EUR 0	EUR 0	EUR 0
Attendance fees		EUR 0	EUR 0	EUR 0	EUR 0	EUR 0	EUR 0
Fringe benefits	**GSC (b)**	EUR 6,446	EUR 6,446	EUR 6,357 (for year 2013)	EUR 4,238	EUR 6,357 (for year 2013)	EUR 2,119

Franck Grimaud, Management Board member, President & CBO of Valneva SE							
		2014		**2013** **For the period post-merger with Intercell AG** **(from May 28 2013 to December 31, 2013)**		**2013** **For the pre-Intercell AG merger period** **(from January 1, 2013 to January 28, 2013)**	
	Leasing car (c)	Maximum amount for car leasing : EUR 1,100 per month, i.e. EUR 13,200 for year 2014 Insurance: EUR 1,314.30 for a complete year of insurance, from September 22, 2014 to September 22, 2015 Tax on company cars (TVTS): EUR 3,645	EUR 6,919.90 i.e.: EUR 3,045.10 for car leasing EUR 221.80 for car insurance EUR 3,645 for the tax on company cars (TVTS)	EUR 0	EUR 0	EUR 0	EUR 0
TOTAL		**From EUR 269,405.30 to EUR 408,605.30**	**EUR 294,665.82**	**From 251,157 to EUR 390,357**	**EUR 118,945.39**	**EUR 163,947**	**EUR 72,320.50**

(a) The variable portion is linked to annual performance and depends on the achievement of quantitative and qualitative objectives relating to the strategy of the Company, research programs and earnings. These objectives are set according to the recommendation of the compensation and nomination committee. A preliminary performance review is undertaken midyear by the Compensation and Nomination Committee. Achievement of objectives is then validated by the Supervisory Board on the recommendation of the Compensation and Nomination Committee. The amounts set out in the "Amounts due" column represent the maximum amounts that may be granted if all the objectives are met.

(b) A Social Insurance Contract for Company Directors and Managers (Convention Garantie Sociale des Chefs et Dirigeants d'Entreprise or GSC) has been granted to Franck Grimaud. The purpose of this Contract is to guarantee the payment of compensation in case of unemployment (up to 70% of the last professional net income filed with the tax authorities). This GSC was set up pursuant to an authorization of the Board of Directors of October 26, 2000. The expense incurred by the Company for 2014 for the GSC was EUR 6,446 (amount included in the fixed compensation paid in 2014), compared with EUR 6,357 for 2013.

(c) At the end of 2014 Valneva entered into a leasing agreement for a company car for Franck Grimaud.

Reinhard KANDERA, Management Board member & CFO of Valneva SE					
		2014		**2013** **For the post-Intercell AG merger period** **(from May 28, 2013 to December 31, 2013)**	
		Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Fixed compensation		EUR 240,000 Payable in 14 equal instalments	EUR 240,000	EUR 240,000 Payable in 14 equal instalments (As set by the Supervisory Board of Valneva SE for the year 2013)	EUR 171,428.57
Annual variable remuneration (a)		Maximum 60% of gross annual salary i.e. EUR 144,000	EUR 119,088 (Amount paid with respect to 2013 objectives)	Maximum 60% of gross annual salary i.e. EUR 144,000 Amount set by the Supervisory Board Valneva SE for the year 2013)	EUR 100,000 (Amount paid with respect to 2012 objectives by Intercell AG, and for the period from January to May 2013)
Multi-year variable remuneration		EUR 0	EUR 0	EUR 0	EUR 0
Exceptional remuneration		EUR 0	EUR 0	EUR 0	EUR 240,000 (b)
Attendance fees		EUR 0	EUR 0	EUR 0	EUR 0
Fringe benefits	**Car rental**	Maximum EUR 1,100 per month i.e. EUR 13,200 for year 2014 Insurance: EUR 2,706.04 for a complete year of insurance	EUR 13,085.94 i.e.: • EUR 10,379.90 for car leasing • EUR 2,706.04 for car insurance	Maximum EUR 1,100 per month i.e. EUR 13,200 for year 2013	EUR 3,603.36
	Death and endowment policy	EUR 12,000 for year 2014	EUR 12,000	EUR 12,000 for year 2013	EUR 0
TOTAL		**EUR 411,906.04**	**EUR 384,173.94**	**EUR 409,200**	**EUR 515,031.93**

(a) The variable portion is linked to annual performance and depends on the achievement of quantitative and qualitative objectives relating to the strategy of the Company, research programs and earnings. These objectives have been set according to the recommendation of the Compensation and Nomination Committee. A preliminary performance review is undertaken midyear by the Compensation and Nomination Committee. Achievement of objectives is to be then validated by the Supervisory Board on the recommendation of the Compensation and Nomination Committee. Amounts indicated under the heading "Amounts due" represent the maximum amounts that may be granted if all the objectives are met.

(b) Amount paid in July 2013 under a Conditional Settlement Agreement dated December 16, 2012 between Intercell AG, Vivalis SA and Reinhard Kandera
This payment was in consideration for a waiver of the rights granted by Intercell AG to Mr. Kandera in the case of a change of control of the company "Intercell AG" (rights granted by a "Change of Control Agreement" signed in November 2009 and amended in May 2011), and was also intended to allow Mr. Kandera to acquire shares of the Company after the Vivalis / Intercell merger.

2.2.2.3. Options to subscribe for or purchase shares

Options to subscribe for or purchase shares granted to each Management Board member by the Company or any Group company

	Plan No. and date	Nature of options (purchase or subscription)	Measurement of options according to IFRS 2	Number of options granted in the period	Exercise price	Exercise period
Thomas LINGELBACH Chairman of the Management Board, President & CEO of Valneva SE	No option to subscribe for or purchase shares was granted to Mr. LINGELBACH in 2014.					
Franck GRIMAUD Management Board member, President & CBO of Valneva SE	No option to subscribe for or purchase shares was granted to Mr. GRIMAUD in 2014.					
Reinhard KANDERA Management Board member & CFO of Valneva SE	No option to subscribe for or purchase shares was granted to Mr. KANDERA in 2014.					

Options to subscribe for or purchase shares exercised by each Management Board member

	Plan No. and date	Number of options exercised in the period	Exercise price
Thomas LINGELBACH Chairman of the Management Board, President & CEO of Valneva SE	No option to subscribe for or purchase shares was exercised by Mr. LINGELBACH in 2014.		
Franck GRIMAUD Management Board member, President & CBO of Valneva SE	No option to subscribe for or purchase shares was exercised by Mr. GRIMAUD in 2014.		
Reinhard KANDERA Management Board member & CFO of Valneva SE	No option to subscribe for or purchase shares was exercised by Mr. KANDERA in 2014.		

2.2.2.4. Bonus shares

Bonus shares granted to each Management Board member by the Company or any Group company

	Plan No. and date	Number of shares granted in the period	Measurement of options according to IFRS 2	Vesting date	Date of availability	Conditions of performance
Thomas LINGELBACH Chairman of the Management Board, President & CEO of Valneva SE	No performance shares were granted to Mr. LINGELBACH in 2014.					
Franck GRIMAUD Management Board member, President & CBO of Valneva SE	No bonus shares were granted to Mr. GRIMAUD in 2014.					
Reinhard KANDERA Management Board member & CFO of Valneva SE	No bonus shares were granted to Mr. KANDERA in 2014.					

Fully vested bonus shares granted, after expiry of the vesting period, to each Management Board member

	Plan No. and date	Number of shares becoming available in the period	Vesting conditions
Thomas LINGELBACH Chairman of the Management Board, President & CEO of Valneva SE	No bonus shares were fully vested by Mr. LINGELBACH in 2014.		
Franck GRIMAUD Management Board member, President & CBO of Valneva SE	No bonus shares were fully vested by Mr. GRIMAUD in 2014.		
Reinhard KANDERA Management Board member & CFO of Valneva SE	No bonus shares were fully vested by Mr. KANDERA in 2014.		

2.2.2.5. Stock options plans history

STOCK OPTION PLANS At December 31, 2014 - End of business day[4]								
	Plan 1	**Plan 2**	**Plan 3**	**Plan 4**	**Plan 4 bis**	**Plan 5**	**Plan 6**	**Plan 7**
Grant decision date	**General Meeting**: June 29, 2001 **Board of Directors meeting**: July 12, 2001	**General Meeting:** May 23, 2002 **Board of Directors meeting**: May 23, 2002	**General Meeting:** November 29, 2002 **Management Board meeting**: **Tranche 1**: December 20, 2002 **Tranche 2**: September 1, 2003 **Tranche 3**: October 6, 2003 **Tranche 4**: January 5, 2005 **Tranche 5**: February 1, 2005	**General Meeting:** November 03, 2004 **Management Board meeting**: **Tranche 1**: April 5, 2005 **Tranche 2**: April 5, 2005 **Tranche 3**: April 5, 2005 **Tranche 4**: October 5, 2005	**General Meeting:** November 03, 2004 **Management Board meeting**: **Tranche 1**: April 3, 2006 **Tranche 2**: April 3, 2006	**General Meeting:** September 13, 2005 **Management Board meeting**: **Tranche 1**: April 3, 2006 **Tranche 2**: April 3, 2006	**General Meeting:** June 09, 2009 **Management Board meeting**: October 1, 2010	**General Meeting:** June 28, 2013 **Management Board meeting**: October 2, 2013
Number of beneficiaries	9	19	9 breaking down as follows: **Tranche 1**: 1 **Tranche 2**: 1 **Tranche 3**: 4 **Tranche 4**: 2 **Tranche 5**: 1	4 breaking down as follows: **Tranche 1**: 1 **Tranche 2**: 1 **Tranche 3**: 1 **Tranche 4**: 1	2 breaking down as follows: **Tranche 1**: 1 **Tranche 2**: 1	2 breaking down as follows: **Tranche 1**: 1 **Tranche 2**: 1	1	293
Duration of plan (as from the date of the decision of the Board of Directors or Management Board)	Until July 12, 2011	Until May 23, 2012	Until: **Tranche 1**: December 20, 2012 **Tranche 2**: September 1, 2013 **Tranche 3**: October 06, 2013 **Tranche 4**: January 05, 2015 **Tranche 5**: February 1, 2015	Until: **Tranche 1**: April 05, 2015 **Tranche 2**: April 05, 2015 **Tranche 3**: April 05, 2015 **Tranche 4**: October 05, 2015	Until: **Tranche 1**: April 03, 2016 **Tranche 2**: April 03, 2016	Until: **Tranche 1**: April 03, 2016 **Tranche 2**: April 03, 2016	Until October 1, 2020	Until October 02, 2023
Maximum amount authorized by the General Meeting	Authorization to grant a number of stock options corresponding to the creation of 2,420 shares with a nominal value of EUR 15 per share	Authorization to grant a number of stock options corresponding to the creation of 1,810 shares with a nominal value of EUR 15 per share	Authorization to grant a maximum number of 3,610 stock options	Authorization to grant a maximum number of 2.400 stock options	Authorization to grant a maximum number of 1,100 stock options[5]	Authorization to grant a maximum number of 660 stock options	Authorization to grant a maximum number of 290.000 stock options	Authorization to grant an amount of stock options conferring a right to subscribe to a total number of shares representing 4% maximum of the Company's share capital on the date the capital increase is adopted under the terms of the ninth resolution of Valneva's Combined General Meeting of March 7, 2014.[6]

[4] The Company only granted options for subscription of shares.
[5] It is stipulated that this number was reduced to 440 under the terms of resolution 19 of the General Meeting of November 3, 2004 and decisions of the Management Board of August 3, 2005 recording the completion of the capital increases.
[6] At the Supervisory Board's meeting of August 29, 2013, the number of these options was set at 2,231,356.

STOCK OPTION PLANS At December 31, 2014 - End of business day[4]								
	Plan 1	**Plan 2**	**Plan 3**	**Plan 4**	**Plan 4 bis**	**Plan 5**	**Plan 6**	**Plan 7**
Subscription price[7]	EUR 0.30	EUR 0.45	EUR 1.80	EUR 1.80	EUR 1.80	EUR 1.80	EUR 5.19	EUR 3.21
Option/share conversion ratio[8]	1: 108	1: 108	1: 114	1: 114	1: 114	1: 114	1: 1	1: 1
Number of options granted to employees and/or corporate officers by the Board of Directors or Management Board	2,420	1,810	3,225 breaking down as follows: **Tranche 1**: 1,535 **Tranche 2**: 700 **Tranche 3**: 570 **Tranche 4**: 120 **Tranche 5**: 300	2,300 breaking down as follows: **Tranche 1**: 800 **Tranche 2**: 900 **Tranche 3**: 300 **Tranche 4**: 300	320 breaking down as follows: **Tranche 1**: 160 **Tranche 2**: 160	530 breaking down as follows: **Tranche 1**: 240 **Tranche 2**: 290	14,000	1,052,950
Starting date for the exercise of options	July 12, 2005	May 23, 2006	**Tranche 1**: according to objectives **Tranche 2**: according to objectives **Tranche 3**: October 06, 2007 **Tranche 4**: January 05, 2009 **Tranche 5**: February 1, 2009	**Tranche 1**: according to objectives **Tranche 2**: according to objectives **Tranche 3**: April 05, 2009 **Tranche 4**: October 05, 2009	**Tranche 1**: according to objectives **Tranche 2**: according to objectives	**Tranche 1**: according to objectives **Tranche 2**: according to objectives	According to the objectives	10/2/2015 10/2/2017[9]
Number of shares exercised at December 31, 2014	1,320	1,310	2,709	1,360	160	290	0	0
Number of shares subscribed for at December 31, 2014 by exercising stock options	132,664	135,000	287,326	149,646	17,280	31,320	0	0
Exercisable options not yet exercised at December 31, 2014	0	0	90	700	160	90	7,000	947,300
of which options exercisable by corporate officers	0	0	0	700	160	90	0	300,000

[7] For plans 1 to 5: the subscription price as revised in accordance with resolution two of the Extraordinary General Meeting of March 31, 2007.
[8] For plans 1 to 5: the conversion ratio as revised in accordance with resolution two of the Extraordinary General Meeting of March 31, 2007 and the decisions of the Management Board meetings of August 27, 2010 and July 24, 2013, according to the case.
[9] 50% of options may be exercised after being held for two years, the remaining 50% becoming exercisable after being held for four years.

STOCK OPTION PLANS At December 31, 2014 - End of business day[4]								
	Plan 1	**Plan 2**	**Plan 3**	**Plan 4**	**Plan 4 bis**	**Plan 5**	**Plan 6**	**Plan 7**
Potential number of shares available for subscription at December 31, 2014 from exercisable options	0	0	10,260	79,800	18,240	10,260	7,000	947,300
Number of options having lapsed at December 31, 2014	1,100	500	426	240	0	150	7,000	105,650
Balance of options remaining to be granted at December 31, 2014 under the General Meeting's authorization – authorization status	0 Authorization expired	0 Authorization expired	0 Authorization expired	0 Authorization expired	0 Authorization expired	0 Authorization expired	0 Authorization expired	0 Authorization rendered null and void by the Combined General Meeting of June 26, 2014
Theoretical number of shares available for take up at December 31, 2014 if the Board of Directors or Management Board makes use of the remainder amount under the General Meeting's authorization	0	0	0	0	0	0	0	0

2.2.2.6. Bonus shares plans history

BONUS SHARES PLANS			
	Plan 1	**Plan 2**	**Plan 3**
Bonus shares grant decision date	**General Meeting**: March 31, 2007	**General Meeting:** June 9, 2009	**General Meeting:** AGM 1: 10 June 2010 AGM 2: June 07, 2011 AGM 3: June 4, 2012
	Management Board meeting: ▪ **Tranche 1**: September 04, 2007 ▪ **Tranche 2**: July 25, 2008 ▪ **Tranche 3**: July 23, 2009 ▪ **Tranche 4**: July 23, 2009 ▪ **Tranche 5**: February 22, 2010 ▪ **Tranche 6**: February 22, 2010	**Management Board meeting:** ▪ **Tranche 1**: February 22, 2010 ▪ **Tranche 2**: February 22, 2010 ▪ **Tranche 3**: February 22, 2010 ▪ **Tranche 4**: October 1, 2010 ▪ **Tranche 5**: October 1, 2010 ▪ **Tranche 6**: September 06, 2011 ▪ **Tranche 7**: September 06, 2011	**Management Board meeting:** ▪ **Tranche 1**: July 24, 2013 ▪ **Tranche 2**: July 24, 2013
Maximum amount authorized by the General Meeting	Authorization to grant for no consideration a maximum number of 436,000 ordinary shares	Authorization to grant for no consideration a maximum number of 290.000 ordinary shares	**AGM 1** : Authorization to grant for no consideration a maximum number of 7.500 ordinary shares **AGM 2** : Authorization to grant for no consideration a maximum number of 7.500 ordinary shares **AGM 3** : Authorization to grant for no consideration a maximum number of 157.000 ordinary shares
Number of beneficiaries	▪ **Tranche 1**: 23 (employees and officers) ▪ **Tranche 2**: 11 employees ▪ **Tranche 3**: 13 employees ▪ **Tranche 4**: 2 employees ▪ **Tranche 5**: 1 officer ▪ **Tranche 6**: 1 officer	▪ **Tranche 1**: 1 officer ▪ **Tranche 2**: 1 officer ▪ **Tranche 3**: 11 employees ▪ **Tranche 4**: 13 employees ▪ **Tranche 5**: 6 employees ▪ **Tranche 6**: 10 employees ▪ **Tranche 7**: 6 employees	▪ **Tranche 1**: 10 employees ▪ **Tranche 2**: 17 employees
Vesting period	▪ **Tranche 1**: 4 years for "employee" beneficiaries; 2 years for "Management Board member" beneficiaries ▪ **Tranche 2**: 4 years ▪ **Tranche 3**: 4 years ▪ **Tranche 4**: 2 years ▪ **Tranche 5**: 2 years ▪ **Tranche 6**: 2 years as from January 1, 2011	▪ **Tranche 1:** 2 years as from January 1, 2011 ▪ **Tranche 2**: 2 years as from January 1, 2012 ▪ **Tranche 3**: 4 years ▪ **Tranche 4**: 4 years ▪ **Tranche 5**: 2 years ▪ **Tranche 6**: 4 years ▪ **Tranche 7**: vesting period complete on October 09, 2013	▪ **Tranche 1:** 4 years ▪ **Tranche 2**: 2 years

BONUS SHARES PLANS			
	Plan 1	**Plan 2**	**Plan 3**
Lock-up period (from the vesting date)[10]	▪ **Tranche 1**: 2 years ▪ **Tranche 2**: 2 years ▪ **Tranche 3**: 2 years ▪ **Tranche 4**: 2 years ▪ **Tranche 5**: 2 years ▪ **Tranche 6**: 2 years	▪ **Tranche 1**: 2 years ▪ **Tranche 2**: 2 years ▪ **Tranche 3**: 2 years ▪ **Tranche 4**: 2 years ▪ **Tranche 5**: 2 years ▪ **Tranche 6**: 2 years ▪ **Tranche 7**: 2 years	▪ **Tranche 1**: 2 years ▪ **Tranche 2**: 2 years
Number of bonus shares granted to employees and/or company officers	436,000 bonus shares, breaking down as follows: ▪ **Tranche 1**: 296,000 ▪ **Tranche 2**: 60,500 ▪ **Tranche 3**: 18,500 ▪ **Tranche 4**: 10,000 ▪ **Tranche 5**: 33,334 ▪ **Tranche 6**: 17,666	137.500 bonus shares, breaking down as follows: ▪ **Tranche 1**: 15,667 ▪ **Tranche 2**: 33,333 ▪ **Tranche 3**: 6,500 ▪ **Tranche 4**: 9,500 ▪ **Tranche 5**: 38,000 ▪ **Tranche 6**: 6,000 ▪ **Tranche 7**: 28,500	52.000 bonus shares, breaking down as follows: ▪ **Tranche 1**: 7,500 ▪ **Tranche 2**: 44,500
Number of bonus shares fully vested at December 31, 2014	377,000	101,500	0
Number of bonus shares in process of vesting at December 31, 2014	0	4,500	34,500
Number of bonus shares in process of vesting at December 31, 2014	0	0	0
Number of bonus shares lapsed at December 31, 2014	59,000	31,500	17,500
Balance of restricted share units remaining to be granted at December 31, 2014 under the General Meeting's authorization – authorization status	0 Authorization expired	0 Authorization expired	AGM 1: 0 Authorization expired AGM 2: 0 Maximum amount of the authorization reached – Authorization officially expiring on August 7, 2014 AGM 3 : 120.000 Authorization expiring on August 4, 2015

[10] The Company's Supervisory Board has set out the terms of lock-up for restricted shares granted to company officers.
Under these terms, two options are available:
- the restricted shares may not be transferred before the termination of their duties,
- corporate officers are required to retain a selected number of shares originating from the plan in registered form until the termination of their duties.
The Company's corporate officers most often choose the second option (generally 20 to 25% of restricted shares granted for no consideration having vested must be kept).

2.2.2.7. Indemnities or benefits granted to the corporate officers being paid upon or following the term of office

Regarding 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, depending on the case.

Management Board members	Employment contract		Supplemental retirement plan		Indemnities or benefits payable on termination or change of functions		Indemnities relating to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Thomas LINGELBACH (Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending December 31, 2015)	x[a]		x[b]		x[d]		x[e]	
Franck GRIMAUD (Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending December 31, 2015)		x		x	x[c&d]		x[e]	
Reinhard KANDERA (Appointed on 10 May 2013, end of term of office at the AGM called to rule on the accounts for the fiscal year ending December 31, 2015)	x[a]		x[b]		x[d]		x[e]	

[a] With the subsidiary Valneva Austria GmbH.

[b] Mr. Thomas LINGELBACH and Mr. Reinhard KANDERA are beneficiaries of a life-insurance (savings plan type) in view of their retirement, whose fees are borne by the company Valneva Austria GmbH. The saving is released when the beneficiary reached the statutory retirement age in Austria (currently 65 years old), or on the date of his decease, if earlier (see Section 2.2.2.2 of this Registration Document).

[c] A Social Insurance Contract for Company Directors and Managers (Convention Garantie Sociale des Chefs et Dirigeants d'Entreprise or GSC) was granted to Franck Grimaud, member of the Management Board. The purpose of this Contract is to guarantee the payment of compensation in case of unemployment (up to 70% of the last professional income filed with the tax authorities). This GSC was set up pursuant to an authorization of the Board of Directors of 26 October 2000.

[d] See hereinafter, "Termination of duties cases provided in the Management Agreement and the Employment and Management Agreements".

[e] See hereinafter, "Additional provisions specifically linked with the non-compete commitments contained in the Management Agreement and the Employment and Management Agreements".

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 <u>for cause</u>** :

  - 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 <u>solely by serving notice</u> 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 <u>for cause</u>** (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 low – 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 <u>solely by serving notice</u>**:

  - 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 <u>by mutual consent with Valneva Austria GmbH</u>:**

  - 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.

+ **The case of the <u>interlocking directorships and executive offices.</u>:**

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 <u>for due cause</u>** (in accordance with article L.225-61 of the French commercial code) :

  - The MA of Mr. Grimaud will be **automatically cancelled**.
  - In such case Mr. Grimaud shall have **no further claims for future remuneration.**

+ **Removal of a Board Member <u>solely by serving notice</u> 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 <u>solely by serving notice</u>**:

  - 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 <u>by mutual consent with Valneva SE</u>:**

  - 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.

+ **The case of the <u>interlocking directorships and executive offices.</u>:**

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* entered into with Valneva Austria GmbH

+ **Removal of a Management Board member <u>for cause</u>** :

  - The EMA of Mr. Kandera 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. Kandera shall have **no further claims to future remuneration.**

+ **Removal of a Board Member <u>solely by serving notice</u> 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. Kandera 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 <u>for cause</u>** (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 low – See. Sec 26 of the Austria White Collar Workers Act), **or any other similar basis**, Mr. Kandera 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 <u>solely by serving notice</u>**:

  - A notice period for a **minimum of four weeks** (ending on the last day of the current calendar month).
  - **If Mr. Kandera 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. Kandera 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 <u>by mutual consent with Valneva Austria GmbH</u>:**

  - Mr. Kandera 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. Kandera will be entitled to these indemnities even if the proposal for termination was made by him.

+ **The case of the <u>interlocking directorships and executive offices,</u>:**

The EMA of Mr. Kandera provides that in addition to his status as salaried employee, Mr. Lingelbach 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. Kandera from the Management Board for cause** see above):

- it is understood that **if one of the Group Management Positions exercised by Mr. Kandera is terminated:**
  (i) by resignation of Mr. Kandera; 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. Kandera (or three years as from May 28, 2013);
  (ii) and due to **circumstances involving a legal, functional or actual reduction** of Mr. Kandera's responsibilities for such Group Management Position (including resulting from the law or the operating organization of the Group),

  Mr. Kandera 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. Kandera 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. Kandera 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. Kandera 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* » et « *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, free-lancer, 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 Valneva 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* 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, free-lancer, 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.

2.2.3. Remuneration of the Supervisory Board

Attendance fees and other remuneration received by non-executive officers

		Amounts paid in 2014	Amounts paid from May 28, 2013 to December 31, 2013	Amounts paid until May 28, 2013
Frédéric Grimaud, Chairman of the Supervisory Board				
Attendance fees		EUR 50,000	EUR 25,000	EUR 0
Other remuneration		EUR 0	EUR 0	EUR 0
Joseph Grimaud, former Vice-Chairman of the Supervisory Board (functions ended upon completion of the merger with Intercell AG)				
Attendance fees		EUR 0	EUR 0	EUR 0
Other remuneration		EUR 0	EUR 0	EUR 0
Groupe Grimaud La Corbière SA, former the Supervisory Board member (functions ended upon completion of the merger with Intercell AG)				
Attendance fees		EUR 0	EUR 0	EUR 0
Other remuneration	**- In connection with the group management agreement**	EUR 0	EUR 0	EUR 111,726.36 (VAT included)
	- In connection with loan guarantees	EUR 0	EUR 0	EUR 36,528.77 (VAT included)
	- In connection with normal operations	EUR 0	EUR 0	EUR 108,347.30 (VAT included)
Renée Grimaud, permanent representative of Grimaud La Corbière Group SA (functions ended upon completion of the merger with Intercell AG)				
Attendance fees		EUR 0	EUR 0	EUR 0
Other remuneration		EUR 0	EUR 0	EUR 0
Thomas Grimaud, Supervisory Board member (functions ended upon completion of the merger with Intercell AG)				
Attendance fees		EUR 0	EUR 0	EUR 0
Other remuneration		EUR 0	EUR 0	EUR 0
Alain Munoz, Supervisory Board member				
Attendance fees		EUR 32,500	EUR 18,333	EUR 10,000
Other remuneration		EUR 0	EUR 0	EUR 0
Michel Greco, Supervisory Board member				
Attendance fees		EUR 30,000	EUR 18,333	EUR 10,000
Other remuneration		EUR 0	EUR 9,206.52 (Attendance fees paid with respect to his appointment as Supervisory Board member within Intercell AG, for the period between October 1, 2012 and December 16, 2012)	EUR 0
Anne-Marie Graffin, Supervisory Board member				
Attendance fees		EUR 30,000	EUR 15,000	EUR 0
Other remuneration		EUR 0	EUR 0	EUR 0
James Sulat, Vice-Chairman of the Supervisory Board				
Attendance fees		EUR 42,500	EUR 20,000	EUR 0
Other remuneration		EUR 0	EUR 28,574.28 (Attendance fees paid with respect to his appointment as Supervisory Board member within Intercell AG, for the period between October 1, 2012 and May 27, 2013)	EUR 0

Hans Wigzell, Supervisory Board member				
Attendance fees		EUR 30,000	EUR 15,000	EUR 0
Other remuneration		EUR 0	EUR 27,500 (Attendance fees paid with respect to his appointment as Supervisory Board member within Intercell AG, for the period between October 1, 2012 and May 27, 2013)	EUR 0
Alexander Von Gabain, Supervisory Board member				
Attendance fees		EUR 30,000	EUR 15,000	EUR 0
Other remuneration	(Attendance fees paid with respect to his appointment as Supervisory Board member within Intercell AG, for the period between October 1, 2012 and May 27, 2013)	EUR 0	EUR 26,666.67	EUR 0
	Consulting services between January 2013 to March 2013 – remuneration paid by Intercell Austria GmbH in August 2013	EUR 0	EUR 28,500	EUR 0
TOTAL		**EUR 245,000**	**EUR 247,113.47**	**EUR 276,602.43**

2.3. 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, and Auditors' 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.

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 Chairman of the Supervisory Board	(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 Member of the Supervisory Board	(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 Member of the Supervisory Board	(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 Vice Chairman of the Supervisory Board Member of the Supervisory Board	(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 Member of the Supervisory Board	(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 Member of the Supervisory Board	(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 Member of the Supervisory Board	(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 Immutep, 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 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 Kandera.

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 Kandera, 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 Maïlys 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 (o*ptions 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' 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 Kandera, 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 has 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 Kandera 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

PricewaterhouseCoopers Audit

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92208 Neuilly sur Seine

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VALNEVA

Société Anonyme

Gerland PlazaTechsud
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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

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.

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.

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	**Deloitte & Associés**
French original signed by	French original signed by
Thierry Charron	Vincent Gros

3. INFORMATION RELATED TO SOCIAL, COMMUNITY AND ENVIRONMENTAL MATTERS

3.1. CSR Report

< Please, refer to the next page>

2014 REPORT

VALNEVA GROUP CORPORATE SOCIAL RESPONSIBILITY



EMPLOYEES ENVIRONMENT SOCIETY

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Introduction

Corporate Social Responsibility – CSR

CSR is how companies apply sustainable business principles.

CSR incorporates social and environmental concerns into the company's activities and takes into account relations with its stakeholders (employees, customers, suppliers, etc.).

CSR policy is based on the systemic analysis of the company and its interaction with its environment, which improves how it manages risks (human, financial, legal, environmental, reputational, etc.).

CSR applies to organizations of all sizes, from listed multinationals to small businesses.

Methodological framework for Valneva's CSR Report 2014

As Valneva's corporate social responsibility strategy has not yet been formally defined, the measures and good practices set out in this third CSR Report have been broken down into three themes:

COMMITMENT TO EMPLOYEES

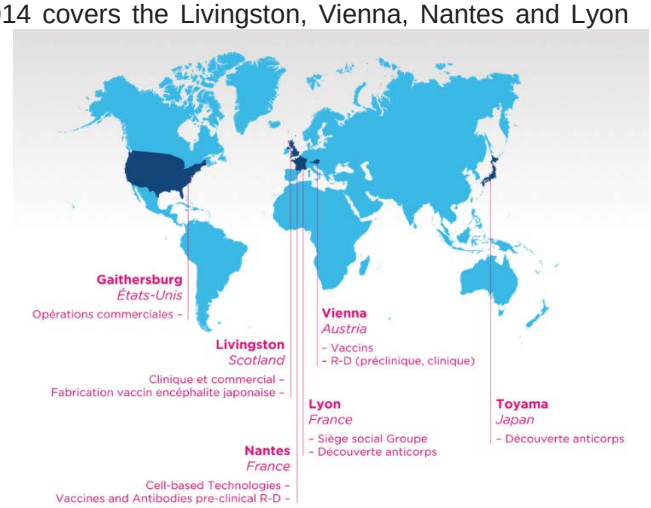
COMMITMENT TO THE ENVIRONMENT

COMMITMENT TO SOCIETY

In the years to come, Valneva hopes to continue developing in line with a certain number of social and environmental responsibility principles.

The CSR Report reporting boundary in 2014 covers the Livingston, Vienna, Nantes and Lyon sites. The Japanese and US subsidiaries were excluded from this scope for the following reasons:

- Business in Japan has been reduced. In 2014, the only remaining activities were development and license and partnership management, with one person active for 20% of standard working hours.
- At December 31, 2014, there were only two employees working at the US site.



In France, employment data include the Lyon and Saint-Herblain sites. However, environmental data almost exclusively cover the Saint-Herblain site due to the lack of data available from the Lyon site.

The frameworks used to draw up this report

- **Frances's New Economic Regulations (*Nouvelles Régulations Economiques* or NRE) Law and its implementing decree**

The NRE Law passed in 2001 requires companies listed on the stock exchange to include in their annual report an extra-financial report containing information on the social and environmental aspects of their activity. Since the adoption of the French Grenelle II Act, this report of the Board of Directors or the Management Board must be reviewed by an independent third party organization.

- **The French Grenelle II Act (Article 225) and its implementing decree**

Article 225 of the law of July 12, 2010, or the Grenelle II Act, requires social, environmental and sustainability information to be included in the management report of companies and reviewed by third parties. This act is an extension of the 2001 NRE law and applies the provisions of the Grenelle Environmental legislation and the Grenelle I Act. The conditions for application are laid down in a decree passed following consultation and before review but approval by the Council of State (*Conseil d'Etat*).

- **Global Reporting Initiative (GRI)**

The Global Reporting Initiative is a non-governmental organization that works as a global network to promote sustainability through environmental, social responsibility and governance reporting. The GRI produces the most widely used sustainability reporting standards to work towards greater transparency. The framework includes the G4 guidelines and sets the reporting principles and indicators that organizations can use to measure and disclose their economic, environmental and social performance.
The Global Reporting Initiative was set up in 1997 by the United Nations Environment Programme (UNEP) and Ceres.

- **ISO 26000 international standard**

ISO 26000 provides guidance so it cannot be certified to unlike some other well-known ISO standards. Instead, it helps clarify what social responsibility is, helps businesses and organizations translate principles into effective actions and shares best practices relating to social responsibility, globally. It is aimed at all types of organizations regardless of their activity, size or location.
The standard was launched in 2010 following five years of negotiations between many different stakeholders across the world. Representatives from government, NGOs, industry, consumer groups and labor organizations around the world were involved in its development, which means it represents an international consensus.

Section 1 - Commitment to employees



COMMITMENT TO EMPLOYEES

EMPLOYMENT AND LABOR RELATIONS
OCCUPATIONAL HEALTH AND SAFETY
TRAINING POLICY

Valneva's success stems from the work and expertise of its 278 employees working across its various subsidiaries. At Valneva, we are proud of our accomplishments and our challenges, past, present and future. Our achievements derive from our corporate culture based on respect for others, dedication and motivation.

Our employees are our primary resource for tackling the challenges to come. Their spirit of openness and tolerance and their individual qualities represent significant strengths for Valneva, giving the Group every chance to become a real European leader in the field of vaccines.

Our objective is to create a working environment able to attract and retain over the long-term the most talented employees at Valneva. This setting must also help them boost their personal potential and advance their professional career. To achieve our objectives, it is absolutely essential for the Group to be capable of keeping, attracting and retaining these key employees.

The Group is also in competition with other companies to recruit and retain highly qualified personnel. Furthermore, continuing to recruit new managers and qualified scientific personnel is essential for the development of its business.

Valneva's business includes some risks for employees. The Company closely monitors these risks through its occupational health and safety policy.

Some social data were standardized and consolidated at Group level following the first CSR Report for 2013. Valneva uses an internal human resource management software named HR Cube.

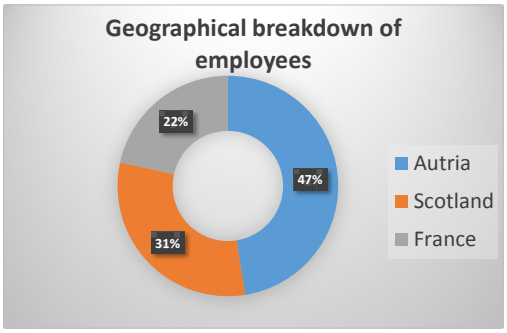
EMPLOYMENT AND LABOR RELATIONS

INFORMATION AND ACHIEVEMENTS

Our objective is to create a working environment able to attract and retain over the long-term the most talented employees at Valneva. At the Group, employees must be able to enjoy a stimulating work, international experience, a clear ethical commitment, respect for others and integrity.

HEADCOUNT BY GEOGRAPHIC BREAKDOWN

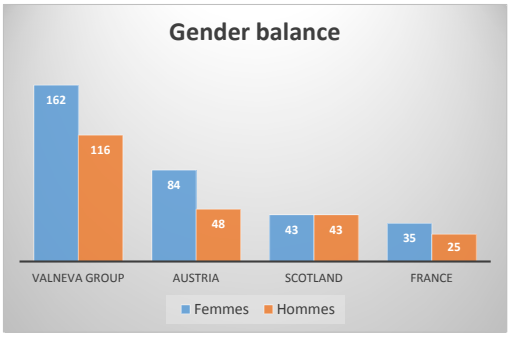
At December 31, 2014, Valneva employed 278 people across its sites in Austria, Scotland and France*.
Group employees broke down as follows at the different sites:



* Excluding the Japan and US sites.

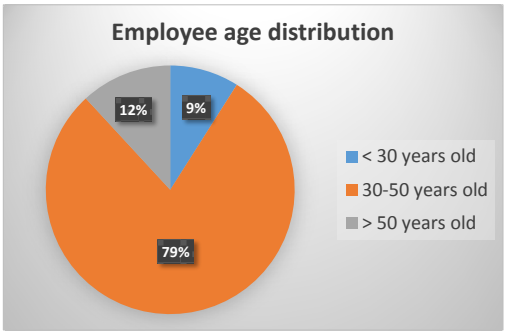
GENDER BREAKDOWN

Women are more highly represented than men at Valneva (58%).
This is due to the large number of women working in the biotech sector.



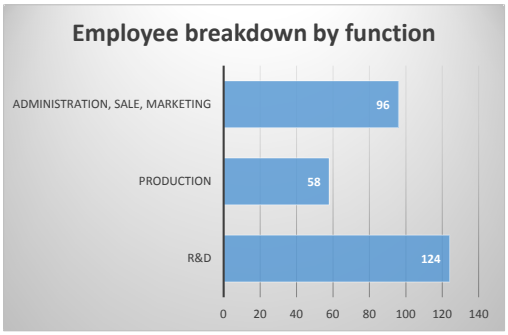
AVERAGE AGE AT VALNEVA

The average age of Valneva employees both overall (39) and in France (37) is relatively young.



EMPLOYEE BREAKDOWN BY FUNCTION

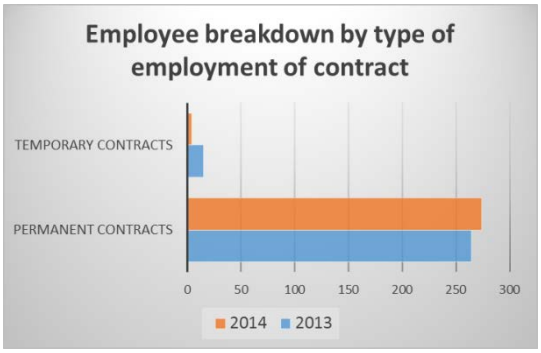
The majority of employees work in Research and Development. The support functions operate at the three sites and production is based in Livingston.



HIGHLIGHTS

Employment contracts

While Valneva already had a high proportion of permanent contracts (95%) in 2013, the proportion of employees on a permanent employment contract rose to 99% in 2014.



Compensation policy

Valneva introduced a policy of annual pay increases defined for each country that factors in the inflation rate and market data.

In 2014, Valneva confirmed its goal of offering competitive compensation on the biotechnology market by implementing the first step in its program to align compensation year after year across its different sites.

Conventions and collective agreements

Subsidiaries in each country have internal agreements on the organization of working hours for both full-time and part-time employment contracts.

Furthermore, all employees are covered by a collective agreement:

- *Convention collective pharmaceutique* (France)
- Local Works Council Charter (Scotland)
- Collective Bargaining Agreement (Austria)

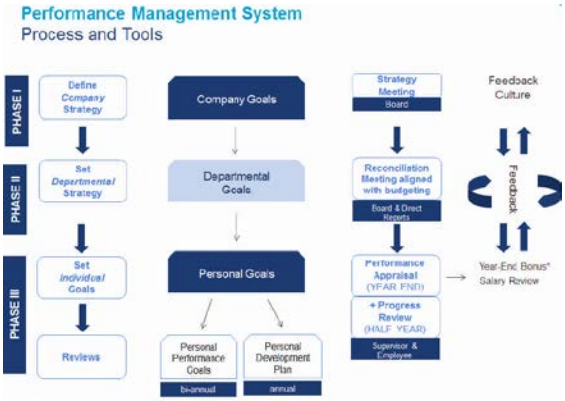
International Works Council

An International Works Council was set up on April 12, 2013 to support information, consultation and participation rights in the context of Valneva SE's cross-border operations. This International Works Council meets twice a year, in addition to meetings held by videoconference.

Employee performance appraisals

Valneva has implemented a performance management policy based on key performance indicators used across the Group.

Progress on individual and collective objectives is assessed in order to carry out a Management Review and a personal development plan.
Employee meetings are held to improve communication, individual performance and employee satisfaction.



Valneva's values for 2014

Our day-to-day work typically involves:

- Rapid decision-making
- Employee development and encouragement
- Ethical behavior and conduct
- Encouragement in teamwork
- An open and transparent work environment
- Trust in employees

OCCUPATIONAL HEALTH AND SAFETY

INFORMATION AND ACHIEVEMENTS

Prevention measures have been adopted at each site to eliminate or reduce health and safety risks faced by employees. Employee exposure to chemical, biological and physical risks is particularly high in a biotechnology business specialized in vaccines and antibodies. Laboratory procedures require the use of potentially hazardous equipment, products and reagents.

TYPES OF HEALTH AND SAFETY RISKS FACED BY EMPLOYEES

- Chemical
- Biological
- Electrical
- Related to cryogenics
- Related to gas cylinders
- Related to operating autoclaves
- Related to the cold
- Related to handling
- Related to working on screens
- Road

OCCUPATIONAL ACCIDENTS

The number of occupational accidents was more than halved between 2013 and 2014 for the entire Group.



TRAINING ON CHEMICAL RISKS

In September 2014, employees at the Lyon site received training on chemical risks specific to their activities.



HEALTH-SAFETY-ENVIRONMENT POLICY

Valneva has a global, Group-wide Health-Safety-Environment (HSE) policy that it undertakes to implement at each site.

Valneva is committed to applying the principles of this HSE policy by adapting them to each site.

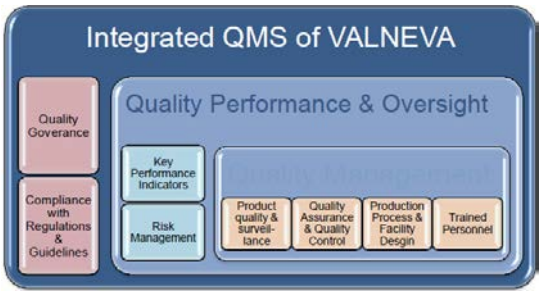
The Quality Manual lays down procedures to guarantee the health and safety of employees and visitors and to control the production, storage and use of hazardous substances.

HIGHLIGHTS

Quality Management System

A manual outlining the global quality management policy was published in March 2014. This policy covers Good Manufacturing Practices and Good Clinical Practices.

Integrated Quality Management System



Occupational illnesses

As in 2013, no occupational illnesses were reported within the entire Valneva Group in 2014.

Health and safety policy in Austria

Health and safety procedures are set out in several internal documents, including:

- The ***VIE-SOP-0054*** procedure which outlines the provisions and objectives to:
  - ensure the health, safety and well-being of employees in the workplace;
  - protect non-employees from health risks;
  - control the production, storage and use of hazardous substances and prevent any accidental or deliberate contact with these products;
  - control the release of toxic substances into the atmosphere.
- and also in the ***VIE-SOP-0074*** protocol which describes the procedures for handling hazardous waste without risk to employees. This document lists the personal protective equipment to be worn when handling hazardous, infectious or potentially infectious chemicals.

Health, Safety and Working Conditions Committee and HSE Manager in France

In France, the Health, Safety and Working Conditions Committee (CHSCT), an employee representative body within the Company, met four times in 2014. Safety policy was bolstered this year with the hire of the HSE (Health-Safety-Environment) Manager, who updated the Single Assessment Document and initiated consultations with specialized service providers to measure exposure to safety risks.

The safety booklet was updated again this year. Focus was also given to mandatory safety and environmental training (fire prevention teams, emergency first-aid at work, electrical standards, use of autoclaves).

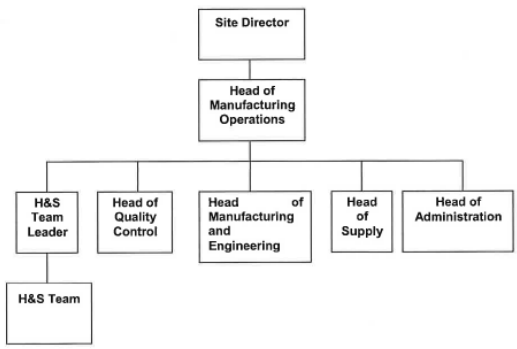
Health and safety in Scotland

The following documents govern health and safety rules applied in Scotland:

- Global EHS Policy (GQP-0008)
- OHS Local Policy (Health and safety policy and procedures)
- Permit from Scotland's Ministry of the Environment (elimination of waste and emissions) – Permit PPC/E/20022

Specified Animal Pathogens Orders (SAPO)/2011

Organization chart
Health and safety management



SKILLS DEVELOPMENT

INFORMATION AND ACHIEVEMENTS

Developing employee skills plays a key role in Valneva's success. As such, Valneva works to provide an environment of continuous learning for employees to encourage their personal development. In exchange, employees must be willing to learn and take on new roles and responsibilities at the Company. The goal is to help employees boost their personal potential and advance their professional career.

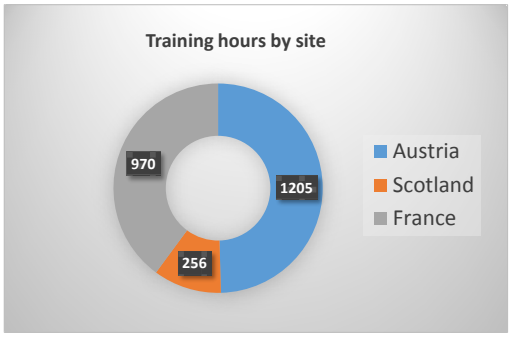
TRAINING POLICY

The overall training policy is focused on Good Manufacturing Practices, Good Laboratory Practice and Good Clinical Practices. Procedures for applying these practices are set forth in the Quality Manual (GQP-0021).

Training plans are based on Valneva's business strategy, the individual performance management process and the employee needs analysis. The global training policy includes all permanent and temporary staff.

All employees benefit from equal access to training, without discrimination. Employees who want to develop their career at the Company are encouraged to do so.

TRAINING HOURS



Training was relaunched in France in 2014. English language training courses remain a priority, in particular, to facilitate relations with Austria and Scotland.

Twenty-seven percent of French employees took a training program to become first-aid workers.

TRAINING INITIATIVES

- **Quality**

The GMP quality training plan has been implemented at the Austria and Scotland sites, where employees receive training on Good Manufacturing Practices to ensure compliance with regulations.

- **Occupational health and safety**

Employees at the Austria and Scotland sites are trained on the VIE-SOP-0054 procedure.

- **Environmental protection**

A campaign has been developed to raise the awareness of new hires about waste sorting, all the risks associated with Company activities, safety measures to be implemented, etc.

A PROGRESS AGREEMENT WITH THE PAYS DE LA LOIRE REGION

Valneva's establishment in Saint-Herblain, France, is involved in the Pays de la Loire Region to develop employment and professional training both quantitatively and qualitatively. The terms of this engagement in supporting economic and territorial stakeholders are defined within the framework of a "Progress Agreement".

The Company has defined indicators to measure its progress, and will report to the Region on its advancement.

EQUALITY AND DIVERSITY

INFORMATION AND ACHIEVEMENTS

The Group believes that all forms of discrimination are unacceptable in the workplace. Group policy is to promote equal opportunity through employment, compensation, recruitment, training and advancement for all employees. This means that applicants and all employees receive the same treatment regardless of race, nationality, ethnic or national origin, gender, physical or mental disability, age, religion or beliefs, family situation or sexual orientation.

CODE OF CONDUCT

Valneva works to promote equal opportunity and maximize the talent and expertise of all employees. Group policy is to treat all employees with dignity and respect and ensure they do not become victims of intimidation or harassment for any reason.

This policy applies to all employees of the Group and also influences its choice of service providers and recruitment decisions.

A UNILATERAL PLAN FOR GENDER EQUALITY

Valneva France implemented a unilateral action plan to promote gender equality on June 26, 2013 which was valid for one year.

This report includes the comparison of the situation of men and women to eventually correct any differences in compensation and career advancement.

EMPLOYMENT AND INTEGRATION OF PEOPLE WITH DISABILITIES

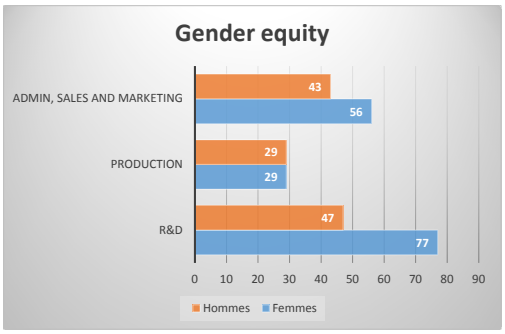
Valneva France employs one disabled worker and paid a contribution of €6,149 in 2014 to HandiEM, the sheltered work organization, through the Agefiph fund to promote the employment of the disabled.

In 2014, the Company works with three sheltered work organizations (landscaping, office supplies) and paid a total of €5,064 for their services

HANDIEM
Handicap Entreprises du Médicament

GENDER EQUALITY

The Group has a strong balance between men and women. This balance is highly represented in each of the key functions.



Section 2 - Commitment to the environment



COMMITMENT TO THE ENVIRONMENT

ENVIRONMENTAL MANAGEMENT

POLLUTION PREVENTION AND WASTE MANAGEMENT

ENERGY AND CARBON FOOTPRINT

RESOURCES AND BIODIVERSITY

In connection with its research and development programs, Valneva uses hazardous materials and biological materials, solvents and other potentially genotoxic chemicals, Valneva employees handle recombined genetic material, genetically modified organisms and viruses.

The Group, therefore, is required to comply with numerous laws or regulations. Indeed, if it should fail to comply with the applicable law and regulations, obtain required authorizations or have these authorizations withdrawn, the Group might have to pay fines and suspend all or some of its R&D operations.
Compliance with environmental, health and safety regulations incurs considerable costs, and Valneva might potentially be required to incur significant expenses to comply with future legislation and regulations.

The Group believes that its safety procedures comply with applicable regulations, even though the risk of an accident or accidental contamination cannot be completely ruled out.

To address these risks, the Group has developed an environmental risk management policy organized around three key areas:

- A formal environmental management system based on strict procedures and compliance with regulations;
- Pollution prevention and waste management;
- Information and training programs on environmental protection, health and safety.

Year 2013

Environmental management

Vivalis and Intercell merged their activities in 2013. The environmental management policy was gradually implemented, based on the specific procedures of each site adapted to local legislation.

Pollution prevention and waste management

the Group must comply with very strict waste management regulations.

At all sites, waste optimization techniques are negotiated with service providers to recycle waste, and efficient waste sorting programs have been implemented.

Employee training on environmental protection, health and safety

All employees are trained on risk management procedures (booklet for new hires, etc.) and on chemical risks.

The Scottish entity adopted a declaration of the Company's commitments to its employees on November 28, 2011.

Year 2014

Environmental management

Biotechnological risk was identified as a major risk at Valneva. A safety and environment specialist was hired at the Nantes site. At the Vienna and Livingston sites, procedures are updated regularly.

Pollution prevention and waste management

Each site has developed a pollution prevention program adapted to its context that complies with both the Group's global policy and legislation.

In 2014, most of the waste was recycled, and waste was reduced at all sites.

Employee training on environmental protection, health and safety

EHS training courses were updated at the Nantes and Lyon sites, and emergency first-aid at work training courses were set up.



ENVIRONMENTAL POLICY

INFORMATION AND ACHIEVEMENTS

Valneva SE, a biotechnology company specialized in the research and development of vaccines and monoclonal antibodies, must comply with strict environmental and safety standards.

The manufacturing unit that produces the vaccine for Japanese encephalitis is located in Livingston, Scotland. Research laboratories are set up at the Nantes, Lyon and Vienna sites. Upstream vaccine testing is performed at the Vienna site.
The Group's manufacturing facility in Livingston, Scotland, is and will continue to be an important factor in driving revenue growth and controlling production costs.



Nantes Facility



Livingston Facility



Vienna Facility

FACILITY COMPLIANCE

For each of its sites, Valneva SE has obtained the required authorizations in line with local legislation.

The Livingston manufacturing facility has a permit granted by the Scottish Environment Protection Agency *(SEPA*) on May 7, 2007. This authorization is reviewed regularly. The results of the audit conducted in November 2014 demonstrated that the site was in compliance with regulations.

The Nantes facility is subject to ICPE regulations for its refrigeration and compression systems (flammable liquids and absorbed power of over 20 kW). Authorization was granted in March 2009.

STRENGTHENING INSPECTION PROCEDURES

The risk management procedures were strengthened at the Nantes site for 2014 with the recruitment of a safety and environment manager hired specifically to handle these issues.

The Livingston and Vienna sites apply identical procedures concerning health and safety, chemical and biological risk management and waste treatment. These procedures – VIE-SOP-0054[03] (health and safety), VIE-SOP-0074 (02) (waste management), GQP-0008 (procedures for managing chemical, biological, fire and other risks) – are reviewed regularly and updated with improvements.

TRAINING ON CHEMICAL AND BIOLOGICAL RISKS

At all of its sites, Valneva employees who handle viruses, class 1 and 2 genetically modified organisms, etc. are highly exposed to biotechnological risks.

Training programs on chemical and biological risks have been developed. The content of this training was updated in 2014 at the Nantes and Lyon sites and adapted to their activities.

HSE Policy procedures, which include a training component, were introduced at the Vienna and Livingston sites and are regularly reviewed and updated.

CHAIN OF RESPONSIBILITY

At all sites, the OHS global policy defines the health and safety procedures.

The site manager is responsible for managing environmental risk. At the operational level, this responsibility falls under the team in charge of safety and the OHS manager along with monitoring facilities.

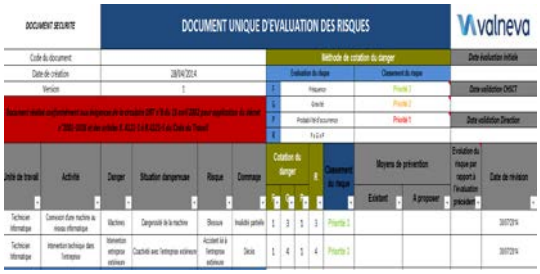
HIGHLIGHTS

Emergency first-aid training

To guarantee the safety of people working at its sites, Valneva France has trained new **Emergency First-Aid at Work** (EFAW) volunteers to cover as many work scenarios as possible in which an accident might occur. The Nantes site now has 1 EFAW volunteer per 10 employees and the Lyon site 1 EFAW volunteer per 4 employees

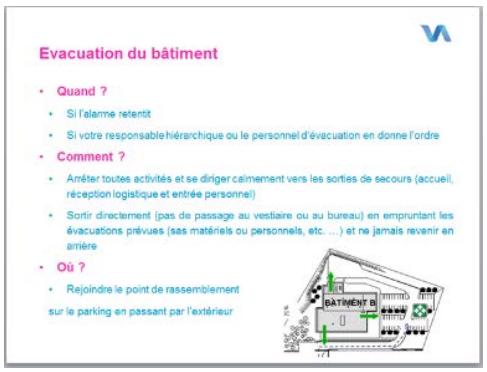
HSE manager hired

In March 2014, an HSE Manager was hired for the French sites, which have begun to update the **Single Assessment Document used to measure business risks,** develop **a prevention plan to manage external companies** and introduce **health and safety communication initiatives.**


DOCUMENT UNIQUE D'EVALUATION DES RISQUES

Training material was updated and courses given at the Nantes and Lyon sites.

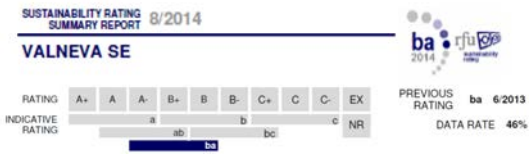
Every month, **"safety chats"** are organized with the teams to identify risks of incidents, suggest improvements to existing practices and systems and bring greater responsiveness.



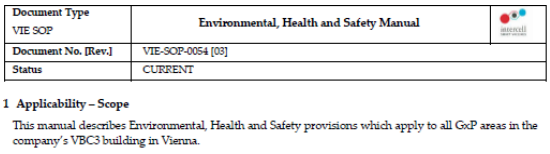
Valneva Austria maintained its ba rating in 2014

The subsidiary is a member of Vönix, an index made up of companies listed on the Vienna stock exchange that are leaders in social responsibility.

HSE policy at Valneva Scotland



Managers in charge of monitoring HSE inspection procedures are trained in compliance with Austrian law.



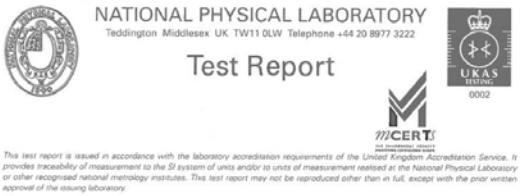
Document Type VIE SOP	Environmental, Health and Safety Manual	
Document No. [Rev.]	VIE-SOP-0054 [03]	
Status	CURRENT	

1 Applicability – Scope

This manual describes Environmental, Health and Safety provisions which apply to all GxP areas in the company's VBC3 building in Vienna.

Most laboratories meet BSL2 criteria, which means that all potentially biohazardous waste is disposed of in line with the VIE-MON-0074 procedure.

Compliance of facilities in Scotland



The inspection conducted in 2014 of the air emissions from the gas boiler found that the Livingston site is **compliant.**

Every year, the Scotland facility reports the raw materials used at the site, its energy consumption, emissions released into the air and waste disposal to the Scottish Environment Protection Agency in accordance with the regulations governing its Permit PPC/E/20022.

POLLUTION PREVENTION AND WASTE MANAGEMENT

INFORMATION AND ACHIEVEMENTS

Since 2012, Valneva has made it a priority to reduce and recycle waste at all of its sites.
The traceability of hazardous waste has been reinforced.

POLLUTION PREVENTION

To prevent pollution risks, the Group maintains and monitors various equipment and maintenance procedures, with tighter inspection of pressure equipment and monitoring of electrical systems. (ventilation system maintenance).

Valneva France also recruited a maintenance technician to monitor the technical aspects of non-compliance issues and correct them.



WASTE REDUCTION

In 2013, Valneva Scotland introduced a waste management system which has reduced waste and increased the proportion of waste that can be recycled (following the 2012 audit).

The proportion of hazardous waste that needs to be treated by autoclave before being destroyed was also scaled back, thus cutting electricity consumption.

The Nantes and Vienna sites have also implemented waste sorting and reduction systems.

WASTE RECYCLING

Waste sorting continued in 2014 based on the same system used in 2013.

Valneva continued to send its used pallets for reuse by another company in the region and its ink cartridges and photocopiers for recycling by the company Atmosph'aire.

The same focus is given to waste recycling at the Vienna and Livingston site.

REINFORCED TRACEABILITY

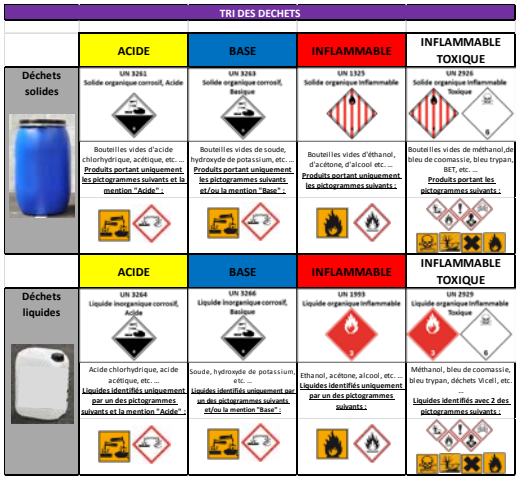
At the Nantes site, compliance with regulatory requirements is now more closely tracked through a monitoring register set up in partnership with our service providers (Veolia and SITA for the Saint Herblain site) for the sorting, storage and pick-up of chemical and biological waste (infectious medical waste).

At the Vienna and Livingston sites, hazardous waste is rigorously monitored and picked up by accredited companies in line with procedure (VIE-SOP-0054 [03]): Barcal and Schalkhammer in Vienna and Labwaste and Healthcare Environmental in Livingston.

HIGHLIGHTS

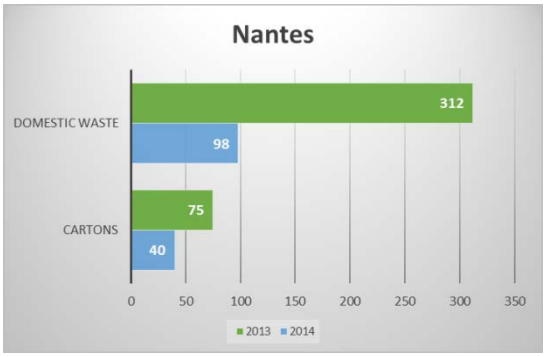
Waste sorting optimized at Valneva France

The hazardous waste sorting information sheet was improved in 2014 by the HSE Manager in response to employee requests and to facilitate the sorting process.



The safety action plan was updated in 2014 to integrate more information sources.

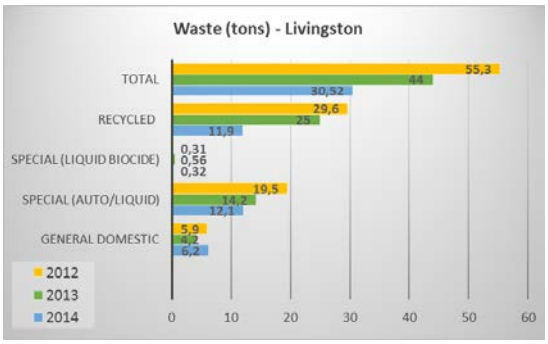
An electrical and electronic waste sorting drive was led at the Nantes site in June to recycle computer hardware and defective laboratory equipment.



The amount of non-hazardous waste produced at the facility decreased significantly between 2013 and 2014. The production plant (CMO business) at the Saint-Herblain site was sold in 2013, and the 2013 figures partly included this activity.

Valneva Scotland

The amount of waste produced at the Livingston site fell considerably between 2012 and 2014, reflecting the effectiveness of the measures taken since 2011.



An Orwak 5030 compactor, a press and an Orwak 8015 baler were put into operation in 2011, which has also reduced the number of waste pick-ups.

Our supplier Sigma Aldrich has been collecting its plastic containers directly since 2013.

Extreme care is taken to protect the homes located near the facility. The acoustic measures taken every two years by IKM Consulting and submitted to the Scottish Environment Protection Agency confirm the compliance of the site.

Waste management at Valneva Austria

The total amount of waste decreased slightly between 2013 and 2014, and the amount of recycled paper remains unchanged. One category of biological waste (mouse litter) rose slightly in 2014.



In Austria, each waste category is defined by a code based on ÖNORM S 2100 standards. The Vienna site uses “Begleitschein für gefährlichen Abfall” certificates delivered by its waste disposal service providers to trace the disposal of its hazardous waste.

ENERGY – CARBON FOOTPRINT

INFORMATION AND ACHIEVEMENTS

Valneva Group applies a policy for monitoring and efficiently managing energy consumption at all its sides. These initiatives contribute to energy savings and lower emissions of CO_2 into the atmosphere.

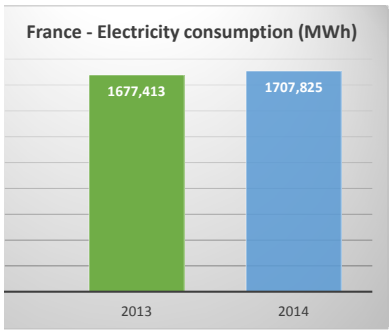
CONTROL SYSTEMS

All sites have monitoring and control systems and/or new equipment has been installed:

- At the Nantes site, energy consumption saving measures were implemented (a central control system, movement detectors, the installation of blinds).
- In Austria, a system for detecting over-consumption of energy has been installed.
- In Scotland, pursuant to the 2012 audit, energy consumption has been analyzed for the last three years and optimized by the calibration of equipment.

IN FRANCE

In 2014, electricity consumption registered a marginal increase.



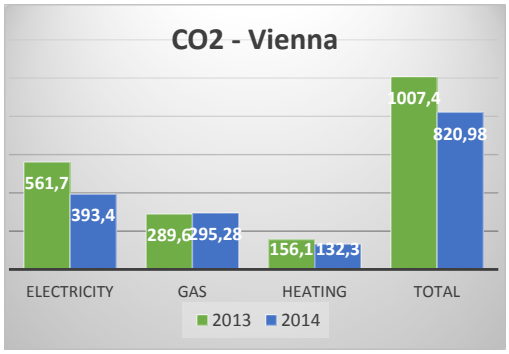
THE CARBON FOOTPRINT

CO_2 emissions are monitored for all sites on the basis of energy consumption.

In Livingston, different measures have been adopted to reduce these emissions (equipment calibration, etc.) and ensure the compliance of installations.

In Nantes, travel, the largest source of CO_2 emissions, is subject to specific reduction measures (providing bicycles to employees, giving preference the train over air travel, group orders). CO_2 linked to energy consumption represents 22% of total emissions or 331t.

IN AUSTRIA

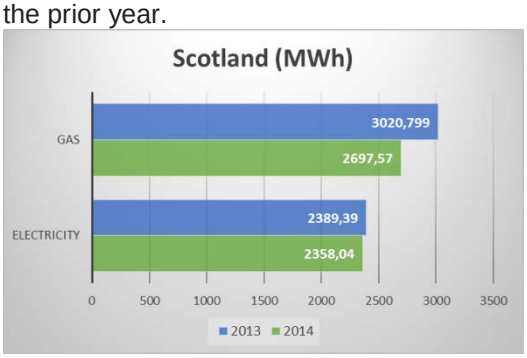


CO_2 emissions linked to energy declined in 2014 following the change in supplier (energy mix). This also applies to emissions linked to heating reflecting milder weather conditions in 2014.
In 2014, CO_2 emissions linked to energy for the Vienna site totaled 820.98t.

HIGHLIGHTS

Valneva Scotland

Energy consumption declined in 2014 from the prior year.

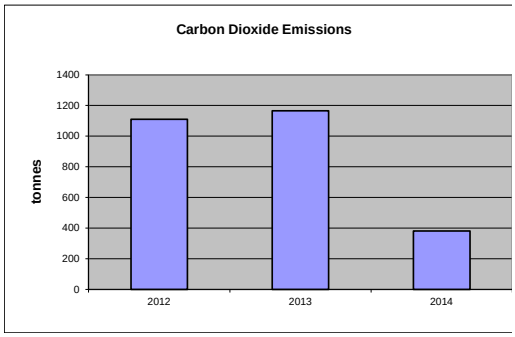


Electricity suppliers were selected according to criteria of the level of CO_2 emissions. For 2014, the supplier selected proposed electricity with a level of emissions of 136.38 g/kWh.

CO_2 emission control for the gas boiler at Livingston:

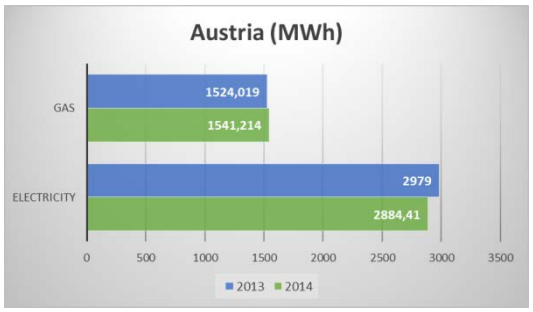
	CO_2	Gas Flow (m^3s^{-1})
%	5.3	0.17
PPM	53000	
mg Nm^{-3}	70982.14	
Emission Rate Kg/Yr	380543.79	
Emission Rate T/Yr	380.54	
Emissions T per g of product	58.15	

Emissions were controlled from January 1 to December 31, 2014 based on the average for two periods for tests conducted by the National Physics Laboratory.
Based on these tests, CO_2 emissions in 2014 declined sharply, following improvements in the functioning of the boiler.

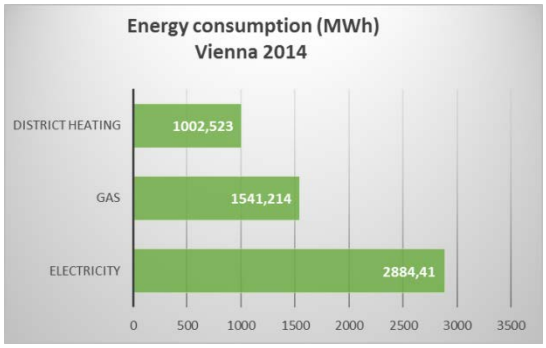


Valneva Austria

Electricity consumption decreased in 2014 from the prior year.



Gas consumption increased marginally though remains in absolute value terms very low in comparison with other sites.
This low consumption is the result of the building's connection to the municipal heating network and consumption control procedures.



In Austria, most electricity is produced by hydro power plants. The emission factor for this renewable energy is lower than for electricity produced from coal which makes it a cleaner source of energy. In addition, in 2014 the electricity supplier modified its production in favor of an energy mix.

Travel by plane is systematically subject to a procedure requiring prior authorization even if the carbon emissions count is not calculated.

RESOURCES – BIODIVERSITY

INFORMATION AND ACHIEVEMENTS

BIODIVERSITY

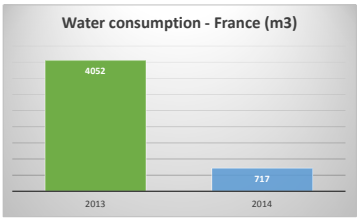
At the Nantes site, the artificialization of the grounds was taken into account for the construction of the new HEQ building in 2011 (green drainage ditches, water runoff collection, differentiated management of green space).

In Scotland, a production unit controls its emissions and waste to limit its environmental impact.

IN FRANCE

Measures to reduce resource consumption have been launched: bio-cleaning of laboratories and offices, infrared faucets, push button controlled showers.

Monthly tracking makes it possible to rapidly identify over-consumption or leaks (until November 2013, the CMO unit were included in consumption data).



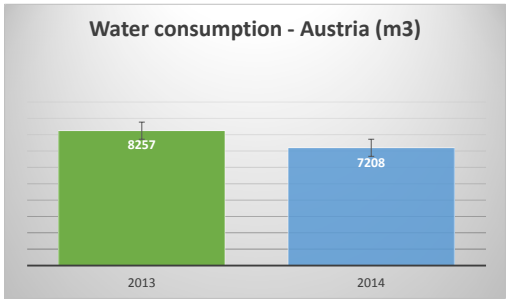
SUSTAINABLE USE OF RESOURCES IN SCOTLAND

	2013	2014
Raw Materials	**Usage (Kg)**	**Usage (Kg)**
Cleansed Water	24842	27911
Mammalian Cells	0.104	0.088
Bacterial Cells	0.00	0.00
Attenuated Japanese Encephalitis Viru	0.96	0.69
Acid	3.00	2.50
Alkali	156.00	132.00
Formaldehyde	12.50	13.00
Buffer Solution	5964	5218
Cell Culture Media	7449.1	7858
Ethanol	0	0
Total	**30978.56**	**33277.28**

Fluctuations in the use of raw materials reflect changes in production or production processes.

IN AUSTRIA

Water production has been reduced between 2013 and 2014 by 1,049 m^3.



Section 3 - Commitment to society



COMMITMENT TO SOCIETY

ETHICS AND R&D

PURCHASING POLICY

PARTNERSHIPS AND SPONSORING

Biotechnologies in the pharmaceutical industry sector address social priorities regarding health issues. While discoveries open up enormous possibilities and address public healthcare challenges, they also give rise to concerns and numerous questions on the part of civil society.

Implementing biotech innovations requires the raising of significant amounts of capital and introduces changes in the calculation for profitability. This has contributed to the multiplication of interactions and cooperation between different market players.

Public authorities pay particular attention to this sector which is highly sensitive in light of its impact on health and strategic significance in terms of its potential for creating value and jobs Public authorities facilitate the granting of funds in the form of public subsidies for these sectors involving high medical social and economic stakes.

Valneva Group applies a risk management policy with respect to the health of consumers and the future users of its products.

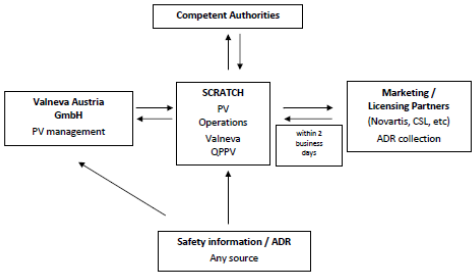
ETHICS AND R&D

INFORMATION AND ACHIEVEMENTS

Valneva products are distributed and sold primarily from the site in Vienna. Monitoring and evaluation procedures as well as a system for tracking and collecting information relating to the reliability and compliance of products have been put into place.
The quality approach relating to pharmacovigilance is set forth in the Quality Manual (GQP-0021).

PHARMACOVIGILANCE PROCEDURE

Valneva outsources operations to SCRATCH pharmacovigilance GmbH based in Butzbach and Doctor Renald Henning serves as the Qualified Person for Pharmacovigilance (QPPV). The VIE-SOP 0011 procedure describes the chain of responsibility and the processing of information flows.



DISTRIBUTION AGREEMENTS

Valneva has distribution agreements with pharmaceutical companies:

- *Novartis Vaccines and Diagnostics* Novartis Vaccines and Diagnostics for most countries;
- *CSL Limited* for Australia, New Zealand, Papua, New Guinea,, and the Pacific islands;
- *Novartis Pharma Scheweitz* Novartis Pharma Scheweitz for the IXIARO® vaccine in Switzerland;
- *Novartis Pharmaceuticals HK* Novartis Pharmaceuticals HK for the IXIARO® vaccine in Hong Kong.

PERIODIC SAFETY REPORT UPDATE- (PSUR NO. 007)

Marketing authorizations have been granted by the European Medicines Agency (EMA) for all vaccines and products marketed by Valneva.

The IXIARO® vaccine was granted a marketing authorization in 2009 for patients older than 18 and extended to children over two months in February 2013.

In the period covered by this report, clinical trials carried out on different population categories (including children and elderly persons) confirmed the positive risk-benefit profile of the IXIARO® vaccine (PSUR No.°007).

FORMS FOR THE INFORMATION COLLECTION

Information recorded in form MSOP-0013 originates from many sources: patients, healthcare professionals, relevant authorities, partners, the media, etc..
Form MFS-0010(04) documents information collected as follows:

- Country
- Date
- Informant
- Patients
- Products
- Events
- Medical history
- Medication
- Author of the note

PURCHASING POLICY

INFORMATION AND ACHIEVEMENTS

PURCHASING POLICY

Valneva has formalized its purchasing policy by a document that establishes guidelines. All employees are required to be aware of the purchasing procedures.

The purchasing policy is supported by other procedures such as the quality system, the code of conduct and contracts with suppliers.

The impacts of purchasing on the Group are measured according to the nature of the purchases and recorded by category.

Internal purchasing requests are grouped in order to limit the number of orders placed with suppliers.

SUPPLIER RELATIONS

Valneva Group has implemented a procedure for evaluating its suppliers that includes mechanisms ensuring the traceability and quality of incoming products.

As defined in its Code of Conduct, Valneva's conducts business with suppliers in an ethical, legal and professional manner and maintains commercial relations on a long-term basis.

CHARTER OF GOOD CONDUCT

Valneva has drafted a Code of Conduct to ensure ethical business conduct and compliance with applicable laws and regulations by employees of the Group.

This Code of Conduct provides guidance to employees regarding all forms of corruption relating to business activities and informs them of the risk incurred.

SUBCONTRACTING WASTE MANAGEMENT

Cofely Ineo:
recycling of electrical waste

Cofely Axima:
recycling of waste and used filters.

Unity LabServices:
recycling of used parts.

PARTNERSHIPS AND SPONSORING

INFORMATION AND ACHIEVEMENTS

VALNEVA AUSTRIA

Valneva Austria contributes to the development of science in Vienna.

The company is an active member in the biotech community, in particular within the *Campus Vienna Biocenter*, a structure for exchange and cooperation between biotech companies and universities. Valneva is recognized as a pioneer in this sector. The company also encourages the creation of new companies and supports employees who with projects to create their own biotech company.

A PROGRESS AGREEMENT IN PAYS DE LALOIRE

Valneva France has undertaken through the Progress Agreement with the Pays de la Loire Region to contribute to the following areas:

- Qualitative and quantitative development of employment and professional training;
- Corporate responsibility in relations with stakeholders in its economic and territorial environment.

INTERNSHIPS

Valneva has not set up educational partnerships offering internship opportunities to students. However, the company opens its doors to young students in connection with the "*Journée @ Work"* initiative.

In 2014, we provided opportunities to two students to learn about different functions (S&GA, Lab, Facility Management, etc).

INTERNATIONAL COOPERATION

In addition, Valneva cooperates with international institutions for doctoral candidates and other students. In 2014, Valneva received a three-year grant from the European Union (FP7 Grant) to support an Indian student working on his master's thesis. In addition, a six-month cooperation program with the European Union allowed a Spanish student to participate in a six-month "Quercus" internship.

Indicators table

Employment data table

	Document code	Definition	GRI	Law G.2	ISO 26000	P. Ref.	Unit of measure	Valneva Group 2013*	Valneva Group 2014*	Austria 2014	Scotland 2014	France 2014
Employment	S1	**Total headcount**	LA1	1.a	6.4.4	6	No.	**279**	**278**	132	86	60
		Breakdown of personnel										
	S1	**By gender**										
		- Women		1.a			No.	**159**	**162**	84	43	35
		- Men	LA1	1.a	6.4.4	6	No.	**120**	**116**	48	43	25
	S1	**By age**										
		- Less than 30		1.a			No.	**37**	**25**	9	6	10
		- 30 to 50 years	LA1	1.a		6	No.	**212**	**220**	111	48	61
		- More than 50 years		1.a	6.4.4		No.	**30**	**33**	12	6	15
	S1	**Average age**				6	yr.	**38.29**	**39.54**	39.41	41.8	37.19
		Breakdown of personnel										
	S1	**by type of employment contract**										
		- Permanent contracts	LA1	1.a	6.4.4	7	No.	**264**	**274**	131	84	59
		- Temporary contracts	LA1	1.a			No.	**15**	**4**	1	2	1
	S1	**by function**										
		- R&D		1.a		6	No.	**125**	**124**	82	0	42
		- Production		1.a	6.4.4		No.	**64**	**58**	0	58	0
		- Administrative, sales, marketing		1.a			No.	**90**	**96**	50	18	28
	S1	**Recruitments and dismissals**										
	S36-S33-S34-S35	- Number of recruitments	LA2	1.a		7	No.	**22**	**30**	9	16	5
		- Number of dismissals	LA2	1.a	6.4.4		No.	**1**	**6**	1	4	1
	S3-S8-S28	**Remuneration and changes**		1.a					Compensation policy	Compensation policy	Compensation policy	Compensation policy
Work organization	S8-S5-S18-S20-S21-S22-S36	**Organization of working hours**	LA	1.b						Agreements on the organization of working hours	Agreements on the organization of working hours	Agreements on the organization of working hours
	S1	Absenteeism										
	S1	Illness: average number of sick days per employee	LA7	1.b	6.4.4		No.	**12.2**	**6.14**	7.5	7.83	4.4
Labor relations	S8-S25	Organization of labor relations		1.c	6.4.3 and 6.4.5	7		IWC	IWC	WC	WC	WC
	S4-S15-S32	Employees covered by a collective bargaining agreement	LA4				%		100%	100%	100%	100%

* The Japan and US sites are excluded from the Valneva Group reporting boundary.
Headcount at 12/31/2014: 2 persons (2 FTE) in the United States with a permanent contract and 1 person in Japan (0.20% FTE) with a permanent contract.

	S8	Report on collective bargaining agreements		1.c					100 %	Collective Bargaining Agreement (Austria)	Local Works Council Charter	*Convention collective pharmaceutique* (France)
	S16	Code of conduct						Code of conduct	Code of conduct	Code of conduct	Code of conduct	Code of conduct
Health and safety management	S5-S6-S7-S8-S13-S14-S29-S30-S31	**Occupational health and safety**		1.d	6.4.6					VIE-SOP-0054 VIE-SOP-0074	EHS OHS policies	Single document Safety booklet for new employees
	S9-S10-S11-S15 S12	% of total workforce represented in the joint management-worker occupational health and safety committee				8 9						Health, Safety and Working Conditions Committee (CHSCT) report
		Report on occupational health and safety agreements	LA9	1.d								
		Occupational accidents										
	S1-S9-S10-S11-S37-S38-S39-S40	Frequency and severity of occupational accidents	LA7	1.d			No. occupational accidents	**36**	**1**	1	0	0
		Occupational illnesses	LA7	1.d		9	No. occupational illnesses	**0**	**0**	0	0	0
Training	S5-S8-S32-S15-S25-S32	Policies adopted with respect to training		1.e	6.4.7	10		-	Quality Manual	None	None	None PdL Region Progress Agreement
	S1-S23	Total number of training hours	LA10	1.e			No. hours		**2670.02**	1205.02	256	970
Workplace equality		**Measures adopted in favor of:**										
	S8	- gender equality		1.f	6.3.a nd 6.3.7	11	No.	1 Code of conduct	Code of conduct	Code of conduct	Code of conduct	1 Code of conduct
	S24-S32	- the employment and integration of disabled persons		1.f								
	S15-S16-S25	- Combating discrimination		1.f								
Promoting and complying with ILO conventions	S8	Upholding freedom of association and recognition of the right to collective bargaining	HR5 LA4		6.3.a nd 6.3.7			Code of conduct	Code of conduct	Legal Compliance Code of conduct	Legal Compliance Code of conduct	Legal Compliance Code of conduct
	S8-S16	Elimination of discrimination in respect of employment and occupation										
	S8	Elimination of all forms of forced and compulsory labor						Legal Compliance	Legal Compliance	Legal Compliance	Legal Compliance	Legal Compliance
	S8	Abolition of child labor						Legal Compliance	Legal Compliance	Legal Compliance	Legal Compliance	Legal Compliance

* The Japan and US sites are excluded from the reporting boundary of the Valneva CSR report
Headcount at 12/31/2014: 2 persons (2 FTE) in the United States with a permanent contract and 1 person in Japan (20% FTE) with a permanent contract.

Environmental data table

	Document code	Definition	GRI	Law G.2	ISO 26000	P. Ref.	Unit of measure	Valneva Group 2013*	Valneva Group 2014*	Austria 2014	Scotland 2014	France 2014
General environmental policy	E1-E2-E3 E11-E13- E14-E15- E25E42-E27- E28-E29- E30-E31-E44	**Organization of the company for addressing environmental issues and, as applicable, environmental assessments or certification approaches**	Managerial approach			14 15		GQP-0008[02] VIE-SOP-0054[03	GQP-0008[02] VIE-SOP-0054[03	VIE-SOP-0054 [03-Manual EHS] Index Vonix: VIE-SOP-0074	EHS global policy OHS policy PPC/E/20022	Declaration ICPE- 2009- Safety Action Plan
	E2-E4-E11- E16-E17- E21-E23- E24-E25- E26-E42- E29-E31-	**Training and employee information actions relating to environmental protection**	Managerial approach	2.a	6.5.1 & 6.5.2	14 15				All employees receive training on the VIE-SOP-0054[03] procedure	Controlling document; LIV/SOP/0333 Waste Disposal and Spills Procedure	Training programs on chemical risks and OAA - EFAW - Information booklet for new employees
	E4-E11-E21- E22-E24- E25-E42- E30-E31-	**Resources devoted to preventing environmental risks and pollution**	EN30	2.a		14 15				VIE-SOP-0074 (02) - waste management	Controlling documents PPC/E/20022 LIV/SOP/0333	Declaration ICPE -2009- Waste monitoring record Health, Safety and Working Conditions Committee (CHSCT) report
	E11-E42- E31-E45	**Amount of provisions and guarantees for environmental risks**	EN30	2.a				No provision	No provision	No provision	No provision	No provision
		Total non-monetary sanctions for noncompliance with regulations	EN 28	2.a				0	0	0	0	0
Pollution and waste management	E11-E12- E42-E30-E31	**Measures for preventing, reducing and repairing discharges in the air, water and ground causing serious environmental impacts**		2.b	6.5.3	16 17				VIE-SOP-0074 (02) monitoring of energy media consumption	PPC/E/2002 Annual report PPC Nov. 2014	DASRI procedure for infectious medical waste management and miscellaneous equipment
		Total water discharge		2.b		16 17				VIE-SOP-0074 (02) Waste management	LIV/SOP/0333 Waste management	DASRI procedure for infectious medical waste management
	E4-E12-E41- E43-E18- E20-E42- E30-E31- E34-E35- E36-E37E38- E39-E40	**Measures for prevention, recycling and eliminating waste**		2.b		16 17				VIE-SOP-0074 (02)	Controlling document; LIV/SOP/0333	DASRI and Reach regulations - waste sorting table
		Total hazardous waste (chemical or biological) - Recycled		2.b		16 17				Biological waste inactivated then discharged in waste evacuation	Biological waste inactivated then discharged in waste evacuation	Biological waste inactivated then discharged in waste evacuation

						16 17				system	system	system**
		- Biological (incinerated)	EN22	2.b			quantity		553,870 L	216,980 L	260,030 L	76,860L**
		- Chemicals (incinerated) - DEE	EN22 EN22	2.b 2.b			quantity quantity			696 kg	320L	957 kg** 1050 kg**
		Total non-hazardous waste				16 17						
		- Recycled plastic	EN22	2.b			quantity			2 containers removed on periodic basis	22800L	1 m3**
		- Recycled cardboard	EN22	2.b			quantity			220,000 L	3040 kg	40m3**
		- Recycled pallets	EN22	2.b			quantity			NC	100% (150 palettes)	100% (20 palettes)
		- Non-recycled nonhazardous industrial waste	EN22	2.b			quantity			145,200 l	6,198 kg	98 m3**
	E6-E7-E8-E9-E11-E12-E42-E31	**Taking into account some pollution and other forms of pollution specific to an activity**	EN 25	2(b)						Not pertinent	Controlling document Noise Impact Assessment Report	Not pertinent
Sustainable use of resources	**E11-E12-E19-E42-E31-E46**	**Consumption and supply of water according to local constraints**	EN8	2.c		20	M3		9943.32	7208	4316	717
	E10-E11-E12-E42-E31	**Consumption of raw materials and measures taken to improve efficiency in their use**		2.c		20				Not pertinent (no production sites)	Manufactured Product, Life Cycle Management Program.	Not pertinent (no production sites)
	E11-E12-E19-E42-E31	**Energy consumption, measures taken to improve energy performance and recourse to renewable energy**		2.c	6.5.4	18 19				Monitoring consumption	Controlling document LIV-SOP-0008 Planned Preventative Maintenance (monitoring consumption and equipment calibration)	Monitoring consumption and centralized control system (heating, air conditioning, air treatment, lighting)
		Electricity consumption	EN3	2.c		18 19	MWh	6985.812	6950.275	2884.41 1002.523 MWh	2358.04 0	1707.825 ** 0
		Municipal networks (heat for space heating) Gas consumption	EN3	2.c			quantity			1541.214 MWh	2697.7 MWh	2657 m3
	E11-E42-E31	**Ground use**		2.c		20				No actions	No actions	Limitation waterproofing/sealing

	E5-E11-E12-E42-E34-E31	**Greenhouse gas emissions**		2.d	6.5.5	18 19			Controlling document Environmental Monitoring Report of Emissions to Atmosphere.	
Climate change		CO_2 emissions from energy consumption (gas, electricity, heating network)	EN16	2.d				820.98 Teq Co2	NC	331T (BC 2011)
	E5-E11-E12-E42-E31-E34	**Adapting to the consequences of climate change**		2.d				Selection of electricity suppliers with the lowest CO_2 emissions	Controlling document; Environmental Monitoring Report of Emissions to Atmosphere.	GHG reduction measures (travel, reducing consumption)
Protection of biodiversity	**E11-E42-E31**	**Measures taken to preserve and/or develop biodiversity**		2.e	6.5.6	20		No actions	Controlling document; Environmental Monitoring Report of Emissions to Atmosphere.	HEQ building - 2011

* The Japan and US sites are excluded from the Valneva Group reporting boundary.
** Figures for Valneva France concern only the St Herblain site

Social data table

	Document code	Definition	GRI	Law G.2	ISO 26000	P. Ref.	Unit of measure	Valneva Group 2013*	Valneva Group 2014*	Austria 2014	Scotland 2014	France 2014
Regional, economic and social impact of the company's activity	So12	In terms of employment and regional development	EC8 and EC9	3.a	6.8. and 6.8.5	24						PdL Region Progress Agreement
		On neighboring or local populations	EC6									
Relations with persons or organizations interested by the activity of the company , and in particular non-profit organizations for social and occupational insertion, educational establishments, not-for-profits in the defense of the environment, consumer interests and neighboring populations	So7	Conditions of dialogue with these persons organizations		3.b	5 5.3.3	24			Communications actions			
		Partnership or sponsorship initiatives			6.8.9	24			European programs: FP7 Grant and Quercus	Campus Vienna Biocenter		
Subcontracting and suppliers	So8-So9 So10	Taking into account social and environmental issues in the purchasing policy Importance of subcontracting and taking into account social and environmental responsibility in relations with suppliers and subcontractors	EC6 HR7	3.c	6.6.6	23			Purchasing policy	Purchasing policy	Purchasing policy	Purchasing policy
Fair practices		Actions taken to prevent corruption		3.d	6.6 6.6.3 6.7.4	23		Code of conduct	Code of conduct	Code of conduct	Code of conduct	Code of conduct
	So1-So2-So3-So4-So5-So6-So11	Measures taken in favor of consumer health and safety				22			MSOP-0013 Spontaneous Adverse Event Reporting VIE-SOP-0011 Pharmacovigilance System MFS-0010(04)	MSOP-0013 Spontaneous Adverse Event Reporting VIE-SOP-0011 Pharmacovigilance System MFS-0010(04)		
		Actions undertaken under item 3, in favor of Human Rights		3.e	6.3							

* The Japan and US sites are excluded from the Valneva Group reporting boundary.
* The Japan and US sites are excluded from the Valneva Group reporting boundary.

METHODOLOGICAL NOTE

Methodological note on Group CSR data reporting

Following the merger of Intercell and Vivalis in 2013, 2014 remained a period of transition for Valneva Group for the harmonization of their different practices and procedures.

The different entities forming the Group operate according to different models linked to business operations (R&D and production) as well as their respective cultural and legal environments.
The activities of the Vienna and Livingston sites are in large part organized according to written procedures whereas the Saint-Herblain and Lyon sites refer directly to applicable regulations.

The legal and regulatory context does not reflect the same requirements for compliance from one site to another.
The different priorities relating to the environment and also employment are reflected differently according to the sites, even common practices and shared values can be observed.

Group structure of consolidated operations

A portion of the quantitative data in the employment area was consolidated at the Group level for the collection of information in 2014. This data is derived from the human resource management software, HR Cube.

As for the first CSR report for 2013, data was also consolidated where possible at the French level for the two sites of Saint-Herblain and Lyon.

Accordingly, employment data includes the Lyon and Saint Herblain sites. In contrast, environmental data is still limited for the Lyon site. In consequence, this data relates almost exclusively to the Saint Herblain site.

The content of this report accordingly still reflects and organization in the process of taking shape.

CSR reporting boundary

The reporting boundary of the CSR Report in 2014 covers the Scottish site based in Livingston, the Austrian site based in Vienna, and the French sites in Nantes and Lyon.

The reasons why Japanese and US subsidiaries were excluded from this scope of the 2014 CSR report are as follows:

- the only remaining activities in Japan are development and license and partnership management. Only one part-time employee is devoted to these activities (20% FTE) with a permanent contract;
- for the United States, only two people were working at 12/31/2014 on a full-time basis and with permanent contracts.

Data collection method

Data collection has required application of a working method and different steps that are presented below:

1. Identification of resource persons to report quantitative and qualitative employment, social and environmental data for each site;

2. Sending to the resource persons a data collection spreadsheet for inputting required information;

3. Classifying the source documents received (codification) according to three fields: employment, environment, and social.

   S followed by a number: for Employment,
   E followed by a number: for the Environment,
   So followed by a number: for Social.

In the summary tables for employment, environmental and social indicators, a new column was inserted to indicate the source document codes. These documents are then made available to the CSR assurance service firm.

In addition, for the construction of this CSR report, data collection is organized differently and obtained through new resource persons identified internally:

- 3 resource persons to coordinate where possible and transmit quantitative and qualitative data for employment-related information requirements;
- 3 other resource persons to coordinate where possible and transmit quantitative and qualitative data for the environmental information requirements
- 5 resource persons for quantitative and qualitative data for the social information requirements;
- 3 persons of Saint-Herblain in France to coordinate the data collection at the international level.

Comparison of data between the 2013 and 2014 CSR reports

Comparing the data between these two reports it difficult as the information was not collected in the same manner and certain information has not yet been harmonized at the Group level.

This year, data has been marked by significant variances resulting from the fact that the collection process was more precise and detailed than the previous year.

Accordingly, excluding selected data, the comparison with data of the 2013 CSR report could not be used for the purpose of tracking changes.

Valneva's social responsibility policy

As the merger is still recent, Valneva Group has not yet had sufficient time to implement a CSR policy organized around strategic priorities and broken down into a program and action plans. This in turn makes it difficult to get a picture of actions put into place.
This is also the reason why the report is organized along three lines: employment, environmental and social information.

Time required for producing the report

The timeline for collecting and analyzing data and drafting the report is very short. In addition, the establishments are based in different countries, rendering it impossible to conduct detailed interviews with the different parties.
For that reason, the report has been produced from information collected from written documents.

Materiality test

The time requirements for producing these latter documents did not make it possible to produce a relevant materiality matrix capable of presenting the social responsibility stakes for Valneva with regards to its important stakeholders.

Potential improvements for the next CSR report

Improvements can already be considered for the production of the Valneva's next CSR report including namely:

- Formalizing CSR priorities specific to Valneva Group and defined at the level of subsidiaries, in order to harmonize procedures and indicators;
- Improving coordination at the Group level for the collection and validation of data;
- Identifying resource persons to remain the same from one year to the next in order to optimize and harmonize the collection process;
- Sending a methodological note to each coordinator and collector;
- Longer data collection deadlines (starting at the beginning of January;
- A materiality test adapted to the Group to identify those issues that are most important in relation to expectations of Valneva's critical and external stakeholders.

DEFINITIONS

EMPLOYMENT INDICATORS

Relevance
Employment indicators provide an understanding, through quantitative and qualitative data, conditions with respect to human rights, employability, working conditions, training policies impacts on employee health and safety, diversity and equal opportunity employment.

Total headcount
Employees included in the headcount are those with an employment contract (permanent or fixed-term) with a Valneva Group company. Management Board members are also included in the headcount. Workforce is expressed based on headcount, regardless of the amount of working hours or the starting date in 2014. Furthermore, measures were adopted to consolidate and reinforce the reliability of employee data.

Recruitments and dismissals
Recruitments and dismissals exclude movements within the Group such as international transfers or transfers between companies and sites.
Figures relating to changes cover 99% of the reporting boundary and do not include companies acquired in the period.

New recruits
This includes employees recruited in the year under a permanent or fixed-term contract. Switching from a permanent contract to a fixed-term contract during the year is not considered as a new recruitment.

Number of dismissals
The number of dismissals corresponds to the number of forced departures and as such excludes resignations and the termination of contracts by mutual consent.

Absenteeism rate
This corresponds to the relation between the total number of days of absence during the year and the average number of active employees.

Conventions and collective bargaining agreements
A collective bargaining agreement is concluded between the employer and labor unions for the purpose of setting rules governing working conditions, employment and social guarantees for employees.

Frequency and severity of occupational accidents
This concerns accidents reported to, and recognized as such by, official bodies (excluding near misses, minor accidents and commuting accidents)

ENVIRONMENTAL INDICATORS

Relevance
Environmental indicators report inputs (energy, water and raw materials) and outputs (emissions, effluents, waste) and the types of impacts of the organization on the environment

Materials
This item corresponds to materials used in the production cycle.

Energy
Only direct energy consumption (originating from a primary energy source) is taken into account. Energy savings linked to mechanism for monitoring consumption and optimizing equipment are reported in qualitative terms.

Water
Water consumption concerns solely withdrawn water volume.

Biodiversity
This refers to a qualitative description of impacts linked to activities, products and services.

Emissions, effluents and waste
Direct emissions of GHG are taken into account. Waste is taken into account by category, with a focus on hazardous waste.

Transport (employees, suppliers, customers) is not taken into account in this report due to the absence of data.

SOCIAL INDICATORS

Relevance
Social indicators cover impacts of the business on the territory, impacts of products on consumer health and safety, practices with respect to suppliers and subcontractors, the purchasing policy, and more generally, stakeholder expectations.
All impacts are derived from qualitative data (procedures and the assessments of practices).

3.2. Independent third party's report



SARL Cabinet DE SAINT FRONT
EXPERTISE COMPTABLE
COMMISSARIAT AUX COMPTES
EXPERTISE JUDICIAIRE
AUDIT RSE

VALNEVA SE
70, rue Saint-Jean de Dieu
69007 Lyon
FRANCE

Report by the independent third party on the social, environmental and societal information consolidated presented in the management report issued for the year ended December 31, 2014.

To the Shareholders,

In our capacity as independent third party ("Accreditation Cofrac Inspection, n°3-1055, information available on www.cofrac.fr") of VALNEVA SE, and as a member of certified public accountants, we present our report on the consolidated social, environmental and societal information established for the year ended December 31, 2014 presented in the management report (hereafter referred to as "CSR Information") pursuant to the provisions in the Article L.225-102-1 of the French Commercial Code *(Code de commerce)*.

Responsibility of the company

It is the responsibility of the Management Board (Directoire) ou Board of Directors (Conseil d'administration) to establish a management report including CSR information referred to in the Article R.225-105-1 of the French Commercial Code (*Code de commerce*).

Independence and quality control

Our independence is defined by regulatory texts, the Code of Ethics governing the audit profession and the provisions of Article L.822-11 of the French Commercial Code s. In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent third party

Based on our work, it is our responsibility to:

- attest that the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R.224-105 of the French Commercial Code (Code de commerce) (Statement of completeness of CSR Information);

- express limited assurance, that the CSR Information, taken as a whole, is presented sincerely, in all material aspects;

Our verification work was undertaken by a team of 4 people between 23rd January and 18th March 2015 during 9 days with an onsite audit on the 6th of March 2015.

We conducted the work described below in accordance with the decree of May 13th 2013, which determines the conditions under which an independent third-party verifier conducts its mission, and in accordance with the French professional auditing standards relative to specific attestations in France.

1. Statement of completeness of CSR information

On the basis of interviews with the individuals in charge of the relevant departments, we reviewed the Company's sustainable development strategy with respect to the labour and environmental impact of its activities and its social commitments and, where applicable, any initiatives or programmes it has implemented as a result. We compared the information presented in the management report to the list provided in the Article R.225-105-1 of the French Commercial Code (Code de commerce).

We verified that the information presented covers the consolidated perimeter, namely the entity and its subsidiaries as defined by Article L.233-1, and the entities which it controls as defined by Article L233-3 of the French Commercial Code (Code de commerce).

In the absence of certain consolidated information, we have verified that the explanations provided were in accordance with the provisions in Article R.225-105, paragraph 3 of the French Commercial Code (Code de commerce).

Based on this work, we confirm that the required CSR Information has been disclosed in the management report.

2. Reasoned opinion on the fairness of CSR Information

We identified and interviewed the people in charge of the collect, compilation, processing and control for comprehensiveness and consistency of the CSR Information present in this report.

Where appropriate, we interviewed the people in charge of the internal control and risk management procedures related to the preparation of the CSR Information.

The following people were interviewed in order to verify the implementation of these processes:

- Legal Managers
- Human Resources Directors
- Health, Safety and Environmental Managers
- General Services Manager
- Employees in charge of the data collection and consolidation

And for Austria:

- Vice President Development Corporate
- Human Resources Managers Austria

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

We focused on:

- Social information: total workforce (gender, age and regional distribution); absenteeism; health and safety conditions at work; occupational accidents
- Environmental information: Company's organization to take environmental questions into account; prevention, reduction and reparation of air, water or ground emissions; waste prevention, recycling and elimination
- Societal information: the importance of subcontracting and the acknowledgement, in relations with subcontractors and suppliers, of their environmental and social responsibility; health and safety measures taken for consumers.

For this CSR Information which we considered the most important:

- At the level of the entity, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organization, policies, actions); implemented analytical procedures on the quantitative information and verified, on a sampling basis, the calculations and the compilation of the information; verified their coherence and consistency with the other information presented in the management report;
- At the level of a representative sample of entities that we selected, based on their activity, their contribution their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and corroborating them with supporting documentation. The selected sample represented 47% of VALNEVA SE's total workforce and 42% of environmental information.

For the other consolidated CSR Information, we assessed their consistency in relation to our knowledge of the Group.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information.

We consider that the sample methods and sizes of the samples that we reviewed by exercising our professional judgment allow us to express a conclusion of limited assurance; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the CSR Information, taken as a whole, in all material aspects, has not been fairly presented.

Toulouse, 19th March 2015

The Independent third party,

Cabinet de Saint Front

Jacques de Saint Front

This is a free translation into English of the original report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

4. FINANCIAL STATEMENTS 2014

4.1. Consolidated financial statements as of December 31, 2014

< Please, refer to the next page>

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*
Product sales	5	28,124	23,239
Revenues from collaborations, licensing and services	5	8,799	7,206
Revenues		**36,922**	**30,445**
Grant income		5,506	5,546
Revenues and Grants		**42,429**	**35,991**
Cost of goods and services	6/7	(17,144)	(16,508)
Research and development expenses	6/7	(22,242)	(21,423)
General, selling and administrative expenses	6/7	(14,142)	(14,720)
Other income and expenses, net	8	(395)	1,157
Amortization and impairment	6/7	(12,323)	(5,353)
OPERATING LOSS		**(23,817)**	**(20,856)**
Finance income	9	2,273	200
Finance expenses	9	(4,394)	(2,969)
LOSS BEFORE INCOME TAX		**(25,938)**	**(23,625)**
Income tax	10	(334)	(348)
LOSS FROM CONTINUING OPERATIONS		**(26,272)**	**(23,973)**
Loss from discontinued operations	20	-	(137)
LOSS FOR THE YEAR		**(26,272)**	**(24,110)**
Losses per share *for loss from continuing operations attributable to the equity holders of the Company, expressed in EUR per share (basic and diluted)*	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**
Intangible assets and goodwill	13	105,204	125,403
Property, plant and equipment	12	41,611	45,067
Other non-current assets	18	19,753	20,575
Current assets		**52,967**	**63,346**
Inventories	16	7,282	4,819
Trade receivables	17	6,850	7,570
Other current assets	18	9,366	10,791
Current financial assets	15	19	3,658
Cash, cash equivalents and short-term deposits	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**
Share capital	21	8,453	8,206
Share premium and other regulated reserves	21	206,707	198,322
Retained earnings and other reserves	22	(64,444)	(38,308)
Net result for the period		(26,272)	(24,110)
LIABILITIES			
Non-current liabilities		**75,704**	**82,181**
Borrowings	24	66,036	64,902
Other non-current liabilities and provisions	27	9,668	17,279
Current liabilities		**26,387**	**28,100**
Borrowings	24	7,117	6,381
Trade payables and accruals	25	11,009	11,388
Tax and employee-related liabilities	26	5,398	5,096
Other current liabilities and provisions	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			
Loss for the year		(26,272)	(24,110)
Depreciation and amortization	12/13	12,359	9,056
Impairment	12/13	4,095	92
Share-based payments	21	530	179
Income tax	10	334	348
Other adjustments for reconciliation to cash used in operations	28	(2,439)	(1,739)
Changes in working capital	28	(938)	(3,311)
Cash used in operations	**28**	**(12,332)**	**(19,485)**
Interest paid	9	(2,227)	(1,121)
Income tax paid	10	(385)	(296)
Net cash used in operating activities		**(14,944)**	**(20,903)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of other businesses, net cash acquired	30	-	11,615
Purchases of property, plant and equipment	12/28	(946)	(1,375)
Proceeds from sale of property, plant and equipment	28	1,712	3,144
Purchases of intangible assets	13	(2,792)	(1,899)
Purchases of financial assets		(13,616)	-
Proceeds from sale of financial assets		17,130	10,037
Interest received		505	332
Net cash generated from investing activities		**1,993**	**21,855**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common stock, net of costs of equity transactions	21	8,632	37,621
Disposal/(Purchase) of treasury shares		69	(684)
Proceeds from borrowings	24	1,656	27,646
Repayment of borrowings	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**
Cash at beginning of the year		36,509	832
Exchange gains/(losses) on cash		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**
Total comprehensive loss		-	-	1,636	(24,110)	(22,474)
Income appropriation		-	-	(14,841)	14,841	-
Employee share option plan:						
- value of employee services	23	-	-	179	-	179
- exercise of share options	21/23	37	307	-	-	343
Treasury shares	22	-	-	(684)	-	(684)
Issuance of common stock (merger with Intercell see note 30, May 2013)	21	2,676	100,599	-	-	103,275
Issuance of common stock, July 2013	21	2,275	37,913	-	-	40,188
Cost of equity transactions, net of tax	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**
Total comprehensive loss		-	-	(2,626)	(26,272)	(28,897)
Income appropriation		-	-	(24,110)	24,110	-
Employee share option plan:						
- value of employee services	23	-	-	530	-	530
- exercise of share options	21/23	6	(6)	-	-	-
Treasury shares	22			69	-	69
Issuance of common stock, May and June 2014	21	240	8,716	-	-	8,956
Cost of equity transactions, net of tax	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).

Valenva 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, Ldt), 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 critical 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 Arrangments	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 unobservable 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 options. 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	BETWEEN 1 AND 3 YEARS	BETWEEN 3 AND 5 YEARS	OVER 5 YEARS	TOTAL
Borrowings (excluding finance lease liabilities)[1]	5,401	17,849	26,128	2,333	51,711
Finance lease liabilities	980	2,045	2,045	27,353	32,423
Trade payables and accruals[2]	11,030	-	-	-	11,030
Tax and employee-related liabilities[3]	3,044	-	-	-	3,044
Other liabilities and provisions[4]	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	BETWEEN 1 AND 3 YEARS	BETWEEN 3 AND 5 YEARS	OVER 5 YEARS	TOTAL
Borrowings (excluding finance lease liabilities)[1]	6,282	25,572	9,544	1,701	43,099
Finance lease liabilities	836	1,693	1,722	25,804	30,054
Trade payables and accruals[2]	10,734	-	-	-	10,734
Tax and employee-related liabilities[3]	3,278	-	-	-	3,278
Other liabilities and provisions[4]	23	-	178	9	210
	21,152	**27,265**	**11,444**	**27,514**	**87,375**

[1]The 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.
[2]Accruals for taxes are excluded from the trade payables and accruals balance, as this analysis is required only for financial instruments.
[3]Social security and other tax payables are excluded from the tax and employee-related liabilities balance, as this analysis is required only for financial instruments.
[4]Deferred 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 carrying 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®, VivaIScreen®, 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	PRODUCTS	TECHNOLOGIES AND SERVICES	PRODUCT R&D	CORPERATE OVERHEAD	TOTAL
Revenues and grants	23,239	6,974	5,778	-	35,991
Cost of goods and services	(16,508)	-	-	-	(16,508)
Research and development expenses	(1,508)	(11,416)	(8,500)	-	(21,423)
General, selling and administrative expenses	(4,344)	(1,269)	-	(9,107)	(14,720)
Other income and expenses, net	-	-	-	1,157	1,157
Amortization and impairment	(3,697)	(1,655)	-	-	(5,353)
Operating loss	**(2,819)**	**(7,366)**	**(2,722)**	**(7,950)**	**(20,856)**
Finance income/loss and income tax	-	-	-	(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	PRODUCTS	TECHNOLOGIES AND SERVICES	PRODUCT R&D	CORPERATE OVERHEAD	TOTAL
Revenues and grants	28,289	5,067	9,072	-	42,429
Cost of goods and services	(15,565)	(1,578)	-	-	(17,144)
Research and development expenses	(3,749)	(4,231)	(14,262)	-	(22,242)
General, selling and administrative expenses	(1,193)	(874)	-	(12,074)	(14,142)
Other income and expenses, net	-	-	-	(395)	(395)
Amortization and impairment	(6,637)	(5,686)	-	-	(12,323)
Operating loss	**1,144**	**(7,302)**	**(5,190)**	**(12,469)**	**(23,817)**
Finance income/loss and income tax	-	-	-	(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*
France	4,845	5,338
Europe – without France	16,844	12,157
North America	19,160	18,055
Other	1,580	440
Revenues	**42,429**	**35,991**

Non-current assets per geographical segment

EUR IN THOUSANDS	AT DECEMBER 31,	
	2014	*2013*
France	7,833	23,059
Europe – without France	138,269	146,590
North America	712	662
Other	-	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*
Consulting and other purchased services	14,662	11,325
Employee benefit expense (note 7)	21,864	17,781
Depreciation and amortization	12,359	9,055
Impairment	4,095	92
Building and energy costs	3,244	2,556
Raw materials and consumables used	2,060	3,320
Supply, office and IT-costs	677	864
Travel and transportation costs	762	827
Advertising costs	25	3,174
License fees and royalties	3,836	2,472
Other expenses	134	143
Amounts capitalized as development costs and changes in inventory	2,133	6,532
Total	**65,851**	**58,141**
Reclassification of business disposal	-	(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				
Statutory audit				
- Valneva SE	111	114	44	46
- Fully consolidated subsidiaries	53	44	50	32
Audit procedures in relation with the merger with Intercell AG	-	-	78	41
Audit procedures in relation with the issuance of common stock in July 2013	-	-	-	95
Audit procedures in relation with the issuance of common stock in February 2015	78	66	-	-
Other procedures and services direct related to the statutory auditor's engagement				
- Valneva SE	-	4	-	2
- Fully consolidated subsidiaries	17	16	28	-
Audit sub-total	**258**	**245**	**200**	**217**
Other services				
Legal, tax, labor issues				
- Valneva SE	-	-	-	-
- Fully consolidated subsidiaries	-	-	-	2
Other directly related procedures	-	-	-	-
Accessory missions	-	-	-	-
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*
Salaries	16,483	13,335
Social security contributions	4,236	3,666
Training and education	292	317
Share options granted to management and employees	528	173
Other employee benefits	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*
Taxes, duties, fees, charges, other than income tax	(258)	(282)
Gain/(loss) on disposal of fixed assets, net	(63)	1,260
Miscellaneous income/(expenses), net	(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*
Current tax	(315)	(386)
Deferred tax	(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)**
Tax calculated at domestic tax rates applicable to profits in the respective countries	7,650	6,675
Income not subject to tax	1,828	156
Expenses not deductible for tax purposes	(1,602)	(533)
Deferred tax asset not recognized	(8,163)	(7,957)
Adjustments in respect of prior years	(20)	226
Effect of change in applicable tax rate	2	11
Exchange differences	(4)	1,073
Minimum income tax	(3)	-
Withholding tax	(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 unsed tax losses can be utilize in the foreseeable furture.

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		
- Deferred tax asset to be recovered after more than 12 months	21,774	21,893
- Deferred tax asset to be recovered within 12 months	1,569	1,604
Total deferred tax assets	**23,343**	**23,496**
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	(23,259)	(23,422)
- Deferred tax liability to be recovered within 12 months	(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*
Beginning of year	(79)	-
Exchange differences	(6)	3
Acquisition of subsidiary / PPA adjustment	-	(119)
Income statement charge	(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		
Tax losses carried forward	115,015	106,365
Fixed assets	1,051	1,532
Other items	2,390	2,547
Non-recognition of deferred tax assets	(95,114)	(86,948)
Total deferred tax assets	**23,343**	**23,496**
Deferred tax liability from		
Accelerated tax depreciation	(300)	(439)
Fixed assets	(226)	(234)
Intangible assets	(22,780)	(22,748)
Other items	(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*
Net loss from continuing operations attributable to equity holders of the Company (EUR in thousands)	(26,272)	(23,973)
Weighted average number of outstanding shares	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						
Cost	10,745	8,193	510	440	23	19,911
Accumulated depreciation and impairment	(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						
Opening net book value	8,066	3,654	140	208	23	12,091
Exchange rate differences	106	24	-	-	-	130
Acquisition of subsidiary (note 30)	35,698	2,817	119	516	-	39,150
Additions	153	567	58	20	-	798
Reclassification	23	-	-	-	(23)	-
Disposals	(2,179)	(1,483)	(48)	(28)	-	(3,738)
Depreciation charge	(1,627)	(1,454)	(125)	(110)	-	(3,316)
Impairment charge	-	(48)	-	-	-	(48)
Closing net book value	**40,240**	**4,076**	**143**	**607**	**-**	**45,067**
December 31, 2013						
Cost	51,181	18,456	1,471	1,390	-	72,497
Accumulated depreciation and impairment	(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						
Opening net book value	40,240	4,076	143	607	-	45,067
Exchange rate differences	287	70	5	11	-	372
Additions	71	953	85	18	-	1,127
Reclassification	(9)	-	-	-	-	(9)
Disposals	-	(176)	(1)	(1)	-	(177)
Depreciation charge	(2,455)	(1,243)	(88)	(125)	-	(3,911)
Impairment charge	-	(235)	-	-	-	(235)
Transferred to Assets held for sale	-	(560)	(12)	(52)	-	(623)
Closing net book value	**38,134**	**2,886**	**132**	**458**	**-**	**41,611**
December 31, 2014						
Cost	51,899	18,072	1,386	1,305	-	72,661
Accumulated depreciation and impairment	(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						
Cost	34,795	-	-	-	-	34,795
Accumulated depreciation	(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						
Cost	313	17,333	5,959	341	-	23,946
Accumulated amortizati-on and impairment	(285)	(2,950)	(3,340)	-	-	(6,575)
Net book value	**29**	**14,383**	**2,618**	**341**	**-**	**17,371**
Year ended December 31, 2013						
Opening net book value	29	14,383	2,618	341	-	17,371
Exchange rate differences	-	57	-	-	-	57
Acquisition of subsidiary (note 30)	476	111,356	-	-	-	111,832
Additions	23	90	1,681	9	1	1,804
Reclassification	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Amortization charge	(229)	(4,861)	(569)	-	-	(5,660)
Closing net book value	**299**	**121,023**	**3,730**	**350**	**1**	**125,403**
December 31, 2013						
Cost	2,334	131,800	13,617	350	1	148,102
Accumulated amortizati-on and impairment	(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						
Opening net book value	299	121,023	3,730	350	1	125,403
Exchange rate differences	8	340	20	-	-	367
Additions	228	198	1,649	-	95	2,170
Reclassification	-	194	-	-	9	202
Disposals	-	(23)	63	(350)	-	(310)
Amortization charge	(240)	(7,519)	(757)	-	-	(8,516)
Impairment charge	-	(7,263)	-	-	-	(7,263)
Transferred to Assets held for sale	-	(6,816)	(33)	-	-	(6,849)
Closing net book value	**294**	**100,134**	**4,672**	**-**	**105**	**105,204**
December 31, 2014						
Cost	2,420	113,608	16,698	-	105	132,831
Accumulated amortization and impairment	(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

Viva|Screen® 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 VivaIScreen® 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		
Trade receivables	7,570	7,570
Other assets[1]	15,823	15,823
Financial assets	3,658	3,658
Cash and cash equivalents	36,509	36,509
Assets	**63,560**	**63,560**

DECEMBER 31, 2013 EUR IN THOUSANDS	LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS	OTHER FINANCIAL LIABILITIES	TOTAL
Liabilities as per balance sheet			
Borrowings (excluding finance lease liabilities)[2]	-	40,246	40,246
Finance lease liabilities	-	31,037	31,037
Trade payables and accruals[3]	-	11,030	11,030
Tax and employee-related liabilities[4]	-	3,044	3,044
Other liabilities and provisions[5]	50	5,139	5,190
Liabilities	**50**	**90,496**	**90,547**

[1]Prepayments and tax receivables are excluded from the other assets balance, as this analysis is required only for financial instruments.
[2]The 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.
[3]Accruals for taxes are excluded from the trade payables and accruals balance, as this analysis is required only for financial instruments.
[4]Social security and other tax payables are excluded from the tax and employee-related liabilities balance, as this analysis is required only for financial instruments.
[5]Deferred 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		
Trade receivables	6,850	6,850
Other assets[1]	12,950	12,950
Financial assets	19	19
Cash and cash equivalents	29,449	29,449
Assets	**49,268**	**49,268**

DECEMBER 31, 2014 EUR IN THOUSANDS	LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS	OTHER FINANCIAL LIABILITIES	TOTAL
Liabilities as per balance sheet			
Borrowings (excluding finance lease liabilities)[2]	-	43,099	43,099
Finance lease liabilities	-	30,054	30,054
Trade payables and accruals[3]	-	10,734	10,734
Tax and employee-related liabilities[4]	-	3,278	3,278
Other liabilities and provisions[5]	3	208	210
Liabilities held for sale	-	982	982
Liabilities	**3**	**88,355**	**88,358**

[1]Prepayments and tax receivables are excluded from the other assets balance, as this analysis is required only for financial instruments.
[2]The 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.
[3]Accruals for taxes are excluded from the trade payables and accruals balance, as this analysis is required only for financial instruments.
[4]Social security and other tax payables are excluded from the tax and employee-related liabilities balance, as this analysis is required only for financial instruments.
[5]Deferred 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		
Derivative financial instruments	50	50
Other liabilities and provisions	**50**	**50**

DECEMBER 31, 2014 EUR IN THOUSANDS	LEVEL 2	TOTAL
Other liabilities and provisions		
Derivative financial instruments	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		
Receivables from governmental institutions	3	2
AA	6,324	7,315
A	-	47
Counterparties without external credit rating	522	205
Trade receivables	**6,850**	**7,570**
Other assets		
Receivables from governmental institutions	1,299	2,598
A	175	105
Counterparties without external credit rating or rating below A	11,477	13,120
Other assets	**12,950**	**15,823**
Financial assets		
A	19	3,658
Financial assets	**19**	**3,658**
Cash and cash equivalents		
A	23,729	36,506
Counterparties without external credit rating or rating below A	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*
Non-current	333	226
Current	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*
Raw materials	582	672
Work in progress	5,891	4,147
Finished goods	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*
Cash in hand	2	3
Cash at bank	27,571	14,944
Short-term bank deposits (maturity less than 3 months)	1,284	21,173
Mutual funds	-	390
Restricted cash	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*
Intangible assets – gross amounts	17,430	1,101
Intangible assets – amortization	(4,971)	(26)
Intangible assets – impairment	(5,610)	(1,075)
Intangible assets – net amounts	**6,849**	**-**
Property, plant and equipment – gross amounts	967	102
Property, plant and equipment – depreciation	(343)	(62)
Property, plant and equipment – impairment	-	(40)
Property, plant and equipment – net amounts	**623**	**-**
Inventories	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*
Grant income	-	-
Consulting and other purchased services	-	-
Employee benefit expense	-	-
Depreciation, amortization and write-off	-	(137)
Raw materials and consumables used	-	-
Amounts capitalized as development costs and changes in inventory	-	-
Other expenses	-	-
Taxes, duties, fees, charges, other than income tax	-	-
Income/(Loss) from discontinued operations	**-**	**(137)**

■

+ *Note 20.4 – Cash flows from discontinued operations*

EUR IN THOUSANDS	YEAR ENDED DECEMBER 31,	
	2014	*2013*
Net cash used in operating activities	-	-
Net cash generated from/(used in) investing activities	-	-
Net cash generated from/(used in) financing activities	-	-
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 CAPITAL, SHARE PREMIUM AND OTHER REGULATED RESERVES
Balance at January 1, 2013	**21,462,529**	**3,219**	**62,414**	**-**	**65,633**
Employee share option plan:					
- exercise of share options	244,537	37	307	-	343
Issuance of common stock (merger with Intercell see note 30, May 2013)	17,836,719	2,676	47,779	52,820	103,275
Issuance of common stock, July 2013	15,165,215	2,275	37,913	-	40,188
Cost of equity transactions, net of tax	-	-	(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**
Employee share option plan:					
- exercise of share options	42,333	6	(6)	-	-
Issuance of common stock, May and June 2014	1,600,000	240	8,716	-	8,956
Cost of equity transactions, net of tax	-	-	(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)**
Currency translation differences	1,636	-	-	1,636
Income appropriation	-	-	(14,841)	(14,841)
Employee share option plan:				
- value of employee services	-	-	179	179
Purchase/Sale of treasury shares	-	(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)**
Currency translation differences	(2,626)	-	-	(2,626)
Income appropriation	-	-	(24,110)	(24,110)
Employee share option plan:				
- value of employee services	-	-	530	530
Purchase/Sale of treasury shares	-	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 (cancelation). 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		
	Number of options	*Number of shares available*	*Average exercise price in EUR per share*	*Number of options*	*Number of shares available*	*Average exercise price in EUR per share*
Outstanding at January 1	1,022,640	1,140,160	3.08	9,768	305,944	1.88
Granted	-	-	-	1,049,250	1,049,250	3.21
Forfeited	(67,300)	67,300	3.21	(34,650)	34,650	3.21
Exercised	-	-	-	(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**
Exercisable at year end	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*
Outstanding at January 1	97,333	108,166
Granted	0	52,000
Forfeited	(15,500)	(9,000)
Definitively granted	(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*
Outstanding at January 1	11,250	16,875
Forfeited	(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		
Bank borrowings	3,536	5,656
Other loans	33,281	29,189
Finance lease liabilities	29,219	30,057
	66,036	**64,902**
Current		
Bank borrowings	3,339	3,158
Other loans	2,943	2,242
Finance lease liabilities	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*
Between 1 and 2 years	13,276	8,820
Between 2 and 3 years	13,989	9,623
Between 3 and 4 years	9,766	9,686
Between 4 and 5 years	1,500	7,754
Over 5 years	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*
EUR	47,048	50,307
USD	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	
	Carrying amounts	*Fair values*
Bank borrowings	6,543	6,003
Other loans (excluding the other loan described in note 24.3)	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**
Proceeds of issue	22,041	-
Transaction costs	(829)	-
Net proceeds of issue	21,212	-
Accrued interest and royalty expense	91	3,816
Payment of interest	-	(1,646)
Foreign exchange valuation	(280)	2,912
Balance at December 31	**21,023**	**26,105**
Less non-current portion	(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*
Trade payables	5,192	6,487
Accrued expenses	5,817	4,901
	11,009	11,388
Less non-current portion	-	-
Current portion	**11,009**	**11,388**

Note 26: Tax and employee-related liabilities

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

Note 27: Other liabilities and provisions

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

+ *Note 27.1 – Deferred Income*

EUR IN THOUSANDS	AT DECEMBER 31,	
	2014	*2013*
Arising from collaboration and licensing agreements	10,812	15,906
Arising from government grants	1,047	914
	11,859	16,820
Less non-current portion	(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*
Discount rate	1.80%	3.17%
Salary increase rate	2.0%	2.5%
Turnover rate	0%-45.90%	12.45%
Social security rate	45.00%	47.99%
Average remaining lifespan of employees (in years)	20	29

b. Changes in defined benefit obligation

Present value of obligation development

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

■

+ *Note 27.3 – Other provisions*

EUR IN THOUSANDS	2014	2013
Non-current	-	-
Current	135	371
Provisions	**135**	**371**
Balance at January 1	**371**	**12**
Acquisition of subsidiary (note 30)	-	18
Charged to the income statement:		
- Additional provision	113	350
- Reversed provision	-	-
Used provisions	(350)	(9)
Exchange differences	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*
Not later than 1 year	265	191
Later than 1 year and not later than 5 years	672	634
Later than 5 years	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*
Potential earn out payment on investment securities	4,954	3,781
Commitment with a supplier and subcontractors	619	490
Loans and grants	7,790	8,124
Other	47	1
Other commitments	**13,410**	**12,396**

The guarantees and pledges consisted of:

EUR IN THOUSANDS	AT DECEMBER 31,	
	2014	*2013*
Equipment pledge	600	771
Pledges on consolidate investments	285,426	286,446
Pledges on non-consolidated investments	-	-
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**
Fair value of net assets acquired	103,275
Goodwill	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
Cash, cash equivalents and financial assets	16,220	16,220
Property, plant and equipment, hardware	39,150	39,150
Intangible assets	111,832	62,080
Other non-current assets	11,299	11,299
Inventories	10,354	10,354
Trade and other receivables	10,381	10,381
Non-current liabilities	(45,950)	(45,950)
Trade and other payables	(18,592)	(18,592)
Other current liabilities	(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	
Cash consideration	0
Cash and cash equivalents in acquired business	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*
Purchases of services:		
- 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*
Salaries and other short-term employee benefits	1,421	2,010
Other long-term benefits	14	14
Share-based payments (stock compensation expense)	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*
Product sales	28,124	27,212
Revenues from collaborations, licensing and services	8,799	10,814
Revenues	**36,922**	**38,026**
Grant income	5,506	5,658
Revenues and Grants	**42,429**	**43,684**
Cost of goods and services	(17,144)	(20,003)
Research and development expenses	(22,242)	(30,786)
General, selling and administrative expenses	(14,142)	(20,790)
Other income and expenses, net	(395)	1,820
Amortization and impairment	(12,323)	(6,469)
OPERATING PROFIT/(LOSS)	**(23,817)**	**(32,543)**
Finance income	2,273	288
Finance expenses	(4,394)	(6,159)
PROFIT/(LOSS) BEFORE INCOME TAX	**(25,938)**	**(38,414)**
Income tax	(334)	(351)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	**(26,272)**	**(38,765)**
Loss from discontinued operations	-	(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 reclassifications.

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.

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. ■

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.

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. ■

Translation disclaimer: This is a free translation into English of the original French language version of the financial report provided solely for the convenience of English speaking. 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, the translation may not be relied upon to sustain any legal claim, nor be used as the basis of any legal opinion and the VALNEVA expressly disclaims all liability for any inaccuracy herein.

4.2. Auditors' report on the consolidated financial statements

PricewaterhouseCoopers Audit

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VALNEVA

Société Européenne

Gerland PlazaTechSud
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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.

I. 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.

II. 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.

III. 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	Deloitte & Associés
French original signed by	French original signed by
Thierry CHARRON	Vincent GROS

4.3. Statutory financial statements as of December 31, 2014

< Please, refer to the next page>

VALNEVA SE STATUTORY FINANCIAL STATEMENTS

1. BALANCE SHEET

1.1. Assets

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

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

1.2. Shareholders' equity & liabilities

HEADINGS (IN EUR THOUSANDS)	NOTE	DECEMBER 31,	
		2014	*2013*
Share capital or individual share (of which paid up: 3,168)		8.631	8.385
Additional paid-in capital		175.041	166.656
Tax-driven reserves (of which provision for exchange rate fluctuations)		52.832	52.832
Retained earnings/(accumulated deficit)		-43.832	-33.880
NET INCOME (LOSS) FOR THE YEAR		**-14.883**	**-9.952**
Investment grants	4.3.11	418	458
Tax-driven provisions		659	815
SHAREHOLDERS' EQUITY	**4.3.10**	**178.866**	**185.314**
Subordinated grants		3.951	4.201
OTHER EQUITY	**4.3.12**	**3.951**	**4.201**
Provisions for contingencies		129	223
Provisions for losses		163	23
PROVISIONS FOR CONTINGENCIES AND LOSSES	**4.3.13**	**292**	**246**
BORROWINGS			
Bank borrowings	4.3.14	9.614	10.981
OPERATING PAYABLES			
Trade payables and related accounts	4.3.15	1.833	1.579
Tax and employee-related liabilities	4.3.16	1.137	1.111
OTHER PAYABLES			
Payables on fixed assets and equivalent	4.3.17	1.578	4.505
Other payables	4.3.17	1.822	41
ACCRUAL ACCOUNTS			
Deferred income	4.3.18	0	1.583
TOTAL LIABILITIES		**15.984**	**19.800**
Unrealized losses on foreign exchange		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*
Sale of trade goods					2
Sales of services	135	1.267	4.4.1	1.402	1.688
NET SALES	**135**	**1.267**		**1.402**	**1.691**
Change in inventory of own production of goods and services				0	0
Own production of goods and services capitalized			4.4.2	152	284
Grants			4.4.3	278	1.190
Reversals of depreciation, amortization and provisions, expense reclassifications			4.4.5	291	145
Other income			4.4.4	1.090	465
OPERATING INCOME				**3.212**	**3.775**
Purchase of trade goods				0	2
Purchases of raw materials and other supplies (including customs duties)				1.226	1.071
Change in inventory (raw materials and supplies)				-377	254
Other purchases and external expenses			4.4.6	8.265	5.767
Taxes other than on income and related payments			4.4.7	196	231
Wages and salaries			4.4.8.b	3.261	4.268
Social charges			4.4.8.b	1.428	1.933
ALLOWANCES FOR DEPRECIATION AND AMORTISATION, PROVISIONS					
For fixed assets			4.4.9	1.971	2.760
For current assets			4.4.9	52	0
For contingencies and losses			4.4.9	254	0
Other expenses				318	214
OPERATING EXPENSES				**16.593**	**16.501**
INCOME (LOSS) FROM ORDINARY ACTIVITIES				**-13.381**	**-12.726**
JOINT VENTURE OPERATIONS					
FINANCIAL INCOME					
Financial income from non-consolidated investments				533	168
Income from other marketable securities and receivables capitalized				0	0
Other interests and similar income				157	183
Reversals of provisions and expense reclassifications			4.4.9	270	2
Foreign exchange gains				14	56
Net proceeds from the disposal of marketable securities				0	17.615
FINANCIAL INCOME				**973**	**18.024**

INCOME STATEMENT (MULTIPLE-STEP) HEADINGS (IN EUR THOUSANDS) FRANCE EXPORT	NOTE	DECEMBER 31,	
		2014	*2013*
Amortization and charges to provisions for financial items	4.4.9	0	655
Interest and similar expenses		210	605
Foreign exchange losses		223	1
Net charges on disposals of marketable securities		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**
Exceptional income from non-capital transactions		2.500	2
Exceptional income from capital transactions		40	5.129
Reversals of provisions and expense reclassifications	4.4.9	157	185
EXCEPTIONAL INCOME		**2.697**	**5.317**
Exceptional expenses on non-capital transactions		0	
Exceptional expenses on capital transactions		3	3.736
Exceptional depreciation, amortization and provisions	4.4.9	6.702	33
EXCEPTIONAL EXPENSES		**6.705**	**3.768**
NET EXCEPTIONAL ITEMS	**4.4.11**	**-4.008**	**1.548**
Corporate income tax	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**
Basic net earnings per share (in euros)	4.4.13	-0,26	-0,18
Diluted net earnings per share (in euros)	4.4.13	-0,26	-0,18

3. CASH FLOW STATEMENT

CASH FLOW STATEMENT (IN EUR THOUSANDS)	DECEMBER 31,	
	2014	*2013*
Cash flow from operating activities:		
Net income/(loss)	-14.883	-9.952
Income and expenses with no impact on cash or unrelated to operating activities		
› 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**
Change in other current assets and liabilities:		
› 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
Cash flow from investing activities		
› 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	AT JANUARY 1, 2014	CHANGES IN THE PERIOD INCREASE	DE-CREASE	OTHER CHANGES	AT DECEMBER 31, 2014
Preliminary expenses	0	0	0	0	0
Development expenditure	8.453	152	0	0	8.604
Goodwill	8.117	7	0	0	8.124
Concessions, patents and rights	8.082	2	0	0	8.084
Software	130	50	0	0	180
In progress	1	105	-1	0	105
Other	0	0	0	0	0
Gross intangible fixed assets	**24.783**	**315**	**-1**	**0**	**25.097**
Preliminary expenses	0	0	0	0	0
Development expenditure[1]	5.572	665	0	0	6.237
Goodwill[2]	0	4.017	0	0	4.017
Concessions, patents and rights[3]	1.919	3.121	0	0	5.041
Software	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**
Development expenditure	778	0	-156	0	623
Concessions, patents and rights	0	0	0	0	0
Software	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 INCREASE	DE-CREASE	OTHER CHANGES	AT DECEMBER 31, 2013
Preliminary expenses	0	0	0	0	0
Development expenditure	8.169	284	0	0	8.453
Goodwill	8.111	6	0	0	8.117
Concessions, patents and rights	8.082	0	0	0	8.082
Software	313	7	-190	0	130
In progress	0	1	0	0	1
Other	0	0	0	0	0
Gross intangible fixed assets	**24.675**	**297**	**-190**	**0**	**24.783**
Preliminary expenses	0	0	0	0	0
Development expenditure[1]	4.900	672	0	0	5.572
Concessions, patents and rights	1.473	446	0	0	1.919
Software	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**
Development expenditure	934	0	-156	0	778
Concessions, patents and rights	0	0	0	0	0
Software	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	DECREASE	OTHER CHANGES	
Land	677	0	0	0	677
Buildings on own land	3.025	0	0	0	3.025
Buildings on land of third parties	553	4	0	0	557
Building installations and improvements	2.561	32	-1	0	2.591
Plant, machinery and equipment.	3.991	350	-17	0	4.323
General installations and improvements	42	0	0	0	42
Vehicles	18	0	0	0	18
Office, IT equipment, furniture	605	25	-10	0	620
Recoverable packaging	2	0	0	0	2
Tangible fixed assets under construction	9	-9	0	0	-0
Prepayments	0	0	0	0	0
Gross intangible fixed assets	**11.483**	**402**	**-29**	**0**	**11.856**
Land	95	28	0	0	123
Buildings on own land	472	133	0	0	605
Buildings on land of third parties	129	62	0	0	191
Building installations and improvements	954	168	-1	0	1.121
Plant, machinery and equipment.	2.418	417	-14	0	2.821
General installations and improvements	13	3	0	0	16
Vehicles	18	0	0	0	18
Office, IT equipment, furniture	409	46	-10	0	445
Recoverable packaging	2	0	0	0	2
Total depreciation	**4.509**	**858**	**-26**	**0**	**5.341**
Impairment	0	0	0	0	0
Plant, machinery and equipment	34	0	0	0	34
Net intangible fixed assets	**6.940**	**-456**	**-3**	**0**	**6.481**
Plant, machinery and equipment.	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	DECREASE	OTHER CHANGES	
Land	1.010	4	-337	0	677
Buildings on own land	4.703	0	-1.678	0	3.025
Buildings on land of third parties	572	9	-28	0	553
Building installations and improvements	3.908	135	-1.483	0	2.561
Plant, machinery and equipment.	8.195	363	-4.567	0	3.991
General installations and improvements	580	18	-556	0	42
Vehicles	37	0	-20	0	17
Office, IT equipment, furniture	908	32	-335	0	605
Recoverable packaging	5	0	-2	0	3
Tangible fixed assets under construction	23	9	-23	0	9
Prepayments	0	0	0	0	0
Gross intangible fixed assets	**19.941**	**569**	**-9.027**	**0**	**11.483**
Land	123	34	-62	0	95
Buildings on own land	877	197	-603	0	471
Buildings on land of third parties	88	64	-23	0	129
Building installations and improvements	1.668	307	-1.019	0	955
Plant, machinery and equipment.	4.639	865	-3.086	0	2.418
General installations and improvements	169	38	-194	0	13
Vehicles	37	0	-20	0	17
Office, IT equipment, furniture	560	110	-261	0	409
Recoverable packaging	5	0	-2	0	3
Total depreciation	**8.166**	**1.615**	**-5.272**	**0**	**4.509**
Impairment	0	0	0	0	0
Plant, machinery and equipment	7	27	0	0	34
Net intangible fixed assets	**11.768**	**-1.073**	**-3.756**	**0**	**6.940**
Plant, machinery and equipment.	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	AT JANUARY 1, 2014	CHANGES IN THE PERIOD: ACQUISITIONS / MERGER CONTRIBUTION	CHANGES IN THE PERIOD: DISPOSALS	AT DECEMBER 31, 2014
Non-consolidated investments	127.923	10.005	0	137.928
Receivables on non-consolidated investments	0	0	0	0
Loans[1]	117	13	0	130
Deposits and bonds	47	0	0	47
Treasury shares	646	0	0	646
Liquidity agreement	600	0	0	600
Gross value	**129.333**	**10.019**	**0**	**139.352**
Non-consolidated investments	0	0	0	0
Depreciation of deposits and bonds	8	0	0	8
Treasury shares impairment	123	-26	0	97
Liquidity agreement impairment	321	-14	0	307
Total depreciation	**453**	**-40**	**0**	**413**
Total net long-term investments	**128.880**	**10.059**	**0**	**138.939**
Non-consolidated investments	0	0	0	0
Total accelerated tax depreciation or amortization	**0**	**0**	**0**	**0**
Net tax value	**128.880**	**10.059**	**0**	**138.939**

[1]Long-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
Liquidity agreement	26.722	425	307	118
Financial compensation	124.322	646	97	549

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

IN THOUSANDS OF EUROS	AT JANUARY 1, 2013	ACQUISITIONS	DISPOSALS	AT DECEMBER 31, 2013
Non-consolidated investments	47	127.876	-1	127.922
Receivables on non-consolidated investments	0	0	0	0
Loans[1]	98	19	0	117
Deposits and bonds	40	8	-1	47
Treasury shares	0	646	0	646
Liquidity agreement	601	0	-1	600
Gross value	**786**	**128.549**	**-3**	**129.332**
Non-consolidated investments	1	0	-1	0
Depreciation of deposits and bonds	8	0	0	8
Treasury shares impairment	0	123	0	123
Liquidity agreement impairment	107	214	0	321
Total depreciation	**116**	**338**	**-1**	**453**
Total net long-term investments	**670**	**128.211**	**-2**	**128.880**
Non-consolidated investments	0	0	0	0
Total accelerated tax depreciation or amortization	**0**	**0**	**0**	**0**
Net tax value	**670**	**128.211**	**-2**	**128.880**

[1]Long-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
Liquidity agreement	41.216	495	321	173
Financial compensation	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
Raw materials and supplies	360	377	0	737
Impairment	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
Raw materials and supplies	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*
Customers	404	380
Doubtful trade receivables	0	25
Gross value	**404**	**405**
Prov. for impairment of trade receivables	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
Customers	362	362	0
Doubtful trade receivables	0	0	0
Trade receivables – sales invoice accruals	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
Customers	132	132	0
Doubtful trade receivables	25	0	25
Trade receivables – sales invoice accruals	248	248	0
Total	**405**	**380**	**25**

+ *4.3.6 Other receivables*

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	*2013*
Income tax	8.955	9.064
VAT	379	311
Grant income	1.299	2.598
Vivalis Japan treasury advances	129	607
Provision for impairment of Vivalis Japan treasury advances	-129	-153
Treasury advances to Valneva GMBH	21.985	26.965
Other operating receivables	735	254
Amounts receivable on disposal of assets	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*
2014 RTC	1.965	0
2013 RTC	2.039	2.039
2012 RTC	2.759	2.759
2011 RTC	2.046	2.046
2010 RTC	0	2.144
CICE 2014 tax credit	70	0
CICE 2013 tax credit	71	71
Miscellaneous tax reductions	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
DIACT (2008)	550	460	220	-130
OSEO (2009)	6.016	164	4.742	1.110
NANTES (2009)	894		894	0
ANR (2010)	541	76	465	0
FEDER	1.500	298	752	450
FUI RHONES ALPES	374	276	112	-15
FUI PAYS DE LOIRE	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
Income tax	8.955	2.046	6.909
VAT	379	379	0
Grant income	1.299	1.299	0
Vivalis Japan treasury advances	129	129	0
Provision for impairment of Vivalis Japan treasury advances	-129	-129	0
Treasury advances to Valneva GMBH	21.985	21.985	0
Other operating receivables	735	735	0
Amounts receivable on disposal of assets	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
Income tax	9.064	2.144	6.920
VAT	311	311	0
Grant income	2.598	478	2.120
Vivalis Japan treasury advances	607	607	0
Provision for impairment of Vivalis Japan treasury advances	-153	-153	0
Treasury advances to Valneva GMBH	26.965	26.965	0
Other operating receivables	254	250	4
Amounts receivable on disposal of assets	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*
Cash at bank and in hand[1]	9.314	10.317
Fixed term deposits	0	2.360
Marketable securities[2]	0	1.390
Cash assets	**9.314**	**14.067**
Bank facilities	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	ACQUISITIONS	DISPOSALS	AT DECEMBER 31, 2014
Open-ended investment fund (SICAV)	390		-390	0
Mutual funds	0		0	0
Medium-term notes / Certificates of deposit	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
Open-ended investment fund (SICAV)	0	0	0
Mutual funds	0	0	0
Certificates of deposit	0	0	0
Total	**0**	**0**	**0**

Change from January 1, 2013 to December 31, 2013

IN THOUSANDS OF EUROS	AT JANUARY 1, 2013	ACQUISITIONS	DISPOSALS	AT DECEMBER 31, 2013
Open-ended investment fund (SICAV)	747	39.565	-39.923	390
Mutual funds	1	0		0
Medium-term notes / Certificates of deposit	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
Open-ended investment fund (SICAV)	390	390	0
Mutual funds	0	0	0
Certificates of deposit	1.000	1.000	98
Total	**1.390**	**1.390**	**98**

+ *4.3.8 Prepaid expenses*

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

+ *4.3.9. Accrued income*

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	*2013*
Receivables on non-consolidated investments	0	0
Accrued interest on liquid assets under the equity agreement	0	0
Trade receivables and related accounts	42	248
Other receivables	55	55
Marketable securities (certificates of deposit)	0	0
Bank – accrued interest on time deposits	19	298
Total accrued income[1]	**116**	**601**

[1]for 2013: amount up to one year: €601,000
[1]for 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	DECREASE	OTHER CHANGES	
Share capital	8.384	246	0	0	8.631
Share premiums	166.656	8.385	0	0	175.041
Regulated reserves	52.832	0	0	0	52.832
Retained earnings/(accumulated deficit)	-33.880	0	0	-9.952	-43.832
Net income/(loss) for the year	**-9.952**	**0**	**-14.883**	**9.952**	**-14.883**
Net investment grants	458	0	-40	0	418
Tax-driven provisions	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 JANUARY 1, 2013	CHANGES IN THE PERIOD			AT DECEMBER 31, 2013
		INCREASE	DECREASE	OTHER CHANGES	
Share capital	3.219	5.165	0	0	8.384
Share premiums	62.414	104.242	0	0	166.656
Regulated reserves	12	52.820	0	0	52.832
Retained earnings/(accumulated deficit)	-21.922	0	0	-11.958	-33.880
Net income/(loss) for the year	**-11.958**	**0**	**-9.952**	**11.958**	**-9.952**
Net investment grants	587	0	-129	0	458
Tax-driven provisions	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
Amount granted	441	500	954	111	137
Grant date	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**
Grant for 2011	0	0	0	0	0
Reclassifications into operating grants	0	0	0	0	0
Grant transferred to 2011 net income	14	63	22	7	10
Net amount at 12/31/2011	**61**	**99**	**1**	**43**	**71**
Grant for 2012	0	0	0	0	0
Reclassifications into operating grants	0	0	0	0	0
Grant transferred to 2012 net income	15	55	1	6	10
Net amount at 12/31/2012	**46**	**44**	**0**	**37**	**61**
Grant transferred to 2013 net income	13	42	0	6	10
Net amount at 12/31/2013	**33**	**2**	**0**	**31**	**51**
Grant transferred to 2014 net income	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
Amount granted	115	15	556	87	
Grant date	10/12 2006	12/15 2008	06/26 2009	10/13 2009	
Net amount at 01/01/2011	**83**	**13**	**422**	**85**	**994**
Grant for 2011	0	0	0	0	0
Reclassifications into operating grants	0	0	-116	0	-116
Grant transferred to 2011 net income	10	3	14	3	146
Net amount at 12/31/2011	**73**	**10**	**292**	**82**	**732**
Grant for 2012	0	0	0	0	0
Reclassifications into operating grants	0	0	0	0	0
Grant transferred to 2012 net income	11	2	41	4	145
Net amount at 12/31/2012	**62**	**8**	**251**	**78**	**587**
Grant transferred to 2013 net income	11	2	42	3	129
Net amount at 12/31/2013	**51**	**6**	**209**	**75**	**458**
Grant transferred to 2014 net income	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
Amount granted	894	2.770	894	4.558
Grant date	05/22 2009	06/26 2009	11/16 2009	
Net amount at 01/01/2011	**894**	**2.770**	**894**	**4.558**
Grant for 2011	0	0	0	0
Repayment during 2011	0	0	0	0
Net amount at 12/31/2011	**894**	**2.770**	**894**	**4.558**
Grant for 2012	0	0	0	0
Repayment during 2012	-178	0	0	-178
Net amount at 12/31/2012	**716**	**2.770**	**894**	**4.380**
Grant for 2013	0	0	0	0
Repayment during 2013	-179	0	0	-179
Net amount at 12/31/2013	**537**	**2.770**	**894**	**4.201**
Repayment during 2014	-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	AT JANUARY 1, 2014	CHANGES IN THE PERIOD			AT DECEMBER 31, 2014
		CHARGE	REVERSALS		
			USED	NOT USED	
Disputes	12	0	0	0	12
Foreign exchange risk	211	0	-207	0	4
Retirement severance benefits	23	141	0	0	164
Miscellaneous risks	0	113	0	0	113
Minimum annual CIT charge	0	0	0	0	0
Total provisions for contingencies and losses	**245**	**254**	**-207**	**0**	**292**
- of which operating	35	254	0	0	289
- of which financial	210	0	-207	0	3
- of which exceptional	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	AT JANUARY 1, 2013	CHANGES IN THE PERIOD			AT DECEMBER 31, 2013
		CHARGE	REVERSALS		
			USED	NOT USED	
Disputes	12	0	0	0	12
Foreign exchange risk	46	164	0	0	210
Retirement severance benefits	129		0	-106	23
Minimum annual CIT charge	0	0	0	0	0
Total provisions for contingencies and losses	**187**	**164**	**0**	**-106**	**245**
- of which operating	141		0	-106	35
- of which financial	46	164	0	0	210
- of which exceptional	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**

[1]of 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
Total financial debt		9.613	7.317	2.296	0
of which loans secured during the year	6.159				
of which loans repaid during the year	3.202				

b. At December 31, 2013

IN THOUSANDS OF EUROS		GROSS	UP TO 1 YEAR	MORE THAN 1 YEAR	MORE THAN 5 YEARS
Total financial debt		10.981	7.547	3.184	250
of which loans secured during the year	6.264				
of which loans repaid during the year	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
Operating payables	660	660	0	0
Notes payable	0	0	0	0
Operating payables – purchase invoice accruals	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
Operating payables	1.032	1.032	0	0
Notes payable	0	0	0	0
Operating payables – purchase invoice accruals	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*
VAT due	28	51
Other taxes	26	0
Wages and salaries	624	412
Social charges	458	648
Other employee-related liabilities	0	0
Total tax and employee-related liabilities[1]	**1.137**	**1.111**
[1]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*
Payables on non-consolidated investments	6	1
Amounts due in respect of fixed asset purchases	1.572	4.503
Other trade payables	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
Payables on non-consolidated investments	6	6		
Payables to fixed asset suppliers	1.479	440	1.040	0
Payables to fixed asset suppliers – purchase invoice accruals	93	93		
Other payables	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
Payables on non-consolidated investments	1	1		
Payables to fixed asset suppliers	4.410	545	3.865	0
Fourn. Amounts due in respect of fixed asset purchases – purchase invoice accruals	93	93		
Other payables	41	41		
Total	**4.545**	**680**	**3.865**	**0**

+ *4.3.18. Deferred income*

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	*2013*
Operating grants	0	1.577
Research services and royalties	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
Operating grants	0	0	0	0
Research services and royalties	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
Operating grants	1.577	702	876	0
Research services and royalties	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. Accured expenses*

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	*2013*
Trade payables and related accounts	1.173	547
Tax and employee-related liabilities	948	735
Payables on fixed assets and equivalent	93	93
Borrowings and financial liabilities	20	23
Other payables	14	41
Total accrued expenses[1]	**2.248**	**1.438**

[1]payables up to 1 year

4.4. Notes to the income statement

+ *4.4.1. Net sales*

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

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	*2013*
Sales in France	135	591
Export sales	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*
Development expenditure	152	284
Long-term investments	0	0
Property, plant and equipment	0	0
Total	**152**	**284**

+ *4.4.3. Grants*

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	*2013*
ANRT	0	-2
DIACT	0	-30
FEDER	121	1.081
FUI RHONE ALPES	51	47
FUI PAYS DE LOIRE	106	91
OSEO	0	0
Other	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*
Upfront fees and milestone payments	1.090	465
Other	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*
Reversal of provisions for retirement severance benefits	0	106
Reversals of provisions for trade receivables	21	0
Reversals of provisions for contingencies and losses	0	0
Operating expense reclassifications	270	39
Total	**291**	**145**

+ *4.4.6. Purchases and external expenses*

MAIN EXPENSE ITEMS (IN THOUSANDS OF EUROS)	DECEMBER 31,	
	2014	*2013*
Work by various third parties	1.523	1.463
Fees	2.673	1.576
Maintenance and repairs	366	549
Administrative services	2.155	327
Temporary personnel	60	36
Travel expenses	309	340
Electricity	173	161
Symposiums, seminars, conferences	76	125
Post and telephone expenses	109	172
Entertainment expenses	86	158
Property leasing	135	70
Sundry transport expenses	53	79
Advertising, publications, public relations	28	105
Insurance premiums	272	225
Waste management	36	52
Training fees	15	41
Analyses	0	45
Bank services	58	51
Natural gas	27	42
Leasing expenses	55	62
Water	2	12
Other	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**
Training	48	73
Apprentices tax	21	28
Other taxes / remuneration (FNAL)	15	0
Other taxes	**112**	**131**
Local taxes	51	82
Local business tax	0	0
CFE - CVAE regional business tax	7	-3
Company vehicle tax	4	5
Corporate Social Solidarity Contribution C3S tax	3	4
Minimum annual CIT charge	0	0
Employer contribution for handicapped workers	3	11
Withholding taxes	37	4
Stamp and registration duties	3	3
Other taxes	4	26
Total	**196**	**231**

+ *4.4.8. Personnel*

a. Employees

AVERAGE NUMBER OF EMPLOYEES	DECEMBER 31,	
	2014	*2013*
Executives and higher intellectual professions	51	56
Intermediate professions	5	25
Employees	3	2
Workers	0	0
Seconded personnel	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*
Wages and salaries	3.261	4.267
Social charges	1.394	1.853
CICE wage tax credit	-70	-71
Other personnel expenses	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*
Fixed compensation		348
Variable compensation		116
Fringe benefits		8
All Executive Board members	**0**	**472**
Attendance fees	243	157
All Supervisory Board members	**243**	**157**
TOTAL	**243**	**629**
Bonus share grants		
Executive Board members	none	33.333
Supervisory Board members	none	none
Stock options (number of shares subscribed)	**0**	**209.952**
Executive Board members	none	209.952
Supervisory Board members	0	0
Equity warrants (number of shares subscribed)	**0**	**0**
Executive Board members	0	0
Supervisory Board members	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*
Rights vested in hours during the year	1.028	1.177
Training hours accumulated but unclaimed	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*
Discount rate	1,80%	3,17%
Salary increase rate	2,00%	2,50%
Social security charge rate	45,00%	47,99%
Employee turnover rate by age	Detailed	12,45%

2014 DATA	SUPERVISORY STAFF	MANAGEMENT EMPLOYEES	OFFICE EMPLOYEES & WORKERS
20-29 years	39.00 %	45.90 %	18.00 %
30-29 years	19.40 %	23.00 %	9.00 %
40-29 years	6.80 %	7.60 %	3.06 %
50-29 years	0.00 %	0.00 %	0.00 %
60 years and older	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**
Humalys TUP merger contribution	0	0
Charge for the period	141	0
Reversal of the period	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*
Intangible fixed assets	1.114	1.144
Property, plant and equipment	858	1.616
Total fixed assets (A)	**1.971**	**2.760**
Employee commitments	141	0
Provisions for operating contingencies and losses	113	0
Total provisions (B)	**254**	**0**
Total net charges excluding current assets (C=A+B)	**2.225**	**2.760**
Trade receivables and other current assets	52	0
Total assets (D)	**52**	**0**
Exceptional amortization (E=C+D)* **	**2.277**	**2.760**
Provisions for unrealized foreign exchange losses	0	164
Provision for current account advances	0	152
Provisions for impairment of long-term investments	0	337
Total financial assets (F)	**0**	**654**
Exceptional amortization of fixed assets (G)	0	0
Provisions for impairment of fixed assets (H)	6.701	30
Accelerated tax depreciation or amortization of fixed assets (I)	-156	-182
Other provisions (J)	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*
Revenue from marketable securities and deposits	157	198
Interest on borrowings	-185	-180
Interest on convertible bond debt	0	-382
Interest on current accounts	533	193
Translation adjustments	-3	-110
Impairment of financial assets /reversals	63	-489
Other	-25	-43
Net financial income/(expense)	**540**	**-813**

+ *4.4.11. Net exceptional items*

IN THOUSANDS OF EUROS	DECEMBER 31,	
	2014	*2013*
Net income on disposals	-3	1.264
Amortization and provisions, net of reversals on tangible fixed assets	0	-27
Amortization and provisions, net of reversals on intangible fixed assets	-6.701	-3
Accelerated tax depreciation and amortization charges and reversals	156	182
Share of grant transferred to income	40	129
2010 Humalys income tax allocated to prior period losses	0	0
Misc. / renegotiation of debt on fixed assets	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*
Net income/(loss)	-14.883	-9.952
Income tax	-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*
Losses carried forward at the beginning of the period	67.421	47.806
Losses generated during period	13.749	19.615
Losses utilized during period	0	0
Prior losses used		
Losses expired during period		
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*
Deferred tax assets (investment grants and accelerated tax depreciation or amortization)	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*
Basic net loss (in euros)	(a)	-8.346.327	-9.952.449
Average number of shares outstanding:	(b)	56.846.809	40.328.234
Total number of potential shares	(c)	69.923.691	58.483.614
Basic net earnings per share (in euros)	(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

[1]Valneva 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**

[1]Principal and interest until maturity for the Pharmakon loan guaranteed by Valneva SE
[2]The 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).
[3]The 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).
[4]on 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*
Audit				
Statutory auditing	110.730	44.000	113.954	46.657
Capital increase	78.150		66.000	95.460
Merger		77.731		40.738
Accessory missions			4.180	2.060
Subtotal	**188.880**	**121.731**	**184.134**	**184.914**
Other services				
Legal, tax, labor issues				
Other directly related procedures				
Accessory missions				
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 Group[1], 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 INSTRUMENTS	BREAKDOWN OF SHARE CAPITAL AFTER THE EXERCISE OF DILUTIVE INSTRUMENTS	%
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**
	Franck Grimaud	375.140	0,65	208.300	583.440	0,83
	Thomas Lingelbach	98.978	0,17	101.719	200.459	0,29
	Reinhard Kandera	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
Of which private individual shareholders of the Grimaud family and Financière Grand Champ SAS[bc]		834.542	1,45	0	834.542	1,19
Of which investors		172.266	0,30	0	172.266	0,25
Of which independent members of the Supervisory Board	*Alain Munoz*	41.800	0,07	1.968	43.768	0,06
	Michel Greco	618	0,00	4.170	4.756	0,01
	James Sulat	13.500	0,02	0	13.500	0,02
	Alexander Von Gabain (c)	23.517	0,04	10.605	32.653	0,05
Other private individual investors with shares in registered form		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**

[a]This rate is calculated in reference to a share capital totaling 57.540.948 Vanleva shares, divided into 56.351.833 ordinary shares and 17.843.719 preferred shares with a nominal value of €0.01 written down.
[b]The "Grimaud Family Shareholders Group" is comprised of the private shareholders of the Grimaud Group and Financière Grand Champ SAS.
[c]Securities 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 CAPITAL EQUITY[1]	OWNERSHIP INTEREST[2] DIVIDENDS[3]	GROSS CARRYING VALUE OF SHARES NET CARRYING VALUE OF SHARES	LOANS, ADVANCES[4] GUARANTEES[5]	NET SALES[6] PROFIT OR LOSS[7]
SUBSIDIARIES (>50%-held)					
Valneva Toyama Japan	¥ 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)
Valneva Austria GMBH	10.070.000 €	100,00 %	137.876.224 €	21.984.919 €	34.366.000 €
	276.770.237 €	0 €	137.876.224 €	0	(11.511.800) €
Vaccines Holdings Sweden AB	SEK 50000	100,00 %	5.268 €	0 €	0 €
	SEK 0	0 €	5.268 €	0 €	0 €

[1]Equity = equity other than earnings and share capital
[2]Ownership interest = percentage held by Valneva at 31/12/2013
[3]Dividends = dividends received by Valneva in 2013
[4]Loans, advances = loans, financial advances, current account advances
[5]Guarantees = outstanding balance of guarantees given by Valneva
[6]Net sales = sales excluding tax
[7]Profit or loss = reported net income or loss of the last financial period
[8]2014 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.

4.4. Auditors' report on the statutory financial statements

PricewaterhouseCoopers Audit

63, rue de Villiers
92208 Neuilly sur Seine

Deloitte & Associés
Les Docks - Atrium 10.4
10, place de la Joliette
13002 Marseille

VALNEVA

Société Européenne

Gerland PlazaTechSud
70, rue Saint-Jean-de-Dieu
69007 LYON

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.

I - 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.

II - 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.

III - 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	**Deloitte & Associés**
French original signed by	French original signed by
Thierry CHARRON	Vincent GROS

4.5. Pro forma information

Please, refer to Sections 1.1.1, 1.4.1.1, 1.4.3.2.2, 1.4.3.2.3 and 1.4.3.3 of this Registration Document.

5. INFORMATION RELATING TO THE COMPANY AND ITS SHARE CAPITAL

5.1. Share capital

5.1.1. Amount of share capital

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 nominal value of EUR 0.15 each, fully paid-up; and
- 17,836,719 preferred shares with a nominal value of EUR 0.01 each, fully paid-up.

At January 1, 2014, the Company's share capital stood at EUR 8,384,717.19, divided into:

- 54,709,000 ordinary shares with a nominal value of EUR 0.15 each, fully paid-up; and
- 17,836,719 preferred shares with a nominal value of EUR 0.01 each, fully paid-up.

A description of the shareholding structure of Valneva (at December 31, 2014, end of business day) can be found in Section 5.2.1 of this Registration Document.

5.1.2. Non-equity securities

On the filing date of this Registration Document, there are no issued and outstanding non-equity securities.

5.1.3. Shares held by the Company

5.1.3.1. Authorization of share buyback and cancellation programs

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
Authorization and powers given to the Management Board for purchase by the Company of own shares	9	18 months, i.e. until December 26, 2015	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 *et seq* of the General Regulation of the French Financial Markets Authority, which may be delegated in turn under the conditions provided for by law; 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. The Company may: - 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. 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. Under this program, shares may be purchased for the following purposes: - 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; - cancelling 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 cancelling 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 *et seq.* 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. The maximum amount of funds destined for this program is fifteen million euros.	Authorization still in force *** Authorization used in connection with a liquidity agreement concluded with *Natixis* (see Section 5.1.3.3 of this Registration Document). *** Authorization cancelling the authorization issued for the same purpose by the combined general meeting of March 7, 2013

Operation	Resolution	Duration of the authorization	Terms and maximum amount of the capital increase/reduction	Status of the authorization
Authorization given to the Management Board to cancel treasury shares held by the Company	10	18 months, i.e. until December 26, 2015	The purpose of this resolution is to authorize the Management Board to: - 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 cancelled 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.	Authorization still in force *** Authorization cancelling the authorization for the same purpose issued by the combined general meeting of March 7, 2013

5.1.3.2. 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 EUR 1.69 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.

5.1.3.3. 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 (EUR 4,008.30 in nominal value, or 0.05%[11] of the share capital at December 31, 2014 compared to 0.07%[12] at December 31, 2013).

5.1.4. Potential share capital

5.1.4.1. Company Stock Option Plans

Highlights of the Company stock option plans of the Company are provided in the table of Section 2.2.2.5 of this Registration Document.

At December 31, 2014 (end of business day), for all Company plans combined, 955,340 exercisable options were outstanding, permitting the subscription for 1,072,860 new ordinary Valneva shares, or a potential nominal increase in the share capital of EUR 160,929, representing a maximum potential dilution of 1.86%[13].

[11] This 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.
[12] This 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.
[13] This 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 representing a nominal value of EUR 0.15 per share.

5.1.4.2. Bonus shares Plans

In fiscal year 2014, 42,833 bonus shares were transferred to beneficiaries at the end of the vesting date under the bonus shares plans of February 22, 2010 and October 1, 2010 in the form of new shares.

At December 31, 2014 (end of business day) for all Company plans combined, 39,000 r bonus shares were in the process of vesting by their beneficiaries, representing potential maximum increase in the share capital of EUR 5,850 or a potential dilution of 0.07%[14].

Highlights of the Company bonus shares plans of the Company are provided in the table of Section 2.2.2.6 of this Registration Document.

[14] This 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 representing a nominal value of EUR 0.15 per share.

5.1.4.3. Equity warrants (BSA)

Reference of the Plan	**BSA 23**
Grant date	Extraordinary General Assembly meeting of June 7, 2011 *** Management Board meeting of September 6, 2011
BSA authorized by the General Assembly	37,500
BSA issued by the Management Board	22,500
Beneficiaries and number of BSA granted	Michel GRECO (15,000) *** Alain MUNOZ (7,500)
BSA lapsed at 31.12.2014	31,875 : + 16,875 BSA lapsed due to the non-exercise of these warrants by the beneficiaries within the timelines. + 15,000 BSA lapsed due to the expiry of the General Assembly authorisation
BSA exercised by the beneficiaries at 31.12.2014	0
Outstanding BSA at 31.12.2014	5,625 + Michel GRECO (3,750) + Alain MUNOZ (1,875)
Number of shares to be issued at 31.12.2014, with a nominal value of € 0.15	5,905 + Michel GRECO (3,937) + Alain MUNOZ (1,968) (It being specified that the exercise of one BSA entitles to receive 1.05 ordinary share of the Company.)
Subscription price per share	€ 5.17
Expiry date	September 6, 2016

5.1.4.4. Information on the Company's share capital after the exercise of various dilutive instruments

At December 31, 2014 (end of business day)		Shares held	% (a)	Dilutive instruments	Shareholding structure after exercise of the dilutive instruments	%
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
	Franck GRIMAUD	375 140	0,65	208 300	583 440	0,83
	Thomas LINGELBACH (c)	98 978	0,17	101 719	200 459	0,29
	Reinhard KANDERA (c)	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 shareholders		1 455 922	2,53	27 743	1 482 164	2,12
Of which private individual shareholders of the Grimaud family		834 542	1,45	0	834 542	1,19
and Financière Grand Champ SAS (b) (c)		172 266	0,30	0	172 266	0,25
Of which investors Of which independent members of the Supervisory Board	Alain MUNOZ	41 800	0,07	1 968	43 768	0,06
	Michel GRECO (c)	618	0,00	4 170	4 756	0,01
	James SULAT	13 500	0,02	0	13 500	0,02
	Alexander VON GABAIN (c)	23 517	0,04	10 605	32 653	0,05
		369 679	0,64	11 000	380 679	0,54
Other private individual investors with shares in registered form		36 896 657	64,12	0	36 896 657	52,77
Other bearer shares		1 186 748	2,06	8 562 369	8 562 369	12,25
Other preferred shares		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**

(a) This rate is calculated in reference to a share capital totalling 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.

(b) The "Groupe Familial Grimaud" is comprised of Groupe Grimaud La Corbière, private shareholders of the Grimaud family and Financière Grand Champ SAS.

(c) Securities 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.

5.1.4.5. Information on the Company's share capital after the exercise of various dilutive instruments

At May 31, 2015 (end of business day)		Shares held	% (a)	Dilutive instruments	Shareholding structure after exercise of the dilutive instruments	%
Groupe Grimaud La Corbière (b)		12 104 830	15,96	0	12 104 830	13,55
BPI France Participations SA		7 456 785	9,83	0	7 456 785	8,35
Management Board Members	**Total Board Members**	659 304	0,87	368 041	1 026 479	1,15
	Franck GRIMAUD	477 787	0,63	141 300	619 087	0,69
	Thomas LINGELBACH (c)	124 443	0,16	111 836	236 041	0,26
	Reinhard KANDERA (c)	57 074	0,08	114 905	171 351	0,19
Non-officer employees		114 568	0,15	688 429	802 997	0,90
Other private individual shareholders		1 554 269	2,05	39 731	1 592 499	1,78
Of which private individual shareholders of the Grimaud family		885 903	1,17	0	885 903	0,99
and Financière Grand Champ SAS (b) (c)		172 277	0,23	0	172 277	0,19
Of which investors Of which independent members of the Supervisory Board	Alain MUNOZ	41 800	0,06	2 156	43 956	0,05
	Michel GRECO (c)	618	0,00	4 312	4 898	0,01
	James SULAT	17 867	0,02	0	17 867	0,02
	Alexander VON GABAIN (c)	39 687	0,05	11 566	49 784	0,06
		396 117	0,52	21 697	417 814	0,47
Other private individual investors with shares in registered form		52 775 710	69,58	0	52 775 710	59,09
Other bearer shares		1 186 748	1,56	9 338 501	9 338 501	10,45
Other preferred shares		n.a.	n.a.	4 223 349	4 223 349	4,73
TOTAL		**75 852 214**	**100,00**	**14 658 051**	**89 321 150**	**100,00**

(d) This rate is calculated in reference to a share capital totalling 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.

(e) The "Groupe Familial Grimaud" is comprised of Groupe Grimaud La Corbière, private shareholders of the Grimaud family and Financière Grand Champ SAS.

(f) Securities 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.

5.1.5. Authorised share capital

5.1.5.1. Information on authorizations for stock option and/or bonus shares 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
Issuance of stock options to subscribe for shares	15	38 months, i.e. until August 7, 2014	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; 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. 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. **Protection of the interest of recipients of options** 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. 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.	Authorization still in force *** Authorization not yet used *** Balance of the authorization: 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)
Issue of restricted share units, repurchase by the Company of its shares on the market for this purpose	16	38 months, i.e. until August 7, 2014	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: - 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, 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. 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. 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; 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.	Authorization still in force *** 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 (see Section 2.2.2.4 of this Registration Document) *** Balance of the authorization: the maximum amount of the authorization for the grant of restricted share units for no consideration has been reached

Combined general meeting' meeting of June 4, 2012

Operation	Resolution	Duration of the authorization	Terms and maximum amount of the capital increase/reduction	Status of the authorization
Issuance of stock options to subscribe for shares	16	38 months, i.e. until August 04, 2015	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; 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. 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. **Protection of the interest of recipients of options** 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. 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.	Authorization still in force *** Authorization not yet used *** Balance of the authorization: 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)
Issue of restricted share units, repurchase by the Company of its shares on the market for this purpose	17	38 months, i.e. until August 4, 2015	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: - 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, 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. 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. 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; 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.	Authorization still in force *** 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 (see Section 2.2.2.4 of this Registration Document) *** Balance of the authorization: 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)

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
Issuance of stock options to subscribe for shares	20	38 months, i.e. until August 26, 2017	+ 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; + Protection of the interest of recipients of options 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.	Authorization still in force *** Authorization not yet used *** Balance of the authorization: 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 *** This authorization replaces the authorization given by the General Meeting of June 28, 2013.
Issue of restricted share units, repurchase by the Company of its shares on the market for this purpose	21	38 months, i.e. until August 26, 2017	+ 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: - 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.	Authorization still in force *** Authorization not yet used *** Balance of the authorization: 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 *** This authorization replaces the authorization given by the General Meeting of June 28, 2013.

5.1.5.2. 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
Issuance of equity warrants	11	18 months (under resolution 12 of this AGM) or until December 26, 2015	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. **CHARACTERISTICS OF BSA 25 EQUITY WARRANTS** Form BSA 25 warrants will be created exclusively in registered form. 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. Transfer All BSA 25 warrants shall be freely transferable. Issue price Each BSA 25 warrant will be issued free of charge. Exercise price 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. The subscription price shall be payable in full on subscription either in cash or by means of offsetting certain, liquid and payable debts. The Management Board has been vested with all powers for the purpose of, in particular: - 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.	Authorization still in force *** Authorization not yet used *** Balance of the authorization: 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

Operation	Resolution	Duration of the authorization	Terms and maximum amount of the capital increase/reduction	Status of the authorization
Capital increase through the issuance of ordinary shares and all securities conferring rights to the capital maintaining preferential subscription rights	13	26 months, i.e. until August 26, 2016	+ 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 irréductible*) 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 réductible*) that may be exercised in proportion to their rights and within the limit of their demand; If take-up for shares on the basis of irrevocable entitlement (*à titre irréductible*) with respect to exact rights and, when applicable, for excess shares subject to reduction (*à titre réductible*), 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; + 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. + 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.	Authorization still in force *** Authorization used for the share capital increase of February 6, 2014 for a nominal amount of EUR 2,734,719.90 (see Section 2.2.2.4 of this Registration Document) *** Balance of the authorization: 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) *** Authorization replacing and cancelling, 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.

Operation	Resolution	Duration of the authorization	Terms and maximum amount of the capital increase/reduction	Status of the authorization
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	14	26 months, i.e. until August 26, 2016	+ 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; + 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; + 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.	Authorization still in force *** Authorization not yet used *** Balance of the authorization: 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) *** Authorization replacing and cancelling, 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.

Operation	Resolution	Duration of the authorization	Terms and maximum amount of the capital increase/reduction	Status of the authorization
Capitalization of reserves, earnings or premium	15	26 months, i.e. until August 26, 2016	+ 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;	Authorization still in force *** Authorization used in connection with definitive restricted share grants after the general meeting of June 26, 2014 for an amount totalling EUR 825 *** Balance of the authorization: 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) *** Authorization replacing and cancelling, 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

Operation	Resolution	Duration of the authorization	Terms and maximum amount of the capital increase/reduction	Status of the authorization
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.	16	26 months, i.e. until August 26, 2016	+ 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. + 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: o 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%); o 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.	Authorization still in force *** Authorization not yet used *** Balance of the authorization: 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) *** Authorization replacing and cancelling, 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

Operation	Resolution	Duration of the authorization	Terms and maximum amount of the capital increase/reduction	Status of the authorization
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	17	26 months, i.e. until August 26, 2016	+ 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;	Authorization still in force *** Balance of the authorization: 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) *** Authorization not yet used
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, cancelling the preferential subscription rights in consideration for contributions in kind for equity securities or other securities giving access to the capital.	18	26 months, i.e. until August 26, 2016	+ 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;	Authorization still in force *** Authorization not yet used *** Balance of the authorization: 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) *** Authorization replacing and cancelling, 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

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;

5.1.6. Changes in share capital

Date	Operation	Number of shares issued	Nominal amount per share (in €)	Capital increase in nominal value (in €)	Issue or contribution premium (in €)	Total amount paid to the Company (in €)	Number of shares	Share capital after transaction (in €)
22.02.2012	Capital increase through incorporation of the issue premium	33,334	0.15	5,000.10	*0*	*n.a.*	21,150,777 ordinary shares	3,172,616.55
25.07.2012	Capital increase by way of cash contribution	62,640	0.15	9,396	30,456	39,852	21,213,417 ordinary shares	3,182,012.55
25.07.2012	Capital increase through incorporation of the issue premium	44,500	0.15	6,675	*0*	*n.a.*	21,257,917 ordinary shares	3,188,687.55
01.10.2012	Capital increase through incorporation of the issue premium	33,000	0.15	4,950	*0*	*n.a.*	21,290,917 ordinary shares	3,193,637.55
07.12.2012	Capital increase by way of cash contribution	51,840	0.15	7,776	85,736	93,312	21,342,757 ordinary shares	3,201,413.55
17.01.2013	Capital increase by way of cash contribution	119,772	0.15	17,965.80	197,623.80	215,589.60	21,462,529 ordinary shares	3,219,379.35
17.01.2013	Capital increase through incorporation of the issue premium	33,333	0.15	4,999.95	*0*	*n.a.*	21,495,862 ordinary shares	3,224,379.30
28.05.2013	Merger – Capital increase	17,836,719 ordinary shares and 17,836,719 preferred shares	€0.15 concerning the ordinary shares, and €0.01 concerning the preferred shares	• €2,675,507.85 with regards to the ordinary shares • €178,367.19 with regards to the preferred shares	132,146,124.96 (this amount does not take into account the deductions made notably with regards to the allocation of a portion of the merger premium to an unavailable reserve, the various costs of the merger arisen from Intercell AG or Vivalis SA, and the interim losses)	135,000,000	40,521,696 Of which: - 39,332,581 ordinary shares - 17,836,719 preferred shares	6,078,254.34
07.06.2013	Capital increase by way of cash contribution	96,984	0.15	14,547.60	160,023.60	174,571.20	40.618.680 Of which: - 39,429,565 ordinary shares - 17,836,719 preferred shares	6,092,801.94
05.07.2013	Capital increase by way of cash contribution	15,165,215	0.15	2,274,782.25	37,913,037.50	40,187,819.75	55,783,895 Of which: - 54,594,780 ordinary shares - 17,836,719 preferred shares	8,367,584.19

Date	Operation	Number of shares issued	Nominal amount per share (in €)	Capital increase in nominal value (in €)	Issue or contribution premium (in €)	Total amount paid to the Company (in €)	Number of shares	Share capital after transaction (in €)
24.07.2013	Capital increase through incorporation of the issue premium	10,500	0.15	1,575	*0*	*n.a.*	55,794,395 Of which: - 54,605,280 ordinary shares - 17,836,719 preferred shares	8,369,159.19
09.10.2013	Capital increase through incorporation of the issue premium	10,000	0.15	1,500	*0*	*n.a.*	55,804,395 Of which: - 54,615,280 ordinary shares - 17,836,719 preferred shares	8,370,659.19
21.01.2014	Capital increase by way of cash contribution	93,720	0.15	14,058	154,638	168,696	55,898,115 Of which: - 54,709,000 ordinary shares - 17,836,719 preferred shares	8,384,717.19
21.01.2014	Capital increase through incorporation of the issue premium	33,333	0.15	4,999.95	*0*	*n.a.*	55,931,448 Of which: - 54,742,333 ordinary shares - 17,836,719 preferred shares	8,389,717.14
03.03.2014	Capital increase through incorporation of the issue premium	4,000	0.15	600	*0*	*n.a.*	55,935,448 Of which: - 54,746,333 ordinary shares - 17,836,719 preferred shares	8,390,317.14
21.05.2014	Capital increase by way of cash contribution	500,000	0.15	75,000	2,695,000	2,770,000	56,435,448 Of which: - 55,246,333 ordinary shares - 17,836,719 preferred shares	8,465,317.14
03.06.2014	Capital increase by way of cash contribution	600,000	0.15	90,000	3,396,000	3,486,000	57,035,448 Of which: - 55.846.333 ordinary shares - 17,836,719 preferred shares	8,555,317.14
25.06.2014	Capital increase by way of cash contribution	500,000	0.15	75,000	2,625,000	2,700,000	57,535,448 Of which: - 56,346,333 ordinary shares - 17,836,719 preferred shares	8,630,317.14

Date	Operation	Number of shares issued	Nominal amount per share (in €)	Capital increase in nominal value (in €)	Issue or contribution premium (in €)	Total amount paid to the Company (in €)	Number of shares	Share capital after transaction (in €)
02.10.2014	Capital increase through incorporation of the issue premium	5,500	0.15	825	*0*	*n.a.*	57,540,948 Of which: - 56,351,833 ordinary shares - 17,836,719 preferred shares	8,631,142.14
06.02.2015	Capital increase by way of cash contribution	18,231,466	0.15	2,734,719.90	42,297,001.12	45,031,721.02	75,772,414 Of which : - 74,583,299 ordinary shares - 17,836,719 preferred shares	11,365,862.04
30.04.2015	Capital increase by way of cash contribution	79,800	0.15	11,970	131,670	143,640	75,852,214 Of which: - 74,663,099 ordinary shares - 17,836,719 preferred shares	11,377,832.04

5.1.7. Pledged share capital

Shareholders owning pledged shares	Beneficiary of the pledge	Number of pledged shares	Starting date of the pledge	Date of maturity of the pledge	Condition for the release of the pledge	% of Valneva's share capital that is pledged[15]
Groupe Grimaud La Corbière	Pledge given to the benefit of the shareholder's banking pool in the context of a syndicated loan	3,284,779	22.05.2014	Pledge effective as long as the banking pool of the shareholder has debts against this latest in relation with the syndicated agreement		4.33 %
		1,644,798	19.12.2014			2.17 %
		48,989	06.02.2015			0.06 %
		419,892	30.04.2015			0.55 %
TOTAL		**5,398,458**				**7.12 %**

5.1.8. Adjustments involving capital securities or securities giving access to the Company's capital

The Company has not carried out any adjustments regarding capital securities or securities giving access to Valneva's capital in 2014 due to the absence of transactions referred to in articles L.228-99, R.225-138 and R.228-90 of the French commercial code for this period.

Nevertheless, in connection with the capital increase with preferential subscription rights carried out by the Company on February 6, 2015 for a total amount of EUR 45,031,721.02 (breaking down into a nominal amount of EUR 2,734,719.90 and share premium of EUR 42,297,001.12), by the issuance of

[15] This rate is calculated by reference to a total share capital of 75,852,214 Valneva shares, divided into 74,663,099 ordinary shares and 17,836,719 preferred shares brought down to a nominal value of EUR 0.15.

18,231,466 new shares at the price of EUR 2.47 per share (including share premium of EUR 2.32), the rights of capital securities or securities giving access to the Company's capital was modified as follows:

Excerpt of information published in the Bulletin of Obligatory Legal Notices (Bulletin des Annonces Légales Obligatoires or BALO) announcing the adjustments to the rights of the holders of capital securities or securities giving access to the capital, in accordance with article L.228-99 of the French commercial code, published on March 9, 2015 (Notice No. 1500467)

Adjustment of the rights of holders of stock options to subscribe for shares

In accordance with articles L.225-181, L.228-99, R.225-137, R.225-140 and R.228-91of the French commercial code and the provisions of the plan rules for stock options mentioned above, the rights of beneficiaries of options to subscribe for shares of the Company have been adjusted as follows:

Plan 4 bis	Plan 5	Plan 6	Plan 7	
114	114	1	1	Number of shares to which each option confers a right
1.8	1.8	5.19	3.21	Initial exercise price of the options
205.2	**205.2**	**5.19**	**3.21**	**Initial investment**
3.71	3.71	3.71	3.71	Share value after separation (ex-date) of the preferential subscription right during the subscription period
0.336	0.336	0.336	0.336	Value of the preferential subscription rights during the subscription period
1.637	1.637	4.720	2.919	New option exercise price
1.099617653	***1.099617653***	***1.099617653***	***1.099617653***	**Coefficient applied to the ratio of shares for which each option confers a right**

A coefficient of 1.099617653 is applied to the ratio of shares for which each option confers a right.

On that basis:

- **for plans 4 and 5 described above, the new number of shares to which each option for subscription confers a right is 125.356412460; and**

- **for plans 6 and 7, the number of shares to which each option for subscription confers a right is 1.099617653.**

Adjustment of the rights of holders of equity warrants ("*Bons de souscription d'actions*" or BSA)

In accordance with articles L.228-99 and R.228-91 of the French commercial code and conditions provided for by the issue contract for the BSA 23 warrants issued to the benefit of two members of the Supervisory Board (Management Board Meeting of September 16, 2011), the right to share grants from the BSA 23 warrants was modified as follows:

- Former grant right: 1.05 shares per 1 BSA 23 warrant
- New grant right : 1.15 shares per 1 BSA 23 warrant

In the case of fractional amounts, the provisions of articles L.225-149 subsection 1and R.228-94 of the French commercial code will apply.

Adjustment of the rights of holders of share issue warrants (*Bons d'émission d'actions* or BEA)

In accordance with articles L.228-99 and R.228-91 of the French commercial code and article 4.4.7.2 of the issue agreement dated May 12, 2014 for 5,474,633 share issue warrants, the right to share grants from these warrants has been modified as follows:

- Former grant right: 1 share per 1 BEA warrant
- New grant right : 1 share per 1.09 BEA warrant

In the case of fractional amounts, the provisions of articles L.225-149 subsection 1 and R.228-94 of the French commercial code will apply.

Adjustments with respect to preferred shares

In accordance with articles L.228-99 and R.228-91 of the French commercial code and the provisions of articles 13.3 of the Company's articles of association, the conversion ratio for preferred shares has been modified accordingly:

- Former conversion ratio: 0.4810 share for 1 preferred share
- Adjusted conversion ratio: 0.5246 share for 1 preferred share

In the case of fractional amounts, the fraction of the Ordinary Share forming this fractional amount will be paid in cash to the holder of converted Preferred Shares. The holder of the Preferred Shares shall receive an amount equal to the product (i) of the fraction of an Ordinary Share forming a fractional lot and (ii) an amount equal to the first recorded market price of the Ordinary Share for the stock exchange trading session preceding that of the *ipso jure* conversion of the Preferred Shares into Ordinary Shares, when the Condition has been fulfilled *(cf. article 13.3 of the Company's articles of association (www.valneva.com – under the heading "Group Governance").*

***

All adjustments previously made are applicable as from February 25, 2015.

5.2. Main shareholders

5.2.1. Shareholding structure

A description of the shareholding structure of Valneva (at December 31, 2014, end of business day) is provided by the table included on next page.

It should be noted that prior to the merger between Vivalis and Intercell, Vivalis shareholders benefitted 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 capitalisation 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.* "

For information, the number of registered shares having, on May 28, 2015, an associated double voting right, amounts to 12,317,516, or 16.24% of the current share capital[16]. Consequently, the total number of voting rights resulting from the registered shares entitled to a double voting right is of 24,635,032, or 28.32% of the total voting rights on even date[17].

[16] This rate is calculated by reference to a total share capital of 75,852,214 Valneva shares, divided into 74,663,099 ordinary shares and 17,836,719 preferred shares brought down to a nominal value of EUR 0.15.
[17] This rate is calculated by reference to a total number of (gross of theoretical) voting rights of 86,980,615 at May 28, 2015.

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

		Shares held	% (a)	Number of theoretical voting rights (including suspended voting rights)[18]	%
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
	Franck GRIMAUD	375 140	0,65	375 140	0,67
	Thomas LINGELBACH (c)	98 978	0,17	98 740	0,18
	Reinhard KANDERA (c)	50 628	0,09	50 000	0,09
Non-officer employees		133 685	0,23	133 685	0,24
Other private individual shareholders		1 455 922	2,53	1 454 421	2,58
Of which private individual shareholders of the Grimaud family and Financière Grand Champ SAS (b) (c)		834 542	1,45	834 542	1,48
Of which investors		172 266	0,30	172 266	0,31
Of which independent members of the Supervisory Board	Alain MUNOZ	41 800	0,07	41 800	0,07
	Michel GRECO (c)	618	0,00	586	0,00
	James SULAT	13 500	0,02	13 500	0,02
	Alexander VON GABAIN (c)	23 517	0,04	22 048	0,04
Other private individual investors with shares in registered form		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**

(a) This rate is calculated in reference to a share capital totalling 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.

(b) The "Groupe Familial Grimaud" is comprised of Groupe Grimaud La Corbière, private shareholders of the Grimaud family and Financière Grand Champ SAS.

(c) Securities 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.

[18] Such as voting rights associated to the treasury shares.

Valneva's capital structure at May 31, 2015 (end of business day)

		Shares held	% (a)	Number of theoretical voting rights (including suspended voting rights)[19]	%
Groupe Grimaud La Corbière (b)		12 104 830	15,96	**22 990 110**	26,43
BPI France Participations SA		7 456 785	9,83	**7 456 785**	8,57
Management Board Members	**Total Board Members**	659 304	0,87	**1 018 083**	1,17
	Franck GRIMAUD	477 787	0,63	837 432	0,96
	Thomas LINGELBACH (c)	124 443	0,16	124 205	0,14
	Reinhard KANDERA (c)	57 074	0,08	56 446	0,06
Non-officer employees		114 568	0,15	**213 888**	0,25
Other private individual shareholders		1 554 269	2,05	**2 526 039**	2,90
Of which private individual shareholders of the Grimaud family and Financière Grand Champ SAS (b) (c)		885 903	1,17	1 476 105	1,70
Of which investors		172 277	0,23	344 528	0,40
Of which independent members of the Supervisory Board	Alain MUNOZ	41 800	0,06	83 600	0,10
	Michel GRECO (c)	618	0,00	686	0,00
	James SULAT	17 867	0,02	17 867	0,02
	Alexander VON GABAIN (c)	39 687	0,05	38 218	0,04
Other private individual investors with shares in registered form		396 117	0,52	565 035	0,65
Other bearer shares		52 775 710	69,58	**52 775 710**	60,68
Other preferred shares		1 186 748	1,56	0	0,00
TOTAL		**75 852 214**	**100,00**	**86 980 615**	**100,00**

(a) This rate is calculated in reference to a share capital totalling 75,852,214 Valneva shares, divided into 74,663,099 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.

(b) The "Groupe Familial Grimaud" is comprised of Groupe Grimaud La Corbière, private shareholders of the Grimaud family and Financière Grand Champ SAS.

(c) Securities 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.

[19] Such as voting rights associated to the treasury shares.

5.2.2. 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 Groupe Familial Grimaud 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 Groupe Familial Grimaud 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 Company[20], breaking down as follows:

[20] Based 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.

	Number of shares	% of capital	Number of voting rights	% of voting rights
Groupe Grimaud La Corbière	10,885,280	26.86	10,885,280	27.67
Financière Grand Champ	277,700	0.69	277,700	0.71
Frédéric Grimaud	203,052	0.50	203,052	0.52
Joseph Grimaud	115,699	0.29	115,699	0.29
Marie Thérèse Grimaud	50,000	0.12	50,000	0.13
Renée Grimaud	35,000	0.09	35,000	0.09
	780	NS	780	NS
Anne Marie Grimaud	480	NS	480	NS
Thomas Grimaud	100	NS	100	NS
Odile Grimaud Chateigner	62	NS	62	NS
Bruno Grimaud	42	NS	42	NS
TOTAL Groupe Familial Grimaud	**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, 2013[21].

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 Groupe Familial Grimaud, having crossed below, on July 5, 2013 the statutory threshold of 25% of the Company's capital and voting rights. On this occasion, the Groupe Familial Grimaud accordingly crossed below all statutory thresholds between 24% and 28% of the Company's capital and voting rights.

On July 5, 2013, the Groupe Familial Grimaud 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 Company[22], breaking down as follows:

	Number of shares	% of capital	Number of voting rights	% of voting rights
Grimaud La Corbière Group	11,843,327	21.23	11,843,327	21.69
Financière Grand Champ	384,505	0.69	384,505	0.70
Frédéric Grimaud	235,127	0.42	235,127	0.43
Joseph Grimaud	145,284	0.26	145,284	0.27
Marie Thérèse Grimaud	69,230	0.12	69,230	0.13
Renée Grimaud	48,460	0.09	48,460	0.09
Agnès Grimaud	780	NS	780	NS
Anne Marie Grimaud	480	NS	480	NS
Thomas Grimaud	100	NS	100	NS
Odile Grimaud Chateigner	62	NS	62	NS
Bruno Grimaud	42	NS	42	NS
TOTAL Groupe Familial Grimaud	**12,727,397**	**22.82**	**12,727,397**	**23.31**

[21] See in particular Document E filed with the AMF (No. 13-003) on January 23, 2013.
[22] Based 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.

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, 2013[23]. 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 rights[24].

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.

[23] See the original French Securities Note filed with the AMF (Visa No. 13-0275).
[24] Based 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.

5.2.3. Evolution of Share ownership and voting rights over the past three financial years

		At December 31, 2014				At December 31, 2013			
		Shares held	%	Number of theoretical voting rights (including suspended voting rights)	%	Shares held	%	Number of theoretical voting rights (including suspended voting rights)	%
Groupe Grimaud La Corbière (b)		11 843 327	20,58	11 843 327	21,02	11 843 327	21,19	11 843 327	21,65
BPI France Participations SA		5 499 863	9,56	5 499 863	9,76	5 499 863	9,84	5 499 863	10,05
Management Board Members	**Total Board Members**	524 746	0,91	523 880	0,93	524 746	0,94	523 880	0,96
	Franck GRIMAUD	375 140	0,65	375 140	0,67	375 140	0,67	375 140	0,69
	Thomas LINGELBACH (c)	98 978	0,17	98 740	0,18	98 978	0,18	98 740	0,18
	Reinhard KANDERA (c)	50 628	0,09	50 000	0,09	50 628	0,09	50 000	0,09
Non-officer employees		133 685	0,23	133 685	0,24	158 290	0,28	158 290	0,29
Other private individual shareholders		1 455 922	2,53	1 454 421	2,58	1 767 578	3,16	1 766 077	3,23
Of which private individual shareholders of the Grimaud family		834 542	1,45	834 542	1,48	884 070	1,58	884 070	1,62
and Financière Grand Champ SAS (b) (c)		172 266	0,30	172 266	0,31	392 323	0,70	392 323	0,72
Of which investors		41 800	0,07	41 800	0,07	41 800	0,07	41 800	0,08
Of which independent members of the Supervisory Board	Alain MUNOZ	618	0,00	586	0,00	618	0,00	586	0,00
	Michel GRECO (c)	13 500	0,02	13 500	0,02	13 500	0,02	13 500	0,02
	James SULAT	23 517	0,04	22 048	0,04	23 517	0,04	22 048	0,04
	Alexander VON GABAIN (c)	369 679	0,64	369 679	0,66	411 750	0,74	411 750	0,75
Other private individual investors with shares in registered form		36 896 657	64,12	36 896 657	65,48	34 917 563	62,47	34 917 563	63,82
Other bearer shares		1 186 748	2,06	0	0,00	1 186 748	2,12	0	0,00
TOTAL		**57 540 948**	**100,00**	**56 351 833**	**100,00**	**55 898 115**	**100,00**	**54 709 000**	**100,00**

		At December 31, 2012			
		Shares held	%	Number of theoretical voting rights (including suspended voting rights)	%
Groupe GRIMAUD (a)		10 885 280	50,72	21 770 560	63,96
Private individual shareholders GRIMAUD family and Financière Grand Champ SAS (a)		639 730	2,98	1 279 460	3,76
Management Board members	**Total Board members**	633 314	2,95	1 025 178	3,01
	Franck GRIMAUD	394 636	1,84	626 300	1,84
	Majid MEHTALI	212 834	0,99	351 834	1,03
	Céline BREDA	25 844	0,12	47 044	0,14
Non-officer employees		282 512	1,32	353 292	1,04
Other private individual shareholders		160 294	0,75	311 235	0,91
Investors		392 325	1,83	784 650	2,31
Independant members of the Supervisory Board	Alain MUNOZ	41 800	0,19	83 600	0,25
	Michel GRECO	100	0,00	200	0,00
Other bearer shares		8 427 174	39,26	8 427 174	24,76
TOTAL		**21 462 529**	**100,00**	**34 035 349**	**100,00**

(a) The "Groupe Familial Grimaud" is comprised of Groupe Grimaud La Corbière, private shareholders of the Grimaud family and Financière Grand Champ SAS.

(b) Securities 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.

5.2.4. Shareholders' agreements

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 Kandera.
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 Kandera.

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.

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The Company has not been 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.

5.2.5. Control of the Company

On the filing date of this Registration Document, and as indicated in Section 5.2.3 of this Registration Document, no shareholder directly or indirectly controls the Company or an interest therein liable to constitute a blocking minority, in accordance with the provisions of article L.233-3, I, II, III of the French commercial code.

It is nevertheless reminded that in the context of the merger with the company Intercell AG, some principles were set up in order to prevent any abuse resulting from a controlling position, consisting in determining modalities regarding the distribution of seats within the Supervisory Board of the Company (see Section 5.2.4 hereinbefore), but also cancelling the double voting right that was existing on the ordinary shares of the Company prior to the merger (see Section 5.2.1 hereinbefore).

Finally, the Company is not aware of the existence of special control rights.

5.2.6. Agreements or elements that may lead to a change of control or that may have an impact in case of public offering

The agreements or elements that may lead to a change of control or that may have an impact in case of public offering are the following:

+ double voting right mechanism, as described in Section 5.2.1 hereinabove;

+ limitation on the voting rights set at 29.9% for an y holder (acting alone or in concert) of ordinary shares, as described in Section 5.3.3 of this Registration Document;

+ as mentioned in Section 1.4.2.7 of this Registration Document, 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.

5.2.7. 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.

5.2.8. 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.

5.3. Articles of Association

5.3.1. Object and purpose of the Company (Article 3 of the Articles of Association)

The Company has as its object, within France and in every country:

- research and development within the field of biomedicine and pharmacology;
- the commercial exploitation of patents and know-how;
- trading in products of all kinds and the provision of services in the field of data processing and information technology;
- the production, monitoring and marketing of all products, services and research programmes with applications to human and animal health, using the technologies of molecular and cellular biology and all of the associated techniques;
- the participation of the Company by all means, direct or indirect, in all operations which may be associated with its company object, through the creation of new companies, contributions, subscription or purchase of securities or company rights, mergers or otherwise, the creation, acquisition, leasing, lease management of all operating assets or facilities; the acquisition, exploitation or sale of all procedures and patents regarding these activities, within France and abroad;
- and more generally, all industrial, commercial or financial, securities or property operations, which may be directly or indirectly associated with its business object or likely to favour its exploitation, realisation or development.

5.3.2. Corporate Governance

Management Board

Membership (article 14 of the Articles of Association)

The Company is directed by a Management Board which carries out its duties under the control of the Supervisory Board.

The Management Board shall be composed of two to at most seven members, appointed by the Supervisory Board.

On penalty of nullity of appointment, the members of the Management Board shall be natural persons. They may be chosen from outside the shareholders.

If a member of the Supervisory Board is appointed to the Management Board, his mandate on the former Board shall end as soon as he takes up his position.
The members of the Management Board shall be appointed by the Supervisory Board; they shall be dismissed by the Ordinary General Meeting of shareholders or by the Supervisory Board.

If the dismissal is decided without just cause, it may give rise to damages.

In the event that the concerned party has concluded an employment agreement with the Company, the revoking of his functions as a member of the Management Board shall not have the effect of terminating this agreement.

The Management Board shall be appointed for a period of three (3) years, ending on the date of the General Meeting convened to decide on the financial statements for the past financial year and held

during the year in which the mandate expires, on expiry of which, it shall be entirely renewed. In the event of a vacancy, the Supervisory Board shall make provision within two months for the filling of the vacant position. A member of the Supervisory Board may be appointed by the Supervisory Board to exercise the duties of a member of the Management Board for the remaining period until the renewal of the Management Board and up to six months. During this period, the duties of the party in question on the Supervisory Board shall be suspended.

The members of the Management Board shall all be re-electable.

The age limit for the exercise of functions of the members of the Management Board shall be set at seventy (70). A member of the Management Board in office shall be considered to have resigned at the end of the financial year during which he reaches this age.

The Supervisory Board shall appoint one of the members of the Management Board as chairman. The chairman of the Management Board shall carry out his duties for the duration of his mandate as a member of the Management Board.

The chairman of the Management Board may be dismissed by decision of the General Meeting of shareholders or by the decision of the Supervisory Board, with a majority of the members of the Supervisory Board.

Management Board meetings (article 14 of the Articles of Association)

The Management Board shall meet as often as the interests of the Company demand, on convening by its Chairman, its chief executive officer or by at least half of its members, at the registered office of the company or at any other location indicated in the convening notice; it may be convened by any means, including by e-mail or even verbally. The agenda must appear in the convening notice but may be supplemented at the time of the meeting.

The Chairman of the Management Board shall chair the sessions and appoint a secretary, who may be chosen from outside of its members. In the absence of the Chairman of the Management Board, the sessions shall be chaired by the chief executive officer, or failing that by the member of the Management Board whom the Management Board has appointed for this purpose.
For decisions to be valid, at least half of the members must be present. If the Management Board includes two members, the decisions shall be taken unanimously. If it includes more than two members, decisions shall be taken by a majority of members present. Each member of the Management Board shall have one voting right and the president shall not have a casting vote in the event of a tied vote.

For the purposes of calculating the quorum and majority, members of the Management Board who take part in its meeting via conference call or telecommunications media, which permit their identification and guarantee their effective participation, the nature and conditions of application of which are determined by legislative and regulatory provisions in effect shall be considered to be present.

However, this procedure may not be used to establish the annual financial statements and management report, or to establish the consolidated accounts and management report for the group, if it is not included in the annual report.

The Statutory Auditors shall be convened to all of the meetings of the Management Board which examine or draw up the annual or interim financial statements.

The decisions are confirmed by minutes drawn up in a special register and signed by the Chairman of the Management Board and another member of the Management Board who has taken part in the session. The minutes shall mention the name of the present or represented members and those of the absent members. Copies or extracts of these minutes shall be certified the Chairman of the Management Board, one of its members or any other person designated by the Management Board and during the liquidation period, by the liquidator.

The members of the Management Board may allocate the executive tasks among themselves with the authorisation of the Supervisory Board, pursuant to Article R. 225-39 of the French commercial code. This allocation may in no case dispense the Management Board from meeting and deciding on the most important management issues of the Company nor have the effect of depriving the Management Board of its character as a body which provides the general management of the Company in a collective manner.

Remuneration of Management Board members (article 14 of the Articles of Association)

The procedure for and amount of remuneration of each of the members of the Management Board shall be set by the Supervisory Board.

Responsibilities and powers of the Management Board (article 15 of the Articles of Association)

The Management Board shall be assigned the most extensive powers for acting in all circumstances in the name of the Company and shall exercise these within the limits of the company object and subject to those expressly attributed by law to the Supervisory Board and to the General Meetings of shareholders and those which require the prior authorisation of the Supervisory Board, as specified below.

Any limitation on the powers of the Management Board shall be unenforceable against third parties.
The Management Board shall convene the General Meetings of the shareholders, set their agenda and execute their decisions.

At least once a quarter, the Management Board shall submit a report to the Supervisory Board which retraces the principal actions or events occurring in the management of the Company.
After the closure of each financial year and within the following three (3) months, the Management Board shall submit the annual documents to the Supervisory Board, as well as all documents provided by law, for verification and control purposes. It shall propose the allocation of results for the past financial year.

The Chairman of the Management Board shall represent the Company in its relations with third parties. At the same time, the Supervisory Board shall be authorised to attribute the same power of representation to one or several members of the Management Board, for which each of them shall then have the title of chief executive officer. The Supervisory Board may abolish this power of representation by withdrawing the role of chief executive officer from the member of the Management Board. The Company shall even be committed by the actions of the Chairman or one of the chief executive officers which do not relate to the Company object, unless it demonstrates that the third party was aware that this action exceeded this object or could not have been unaware of the same in view of the circumstances.

The stipulations limiting this power of representation are unenforceable against third parties.

The actions committing the Company with regard to third parties are validly executed with a single signature of any one of the members of the Management Board authorised to represent the Company, pursuant to the stipulations of this article.

The Management Board may entrust special, permanent or temporary missions which it determines to one or several of its members or to any other person and delegate the powers to them which it judges necessary for one or several given objects, with or without the power of subdelegation.
The Management Board shall examine and present the quarterly and half-yearly accounts to the Supervisory Board.

The Management Board shall decide or authorise the issuance of bonds under the conditions of Article L.228-40 of the French commercial code, unless the General Meeting decides to exercise this power. The Management Board may delegate to its Chairman and, with the agreement of the same, to one or several of its members, the powers necessary for realising the issuance of bonds, within a one-year deadline, and draw up the procedures for these.

The members of the Management Board, as well as any person convened on to attend its meetings shall be bound by secrecy with regard to information of a confidential character or which is presented as such.

Supervisory Board

Supervisory Board membership (articles 16 and 17 of the Articles of Association)

The Supervisory Board consists of at least three (3) members and at most eighteen (18) members, appointed by the Ordinary General Meeting of shareholders, subject to legal exemptions.

The members of the Supervisory Board who are natural persons, must be aged less than eighty (80), subject to the following stipulations.

A legal person may be appointed as member of the Supervisory Board but must, under the conditions provided by the law, designate a natural person who shall be its permanent representative on the Supervisory Board. The permanent representatives must be aged less than eighty (80), subject to the following stipulations.

The duration of the functions of the members of the Supervisory Board is set at three (3) years (with one year understood as the interval between two consecutive Ordinary General Meetings), subject to the following stipulations.

The duration of the functions of any member of the Supervisory Board shall be limited to the remaining period until the annual Ordinary General Meeting, held in the year during which the member of the Supervisory Board in question reaches the age of eighty (80).

The members of the Supervisory Board shall be re-elected on one or several occasions, subject to the above stipulations concerning the age limit. They may be dismissed at any time by decision of the Ordinary General Meeting, under the conditions and pursuant to the procedures provided by law.
Supervisory Board meetings (article 18 of the Articles of Association)

The Board shall appoint a Chairman and a Deputy Chairman from among its members, who are responsible for convening the Board and directing its discussions. The Chairman shall also designate

a secretary, who may be selected from outside the shareholders and who, together with the Chairman and the Deputy Chairman, shall comprise the bureau.
They shall be appointed for the duration of their mandate for the Supervisory Board and shall always be re-electable.

The Chairman and the Deputy Chairman shall be natural persons.
In the event of absence or impediment of the Chairman, the session of the Supervisory Board shall be chaired by the Deputy Chairman.

The Supervisory Board shall meet as often as the interests of the Company demand and at least once per quarter, at the convening of the Chairman, the Deputy Chairman or a member of the Supervisory Board, made by all written means, including by e-mail or even verbally.

At the same time, the Chairman shall convene the Board on a date which must not be more than fifteen (15) days later, when at least one member of the Management Board or at least one third of the members of the Supervisory Board submit a grounded request in this sense. If the request has remained without response, its authors may themselves call the meeting, indicating the agenda of the session. Other than this case, the agenda shall be set by the Chairman and may only be set at the time of the meeting.

The Supervisory Board may also be held by videoconference or any other electronic means of telecommunications or remote transmission.

The meetings shall take place at the registered office or at any other location indicated in the convening notice.

For resolutions to be valid, at least half of the members of the Supervisory Board must be present. Subject to the stipulations of Article 19, decisions shall be taken by a majority of votes of present or represented members; in the event of a vote, the chairman of the session shall have the deciding vote. Moreover, for the purposes of calculating the quorum and majority, the members of the Supervisory Board who take part in the board meetings by videoconference or any other electronic means of telecommunications or remote transmission shall be considered to be present, except for the adoption of the following decisions:

- verification and control of the annual financial statements and, as appropriate, of the consolidated accounts;
- appointment of the members of the Management Board ;
- appointment of the Chairman or of the Deputy Chairman of the Supervisory Board and determination of their remuneration.

The members of the Supervisory Board may be represented at each session by one of their colleagues, but one member may only represent one of his colleagues as a proxy. These powers shall only be valid for a single session and may be granted by simple letter, e-mail or fax.

The decisions of the Board shall be noted in the minutes drawn up in a special register or on numbered and initialled loose sheets, pursuant to the conditions set by the current legislation.

These minutes shall be signed by the chairman of the session and by another member of the Supervisory Board.



Remuneration of Supervisory Board members (article 20 of the Articles of Association)

Members of the Supervisory Board may receive by way of remuneration of their activity a fixed annual amount by way of attendance fees, the amount of which, determined by the Ordinary General Meeting of shareholders, shall be maintained until a decision to the contrary and shall be charged to the general expenses of the Company.

The Board shall share these benefits among its members in a manner which it considers appropriate.

The Supervisory Board may also allocate exceptional remuneration to certain of its members for missions or mandates entrusted to them in the cases and under the conditions provided by law.

No remuneration, permanent or otherwise, may be paid to the members of the Supervisory Board, other than what is allocated to the Chairman and possibly to the Deputy Chairman, or that due by way of an employment contract corresponding to an effective job.

Responsibilities and powers of the Supervisory Board (article 19 of the Articles of Association)

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.
The Supervisory Board shall authorise the following agreements and operations, prior to their conclusion:

By a majority of present or represented members, pursuant to current legal and regulatory provisions:

(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):

(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 favour of the Management Board members and key employees (i.e employees with an annual gross compensation in excess of EUR 100,000) ;
(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.

Any decision to transfer out of France the registered office and/or the research & development centre(s) operated by the Company in France shall be subject, as from the date hereof, to the prior authorisation of the Supervisory Board resolving unanimously.

The Supervisory Board shall receive a report from the Management Board on the progress of the company's affairs whenever it considers it necessary and at least once a quarter.

Within the deadline of three months from the end of the financial year, the Management Board shall present the annual financial statements and its draft management report for the General Meeting to the Supervisory Board, for verification and control purposes.

It 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 specialised 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.

5.3.3. Rights and obligations attaching to Shares (article 13 of the Articles of Association)

Rights and obligations common to all Shares

Each Share gives the right to participate in collective decisions, as well as the right to be informed of the progress of the Company and to receive certain documents at times and under the conditions provided by law and these Articles of Association.

Shareholders shall only bear losses up to the limit of their contributions.

Subject to the provisions of the law and of these Articles of Association, no majority may impose an increase in their commitments. The rights and obligations attached to the Share shall follow the security regardless of its holder.

The ownership of a Share shall entail the ipso jure adhesion to the decisions of the General Meeting and to these Articles of Association.

The assignment shall include all dividends fallen due and falling due, as well as any portion of the reserve fund, unless otherwise notified to the Company.

The heirs, creditors, assignees or other representatives of a shareholder may not, under any pretext, require the sealing of the property and company documents, demand the division or the sale by auction of these assets or interfere in the administration of the Company. In order to exercise their rights, they shall refer to the company inventories and to the decisions of the General Meeting.

Whenever it is necessary to possess a certain number of Shares in order to exercise any right, in the event of an exchange, consolidation or attribution of securities or for an increase or reduction in the share capital, a merger or any other transaction, shareholders holding a number of Shares less than that required shall only be able to exercise these rights provided that they personally ensure that they obtain the required number of Shares.

Stipulations specific to Ordinary shares

Each Ordinary Share confers a right of ownership of the Company's assets, to profit-sharing and to the liquidation surplus, to a share proportional to the stake in the share capital which it represents, taking into account, where appropriate, amortised and unamortised, paid up and unpaid share capital, for the nominal amount of the Shares and the rights of the different classes of Shares.

Except in cases where the law provides otherwise and with the exception of the double voting right provided below, each shareholder shall have as many voting rights and express as many votes at Meetings as he has Ordinary Shares fully paid up for all of the due payments. For the same nominal value, each capital or participating Ordinary Share shall confer one vote.

A double voting right, considering the proportion of the share capital which they represent, shall be attributed to all fully paid up Ordinary Shares, which shall be documented by a registration in the nominative form for at least two years, starting from the registration of the Company in the form of a European company, in the name of the same shareholder. This right is also granted on issuance, in the event of a share capital increase through incorporation of reserves, profits or issue premiums, to the Ordinary Shares attributed as a bonus to a shareholder by virtue of former Ordinary Shares for which it has already benefited from this right.
Any shareholder may, by registered letter with request for notice of receipt addressed to the Company, temporarily or definitively waive all or part of its double voting rights. This waiver shall take effect on the third business day following the receipt by the Company of the letter of waiver.
Regardless of the number of Ordinary Shares held by it, whether directly or indirectly, 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 as at the date of such General Meeting. This cap shall apply to shareholders acting in concert according to article L. 233-10 of the 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.

Stipulations specific to Preferred shares

1. Pecuniary rights

The pecuniary rights associated with a Preferred Share shall be limited under the conditions provided in Articles 34 and 39 of these Articles of Association.

2. Voting rights

Preferred Shares shall be deprived of their voting right at General Meetings. This provide entitlement, under the conditions set by the law and by Article 31 of these Articles of Association, to take part in and vote at the special meetings of holders of Preferred Shares.

3. Right to convert Preferred shares into Ordinary shares subject to conditions

(i) Conditions for converting the Preferred Shares into Ordinary Shares

Subject to any adjustments pursuant to the stipulations of the paragraph “Protection of individual rights of holders of Preferred Shares” below, all of the Preferred Shares shall be converted ipso jure into a number of Ordinary Shares determined according to the procedures appearing in the paragraph “Determination of the Conversion Ratio” below, in the event that (i) the Company (or any subsidiary, company member of the same group or successor by operation of law) obtains the marketing authorisation in the United States of America or in Europe (on the basis of a centralised procedure) for the therapeutic application of the vaccine Pseudomonas aeruginosa against mortality from any cause for ICU patients, and (ii) that at the date of such granting either (a) the royalties received by the Company for this vaccine Pseudomonas aeruginosa represent at least 9.375% of the net proceeds from the sales of the vaccine, as currently stipulated in the strategic alliance agreement (as modified) concluded with Novartis or (b) the share of the profits resulting from the sales of the vaccine for Intercell remains unchanged and at least equal to 45%, in each case as currently set forth in the Novartis Strategic Alliance Agreement (as modified) (the Condition) depending on the election of

Intercell Austria AG, such election by Intercell Austria AG being subject to the prior approval of the Supervisory Board of the Company at a simple majority.

This condition must be satisfied within seven (7) years starting from the date of realisation of the merger between the Company and Intercell AG and shall be deemed satisfied at the date of issue of the first approval once final after expiry of the time for appeal, if any, on the part of either the FDA (Food and Drug Administration) for the United States of America or the EMA (European Medicines Agency) for the countries of the European Union.

(ii) Procedures for conversion of Preferred Shares into Ordinary Shares

Determination of the Conversion Ratio

The conversion of Preferred Shares into Ordinary Shares shall be carried out with a conversion ratio of 0.5246 Ordinary Shares for 1 Preferred Share (the Conversion Ratio) adjusted, if necessary, in accordance with paragraph "(iii) Protection of the individual rights of holders of Preferred Shares".

Conversion procedures for Preferred Shares

The conversion of Preferred Shares into Ordinary Shares shall not require any payment by the holders of the Preferred Shares.

The nominal value of each Ordinary Share shall be paid up by debiting the special blocked reserve account created for that purpose in the accounts (shareholders' equity) of the Company.

The conversion of Preferred Shares into Ordinary Shares and the allocation of Ordinary Shares resulting from the same shall take place ipso jure within 10 days from the date the Condition is satisfied.

All Preferred Shares converted into Ordinary Shares shall definitively be considered Ordinary Shares on the date of their conversion.

The Management Board shall be entitled to make any conversion transaction, amend the Articles of Association and carry out any subsequent necessary or legal formalities.

Payment of fractional Shares

On conversion of the Preferred Shares, every holder of Preferred Shares may obtain a number of Ordinary Shares calculated with regard to the number of Preferred Shares which it holds on the basis of the Conversion Ratio in effect.

Where the number of Ordinary Shares so calculated is not a whole number, the fraction of Ordinary Shares forming a fractional lot shall be paid in cash. The holder of the Preferred Shares shall receive an amount equal to the product (i) of the fraction of an Ordinary Share forming a fractional lot and (ii) an amount equal to the first recorded market price of the Ordinary Share for the stock exchange trading session preceding that of the ipso jure conversion of the Preferred Shares into Ordinary Shares.

Such amount shall be debited from the special blocked reserve account created for that purpose in the accounts (shareholders' equity) of the Company or from any available reserve accounts.

(iii) Protection of the individual rights of holders of Preferred Shares

It is hereby specified that the share capital increase which will be decided by the next General Meeting of Shareholders shall not give rise to any adjustment of the Conversion Ratio.

Amortisation of the share capital – Modification of profit sharing – Issuance of Preferred Shares

The Company shall have the right to amortise its Share capital, to modify the rules for sharing its profits or for the issuance of Preferred Shares, provided that it has taken the necessary measures to preserve the rights of the holders of Preferred Shares pursuant to the paragraph "Financial Operations of the Company" below, for as long as Preferred Shares are in circulation.

Capital reduction due to losses

In the event of reduction of the Company's share capital due to losses and carried out through a reduction in the nominal amount or number of Shares comprising the share capital, the rights of the holders of Preferred Shares shall consequently be reduced, as if the holders of the preferred Shares had converted their Preferred Shares before the date on which the capital reduction had become final.

Financial operations of the company

On conclusion of one of the following operations:
1. financial operations with a listed preferential subscription right;
2. attribution of bonus Ordinary Shares of the Company to shareholders, division or consolidation of Shares;
3. free attribution to shareholders of any financial instruments other than the Ordinary Shares of the Company;
4. absorption, merger, division;
5. amortisation of the share capital;

which the Company could realise starting from the date of issuance of the Preferred Shares, the rights of holders of the Preferred Shares shall be ensured by adjusting the Conversion Ratio according to the following procedures (the ***Adjusted Conversion Ratio***).

This adjustment shall be carried out to equalise the value of the Ordinary Shares, to the nearest thousandth of an Ordinary Share, which have been obtained in the event of conversion of the Preferred Shares, immediately after the realisation of this operation.

In the event of adjustments carried out pursuant to paragraphs 1 to 5 below, the new Conversion Ratio shall be determined to the nearest thousandth (0.0005 being rounded up to the nearest thousandth, i.e. to 0.001). Any further adjustments shall be carried out on the basis of the preceding Conversion Ratio so calculated and rounded. At the same time, the Ordinary Shares shall only give rise to the delivery of a full number of Ordinary Shares, with the payment of fractional Shares being specified in the paragraph "Payment of Fractional Shares" above.

1. In the case of financial operations entailing a listed preferential subscription right, the Adjusted Conversion Ratio shall be equal to the product of the current Conversion Ratio before the start of the operation in question and the ratio below:

$$\frac{\text{Value of the Ordinary Share after detachment of the preferential subscription right + value of the preferential subscription right}}{\text{Value of the Ordinary Share after detachment of the preferential subscription right}}$$

To calculate this ratio, the value of the Ordinary Share after detachment of the preferential subscription right shall be determined as the arithmetic mean of the first market prices on NYSE Euronext Paris (or in the absence of a market price on the NYSE Euronext Paris exchange, on another regulated or similar market on which the share and the subscription right are both listed) for all trading days included in the subscription period.

2. In the event of attribution of bonus Shares, as well as for division or consolidation of Ordinary Shares, the Adjusted Conversion Ratio shall be equal to the product of the Conversion Ratio in effect before the start of the operation in question and the following ratio:

$$\frac{\text{Number of Ordinary Shares comprising the share capital after the operation}}{\text{Number of Ordinary Shares comprising the share capital before the operation}}$$

3. In the event of attribution free of charge of a financial instrument or financial instruments other than the Ordinary Shares of the Company, the Adjusted Conversion Ratio shall be determined as follows:

(a) If the right of free attribution of the financial instrument(s) is subject to a listing on NYSE Euronext Paris (or in the absence of a listing on the NYSE Euronext Paris exchange, on another regulated or similar market), the new Conversion Ratio shall be equal to the product of the Conversion Ratio in effect before the start of the operation in question and the following ratio:

$$\frac{\text{Value of the Ordinary Share ex the free bonus right + value of the free bonus right}}{\text{Value of the Ordinary Share ex the free bonus right}}$$

To calculate this ratio:

- The value of the Ordinary Share ex the free bonus right shall be determined as the average weighted by the volumes of the first market prices quoted on NYSE Euronext Paris (or in the absence of a price on the NYSE Euronext Paris exchange, on another regulated or similar market on which the share and the subscription right are both listed) for the Ordinary Share ex the free bonus right for the first three trading sessions, starting at the date on which the Ordinary Shares are listed ex the free bonus right;
- The value of the free bonus right shall be determined as in the above paragraph. If the free bonus right is not listed for at least each of these three trading sessions, its value shall be determined by an independent expert of international reputation, chosen by the Company.

(b) If the bonus right for the financial instrument(s) is not listed on NYSE Euronext Paris (or in the absence of a price on the NYSE Euronext Paris exchange, on another regulated or similar market), the Adjusted Conversion Ratio shall be equal to the product of the Conversion Ratio in effect before the start of the operation and the following ratio:

$$\frac{\text{Value of the Ordinary Share ex free bonus right + value of the financial instrument(s) attributed per Ordinary Share}}{\text{Value of the Ordinary Share ex free bonus right}}$$

To calculate this ratio:

- The value of the Ordinary Share ex the free bonus right shall be determined as in paragraph (a) above;
- If the attributed financial securities are listed or likely to be listed on NYSE Euronext Paris (or in the absence of a listing on the NYSE Euronext Paris exchange, on another regulated or similar market), for the 10-day trading period starting at the date on which the Shares are listed ex-distribution, the value per Share of the attributed financial security/securities shall be equal to the average weighted by the volumes of the prices of said financial securities observed on this market for the first three trading sessions included in the period during which the financial securities are listed. If the attributed financial securities are not listed for at least each of these three trading sessions, theper Share value of the attributed financial security/securities shall be determined by an independent expert of international reputation, chosen by the Company.

4. In the event of absorption of the Company by another company or merger with one or several other companies to form a new company or a spin-off, the Preferred shares shall be exchanged for the Preferred Shares of the absorbing or new company or of the companies benefiting from the division and shall be converted into Ordinary Shares of the absorbing or new company or the companies benefiting from the division (the Replacement Shares).

The new Conversion Ratio shall be determined by multiplying the Conversion Ratio in effect before such an event by the exchange ratio of the Ordinary Shares into the Replacement Shares.

The company or companies which are beneficiaries of the contributions or the new company/companies shall replace the Company ipso jure in its obligations with regard to the holders of the Preferred Shares.

5. In the event of amortisation of the share capital, the Adjusted Conversion Ratio shall be equal to the product of the Conversion Ratio in effect before the amortisation and the following ratio:

$$\frac{\text{Value of the Ordinary Share before the amortisation}}{\text{Value of the Ordinary Share before the amortisation} - \text{amount of the amortisation per ordinary Share}}$$

To calculate this ratio, the value of the Ordinary Share before the amortisation shall mean the average weighted by the volumes of the market prices quoted on NYSE Euronext Paris (or in the absence of a price on the NYSE Euronext Paris exchange, on another regulated or similar market) for the last three trading sessions preceding the day on which the Ordinary Shares are listed ex-amortisation.

In the event that the Company executes operations for which an adjustment has not been stipulated by way of paragraphs 1 to 5 above and where a further provision of law or regulation provides for an adjustment, the Company shall make this adjustment pursuant to the applicable legal or regulatory provisions, taking account of practices in the field within the French market. In the event that the Ordinary Share of the Company is no longer admitted to trading on NYSE Euronext Paris (or in the absence of a price on the NYSE Euronext Paris exchange, on another regulated or similar market), the values referred to above shall be determined by an independent expert of international reputation, chosen by the Company.

(iv) Permanent information regarding the Preferred Shares

The Company shall notify the following information by all appropriate means within France and in Austria, shall place it on the Company's website and shall proceed with the necessary publications in the Bulletin des Annonces Légales Obligatoires (BALO) within the time limits set out by applicable laws:

- at the latest within two (2) working days following the realisation of the Condition, the realisation of said Condition, as well as a description of the modalities for granting Ordinary Shares issued upon conversion of Preferred Shares and of the cash payment of the fractional Ordinary Shares ;
- at the latest on 30 June of each year, until the date of fulfilment of the Condition, a special report by the Statutory Auditors of the Company on the observance by the Company of the particular rights associated with the Preferred Shares;

In the event of adjustment to the Conversion Ratio, the new Conversion Ratio, within five (5) working days following the adjustment date;

After the expiry of the 7-year period within which the Condition is to be met, and if the Condition is not satisfied, the procedure to buy back the Preferred Shares.

4. Buyback of Preferred Shares:

The Company shall buy back:

- the Preferred Shares that were not allotted to the shareholders of Intercell AG according to article 7.5 of the Merger Agreement entered into between the Company and Intercell AG;
- of all the Preferred Shares in the event that the Condition is not met, for a price equal to their nominal value and payable within ten (10) working days from the end of the period within which the Condition is to be met.

In any event, the repurchase of the Preferred Shares shall be carried out by the Company by deduction from the special blocked reserve account created for such purpose.

5. Cancellation of the Preferred Shares

The Company shall cancel:

- the non-converted Preferred Shares if the Conversion Ratio was to lead to the creation of fewer Ordinary Shares than the existing number of Preferred Shares as at the date the Condition is met;

- the Preferred Shares bought back by the Company in one of the two cases set out in subparagraph 1 of paragraph 4 above.

The Management Board is hereby granted all powers to cancel the Preferred Shares and amend the Articles of Association accordingly.

The conditions set out in paragraphs 4 and 5 above are applicable without prejudice to the Company's ability to buy back or cancel the Preferred Shares in any other situation under the conditions provided for by applicable law and regulations.

5.3.4. Amendment of shareholders' rights

Shareholder rights, as set forth in the Company's Articles of Association, may be changed or amended only by action taken at an Extraordinary General Meeting.

5.3.5. General Meetings

Nature of General Meetings (article 24 of the Articles of Association)

The decisions of the shareholders shall be taken at a General Meeting.
The Ordinary General Meetings shall be those which are convened on to take all of the decisions which do not modify the Articles of Association.

The Extraordinary General Meetings shall be those convened on to decide or authorise direct or indirect modifications of the Articles of Association.

The Special Meetings shall bring together the holders of Shares of a given category to rule on a modification of the rights of the Shares of this category and all other decisions provided by law or by these Articles of Association.

The resolutions of the General Meetings shall oblige all of the shareholders, even if absent, dissenting or incapable.

Notice and convening of General Meetings (article 25 of the Articles of Association)

The General Meetings shall be convened either by the Management Board or failing this, by the Supervisory Board or the Statutory Auditors or by a representative designated by the court, at the demand, either of any interested party or works council in the event of an emergency or by several shareholders representing at least 5% of the share capital.

The General Meetings shall be convened at the registered office or at any other location indicated in the notice of calling.

The Company shall be obliged, within the time limits set out in applicable laws, to publish a notice of meeting in the Bulletin des Annonces Légales Obligatoires (BALO) (Bulletin of Obligatory Legal Announcements containing the mentions provided by the laws in effect.

The convening of the General Meetings shall be realised by the inclusion in a newspaper authorised to receive legal announcements in the Department of the registered office and in addition, in the Bulletin des Annonces Légales Obligatoires (BALO), within the time limits set out in applicable laws.

When a Meeting has been unable to deliberate in regular fashion, due to failure to reach the necessary quorum, the second Meeting and as per the case, the second extended Meeting, shall be convened, in the same forms as the first, within the time limits set out in applicable laws and the notice of calling shall recall the date of the first calling and reproduce its agenda.

Agenda (article 26 of the Articles of Association)

The agenda of the Meetings shall be drawn up by the author of the calling.
One or several shareholders, representing at least the required proportion of the share capital and acting under the conditions and pursuant to the deadlines set by the law, shall be entitled to request

the inclusion of draft resolutions in the agenda of the Meeting by registered letter with a request for notice of receipt.

If a works council exists, it may request the entering of draft resolutions on the agenda of a Meeting. These draft resolutions must be notified to the Shareholders and be entered in the agenda and submitted to the vote of the Meeting.

The Meeting may not deliberate on an issue which is not entered on the agenda, which may not be modified at a second calling. It may nevertheless dismiss one or several members of the Supervisory Board under any circumstances and replace them.

Admission to General Meetings – proxies (article 27 of the Articles of Association)

All of the shareholders shall be entitled to take part in the Meetings on providing evidence of their identity, albeit with their participation in the Meeting subordinated:

- for the owners of nominative Shares, to their registration in the nominative form in the shareholders' accounts of the Company, at the latest on the third day preceding the date of the Meeting;
- for owners of bearer Ordinary Shares, on issuance of a declaration of participation by an authorised intermediary, noting the registration in the shareholders' accounts, at latest on the third day preceding the date of the Meeting.

Any shareholder may vote by post through a form, a copy of which may be obtained under the conditions indicated by the notice of calling of the Meeting.

A shareholder may be represented by another shareholder who provides evidence of a power of attorney, by his/her spouse or partner with whom he/she has concluded a civil solidarity pact.

A shareholder may furthermore be represented by any other natural or legal person of his/her choice and this under the conditions provided in Articles L. 225-106, L. 225-106-1 and R. 225-79 of the French commercial code.

In the event of existence of a works council within the Company, two of its members designated by the counsel, of which one belongs to the category of technical staff and supervisors and the other to the category of employees and workers, or where appropriate, the persons mentioned in articles L. 2323-64 and L. 2323-65 of the Labour Code, may attend the General Meetings. They shall be heard at their request for all of the resolutions which require the unanimity of shareholders.

Convening of General Meetings – Officers – Minutes (article 28 of the Articles of Association)

An attendance sheet shall be signed by the attending shareholders and representatives, to which shall be attached the powers granted to each representative and, as appropriate, the postal voting forms. It shall be certified as accurate by the bureau of the Meeting.

The Meetings shall be chaired by the Chairman of the Supervisory Board or, in his absence, by the Deputy Chairman or by a member of the Board especially appointed for this purpose. In the event of convening by a Statutory Auditor or court-appointed agent, the Meeting shall be chaired by the author of the convening notice. Failing this, the Meeting shall itself elect its Chairman.

The two present and accepting shareholders, representing the largest number of votes, both as themselves and as representatives, shall serve as scrutineers. The bureau so established shall designate a secretary, who may be selected from outside the members of the Meeting.

The deliberations of the meetings shall be recorded in minutes signed by the members of the bureau and drawn up in a special register, in accordance with the law. Copies and extracts of these minutes shall be certified under the conditions set by law.

Quorum – vote (article 29 of the Articles of Association)

The quorum shall be calculated on all of the Shares comprising the share capital, except in the Special Meetings, where it shall be calculated on all of the Shares for the category in question, all of which minus the Shares deprived of the voting rights by virtue of the provisions of the law. In the event of a postal vote, for the calculation of the quorum, only forms duly completed and received by the Company at least three (3) days before the date of the Meeting shall be considered.

Subject to the double voting right and the cap of the voting rights, the voting rights attached to Ordinary Shares shall be proportional to the stake in the share capital which they represent.

The vote shall be expressed by a show of hands, by a roll-call or by a secret ballot, pursuant to what the bureau of the Meeting or the shareholders decide. The shareholders may also vote by post.

For the purposes of calculating the quorum and majority, shareholders shall be considered to be present who take part in the Meeting via videoconference or telecommunications media which permit their identification and guarantee their effective participation, the nature and conditions of application of which are determined by legislative and regulatory provisions in effect.

Ordinary General Meeting (article 30 of the Articles of Association)

The Ordinary General Meeting shall take all of the decisions exceeding the powers of the Management Board, which do not have the object of modifying the Articles of Association.

The Ordinary General Meeting shall meet at least once a year, within six months of the end of the financial year, to rule on the financial statements for the financial year, subject to the extension of the deadline by a court decision.

It shall only deliberate validly, on a first convening, if the present and represented shareholders, or those voting by postal vote, hold at least the number of Shares set out in applicable laws.
No quorum shall be required for the second convening. It shall rule with a majority of the votes validly cast by the present or represented shareholders or shareholders voting by post. Abstention and votes blank or void shall not be considered as votes cast.

For the purposes of calculating the quorum and majority, shareholders shall be considered to be present who take part in the General Meetings via videoconference or telecommunications media as detailed above, albeit with the exception of resolutions relating to the approval of the company accounts, and as per the case, the approval of the consolidated accounts.

Extraordinary General Meeting (article 31 of the Articles of Association)

The Extraordinary General Meeting may amend the Articles of Association in all of their provisions and notably decide on the conversion of the Company into a limited liability company. It may nevertheless

increase the commitments of the shareholders, subject to the operations resulting from a consolidation of Shares effected in regular fashion.

The Extraordinary General Meeting may only deliberate validly if the present or represented shareholders or shareholders voting by postal vote possess on the first convening or on the second convening the number of Shares set out by applicable laws. In the absence of this latter quorum, the second Meeting may be extended until a date two months later than the one on which it had been convened.

The Extraordinary General Meeting shall rule with a majority of two thirds of the votes validly cast by the present or represented shareholders, or voting by postal vote, unless there is a legal exemption. Abstention and votes blank or void shall not be considered as votes cast.
In constituent Extraordinary General Meetings, i.e. those convened to deliberate on the approval of a contribution in kind or the granting of a particular benefit, the grantor or beneficiary shall not have a vote, either for itself or as a representative.

For the purposes of calculating the quorum and majority, shareholders shall be regarded as present who take part in the General Meetings via videoconference or telecommunications media as detailed above, albeit with the exception of resolutions relating to a modification of the share capital, a merger, division or partial contribution of assets.

Special Meetings (article 32 of the Articles of Association)

If there are several categories of share, no modification may be made to the rights of the Shares in one of these categories, without a requisite vote of an Extraordinary General Meeting, open to all of the shareholders and furthermore, without an equally requisite vote of a Special Meeting, open only to the owners of Shares of the category in question.

The special Meetings may only deliberate validly if the present or represented shareholders hold on the first convening or on the second convening the number of Shares of the relevant category set out by applicable laws.

Other meetings shall be convened and shall deliberate under the same conditions as the Extraordinary General Meetings, subject to the particular provisions applicable to Meetings of holders of Shares with a priority dividend, but without voting rights.

For the purposes of calculating the quorum and majority, shareholders shall be regarded as present who take part in the Meeting via videoconference or telecommunications media as detailed above and for which the nature and conditions of application are determined by current legislative and regulatory provisions.

As necessary, it is hereby specified that the conversion of preferred Shares into ordinary Shares under the conditions provided in Article 13.3 of these Articles of Association shall not be subject to the approval of the special meeting of Preferred Shareholders.

Shareholders' right to information (article 33 of the Articles of Association)

Every shareholder has the right to receive, under the conditions and at times set by law, the documents required for it to be able to pronounce knowledgeably and draw up a ruling on the management and control of the Company.

The nature of these documents and the conditions of their dispatch or provision shall be determined by the law and regulations.

5.3.6. Clauses likely to affect control of the Company

Readers are invited to refer to Section 5.2.6 of this Registration Document.

5.3.7. Threshold crossing (article 12 of the Articles of Association)

In addition to the legal obligation to inform the Company of holdings of certain fractions of the share capital and to make any resulting declaration of intent, each natural or legal person, acting alone or in concert, who comes to hold or ceases to hold a fraction equal to 2% of the share capital or voting rights, or any multiple of this percentage, shall be obliged to notify the Company of the same within four stock exchange trading days, as soon as one of these thresholds is crossed, by registered letter with notice of receipt, addressed to the registered office of the Company, specifying the number of Shares, corresponding voting rights and securities giving access to the share capital that it holds alone or in concert.

Failure to observe the notification obligation cited above shall be sanctioned, at the demand (recorded in the minutes of the Meeting) of one or several shareholders who together hold a fraction of at least 2% of the share capital or voting rights of the Company, by suspension of voting rights attached to the Shares which exceed the fraction that has not been regularly declared for each General Meeting of Shareholders held until the date of regularisation of the notification.

Furthermore, in the event that the registered shareholder knowingly disregards the notification obligation for threshold crossing with regard to the Company, the Commercial Court within the jurisdiction of which the Company has its registered office may, at the request of the Company or of a shareholder, pronounce the complete or partial suspension of voting rights, for a total period not exceeding five years, against any shareholder who has not made the declarations cited above or who has not observed the content of the declaration of intent provided in Article L.233-7 VII of the French commercial code within six (6) months of the publication of the said declaration.

5.3.8. Special provisions applicable to changes in share capital (article 9 of the Articles of Association)

There are no special provisions in the Company's Articles applicable to changes in its share capital. As a result, the share capital and rights attached to Shares may be simply amended in accordance with conditions provided for by law.

5.4. Information and history of the Company during the fiscal year

Registered name

Registered name: Valneva

Registration details

The Company is registered in the Trade and Companies Registry in Lyon under registration number 422 497 560.

Date of incorporation and term

The Company's business sector N.A.F. code is 72.11Z – Research & Development in biotechnology.

The Company was incorporated on April 7, 1999 for a fixed period, except in the case of early dissolution or extension, of ninety-nine years from its registration in the Register of Commerce and Companies, i.e. until April 6, 2098.

Registered office, legal form and applicable law

Registered office: Gerland Plaza Techsud – 70, rue Saint Jean de Dieu, 69007 Lyon, France

Telephone: +33 (0) 2 28 07 14 16

Valneva is a European company with a Management and a Supervisory Board, governed notably by the provisions of Book II of the French commercial code.

Significant events in the development of the issuer's activities

Please, refer to Sections 1.1.2, 1.1.3, 1.2.2.1.2, 1.2.2.2, 1.3.1.1, 1.3.1.2, 1.3.2.1 and 1.4.4.1 of this Registration Document.

5.5. Information on holdings

Please, refer to Section 1.2.2 of this Registration Document, as well as Note 1 to the Group's consolidated financial statements for fiscal year 2014 (see Section 4.1 of this Registration Document).

In 2014, Valneva did not require any material equity interests in companies having been registered office in France representing more than a twentieth, tenth, fifth, third or half of the capital of this company, and further does not exercise control over such company.

5.6. Regulated agreements

Preliminary notes:

In accordance with article 38-I of the Decree n°2014-863 dated July 31, 2014, the Supervisory Board of the Company decided not to reassess annually agreements that have been authorised during previous years and continued during fiscal year 2014, and executed between the Company and its fully-owned (either directly or indirectly) affiliates (Decision of the Supervisory Board dated November 20, 2014). Consequently, these agreements as well as their amendments executed before August 2, 2014, have not been reported as regulated agreements.

Moreover, in accordance with article L.225-87 of the French commercial code (as amended by the Decree n°2014-863 dated July 31, 2014), the agreements executed after August 2, 2014 between the Company and its fully-owned (either directly or indirectly) affiliates have not been reported, the control process provided by article L.225-86 and seq. of the French commercial code being non applicable *vis-à-vis* these agreements as from the abovementioned date.

***

Charges and incomes related to regulated agreements presented hereafter below are between brackets.

- **Agreements and commitments authorised by the Supervisory Board during fiscal year 2014**

Co-contractor	Supervisory Board or Assembly meeting date having authorised the agreement	Contract	Contract matter	Charges and/or incomes booked during FY 2014 (in euros)	Encashments and/or payments (in euros)
Valneva Austria GmbH	February 4, 2014	Guarantor Services Agreement	In relation with the loan subscribed on 20 December 2013 with Biopharma Secured Investment III Holdings Cayman LP, transaction agreed by a Supervisory Board decision on 13 December 2013, your Company is jointly liable for obligations of its subsidiary Valneva Austria GMBH under the above-mentioned loan agreement. Total amount of the loan was paid to Valneva Austria GmbH and after a previous authorization by the Supervisory Board on 4 February 2014, it was decided that the Company had to be remunerated for this joint liability, on 0.77% rate based on principal amount outstanding.	196,519.66	*Await encashment*
Valneva Austria GmbH	November 20, 2014	Framework Agreement for the Provision of Services	Services agreed between both companies Valneva SE and Valneva Austria GmbH, as part of the service contract involve both Business Support Services (Management, Accounting, Human Resources, Legal, Business Development, Intellectual Property, Communications), as well as research and development services. It is understood in the agreement that the party receiving services will have to pay an arm's length service fee for the services it receives, calculated in accordance with the OECD recommandations given in its Transfer Pricing Guidelines (i.e. by reference to the OECD transactional net margin method applied with a net margin on total operating costs. This agreement is exectued with retroactive effect as from May 28, 2013, which corresponds to the date of the merger between the companies Vivalis SA et Intercell AG.	**2013** : 366,744.49 (1,163,445.32) **2014**: 721,957.59 (1,929,656.10)	**2013** : 366,744.49 (1,163,445.32) **2014**: 721,957.59 (1,929,656.10)

- **Agreements and commitments which continued during the past fiscal year**

Co-contractor	Supervisory Board or Assembly meeting date having authorised the agreement	Contract	Contract matter	Charges and/or incomes booked during FY 2014 (in euros)	Encashments and/or payments (in euros)
Groupe Grimaud La Corbière	June 11, 2008	Loan guarantee	Guarantee by Grimaud La Corbière Group for a loan of EUR 800,000 from Caisse d'Epargne Pays de La Loire and Crédit Mutuel. Full reimbursement of the loan since August 2014.	(249.70)	(249.70)
Groupe Grimaud La Corbière	June 11, 2008	Loan guarantee	Guarantee by Grimaud La Corbière Group of a loan for €1,200,000 from Crédit Mutuel for 0.75% of guaranteed amounts.	(1,839.41)	(1,839.41)
Groupe Grimaud La Corbière	June 10, 2010	Loan guarantee	Guarantee by Grimaud La Corbière Group for aggregate loans totalling €1,500,000 from the Crédit Mutuel and LCL. The remuneration by Groupe Grimaud La Corbière to the Company, in compensation of this guarantee, corresponds to 0.75 % of loans outstanding.	(4,992.08)	(4,992.08)
Groupe Grimaud La Corbière	March 20, 2013	Loan guarantee	Guarantee by Grimaud La Corbière Group of the loan for €500,000 from Caisse d'Epargne Bretagne Pays de la Loire.	(2,505.26)	(2,505.26)
Franck GRIMAUD, Management Board member and Managing Director of the Company	May 31, 2013	Management Agreement	This Agreement has been concluded in order to state the compensation conditions for M. Franck Grimaud from the date of registration of the Company as *Société Européenne*, in the Trade and Company register of Lyon, pursuant to the merger with Intercell AG.	(700,833.91)	(490,152.74)

PricewaterhouseCoopers Audit

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92208 Neuilly sur Seine

Deloitte & Associés
Les Docks – Atrium 10.4
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VALNEVA

Société Anonyme

Gerland PlazaTechsud
70, rue Saint-Jean-de-Dieu
69007 LYON

Statutory auditors' special report on regulated agreements and commitments

Annual Shareholders' Meeting held to approve the financial statements
for the year ended 31 December 2014

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on regulated agreements and commitments.

It is our responsibility to report to you, based on the information provided to us, on the main terms and conditions of agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of Article R. 225-58 of the French Commercial Code (*Code de commerce*), it is your responsibility to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to communicate to you the information required by Article R. 225-58 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Shareholders' Meeting.

We performed the procedures that we deemed necessary in accordance with the professional guidance issued by the French national auditing body (*Compagnie Nationale des Commissaires aux Comptes*) for this type of engagement. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

AGREEMENTS AND COMMITMENTS SUBMITTED TO THE APPROVAL OF THE SHAREHOLDERS' MEETING

Agreements and commitments authorised in 2014

In accordance with Article L. 225-88 of the French Commercial Code, we have been informed of the following agreements and commitments previously authorised by the Supervisory Board.

Agreements with the company VALNEVA AUSTRIA GMBH

Persons concerned: MM. Thomas LINGELBACH, Franck GRIMAUD, Reinhard KANDERA, Management Board members of Valneva SE et Managing Directors of Valneva Austria GmbH

- **Guarantor Services Agreement**

  In relation with the loan subscribed on 20 December 2013 with Biopharma Secured Investment III Holdings Cayman LP, transaction agreed by a Supervisory Board decision on 13 December 2013, your Company is jointly liable for obligations of its subsidiary Valneva Austria Gmbh under the above-mentioned loan agreement. Total amount of the loan was paid to Valneva Austria GmbH and after a previous authorization by the Supervisory Board on 4 February 2014, it was decided that the Company had to be remunerated for this joint liability, on 0.77% rate based on principal amount outstanding.

  Revenue recognized for 2014 period at Company's level in compensation for this joint liability, amounts to €196,519.66.

- **Framework Agreement for the Provision of Services**

  A service contract was previously authorized by the Supervisory Board on 20 November 2014 between Valneva SE and Valneva Austria Gmbh with retrospective effect from 28 May 2013, merger date between companies Vivalis SA and Intercell AG. Services agreed between both companies Valneva SE and Valneva Austria GmbH, as part of the service contract involve both Business Support Services (Management, Accounting, Human Resources, Legal, Business Development, Intellectual Property, Communications), as well as research and development services.

  Incomes and expenses recognized over 2014 period amount respectively €721,957.59 (revenue) and €1,929,656.10 (expense).

Incomes and expenses recognized over 2014 period related to 2013 services amount respectively €366,744.49 (revenue) and €1,163,445.32 (expense).

AGREEMENTS AND COMMITMENTS APPROVED BY THE SHAREHOLDERS' MEETING

Agreements and commitments approved in previous years which remained in force during the year ended 31 December 2014

In accordance with Article R. 225-57 of the French Commercial Code, we have been informed of the following agreements and commitments approved in prior years and which remained in force during the year ended 31 December 2014.

Agreement with Mr. Franck GRIMAUD, Chief Executive Officer and Management Board member of Valneva SE

Management Agreement, previously authorized by the Supervisory Board on 31 May 2013 and approved by the Annual General Meeting on 26 June 2014, specifies compensations and benefits of Mr. Franck Grimaud as a member of the Management Board and Chief Executive Officer since Valneva registration date in Lyon Chamber of Commerce as a European company. Detailed information on the conditions that applied according to this Management Agreement are disclosed at paragraphs 21.1.1 and 21.1.5 of the Management Report as of and for the year ended 31 December 2014.

The expense recognized in the Company's accounts over the year and the amount paid out in accordance with the agreement respectively amount to €700,833.91 and €490,152.74€.

Agreements with Groupe GRIMAUD LA CORBIERE SA, holding more than 10% of the voting rights of the Company

Persons concerned: Franck GRIMAUD, Chief Executive Officer and Management Board member of Valneva SE, and Chief Executive Officer of Groupe Grimaud La Corbière SA

- The guarantee by Grimaud La Corbière Group for a loan of €800,000 subscribed by your Company from Caisse d'Epargne Pays de La Loire and Crédit Mutuel remained in force. The 2014 expense recognised by your Company with respect to this guarantee amounted to €249.70.

- The guarantee by Grimaud La Corbière Group of a loan for €1,200,000 subscribed by your Company from Crédit Mutuel remained in force. The 2014 expense recognised by your Company with respect to this guarantee amounted to €1,839.41.

- The guarantee by Grimaud La Corbière Group of a loan for €1,500,000 subscribed by your Company from Crédit Mutuel and LCL remained in force. The 2014 expense recognised by your Company with respect to this guarantee amounted to €4,992.08.

- The guarantee by Grimaud La Corbière Group of the loan for €500,000 subscribed by your Company from Caisse d'Epargne Bretagne Pays de la Loire. The 2014 expense recognised by your Company with respect to this guarantee amounted to €2,505.26.

Neuilly-sur-Seine and Marseille, 19 March 2015

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
French original signed by	French original signed by
Thierry CHARRON	**Vincent GROS**

- **Related-party transactions**

Readers are invited to consult information provided pursuant to IAS 24 norm, in connection with related-party transactions, in the Note 31 to the Group's consolidated financial statements for fiscal year 2014 (see Section 4.1 of this Registration Document).

- **Agreements entered into between a director and/or officer and a subsidiary of the Company**

Co-contracting party	Agreement	Purpose of the Agreement
Thomas LINGELBACH	**Employment and Management Agreement** entered into with Valneva Austria GmbH on December 16, 2012	This agreement provides for the payment of remuneration and social benefits of Mr. Thomas LINGELBACH in his capacity as a Board Member, CEO and employee of Valneva Austria GmbH from the date of Valneva's registration in Lyon (*Registre du Commerce et des Sociétés de Lyon*) in the form of a European company (*société europaea*). Detailed information on selected conditions of this agreement is disclosed in this Registration Document (Sections 2.2.2.2 and 2.2.2.7).
Reinhard KANDERA	**Employment and Management Agreement** entered into with Valneva Austria GmbH on December 16, 2012	This agreement provides the payment of remuneration and social benefits of Mr. Reinhard KANDERA in his capacity as a Board Member, CFO and employee of Valneva Austria GmbH from the date of Valneva's registration in Lyon (*Registre du Commerce et des Sociétés de Lyon*) in the form of a European company (*société europaea*). Detailed information on selected conditions of this agreement is disclosed in this Registration Document (Sections 2.2.2.2 and 2.2.2.7).

5.7. Employees

5.7.1. Employees' shareholding in the share capital of the Company

At December 31, 2014 (end of business day), the employees of the Company (registered shareholders, excluding corporate officers) had a total number of 133,685 shares, i.e. 0.23%[25] of the share capital of the Company.

For a detailed description, as of December 31, 2014, of the stock option plans (for subscription or purchase of shares) and of the bonus shares plans, to which employees are beneficiaries, please refer to Section 2.2.2.5 and 2.2.2.6 of this Registration Document.

5.7.1.1. Information related to options to subscribe for or purchase shares granted to, or exercised by, the Group's employees

5.7.1.1.1. Options to subscribe for or purchase shares granted to non-officer employees of Valneva Group

We hereby inform that no stock options to subscribe for or purchase shares were granted in 2014 to the non-officer employees of Valneva Group, either by the Company or by Companies affiliated thereto, in accordance with the provisions provided for under article L.225-180 of the French commercial code:

5.7.1.1.2. Stock options to subscribe for or purchase shares exercised by non-officer employees of Valneva Group

None of the non-officer employees of Valneva Group exercised stock options to subscribe for or purchase shares in 2014.

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As a consequence of the foregoing, no information is to be reported as regards the requested information of the table no. 9 in Annex 2 of the AMF Position - Recommendation no. 2014-14.

5.7.1.2. Bonus shares granted to, or fully vested by, non-officer employees of Valneva Group

5.7.1.2.1. Information on bonus shares granted to non-officer employees of Valneva Group

No bonus shares were granted in 2014 to the non-officer employees of Valneva Group, either by the Company or by Companies affiliated thereto, in accordance with the provisions provided for under article L.225-197-2 of the French commercial code.

5.7.1.2.2. Information on bonus shares fully vested by non-officer employees of Valneva Group

In 2014, 9,500 bonus shares granted for no consideration were transferred to non-officer employees as follows:

[25] This rate is calculated in reference to a share capital totalling 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

Vesting date of the bonus shares	Plan No. and date	Total number of bonus shares granted
By decisions of the Management Board on March 3, 2014	Plan 2 – Tranche 3 February 22, 2010	500
		500
		1,500
		500
		500
		500
By decisions of the Management Board on October 2, 2014	Plan 2 – Tranche 4 October 1, 2010	1,500
		1,500
		500
		500
		500
		500
		500
TOTAL		**9,500**

5.7.1.2.3. Bonus shares fully vested in 2014 by the ten non-officer employees of the Group having the largest number of fully vested shares

Number of restricted shares fully vested in 2014	Weighted average price
8,000[26&27]	**€5.92**

5.7.2. Description of any arrangements providing for employees' participation in the share capital of the Company

No agreement providing for employees' participation in the share capital of the Company has been set up so far.

5.7.3. Agreements providing for financial compensation to the benefit of the employees, in case of resignation, dismissal without real and serious grounds or if termination is due to a public offering

There is no agreement providing for financial compensation to the benefit of the employees, in case of resignation, dismissal without real and serious grounds or if termination is due to a public offering.

[26] Three employees having been granted 500 bonus shares each for no consideration in 2014 were not included in this value.
[27] The minimum number of bonus shares to be taken into account for each employee for calculating this value is 500.

6. ADDITIONAL INFORMATION

6.1. Person responsible

6.1.1. Responsibility statement for the Registration Document

We hereby declare, after having taken all diligence to this end, that to the best of our knowledge, the information contained in this Registration Document is in accordance with the facts and contains no omission likely to affect its import.

We 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, for which a table of cross-references is presented in Section 6.4 of this Registration Document, 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 with which the Company may be confronted.

We obtained a letter from the Company's Statutory Auditors certifying that they have verified the financial and accounting information provided in this Registration Document and that they have read the Registration Document as a whole.

Past financials presented or included by reference in this Registration Document have been the object of reports from the Statutory Auditors.

The Auditors' report drafted on the 2012 consolidated accounts of the Group, reported on pages 182-183 of the 2012 Registration Document of the Company, filed with the AMF on April 30, 2013 under No. D.13-0479, includes an observation calling the shareholders' attention to the change of accounting method regarding the presentation of the consolidated profit and loss account.

The Auditors' reports drafted on the 2013 consolidated and statutory accounts of the Group, reported respectively on pages 264-267 and 268-271 of the 2013 Registration Document of the Company, filed with the AMF on April 29, 2014 under No. D.14-0444, includes an observation calling the shareholders' attention to the fact that the financial years 2012 and 2013 cannot be compared because of the Vivalis-Intercell merger that occurred on May 28, 2013.

The Auditors' report drafted on the 2014 consolidated and statutory accounts of the Group, reported in Section 4.1 of this Registration Document, includes an observation calling the shareholders' attention to the fact that the financial years 2013 and 2014 cannot be compared because of the abovementioned Vivalis-Intercell, as well as an observation linked with the acquisition of the company Crucell Sweden AB on February 9, 2015.

Auditors' report on the 2014 statutory accounts, reported in Section 4.1 of this Registration Document, includes an observation linked with the acquisition of the company Crucell Sweden AB on February 9, 2015.

Thomas Lingelbach
Chairman of the Management Board

Franck Grimaud
Managing Director

6.1.2. Person responsible for financial information

Reinhard Kandera
Chief Financial Officer

Valneva Austria GmbH
Campus Vienna Biocenter 3
1030 Vienna, Austria
T +43 1 20620
F +43 1 20620 800
investors@valneva.com

6.1.3. Person responsible for account audit and fees

6.1.3.1. Statutory Auditors

6.1.3.1.1. Principal statutory auditors

- **Deloitte & Associés**

Represented by Mr. Vincent Gros

185 avenue Charles de Gaulle
B.P. 136
92524 Neuilly-sur-Seine Cedex – France

Deloitte & Associés was first appointed as principal statutory auditor by the ordinary general meeting of shareholders held on January 22, 2007. This appointment was renewed by the ordinary general meeting of shareholders held on June 28, 2013 for a term of six years that will expire at the close of the general meeting of shareholders called to rule on the financial statements for the fiscal year ending on 31 December 2018.

- **Pricewaterhouse Coopers Audit**

Represented by Mr. Thierry Charron

63 rue de Villiers
92200 Neuilly sur Seine – France

Pricewaterhouse Coopers Audit was first appointed by the ordinary general meeting of shareholders held on June 28 2013, following the resignation of Cabinet Gérard Chesneau et Associés, for a term of four years that will expire at the close of the general meeting of shareholders called to rule on the financial statements for the fiscal year ending on December 31, 2016.

6.1.3.1.2. Alternate statutory auditors

- **BEAS**

7-9 Villa Houssay
92200 Neuilly sur Seine, France

BEAS was first appointed as alternate statutory auditor by the ordinary general meeting of shareholders held on January 22, 2007. This appointment was renewed by the ordinary general

meeting of shareholders held on June 28, 2013 for a term of six years that will expire at the close of the general meeting of shareholders called to rule on the financial statements for the fiscal year ending on December 31, 2018.

- **Ms. Anik Chaumartin**

63 rue Villiers
92200 Neuilly sur Seine.

Ms Chaumartin was first appointed by the ordinary general meeting of shareholders held on June 28, 2013, following the resignation of Ms. Claudine Bore, for a term of four years that will expire at the close of the general meeting of shareholders called to rule on the financial statements for the fiscal year ending on December 31, 2016.

6.1.3.2. Fees paid by the Group to the Statutory Auditors and members of their networks

Please refer to Note 6 to the Group's consolidated financial statements for fiscal year 2014 (see Section 4.1 of this Registration Document).

6.2. Third party information, statements by experts and declaration of interests

None.

6.3. Consultation of legal documents

During the validity period of the present Registration Document, the Articles of Association, the Statutory Auditors' reports, the annual financial statements of the past three years, as well as any reports, letters or other documents and historical financial information of the Company and its subsidiaries over the past three years, and valuations and statements made by experts, where such documents are provided for by law and any other document provided for by law, may be consulted at the Company's registered office.

Copies of the present Registration Document are available free of charge at the Company's facilities located at 6 rue Alain Bombard, 44821 Saint-Herblain Cedex – France – Tel: +33 (0) 2 28 07 37 10) as well as on Valneva's website (www.valneva.com) and on the AMF's website (www.amf-france.org).

6.4. Table of cross-references

6.4.1. Cross-references with the Registration Document

For the convenience of readers of this Registration Document, the following table provides cross-references with the main information headings provided for by Appendix 1 of Commission Regulation (EC) No. 809/2004 (Prospectus Directive) of 29 April 2014.

Required disclosures		Section(s) of the Registration Document
1.	**RESPONSIBLE PERSONS**	
1.1	Persons responsible for information given in the registration document	6.1
1.2	Responsibility statement	6.1.1
2.	**STATUTORY AUDITORS**	
2.1	Names and addresses of the issuer's auditors	6.1.3
2.2	Changes in auditors.	6.1.3.1.1 6.1.3.1.2
3.	**SELECTED FINANCIAL INFORMATION**	
3.1	Selected historical financial information regarding the issuer, presented for each financial year in the same currency as the financial information.	1.1.1
3.2	Selected historical financial information for interim periods	n.a.
4.	**RISK FACTORS** Prominent disclosure of risk factors that are specific to the issuer or its industry	1.5
5.	**INFORMATION ABOUT THE ISSUER**	
5.1.	**History and development of the Company**	
5.1.1.	Legal and commercial name of the issuer	5.4
5.1.2.	Place of registration of the issuer and its registration number;	5.4

Required disclosures		Section(s) of the Registration Document
5.1.3.	Date of incorporation and length of life of the issuer	5.4
5.1.4.	Domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, and the address and telephone number of its registered office (or principal place of business if different from its registered office);	5.4
5.1.5.	Significant events in the development of the Group's business	1.2.1.2 (with cross-references to Sections 1.1.2 and 1.1.3) Note 33 to the Group's consolidated financial statements for fiscal 2014 (see Section 4.1) 5.4 (with cross-references to Sections 1.2.2.1.3, 1.2.2.2, 1.3.1.1, 1.3.1.2, 1.3.2.1 and 1.4.4.1)
5.2. Investments		
5.2.1.	Description, (including the amount) of the issuer's principal investments for each financial year for the period covered by the historical financial information up to the date of the registration document;	1.3.4.1 1.3.4.2 1.3.4.3
5.2.2.	Description of the issuer's principal investments that are in progress, including the geographic distribution of these investments (home and abroad) and the method of financing (internal or external);	1.3.4.4
5.2.3.	Information concerning the issuer's principal future investments on which its management bodies have already made firm commitments.	1.3.4.4
6. BUSINESS OVERVIEW		
6.1. Principal activities		



Required disclosures		Section(s) of the Registration Document
6.1.1.	A description of, and key factors relating to, the nature of the issuer's operations and its principal activities, stating the main categories of products sold and/or services performed for each financial year for the period covered by the historical financial information.	1.3.1
6.1.2.	An indication of any significant new products and/or services that have been introduced and, to the extent the development of new products or services has been publicly disclosed, give the status of development.	1.3.1
6.2.	**Principal markets** Principal markets in which the issuer competes, including a breakdown of total revenues by category of activity and geographic market for each financial year for the period covered by the historical financial information.	1.3.2.1
6.3	Exceptional events with respect to 6.1 and 6.2.	1.2.1.2 (with cross-references to Sections 1.1.2 and1.1.3) Note 33 to the Group's consolidated financial statements for fiscal 2014 (see Section 4.1) 5.4 (with cross-references to Sections 1.2.2.1.3, 1.2.2.2, 1.3.1.1, 1.3.1.2, 1.3.2.1 and 1.4.4.1)
6.4.	Information, in summary form, on the extent to which the issuer is dependent, on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes.	1.3.3.3 (with cross-references to Sections 1.5.1.9, 1.5.1.13, 1.5.2.2.1 to1.5.2.2.3, as well as Section 1.5.2.2.5, of this Registration Document)
6.5.	The basis for any statements made by the issuer regarding its competitive position.	1.3.2.1
7. ORGANISATIONAL STRUCTURE		

Required disclosures		Section(s) of the Registration Document
7.1.	Summarized description of the Group	1.2.2
7.2	Significant subsidiaries	1.2.2 5.5 (with cross-references to Note 1 to the consolidated statements for fiscal 2014 – see Section 4.1)
8. PROPERTY, PLANT AND EQUIPMENT		
8.1.	Material tangible fixed assets and any major encumbrances thereon	1.2.3
8.2.	Environmental issues that may affect the issuer's utilization of tangible fixed assets	3.1
9. OPERATING AND FINANCIAL REVIEW		
9.1.	**Financial condition** Description of the issuer's financial condition, changes in financial condition and results of operations for each year and interim period, for which historical financial information is required, including the causes of material changes from year to year in the financial information to the extent necessary for an understanding of the issuer's business as a whole.	1.4.1 1.4.3
9.2. Operating profit / (loss)		
9.2.1.	Information regarding significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's income from operations, indicating the extent to which income was so affected.	1.4.1 1.4.3
9.2.2.	Explanations of changes in financial statements.	1.4.1 1.4.3

Required disclosures		Section(s) of the Registration Document
9.2.3.	Information regarding any governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations.	1.4.1 1.4.3
10. CAPITAL RESOURCES		
10.1.	Information concerning the issuer's capital resources (both short and long term);	1.4.5.1 (with cross-references to Note 21 to the consolidated statements for fiscal 2014 – see Section 4.1)
10.2.	Explanation of the sources and amounts of and a narrative description of the issuer's cash flows;	1.4.5.2 (with cross-references to Note 28 to the consolidated statements for fiscal 2014 – see Section 4.1)
10.3.	Information on the borrowing requirements and funding structure of the issuer;	1.4.5.1 (with cross-references to Note 24 to the consolidated statements for fiscal 2014 – see Section 4.1)
10.4.	Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the issuer's operations.	1.4.5.1
10.5.	Information regarding the anticipated sources of funds needed to fulfill commitments referred to in items 5.2.3. and 8.1.	1.4.5.3



Required disclosures		Section(s) of the Registration Document
11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES Description of the Research and Development policies applied by the issuer		**1.3.3**
12. INFORMATION ON TRENDS		
12.1.	The most significant recent trends since the end of the last financial year to the date of the registration document.	1.4.4.3
12.2.	Information on any known trends that are reasonably likely to have a material effect on the issuer's prospects for at least the current financial year.	1.4.4.3
13. PROFIT FORECASTS OR ESTIMATES		
13.1.	The principal assumptions upon which the issuer has based its forecast, or estimate.	n.a.
13.2.	Auditors' report	n.a.
14. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND SENIOR MANAGEMENT		
14.1	Names, business addresses and functions in the Issuer of members of the Management Board or Supervisory Board	2.1.1
14.2.	**Conflicts of interest involving the members of the Management Board, Supervisory Board and other Executive Management** Potential conflicts of interests between any duties to the issuer, of the persons referred to in item 14.1., and their private interests and or other duties must be clearly stated. In the event that there are no such conflicts, a statement to that effect must be made. Any arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any person referred to item 14.1 was selected as a member of the administrative, management or supervisory bodies or member of senior management. Details of any restrictions agreed by the persons referred to in item 14.1 on the disposal within a certain period of time of their holdings in the issuer's securities.	2.1.2.3
15. REMUNERATION AND BENEFITS PAID TO MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS		
15.1.	The amount of remuneration paid (including any contingent or deferred compensation), and benefits in kind granted to such persons by the issuer and its subsidiaries for services in all capacities to the issuer and its subsidiaries by any person.	2.2



Required disclosures		Section(s) of the Registration Document
15.2.	The total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits.	2.2.2.2
16. BOARD PRACTICES		
16.1.	Date of expiration of current terms of office	2.1.1
16.2.	Information about members of the administrative, management or supervisory bodies' service contracts with the issuer or any of its subsidiaries providing for benefits upon termination of employment, or an appropriate negative statement.	2.1.2.4
16.3.	Information about the issuer's special committees (including the names of committee members and a summary of the terms of reference under which the committee operates).	2.1.3 (and refer to Section 2.2 of the Chairman of the Supervisory Board's Report on the preparation and organization of the Board's work and internal control procedures implemented by the Company (see Section 2.3)
16.4.	Statement of compliance with the applicable incorporation corporate governance regime.	Section 2.3
17. EMPLOYEES		
17.1.	Number of employees at the end of the period for the periods covered by the historical financial information.	3.1 (Chapter 1 "Employee-related Commitments" and Table of employee data)
17.2.	Shareholdings and stock options	5.7.1 (with cross-references to sections 2.2.2.5 and 2.2.2.6)
17.3.	Description of any arrangement involving the employees in the capital of the issuer	5.7.2

Required disclosures		Section(s) of the Registration Document
18. MAJOR SHAREHOLDERS		
18.1	Capital ownership structure	5.2.1
18.2.	Persons other than a member of management or supervisory bodies who, directly or indirectly, has an interest in the issuer's capital or voting rights.	5.2.1 5.2.2 5.2.3 5.2.4
18.3.	Whether the issuer's major shareholders have different voting rights.	1.5.2.2.10 5.1.1
18.4.	To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control and the measures in place to ensure that such control is not abused.	5.2.5
18.5.	Description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer	5.2.6 5.3.6
19. RELATED PARTY TRANSACTIONS		**5.6**
20. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES		
20.1.	Historical financial information	4.1 4.3



Required disclosures		Section(s) of the Registration Document
20.2.	Pro forma financial information	1.1.1 1.4.1.1 (with cross-references to Note 32 to the consolidated statements for fiscal 2014 – see Section 4.1) 1.4.3.2.2 1.4.3.2.3 1.4.3.3
20.3.	Financial statements.	4.1 4.3
20.4.	Auditing of historical annual financial information	4.2 4.4
20.5.	Age of latest financial information	4.1
20.6.	Interim and other financial information	n.a.
20.7.	Description of the issuer's policy on dividend distributions and restrictions thereon	n.a. In this respect see Section 9)
20.7.1.	Dividend per share	n.a. In this respect see Section 9)
20.8.	Information on any governmental, legal or arbitration proceedings.	1.5.4 (then referring to sections 1.5.2.2.5 and 1.5.2.2.8)



Required disclosures		Section(s) of the Registration Document
20.9.	A description of any significant change in the financial or trading position of the group which has occurred since the end of the last financial period.	1.1.3 (with cross-references to Section 1.1.2.10) 1.4.4.1 Note 1 to the Group's consolidated financial statements for fiscal 2014 (see Section 4.1) Section 4.1) Note 33 to the Group's consolidated financial statements for fiscal 2014 (see Section 4.1)
21. ADDITIONAL INFORMATION		
21.1. Share capital		5.1 5.2.1
21.1.1.	The amount of issued capital, and for each class of share capital	5.1.1
21.1.2.	Indication if there are shares not representing capital, their number and main characteristics of such shares.;	5.1.2
21.1.3.	The number, book value and face value of shares in the issuer held by or on behalf of the issuer itself or by subsidiaries of the issuer;	5.1.3
21.1.4.	The amount of any convertible securities, exchangeable securities or securities with warrants, with an indication of the conditions governing and the procedures for conversion, exchange or subscription;	5.1.4 (with cross-references to sections 2.2.2.5 and 2.2.2.6)
21.1.5.	Information about and terms of any acquisition rights and/or obligations over authorized but unissued capital or an undertaking to increase the capital;	5.1.4 (with cross-references to sections 2.2.2.5 and 2.2.2.6) 5.1.5

Required disclosures		Section(s) of the Registration Document
21.1.6.	Information about any capital of any member of the group which is under option or agreed conditionally or unconditionally to be put under option and details of such options including the identity of those persons to whom such options relate;	5.1.4.1 (with cross-references to Section 2.2.2.5)
21.1.7.	A history of share capital, highlighting information about any changes, for the period covered by the historical financial information.	5.1.6
	Share capital subject to pledges	5.1.7
21.2. Memorandum and Articles of Association		
21.2.1.	Description of the issuer's corporate purpose	5.3.1
21.2.2.	A summary of any provisions of the issuer's articles of association, statutes, charter or bylaws with respect to the members of the management and supervisory bodies.	2.1.2 5.3.2
21.2.3.	A description of the rights, preferences and restrictions attaching to each class of the existing shares.	5.3.3
21.2.4.	A description of what action is necessary to change the rights of holders of the shares.	5.3.4
21.2.5.	A description of the conditions governing the manner in which annual general meetings and extraordinary general meetings of shareholders are called.	5.3.5
21.2.6.	A brief description of any provision of the issuer's articles of association, statutes, charter or bylaws that would have an effect of delaying, deferring or preventing a change in control of the issuer.	5.3.6
21.2.7.	Description of all provisions of the articles of association, statutes, charter or bylaw provisions governing the ownership threshold above which shareholder ownership must be disclosed.	5.3.7
21.2.8.	A description of the conditions imposed by the memorandum and articles of association statutes, charter or bylaw governing changes in the capital, where such conditions are more stringent than the law.	5.3.8
22. MATERIAL CONTRACTS		**1.4.2**
23. INFORMATION PROVIDED BY THIRD PARTIES, STATEMENTS FROM EXPERTS AND DECLARATIONS OF SPECIAL INTERESTS		

Required disclosures		Section(s) of the Registration Document
23.1.	Statement or report attributed to a person as an expert is included in the Registration Document.	6.2
23.2.	Statement confirming that this information has been accurately reproduced in the Document Reference.	6.1.1
24. DOCUMENTS ON DISPLAY		**6.3**
25. INFORMATION ON HOLDINGS		1.2.2 5.2.2 5.5 (with cross-references to Note 1 to the consolidated statements for fiscal 2014 – see Section 4.1)

6.4.2. Table of concordance with the Annual Financial Report and the Management Report issued in accordance with the French Commercial Code

For the convenience of readers of the Annual Financial Report and the Management Report issued pursuant to the French commercial code, the following table of subjects identifies in this Registration Document the main statutory information.

Headings	Information for	Section(s) of the Registration Document
1. PARENT COMPANY FINANCIAL STATEMENTS	**Annual Financial Report**	4.3
2. CONSOLIDATED FINANCIAL STATEMENTS	**Annual Financial Report**	4.1
3. MANAGEMENT DISCUSSION AND ANALYSIS		
3.1. Information on the company's business		
• Presentation of the business (in particular progress achieved and difficulties encountered) and results of the Company, of each subsidiary and the Group. *Art. L.232-1, L.233-6, R.225-102 and/or L.233-6, L.233-26 of the French commercial code*		1.4.1 1.4.3
• Analysis of business development, results and financial position and in particular debt of the Company and Group. *Art. L.233-26, L.225-100, subsection 3, L.225-100-1 and/or, L.225-100-2 of the French commercial code*	**Annual Financial Report**	1.4.1 1.4.3
• Outlook of the Company and the Group *Art. L.232-1, R.225-102 and/or L.233-26, R.225-102 of the French commercial code*		1.4.4.2 1.4.4.3
• Key financial and non-financial indicators of the Company and Group *Art. L.233-26, L.225-100, subsection 3 and 5, L.225-100-1, L.223-26 and/or L.225-100-2 of the French commercial code*	**Annual Financial Report**	1.1.1 1.4.1 1.4.3

Headings	Information for	Section(s) of the Registration Document
• Post-closing events of the Company and the Group *Art. L.232-1 and/or L.233-26 of the French commercial code*		1.1.3 (with cross-references to Section 1.1.2.10) 1.4.4.1 Note 33 to the Group's consolidated financial statements for fiscal 2014 (see Section 4.1)
• Information on the use of financial instruments including financial risks and exposure to price, credit, liquidity and cash flow risks of the Company and the Group *Art. L.225-100, subsection 6, L.225-100-1 and/or L.225-100-2, L.223-26 of the French commercial code*	**Annual Financial Report**	1.5.2.1 1.5.2.3
• Principal risks and uncertainties incurred by the company and Group *L.225-100, subsection 4 and 6, L.225-100-1 and/or L.225-100-2 subsection 2 and 4 of the French commercial code*	**Annual Financial Report**	1.5.1 1.5.2
• Information on R&D of the Company and the Group *Art. L.232-1 and/or L.233-26 of the French commercial code*		1.3.3
3.2. Legal, financial and tax information on the Company		
• Choice made on one of the two methods for exercising executive management in the event of a modification *Art. R.225-102 of the French commercial code*		n.a. (procedures for exercising executive management even when described in Section 2.1)
• Shareholder structure and changes thereto. • Names of company controlled participating in indirect control in the company and the share of the capital they hold. *Art. L.233-13 of the French commercial code*		• 5.2.1 and 5.2.3 • n.a.
• Material holdings in companies having their registered office in France. *Art. L.233-6, subsection 1 of the French commercial code*		5.5
• Notice of holding more than 10% in the capital of other joint stock companies; transfer of cross-holdings. *Art. L 233-29, L 233-30 and R. 233-19 of the French commercial code*		n.a.

Headings	Information for	Section(s) of the Registration Document
• Purchase and disposal by the company of own shares (share buybacks) *Art. L.225-211 of the French commercial code*	**Annual Financial Report**	5.1.3
• Employee stock ownership plans *Art. L.233-26, L.225-102, subsection 1, L.225-180 of the French commercial code*		5.7.1 (with cross-references to sections 2.2.2.5 and 2.2.2.6)
• Items having a potential impact in the event of public offerings: *Art. L225-100-3 of the French commercial code* i. Capital structure of the Company; ii. 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. Direct or indirect holdings in the share capital of the Company of which it is informed under articles L233-7 and L233-12 of the French commercial code; iv. Holders of any securities conferring special rights of control and descriptions thereof; v. Control mechanisms provided for in a potential employee stock ownership system where control rights are not exercised by the latter; vi. Shareholders' agreements known to the company and which may result in share transfer and voting rights restrictions; vii. Rules and regulations pertaining to the appointment and replacement of Management Board members and modifications to the articles of association of the company; viii. Powers of the Management Board for the issuance and buyback of shares ix. Agreements concluded by the Company that may be modified or terminated in the event of a change in control of the Company, except if such disclosure, excluding the case where legally required, materially adversely affect its interest; x. Agreements providing for severance payments for 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.	**Annual Financial Report**	i. 5.1.1 (with a cross-reference to Section 1.1.2.10) ii. 5.2.1; 5.2.6 (in particular, with cross-references to Section 5.3.3); 5.2.4 iii. 5.2.2 iv. 5.2.7 v. 5.2.8 vi. 5.2.4 vii. 5.3.2 and 5.3.8 viii. 5.1.3.1 and 5.1.5 ix. 5.2.6 (with cross-references to Section 1.4.2.7) x. 2.2.2.7 and 5.7.3
• Summary of powers in progress granted by the General Meeting for capital increases *Art. L.233-26, L.225-100, subsection 7 of the French commercial code*	**Annual Financial Report**	5.1.5

Headings	Information for	Section(s) of the Registration Document
• Reference to possible adjustments : + for securities giving access to the capital and stock options in the case of share buybacks;; + for securities giving access to the share capital in the case of corporate actions. *Art. R.228-90, R.225-138 and R.228-91 of the French commercial code*		5.1.8
• Disclosure of dividends distributed for the past three financial periods. *Art. 243 bis of the French general tax code*		1.4.9
• Amount of expenses and charges not deductible from taxable income. *Art. 223 quater of the French general tax code*		1.4.7
• Aged trial balance information for trade payables and receivables by maturity date *Art. L.441-6-1, D.441-4 of the French commercial code*		1.4.8
• Injunctions or fines for anticompetitive practices *Art. L.464-2 I subsection 5 of the French commercial code*		n.a.
• Agreements entered into between a director and/or officer or a shareholder holding more than 10% of the voting rights and a subsidiary of the company (excluding ordinary agreements) *Art. L.225-102-1 subsection 13 of the French commercial code*		5.6
3.3 Information concerning officers		
• List of offices and responsibilities exercised in any company by each executive officer during the year. *Art. L.225-102-1, subsection 4 of the French commercial code*		2.1.1
• Compensation and benefits of any kind paid during the period to each executive officer by the Company, companies that it controls and the company controlling it. *Art. L.225-102-1, subsection 1, 2 and 3 of the French commercial code*		2.2
• Undertakings linked to assuming, terminating or changing functions. *Art. L.225-102-1, subsection 3 of the French commercial code*		2.2.2.7

Headings	Information for	Section(s) of the Registration Document
• In the case of stock option grants, reference to information on which the Supervisory Board's decision was made to: + either prohibit executive managers from exercising their options prior to ceasing to exercise their functions; + or to impose lockout obligations to registered holders until they cease to occupy their functions on all or part of the shares resulting from options already exercised (by specifying accordingly the portion that was set). *Art. L.233-26, L.225-185, subsection 4 of the French commercial code*		-
• Summary of dealings in own shares of the Company by executives and related parties. *Art. L.621-18-2, R.621-43-1 French of the French monetary and financial code;* *Art. 223-22 and 223-26 of the AMF General Regulation*		2.1.4
• In the case of stock option grants, reference to information according to which the Board of Directors' decision was made to: + either prohibit executive manager from disposing of the restricted stock units freely granted to them prior to ceasing to exercise their functions; + or to impose lockout obligations to registered holders for the shares until they cease to occupy their functions (by specifying accordingly the portion to be covered by these provisions). *Art. L.225-197-1-II, subsection 4 of the French commercial code*		2.2.2.6
3.4. CSR information of the company		
• Consideration of the employment-related and environmental consequences of the business and social commitments in favor of sustainable development, preventing discrimination and promoting diversity. *Art. L.225-102-1, subsection 5-8, R.225-104, R.225-105 and R.225-105-2-II of the French commercial code*		3.1
• Information on dangerous activities. *Art. L.225-102-2 of the French commercial code*		3.1
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5. Statutory Auditors' report on the separate parent company financial statements	**Annual Financial Report**	4.4
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